HOUSING THE NATION

SUMMER 2012
RESEARCHING THE NATION
By Claire Higgins, head of research, BNP Paribas Real Estate

HOUSING SUPPLY ACROSS ENGLAND
We commented in our Housing the Nation report launched one year ago on the UK’s well documented housing shortage and how this has been compounded by a steady reduction in housebuilding since the start of the economic downturn. This situation has in fact worsened in the last 12 months. In England, prior to 2008 the average number of quarterly starts was in excess of 42,000. Since then, it has dropped by nearly 40% to less than 26,000 per quarter. Of even greater concern is that, after some improvement during 2010 and most of 2011, starts in the two latest quarters have fallen back towards the levels seen in 2009 – the lowest point in recent times for housebuilding.

Annual housing completions

This problem is reflected across all England’s regions, but the position has deteriorated to a greater extent in the Northern regions. Housebuilding levels have more than halved in the North East and North West since 2007, and are little over half in the Midlands. In the South East and South West, completions have fallen by nearly a third.
THE PLANNING SYSTEM AND HOUSING

The planning system has undergone a series of radical changes over the last twenty years. In the UK we have a plan-led system which means that local planning authorities are required to prepare development plans against which planning applications can be assessed. This basic point underpins the UK planning system.

The Town and Country Planning Act of 1990 brought in the Local Plan system. This required a system of County Structure Plans and Local Plans, which were single documents setting out the strategic direction, sites for development, and detailed policies on development control.

The Local Development Framework (LDF) system was ushered in by the last Government through the Planning and Compulsory Purchase Act 2004. This was intended to simplify the planning system and allow changes to be made more quickly and easily. The LDF is a framework and is made up of a suite of documents that have different roles and status. The key change from the Local Plan system was the move from a single all-encompassing document to the multi-document format that now makes up local planning policy.

There are many elements to the LDF, but the key components are Development Plan Documents (DPDs) – these form the backbone of the LDF. DPDs have to be examined by an independent inspector and must therefore stand up to cross-examination and scrutiny. The key DPDs are the Core Strategy, Site Allocations and Development Management Policies. There is also flexibility within the system meaning that local authorities can choose to vary these by adopting different types of DPDs or combining them, for example. The LDF sits at the heart of the system and without an effective LDF in place, everything else struggles to operate.

Also introduced in the 2004 Act were the Regional Spatial Strategies (RSSs). The role of the RSSs was to provide high level strategic planning over wider spatial areas and to ensure development is happening in the right place, in the right quantum and to link this together with infrastructure. In that sense, RSSs directly informed local policy formulation in LDFs.

The current Government decided to remove RSSs upon election, which will soon achieve following primary legislation in the Localism Act. The removal of RSSs leaves (or, depending on your point of view, forces) local authorities to develop their own strategic policy; hence the Government’s new “Duty to Co-operate”.

Annual housing completions
The new National Planning Policy Framework (NPPF) was published in March 2012 and removed reams of government guidance. Despite the controversy that surrounded the first draft of the NPPF, the final version is not that radical. However, the key points are, firstly, the lack of detailed guidance. Greg Clark, the Cities Minister, is at pains to point out that the NPPF is a ‘framework’ and that local authorities and the community will be responsible for drawing up their own detailed policy.

The second key point is the presumption in favour of sustainable development and the transitional period. This provides that applications for development should be determined in accordance with the development plan (local policy). In simple terms, the absence of an up to date development plan means the presumption in favour of sustainable development bites. While this is a very ambiguous area and subject to much legal interpretation, it means local authorities will find it more difficult to influence and refuse development in their area. The transitional period allows local authorities to determine applications in accordance with saved (read ‘old’) policies adopted since 2004 “even if there is a limited degree of conflict” with the NPPF for a period of one year from March 2012. If policies were adopted prior to 2004 and once the transitional one year period has expired, local authorities will need to give weight to the degree of consistency with the NPPF – i.e. the NPPF carries more weight.

As a result, local authorities will be keen to ensure they have an adopted LDF in place or they could face losing control over development.

Finally, the Localism Act 2011 brought in a range of measures that will more involve local people in the plan-making and decision-making process. Among these, neighbourhood forums and neighbourhood plans now have a statutory function.

There is a greater requirement to involve local communities – residents and businesses – in the preparation of plans that guide development in the area and in the decision making process when applications are received. As this is now enshrined in legislation, local authorities must work with the local community.

