

Perspectives on the Role of UK Planning in Land and Property Markets¹

Phil Allmendinger
Centre of Planning Studies
Department of Real Estate and Planning
University of Reading
READING
RG6 6AW

Neil Dunse
University of Aberdeen
ABERDEEN
AB24 3UF

Email for correspondence: p.allmendinger@reading.ac.uk

Abstract

There is a popular view that land use planning regulations ('planning') is hostile to both development and the development industry. Part of the reason for the prominence of this view is the homogenising of the notion of 'planning' and its reduction to development control. This paper argues that planning controls in the UK are far more sophisticated and, drawing upon empirical evidence of key property interests proposes a more complex and nuanced view of planning controls that, in large part, has the support of the developers and others.

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'The planning system is often rules-driven, reactive as opposed to pro-active, over-complex, unpredictable, lacking in adequate community engagement, underresourced and not user friendly' (Lord Falconer, former Housing, Planning and Regeneration Minister, evidence to the House of Commons Transport, Local Government and the Regions Committee report into the Planning Green Paper, House of Commons, 2002: para 2).

'Rather than blaming planning for the UK's low productivity, our evidence shows that businesses consider the planning system to be an essential part of doing business in the UK' (House of Commons Housing, Planning, Local Government and the Regions Select Committee Fourth Report, 2002: para 5)

Introduction

There have been many claims from UK governments and opposition parties over the past three decades or so concerning the negative impact of land use planning regulations upon land and property markets. Such thinking has, at times, influenced government policy towards planning. The basis of such claims and thoughts can be summed up succinctly as 'planning inhibits development' (see Jones, 1982). The idea that planning was a constraint upon growth grew in prominence during the Conservative governments of the 1980s and 90s (Allmendinger and Thomas, 1998). Various legislative and policy initiatives were introduced during this time in order to by-pass, diminish or abolish planning regulations (Thornley, 1993). While the deregulatory zeal of Conservative administrations during the 1980s led some to write of the era as witnessing the 'death of planning' (Ambrose, 1986) the New Right were not alone in portraying planning as anti development.

While in opposition during the 1990s New Labour was echoing anti-planning sentiments (Allmendinger and Tewdwr-Jones, 2000). Once in power Labour Ministers were quick to criticise planning regulations for inhibiting development. A number of anti-planning reports and speeches by ministers highlighted what New Labour considered to be the growth thwarting effects of land use controls: *'I think the planning process has locked in for far too long, with its procrastination and delays, a considerable amount of potential investment that was available'* (former Planning Minister Richard Caborn, 1998: 18).

Under New Labour the Department of Trade and Industry began funding research on barriers to UK competitiveness which focused on planning. According to one such report *'The UK has a complex, locally driven planning regime, which has increasingly made it difficult, time consuming and expensive for food retailers to find new sites and expand...recent tightening of UK planning regulation has essentially frozen the evolution of the industry'* (McKinsey 1998, Chapter 3: no page number). While the McKinsey assumptions and conclusions were widely questioned (Allmendinger and Tewdwr-Jones, 2000) the report was highly influential in New Labour thinking on planning matters across government. The 1998 Competitiveness White Paper, for example, which emanated from the Department of Trade and Industry whose remit does not include planning, developed the deregulatory enthusiasm of McKinsey and made a commitment to *'work on the effects of the*

planning system on the competitiveness of business, particularly in growth industries' (DTI, 1999: 66).

Subsequent New Labour rhetoric has consistently linked planning to competitiveness: *'it (the planning system) costs us dear – in economic prosperity, in the quality of our development, and in costs to business'* (former Planning Minister Lord Falconer, 2001: 1). This perception of planning as a 'drag' on economic growth led directly to policy change and moves, initiated by Ministers in the Treasury and Department of Trade and Industry, to relax controls on out-of-town supermarkets (Planning, 14th January 2000: 3) as well as proposals to reduce and rationalise the number of plans by at least 50% (ODPM, 2002).

The assertion that planning inhibits development is not uncontroversial. Research published by the Department of the Environment, Transport and the Regions (DETR – now the ODPM) questioned the McKinsey assumptions as did further research on barriers to the development of hi-technology clusters in 2000 (DETR, 1999; 2000). According to the former there are few objections to the planning system and its operation from businesses. Businesses are, on the whole, more concerned with the efficiency of the present planning system particularly the speed of decision making, and to its perceived financial cost in terms of delays to development than with abolishing it, or substituting an alternative (DETR, 1999: 1).

