

Sir Oliver Letwin MP “Independent Review of Build out Rates; Draft Analysis”: A summary for Oxfordshire Growth Board

1. Purpose of this report

- 1.1. To provide a summary of the draft analysis “Independent Review of Build Out Rates” prepared by Sir Oliver Letwin MP in June 2018 (Letwin Review – Phase 1), and consider any interventions to help the delivery of housing that could be appropriate for Oxfordshire, currently achievable using powers available to local authorities and/or their partners.

2. Aims of the Letwin Review

- 2.1. The Letwin Review sought to identify the main causes why hundreds of thousands of homes have not been built, despite having planning permission. There are a variety of factors that can slow down the delivery of housing and the Review seeks to understand why. Once the causes are understood (Phase 1) the Review will make recommendations (Phase 2) on practical steps to increase the speed of housing delivery in a stable UK housing market. The Review assessed:
- what the rate of house building is on large sites in areas of high housing
 - why the rate of house building on these sites is at this level ; and
 - which factors are most likely to increase the rate of house building on these sites without having untoward effects.

3. Process of the review

- 3.1. The authors visited and collected data on 15 large sites (ranging from 1,000 plus to over 15,000 homes) in areas of high housing demand. Five of these sites were in Greater London, nine in the south of England, one in the Northwest and one in the West Midlands.
- 3.2. Sir Oliver Letwin and his team visited South Oxfordshire and Vale of White Horse District Councils in January 2018 and Cherwell District Council in March 2018. At all three districts the visit included tours of sites under construction in Didcot and Bicester and included dialogue with planning officers and representatives from national developers active on local sites including Taylor Wimpey, Countryside Properties and Cherwell DC wholly owned development company taking forwards the UK’s largest self and custom build developments at Graven Hill in Bicester.
- 3.3. Prior to, and following the visit, they sought information on delivery rates for house building, data on timings of permissions and commencements. Much of the discussion with developers focussed on project finance and their business model. The review team also visited Cherwell District Council to gather similar evidence to support their review.
- 3.4. The team also visited sites in Germany and the Netherlands for an international comparison.

4. Build out rates on larger sites

- 4.1. The conclusions of the Review show that the median annual house build out rate of a site was 6.5% of its total number of houses. The median length of time to build out the sites was 15.5 years. There is a clear (though not overwhelmingly strong) negative relationship between the size of the site and the percentage of the site built out each year.
- 4.2. The Review does emphasise that very large sites (8,000 homes) will deliver a higher number of homes annually than large sites of a few thousand homes, but the proportion of the site built out each year will be smaller.
- 4.3. These factors inform the review's interest in how to encourage a wider range of developers into the market and the potential for diversity in house build models, for example self-build.

5. Fundamental explanations

- 5.1. The Review uses the "absorption rate" as a tool for measuring delivery rates. The absorption rate is the number of homes that can be sold into the market without materially disturbing the market price. The delivery rate of a certain housing product will be constrained by the developer being unable to sell the house at a price against that forecasted when they purchased the land. Therefore, if the number of customers willing to buy that product at that price diminishes, the absorption rates would reduce, along with the build out rates.
- 5.2. The Review identifies that absorption rates can be increased if different housing products are provided that appeal to a different customer from a different market. The Review concludes that the current low build out rates are caused by the restricted market absorption rates of the homogenous product offered by major housebuilders on the largest sites.
- 5.3. The Review suggests that smaller sites are therefore a mechanism for addressing locally specific housing needs on a settlement by settlement basis. However, it also warns against relying solely on small housing sites. Large developments are often needed to generate sufficient value to deliver significant infrastructure, and provide a significant supply of suitable land to build upon. It suggests that large sites could be parcelled into smaller sites to offer a different product to appeal to a wider range of markets. The Review identified the following types of complimentary markets (that is the sale of a home for each market would not reduce demand in others):
 - Social rented housing
 - Affordable / reduced market rental housing
 - Private rental housing
 - Open market sale
 - Custom and self-build housing
 - Specialised housing such as accommodation for nurses, the elderly, or students
 - Shared ownership
 - Different building typologies (i.e. flats will likely affect a buy to let customer)
 - Different aesthetics
- 5.4. The Review concludes that if either the major house builders themselves, or others, were to offer much more housing of varying types, designs and tenures (and, indeed,

more distinct settings, landscapes and streetscapes) on the large sites and if the resulting variety matched appropriately the desires of the people wanting to live in each particular part of the country, then the overall absorption rate – and hence the overall build out rate – could be substantially accelerated.

6. Other potential Constraints

6.1. The Review examines a number of other possible constraints, which are listed below with the conclusion of their impact:

Possible Constraint	Impact
Lack of transport infrastructure	No impact on build out rates as issues are before first implementable permission.
Difficulties of land remediation	No impact on build out rates as issues are before first implementable permission.
Delayed installations by utility companies	No substantial evidence to suggest it reduces build out rates
Constrained site logistics	No effect
Limited availability of capital	No effect at present
Limited supplies of building materials	If there is a reasonable level of assurance of future level of materials required, production is likely to follow.
Limited availability of skilled Labour	To increase homes to amount required a flash training programme of bricklayers is required.
Alleged intentional 'land banking' by major housebuilders	No evidence of this.

7. Report next steps

7.1. The authors will now investigate policies (Phase 2) to achieve the recommendations under para. 5 above (i.e. diversifying the housing product), without damaging the economics of individual sites or the financial sustainability of the major housebuilders. Policy recommendations are expected to be produced for the 2018 Autumn budget.

8. Options for Oxfordshire

8.1. the Letwin review is an interesting study that considers one issue, namely the rate off house building. it does not seek to take a whole system view and therefore some caution should be exercised in considering how best to respond. the Oxfordshire Housing and Growth Deal is itself a means by which Government is supporting the accelerated delivery of housing through targeted additional funding for infrastructure and affordable housing.

8.2. Officers consider that the following initiatives could contribute to the goals of the Letwin Review (i.e. diversifying the housing product) in Oxfordshire, under existing local authority powers:

- a) Work with Homes England, and use Local Authorities' capital / borrowing to buy more land and subsequently allocate it for residential use.

Goal: Allow Homes England or the local authority to control the type, tenure, and greater development aesthetics to appeal to more markets.

- b) Planning policy can potentially be used to avoid a situation whereby developers establish a local monopoly on development land. This could be achieved by setting a maximum percentage of the 5-year housing land supply that can be controlled of any individual development company or land promoter (or any company with a subsidiary or group connection to the developer or a development agreement related to the site in question). However, sites could exchange sites once permission / allocation is granted, which could undermine this initiative.

Goal: Creating greater diversity in the market as different developers will offer different products.

- c) Create housing registers for specific types of development markets, alongside our affordable housing and self/customer build registers. We can use this to monitor the demand of certain house types and tenures (e.g. private rental, elderly accommodation). This can be offered to developers to demonstrate the demand, or, if necessary enforced through housing mix policies in the development management system.

Goal: Increasing the variety of tenure and type of housing.

- d) On large sites, working with site owners to put them in touch with developers of specialised housing tenures to develop part of their site.

Goal: Increasing the variety of tenure and type of housing.

- e) Using the Housing and Growth Deal funding to support developers in providing alternative development aesthetics (i.e. urban realm improvements, use of new technologies such as solar panel roads, different typologies of housing). Any gain in profit should be reclaimed by the Councils / Government, subject to legal review.

Goal: Providing alternative development aesthetics.

9. Recommendations

9.1 To consider and agree which options to pursue for Oxfordshire.

9.2 To request officers to develop an action plan and work programme to implement the agreed options.