The effects of localism are still unknown and very much still at the early stage. It is not known what the appetite will be for involvement in the planning process, or whether this could give rise to uneven influence as some individuals and groups will have greater resources.

Overall therefore, the complex, confusing and time-consuming LDF system brought in by the last Government in 2004 remains in place. The NPPF is a bandage that will stem the flow for a year; but if local authorities do not have an up to date LDF in place by March 2013, they will be left with an open wound. The impact of Localism is still very ambiguous, but what we do know is that it creates uncertainty and will only add complexity on top of the existing system which many consider is deeply flawed already.

For developers, the planning system still remains frustrating and the continued lack of certainty will continue to cause difficulties. The ‘stick’ in the NPPF to encourage local authorities to adopt local policies is welcome as this should provide greater certainty. However, this positive may be cancelled out by the effect of localism which is a great unknown.

**The Local Authority Response to Planning Reform**

In this context, the objective of our research in 2011 was to examine the effects of the proposed scrapping of Regional Spatial Strategies on the forecast supply of housing across England. The change in policy left local authorities with three options with regard to the housing targets they had previously set out in their strategies. They could stick with the same targets, change them, or do nothing. A year on, with the NPPF now in place, we have revisited this research and again spoken to 291 English local authorities.

Under the RSS system, the housing target for England equated to around 185,000 new homes per year. Yet in 2011, only 110,000 new homes were completed in England. Our research indicates that local authorities in England have now reduced their targets further to around 160,000 p.a., a reduction of 13%, while completions in Q1 2012 were 18% lower than Q1 2011. Our expectation is that this could lead to annual completions in 2012 falling below 100,000 for the first time since the height of the recession in 2009.
In last year’s survey, we found that half of England’s Local Authorities confirmed their housing target as being the same as that set out in their RSS, 14% confirmed a change, and 37% were in stasis and had not yet confirmed their target. The majority (90%) of those in stasis indicated that they intended to change their figures.

Those that made changes, on average, cut targets by 20.6%. Applying this to those authorities yet to confirm a change, we estimated a total of c. 31,400 houses would be lost across England. This year, our assumption has been vindicated by those authorities who have since determined a target. Of the 37% in stasis, nearly three quarters have now set a target. On average across these authorities, the change made equates to a cut of 19.5% or a loss of 20,100 houses from these authorities alone.

There remains 10% of authorities which still have yet to set a target, while a further 8% have rejected the previous target set in 2011. If they should follow the trend of those who have set a target in the last year and introduce cuts of 19.5%, we would expect a further 3,300 houses p.a. to be lost.

On balance then, relative to the RSS targets, 50% of authorities have maintained the same figure for housing delivery. Only 8% have increased targets, while nearly a quarter have slashed them. The remaining 18% have until March 2013 to adopt an LDF or face losing control over development in their area.

Furthermore, some authorities have made changes to the targets they set out in last year’s survey. 21% of authorities have now set a higher target than last year and 14% have a lower target. The changes made balance each other out almost exactly, with cuts of c. 8,100 houses p.a. or 24% among those reducing their target, and an increase of 8,000 houses p.a., also 24%, among those increasing their target.

On a regional basis, relative to the RSS figures, one region is now estimated to have marginally increased its targets, with the North East showing a 1.4% increase.

<table>
<thead>
<tr>
<th>Region</th>
<th>RSS housing figure pa</th>
<th>LAs yet to set target</th>
<th>Est. total housing loss</th>
<th>% change from RSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midlands</td>
<td>38,494</td>
<td>16%</td>
<td>-8,295</td>
<td>-21.5%</td>
</tr>
<tr>
<td>North East</td>
<td>31,860</td>
<td>18%</td>
<td>452</td>
<td>1.4%</td>
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<tr>
<td>North West</td>
<td>33,122</td>
<td>20%</td>
<td>-910</td>
<td>-2.7%</td>
</tr>
<tr>
<td>South East</td>
<td>51,403</td>
<td>21%</td>
<td>-9,920</td>
<td>-19.3%</td>
</tr>
<tr>
<td>South West</td>
<td>30,853</td>
<td>9%</td>
<td>-4,864</td>
<td>-15.9%</td>
</tr>
<tr>
<td>England total</td>
<td>185,332</td>
<td>18%</td>
<td>-23,538</td>
<td>-12.7%</td>
</tr>
</tbody>
</table>

Source: BNP Paribas Real Estate

All other English regions show a loss, however. Proportionally, the greatest loss is in the Midlands, where targets have been cut by 21.5%. In absolute numbers, the highest cut has been in the South East, with a reduction of nearly 10,000 houses p.a.