The UK House of Commons Select Committee (whose remit includes planning) was moved by Government attacks to investigate the relationship between planning and economic growth. After taking a great deal of evidence from a variety of sources it came to the conclusion that *'claims that planning damages the nation's competitiveness seem to have been made without evidence'* (House of Commons Housing, Planning, Local Government and the Regions Select Committee Fourth Report, 2002: 5). Evidence from property and economic related interests to the Select Committee and the Government's consultation exercise on its Green Paper on planning reforms also questioned the notion that the planning system was a barrier to business. While many interests felt that the planning process could be quicker and more user-friendly there was a consensus behind the need for planning from a wide variety of interests.

Despite a lack of support the New Labour government has progressed its proposals for planning reform (Table 1) with associated and closely related changes also being introduced in Scotland (Scottish Executive, 2002a; 2002b). The theme underlying these changes remains familiar:

What was once an innovative emphasis on consultation has now become a set of inflexible, legalistic and bureaucratic procedures. A system that was intended to promote development now blocks it. Business complains that the speed of decision is undermining productivity and competitiveness (former Secretary of State for Transport, Local Government and the Regions Stephen Byers, 2002: foreword to the Planning Green Paper).

Table 1. Current proposals for deregulating planning controls in England

Area of Change	Principles of Change	Proposals
Development Plans	<ul style="list-style-type: none"> • Simplify the plan hierarchy, reducing the number of tiers and clarifying the relationships between them; • Deliver shorter, better focused, plans at the local level which can be adopted and revised more quickly; • Improve integration with other local strategies and plans. 	<ul style="list-style-type: none"> • Local Development Documents to replace local plans, unitary development plans and structure plans. • Public participation in formulating plans and expedition in taking them through to adoption are to be maximised through community involvement schemes and timetables agreed between the local planning authority • A shift in the focus of an independent examination of the local development plan towards its overall soundness is intended to encourage examinations to become less adversarial. • Regional Spatial Strategies will provide an overall regional plan coordinating a host of public statutory and non-statutory strategies.
Development Control	<ul style="list-style-type: none"> • Introduce a planning checklist so that people know how to submit a good quality planning application; • Tighten targets for determining planning applications and deal with the delays caused by statutory consultees; • Encourage master-planning to improve the quality of development; • Promote better community involvement by offering community groups advice on planning; • Introduce delivery contracts for planning for major developments; • Introduce new 'business zones' where no planning permission is required for certain forms of development; and • Seek better and tougher enforcement against those who evade planning requirements. 	<ul style="list-style-type: none"> • Local planning authorities will be able to introduce local permitted development rights by way of local development orders. • The Secretary of State may call in any application for planning permission, or an application for the approval of a local planning authority required under a development order, if he thinks that the development to which the application relates is of national or regional importance. • Regulations for designation of Simplified Planning Zones to be updated allowing them to be designated when identified in Regional Spatial Strategies.

Source: DTLR 2001; House of Commons, 2002.

Clearly there are divergent views on the role of planning vis-à-vis economic competitiveness and growth. There are a number of ways in which such a divergence of views could be researched (see Adams and Watkins, 2003). This paper seeks to explore this contradiction through presenting research on attitudes of UK property professionals towards a disaggregated notion of planning and markets.

We found a highly complex picture that, to some extent, reconciled these competing views and endorsed our feeling that the differing attitudes could be explained by differing interpretations of what was meant by the term ‘planning’ (e.g., planning as a regulatory mechanism or market stimulation mechanism) and ‘markets’ (e.g., supply or demand). We discuss a more disaggregated approach to the notion of planning in more detail below. On the whole, however, there was a supportive and positive attitude towards the planning system and its objectives tempered by concerns with resourcing the planning function of local authorities, a lack of necessary and relevant skills possessed by planners, a perception that planning was being used to meet non-land use policy objectives such as the delivery of affordable housing and a feeling that the Government had not provided an adequate vision for planning to operate within.

