

# MERSEYSIDE POLICY UNIT

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Barker Review of Housing Supply  
1 Horse Guards Road  
London  
SW1A 2HQ

25 July 2003

Dear Ms Barker

## **Merseyside Response to the Barker Review of Housing Supply**

Thank you for providing the opportunity to comment on the Barker Review of Housing Supply circulated on 9<sup>th</sup> June 2003. The following response has been prepared by the Merseyside Policy Unit on behalf of the six local authorities of Merseyside - Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral, and Merseytravel.

The response format has not been followed rigidly as some matters are more relevant to the South East of England rather than the North West and also because this response is from the planning perspective whilst much of the consultation questionnaire is based on the views of the construction industry. As such, the response is divided into the following sections:

- (i) General comments
- (ii) Predict and Provide
- (iii) Low Demand Issues
- (iv) Changes to the planning system
- (v) Empty Homes
- (vi) Tax Regime
- (vii) Rented Sector
- (viii) Affordability

### **(i) General Comments**

In general, the review appears to be a review of housing supply issues in the South East of England in particular. Whilst particular locations in the North of England may experience shortages, there is no shortage in the quantity of stock *per se*. The only reasonable answer to the long-term issue of the shortage of housing land in the South-East is to try and redress the population imbalances. This can only be realistically achieved through a vigorous regional policy (or even a national spatial strategy) which seeks to redistribute economic activity away from London. Whilst this may have proven unpopular or unachievable in the past, in the current age of ITC and telecommunication links, it is questionable that location is as important now as it has been in the past.

With regards to house prices, these are dependent on a number of factors including housing supply but also including disposable income, mortgage availability, interest rates and fashion in buying houses. The recent bout of house price rises may well be just as attributable to these other factors as much as housing supply constraints. In any event, even if supply constraints were the main reason for house price rises (which is considered unlikely), academic research indicates that there would need to a very significant and sustained increase in housing supply over a period of time to have an effect on land values and house prices, with all the planning and environmental implications arising from the potential loss of large amounts of greenfield/greenbelt land.

In addition, the responsiveness of the construction industry to maintain adequate levels of supply is likely to be constrained by the capacity of existing individual businesses and the skills base of the existing workforce.

**(ii) Predict and Provide**

Another aspect of the scope of the review is the implication that the housing shortage is a relatively recent phenomenon and is due largely to the inelasticity of the housing market, that is, that output does not respond sufficiently quickly to increases in demand. This would appear to be as a result of the abandonment of the "predict and provide" method of housing land availability in favour of the "plan, monitor and manage" approach. Given recent ODPM pronouncements regarding the maintenance of the 10-year supply of housing land, it could be possible that the Barker Review will recommend a return to the former approach to housing land provision. This may have benefits for the supply of land in the South East (though not necessarily for sustainable patterns of development) but could result in over supply and increased low demand and abandonment in areas of the North West. The Secretary of State, in issuing RPG for the North West (RPG13), has fully recognised the dangers of over-providing housing by framing Guidance in such a way that it "takes a realistic and responsible view of future housing requirements, within the context of an up-to-date projection of household growth" (see para 5.30 of RPG). In addition, para 5.32 of RPG13 stresses that housing provision and the ways of meeting it should be kept under continuous review at the regional level. This should form the basis for the review and roll forward of RPG which will take place at least every 5 years, and more frequently if there are clear signs of either under, or over-provision. Initially, the annual rates of provision only apply until 2006 or until the plan is reviewed.

The key point is that, in so far as the North West is concerned, the Secretary of State considers it is vital that housing development should not run unduly ahead of household growth, after allowing for housing provision to reflect some economic growth, migration etc. This (according to Government figures) seems to have taken place in the North West in recent years with housing development rates having run significantly ahead of household growth for the period 1997 to 2001. This encourages the premature release of scarce land (especially greenfield land) and adds to the potential dangers of oversupply in exacerbating low demand problems.