The Government highlighted in May 2012 that 232,000 new households are forming in England each year. Even the old RSS targets undershot this by 20%, while we estimate new targets will fall short by a third. Meanwhile, actual housing completions last year were less than half that level and appear to be in decline. With a new planning framework to contend with and the impact of Localism still undetermined, we took our research findings to key industry figures to gather their views on what these new Government initiatives might mean for future housing supply in England.
A YEAR ON – AND STILL NO GROWTH
By Vic Angell, managing director, Tristan Fitzgerald Associates

Don’t we all get the feeling of déjà vu? A year ago our Housing the Nation seminar focused on the impact of Localism on housing supply. In the last 12 months there have been some positive steps taken by the Coalition Government and some local authorities have pressed ahead with their core strategies, either with lower figures or, in some cases, higher. But none of this has had any impact on housing delivery. A year on, we are still seeing declining housing completions.

The Coalition Government said there needed to be less of the stick and more of the carrot. Government Ministers are all agreed that the UK desperately needs more homes. They argue that the imposition of targets at national and regional levels didn’t provide more homes.

Last year’s report quoted John Howell, the Henley MP who was the author and architect of Open Source Planning, as saying: “What is needed now is to build for communities and this is where Localism, with its bottom-up approach, would encourage people to support schemes which are right for their area.”

But the reality is that Localism is encouraging some councils, under pressure from NIMBYs, to provide fewer homes and not consider the real housing requirements within their boundaries.

As research recently carried out by BNP Paribas Real Estate has revealed, local authorities across England have used the abolition of the RSS figures to reduce future housing numbers.

The much heralded New Homes Bonus has had little impact on encouraging communities to support more housing.

Since last year’s Housing the Nation seminar, the Government, under pressure from its MPs, watered down the revised National Planning Policy Framework (NPPF).

The three points within the NPPF which are most helpful to the house building industry are, in my view, the following:

- Five-year land supply – Local authorities with a good track record on allocating land for housing must earmark a five-year supply plus five per cent (20 per cent for those that don’t). Where there is no five-year land supply within a council’s policies, it would not be regarded as up to date.
- Alternative uses for employment land should be considered if there is no reasonable prospect for employment purposes. It also indicates that local authorities should normally approve applications for change to residential use from commercial buildings where there is an identifiable need for additional housing, provided there are not strong economic reasons why such development would be inappropriate.
- The Government is introducing a duty to ensure that local authorities and public bodies co-operate with each other. The duty will be a key element of proposals for strategic working, now that regional strategies are abolished.

Clearly, the publication is helpful since its tonality is still positive. However, many question whether the new local plans will recognise the true scale of local housing requirements.

“

What is needed now is to build for communities and this is where Localism, with its bottom-up approach, would encourage people to support schemes which are right for their area.”

John Howell, MP quoted in 2011
It is too early to say how significant the NPPF will prove to be since we have only seen a limited number of appeal decisions.

Many of those who are physically involved in Housing the Nation at the delivery end are sceptical about how the Government can reconcile the drive for growth and Localism.

Many feel that the Mansion House announcements on 14 June by George Osborne and the Governor of the Bank of England Sir Mervyn King are probably two of the best pronouncements this year since they should, hopefully enable more mortgages to be available.

Two months ago the Government highlighted that 232,000 new households are forming in England each year. In 2011 only 110,000 new homes were completed in England and in the first quarter of 2012 completions were 18% lower than in the same quarter in 2011.

How house building can be speeded up to halt this lamentable decline is addressed on the following pages.
WHAT THREE MEASURES SHOULD BE IMPLEMENTED TO HALT THE DECLINE AND INCREASE THE SUPPLY OF HOUSING?

The answer, according to Mike Farley, group chief executive of the Persimmon Group since 2006, is very simple: “Affordable mortgages, affordable mortgages, affordable mortgages.”

