

The Barker Review Team  
1Horse Guards Road  
London  
SW1A 2HQ

Our ref: DS/Planning

16 September 2003

**By e-mail & By First Class Post**

Dear Sir/Madam

**RE: BARKER REVIEW OF HOUSING SUPPLY.**

I refer to your letter and enclosure of 9<sup>th</sup> June 2003 regarding the above. I apologise for the delay in responding.

We have given careful consideration to the issues upon which you would welcome comment and also to your request that such comments be kept as brief as possible.

I would, therefore, propose to comment in respect of each of the issues and bullet points raised in a similar manner keeping the comments succinct.

By way, however, of introduction I would point out that Jones Homes is a major private house building company of over 40 years standing which operates within the North West, Yorkshire & Humberside and the South East. They have extensive experience in bringing forward land for development, the planning system and negotiations with local authorities and statutory undertakers and other bodies.

**Issue 1**

- (a) On balance we would say that there is a shortage of suitable land for development. Part of the reason for this is that the aspiration for 60% of new housing being on brownfield sites failed to recognise that existing land supply was often based on brownfield and greenfield sites prior to P.P.G.3 in March 2000. However it was a natural assumption that some 40% of future housing supply would still be from greenfield sources. What, in fact, has happened through further planning guidance and local policy making is that virtually 100% of housing is being sought on brownfield sites which is suppressing the bringing forward of greenfield land allocations.

Other factors that affect land owners willingness to sell include the burden of planning gain and the reduction of viability of them selling their land once such planning gain is discounted. There is also the question of competition for uses on scarce land and the fact that, for example, on employment allocations, if a business wishes to gain capital to relocate it is ever more difficult to find new low cost sites to buy on which to put new buildings.

- (b) There are problems associated with land assembly on brownfield land. Very often they are in multiple ownership and it may need support for compulsory purchase from local authorities. Often this is not available. Often there can be other problems such as road closures and footpath diversions which may not be present in relation to greenfield land development. The legislative procedures can often be lengthy relating to these.
- (c) We do not believe that optioning restricts the overall supply of land. Many options are geared around the planning process and the time that it takes to obtain permission. Land often tends to have to be promoted with a view to development. In fact optioning increases the potential for land supply and provides choice in relation to such supply. The development industry is quite adept in identifying land with housing potential and bringing it to the attention of local planning authorities.
- (d) Optioning is necessary to promote unallocated sites. It provides potential for choice and promotes land assembly. Promotion of land requires allocation of resources and without an option would lead to abortive work by a developer if they had no guarantee of being the preferred developer for the land.
- (e) Whether or not allocated housing land in development plans is sufficient to meet housing need depends on the definition used of housing need. Artificial controls, over time, on the number of dwellings to be provided within a development plan area can often mean that local housing need is not met. Arbitrary figures, say at Structure Plan level, imposed on shire districts can certainly mean that housing need is not met in areas of higher demand. In saying this we are mindful of not confusing the issue of need and demand. Where there is a genuine housing need, to meet the requirements of the local population, then sufficient land should be allocated to meet that need. This is not the case, particularly in many areas of high demand because of artificial constraints taken for a variety of reasons on the amount of housing permissible within an area.

There is also a propensity to depend more and more on windfall housing coming forward for development which, whilst brownfield sites are available and come forward for development, is understandable but potentially stores up problems for the future when the most suitable and available brownfield land supply dries up.

- (f) We would say that the housing shortfall is not caused by shortfalls in the number of appropriate planning applications. RPG shortfalls are often caused by unilateral decisions often taken against the EIP panel comment and advice in terms of the numbers of housing to be provided within a region, or within structure plan areas. This results in refusal of appropriate planning applications. Local authorities interpretation of policy and rationing can lead to this situation. Planning policies also restrict supply and the flexibility in bringing forward land.

One issue that also has to be borne in mind relating to this point is that the capacity of the house building industry may be limited or that the question of sustainability of expansion programmes in terms of managing the business for long term survival has to be taken into account.

## **Issue 2**

- (a) Generally it is considered that house builders do not face difficulties accessing finance provided that they practice good house keeping and budgetary disciplines.
- (b) There is generally a shortage of skilled craftsman in the house building industry. This is aggravated by Government policy on keeping people on in schools and not promoting vocational education, apprenticeships etc. They do not give equal value to trades and craft as to academic achievement.

There are concerns over significant introduction of alternative production techniques in view of the British climate and the generally conservative approach of buyers and financial institutions. In addition the movement towards smaller building sites means that a site specific design is often required. Design policy does not lend itself to a mass production alternative and it is doubtful whether there is any cost benefit to using alternative production techniques.

