



Abolition of Regional Spatial Strategies

In a densely populated country, balancing local interests with wider needs is always going to be difficult. A finely tuned co-ordination exercise is needed, with a clear programme of consultation taking into account consideration of local impacts matched against long term needs in relation to housing, infrastructure, transportation and waste while safeguarding wider environmental concerns and sustainability.

Taking into account the brief of CLG Select Committee, this submission from the Construction Industry Council (CIC) will examine the question of the abolition of regional spatial planning principally in relation to housing.

Summary

- In a time of economic uncertainty and widespread public spending cuts, there will be a need to encourage private funding to meet immediate needs particularly in relation to housing and infrastructure. A future planning regime must endeavour to create a framework of predictable decision making within a reasonable, and cost effective time frame. Investors need certainty.
- There are currently severe problems of congestion, imbalance and shortages in many areas which need to be addressed quickly.
- The Planning system at several levels is in disarray at present. The stated intention to dismantle spatial planning at a regional level has to be seen in the context of proposals for: a National Infrastructure Plan which will appear shortly; the suggested National Planning Framework for England; the development of the existing system of National Policy Statements and the uncertainties of what "localism" will mean pending publication of the new Decentralisation and Localism Bill.
- CIC welcomes the proposal for a National Planning Framework for England but it is not clear whether this means. Will it just bring together all national planning policies (PPSs and PPGs) or will it as the coalition agreement states incorporate national economic and environmental priorities. The nature of the National Infrastructure Plan to be produced by Infrastructure UK is also very vague.
- Maintaining a "localist" style within the context of national goals is always going to require compromise. Nowhere can this be seen better than in relation to new housing development or renewable energy. There are innovative ideas within the Conservative Party Green Paper on Planning published in February 2010 (not least of which is the presumption in favour of sustainable development) but these ideas need to be further developed before meaningful discussion can take. It

is hoped therefore that there will be reference to the National Planning Framework for England in the Localism Bill expected in November.

The Housing situation

The principal characteristics of the housing situation at present are:

- There is a shortage of housing accompanied by growing demand (with regional variations) led by a rising population
- A continuing growth in the total number of households
- Particularly strong demand for affordable housing
- A mismatch in supply in recent years with large numbers of flats being built
- Constraints on mortgage availability with requirements for high deposits particularly affecting first time buyers
- The numbers of houses under construction has fallen to record lows in the recession.

Population trends and structure

The population of the UK according to figures released by the Office of National Statistics (ONS) in August 2009 grew by 408,000 in 2008 to reach 61 million people. The population is now growing by 0.7% per year more than double the rate of the 1990s and three times the rate of the 1980s. The demographic picture is also changing in that there are now a record 1.3 million people over 85. This reflects an ageing population. The ONS state that “the proportion of people aged 65 and over is projected to increase from 16 per cent in 2008 to 23 per cent by 2033”.

These trends all affect the total number as well as the type and location of homes needed in future.

Housing numbers

As far back as 2004, the economist Kate Barker (Barker Review of Housing Supply 2004) pointed out that even at that time, there was a shortage in the number of houses being built. She wanted the number of houses increased from the 2005 levels of 170,000 by a further 120,000. Since then due to the credit crunch and the recession housing starts have slumped and may be low for several years to come. Housing starts in 2009 were estimated at around 80,000 in the private sector and 25,000 in the public sector by the Construction Products Association. This adds up to less than half of the Barker figure suggested five years ago. This shortage in new homes, particularly in affordable new homes, is propping up house prices.

This housing shortage (which in turn creates affordability problems) reinforces the need to use the stock we have to maximum advantage. Bearing in mind the large number of empty homes (over 700,000 were identified in the Barker review), the prevalence of second homes and the pressure on housing in areas of buoyant employment, there is a need for a housing strategy particularly targeted at those with low incomes.

Housing Demand

Despite the recession, the long term demands for housing have not changed and the latest household projections suggest that the number of new households created each year is more than double the number of housing starts per year. Yet the key issues of affordability in the short term and the availability of land in areas of high demand in the medium term still remain unresolved and may hinder growth within the sector. In spite of these concerns, the level of house building in 2009 was so low that even with considerable growth anticipated in the next five years, this still means that even in 2014, housing starts are expected to be 18% lower than during the peak in 2007.

Despite short term changes in the economic environment, the long term driver of housing construction is the number of households created per year. The Joseph Rowntree Foundation reported in 2005 that “since 1971, the number of households in Great Britain has risen by 35%, from 18.5 million to 25 million in 2005. Over the same period the population rose from approximately 54.5 million to 58.5 million.” Divorce rates, increasing longevity, the increase in single person households all underlie these trends.

The latest household projections from ONS state that 260,000 households will be created each year for England alone. This equates to around 295,000 homes needed each year or the equivalent of the number of homes estimated to be built in 2009, 2010 and 2011 combined.

Types of home

Despite a large oversupply of flats in urban centres in the north of England, demand still outweighs supply in key areas such as Greater London and the South East. As a consequence, house prices have not fallen significantly overall. House builders appear to be concentrating on building on land in these key areas of demand and also moving swiftly away from building flats to houses.