Peter Redfern, group chief executive of Taylor Wimpey plc, suggests two things which are key issues restricting the supply of housing in the UK. The first is the short to medium term lack of mortgage availability for buyers in most consumer groups. The second is the short, medium and long term lack of sites with viable planning permissions.

He explains: “To deal with the first you either have to put banks in a place where they are able and want to lend – which means reining back on some of the more draconian funding requirements (measure 1). Secondly, short term, increasing the level of support for shared equity products would enable house builders to free up balance sheets for investment in land and construction, whilst also enabling increased sales volumes. And lastly, reducing the financial burden on sites (through CIL, affordable housing and general S106 planning gain) would accelerate production on existing sites and free up some sites that are currently unviable.”

Mr Morgan argues: “There should be support for the supply of land in the right scale (i.e. no more eggs in large baskets), in the right places for the right type of housing. We also need to unburden the planning and related regulatory systems; streamline the cost, time and reduce the risk of the process itself – both plan-making and decision-making.

“Pressure needs to be put on the lenders to reduce their rates for NewBuy and also to allow NewBuy to be used on part-exchange properties. We simply cannot have a housing recovery without a proper availability of mortgages.”

Tim Cann, national head of development and residential consulting at BNP Paribas Real Estate believes, “It’s sometimes necessary to stimulate improvement in performance by top down management setting the targets centrally. This is one problem the Coalition can resolve without having to borrow any more money, with the added benefit of stimulating local enterprise and wealth creation in improving allocations for housing development, with a quick response targeting those areas of demand.”

Liz Peace, chief executive of the British Property Federation, cautions: “House builders won’t build unless they know they can sell – so first and foremost we need to make sure the mortgage guarantee scheme works, or find other ways of enabling first-time buyers to get on the housing ladder. Secondly, we need to increase the supply of land – using public sector land where necessary. And thirdly, we need to make sure the NPPF really bites and that local authorities are not allowed to slide out of their responsibility to provide homes for their constituents.”

Richard Evans, land and planning director of the Sunley Group, wants the retention of the regional strategic housing targets. He adds: “There is a requirement to remove some of the red tape that make planning applications so expensive and long-winded and which currently acts as a barrier to delivery. The balance has shifted too far in favour of environmental issues with relatively minor matters seeming to take precedence over the creation of hundreds of jobs and the development of much needed new housing.”

Roger Humber, strategic policy adviser to the House Builders Association, agrees with Mr Evans. He emphasises: “At some point, top-down targets will have to be re-introduced because it became clear, as soon as the Secretary of State for Communities and Local Government Eric Pickles first tried to revoke RSSs, that many authorities saw it as an opportunity to reduce plan targets.”

Steve Morgan
Deputy chairman, Redrow Homes

“Pressure needs to be put on the lenders to reduce their rates for NewBuy and also to allow NewBuy to be used on part-exchange properties. We simply cannot have a housing recovery without a proper availability of mortgages.”
Mr Humber maintains: “Planning Minister Greg Clark’s statement about ensuring the Inspectorate did not interfere with local decisions sent all the wrong messages to the Inspectorate and local authorities.”

Dan Angell, account director at Tristan Fitzgerald Associates comments further on this topic, “The Planning Inspectorate (PINS) actually already does take account of local feeling. That being said I do want a more “localist” approach and for PINS to be more mindful of local opinion but only when the big society is representative of the wider community. Significant work needs to be done on a national level, by local authorities and by the industry to ensure a broad demographic mix gets involved in the process.”

Stewart Baseley, executive chairman of the HBF, considers local authorities have been given far more powers under the NPPF but with that power comes responsibility and they must abide by the responsibilities they have to their communities. Government must really stand behind the NPPF and ensure the key provisions on housing market assessments, five-year land supply etc. are properly applied and backed up by the presumption being seen to have teeth. The role of PINS in this is crucial.

He contends: “Follow through on and improve/extend the existing measures such as NewBuy, FirstBuy, Get Britain Building, public land etc. Then deliver on the CSR commitment and reduce the burden of regulation, making more sites viable is crucial if we are to increase housing supply. Too many sites are currently ‘under water’ due to the charges levied on them by central and local government.”

HOW SIGNIFICANT DO YOU THINK THE INTRODUCTION OF THE NPPF WILL BE IN TERMS OF HOUSING DELIVERY IN THE UK?

