

## JOINT STRATEGIC PLANNING AND TRANSPORTATION UNIT

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## BARKER REVIEW OF HOUSING SUPPLY –Comments \*

### General

1. It is acknowledged that the review is of “ *the underlying causes for the lack of supply and responsiveness of housing*”. However, it should not overlook the impact of demand, and the volatility of that demand, on supply, and the reasons for that, in a United Kingdom where the vast bulk of house building is for owner occupation and consequently subject to the complexity of market forces.

2. One of the stated concerns behind the Review is that “*an unresponsive supply side can .....contribute to short term house price volatility.*” However new housing is only one element of the total supply of housing. The bulk of available housing being marketed arises from the existing stock although the release of some of this available stock may depend on moves to new, never previously occupied stock.

3. In a major City region in the short to medium term, say up to 5 years, the general price of housing is therefore likely to be determined more by demand for the existing stock than by relatively small additional quantities of new housing coming onto the market. In Bath and North East Somerset, Bristol, North Somerset, and South Gloucestershire (the former ‘Avon’ area) annual gross additions to the housing stock average about 0.8% of the total stock per annum. Total sales of new properties probably account for, on average, about 14% of all property transactions in any given year in this area.

4. Demand for housing will be a function of demographics, lifestyles and individual preferences. But ultimately the level of demand and house prices are likely to be a function of the availability and cost of money needed to purchase properties, in relation to the incomes and wealth of prospective purchasers. Therefore in the short term in particular, and possibly in the medium term, demand factors are likely to be more important in influencing house prices than land constraints on the supply side.

5. Arguably it has been volatility in the availability of finance, and the demand it generates, that has contributed to the boom and bust cycles of housing markets over the last 30 years, and the consequent inability to plan supply on a longer term basis.

6. In the longer term the supply of housing, especially in the form of large quantities in specific locations, is likely to begin to exert an influence on prices in a wider locality. However, supply will be responding to demand and if the financially driven causes of demand, highlighted above, remain inherently unstable then additional planned supply is unlikely to be brought forward in steady significant volumes however much land is available. Increased public investment in housing and particularly in the infrastructure necessary to

support it would be one means of evening out this volatility, if it were not possible to do so through the financial markets.

7. Given the above, the statement that *“the availability and intensity of the use of land ultimately determines the supply of housing”* whilst true, in reality only addresses one determinant of housing supply and ignores the impact of demand factors on making supply available.

8. There is a further issue. If in the longer term much more land were made available and eventually the rise in house prices were checked, people may simply demand more space. More supply could then lead to lower densities and not necessarily a proportionate increase in housing numbers. It may also reinforce existing trends of the wealthiest simply buying more housing as a capital investment (including the increasing numbers who inherit residential property). Without Government intervention this would still leave many at the lower end of the market unable to enter that market; i.e. increased supply would not automatically meet existing needs. More attention needs to be given to the distributions of house prices and incomes, and the operation of different sectors of the market.

## **Land Constraints**

### **Dwelling Statistics**

9. First it is important to ensure that, when statements are being made to the effect that Regional Planning Guidance (RPG) housing targets are not being met and issues are being raised about land supply, the statistics being used to examine “housing shortfalls” are in fact correct.

10. It is the experience of the planning authorities in the former Avon area that there has been long-term undercounting of additions to the dwelling stock in the area when compared to the site counts undertaken at least annually by planning authority staff. In this area it is estimated that approximately 33% more dwellings were produced than were recorded by the ODPM for the 1998-2001 period.

11. When *‘Sustainable communities in the South West’* was published, it was clear that the housing completion figures quoted by the Office of the Deputy Prime Minister (ODPM) were not consistent with those produced by the local authorities. The claim of a 30% shortfall against regional housing targets was due to the use of ODPM statistics rather than local authorities’ completion records. Indeed local authority statistics show that the RPG figures are being met across the South West region as a whole, in spite of the fact that none of the adopted local or structure plans in the SW region incorporates the RPG10 housing figures at this stage.

### **Response to demand**

12. In the short term, the supply of housing is broadly fixed within the framework of sites already being developed or in the pipeline. However, production can be accelerated on sites already in the development process particularly on larger “estate” type sites with outline planning permission where later planned phases can be brought forward. Such sites have been an important part of housing supply in the former Avon area; for example between 1996-2001 three major sites in the area contributed 50% of total new completions on all large sites (i.e. with a capacity of 10 or more dwellings).

