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The Barker Review Team  
1 Horse Guards Road  
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1 August, 2003.  
Our ref: MRH/gjd

Dear Sir/Madam,

### **Barker Review of Housing Land Supply**

Thank you for contacting Bovis Homes as part of your Review of Housing Land Supply. Bovis Homes is a national housebuilder, building open market, affordable and retirement houses on both brown and greenfield land.

Your letter of 9 June sets out the context and scope of the review and the enclosed paper identifies 4 issues each with a series of bullet points. This company's response addresses each of the issues in the order that they are set out in the paper, and is as follows:-

#### **Land Constraints**

**Issue 1: We would like to understand whether the supply of land is overly constrained and if so, how and by what?**

The planning system initially determines the supply of housing land through national, regional and local policies. It determines both the amount of land that should be allocated for housing and its distribution both in general terms and in local plans on a site specific basis. The publication of PPG3 in March 2000 introduced significant changes to the way in which land is identified and released for housing, placing far greater emphasis on sustainability, design, density and the use of previously developed land.

**Is there a shortage of suitable land for development? Are there any factors which reduce land owners willingness to sell?**

There is no geographic area in which we operate that cannot accommodate an increase in volume if land and planning consent were available. The constraint placed upon this Company to expand its number of sales is land supply and obtainment of planning consent.

There should be no shortage of land for housing development if the planning system delivers up to date local plans with housing allocation and realistic assumptions on the delivery of previously developed land, and windfall sites. Delays in the adoption of local plans, and in the planning application process, all contribute towards reducing the supply of housing land and customer

choice. A site is only truly available for development when planning permission has been granted and conditions relating to development are satisfied.

The question that you have raised is specific as it relates to "suitable" land and not just housing land. To be suitable the site must meet sustainable location criteria set out in planning policy. From a developer point of view there must also be a market demand for dwellings that are to be built on the site. The mix of dwellings relates not only to the size and type of property but also to tenure. We live in an affluent society and if we are to meet the needs of all of our customers we need to take into account their requirements. A 'one size fits all' approach is inappropriate and if we are to achieve true sustainability we need to consider the ability for many people to work from home and for them to have access to facilities that are suitable for their family.

Factors which reduce landowners willingness to sell are primarily price. Value is reflected in, firstly, the current existing use and where a change of use from commercial to residential is planned, the cost of conversion or demolition, decontamination, infrastructure and Section 106 contributions, including affordable housing, are important factors. Where affordable housing is proposed grant funding is fundamental to the economy of development.

### **Are there any problems associated with land assembly particularly brownfield land?**

As regards small developments/re-developments they are isolated. In respect of major regeneration projects such as East Manchester, Liverpool, etc., without compulsory purchase a comprehensive sustainable approach is unlikely to be achieved.

### **Does the practice of optioning restrict overall land supply?**

The opposite is true. The obtainment of an option will, in the vast majority of cases, require the option holder to actively promote development. The option will also ensure that once planning consent is obtained, development proceeds. Without an option there is unlikely to be the investment in a planning application with full supporting environmental, transportation and master planning etc. processes. In addition, a vendor may not wish to dispose of land that is capable of being built upon. Where an option exists that choice is no longer possible.

### **Is optioning necessary? If so, why?**

It is essential for a developer to have a legal interest in land, if the company is to commit significant resources, often over a long period of time, towards securing an allocation in a local plan or a planning permission. The purpose of the option is to protect both parties, the Vendor has the benefit of the developers expertise in promoting the site and the developer has the benefit of knowing that the time, effort and resources that is expected in promoting the site will mean that there is the ability to acquire the site when planning permission is granted.

The practice of optioning enables suitable land to be brought to the attention of the local planning authority together with any necessary background information to support its development (transportation, planning geology, archaeology etc.) all at the expense of the developer. Often the landowner nor the local planning authority have the funds to undertake the work involved.

### **Is land allocated in Local Development Plans sufficient to meet housing need?**

If the government's objective of adequately housing all of our society is to be met, the answer is 'No'. Independent studies advise of a current shortfall in property to households and an increase in demand through immigration, increased life expectancy, divorce, separation and birth rate.

There is also an economic and social element which basically relates to sustainability. Where local demand is not met, this results in family members having to move out of the geographic area due to availability and affordability and local employers face difficulties of maintaining and expanding their business due to both availability and cost of housing their workforce.