Nicola Forster, head of London planning, BNP Paribas Real Estate, explains: “The changes which have occurred to the planning system since 2004 have sought to simplify it, in order to speed up the delivery of development. In a perverse way, the introduction of the Local Development Framework (and its many component parts) has complicated the planning system and has caused delays in the preparation and adoption of LDFs across the Country. This position has been accentuated by the proposed abolition of Regional Spatial Strategies under the Localism Act 2011.

“However, the National Planning Policy Framework (NPPF) has placed pressure on local authorities to update and adopt their plans over the next 10 months. Following this period, where plans are not brought up to date, Local Authorities will risk losing control over development as less weight will be applied to policies which are not consistent with the Framework in the determination of planning applications.

“While the NPPF is therefore generally seen as a useful instrument to swiftly increase the number of adopted plans around the country, which in turn should provide more planning certainty to instigate the flow of development, this will not work in isolation. Additional resources within Local Planning Authorities and changes to development control are required to improve the planning system.”

Expressing a positive view, Peter Redfern, group chief executive of Taylor Wimpey plc, says: “I believe it can be very significant as it significantly reduces the complexity of existing rules which have been used to slow down development and increase costs, as well as potentially creating a more positive ‘tone’ to the planning environment.

“However, there remains a question mark over whether it will be significant. The key questions are: will the new local plans recognise the true scale of local need and will we collectively take the opportunity to make development a positive force – recognising the social and economic benefits it can bring?”

Mike Farley, chief executive of the Persimmon Group, enthused: “The NPPF has a positive presumption in favour of planning and the five-year land supply is good. It might take time to deliver as local authorities go through their local planning process.”
Steve Morgan, deputy chairman of Redrow Homes, cautions: “The early signs are that local authorities are trying to duck their housing requirements rather than follow the growth scenario that the Government wanted. We are sceptical that it will deliver the growth in housing need.”

Roger Humber, strategic policy adviser to the House Builders Association, warns: “Its ambivalence will embolden NIMBYism and, combined with the revocation of RSSs, can only reduce long term output. It is not a neutral document, like so many previous ‘changes’, it is capable of producing radically different outputs at local level few of which, in areas of high demand, will be positive. Delivery is likely to fall. “Obviously the guidance of viability is intended to encourage delivery, but the final guidance was weaker than the draft and it seems likely that the advice on viability testing to be published by the HBF and LGA will be a fudge that will not assist inspectors or change outputs; rather it is likely to allow local authorities to continue to claim that land prices should fall further and that improving house prices will make their demands viable, over the lifetime of a plan,” he argues.

The NPPF is only a framework. There now needs to be a concerted effort to make sure it starts to work on the ground, believes Liz Peace, chief executive of the British Property Federation. She goes on: “That means local authorities getting on with their plans for meeting need – and being called to account by PINS and Ministers if they fail to do so.”

The NPPF can be interpreted as being all things to all people with both the pro- and anti-development lobby able to interpret the document to their own ends, suggests Richard Evans, land and planning director of the Sunley Group.

He complains: “The document fails to provide a clear definition of sustainability and its lack of clarity is likely to create even more uncertainty and appeals than at present, restricting housing delivery even further in the short to medium term. The abolition of detailed guidance is hailed as a positive within the ministerial foreword, but the black of ‘black and white’ guidance (i.e. the ‘tick list’ approach to planning) is ultimately likely to prove detrimental to housing delivery.”

IF YOU WERE CHARGED WITH MANAGING THE PLANNING PROCESS IN ENGLAND, WHAT THREE MEASURES WOULD YOU TAKE TO INCREASE THE HOUSING SUPPLY?

Stewart Baseley, executive chairman of the HBF, believes in ensuring a proper assessment of requirements is undertaken in each area and is backed by the identification of adequate land supply. Also making sure that planning is focused on what it can reasonably achieve rather than seeking to be the answer to everything. Moreover, apply a stricter test to require local authorities to justify the case for proposed local plan policies, including a valid cost benefit analysis of each policy.

Peter Redfern, group chief executive of Taylor Wimpey plc, stressed: “Use the review of local plans to ensure that they fully recognise local need and can really deliver a viable five-year housing supply. Make a significant reduction in planning gain in the short term (three year window) in order to get sites up and running and release greater volumes on large sites (by reducing affordable housing take, CIL costs and other S106 gain). Allow a smaller reduction in planning gain in the long term to encourage land to come to the market and volume production on sites.”