Attitudes Towards Planning and Partnerships from UK Property Agents and Developers

In order to explore the relationships between planning regulations and land and property markets from the perspectives of key actors the research involved a postal survey supplemented by a focus group with leading experts within the property industry. The postal questionnaire was designed to collect information in four broad areas:

- 1 The individual’s background – their experience within the property industry, their primary role (investor, developer, planning professional and chartered surveyor) within the property industry, and their geographic location,
- 2 Their attitudes towards the operation of the urban land market and government intervention, particularly planning controls,
- 3 Their considered opinion of the impact that current and past government policies have had on the operation of the urban land market,
- 4 Their views on alternative government actions and policies and the anticipated impact on the operation of the urban land market.

Some 500 questionnaires were despatched and 101 were returned representing a 20% response rate. A focus group was subsequently conducted in London with representatives of property/construction firms in May 2003.

The focus group was primarily aimed at adding depth to the results derived from the postal questionnaire, by obtaining further insights regarding how government policy has impacted on the urban land market. The session attempted to draw out the strength and weaknesses of current government policy and identify areas for improvement. The experience of the group members was primarily within development across all sectors of the property market, although two members of the group were also involved in a number of current urban regeneration projects.

Table 3 illustrates the sectors of the property profession with which the respondents are primarily concerned. The majority of the respondents operate within the investment (38%) and development (27%) sectors. As this question asked respondents to indicate the sector respondents primarily operated within, it did not preclude them

also from operating within other sectors. Many of the respondents indicated so in the questionnaire. 94% of the respondents are employed within the private sector.

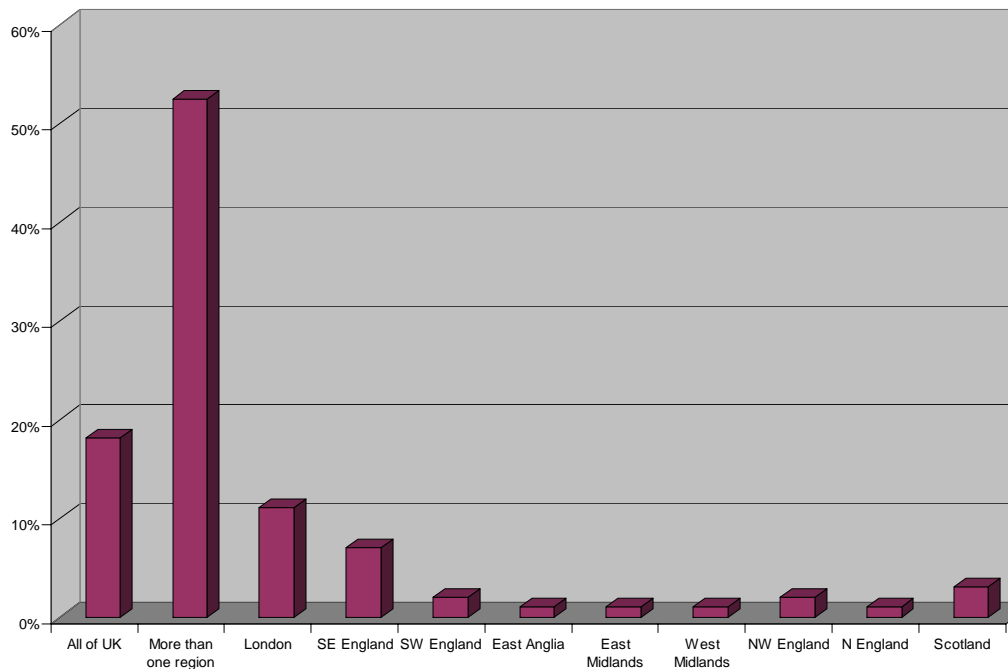
Table 3: Respondents' prime sector of operation	
<i>Sector of Property Profession</i>	<i>%</i>
Investment	38
Development	27
General practice surveying	8
Planning practice	4
Other (e.g. Architects, Engineers, Business Consultants)	24
Total	100

Table 4 indicates respondents' level of experience within the property market. 65% of respondents claimed to have in excess of 20 years experience – a period of diverse political administrations and ideologies within the UK.

Table 4: Respondents' experience within the property profession	
<i>Years' of Experience</i>	<i>%</i>
0 – 10	5
11 – 20	31
21 – 30	40
31+	25
Total	100

Respondents were asked to identify the standard economic region(s) within which they operate. The vast majority undertake their business throughout the various regions of the UK (Figure 1). Individually, all regions except Northern Ireland and Wales are represented, although these may be included within the 'All of UK' category. Nevertheless, when a single region was mentioned, London and the South East were predominant.