- (c) Attitude to planning gain often does enhance the risk where such detail is not clearly stated in policy at the outset.
- (d) Internal rates of return and its impact on additional investment depends very much on budgeting. In general no developer will carry out a development to lose money.
- (e) In relation to potential for increasing the use of alternative manufacturing methods there can be scope and this happens all the time as production techniques evolve. This potential is affected by customer preferences and the attitude of lenders and insurers.
- (f) Economies of scale are not sufficient to make these techniques a viable option. The tendency is to smaller sites which are policy led and with a design agenda as set out in P.P.G.'s. As a result of these it is difficult to see that the economies of scale would be such as to offset the increased costs involved.
- (g) As regard working capital and cashflows it is doubtful that they are a barrier to use of modular buildings. The differences in timescale in relation to producing houses is not really that great. Modular building is not necessarily a panacea to the problem of housing supply shortfalls. What could be a problem is the

elimination of skills within the construction industry if large scale modular building were to become wide spread.

- (h) There are problems developing brownfield land due to contamination or dereliction. Waste licensing is one major area in which we have experience. A sustainable solution to on site inert waste which is a sustainable and viable option is classed by the relevant authorities as a waste disposal site. What is needed is an open mind in terms of solving problems in development of brownfield sites. There are also public perceptions that brownfield land is, in some way, less desirable. Such problems lead to time constraints and lengthening of the time in which it takes to bring forward housing development on this type of land. In general it is more expensive to develop housing on brownfield land as the range of problems, over and above greenfield sites, tend to be greater. We would add here, however, that the vast majority of our housing output is on brownfield sites.

### **Issue 3**

- (a) We do consider that there are problems over interpretation of planning guidance. P.P.G.3 is a particular case in point. The objective is for 60% of development on brownfield sites. Many authorities have imposed figures of over 80% in policy based on P.P.G.3. Appeal decisions seem slanted towards obtaining brownfield development before any greenfield development. Different interpretations do exist in respect of, in particular, P.P.G.3. One of the major problems appears to be that planning guidance is not treated as guidance but as having the force of legislation and it is read in a negative way by local authorities with negative aspects outweighing any positive messages. There are also significant problems with interpretation of Section 106 Agreements and guidance on such matters. There is no level playing field on which to determine what is required in connection with a particular site.
- (b) Generally planning policy, in the recent past aimed at severe regulation of housing land supply means that there has been a restraint on the provision of housing to give people the chance of a decent home.
- (c) Generally the planning system provides no incentive to develop brownfield land other than the knowledge that brownfield land takes precedent over greenfield land development.
- (d) The application of planning guidance depends entirely upon the interpretation of local authorities.
- (e) The current reform programme is likely to promote additional uncertainty. The inefficiencies in the planning system have been overstated. What is needed is better quality staff and more of them to enable deadlines to be met and an efficient service to be provided.

- (f) Section 106 Agreements can be an effective means for addressing and mitigating the impact of development. This is not necessarily so in all cases. In many instances these matters can be properly dealt with by condition. Section 106 Agreements are often seen as a panacea by local authorities to address all problems relating to planning matters.
- (g) Section 106 Agreements do create perverse incentives to bringing forward land for housing development. Inevitably local authorities are poorly staffed in terms of their legal sections and cannot deal with such agreements expeditiously. This leads to extensive delays; and we can point to delays of up to two years in terms of housing developments. The threat of Section 106 Agreements can also hold to ransom a developer and there can often be unreasonable expectations, particularly outside Circular guidance, in respect of demands made under the umbrella of a Section 106 Agreement.
- (h) We do not consider that building regulations particularly restrict bringing forward development. Over regulation can add to costs and make it difficult to build housing to affordable standards.
- (i) We do not consider that change of use regulations particularly affect the use of existing buildings for housing. It may help to provide acceptable standards and weed out unsuitable premises from such uses.
- (j) Market failures do occur from time to time but these can be for a wide range of reasons.
- (k) The tax regime does not appear to be a major factor in obtaining the most efficient and effective use of land.

#### **Issue 4**

- (a) Notwithstanding the Government view regarding social inclusion mixed tenures are not conducive to satisfactory integration. The experience of this company is that sales are depressed where mixed tenures have been provided and that this is a two way concern both from occupiers or purchasers of market housing and from the occupiers of affordable housing.

There is also a lack of clarity regarding the provision of affordable housing. The expectations of local authorities vary. Different rules exist in different areas. Negotiations regarding affordable housing can also restrict land supply for housing and the elasticity of supply.

- (b) Generally speaking affordable housing is not profitable. It is only so if land values, in relation to the provision of affordable housing, are low. Affordable housing is subsidised by market housing.

- (c) Building houses for the private rental sector is generally considered an unattractive investment option because it is outside the mainstream operations of most housing providers. Provision of affordable housing or housing for rent is not profitable because those that have historically provided them have been non-profit making organisations. This clearly has an implication on price.

Other areas of concern are the need to increase borrowing if one was providing for the private rented sector which are, historically, considered long term investments. The scale and type of building produced by mainstream house builders is not conducive to private rental operations.

I trust that you can take into account the above comments in terms of the review. Should you have any queries, please let me know.

Yours faithfully

**David Short**  
**Group Planning Divisional Director**