**(iii) Low Demand Issues**

The failure of the Barker Review to look at issues of low demand and regional policy is a shortcoming of the study as, in some ways, they are the different sides of the same coin. Also, as noted above, an effective and redistributive regional policy could be one of the solutions to localized housing land supply shortfalls. The assumption that there is a housing shortage may well be true at the national level (and particularly in the South East of England) and in parts of North West England, but it conceals that fact that the housing supply/demand balance is very different and varies in complexity in different parts of the country. In parts of the North West for example, oversupply has, in part, contributed to low housing demand in neighbouring areas, and hence the need for the four Housing Market Renewal Pathfinder designations to address these problems across the North West. In these areas the housing market is at best "balanced on a knife edge" and to allow further major competing house building in nearby housing market areas could undermine them even further.

GONW, consistent with RPG advice, fully recognises the dangers of oversupply in housing provision. For example, in its objections to the first deposit draft of the Sefton UDP, it considered that Sefton was potentially in danger of releasing too much housing land and consequently objected on that basis. Accordingly Sefton, in its revised Deposit Draft, has trimmed its supply and introduced, via SPG (with strong GONW support), a restraint mechanism on future housing land release outside the South Sefton Housing Market Renewal Area and central Southport. The logic behind this is that housing development should not exceed RPG housing requirements, and where possible, should be directed to the South Sefton Housing Market Renewal Area. Housing development outside this urban priority area (and central Southport) should not be allowed to compete with or undermine the urban regeneration process in this area. The key point is that a more liberal approach to housing land release would undermine this process.

**(iv) Changes to the Planning System**

The proposed "speeding" up of the planning process under the provisions of the Planning and Compulsory Purchase Bill currently in the Lords is questionable. It is already the subject of delay in its legislative timetable and given the confusion over transitional arrangements, different planning authorities will be preparing different types of development plan for a the foreseeable future. Moreover, proposals to reduce the timescale of consents to three years are unlikely to be of benefit to the housebuilders who have development cycles, which are longer. These proposals could actually accentuate the problem in the worst affected areas.

**(v) Empty Homes**

It is essential that the Review considers the issue of empty homes when assessing supply, particularly in those areas of the South East with unsustainably high demand. The ODPM Consultation Paper on *'Empty Homes: Temporary Management, Lasting Solutions'* states that there are 101,000 empty homes in London (April 2002) and another 84,500 across the South East (April 2002). Bringing these back into use (where appropriate) could make a significant contribution to the overall supply in the region.

**(vi) Tax Regime**

The tax regime between new-build and conversions needs to be equalized. In Liverpool City Centre for example, historic and listed buildings which currently lie vacant are a valuable housing supply resource. Tax equalization (or even tax breaks in favour of conversion) would be extremely useful in helping to bring these buildings back into economic use. Such fiscal measures could also help in bringing other vacant premises back into use, such as flats over shops.

**(vii) Rented Sector**

With regards to the rented sector, there has been a considerable growth in the investment market (i.e. buy-for-rental), particularly within Liverpool City Centre. In some sectors, this is seen as a potential worthwhile investment, particularly with the volatility of the stock markets. It is suggested that the rental sector is also an area that experiences regional differentials which also explains why inelasticity of supply is such a significant issue in the UK compared with other European countries where renting is a much more significant tenure.

The key issue with regards to rental is the social housing. It is clear that the planning system cannot deliver the amount of affordable housing needed to make up the shortfall caused by the decline in the local authorities' social/ rented housing responsibilities. Historically, developers have not provided this housing, the responsibility for which has fallen to local authorities and RSLs.

**(viii) Affordability**

It is suggested that the review should be looking at the impact of affordable housing on housing prices; that is, developers increasing the cost of other housing to cover the loss or lack of profit on affordable housing that they are required to provide. In addition, Sustainable Communities: Building for the Future refers to the need to reduce the thresholds for requiring affordable housing in the South-East, because of small site size. This is not simply a South-East phenomenon and it is considered that affordability thresholds should not be imposed at Central Government level; or even at the regional level, but that flexibility should be introduced at the individual district level.

I trust these comments are useful and look forward to seeing the final Review. Please do not hesitate to call me on the number below should you have any queries on this response or require further information.

Yours sincerely

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