Figure 1: Geographic areas within which respondents operate



The questionnaire and focus group were structured around the impact of planning upon five market characteristics:

- Demand (i.e. whether the policy mechanism increases, decreases or has no effect on demand)
- Supply (i.e. whether the policy mechanism increases, decreases or has no effect on supply)
- Market risk and confidence (i.e. whether the policy mechanism increases, decreases or have no effect on risk and confidence)
- Information available (i.e. whether the policy mechanism affects the quantity and quality of information available)
- Price (i.e. whether the policy mechanism increases, decreases or has no effect on price)

As well as deconstructing the notion of markets we also disaggregated the notion of planning. Four kinds of planning were identified:

- Market shaping: tools that provide the overarching context within which market actions and transactions occur, e.g., development plans.
- Market regulations: tools that seek to regulate and control market actions and transactions, ensuring that some consideration of externalities and/or some consideration of public/collective interest issues is made within the market transaction, e.g., development control.

- **Market stimulation:** tools that seek to make the market work better or to facilitate the market working better (i.e. they ‘lubricate’ the market by having a direct impact on financial appraisals), e.g., grants, tax, breaks, financial penalties, etc.
- **Capacity building:** tools that build the capacity of market operators. While this type of tool can be identified, it appears in many forms and is difficult to define precisely. However, it concludes, for example, knowledge resources; relational resources (trust and cooperation); and mobilisation capacity (i.e. the ability to make use of the first two through various formal and informal means). Developing capacity would need to focus on, develop and exploit all three dimensions.

The results of the research are given in Tables 5-8, together with a sample of additional comments provided by the participants. In addition, insights to these policy mechanisms drawn from the focus group session are incorporated into the discussion, where appropriate.

1. *Perceptions of market shaping*

The questionnaire specifically focused upon three market shaping policies: development plans, transport policy and infrastructure provision. The results are reported in Table 5 and as can be seen the impacts of the different policies within this category vary significantly. The majority of respondents felt that development plans had no impact on demand (60%), a negative impact upon supply (55%) and a positive impact upon market information (48%), confidence (44%) and price (51%).

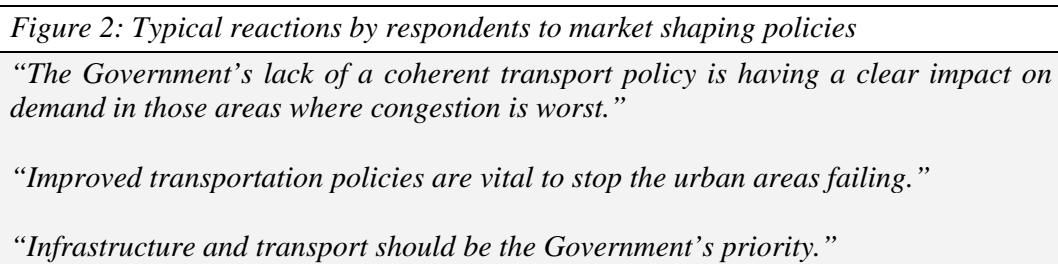
In the focus group, participants demonstrated strong support for statutory planning, both in its shaping and regulatory aspects. Local plans were seen as a potential strength, offering clear guidance with regard to development opportunity, reducing development risk and creating a more secure investment environment. However as one participant stated “*it is the host of non-statutory policies and plans such as SPG’s, EIA’s, Section 106 agreements and PPG policies*” that have had a negative impact upon land markets. These non-statutory policies were regarded as vague, reactionary, poorly co-ordinated and often lacking consistency in the application of policies across local authorities. They had the opinion that central government “[*policies*] do not give proper weighting to local differences”.

	<i>Positive Impact</i>	<i>No Impact</i>	<i>Negative Impact</i>	<i>Totals</i>
<i>Development Plans</i>				
Demand	28	60	12	100
Supply	28	17	55	100
Market Information	48	45	7	100
Confidence/Risk	44	26	30	100
Price	51	22	27	100
<i>Transport Policy</i>				
Demand	32	21	47	100

Supply	25	28	47	100
Market Information	9	66	25	100
Confidence/Risk	17	23	60	100
Price	27	23	50	100
<i>Infrastructure Provision</i>				
Demand	58	14	28	100
Supply	65	11	24	100
Market Information	24	62	14	100
Confidence/Risk	49	28	23	100
Price	56	17	27	100

There was also a general consensus that the change in these policies has been too frequent and short term. In the development activities undertaken by one participant, these typically spanned a period of seven years whereas in his experience, policy change has been much more frequent. The participant felt that *“the goal posts should remain where they are and there should not be a retrospective change in policies affecting the value of land that has already been acquired.”* Unintended effects of policy change are probably unavoidable. However, they could be minimised and greater consideration given as to how new policy may impact on other areas of the land market.