13. However, in a Plan led system, with housing requirements set at regional and structure (or unitary) plan level for 10-15 year periods, such an acceleration of house building will not automatically lead to additional large scale sites being provided to make up for the early completion of other sites. This is particularly likely to be so if the housing requirement for

any given local authority, as set out in structure and local plans for the plan period, has been met or is close to being met.

In this instance the process of identifying and proposing new sites would normally be part of a longer-term process of reviewing key aspects of regional and sub regional spatial strategies, within the context of national and regional projections of population and households. In turn this would lead to new dwelling requirements being set for local authorities for further periods. The further allocation of such large-scale sites would normally have important environmental and infrastructure implications, including transport, and these would need to be properly considered and resolved.

14. There is likely to be a difficulty of accelerating significant amounts of new housing supply through small sites. Developers may therefore, in the medium term, seek to respond to increased demand by bringing forward allocated sites originally planned for development later in a plan period, where a local authority's planned dwelling requirements have not been met. However, this is likely to be largely dependent on the flexibility of a local planning authority's phasing policies and on the ability to resolve planning and infrastructure issues in a faster timescale than originally envisaged.

15. Alternatively developers may seek planning permissions on new brownfield windfall sites. Invariably the latter will tend to be small to medium-sized sites. Larger brownfield sites, which could produce significant numbers of new dwellings in appropriate locations, become available less frequently and will tend to face similar infrastructure and environmental considerations as large greenfield sites. They may need special Government or Regional financial aid if there are particular site problems or major infrastructure requirements that cannot be recouped through the development.

### **Sufficiency of land**

16. The question is asked "*is the land allocated for housing in local development plans sufficient to meet housing need*". In the former Avon area, and as determined through housing requirements set by the statutory planning process, the answer is 'yes'. However, the question itself needs to be qualified since not all housing requirements are necessarily met through formal 'allocations' i.e. specific plan designations. (This is further commented upon in paragraphs 19-21 below).

### **Industry Constraints**

17. No comments are made on these issues

### **Policy Environment**

18. *Planning Policy Guidance Note No. 3 (PPG3)* provides the main policy framework for the supply of housing land. It emphasises that land is a finite resource and that in preparing local development plans local authorities should not extend their site search sequence further than is necessary to meet the agreed housing target for the plan period, prioritising the re-use of previously developed land and buildings. However, it also warns against prejudicing the operation of the development process "*by unreal expectations of the developability of particular sites*".

19. Within this framework *PPG3* requires "*sufficient sites to be shown on the plan's proposals map to accommodate at least the first five years (or the first two phases) of housing development proposed in the plan*". This is after making an allowance for windfall sites i.e. those sites assumed to arise during the plan period from other sources but which, by definition, cannot be formally identified and allocated within a statutory plan. *PPG 3* also states specifically that "*no allowance should be made for greenfield windfalls*" and

consequently there is a generally a presumption in development plans against reliance on such sites for additional house building.

20. There is clearly a significant difference between allocating specific sites for a five year period and allocating sites for the first two phases, particularly where the combined phases may amount to ten years in total. The different approach is likely to reflect the position with regard to windfall development and particularly the desire not to make unnecessary use of greenfield sites when brownfield alternatives could be available. In this situation there are two important factors:

- a realistic assessment of windfalls
- an adequate allocation of specific sites shown on the proposals map.

In PPG 3's 'plan, monitor and manage' approach, identified sites can be drawn upon to meet any shortfall of windfall provision over the whole of the plan period. However, if specific site proposals have only been made for a five year period and windfalls, despite expectations, fail to provide for the remaining five years of a 10 year plan period then further sites could only be identified through a review or alteration of the plan. This is a relatively time consuming formal process probably taking a minimum of two years to complete even for a specific alteration. Depending on when a review/alteration is undertaken it could interrupt the supply of land for housing e.g. if it was not initiated until the shortfall was already obvious.

21. A recent ODPM Ministerial statement by Mr. Keith Hill on 17 July 2003 in effect sought to offset some of the inevitable delays in formal plan making by making provision for the duration of a plan to be ten years "*from the plan's forecast adoption date*" and for provision "*for at least ten years' potential supply of housing*". However, this does not appear to change the PPG3 requirement for sites to be shown on the proposals map to accommodate at least the first five years of housing development i.e. the remainder could be windfall provision on brownfield sites.