**Is the RPG shortfall explained by a shortfall in the number of appropriate planning applications?**

Not in its entirety. Even where outline planning consent has been granted there are further hurdles prior to development taking place.

i) Decontamination, which can take many years and where gases are present it is quite normal for a condition to state that a minimum of one year's post remediation testing is required prior to development commencing. If any of these tests fail further remediation works will be required with subsequent testing thereafter.

ii) The provision of infrastructure can delay a site start. The crossing of a railway or major transportation routes, canals or rivers, can take several years to complete before access is possible. Certain planning consents are constrained by water supply or sewer capacity which can delay a start for many years.

iii) Outline planning consents often contain restrictions as to the number of properties that can be occupied without other conditions being made many of which are outside of the developers control such as public services/infrastructure and lack of funding for social housing.

iv) Detailed planning consent has to be obtained pursuant to outline. Currently it is not unusual, even where delegated powers are granted, for it to take between twelve months and two years to obtain consent.

v) Many outline consents, once granted, are affected by subsequent events such as guidelines on flood defences, development in areas subject to flooding, wild life habitats and other similar guidance.

vi) Outline planning consents often contain a schedule of conditions which require discharging such as archaeology which take time to complete and restrict development on part or all of the site.

**Issue 2: In your view what constraints face the industry and which are the most significant.**

**Do housebuilders face difficulties in accessing finance?**

I am not aware of any of the major home builders currently experiencing any difficulties in this regard. Most of the medium builders also appear to be adequately financed. As with any industry, there will be some of the smaller, less profitable, organisations or those that are not as well run, which will face difficulties from time to time. The overall industry is well financed, has relatively low gearing and there is no constraint on capacity as a result of financing.

**Do shortages of essential skilled workers exist, can alternative production techniques overcome this problem?**

The industry, for a number of years, became one of last choice. With a change in educational methods, aspirations and a belief that we are moving into a technological age, new recruits were difficult. Over the last two years, however, a full intake of apprentices has been possible and over 73,000 additional people joined the industry last year alone. The Construction Industry Training Board has played a significant part in the recruitment of young people and to improve training and opportunities throughout the industry. If their success is replicated next year and beyond, the industry should have sufficient numbers of qualified, experienced people. Most organisations are moving towards factory finished components and improved mechanical handling. It takes approximately three years to train an average craftsman to a point where they can make a reasonable contribution. If government is able to provide land supply in a predictable manner, the industry will finance and provide either additional people or invest in improved production techniques to meet demand.

**Do attitudes to risk deter investment in land for housing?**

No. This can be witnessed by the fact that I am unaware of land that has planning consent that has been placed on the open market remaining unsold where the vendor is willing to accept a market price.

**Do internal dates of return deter additional investment either in land or alternative production methods?**

No.

**Is there potential for increasing the use of alternative manufacturing methods? Is this potential affected by consumer preference or the attitude of mortgage lenders and insurers?**

There is enormous further scope. We currently have a very durable, efficient, easily recyclable product which has a large percentage of UK produced component parts with high sustainability. The increased use of mechanical handling and factory finished components will further assist quality and productivity.

Consumers, mortgage lenders and insurers have a common agenda in that all are looking for a safe investment with low risk. It is incumbent on the industry to ensure that any products we manufacture meet that criteria.

**It has been suggested that the economies of scale are not sufficient in the UK to make these off-site production techniques a viable option? Is this the case?**

Most cost effective production techniques rely upon repetition. Scale will improve their viability. In many cases, however, transportation is also a major factor which will further impact upon sustainability.

**Are the working capital requirements and cash flow implications of modular building a barrier to their use?**

A major factor here is the need to match production with sales. In the commercial sector and in respect of social housing for rent, speed of construction is often economical. As regards private sector sales, it can have an enormous negative impact where houses stand empty and require maintenance and incur interest charges whilst purchasers' chains complete.

**Are there particular production problems in developing brownfield land due to contamination or dereliction? To what extent are such problems obstacles to development decisions? How much more expensive can this make brownfield land?**

There are two initial fundamental issues. One is cost and the ability to accurately assess prior to purchase. The second is environmental particularly in existing urban areas where neighbours are affected by noise, dust and potential contamination from materials being removed such as asbestos.

An assessment has to be made on a site by site basis. The major obstacles to development are financial and have to be considered on a project by project basis.

Re-used land is substantially more expensive to develop due to demolition, decontamination, additional foundation costs and often is influenced by the difficulties of access, storage of materials and working areas during construction and in respect of redevelopment in London, the additional cost of congestion charges.