Mike Farley, chief executive of the Persimmon Group, suggests: “Automatic appeals approved if the local authority does not have a five-year land supply. Greater clarity required regarding conversion of existing employment land into residential land. Enable developers to draft Section 106 legal agreements, which are currently drafted by the local authority and sometimes take months/years due to the long legal process.”

The planning application process needs to be streamlined because developers are swamped with red tape and bureaucracy. Steve Morgan, deputy chairman of Redrow Homes, recalls: “When Redrow first commenced house building in the early/mid-1980s planning used to take six weeks and conditions were never more than five or six weeks. Apply strict timetables on dealing with applications or default answer is ‘Yes.’ Ensure local authorities plan for housing demand.”
Liz Peace, chief executive of the British Property Federation, calls for a complete re-think with new housing models rather than simply tinkering with old ideas. She extols: “First of all, I would require local authorities to use the planning system to specify the construction of ‘build to let’ housing. I would then free up the use classes to encourage change of use to housing. And I would order the immediate release of all public sector land at low or no charge (to be re-couped later through some sort of overage deal). I hope Adrian Montague’s report will have some strong words on the first of these.”

Nicola Forster, head of London planning at BNP Paribas Real Estate, believes: “Further consideration needs to be given to increasing resources within Local Planning Authorities to ensure that planning applications and S106 Agreements are dealt with expeditiously, to enable planning permissions for development to be granted more quickly. In line with this, increasing planning application fee charges (which has been discussed for some time) could offer, in part, a solution to this resourcing problem – as long as authorities do not have a carte blanche to set fees – provided that the industry could expect a higher quality service in return.

“In addition, there is a range of improvements which could be made to development control procedures to speed up the process and ease the burden of red tape. For example, adopting proposed recommendations for heritage reforms and reducing the number of planning conditions attached to permissions and the time taken to discharge conditions.”

According to Richard Evans, land and planning director of the Sunley Group, this is ultimately a matter of economics and market forces. “Investment in key infrastructure (i.e. transport links) and the creation of jobs will be critical to trying to level the playing field. Simplified planning zones and more strategic development should be encouraged (which will create higher financial contributions and a more comprehensive approach to planning),” he points out.

Steve Morgan, deputy chairman of Redrow Homes, insists: “The South East local authorities need to be made to accept the housing demand requirements of the region. They cannot be transferred to other areas. It’s a fallacy that harder pressed areas are more accepting of development. Land supply needs to be provided in the areas in which the demand originates.”

The answer is simple, Stewart Baseley, executive chairman of the HBF, says, “It is ultimately a question of political leadership. Either national Government has to provide the policy mechanisms and financial resources to enable the areas outside the South East to grow successfully or Government and local authorities in the South East have to focus positively on how they can provide the housing the region will need to support its growth.”
HOW WILL AFFORDABLE HOUSING BE DELIVERED IN THOSE AREAS WHERE MARKET HOUSING MAY NOT COME FORWARD?

Mike Farley, chief executive of the Persimmon group, favours a major re-think on this issue. “I think we need to have a more dynamic approach to affordable housing and the types of tenure that affordable housing delivers with more intermediate affordable housing,” he suggests.

Anthony Lee, head of viability and affordable housing, BNP Paribas Real Estate, believes: “The NPPF now requires local authorities to recognise the need for schemes to generate ‘competitive returns’ to landowners. The danger is that affordable housing requirements and mitigation may get rolled back to such an extent that communities may mount even stronger resistance to housing development than they do now. It is vital that the needs of communities which are affected by development rank equally alongside the need for landowners and developers to make a reasonable return.”

Roger Humber, strategic policy adviser to the House Builders Association, puts this task firmly at the Government’s door. He demands: “Government will have to take funds from other programmes to pay for it but, unless it is careful, it will start delivering Ed Balls’ Plan B and that will undermine its credibility in global markets and could push up UK borrowing rates. My preference would be to ignore affordable housing and concentrate on creating a growth-based private sector-led economy. This requires improving effective demand through credit easing, reducing obstacles to bank lending and tax cuts.”

Peter Redfern, group chief executive of Taylor Wimpey plc, admits: “Quite simply, if you are prepared to pay less for affordable housing, you will get less. We need to be prepared to provide more funds, or accept that affordable housing schemes are reduced. Qualifying developers own shared equity schemes as affordable housing may go some way towards helping to bridge the gap (as this will result in incremental total volumes) but only some way.”