22. Within this structure of total housing provision PPG 3 expects planning authorities to develop a sequence for the release of sites giving priority to previously developed ones. This process and the general restriction on the release of greenfield sites will help guide developers to brownfield development sites and create a greater confidence for their development. In that sense there is an incentive to develop brownfield land and this certainly seems to be reflected in the former Avon area. However, this incentive is only likely to be realised on sites where developers believe a market demand exists or in the case of affordable housing where financial support is available.

23. In the absence of their own large scale investment funds or landholdings, local authorities can only otherwise provide limited incentives to develop brown field land, for example through lower planning obligations to offset other 'abnormal' costs of development. However, this may in turn inhibit the achievement of other targets in respect of such things as affordable housing numbers. Local authorities cannot necessarily compensate developers for an adverse relationship between costs and values, which must depend, to a great extent, on demand and the resulting property values.

24. Within this planning guidance some authorities, and even the Government, appear to treat the percentage of brown field housing target as the main priority, and this can hide the performance on supply vis-à-vis total housing numbers. A higher percentage brownfield outcome in any particular year could reflect both a lower number of brownfield dwellings and lower total numbers on the ground.

25. In setting multiple targets, planning guidance can also be ambiguous and lack clarity in prioritising different desired outcomes, for example in achieving total housing numbers, the brownfield/greenfield ratio, affordable housing, densities, car parking standards. These

undoubtedly make it more difficult for local authorities to apply policies effectively when it comes to making decisions on individual planning applications.

26. The current reform of the planning system does not address some of the fundamental questions about housing land supply that are now raised. There should be a shorter process and timescale from Regional Spatial Strategies (RSS) to Local Development Frameworks. The time span of RSS needs to take account of the very long time lags from the base date of such plans to the eventual incorporation of the housing requirements of the finally adopted RSS into plans at a local level. This can be as much as 10 years. However, as some development plans will not identify sites for the first time, (because most sites are already committed, windfall or otherwise previously known), changes in procedure will not necessarily always accelerate the supply of new housing sites.

## **Social housing and the Rented Sector**

27. The lack of adequate provision for affordable housing is a fundamental problem. At local level there is increasing pressure to increase housing numbers but at the same time there is the realisation that this supply is not structured in such a way that can meet the real needs of those unable to afford housing on the open market, whether to buy or rent. Losses from the existing affordable stock, mainly through the right to buy, continue to out pace additions through new build.

28. The question is asked, "*why has the industry has not expanded the provision of affordable housing*?" However, affordable housing in the Government's own definition falls into two distinct categories: "*low cost market housing and subsidised housing (irrespective of tenure...) that will be available to people who cannot afford to rent or buy houses generally available on the open market*".

29. In the former Avon area, a recent study concluded that there was little role for new low cost market housing to provide for this type of need because in effect it was more highly priced than the most accessible parts of the private second-hand market and therefore not affordable. The price of new housing will be influenced by the price of similar second-hand housing. A property cannot be simply designated as low cost as a builder is highly unlikely to sell a property for below the market price, knowing that the purchaser could sell it on almost immediately for a profit. In effect, low cost market housing is simply the lower end of the owner occupied property market and its price will generally reflect its smaller size, dwelling type, indoor/outdoor amenities, and location. Any of these characteristics may be unsuited to households in need as well as the dwelling being at an unaffordable price.

30. There is therefore no obvious reason why the private building industry would want to expand into this sector if it meant selling properties at below the maximum profit that could be obtained. Private builders are only likely to provide affordable housing as part of a development if

- there is a subsidy available and ultimately control by a registered social landlord, or
- the profit it is anticipating making from the whole development enables it to provide, through a Section 106 agreement, a certain number of other properties without a subsidy either for transfer to an Registered Social Landlord or sale at a discounted price below agreed market rates, with the discount on future sales perhaps being protected in perpetuity through a covenant.

31. However, there appears to be a general consensus that too much emphasis is being placed on Section 106 planning agreements to provide affordable housing and that what is really needed is a major increase in publicly financed housing through RSL led schemes as part of mixed tenure developments. This would help to make up for the major fall in housing numbers since the role of local authorities was reduced in the 1970s and would itself help introduce some stability into housing supply, providing it was accompanied by land being made available.

*\*Note: The comments above are those of Officers in the Joint Strategic Planning and Transportation Unit and do not necessarily reflect the views of members of the four local authorities.*

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