



BRIEFING PAPER

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Tackling the under-supply of housing in England

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Contents:

1. How much new housing does England need?
2. Trends in UK housing supply
3. Increasing supply in England: barriers and solutions
4. Housing White Paper: additional proposals and responses



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Summary

According to current projections, an average of 210,000 new households will form in England in each year between 2014 and 2039. In 2015/16, the total housing stock in England increased by around 190,000 residential dwellings: 12% higher than the previous year's increase but a long way short of the estimated 240-250,000 new homes needed to keep pace with household formation.

Housing need manifests itself in a variety of ways, such as increased levels of overcrowding, acute affordability issues, more young people living with their parents for longer periods, impaired labour mobility resulting in businesses finding it difficult to recruit and retain staff, and increased levels of homelessness.

The 2015 Government set out an ambition to deliver 1 million net additions to the housing stock by the end of the Parliament in 2020. Net additions includes, for example, conversions and changes of use. Critics said that the figure did not take account of the backlog of housing need. The House of Lords Select Committee on Economic Affairs concluded in [Building More Homes](#) (2016) that the target "was not based on a robust analysis" and went on to recommend that the housing crisis required the development of at least 300,000 new homes annually "for the foreseeable future" In addition to questioning whether a target of 1 million homes is ambitious enough, there is some doubt over whether even this number is achievable.

There is general consensus around the long-term under-supply housing and the need to address this, but there is less agreement within the industry about *how* best to achieve the necessary step-change in supply. Commentators agree that there is no 'silver bullet' and call for a range of solutions across a number of policy areas.

The 2015 Government took action to stimulate housing supply through a variety of schemes. These schemes were referred to in the Government's response to [Building More Homes](#) which acknowledged that "we have much more to do as a country to build more homes and that the Government has a role to play in making sure our housing market works for everyone." February 2017 saw the publication of the Housing White paper [Fixing our broken housing market](#), which set out "a comprehensive package of reform to increase housing supply and halt the decline in housing affordability." The White Paper identified a threefold problem of "not enough local authorities planning for the homes they need; housebuilding that is simply too slow; and a construction industry that is too reliant on a small number of big players." The White Paper focused on four main areas:

- Building the right homes in the right places.
- Building them faster.
- Widening the range of builders and construction methods.
- 'Helping people now' including investing in new affordable housing and preventing homelessness.

Consultation on proposals in chapters 1 and 2 of the White Paper closed on 2 May 2017. A separate consultation exercise on [Planning and affordable housing for Build to Rent](#) was launched alongside the White Paper.

This briefing paper considers key trends in housing supply in the UK and goes on to focus on some of the of the key barriers and potential solutions to increasing supply in England. The paper has been updated to take account of the key measures announced by the 2015 Government in [Fixing our broken housing market](#).

The barriers and solutions cover issues including:

- The potential contribution of the local authority and housing association sectors. The delivery of more than 200,000 homes per year in England has, since 1939, only happened largely as a result of major public sector (local authority) housebuilding programmes.
- How to ensure that more land suitable for development is brought forward at a reasonable price, including how more public land can be brought forward more quickly.
- How to properly resource local authority planning departments and tackle a planning system that is widely seen as slow, costly and complex. There is some agreement on the need to incentivise authorities and communities to approve development, and for measures to encourage developers to build-out permissioned land without unnecessary delays.
- Consideration of how essential infrastructure to support housing development can be funded.
- How to encourage and support more small and medium sized building firms into a market that is currently dominated by a small number of large companies.
- How to ensure that the construction industry is in a fit state to deliver the housebuilding capacity that England requires. The Government commissioned [Farmer Review of the UK Construction Labour Model](#) (2016) concluded that “many features of the industry are synonymous with a sick, or even a dying patient.”

Recent Government action to stimulate housing supply can be found in Library briefing paper 06416: [Stimulating housing supply - Government initiatives \(England\)](#).

Other relevant Library papers include:

- [Planning for Housing](#) (March 2017 – updated to take account of the Housing White Paper)
- [Commons Library analysis of the Neighbourhood Planning Bill](#) (September 2016)
- [Neighbourhood Planning Bill: Report on Committee Stage](#) (November 2016)
- [Planning Reform Proposals](#) (March 2017 – updated to take account of the Housing White Paper)

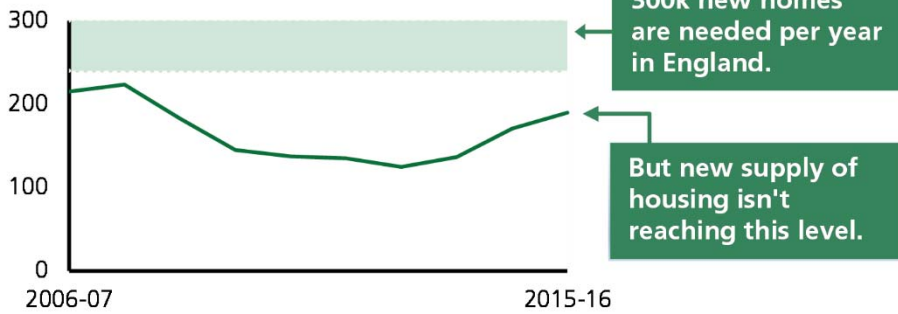
Statistics in this briefing paper

Sections 1 and 2 of this briefing paper explain trends in housing need and supply. Where possible, statistics for the whole UK are provided. However, statistics for England only are provided where this is the only data available, or where the focus is on an English policy change.

Tables summarising the data used in this briefing paper can be downloaded from the landing page.

The Library has also produced an interactive tool, [Housing supply for local authorities](#), for comparing trends in local housing supply in England.

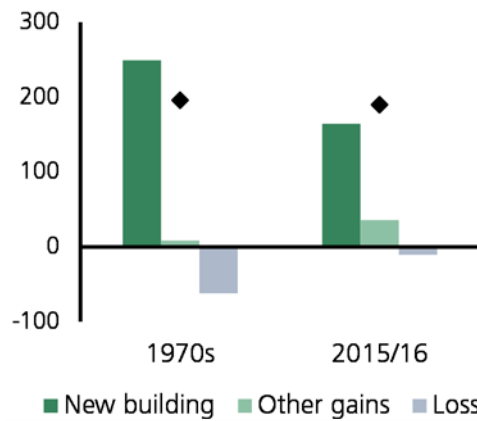
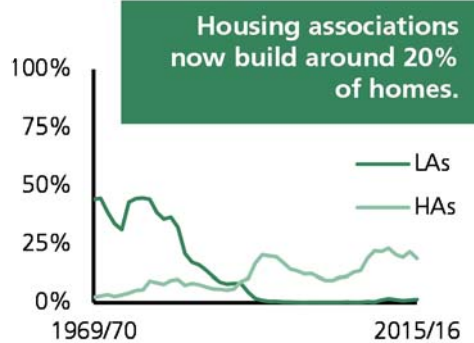
In charts: Housing supply in England¹



House building has declined since the 1970s.



The % of homes built by local authorities has fallen.

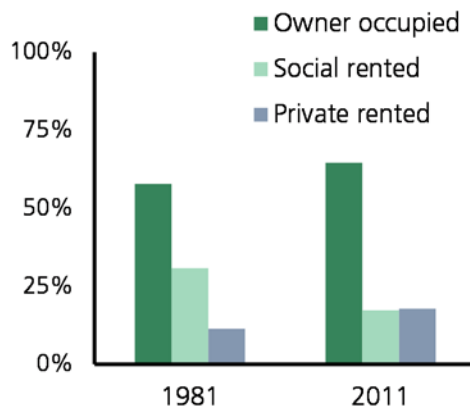


New supply in 2015-16 was close to the yearly average in the 1970s.

New building was higher in the 1970s, but there was more demolition and less conversion of existing buildings.

The tenure makeup of the housing stock has changed.

Private renting has grown, while the social rented sector has shrunk as a proportion of all housing.



¹ Sources (top to bottom) DCLG, [Live Table 120](#); DCLG, [Live Table 209](#); DCLG, [Live Table 120](#) and Holmans, *Historical Statistics of Housing in Great Britain*; DCLG, [Live Table 104](#)

1. How much new housing does England need?

Summary

Estimating the need for housing depends on making a judgement about the amount of housing space people should live in, being able to predict how many new households will form, and understanding the existing backlog of households that don't have suitable accommodation.

According to current projections, an average of 210,000 new households will form each year between 2014 and 2039. Other estimates say that 240-250,000 new homes will need to be built to meet newly-arising need.

1.1 Defining housing need

There is no strict definition of **housing need**, but it can be understood as the amount of housing required for all households to live in accommodation that meets a certain normative standard. By contrast, **housing demand** usually refers to the amount of housing that households will choose to buy, given their preferences and ability to pay.² The amount and type of new supply required by the housing market is affected by both need and demand.

Projected growth in the number of households is often used as a proxy for housing need, but it doesn't give the whole picture. There is an existing **backlog of need**: for example, households living in unsuitable or overcrowded accommodation. Additionally, many households take up more housing space than they might be said to 'need' – those who can afford to may choose to live in a house with a spare bedroom, or buy a second home. Dame Kate Barker's evidence to the Treasury Select Committee's inquiry into housing policy emphasised the role of income growth in driving housing demand:

Indeed, house prices respond a lot to income growth because—this point is made in the review but not brought out enough—when people get richer they want more space. If you simply work on household projections then you will not supply as much space as people would like, given their incomes, and the result of that is that people with money do get the space they want. People without money do not get the space.³

² DCLG, November 2010. [Estimating housing need](#).

³ [HC 861](#), 7 December 2016, Q2

1.2 Estimating housing need

Projections for the number of households in England

According to DCLG's projections, the number of households in England is expected to grow from 22.7 million in 2014 to 28.0 million in 2039. This is an average increase of around 210,000 households per year.⁴

These figures are projections rather than predictions – they are based on past demographic trends and do not attempt to model the effect of future policies or other circumstances. They are put together by combining assumptions about how much the population will grow and the size of households that people will live in.

DCLG's projections are based on the ONS' population projections for the UK. The most recent version is based on the 2011 Census and is updated with estimates of births, deaths and migration up to 2014.

Migration and increasing life expectancy have the most impact on projected household growth:

- The number of households headed by someone aged 65 or over is expected to grow by 155,000 per year. Within this group, the number of over-65s living alone is expected to grow by around 43,000 per year.
- DCLG estimates that net migration into England from outside the UK accounts for 37% of projected household growth.⁵

Average household size is expected to decrease slightly, meaning that the number of households will grow faster than the number of individuals in the population.

Other estimates of need

As discussed above, DCLG's projections are based on past demographic trends – they do not attempt to predict the future. However, it has been argued that the projections are based on trends which are unlikely to continue.⁶

DCLG's projections are based in changes in the number of households between the 2001 and 2011 Censuses. The number of new households in 2011 was lower than expected, which led to a conservative projection for new household formation beyond 2011.

It has been suggested that the lower-than-expected growth in households between 2001 and 2011 was partly caused by families continuing to live in one household (e.g. young adults continuing to live with their parents), and that this was mainly caused by the recession. Additionally, levels of immigration were higher between 2001 and 2011 than previously, and research suggests that recent migrants tend to live

⁴ DCLG, July 2016. [2014-based household projections in England, 2014 to 2039](#).

⁵ The principal migration projection from the ONS result in 37% more households than the ONS' theoretical projection in which there is zero net migration.

⁶ E.g. by A.E. Holmans in [Housing need and effective demand in England](#) (2014) and [New estimates of housing demand and need in England, 2011 to 2031](#).

in larger household groups than long-term UK residents. This would keep the number of new households low relative to the growth in population.⁷

Trends in household formation and migration are difficult to predict. A set of alternative estimates of housing need were made by the Town and Country Planning Association (TCPA) in 2013.⁸ The alternative estimates adjusted DCLG's initial 2011-based projections by making the assumption that the economy would improve, causing new household formation to increase. Migration was assumed to follow similar trends to 2001-11.⁹ This led to an estimate that 240-245,000 homes would have to be built in each year to meet 'newly arising demand and need'.

Shelter in 2015 put forward a similar figure based on a review of the literature. They estimate that around 250,000 new homes would be needed in each year to keep up with new household formation, and add:

Demand is not uniform across the country, with some areas experiencing much higher population growth. Unsurprisingly, the highest levels of projected household growth over the next decade are in London and the South East, with high growth also expected in the South West and Yorkshire and Humber.