“This can only happen as a result of public money or subsidy to developers to make it financially viable,” advises Richard Evans, land and planning director of the Sunley Group.

More off-site affordable housing might increase the supply, according to Steve Morgan, deputy chairman of Redrow Homes. He suggests: “Affordable housing will only be delivered with market housing unless there is some ability to relocate affordable housing from the higher demand areas of a district to less favourable areas. If developers were allowed to relocate affordable housing off-site more easily, then this would be possible.”

Stewart Baseley, executive chairman of the HBF, emphasises: “This will require either continued Government investment through the social housing grant or the ability of councils and RSLs to raise finance successfully for such housing. In the latter case, it may well be that changes beyond the current affordable rent regime and the reform of the housing revenue account arrangements for local authorities will be necessary.”

THE GOVERNMENT HAS INTRODUCED A NUMBER OF INITIATIVES TO DRIVE GROWTH IN HOUSING SUPPLY SUCH AS THE “BUY NOW, PAY LATER” SCHEME, NEW HOMES BONUS, EASIER CONVERSION OF OFFICES TO RESIDENTIAL, THE AUCTIONING OF PUBLIC LAND AND THE NEW ENTERPRISE ZONES. IN YOUR VIEW, WHAT WILL BE THE IMPACT OF THESE INITIATIVES?

Peter Redfern, group chief executive of Taylor Wimpey plc, remarks: “Positive and potentially significant are New Homes Bonus and “Buy now, pay later.” Less significant are new Enterprise Zones, office conversion. With Government auctioned land, the key is to ensure that the process is simple and that sites don’t have to jump through lots of extra hurdles. They should just go through the normal planning system like any other site.”

A sceptical reaction comes from Steve Morgan, deputy chairman of Redrow Homes, who points out: “‘Buy now, pay later’ hasn’t got off the ground yet, but it could be helpful. The New Homes Bonus has had an almost nil effect on encouraging local authorities to approve housing. We are not aware of any local authority where this is seen as a greater incentive when faced with objections from locals. The conversion of offices may have a limited contribution in the South East but it is unlikely to help in the rest of the country. Public land auctions could be worthwhile, but needs to be speeded up. Enterprise Zones, from our point of view, have little effect.”

“This can only happen as a result of public money or subsidy to developers to make it financially viable.”

Richard Evans
Land and planning director,
Sunley Group
Roger Humber, strategic policy adviser to the House Builders Association, dismisses the initiatives. “They have also introduced NewBuy and Get Britain Building, but all of them have failed for a variety of reasons. Some are irrelevant – public sector land auctions, where the land for 102,000 homes identified will come forward over 10 years, even if all of it is eventually developable. Others have been based on false premises – NewBuy, which has foundered for lack of willingness by the lenders to make mortgage packages available to smaller builders and they have put up rates for all. All of the measures have been sticking plasters that are too small to create market leverage.

“They need to start reducing planning costs by getting rid of the Design and Access requirements, local lists and current validation requirements and to bring forward some serious changes to the Use Classes Order, e.g. amalgamating C2 and C3 into a new older people’s housing category to reduce the cost to that sector of affordable housing and CIL, based on 40% unsaleable floor area. Stimulating a greater variety of provision and choice for older people would also start to tackle under-occupation of family sized housing which is a growing problem.”

Mike Farley, chief executive of the Persimmon Group, concludes: “It is positive that the Government are introducing a number of initiatives, bringing forward these initiatives demonstrates that there is an understanding that there is a need for more residential development. Some of the schemes, however, are quite cumbersome and do take some time to bring forward, but the general feeling is positive.”

Debbie Taylor, head of new homes and land at BNP Paribas Real Estate, believes that mortgage availability is at the heart of the issue, “Common problems that limit gaining entry to the housing market are prohibitive deposit levels and lending criteria. In terms of affordability many people already live in rented accommodation which has higher costs than servicing mortgage debt and so that is not the issue, qualifying is and then the upfront deposit payments are.”
HOUSING THE NATION 2012 RECOMMENDATIONS

1. RELEASE GREEN BELT LAND IN THE CONSTRICTED SOUTH AND PUMP-PRIME IN THE LESS VIABLE NORTH

In the South East, the pressure for new development is high yet the effect of the Green Belt is all encompassing. If we are serious about delivering numbers, we need significant scale releases of the lowest landscape value land within the Green Belt. Conversely, in the North construction levels fall desperately behind the activity in the South and the constraint is not availability of land but viability due to Brownfield contamination and low value house prices. Government-led incentives to encourage authorities to allow development need to sit alongside infrastructure grants to pump-prime development. Both are crucial to increase the level of construction to ensure there is sufficient stock to meet household demand.