**Issue 3 : We would like to know whether policy and its application influence housing developments?**

**Are there problems with the interpretation of planning guidance by Local Authorities, if so, what are they and why?**

It is inevitable that there will be difficulties with the interpretation of planning guidance by local authorities. A good example is the introduction of PPG3. In the majority of instances there was an immediate conflict with the Adopted Local Plan. Planning Committee members therefore had the difficulty of deciding which to follow. The intention of the planning guideline is open to interpretation and depending upon the desire/wishes of the Planning Committee, can be used accordingly, eg parking standards. The policy to increase the use of modes of transportation other than the private car should seek to reduce car use and not car ownership. In many instances local authorities have strictly applied PPG3 which has, is, and will, continue to create enormous conflict between neighbours, create dangers for residents and the public, restrict the ability of emergency vehicles to access and egress areas, with builders being blamed for poor design and provision of parking. The largest single complaint that we have had from purchasers is the imposition of restricted parking which does not meet their needs or that of their employer.

We are still complying with existing outline planning consents where densities are below PPG3 and the local authority have not, or will not, adopt the new guidelines. The appeal system is taking too long and there is no certainty that we would win an appeal as our application would not be in accordance with our outline planning or Adopted Local Plan.

Other examples are where outline planning consent has been granted and new guidelines issued which the local authority have retrospectively applied.

**Are there particular aspects of planning policy which do not properly reflect the wider social and economic costs and benefits of housing?**

The current planning policy does not meet either demand or need for housing within local areas.

There is also an economic and social element. By failing to meet local demand families are forced to move out of the geographic area and local employers face difficulties of maintaining and expanding their business due to both availability and cost of housing their workforce.

**Does the planning system provide incentives to develop brownfield land?**

No.

**Is planning guidance applied appropriately?**

Guidance is applied inconsistently and despite the good intentions is rigidly applied in some authorities and completely ignored in others.

**Is the current reform programme sufficient to address the inefficiencies in the planning system?**

The proposals contained within the Planning and Compulsory Purchase Bill require further clarification as regards the implementation intentions prior to a detailed response being provided. There is nothing, however, that is contained within the current proposals that indicate that the system will be more efficient or that further delays will not be experienced. There is nothing wrong with the principles of the current planning system. The problems relate to implementation. Many of the Local Plans are out of date and there are insufficient resources both in terms of qualified and experienced people within the planning and legal departments to efficiently handle applications.

**Are Section 106 Agreements an effective means for addressing and mitigating the impact of development?**

Section 106 Agreements are appropriate where conditions cannot be applied to a consent and the matters contained relate to the development itself. There should, however, be strict timescales laid down to the issuing of a Section 106. Often there is

agreement between the parties but the processing is delayed due to capacity problems within local authorities legal departments. A standard Section 106 should be agreed as regards legal wording with the detail applied to the various developments.

**Do S.106 Agreements create any perverse incentives?**

They now materially affect true town planning in the UK.

An example is the requirement by the Mayor of London that all future residential developments contain a minimum of 50% social housing irrespective of the economics which is likely to lead to an overall reduction in supply of new properties within the capital.

**Do Building Regulations restrict development?**

They do not restrict development as far as new housebuilding is concerned. They may restrict some conversions but as they state a minimum standard it is appropriate and necessary that they be applied.

**Do regulations governing "change of use" effect the use of existing buildings for housing?**

Yes, as planning approval is required.

**Are there market failures that you can identify affecting the development of environmentally sustainable housing, regeneration of urban areas and protection of the countryside?**

Most of these have been identified by government. Examples are East Manchester, parts of Newcastle, Liverpool, Stoke-on-Trent and Birmingham where regeneration plans are either in existence or planned for the future.

**How does the Tax regime influence the use of land? Does taxation prevent the most efficient and effective use of land?**

The market price of new homes is determined by the secondhand market. As long as previously owned properties are VAT free, so should new properties to create a level playing field. The VAT treatment of conversions is determined by its former use and follows a logical path. Non recoverable VAT on Stamp Duty has increased the cost of land and where regeneration is necessary has added an additional unnecessary burden.

The recent tax relief that is available to decontamination is a positive move and should assist where these problems occur. Additional help could be provided in respect of the same sites allowing VAT recovery on the Stamp Duty.

**Issue 4: Why has the industry not expanded provision of affordable housing or housing for rent?**

Affordable housing is broken down into a number of component parts:-

- i) properties available for low income and first time buyers
- ii) shared equity
- iii) key worker
- iv) housing for rent through registered social landlords.

Private housebuilding now produces most of the dwellings built in the UK and have increased the number of affordable dwellings they provide over recent years. Most local authorities no longer provide properties themselves or have funding available.

Registered Social Landlords are primarily funded by the Housing Corporation and are non profit making.

There is no incentive for a private housebuilder to establish a business as a registered social landlord which is a non profit making organisation. Public quoted housebuilders are not property investors and the City does not value highly either conglomerates or companies that have mixed businesses.

I trust the above assists the review. Should you require any further information please do not hesitate to contact me.

Yours sincerely

M R Harris  
Chief Executive