Years of undersupply have also left a backlog of housing need, manifested in concealed households, rising overcrowding, homelessness and the rise in young adults living with their parents. The most recent estimates suggest the backlog may be as large as two million households. To clear this, England would need to build well over 250,000 homes each year for many years, or change the distribution of the existing housing stock - or most likely both.¹⁰

Current new housing supply is lower than these estimates of housing need. DCLG's main house building series has often been cited (e.g. in the Shelter report above) as evidence that supply has long been well below the level required. The series records 139,000 dwellings built in England in 2015/16.¹¹ However, DCLG also publish a separate, more complete series on net housing supply which shows levels of supply which are somewhat closer to identified need. The figures include more housing completions than the main house building series¹², as well as gains from conversions of existing property. Together, these add up to a net increase in dwelling stock of approximately 190,000 in 2015/16. The series goes back to 2006/07 and peaks with a net increase of 224,000 dwellings in 2007/08 – still lower than the estimates of need discussed above. See sections 2.3 and 2.4 for more discussion of housing supply trends.

⁷ Ibid.

⁸ A.E. Holmans (2013), [New estimates of housing demand and need in England, 2011 to 2031](#).

⁹ In reality, migration is now higher than it was in 2011 (see ONS, [Migration Statistics Quarterly Report, December 2016](#)). Projections do not take account of future policy changes affecting migration, e.g. as a result of the UK exiting the European Union.

¹⁰ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), pp. 19-20

¹¹ DCLG, [Live Table 209](#)

¹² DCLG, [Live Table 120](#)

2. Trends in UK housing supply

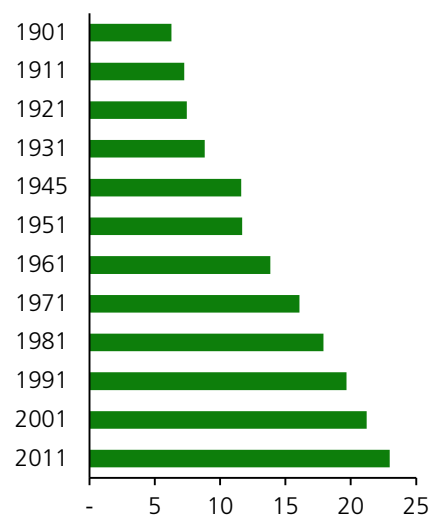
2.1 Growth in housing supply

On 31st March 2014, there were approximately 28.07 million residential dwellings in the UK. Of these, 23.5 million were in England, 1.41 million were in Wales, 2.53 million were in Scotland and 0.77 million were in Northern Ireland.

The total housing supply in England has increased by more than four times since the start of the 20th century (see chart, right). The table below has more detail on growth since 1951 in the regions of the UK. Overall, the dwelling stock in the UK increased by 94% between 1951 and 2011. Scotland saw less growth (an increase of 81%), while the stock more than doubled in Northern Ireland.

Change between the 1991 and 2011 censuses can be examined in finer detail (see map, below). In both England and the UK the overall increase was 16%, but many regions saw less growth than this – the North East (9%) and the North West (11%) had the lowest growth. The South West had the largest increase in dwelling stock in England (22%), while Northern Ireland had the largest in the UK (32%).

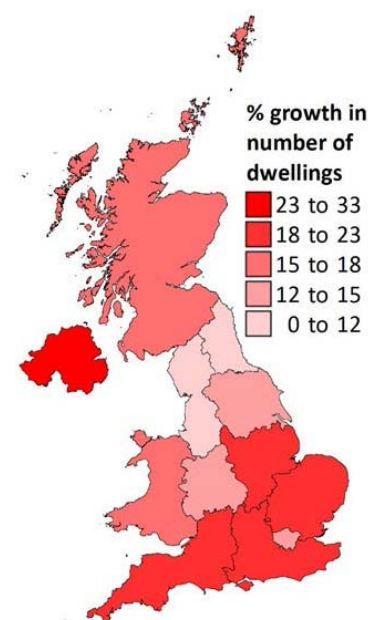
Total dwelling stock (millions), England 1901-2011



Source: A.E. Holmans, *Historical Statistics of Housing in Britain* (1945 data); DCLG, Live Table 104 (all other years)

Growth in the number of dwellings, UK and regions¹³

	Number of dwellings (thousands)			Change 1951 to 2011	Change 1991 to 2011
	1951	1991	2011		
England	11,678	19,671	22,814	95%	16%
North East	..	1,072	1,164	..	9%
North West	..	2,792	3,111	..	11%
Yorkshire & the Humber	..	2,021	2,294	..	14%
East Midlands	..	1,634	1,961	..	20%
West Midlands	..	2,079	2,358	..	13%
East of England	..	2,093	2,520	..	20%
London	..	2,912	3,318	..	14%
South East	..	3,099	3,683	..	19%
South West	..	1,968	2,403	..	22%
Wales	711	1,184	1,384	95%	17%
Scotland	1,375	2,160	2,495	81%	16%
Northern Ireland	354	573	759	114%	32%
UK	14,118	23,588	27,452	94%	16%



¹³ Source: DCLG, [Live Tables 104, 106, 107, 108 and 109](#)

All figures are taken from the censuses for each year, with the exception of 1991, which uses December 1990 data for Scotland and Northern Ireland.

.. = data not available.

2.2 Expenditure on housing

While it is difficult to produce a consistent estimate of public spending on new housing supply, figures on broader expenditure on housing and related areas are available from the Treasury's *Public Expenditure Statistical Analyses* (PESA).

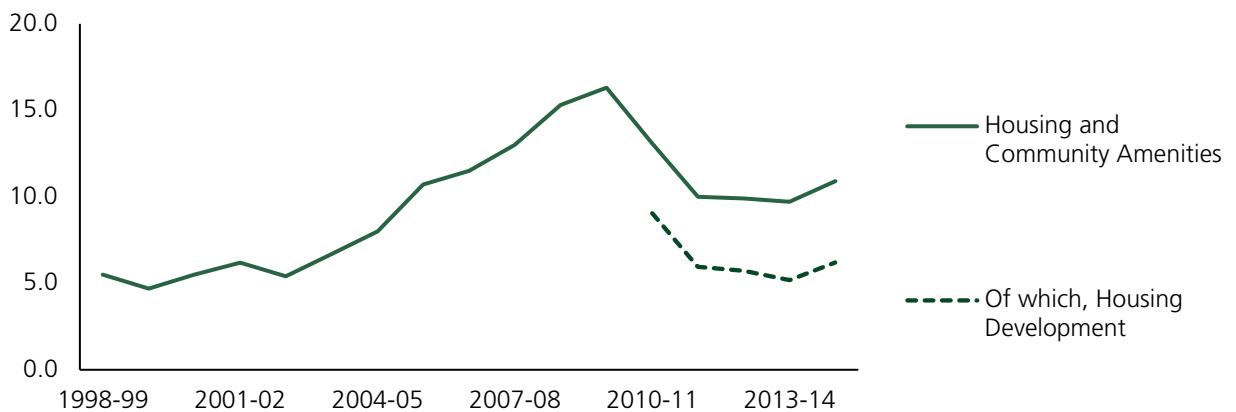
PESA records spending by the UK government on 'housing and community amenities' – a category that includes spending on items such as water supply, street lighting and planning. However, the bulk of spending in this category is on 'housing development', including building, improvements, land acquisition and administration. Housing development accounted for 57% of housing and community amenities spending in 2014-15.

PESA's longest time series covers spending on housing and community amenities in the UK. As the chart below shows, spending on housing and community amenities increased fairly steadily from 1998-99 onwards, reaching a peak of £16.3bn in 2009-10.¹⁴ Spending decreased sharply after the Coalition government came to power, although 2014-15 saw a slight increase in spending (to £10.9bn).

Data on housing development spending is only available for 2010-11 onwards but shows a similar trend. £9.0bn was spent on housing development in 2010-11 compared to £6.2bn in 2014-15.

Spending on housing & community amenities and housing development¹⁵

UK, 1998-99 to 2014-15 (£bn, 2014-15 prices)



Recent cuts in housing expenditure have varied regionally. As the table overleaf shows, per capita spending in England fell by 33% between 2009-10 and 2013-14. The South East and South West experienced more of a decrease than other regions. In 2013-14, the South West had the lowest per capita spend of all the regions and London had the highest.





















¹⁴ All spending in this section is given in 2014-15 prices. Adjustments made using the Treasury's [GDP deflators for December 2016](#).

¹⁵ HM Treasury, [PESA 2015](#), Tables 4.2 and 5.2

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Expenditure on housing & community amenities per head¹⁶

English regions, 2009-10 to 2013-14

	2009-10	2013-14	% change
North East	£326 	£227 	-30%
North West	£220 	£140 	-36%
Yorkshire and the Humber	£220 	£138 	-38%
East Midlands	£165 	£144 	-13%
West Midlands	£200 	£128 	-36%
East of England	£170 	£116 	-32%
London	£489 	£336 	-31%
South East	£177 	£104 	-41%
South West	£172 	£101 	-42%
England	£242 	£161 	-33%

Comparison with Housing Benefit expenditure

Comparisons have been made between the Government's investment in housing supply and its expenditure on Housing Benefit. For example, in a 2014 report Shelter commented:

Housing benefit is widely recognised as having facilitated a switch from supply side to demand side subsidies. The period following 1975 saw a move away from investment in bricks and mortar with a corresponding rise in expenditure on housing benefit. This was not an accidental shift. Successive governments remained committed to the idea that support should be targeted at individuals rather than bricks and mortar investment to increase the supply of housing.¹⁷

It is possible to draw an approximate comparison between Housing Benefit expenditure and housing expenditure as recorded in PESA. However, there are some limitations to this analysis:

- The geographical extent of the two sources is different. PESA statistics cover all spending in the UK. Housing Benefit expenditure recorded by the Department for Work and Pensions (DWP) covers Great Britain.
- As discussed above, PESA statistics cover spending in a broad range of areas related to housing and community development. Spending in this area is intended to meet a broader range of needs than Housing Benefit spending.

The chart overleaf shows how spending in the two areas compares. Although spending on both Housing Benefit and housing and community amenities increased during the 1990s and 2000s, the gap between the two narrowed. Housing Benefit expenditure was 3.2 times higher than housing and community amenities expenditure in 1999-00; by 2010-11 the ratio had fallen to 1.7.

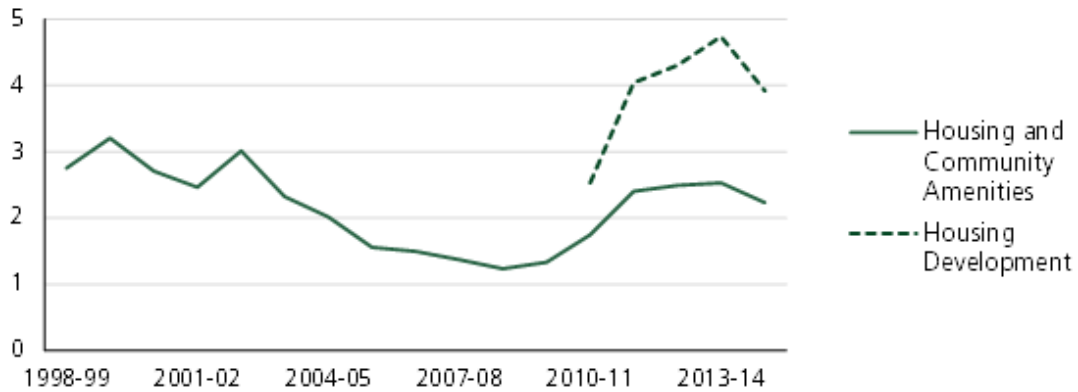
¹⁶ HM Treasury, [PESA 2015](#), Table 9.10 and Annex F, Population numbers by country and region

¹⁷ Shelter, 2014, [Bricks or Benefits?](#), p.9

After 2010-11, decreased spending on housing and community amenities coincided with an increase in Housing Benefit expenditure, meaning that by 2014-15 the ratio had increased again to 2.2.

Data on spending on housing development offers a slightly more precise comparison. Housing Benefit went from being 2.5 times higher than spending on housing development to being 3.9 times higher.

Ratio of Housing Benefit spending (GB) to other housing spending (UK)
1998-99 to 2014-15¹⁸



¹⁸ HM Treasury HM Treasury, [PESA 2015](#), Tables 4.2 and 5.2; DWP, [Benefit expenditure and caseload tables](#). Outturn and forecast: March budget 2016, Table 1a

2.3 Components of new housing supply

Change in dwelling stock is not just a product of building new houses. Conversions and change of use can add to the dwelling stock (or deplete it), while demolitions and other damage also reduce it. The charts below break down the components of change in housing supply.