2. PUBLICISE LEAGUE TABLES ON HOUSING TARGET SETTING AND NEW HOUSING DELIVERY BY LOCAL AUTHORITY

Those which fall below an agreed threshold should be penalised by being made to repay the New Homes Bonus.

3. PUBLIC AND PRIVATE SECTOR INITIATIVES ARE NEEDED TO TACKLE RESTRICTIVE MORTGAGE CONDITIONS

In terms of affordability, many people already live in rented accommodation which has higher costs than servicing mortgage debt. Thus the constraint on mortgage finance from a buyer’s perspective is not one of affordability but of prohibitive deposit levels and lending criteria. Continued NewBuy or other such developer-led initiatives are critical to overcome these issues alongside introducing more Government-backed mortgages.

4. DEVELOPERS NEED TO BE MORE CREATIVE IN THE WAY THEY ENGAGE WITH COMMUNITIES, PARTICULARLY YOUNG PEOPLE

It is natural for councillors to listen to anti-development groups and for this to result in refusals by planning committees. Developers need to bring the wider community to the table because young people and those living within social housing actually have something to gain by way of new development, but they rarely give their opinions on planning proposals. Of major concern is that a local referendum supported by, say, just 50 people (if 100 people vote) will mean that the local planning authority must bring that plan into force. Therefore this wider community engagement will be very important in places where a neighbourhood plan is being drafted.

5. THE MONEY RAISED THROUGH THE COMMUNITY INFRASTRUCTURE LEVY SHOULD BE SPENT QUICKLY AND VISIBLY ON COMMUNITY FACILITIES

Those who benefit from development (i.e. developers and landowners) should make a greater contribution towards the costs of providing the infrastructure that development needs to be sustainable, especially at a time when public sector spending is under considerable pressure. The Community Infrastructure Levy (CIL) is all about seeking a contribution towards these costs. If local communities can see that development is generating significant contributions towards infrastructure, they will be more supportive of higher housing targets. The corollary to that of course is that the authorities must actually spend the money on infrastructure that is important to local people, but also that other funding sources can be identified as CIL will never entirely close the gap between income and capital spending needs.
6. INCREASE PLANNING APPLICATION FEES PROVIDED THAT THE INDUSTRY GETS A HIGHER QUALITY SERVICE IN RETURN

The NPPF has sought to increase swiftly the number of adopted plans around the country to provide more planning certainty and to instigate the flow of development. Whilst this seems to have had some effect with the Planning Inspectorate reporting an increase in the number of local plan submissions from councils since the NPPF was published, this will not work in isolation. Planning resources within authorities have been depleted by spending cuts which has caused a real issue and which is likely to get worse as authorities struggle to get to grips with the Localism Bill and various changes coming through such as Neighbourhood Plans. The long debated increase in application fees should be introduced to help fund additional resources in return for a better quality service, to ensure that planning applications and S106 Agreements are dealt with expediently and to enable planning permissions to be granted more quickly. In addition, there are a range of improvements which could be made to development control procedures to speed up the process and ease the burden of red tape; for example, adopting proposed recommendations for heritage reforms and reducing the number of planning conditions attached to permissions and the time taken to discharge conditions.

7. CREATE A “SPECIAL DEVELOPMENT PROJECTS” TEAM WITHIN GOVERNMENT

There are instances where major development projects, both residential and commercial, are being stalled by specific impediments. The extension of Pinewood Studios is restricted by its infringement of the Green Belt. The loss of the listed Battersea power station, while regrettable, might enable the long-delayed scheme to be brought forward. In difficult economic times, shouldn’t every option at least be considered in order to promote growth? A “super body” or “Growth Tsar” could be appointed by Government and given the authority to override Local Authorities or planning restrictions where necessary, yet sensible, in order to bring forward major projects and encourage much-needed growth.

CONTRIBUTIONS

We would like to thank all those who contributed to Housing the Nation 2012:

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