There appears to be a particular view that transport policy has had negative or no impact. As can be seen from the quotes in Figure 2 there is strong feeling that this is due to poor implementation. Participants in the focus group took the view that if transport policy was implemented in a different manner, it could achieve positive impacts.



On the other hand infrastructure provision has been viewed very favourably, having a positive impact upon demand, supply, confidence and price. It was however, perceived to have limited impact upon market information. Again, this was view taken by the participants in the focus group with one participant stating that *“infrastructure provision has had a positive impact”* on the urban land market. Specifically, the positive impact was the confidence it brought to development decisions, particularly on large sites with a number of developers.

Overall, the participants in the focus group recognised the importance of market ‘shaping’ and welcomed the confidence that such plans and policies bring to the market. However, they believed that planning authorities were under-resourced to develop effective policies. In addition, the planning profession was viewed as being

grossly undervalued and unable to attract staff with the appropriate 'vision' and 'market awareness' to undertake market shaping effectively and imaginatively.

2. *Perceptions of market regulation*

Within the questionnaire, reduced regulation initiatives were presented as a form of market regulation policy. The majority of respondents felt that such policies have had a very positive effect upon demand, supply, confidence and price (Table 6). Little or no impact was experienced with regard to market information.

Table 6: Perceptions of market regulation (%)				
<i>Reduced Regulation Zones</i>	<i>Positive Impact</i>	<i>No Impact</i>	<i>Negative Impact</i>	<i>Totals</i>
Demand	73	20	7	100
Supply	76	17	7	100
Market Information	35	64	1	100
Confidence/Risk	60	29	11	100
Price	63	23	14	100

An aspect of market regulation that provoked a lengthy discussion within the focus group was the issue of planning gain. Uncertainty, a lack of information and inconsistency was a major grievance. There was an acceptance of planning gain and the participants basically supported the underlying principles. However, they required certainty and required that the expectations were quantifiable in terms of time and cost so that the requirements could be incorporated within their discounted cash flows at the outset of the development appraisal. They regarded planning gain as a development tax and as such believed that it should display the characteristics of a good tax, i.e. it should be equitable, efficient and transparent.

Figure 3: Typical reaction by respondents to market regulation policies

“Very few government policies have had a positive impact on markets, except Enterprise Zones.”

3. *Perceptions of market stimulation*

Within this category, we present taxation policy, grant regimes and statutory intervention, the impacts of which vary significantly (Table 7). Unsurprisingly perhaps, grant regimes are viewed positively with only market information unaffected. Taxation policy is on the whole viewed very negatively. This is reinforced by the selected quotations presented in Figure 3. However, the results may be distorted by the interpretation of the question. Taxation policy is generally viewed as a tax on transactions (for example, stamp duty) as opposed to considering tax breaks as a means of encouraging more desired outcomes. However, from the comments given, there is recognition that tax breaks may have a positive impact (see Figure 4). This is also evidenced by the respondents’ reactions to reduced regulation policies, in particular Enterprise Zones. A significant element of this policy initiative was the generous tax breaks in the form of capital allowances and rating.

Table 7: Perceptions of market stimulation initiatives (%)				
	<i>Positive Impact</i>	<i>No Impact</i>	<i>Negative Impact</i>	<i>Totals</i>
<i>Taxation Policy</i>				
Demand	20	26	54	100
Supply	16	49	35	100
Market Information	5	81	14	100
Confidence/Risk	19	32	49	100
Price	20	14	66	100
<i>Grant Regimes</i>				
Demand	62	37	1	100
Supply	61	38	1	100
Market Information	24	71	5	100
Confidence/Risk	55	41	4	100
Price	51	41	8	100
<i>Statutory Intervention</i>				
Demand	14	71	15	100
Supply	33	55	12	100
Market Information	4	86	10	100
Confidence/Risk	23	47	30	100
Price	14	56	30	100

Statutory intervention is very generally viewed as having little or no impact. This is surprising, since assembling land under one ownership would presumably increase supply and provide confidence when developing schemes, an observation made by one of the respondents (see Figure 5). The focus group was unable to offer a satisfactory explanation for this. Of course there is an appreciation of the failures of compulsory acquisition by the Government and this is currently under review throughout the UK (Department of the Environment, Transport and the Regions, 2000c; Murning, 2001).