The first chart shows the average annual components of change through the 20th century. Before 1980, the net increase in housing stock was generally lower than the number of houses completed because of high levels of demolition activity. Losses due to enemy action also played a role during WWII, although overall net change remained marginally positive. The 1960s saw more demolition activity – mostly slum clearance – and more building than any point previously.

Since 1980, the net increase in housing stock has tended to be higher than the number of completions as activity has shifted away from demolition and towards conversion of existing properties.

There was a net gain of around 190,000 properties in 2015-16. This is close to the estimated annual average for the 1970s (196,000 properties) despite a lower number of new building completions.

This is partly because demolitions were considerably lower in more recent decades. Additionally, conversions (of existing residential properties) and change-of-use (of non-residential property) have started to make up an increasing proportion of new housing supply. 35,400 new dwellings in 2014-15 came from these categories, compared to 27,800 in 2006-07.¹⁹

These figures aren't directly comparable, however: figures up to 2010-11 are adjusted to take account of 2011 Census results. Later figures may likewise be revised upwards after a future Census.

Quality of housebuilding statistics

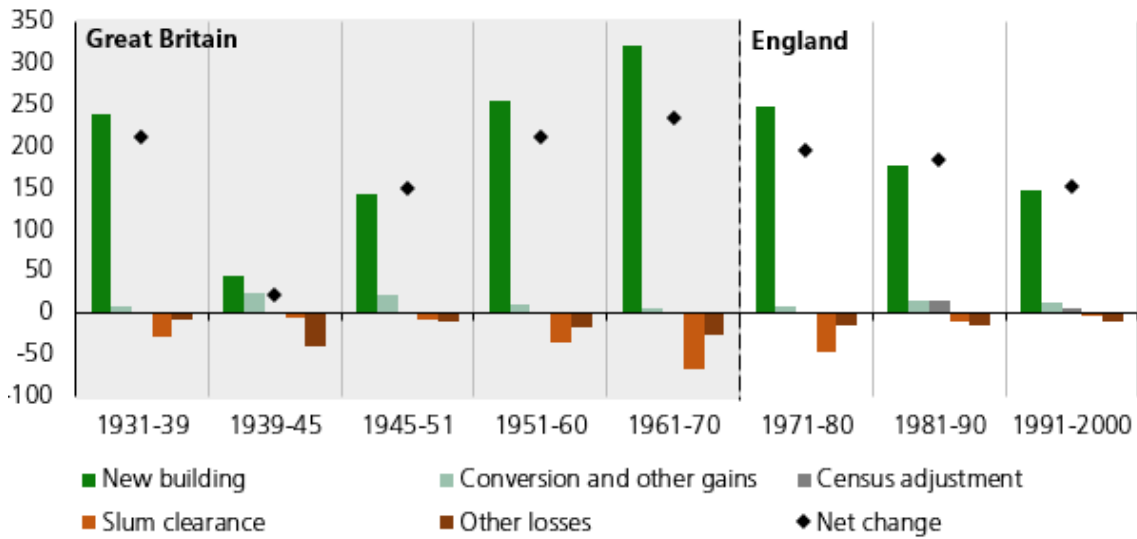
The housing completions figures used in the charts overleaf don't match those used elsewhere in the briefing paper. This is because DCLG publishes two separate series: one on net housing supply and a broader house building series.

DCLG say that their net housing supply series is 'more comprehensive but less timely' than their main house building series. House building figures recorded as part of the net housing supply series are more accurate, but those published in the broader house building series cover a longer time-span, provide a breakdown by tenure and cover the whole of the UK.

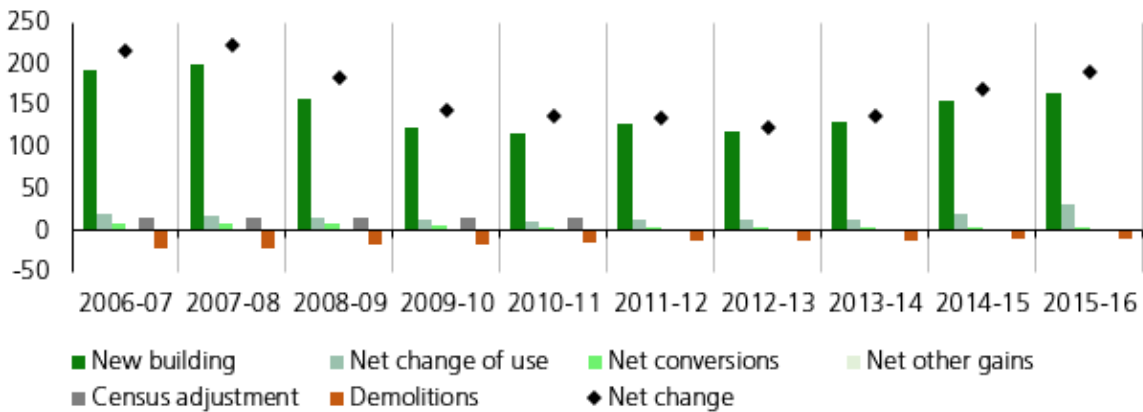
For these reasons, the main house building series is used in this briefing paper where a comparison by time, tenure or geography is likely to be useful.

¹⁹ Source: DCLG, [Live Table 120](#)

Components of change in housing supply, GB and England, 1931-2000²⁰
 Thousands of dwellings, annual average



Components of change in housing supply, England 2006-07 to 2015-16²¹
 Thousands of dwellings



²⁰ Source: A.E. Holmans, *Historical Statistics of Housing in Great Britain*, Table B.17. Holmans reports the total number of dwellings for each time period; this chart shows the average per year. 'Slum clearance' refers to demolitions carried out by local authorities using specific powers for removing unfit dwellings under the Housing Act 1930 and Housing Repairs and Rents Act 1954.

²¹ Source: DCLG, [Live Table 120](#). Figures from 2010/11 onwards are provisional and subject to revisions after the release of future census data.

2.4 Trends in house building

Housebuilding is the main driver of change in overall housing supply, although other factors are involved (see *Components of new housing supply*, above).

Housing starts and completions

The first chart on the right shows trends in housebuilding in the UK since 1935. Housebuilding recovered after dropping substantially during WWII, reaching peak levels in the late 1960s (the highest number of completions was 413,000 in 1968). Housebuilding has seen an overall decline since then, with the most recent drop taking place after the 2008 financial crisis. The 2012/13 financial year had the smallest number of completions since 1947.

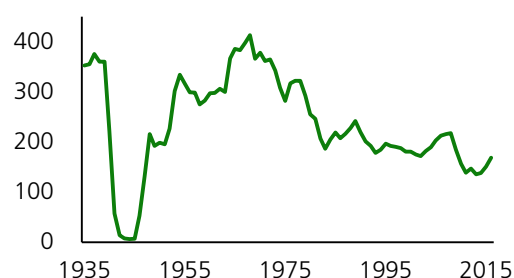
The second chart shows the difference between the number of dwellings started in each year since 1970 and the number of dwellings completed. Trends in dwelling starts tend to be starker: the speed of completions is limited by a range of factors, whereas starts are more directly impacted by planning and financial changes. For example, starts dropped by 46% between 2007/08 and 2008/09, whereas completions decreased more gradually over the following years.

House building by type of developer

The chart overleaf shows housing completions broken down by type of developer: private enterprise, local authorities and housing associations. The annotations show some of the trends and policies that shaped the number and type of homes being built.

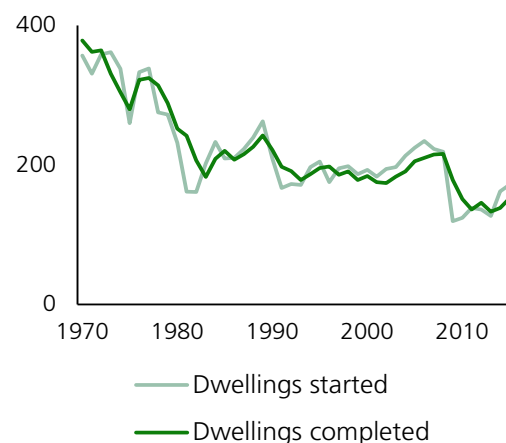
The type of developer building a property doesn't always correspond to the property's final use. For example, homes built by private enterprise may end up being let in the social rented sector.

Housebuilding, UK 1935-2016



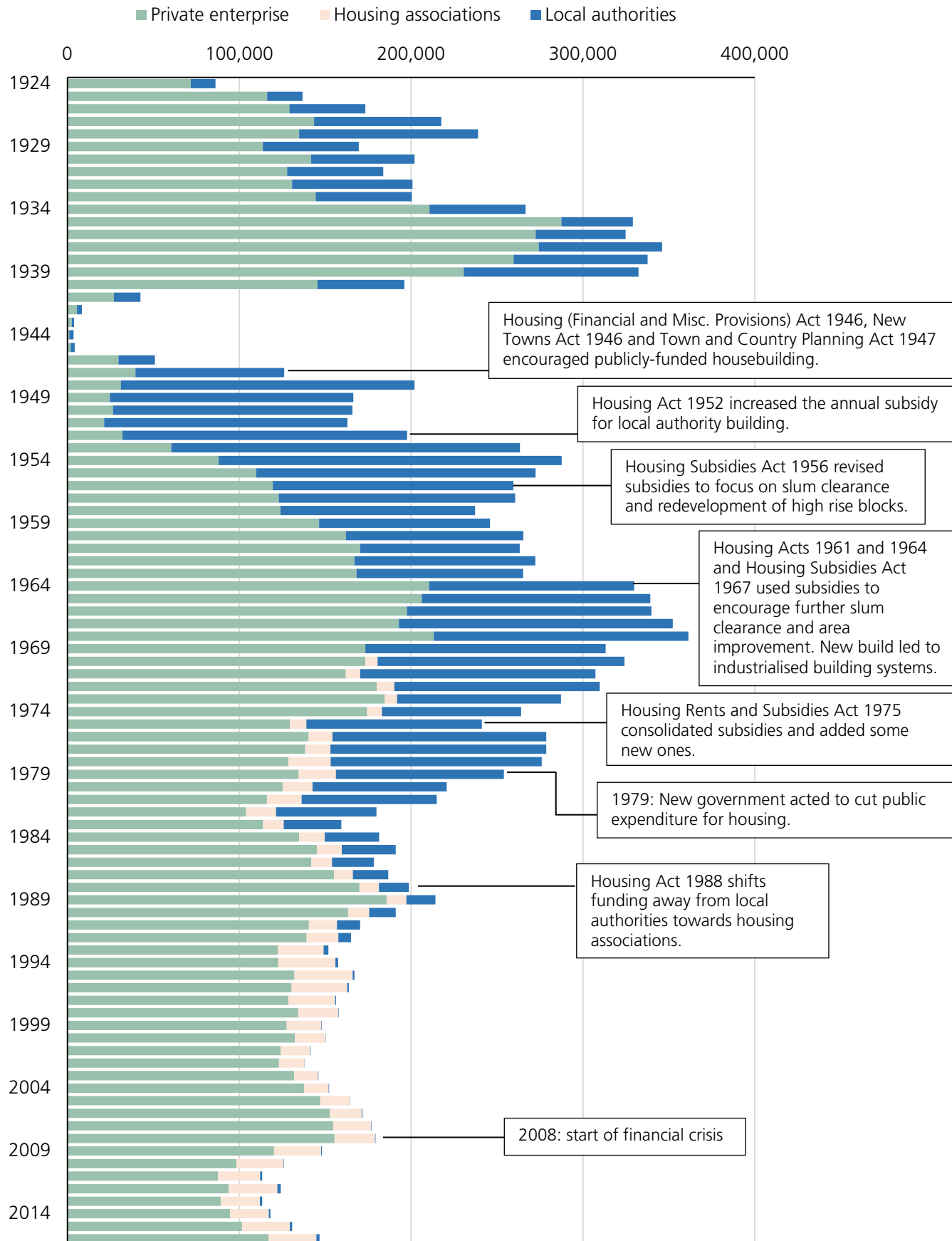
Source: B.R. Mitchell, *British Historical Statistics* (1935 to 1969, financial/calendar years); DCLG, Live Table 209 (1970 to 2016, financial years)

Dwellings started and completed, UK 1970-2015



Source: DCLG, Live Tables 208 and 209 (financial years)

