



22 January 2009

Rt Hon Margaret Beckett MP  
Minister for Housing and Planning, attending Cabinet  
Communities and Local Government  
Eland House  
Bressenden Place  
London  
SW1E 5DU

Dear Margaret

**Planning for housing provision in the Regions and the work of the National Housing and Planning Advice Unit**

In July of this year your predecessor, the Rt Hon Caroline Flint MP, wrote to all Regional Assemblies and the Greater London Authority endorsing the previously published advice for the National Housing and Planning Advice Unit (NHPAU) on the scale of housing provision across England to enable the long term stabilisation of affordability in the housing market.

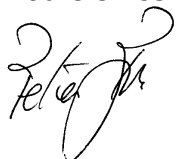
The evidence now emerging points to a significant shift in the way that new housing will be financed when the market begins to revive, which will have implications for both housing providers and purchasers. Understanding these changes will be an important part of how we all work on policy interventions that will help in delivering the right sort of housing in the right places across England.

Since the Unit published its assessment circumstances have continued to significantly change. We feel that the Unit needs to undertake additional work to take into account current conditions and the short to medium term outlook. This would examine how the fast moving financial circumstances of the current housing market and changes in the other factors used in the Unit's analysis (e.g. economic growth rates) will affect longer term market stabilisation. It should also consider whether reruns of the Reading Model that forms the basis of much of their advice would be appropriate to take account of scenarios for recovery. This work should then be published as soon as is practical. Furthermore, Regional Planning Bodies do not yet have access to the Reading

Model. Clearly access to the model is necessary to allow the Regions to properly test the NHPAU advice and this matter needs resolving quickly.

I am confident that we can work with your civil servants to develop a more effective strategic approach to the delivery of new housing. To help progress this work we have set out in an appendix to this letter a series of matters that we need to collectively engage with, which I believe will help promote more effective delivery of new housing.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Box', with a stylized flourish at the end.

Cllr Peter Box  
On behalf of ERN

## Technical Annex

In this technical annex we have set out a number of areas of concern in more detail and identified matters that require further clarity from Government and matters where further joint work would be of benefit.

### The remit of NHPAU

We recognise the Government's decision to give the NHPAU a tightly focussed remit. However we are concerned that the experience to date in the West Midlands (where work on preparing for an EiP is taking place) suggests that the Government are not in practice setting out the full planning context for the Unit's advice. We believe that this needs to be addressed to ensure a proper debate of the NHPAU's work in Plan reviews. PPS11 Regional Spatial Strategies sets out how housing is one of a range of considerations that need to be addressed through policy at the regional level. PPS3 Housing sets out at paragraph 33 the context in which the NHPAU advice should be considered. This context is quite broad and rightly gives prominence to the role of the SA/SEA in testing the benefits and risks of development. We believe it is very important that Government in all its guises publicly sets the NHPAU advice in this broad context at all stages of the Plan preparation process.

### The delivery of new homes and changing market conditions

It is important to stress what lies beneath the headline of supply range figures. This needs to include mix of housing required, the extent to which the economic circumstances in a region will influence the scale and mix of housing, the scale of need for forms of tenure other than market housing and the implications for households of not providing these. Some regions are doing work on these matters and would welcome reassurance that this work will be given due weight in the Plan Making process.

In considering the delivery programme for an increasing housing supply we must properly consider the impact of the current market conditions. As events continue to unfold it is clear that the housing market that emerges from the current crisis will be very different to what has gone before. This will seriously challenge any analysis that relies unduly on past trends and will require the development of delivery interventions, that can respond to the continuing emergence of new understanding of how the housing market is now functioning. This must include our understanding of development economics and the funding of essential infrastructure required to support development. In addition it will require clear support from Government for policy approaches that phase and manage the increase in the delivery of new housing, in order to address the current low delivery rates and the timing of higher rates of delivery, based on projected strengthening of the market in the medium to long term.

In view of the issues we have set out above we would welcome CLG/BERR joining with ERN to lead an analysis of the potential market impediments to delivering higher numbers of more homes at realistic prices, beyond the issue of supply through regional spatial strategies. Such an analysis should address the operation of the mortgage and finance markets, local authority capacity, potential local monopolies over large-scale new build sites (especially if sites are

to become bigger to deliver infrastructure more effectively), land-owner 'hope' values, and the capacity of the development industry to both deliver homes and infrastructure.

#### Further work for NHPAU

There is a need to investigate whether the economy of each region can be expected to grow commensurate with the delivery of higher numbers of houses so that sustainable development can be achieved. The NHPAU had originally proposed to do some work on this matter but for various reasons this did not go ahead. This has led at least one region to commission its own analysis of the extent to which the economic performance of the region can support current and higher rates of housing delivery. However a national perspective on this issue would be welcome, as this would, amongst other things, ensure consistent assumptions are applied and inter-regional relationships are considered.

The NHPAU analysis rightly identifies the inter-regional nature of their work and how they have sought to model the relationships between the regions in their wider modelling of the housing market. However they do not effectively explain the inter-regional relationships that the analysis has identified. Consequently it is quite difficult to identify and begin to address these cross boundary relationships in Plan making and other policy interventions. Furthermore it is not clear whether the rationale for the advised supply range for each region remains coherent when viewed from a 'whole England' perspective.

#### The spatial impact of higher rates of delivery

In addition our consideration of approaches to supporting higher rates of delivery needs to evaluate the risks of undermining the aims of the strategy, particularly if those aims are seeking to challenge the preferences of the market. For example, where a key strategic aim is urban regeneration but the market preference is to invest in stronger markets outside the urban areas, there is clearly a risk to the strategy if higher rates of delivery are achieved simply through supplying more sites in the areas attractive to the market.

#### Continuing the dialogue

Our work on developing and reviewing Regional Spatial Strategies and moving towards the Single Integrated Regional Strategy continues at a quite fast pace. It is important to ensure that all participants in the Plan Making process understand that the NHPAU advice sits within a wider context and that the advice is updated when significant new information becomes available e.g. new trend based household projections. This will be particularly important when Plans reach their Examination stage as this often involves participants who have not engaged in the earlier stages of the process.

Another aspect of the work of the NHPAU is providing Regional Planning Bodies (RPB) with access to the Reading Model. We understand that access for RPBs is the subject of a discussion between the NHPAU and CLG. If RPBs are to properly consider the NHPAU advice then access to the model is critical both to help us understand the way the model works and to be able to carry out the

regional 'testing' of the NHPAU supply range advice. We would urge CLG to resolve this issue as soon as possible.

We will continue to develop and address these matters with the NHPAU and the CLG Planning for Housing team at our regular meetings of the ERN officer groups.