Figure 5: Typical reactions by respondents to market stimulation policies
<i>“High levels of stamp duty will threaten the efficiency of the commercial property market as a capital market and ultimately reduce flows of money into commercial property.”</i>
<i>“The planned exemption for commercial property from stamp duty in areas of deprivation would undoubtedly help the renewal of those areas.”</i>
<i>“Grant regimes and rates regulation makes a very positive contribution to the regeneration of specific areas.”</i>
<i>“Government CPO powers should be altered to pay 5% over market value. This would stop disputes in acquiring land and hence reduce both the total cost and much</i>

more important – time. Reducing time will also reduce blight which will then enable regeneration within a flexible master plan to operate efficiently.”

4. Perceptions of capacity building

Table 8 illustrates the results of capacity building initiatives. Reactions were mixed, although, overall, the majority of respondents felt that there had been little impact. However a significant proportion considered that there has been a positive impact upon supply and demand. The reason for these mixed reactions is probably due to our respondents having a lack of experience in involvement with such initiatives. Involvement in partnerships, and the type of activity being undertaken is a niche area of development. Interestingly, although there is a small sample issue, those respondents primarily involved in general practice surveying view the impacts upon supply and demand much more positively. In their professional capacity they perhaps see the ‘bigger picture’ and the positive impacts that such policies bring overall to the land and property market (Figure 6).

Table 8: Perceptions of capacity building initiatives (%)

<i>Institutional Mechanisms</i>	<i>Positive Impact</i>	<i>No Impact</i>	<i>Negative Impact</i>	<i>Totals</i>
Demand	37	56	7	100
Supply	46	52	2	100
Market Information	16	76	8	100
Confidence/Risk	28	53	19	100
Price	30	57	13	100

Figure 6: Typical reaction by respondents to capacity building mechanisms

“Government should commission private sector parties to suggest workable (from the investor perspective) solutions to regeneration funding – rather than invent them themselves, in isolation and ignorance of how investing organisations work, and expect them to fit with investors criteria and business structures.”

Conclusions

Two main messages arise from our research. The first is the complex and contingent nature of attitudes towards the role of planning regulations on land and property markets. The disaggregated nature of our analysis highlights how planning controls are perceived to have both a negative *and* positive impact upon land and property markets depending upon the form or tool of planning and the characteristic of markets in question. Table 9 maps the complexity of the situation. From this summary it can be seen that planning is perceived to have a positive impact when in its market shaping and stimulation roles – though only upon certain market characteristics. Equally, it has a largely negative impact in its regulatory role upon demand, supply, confidence and price.

From this it also becomes clear how the two views concerning the role of planning regulations on land and property markets outlined at the beginning of the paper can be reconciled. Those who focus upon the regulatory role of planning (e.g., the Treasury and McKinsey) come to the conclusion that planning inhibits development while a wider perspective highlights a more positive role.

Table 9. Summary of Planning Impacts upon Land and Property Markets					
	Demand	Supply	Market Information	Confidence	Price
Market Shaping	No impact	Negative	Positive	Positive	Positive
Market Regulation	Negative	Negative	No impact	Negative	Negative
Market Stimulation	Positive (grants) Negative (taxation)	Positive (grants) No impact (taxation)	No impact (grants) No impact (taxation)	Positive (grants) Negative (taxation)	Positive (grants) Negative (taxation)
Capacity Building	Positive	Positive	No impact	No impact	No impact

The second main conclusion is the generally positive and supportive view of property professionals towards planning. The various views quoted throughout the paper point to the market supportive role played by planning and wider government land use policies such as transport. Analysis of Table 9 shows that the positive impacts outnumber the negative (though no impact has is dominant).

Overall, the research points towards the need to develop a more disaggregated notion of planning regulations and markets if a balanced and holistic picture of how policy interacts with markets is to be gained. Our approach to disaggregation is an initial attempt to think in more depth about the relationship between public policy and markets and could be modified and further disaggregated to make distinctions between different stimulation mechanisms, for example. However, the general approach provides a useful tool to better analyse and predict the impacts of public policies.

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