Housing completions by type of developer England and Wales, 1924 to 2016

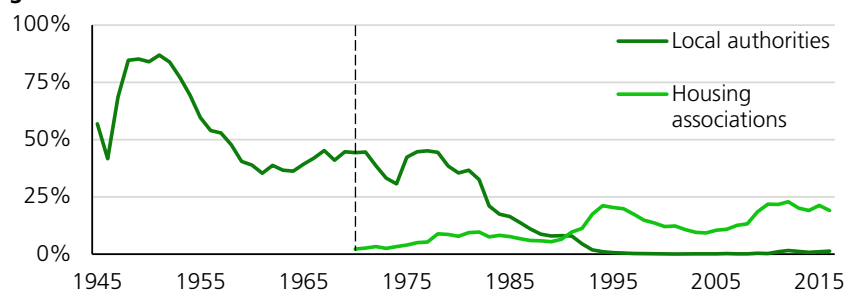


18 Tackling the under-supply of housing in England

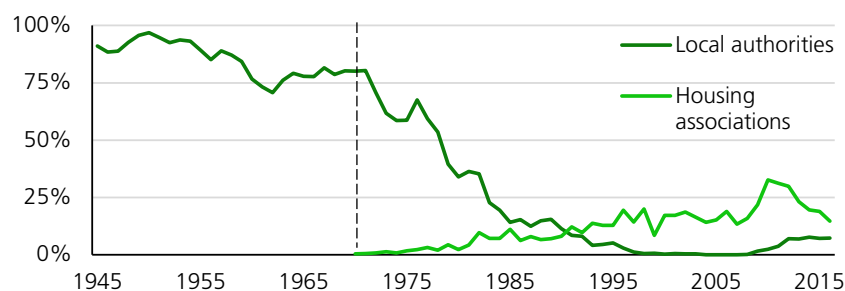
The proportion of homes built by the social housing sector has changed considerably since 1945. The charts below show trends in the proportion of dwellings built by local authorities and housing associations in this period.

Proportion of new houses built by local authorities and housing associations, 1945 to 2016²²

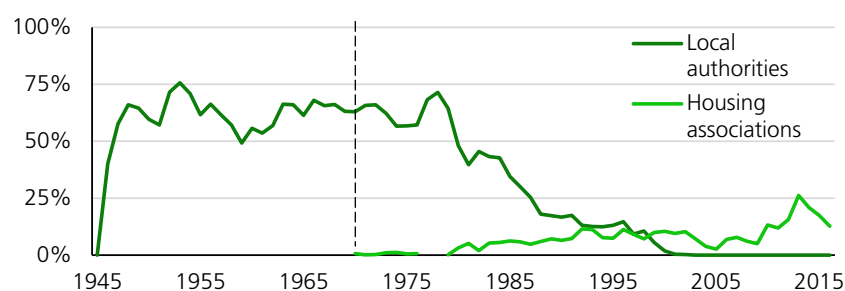
England and Wales



Scotland



Northern Ireland



All nations have seen a major decline in local authority housebuilding. Building by housing associations has generally increased since the 1970s, but building by the social rented sector remains a much lower proportion of the overall total than in the post-war period.

Local authority housebuilding peaked in the 1940s to 1950s, particularly in Scotland (where 97% of homes were built by local authorities in 1950). In England and Wales, the peak was 87% in 1951, while in Northern Ireland it was lower (76% in 1953). Scotland and Northern

²² Sources: B.R. Mitchell, *British Historical Statistics* (1935 to 1969); DCLG, [Live Table 209](#) (1970 onwards).

Figures from 1946 to 1969 is at 31 December of that year; all other figures are at 1 April.

Data for housing associations is available from 1970 onwards; prior to this housing association activity would have been counted under private enterprise.

Ireland maintained relatively high proportions throughout the post-war period, while in England and Wales the proportion had dropped below 50% by the end of the 1950s.

By the end of the 1980s, local authorities accounted for less than a quarter of all house building across the UK. Building by housing associations increased, however, and now makes up slightly less than a quarter of all house building. Scotland is the only nation to have seen a notable increase in local authority house building: 7% of Scottish house building was completed by local authorities in 2015/16, compared to 1% in England and Wales.

In all nations, the overall proportion of building by the social sector increased relative to the private sector in the years following the financial crisis, even though the actual number of completions reduced. The private sector experienced a greater drop in the volume of completions during this period.

Profile of new builds in England

The English Housing Survey (EHS) provides data on the characteristics of new dwellings built in England (i.e. those built during or after 2005).

According to their estimates for 2014, new-builds are more likely to be flats (44% are, compared to 18% of older dwellings). They also tend to be smaller. Over half (54%) of new-builds have one or two bedrooms, compared to 37% of older dwellings. The total number of habitable rooms in a new-build is also likely to be lower: 44% of new homes had three or fewer habitable rooms compared to 23% of older homes.

Floor space is generally lower for new-builds in the owner-occupied and private rented sectors. However, new-builds which are currently in the social rented sector tend to have more floor space than older social rented homes.

In general, new-builds are more likely to be let by a housing association and less likely to be let by a local authority. They are also more likely to be rented privately and less likely to be owner-occupied compared to older dwellings.

Profile of dwelling stock by date built: England, 2014²³

	New dwellings (2005+)	Old dwellings (pre-2005)	Mean floor area (m ²) by current tenure	
Dwelling type			New dwellings	87
Terrace	24%	30%	Owner occupied	98
Semi-detached	13%	28%	Private rented	72
Detached	19%	23%	Social rented	73
Flat	44%	18%	Old dwellings	94
			Owner occupied	107
			Private rented	77
			Social rented	67
Number of bedrooms				
1	14%	10%		
2	40%	27%		
3	24%	43%		
4 or more	22%	20%		
Number of habitable rooms				
3 or less	44%	23%		
4	16%	22%		
5	16%	29%		
6 or more	23%	26%		
Current tenure				
Owner occupied	57%	63%		
Private rented	24%	19%		
Local authority	1%	8%		
Housing association	18%	10%		

²³ Source: English Housing Survey 2014-15, Housing stock report, Annex Tables 2.1, 2.3 and 2.4

2.5 Trends in the tenure of housing stock

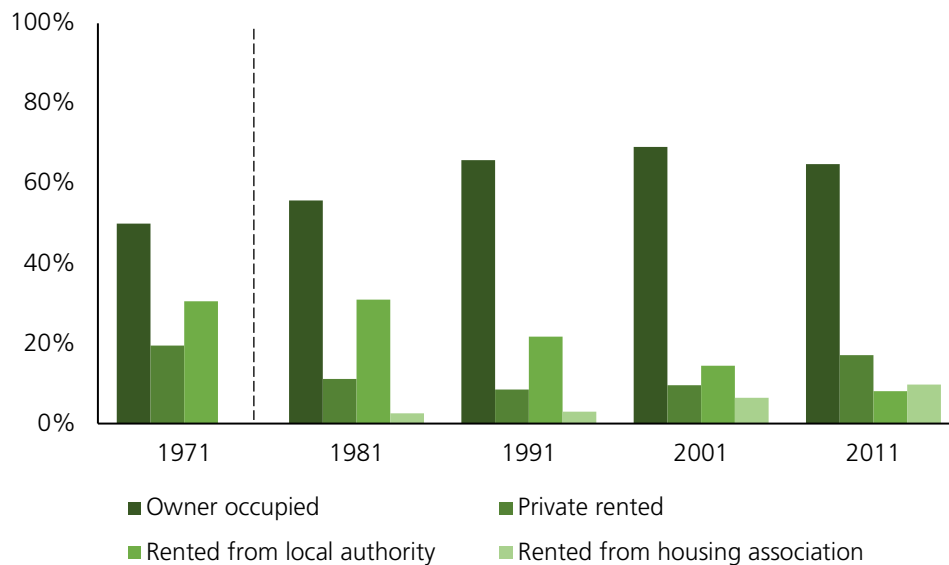
National tenure trends

The proportion of dwelling stock in each tenure group has changed over the last 45 years – the chart below shows proportions at census years since 1971.

Half of UK dwellings were owner-occupied in 1971. This figure increased to 69% in 2001 alongside a decline in private and social rented accommodation. However, the proportion of owner-occupied homes decreased to 65% in 2011. Private renting increased in the same time period, from 10% in 2001 to 17% in 2011.

These trends have continued in recent years. DCLG estimates that in April 2014, 63% of dwellings were owner-occupied and 19% were privately rented in the UK. This is the first year in the series in which the private-sector has been larger than the social-rented sector (18% of properties were social rented).²⁴

Proportion of dwelling stock by tenure group²⁵ UK, 1971-2011



Regional tenure trends

The table and maps overleaf show how the tenure of the housing stock has changed regionally.

The private rented sector grew substantially in the period from 1991 to 2011, particularly in the North, the Midlands and in London. The South West and Wales were the only regions that did not at least double their private rented stock.

²⁴ DCLG, [Live Table 101](#). Series begins in 1971.

²⁵ Source: DCLG, Live Tables 104, 106, 107, 108 and 109.

All figures are from the census for each year (i.e. for April), with the exception of 1991 (which uses December 1990 data for Scotland and Northern Ireland) and 2001 (which uses December 2000 data for Northern Ireland).

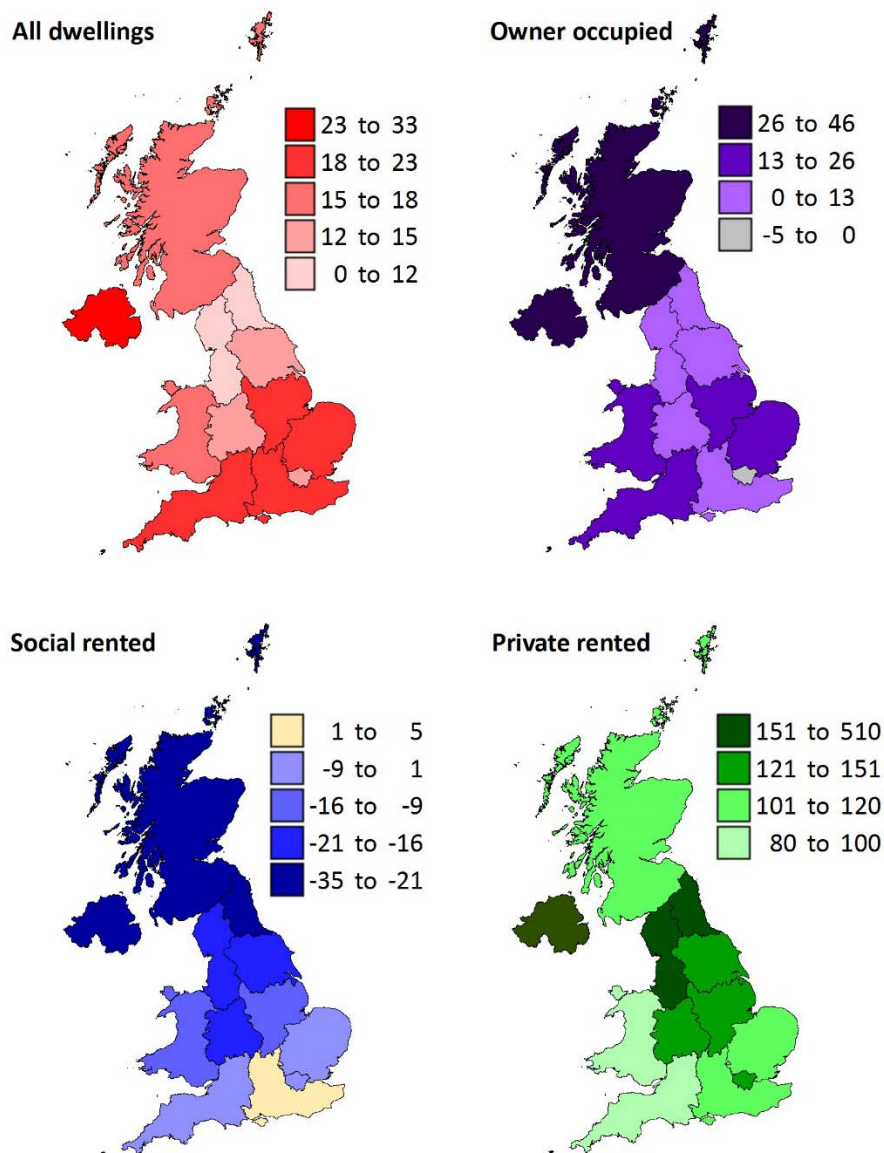
Housing associations were not counted as a separate category until the 1981 census. Prior to this, housing association homes were counted as private rented.