During the fourth quarter of 2009, flats accounted for 37% of homes started in Great Britain compared to 52% just over one year earlier and this trend would be expected to continue. Yet this raises a further issue of land availability. Per unit, house construction requires a greater amount of land than flat construction. While levels of starts are low enough that this should not be an issue in the near term, it is possible that in the medium term, land availability in key demand areas may become the key issue in house building. The Construction Products Association forecasts that housing starts in Great Britain during 2010 will grow 15%, yet this still represents only 97,000 starts.

Further growth of 16% is anticipated in 2011 before growth of 14% in 2012 leaves starts in Great Britain at 128,000. Growth in private housing starts of 9% and 7% in subsequent years are expected to lead to 149,000 starts in Great Britain, 77% higher than in 2009 but still 18% lower than at 2007's peak.

Ideas in the Conservative Party Green Paper

It is difficult to comment on many aspects of the new system as there is little detail on how the system will work. Proposals for change are progressing simultaneously on several fronts. In tandem with the stated intention to dismantle spatial planning at a regional level, proposals for a National Infrastructure Plan will appear shortly. There is a National Planning Framework for England suggested to match those in the devolved regions but details are unclear. The existing system of National Policy Statements is to be retained subject to parliamentary approval and there are uncertainties of what "localism" will mean pending publication of the new Decentralisation and Localism Bill. The scope of the new system of Local Enterprise Partnerships and the mechanisms by which they will operate is not yet clear.

The crucial issue of how these elements interact has yet to be sorted out. There is also a similar vagueness on the definition of what "local areas" and "neighbourhoods" actually are. In attempting to answer the Select Committee question on the "likely effectiveness of the Government's plan to incentivise local communities to accept new housing development" one has to go back to ideas put forward (principally by the Conservatives) prior to the election.

Ideas for stimulating house building in the absence of targets, are contained in the Conservative Party Green Paper - Open Source Planning published in February 2010. One of the ideas put forward is that when a local community builds more homes, central government will match pound-for-pound the extra money that an area gets through council tax for six years. The incentive is increased in relation to affordable housing. There is also a commitment to allowing "neighbourhoods" to keep some of the money contributed by developers to councils at the time when planning approval is given. Whether in practice, this will mean that developers will take council tax incentives into account when negotiating their schemes and reduce their contribution remains to be seen.

One has to wonder whether in reality, more expensive neighbourhoods will simply forego the financial incentives to preserve their exclusivity. At the other end of the scale, building social houses is not always a vote winner at local level. One can only hope that the policy does not result in communities using such a system to "price out undesirables". The suggestion that developers might reach a "voluntary agreement to compensate nearby householders" if there are objections is an idea fraught with difficulty.

Some of these ideas are coming to fruition. The "community right to build" in relation to small scale developments is an example. While designed to speed up development, the proposal for a community to grant itself planning permission if 90% of people back a proposal may mean in practice that 10%

of voters in a local referendum can block development without the need to justify their objections.

In translating the Green Paper ideas into reality, the “New Homes Bonus” scheme announced in August 9, to match the council tax raised on each new house for six years, indicates the intention to deliver incentives to encourage house-building. However, the consultation paper accompanying this announcement will only follow the Comprehensive Spending Review. One preliminary observation in relation to this idea is the regional impact. As a far higher proportion of properties in the North are in Council Tax Band A and B, these local authorities can expect to get less cash per house they grant permission for, in comparison to an authority in the south.

When translated into actual money available, it is questionable whether the prospect of £10 - 15,000 per dwelling would provide enough incentive to an authority facing local opposition to any new housing development. It might be better for those supporting growth if this money was invested in improvements to existing or to new facilities directly.

Overall the major risk in changing the system radically from a top-down target system to a bottom up incentive one, is that there will be a long hiatus during which local authorities may delay granting planning permission until the shape of the new system is more obvious.

The wider picture

The ideas sketched out so far by the Coalition Government in relation to planning have a huge impact on many Government Departments in addition to CLG. In particular the Department of Energy and Climate Change must be carefully consulted in relation to plans for energy generation and the drive to cut carbon emissions within buildings.

If localism is the way forward, local groups need access to clear information compiled to common standards. There is considerable weight to the argument that the planning system as it operated was “over-engineered” and over-centralised but “wider than local” is too important an issue to tackle in an “ad hoc” fashion. The first LEPS are not yet in place. It is too soon to say how they will operate.

The construction industry

With cuts to public spending inevitable, construction has to be considered as one of the best ways of stimulating economic activity – not just for the sector but across the economy as a whole, especially in the manufacturing sector. As the levels of imports are low in this sector, the stimulus stays within the national economy.

It is also a good sector for stimulating employment as the sector is active throughout the country and provides employment and training opportunities for lower skilled and young workers who have relatively few alternative

opportunities. Investment in construction also provides significant long-term economic and social benefits. This point was underlined in a report from the economic consultants LEK for the UK Contractors Group which shows that every £1 spent on construction output generates £2.84 in total economic activity.