22 Tackling the under-supply of housing in England

The North and Midlands also saw a bigger proportional reduction in their social rented stock, along with Scotland and Northern Ireland. In general, the regions that had a bigger drop had more social rented stock to start with. The composition of the social rented sector also changed. Local authority owned stock reduced, often by more than half, across the UK; this drop was mitigated to varying extents by growth in the number of housing association properties.

There was mild growth in the owner-occupied sector, mainly in regions that saw overall growth in their housing stock. The stock in Scotland and Northern Ireland, and to a lesser extent Wales, grew more than in England. Within England, the South West saw the most growth and London was the only region with a decline in owner occupied stock.

Percentage change in the number of dwellings by tenure and region UK, 1991 to 2011²⁶



²⁶ DCLG, [Live Table 109](#)

**Percentage change in the number of dwellings by tenure and region
UK, 1991 to 2011²⁷**

	Owner occupied	Private rented	Social rented	Of which:	
				Housing Association	Local Authority
England	10%	134%	-12%	271%	-56%
North East	11%	202%	-27%	334%	-65%
North West	7%	170%	-20%	296%	-81%
Yorkshire & the Humber	9%	150%	-20%	293%	-50%
East Midlands	14%	149%	-10%	339%	-41%
West Midlands	12%	146%	-17%	316%	-56%
East of England	14%	118%	-3%	324%	-53%
London	-2%	138%	-8%	147%	-41%
South East	10%	113%	5%	247%	-52%
South West	17%	92%	0%	475%	-63%
Wales	17%	86%	-11%	379%	-60%
Scotland	40%	108%	-32%	382%	-61%
Northern Ireland	36%	505%	-29%	200%	-43%
UK	13%	134%	-15%	283%	-56%

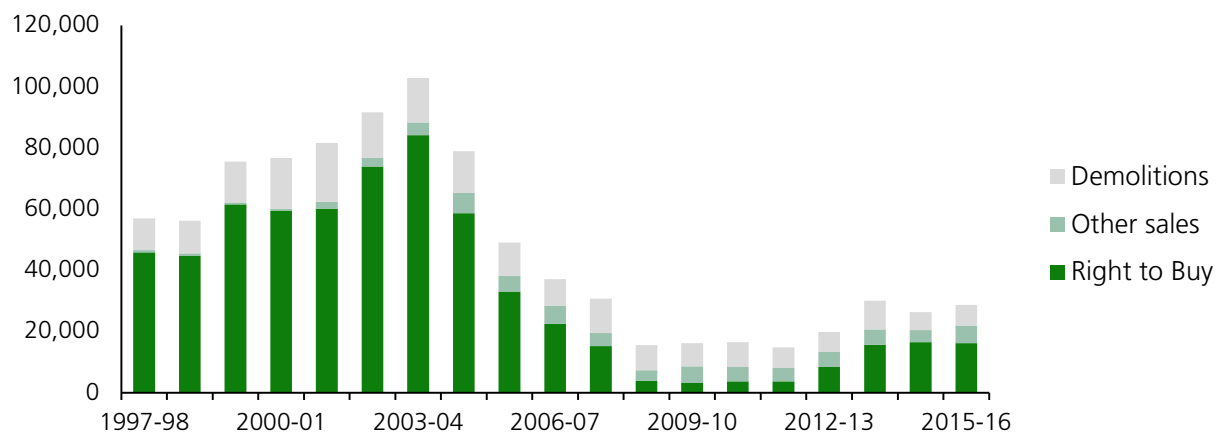
Why has the social rented stock declined in England?

Sales and demolitions

Homes can be removed from the social rented stock by being demolished or sold. The chart below shows recent trends in demolitions and sales of local authority and housing association properties.

Social housing sales and demolitions²⁸

Total at end of financial year, England



²⁷ DCLG, [Live Table 109](#)

²⁸ Source: DCLG, [Live Tables 678 and 684](#)

Right to Buy (RTB) accounted for the bulk of social housing losses between 1998 and 2008. By 2009, however, RTB sales had declined to the extent that they were outnumbered by other sales and demolitions. Following the Coalition Government’s efforts to ‘reinvigorate’ RTB, sales increased in each year from 2012-13, before levelling out between 2014-15 and 2015-16.

New supply

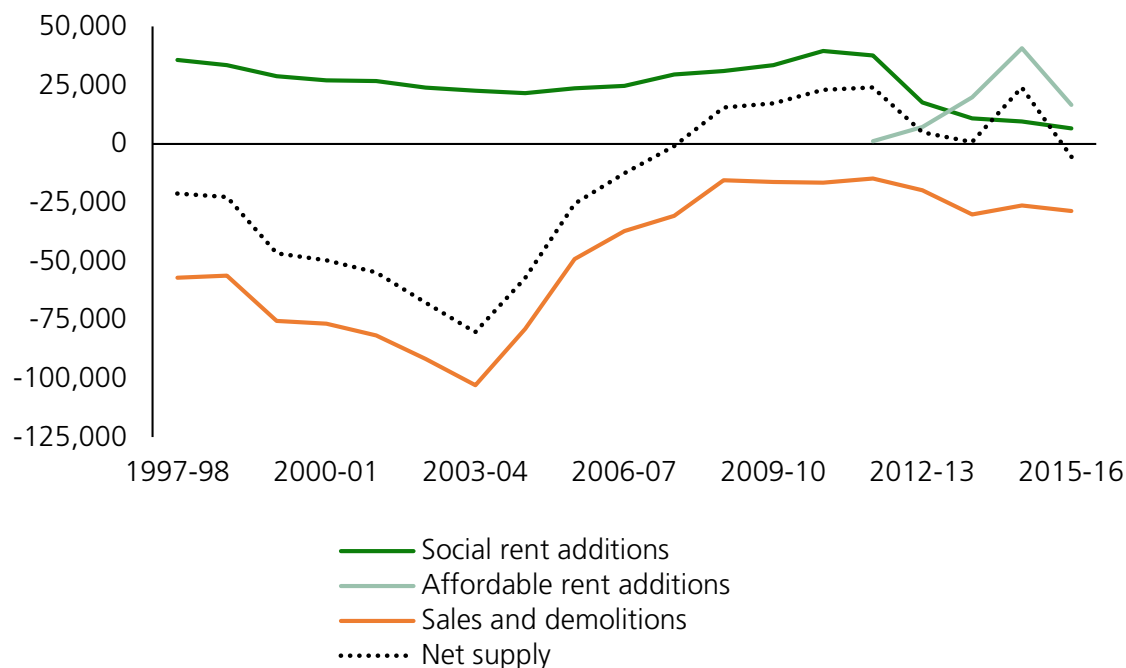
The new supply of social housing has not kept pace with growth in other sectors; in the long term, it has generally been lower than the amount lost through sales and demolitions (see chart below).

Reductions in the stock were greater than gains from 1994-95 until 2008-09. From 2011-12, social housing providers have had the option of letting properties at affordable rents (which can be set at up to 80% of market rent) as well as social rents (for which a target rent level is set nationally). Supply of new affordable-rented homes has increased steadily following their introduction, but declined sharply between 2014-15 and 2015-16. In 2015-16, total new supply of social-rented homes was lower than any other point recorded (the series starts in 1997-98).

Net supply of social-sector housing was positive from around 2008-09 onwards, although it dipped marginally into the negative in 2015-16.

Net supply of social housing²⁹

Thousands of dwellings, England 1997-98 to 2015-16



²⁹ Source: DCLG, Live Tables [1000](#), [678](#) and [684](#). Totals for social and affordable rent additions include both new builds and acquisitions. Social and affordable rent additions figures for 2014-15 are provisional.

3. Increasing supply in England: barriers and solutions

Box 1: Manifesto commitments General Election 2017

Conservative Party: A commitment to meet the 2015 commitment to deliver a million homes by the end of 2020 and deliver half a million more by the end of 2022. The Manifesto refers to the implementation of proposals in the Housing White Paper (February 2017).

Labour Party: A commitment to invest to build over one million new homes over the Parliament. By the end of the Parliament councils and housing associations would be building at least 100,000 homes a year.

Liberal Democrats: A commitment to build 300,000 homes per year by 2022.

Green Party: A commitment to build affordable, zero carbon homes, including 100,000 social rented homes each year by 2022.

UKIP: A focus on factory-build modular homes which, together with a traditional home building programme "could build another one million homes by 2022."

Although there is general consensus around the long-term under-supply of housing and the need to address this, there is less agreement within the industry about *how* best to achieve the necessary step-change in supply. Commentators agree that there is no 'silver bullet' and call for a range of solutions across a number of policy areas. For example, the [UK Housing Review 2015](#) called for "a comprehensive housing strategy" with "actions coordinated and sustained over at least a decade."³⁰ Shelter and KPMG in [Building the homes we need: a programme for the 2015 government](#) (2015), set out a series of measures aimed at reversing "the model of a high cost, low output housing sector to a low cost, high output one" having identified that there are "a number of self-sustaining and self-reinforcing problems that must all be addressed if the housing shortage is to be rectified."³¹

The 2015 Government set out an ambition to deliver 1 million net additions to the housing stock in England by the end of the Parliament, which was expected to be in 2020.³² This translated into around 200,000 net additions per year. This 'target' was arrived at after consideration of the household formation statistics.³³ Critics said that the figure did not take account of the backlog of housing need, section 1.2 of this paper refers to studies which have identified a need for between 240-245,000 homes new homes in each year to meet newly arising demand and need. Some estimates go higher; Shelter's 2015

There is no 'silver bullet' that will increase housing supply. A range of policy responses is required.

The 2015 Government's ambition was to deliver 1 million net additions to the housing stock – to include conversions and changes of use.

³⁰ [UK Housing Review 2015](#), Steve Wilcox, John Perry and Peter Williams, March 2015

³¹ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p32 and p50

³² Net additions includes, for example, conversions and changes of use in addition to newly built housing.

³³ [22 Mar 2016 - Economics of the United Kingdom Housing Market - oral evidence](#), Q237

literature review identified a need to develop 250,000 new homes annually.³⁴

In addition to questioning whether a target to deliver 1 million homes is ambitious enough, there is some doubt over whether even this number is achievable. The House of Lords Select Committee on Economic Affairs put this question to the then Housing Minister, Brandon Lewis, during its [Building More Homes](#) inquiry. The Committee concluded that the target “was not based on a robust analysis” and went on to recommend that the housing crisis required the development of at least 300,000 new homes annually “for the foreseeable future”.³⁵ The Committee called on the Government to “recognise the inability of the private sector, as currently incentivised, to build the number of homes needed.”³⁶

The 2015 Government took action to stimulate housing supply through a variety of schemes.³⁷ In its response to [Building More Homes](#), the Government referred to these schemes and also to additional funding and measures announced during the [Autumn Statement 2016](#).³⁸ The response acknowledged that “we have much more to do as a country to build more homes and that the Government has a role to play in making sure our housing market works for everyone.”³⁹

February 2017 saw the publication of the Housing White paper [Fixing our broken housing market](#),⁴⁰ which set out “a comprehensive package of reform to increase housing supply and halt the decline in housing affordability.”⁴¹ When giving evidence to the Public Accounts Committee in February 2017, Melanie Dawes, Permanent Secretary at DCLG, was questioned on when the gap between net additions to the stock and the demand for new housing, estimated to be 189,000 and 277,000 respectively, would be eliminated. She replied:

It will continue as it has done for decades. I agree, and that will show itself primarily in affordability and in some places in homelessness. I am simply being honest with you. For something on this scale and of this magnitude, we do not have some neat line that tells us when those paths will cross.⁴²

The following sections highlight some of the key barriers and potential solutions to increasing housing supply which have been identified by commentators. As noted above, there is a lack of consensus around all of the issues and possible approaches, some proposals, such as building on the green belt, are particularly contentious. The paper has been

³⁴ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), pp19-20

³⁵ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 84

³⁶ *Ibid.*, para 85

³⁷ For more information see Library briefing paper 06416: [Stimulating housing supply - Government initiatives \(England\)](#)

³⁸ [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) CM 9384, December 2016

³⁹ *Ibid.*

⁴⁰ [Cm 9352](#), [Fixing our broken housing market](#), February 2017

⁴¹ CM 9362, [Autumn Statement 2016](#), November 2016, para 3.11

⁴² [HC 958, 22 February 2017, Q132](#)

updated to include reference to proposals contained in the Housing White Paper where appropriate.

A request made by the economist, Dame Kate Barker, when giving evidence to both the House of Lords Economic Affairs Committee⁴³ and the Treasury Committee, during its inquiry into housing policy following the Autumn Statement 2016,⁴⁴ was for housing policy to be joined up between the Treasury, Department for Work and Pensions (DWP), Department for Communities and Local Government (DCLG) and the Bank of England.

3.1 The local authority and housing association contribution

The table on page 17 of this paper demonstrates that the delivery of more than 200,000 homes per year in England has, since 1939, only happened largely as a result of major public sector (local authority) housebuilding programmes. The Shelter and KPMG report [Building the homes we need: a programme for the 2015 government](#) (2015) states that, since World War II, private housebuilding has been through three major periods of expansion followed by contractions and after each crash, the recovery has been slower with the result that:

...for more than half the period, private house building has either been contracting or stagnant, and total output has ratcheted steadily down with each cycle.⁴⁵

In this context, the contribution of the local authority and housing association sectors could be significant in achieving the necessary step-change in housing supply. The House of Lords Select Committee on Economic Affairs was emphatic on this point:

To achieve its target the Government must recognise the inability of the private sector, as currently incentivised, to build the number of homes needed.⁴⁶

Local authorities and housing associations need to make a much bigger contribution to housebuilding if it is to reach required levels.⁴⁷ A further argument which is used to support the development of more social and affordable rented housing, is its potential to reduce Housing Benefit expenditure over the long-term.⁴⁸

The local authority and housing association sectors are keen to do more and argue that they have the capacity to deliver. The National Housing Federation's (NHF)⁴⁹ submission on the 2016 Autumn Statement expressed a desire in the housing association sector to work with the

Since 1939, the delivery of 200,000 new homes per year in England has largely been due to major public sector building programmes.

The NHF said that with Government help, housing associations could deliver 335,000 homes over the lifetime of this Parliament – which was expected to run up to 2020.

⁴³ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 59

⁴⁴ [HC 861](#), 7 December 2016, Q50

⁴⁵ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p20

⁴⁶ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 85

⁴⁷ *Ibid.*, para 56

⁴⁸ *Ibid.*, para 201

⁴⁹ The representative body of housing associations.

Government to “deliver 335,000 homes over the lifetime of this Parliament” with an offer of “£6 of private investment for every £1 of public money, maximum flexibility in the way we use our existing resources and a guarantee that all profits are reinvested in homes and communities.”⁵⁰ The NHF set out five Government measures that would assist associations in achieving this level of new supply, these ‘asks’ are explained below.⁵¹

Flexible funding – a move away from the focus on tenure and towards housebuilding numbers in order to help ramp-up supply. The Autumn Statement 2016 delivered on this point with the announcement of a relaxation of grant restrictions “to ensure that providers are able to deliver homes across Shared Ownership, Rent to Buy, and Affordable Rent.”⁵² The NHF also called for a more flexible approach to housing investment over the long-term. For example, associations would contract to build a given number of homes over a period in exchange for an agreed level of Government investment. Associations would be free to deliver a mix of tenures to meet local needs.

Additional investment – while acknowledging the level of existing Government investment, the NHF argued that the scale of the crisis warranted the use of “the power of government to drive up supply.” The submission included a request for £3 billion in flexible funding to allow associations to build an additional 100,000 houses. The Autumn Statement 2016 offered an additional £1.4 billion of funding to build 40,000 new affordable homes:

This flexibility and additional investment for affordable housing providers is a proven mechanism to boost supply and will ensure that providers have the resources to meet the housing needs of people at different stages in their lives.⁵³

The 2015 Shelter and KPMG report also called for the prioritisation of capital investment in affordable homes. Analysis conducted by Capital Economics for the report concluded that:

...an increased budget for central government capital grant is the most straight forward, practical and efficient method for stimulating building.⁵⁴

A further advantage of increasing the level of upfront ‘bricks and mortar’ subsidies for new housing is seen as the impact this can have on reducing housing costs, and therefore reliance on Housing Benefit, in the longer-term. Shelter made the case for this approach in its 2012 report: [Bricks or benefits? Rebalancing housing investment](#).⁵⁵

Support for innovation – the NHF is keen to use flexible funding to develop innovative products such as ‘buy as you go’ – a product aimed at those who struggle to save a deposit and under which rent payments

The NHF called for an additional £3bn in flexible funding – the Autumn Statement 2016 allocated an additional £1.4bn for 40,000 affordable homes.

⁵⁰ NHF, [An offer for everyone](#), October 2016

⁵¹ Ibid.

⁵² [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) CM 9384, December 2016

⁵³ Ibid.

⁵⁴ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p10

⁵⁵ Shelter, [Bricks or benefits? Rebalancing housing investment](#), 2012, pp19-20

would be lower than market rents and would enable tenants to acquire equity and move to full ownership after 25 years.

Access to land – the NHF called on the Government to reach an agreement with the sector on priority access to public land in return for speeding up building rates. The NHF said that by incentivising bidding on the basis of number and speed of homes built on public land, rather than price alone, the Government could further drive up supply. A need to review Treasury guidance on best value was also identified.

The NHF also identified opportunities that could arise out of devolution deals in England with the development of a mechanism for the “identification, assessment and release of land and assets for housing development.”⁵⁶ One suggested mechanism is via a Land Commission following examples in the West Midlands, or a Joint Assets Board as in the North East. The NHF said that “further clarity is still required regarding the powers these commissions will have to bring public land forward more quickly and at a price that supports the delivery of affordable housing.”⁵⁷

Unlocking private finance – associations use public funding in order to lever in private finance for housing development. The NHF argued that there was a “strong case” for the continuation of the Affordable Homes Guarantee scheme (AHGS) which had given them access to long-term, competitively priced finance to deliver affordable homes:

By the time the scheme is complete, it will have provided £2.5bn of guaranteed lending to 70 housing associations to deliver 27,000 new affordable homes. In addition to the affordable homes directly funded under the AHGS, by virtue of its lower cost of finance, the programme has produced an estimated interest saving capable of financing a further 6,000–6,500 homes.

The sector’s no default record means it came at no cost to the taxpayer, so there is a strong case for it continuing. A total of £10bn of guarantee capacity was committed by the Coalition Government via the Infrastructure (Financial Assistance) Act 2012. We understand that there is up to £4bn of unused guarantee capacity that could be allocated to support additional affordable housebuilding. To make more effective use of the Government’s strong balance sheet, and the confidence funders have in the sector, this guarantee capacity could also be extended to cover refinancing of existing debt. This would allow housing associations to lower the cost of historic debt and take on more private finance to fund affordable housing.⁵⁸

Shelter and KPMG proposed **the establishment of a national Housing and Infrastructure Bank funded from Housing ISAs** along the lines of the Dutch Bank, *Nederlandse Gemeenten* (BNG):

A similar structure could be set up in the United Kingdom, with ownership of the bank exclusively in the hands of the government, shared with local authorities or as a not-for-profit vehicle. The bank would need to raise finance so that it could extend loans to housing associations and other providers of new

⁵⁶ NHF, [An offer for everyone](#), October 2016

⁵⁷ Ibid.

⁵⁸ Ibid.

affordable housing. This could come from issuing bonds to the capital markets, as is the case with BNG, and the bank could also use special savings accounts (housing ISAs) to raise finance from retail deposits, as in the french livrét A scheme. The Bank could be a new institution, or part of an existing or planned institution such as the Green Investment Bank, British Investment Bank or homes and communities Agency (HCA).⁵⁹

In addition to the five specific requests set out above, the NHF has long argued for **flexibility for associations to set their own rents**. The sector had welcomed the Coalition Government's announcement of a ten-year rent increase settlement of CPI plus 1% in 2013; however, the certainty delivered by this announcement was short lived as in the Summer Budget 2015 the Chancellor announced that rents in social housing would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21. The NHF estimated a significant reduction in development as a result of this measure:

Our own estimates suggest that the reduction will result in a loss of almost £3.85bn in rental income over the four years. Simply dividing this by the average build cost in the 2011-15 programme of £141,000, suggests that at least 27,000 new affordable homes won't be built as a result of the change. This of course assumes the lost income wouldn't be matched by any government grant or used to leverage in private finance, so the actual total could be higher.⁶⁰

In [A Plan For Homes](#), launched on 13 July 2015, the NHF called on the Government to offer, inter alia, greater flexibility in setting rents within an overall envelope in order to achieve "genuinely affordable rents while creating the most effective income stream." With this and other measures, the NHF claimed that associations could develop 120,000 new homes per year.⁶¹

[Fixing our broken housing market](#) promised the development of a long-term rent policy for housing associations and local authorities:

To support housing associations to build more, the Government will: set out, in due course, a rent policy for social housing landlords (housing associations and local authority landlords) for the period beyond 2020 to help them to borrow against future income, and will undertake further discussions with the sector before doing so. Our aim is to ensure that they have the confidence they need about their future income in order to plan ahead. The Government also confirms that the 1% rent reduction will remain in place in the period up to 2020.⁶²

The Housing White Paper promised clarity on a rent policy for social landlords beyond 2020 to enable them to plan ahead. The sector would be consulted but no timescale for this was announced.

The ability of associations to deliver more homes relies on the confidence of investors. The investors also want certainty on rents post-2020

⁵⁹ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p75

⁶⁰ [Summer Budget 2015 Briefing](#), National Housing Federation (NHF), 10 July 2015

⁶¹ [A Plan For Homes](#), NHF, 13 July 2015

⁶² [Cm 9352](#), Fixing our broken housing market, February 2017, para 3.26

The **local authority contribution** to new housing supply has been contracting since the early 1980s, but some authorities are keen to explore how they can increase their contribution. The self-financing settlement, which became operational from April 2012, was seen as giving authorities the opportunity, within certain parameters, to use their rental income to support housing investment.⁶³ These opportunities have been limited by the imposition of borrowing caps and, more recently, the requirement on social landlords to reduce rents by 1% in each year for four years from April 2016.

Authorities that are keen to develop new social housing have taken a cautious approach due to borrowing caps and social sector rent reductions.

A report by the Chartered Institute of Housing (CIH) and the Chartered Institute of Public Finance and Accountancy (CIPFA), [Investing in Council Housing](#) (2016), estimated that the 2012 settlement originally offered the potential for authorities to develop 550,000 new build properties over 30 years. Inflationary changes have reduced this to 160,000 units while rent reductions have reduced capacity further to 45,000 units.⁶⁴ Financial uncertainty, coupled with challenges posed by Government proposals on selling higher-value properties and changes to Housing Benefit entitlement, which, in turn, threaten local authorities' rental streams, means that authorities have tended to take a cautious approach to new housing development.

Since 2012 there have been various calls for **a relaxation of local authority borrowing caps**.⁶⁵ Opponents of the caps argue that local authorities should be able to borrow to build social housing within the existing prudential regime. The Government has resisted these calls on the basis that additional borrowing would have an impact on the Public Sector Borrowing Requirement (PSBR):

The borrowing caps were introduced as part of the Housing Revenue Account self-financing settlement, which entailed a once and for all rebalancing of housing debt. There are no plans to lift the caps, which are part of the government's strategy to manage the overall level of public debt.

Local authorities do have the capacity to borrow to build new homes, there is nearly £3.4 billion headroom available nationally and £2.9 billion in reserves.⁶⁶

Both the Labour and Liberal Democrat 2017 manifestos committed to lift local authority borrowing restrictions to stimulate house building.

The Local Government Association (LGA) and CIH favour a move to **calculating public debt using international rules which exclude council-owned housing**.⁶⁷ In [Building More Homes](#), the House of Lords Economic Affairs Select Committee described restrictions on authorities' ability to borrow to build housing as "arbitrary and anomalous" and recommended "that the Government allows local

⁶³ See Library briefing paper 06776, [Local housing authorities - the self-financing regime: progress and issues](#)

⁶⁴ CIH and CIPFA, [Investing in Council Housing](#), July 2016

⁶⁵ See Library briefing paper 06776, [Local housing authorities - the self-financing regime: progress and issues](#)

⁶⁶ [HL3457 – Written Question - 7 December 2016](#)

⁶⁷ See for example section 4 of Library briefing paper 06776, [Local housing authorities - the self-financing regime: progress and issues](#)

authorities to borrow under the prudential regime to build all types of housing.”⁶⁸

The [CIH submission to the Autumn Statement 2016](#) suggested that an **offer could be made to individual authorities to halt the rent reduction policy for future years** “in return for concrete and deliverable commitments to increase their contribution to housing supply.” CIH estimated that this could deliver around 2,000 additional units per year if authorities with tight borrowing cap limits were given flexibility to borrow more.⁶⁹ More detail on how local authorities Housing Revenue Accounts (HRAs) could be ‘reshaped’ to release new supply within the Treasury’s assumed overall envelope for local authority borrowing is set out in [Investing in Council Housing](#) (2016).

When challenged on borrowing caps, the Government has referred to the fact that authorities are not utilising their existing borrowing headroom. Evidence submitted to the Communities and Local Government Committee’s inquiry, [Capacity in the homebuilding industry](#) (April 2017), suggested that this is a reaction to funding cuts and uncertainty: “They argue that the chance for increased borrowing headroom is no longer seen as an opportunity to take additional action, but as a necessary protection from further cuts and intervention.”⁷⁰

There is no correlation between an authority’s need and desire to invest in its existing stock or develop new housing and its ability to utilise additional borrowing capacity under self-financing. London Councils’ evidence to the Communities and Local Government Select Committee’s inquiry into [Financing New Housing Supply](#) (2010-12) highlighted this issue and **proposed that authorities should be able to share their borrowing capacity:**

This would in effect merely re-distribute existing debt around local authorities and would not add to the aggregate HRA-related debt. However, at the moment it is not possible and would need central government’s approval to happen. As such a move would not add to the aggregate debt, and would allow boroughs to act far more like the housing business managers that HRA devolution implies, the freedom to swap headroom in this manner is something that we would strongly urge the Government to actively consider in the coming months.⁷¹

This approach, which the Committee recommended, was also supported by Labour Party-commissioned [Lyons housing review](#) (2014).⁷² The Coalition Government rejected the proposition.⁷³

⁶⁸ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 220

⁶⁹ [CIH submission to the Autumn Statement 2016](#), October 2016

⁷⁰ [HC 46. Tenth Report of session 2016-17](#), 29 April 2017, para 54

⁷¹ HC 1652, Eleventh Report of 2010-12 Volume I, [Financing New Housing Supply](#), May 2012, Ev 134-5

⁷² [The Lyons housing review](#), 2014 p145

⁷³ [Cm 8401](#), July 2012, para 17

A further issue highlighted by CIPFA and the CIH's work is **how stock holding authorities might be compensated for selling higher-value properties**.⁷⁴ The suggested approach is to:

- allow them to reinvest the receipt to generate a replacement income stream, or
- let them deduct the present value of residual costs from the sale receipt, or
- permit them to redeem debt, or
- a combination of the above.⁷⁵

There is also scope, according to the CIH, for authorities to be **empowered to replace properties sold through the Right to Buy (RTB)** by:

...allowing councils to keep all of the receipts from sales and relaxing rules on how these are reinvested, for example by extending the three year time limit and removing restrictions which prevent receipts from being used to fund more than 30 per cent of the cost of a new home.⁷⁶

The 2013 Autumn Statement announced that the Coalition Government would launch a review into the role local authorities could play in supporting overall housing supply.⁷⁷ The [Elphicke-House report](#) of January 2015 also expressed concerns about the ability of local authorities to offer local one-for-one replacement of sold RTB properties and supported additional borrowing flexibilities in certain limited circumstances:

Government considers within its overall current spending plans flexibilities in any possible further HRA borrowing programme to enable councils to use both additional borrowing and 1:1 receipts to enable councils to deliver replacement units for Right to Buy stock.⁷⁸

Overall, The [Elphicke-House report](#) recommended that local authorities should become "**housing delivery enablers**", through the use of innovative financing mechanisms including: the creation of housing companies funded by the General Fund; private finance initiatives; and housing investment from local authority pension funds:

A number of stock owning council respondents indicated that they would not be able to build more homes without additional borrowing capacity. However, local authorities with little or no borrowing headroom have developed innovative finance models, including via local housing delivery vehicles, to lever-in private finance to support house building programmes.⁷⁹

The Minister's evidence to CLG Committee in February 2017 conceded that RTB replacements would not be on track in the future.

⁷⁴ It is expected that proceeds from these sales will be used to finance the extension of the Right to Buy to housing association tenants.

⁷⁵ CIH and CIPFA, [Investing in Council Housing](#), July 2016

⁷⁶ [CIH submission to the Autumn Statement 2016](#), October 2016

⁷⁷ Cm 8747, [2013 Autumn Statement](#), December 2013, para 1.229

⁷⁸ [The Elphicke-House report](#), January 2015, para 4.27

⁷⁹ [The Elphicke-House report, From statutory provider to housing-delivery enabler](#), January 2015, para 4.24

The [CIH submission to the Autumn Statement 2016](#) noted that many councils *are* exploring **alternative models for housebuilding such as housing companies and other means of funding development outside of the HRA**. The CIH called on the Government to “consider options to support this kind of development.”⁸⁰ On 9 December *Inside Housing* reported that over a third of authorities in England have, or are considering setting up a housing company.⁸¹

[Fixing our broken housing market](#) expressed support for local housing companies:

There are a number of good examples of Local Development Corporations, local housing companies and/or joint venture models building mixed sites, which include new market housing for sale or private rent, as well as affordable housing. We welcome innovations like these, and want more local authorities to get building. To that end we will seek to address the issues that hold them back. However, we want to see tenants that local authorities place in new affordable properties offered equivalent terms to those in council housing, including a right to buy their home.⁸²

The Housing White Paper said the Government would seek to support local authority owned housing companies and help them to build. (para 3.28)

Commentators are concerned that a requirement to offer the Right to Buy to tenants occupying properties built by council owned housing companies could threaten the viability of schemes.⁸³

The White Paper also included a commitment to consider ‘bespoke deals’ with local authorities:

Housing markets are different right across the country, and we are interested in the scope for bespoke housing deals with authorities in high demand areas, which have a genuine ambition to build. We will look seriously at any request from local authorities for Government powers to be used to support delivery in their local area, and will be prepared to consider all the levers at our disposal to do so, so long as this results in genuinely additional housing being delivered.⁸⁴

The Housing White Paper said the Government would consider bespoke deals with local authorities to deliver additional housing. (para 3.33)

The representative bodies of both housing associations and local authorities agree that in order to make a significant contribution to housing supply, **the sectors require certainty around public policy matters**. The House of Lords Select Committee on Economic Affairs concluded:

Government must recognise the effect that constant changes in public policy have on the housing market; housebuilders, housing associations and local authorities are unlikely to commit to large building programmes amid such uncertainty.⁸⁵

⁸⁰ [CIH submission to the Autumn Statement 2016](#), October 2016

⁸¹ *Inside Housing*, “More than a third of councils set up housing companies”, 9 December 2016

⁸² [Cm 9352](#), Fixing our broken housing market, February 2017, para 3.28

⁸³ See for example: [LGA Briefing on the Housing White Paper](#), February 2017

⁸⁴ [Cm 9352](#), Fixing our broken housing market, February 2017, para 3.33

⁸⁵ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 61

3.2 Land supply

Around 10% of land in England is classed as 'urban' and 1% has domestic buildings on it.⁸⁶ While there is sufficient land to build on, land is scarce in economic terms as its supply is inherently limited and fixed. This leads, it is argued, to developers having to undergo 'fierce' competition for land "while remaining uncertain as to what planning permission they will be able to secure."⁸⁷ The price of land is certainly viewed as a barrier to housebuilding. The gain in value that planning permission offers is said to encourage strategic land trading, rather than development, "resulting in the most profitable beneficiaries of residential development being the land owner, not the developer."⁸⁸ High land prices can, in turn, force down the quality and size of new homes and present difficulties for small and medium sized enterprises (SMEs) when seeking to compete for sites to develop.

Shelter and KPMG suggest that combined features of the land market mean that there is little competitive pressure at the consumer end of development process:

...the development process is highly vulnerable to shocks, requiring developers to minimise build costs and maximise sale prices by building at a rate that is not related to demand for homes, but demand for homes at certain prices. This strategy is only possible because barriers to entry and market concentration mean there is little competitive pressure at the consumer end of the development process, which might otherwise drive down margins. Competition is focused on acquiring land, rather than satisfying consumers. the result is a vicious circle in which high land prices ensure housing output remains low and house prices high – which in turn feedback to sustain higher land prices.⁸⁹

One potential response to this could be a **Land Value Tax (LVT)**. Essentially, under this system land owners would be required to make payments based on the current market value of land, irrespective of whether or how well the land is actually used. Proponents argue that:

The necessity to pay the tax obliges landowners to develop vacant and under-used land properly or to make way for others who will.⁹⁰

There is some support amongst economists for a LVT to replace business rates, and, ultimately, Council Tax and Stamp Duty Land Tax, but it does not appear to have garnered political support.⁹¹

There is support for an **increase in transparency of the land supply system** through the release of data on land market activity and for **incentives to promote the development of stalled sites**. Better data would, it is argued, create a more level playing field and enable

The 2015 Government said it would amend the NPPF to make efficient use of land and restrict low density developments where there is a land shortage. (Housing White Paper para 1.53)

⁸⁶ [UK National Ecosystem Assessment](#), 2011, p 23

⁸⁷ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p8

⁸⁸ Ibid.

⁸⁹ Ibid., p39

⁹⁰ [Land Value Taxation Campaign](#) [accessed on 4 January 2017]

⁹¹ Institute for Economic Affairs, [The case for a Land Value Tax](#), 15 February 2016

small builders to find sites more easily.⁹² The [Lyons Housing Review](#) of 2014 recommended that the Land Registry should open up land ownership information to the public and that it should be made a legal requirement to register land option agreements, prices and transactions:

Greater transparency about ownership, options and transactions would deliver a number of important benefits that would result in better operation of the land market. It would assist in effective plan making by enabling local authorities to properly assess land availability and the record of landowners, agents and developers in bringing forward sites. It would greatly assist local authorities and other developers in land assembly, and provide information on achievable prices to landowners. It would also improve understanding of the viability of schemes to assist in negotiations of planning obligations. This would also increase the chance of planning gain being financed by a landowner rather than a developer.⁹³

[Fixing our broken housing market](#) set out measures the 2015 Government intended to take to increase the transparency of land ownership and interests, including:

- A target for HM Land Registry to achieve comprehensive land registration by 2030 with all publicly held land in areas of high housing need registered by 2020, with the rest to follow by 2025.
- Consult on improving the transparency of contractual arrangements used to control land with legislation to follow “at the earliest opportunity.”
- The release of the commercial and corporate ownership data set and the overseas ownership data set free of charge, and publication of a draft Bill on the reform of restrictive covenants and other interests.⁹⁴

The Housing White Paper contained measures aimed at improving the transparency of land ownership and interests in land. (paras 1.17-21)

The annex to the White Paper contained consultation questions on these proposals. Responses could be submitted up to 2 May 2017.

⁹² Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p13

⁹³ [The Lyons Housing Review](#), 2014, p63

⁹⁴ [Cm 9352](#), Fixing our broken housing market, February 2017, paras 1.17-21

Box 2: Is land banking a problem?

Land banking describes the practice of land owners who retain land while its value grows until such time as it can be built on more profitably, sold on at an increased price, or is simply retained as an asset.

A number of studies have considered whether land banking actually happens. For example, a [report](#) by Molior for the London Mayor in 2012 found that of the 210,000 existing planning permissions for new homes in London, 55% were in the control of building firms while 45% were in the control of non-building firms such as investment funds, historic land owners, government and 'developers' who do not build. Molior concluded that accusations of land banking directed at builders were 'misplaced.' An update [report](#) in 2014 found a smaller percentage of planning permissions held by non-developers.

It is acknowledged that developers retain stocks of land with planning permission as a strategy for managing pipelines and 'smoothing out peaks and troughs in resource allocation.' There are also holdings of 'strategic land banks' which are sites without planning permission which are generally held 'under option,' i.e. not recorded as in the developer's ownership. Shelter and KPMG conclude that incentives to get strategic land through planning are 'very high' and expect any issues to be:

...more at the strategic and local planning level, with a lack of visibility over land control and intent meaning that it is less each to match planning strategy with land that is controlled by developers and hence more likely to be able to be brought forward quickly for development.⁹⁵

If land banking is not the main problem, there does appear to be a case for ensuring that the majority of suitable land for development is held by firms who intend to build on it.

Release of public sector land

Government activity since 2010 in relation to land supply has been focused on **ensuring that land in public ownership is released for housebuilding**. Evidence submitted by the Home Builders Federation to the Lords Economic Affairs Committee said that between a quarter and a third of all potential residential land was controlled by the public sector.⁹⁶ In June 2011 the then Minister for Housing announced a plan to release enough public land to build up to 100,000 new homes by 2015.⁹⁷ The Autumn Statement 2015 saw a commitment to sell land for more than 160,000 new homes up to 2020, while the then Housing Minister told the Economic Affairs Committee that the 2015 Government was aiming for 320,000 homes on public land in the Parliament.⁹⁸

The Coalition Government's land release programme attracted criticism from both the National Audit Office and the Public Accounts Committee (PAC).⁹⁹ Progress in disposing of sites was described as 'slow' and many of the potential sites were considered to be at 'high risk' of falling out of the programme. The PAC concluded that the disposals programme

⁹⁵ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p37

⁹⁶ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 154

⁹⁷ [DCLG Press Release](#), 8 June 2011

⁹⁸ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 162

⁹⁹ [HC 634](#), Twenty-second report of 2016-17, 2 November 2016

up to 2015 “could not demonstrate the success of the programme in addressing the housing shortage or achieving value for money.”¹⁰⁰

Progress in delivering the 2015-2020 disposals programme had improved, according to the PAC:

The Department has put in place guidance and monitoring arrangements for the 2015–2020 programme, although it has yet to publish these. It has also made clearer other departments’ roles and responsibilities. We are also pleased that the Department has now agreed to monitor the number of homes actually built; the programme is an important part of addressing the current housing shortage and the taxpayer has a right to know how many homes are built as a result of it.¹⁰¹

In [Building the homes we need: a programme for the 2015 government](#) Shelter and KPMG suggested that local authorities could set up **joint ventures to lease land to affordable house builders**, or institutional investors, while retaining the freehold. Leasing the land would mean that authorities could receive a share of any rental income:

Capital Economics modelling shows that such a model could be set up which requires no upfront grant funding to build the affordable homes and returns between 15% and 30% of rental income to the local authority dependent on location. The downside to local authorities would simply be the opportunity cost of not selling the land to a developer for full market value at that point (although freehold ownership would be retained).¹⁰²

The Lords Select Committee on Economic Affairs expressed support for these types of initiative and referred to calls from Orbit Group, a large housing association, for the identification and release of government owned land specifically for the building of rented properties. Orbit’s suggested model would involve deferring the land costs for a period, e.g. 30 years, in order to ensure rents charged are affordable.¹⁰³

The Committee supported **the relaxation of the requirement to achieve best market value when releasing public land** but concluded that this would only work “if there is a central scheme that approves and compensates public bodies who sell land below market value.”¹⁰⁴

The annex to the Housing White Paper contained consultation questions on disposal at less than best value:

We will consult on using powers in the Growth and Infrastructure Act 2013 to issue a new General Disposal Consent, which would enable authorities to dispose of land held for planning purposes at less than best consideration without the need for specific consent from the Secretary of State. The consultation will seek views on a threshold below which specific consent would not need to be

The Housing White Paper said the Government would consult on extending flexibility to dispose of land at less than best consideration. (para 1.27)

¹⁰⁰ Ibid., para 8

¹⁰¹ Ibid., p3

¹⁰² Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p76

¹⁰³ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 176

¹⁰⁴ Ibid., para 177

obtained. We will also consult on revising the existing £2m threshold for the disposal of other (non-housing) land.¹⁰⁵

Direct commissioning

Housing organisations welcomed the inclusion of housing development in the Coalition Government's [National Infrastructure Plan 2014](#) (published on 2 December 2014). This plan set out an intention to trial a new delivery model with the Homes and Communities Agency (HCA) taking the lead role. Essentially, direct commissioning involves the HCA leading on site delivery (public land) on which the development of new homes is directly commissioned by Government. An extension of direct commissioning was announced on 4 January 2016.¹⁰⁶ This approach was also aimed at supporting smaller companies and new entrants to the housebuilding market.

The 2015 Government launched a £45m Land Release Fund and an Accelerated Construction Programme. (White Paper para 1.26).

The Lords Select Committee on Economic Affairs **called for direct commissioning to form a bigger part of the housebuilding programme:**

We welcome the trial of direct commissioning but it should be a much bigger part of the housebuilding programme. The implementation of our recommendations on the financing of local authority building would help with this. Direct commissioning would also provide opportunities for smaller builders.¹⁰⁷

New Towns and Garden Cities

The Conservative Manifesto 2015 contained a commitment to support locally-led garden cities and towns in places where communities want them. The package of support available was set out in the prospectus: [Locally-led Garden Villages, Towns and Cities](#) (March 2016). The aim is for developments to take place on brownfield and/or public sector land. There is a commitment to work with bidders in exchange for guaranteed delivery; additional planning freedoms may be available to support housing growth in certain circumstances.

The Government would legislate to allow locally accountable New Town Development Corporations to be set up. (Housing White Paper para 1.36)

[The Lyons Housing Review](#) (2014) referred to "a growing consensus, clearly reflected in the evidence to this review that a new programme of Garden Cities and New Towns would make an important contribution to delivering the homes we need."¹⁰⁸

Dame Kate Barker also said she supported a return to thinking about new towns in her evidence to the Treasury Select Committee:

Dame Kate Barker: There are two things I would favour the most. One would be a return to thinking about new towns. I stress "towns" rather than villages. I am not opposed to garden villages, because we need a whole range of solutions. In some ways, however, I do not find them totally attractive, because we have a view in England—maybe it is not right—that what we like is quite close urban areas and then open countryside. While garden villages remove the objection that you are building next to somebody, they will inevitably impinge on open countryside. They

¹⁰⁵ [Cm 9352](#), Fixing our broken housing market, February 2017, para A47

¹⁰⁶ [PM: The Government will directly build affordable homes](#), 4 January 2016

¹⁰⁷ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 172

¹⁰⁸ [The Lyons Housing Review](#), 2014, p90

may very well not be places large enough to sustain a secondary school, which means you have to bus children all around. They may not be places where there is huge local economic activity.

Chair: I also mentioned expansion of existing villages.

Dame Kate Barker: Yes, I would very much prefer to see existing towns and villages expanded rather than moved to garden villages, given some thought about the appropriate transport links and, as I say, education.¹⁰⁹

Dame Kate emphasised that she would want to see “as much land as possible brought in at existing use value” in order to use the resultant planning gain to fund infrastructure.¹¹⁰

[Building the homes we need: a programme for the 2015 government](#) expressed **support for the use of New Homes Zones** under which planning authorities would designate zones suitable for the development of significant numbers of housing but short of major settlements (e.g. more than 200 units but less than 5,000). This is described as a proactive approach which would offer incentives “so long as the land value uplift generated is used to improve the scheme, as well as compensate land owners, and to provide value for the local community.”¹¹¹ The previous Mayor of London, Boris Johnson, announced the use of [Housing Zones](#) in London in March 2016.

[Fixing our broken housing market](#) said that the Government would explore further opportunities for garden cities and new towns:

The Government will also explore what opportunities garden cities, towns and villages might offer for bringing large-scale development forward in ways that streamline planning procedures and encourage locally-led, high quality environments to be created. The Centre for Policy Studies proposed the idea of ‘pink zones’ with this goal in mind and we are looking carefully at their recommendations.¹¹²

3.3 Funding infrastructure

A large scale housebuilding programme requires investment in infrastructure. Shelter and KPMG (2015) were critical of the failure to recognise housing formally as a national infrastructure asset and “a particularly effective route to economic growth.”¹¹³ The Autumn Statement 2016 announced a new Housing Infrastructure Fund of £2.3 billion by 2020-21:

...funded by the NPIF [national productivity investment fund] and allocated to local government on a competitive basis, will provide infrastructure targeted at unlocking new private house building in the areas where housing need is greatest. This will deliver up to 100,000 new homes. The government will also examine options

Bids for the Housing Infrastructure Fund were to open in 2017 – joint bids across local authority boundaries would be welcomed. (White Paper para 2.19)

The Housing White Paper committed to a more coordinated approach across government to provide the right infrastructure to unlock housing delivery. (para 2.18)

¹⁰⁹ [HC 861](#), 7 December 2016, Q5

¹¹⁰ *Ibid.*, Q8

¹¹¹ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p52

¹¹² [Cm 9352](#), [Fixing our broken housing market](#), February 2017, para 1.36

¹¹³ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p46

to ensure that other government transport funding better supports housing growth.¹¹⁴

[The Lyons Housing Review](#) (2014) pointed out that much of the infrastructure for the post-1949 New Town developments was publicly funded with Government loans over 60 years.¹¹⁵ Lyons went on:

A key challenge will be balancing the large up-front infrastructure costs against the longer term receipts and uplift. The lessons from the New Towns and the financial modelling conducted by some entrants to the Wolfson Prize shows that new settlements could be largely self-financing over the long term if they have an effective means of land value capture. This will need to be underpinned by reforms to powers for compulsory purchase which we propose. However, up-front financing will be required to support early, up-front costs incurred by the new development.¹¹⁶

A pilot scheme has been launched which is aimed at unblocking infrastructure delays on housing developments. The scheme is in the south east and is being led by the Housing & Finance Institute (HFI). It will bring together various parties and is focused on housing developments that have been delayed due to a lack of water, sewage, electricity, gas or road connectivity. If successful, the scheme may be rolled out across the UK in 2017.¹¹⁷

In addition to the Housing Infrastructure Fund, [Fixing our broken housing market](#) said that the Government would amend national planning policy so that local authorities will be expected to identify development opportunities arising out of new infrastructure, such as High Speed Rail 2. The 2015 Government intended to consult on a requirement that authorities have planning policies in place showing how high quality digital infrastructure will be delivered in their areas. There was also to be a review to ensure that utilities planning and delivery keeps pace with house building and supports development. An obligation on utility companies to take account of proposed development could be introduced.¹¹⁸

3.4 The planning system

The planning system in England is frequently cited as a 'blocker' to achieving the necessary rates of housing delivery. The planning system regulates, amongst other things, where housing development takes place, density levels, the necessary supporting infrastructure, and the obligation to provide a proportion of affordable housing as part of a development.

It is an area that has attracted a good deal of Government attention. The Coalition Government abolished nationally set housing targets and regional planning bodies with the *Localism Act 2011*. National planning policy is now set out in the Government's National Planning Policy

¹¹⁴ [Autumn Statement 2016](#), para 3.11

¹¹⁵ [The Lyons Housing Review](#), 2014, p92

¹¹⁶ *Ibid.*, p93

¹¹⁷ *Inside Housing*, "Government-backed pilot on infrastructure delays launched", 4 January 2017

¹¹⁸ [Cm 9352](#), *Fixing our broken housing market*, February 2017, paras 2.20-24

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Framework (NPPF), published in March 2012. The NPPF and its accompanying Planning Practice Guidance gives some broad guidance to local authorities about calculating the supply of housing.

Following the election of the Conservative Government in May 2015, there were a number of planning related consultations and announcements. Changes to the planning system by the 2015 Government have already been made through the *Housing and Planning Act 2016*¹¹⁹ and *Energy Act 2016*. Additional reforms to the planning system are contained in the *Neighbourhood Planning Act 2017*. Information can be found in the following Library Briefing Papers:

- [Planning for Housing](#) (March 2017 – updated to take account of the Housing White Paper)
- [Commons Library analysis of the Neighbourhood Planning Bill](#) (September 2016)
- [Neighbourhood Planning Bill: Report on Committee Stage](#) (November 2016)
- [Planning Reform Proposals](#) (March 2017 – updated to take account of the Housing White Paper)

The 2015 Government's response to the Lords Economic Affairs Committee's report [Building More Homes](#) (2016), set out how the reforms made to date had impacted:

The Government strongly believes that our planning reforms to date have done much to streamline the planning system and remove barriers to development. 83 per cent of major applications were determined on time between April and June 2016, which is the highest percentage on record.

In addition, in the year to 30 June 2016, the reformed planning system has given permission for 277,000 new homes. Finally, our reforms to Permitted Development Rights have led to a strong contribution to housing supply from conversions and changes of use in addition to new house building.¹²⁰

The response went on say that the forthcoming Housing White Paper "will set out a further package of reforms to ensure that our planning system better supports housing delivery."¹²¹ [Fixing our broken housing market](#) was published in February 2017. A summary of its proposals on planning, together with initial reactions, can be found in Library briefing paper [Planning reform in the housing white paper](#) (7896).

There is **no groundswell of support for another round of major planning reform**. The industry requires certainty and where this is lacking housing supply can be constrained. The [Lyons housing review](#) (2014) said:

¹¹⁹ Not all of these changes have been implemented at this point.

¹²⁰ [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) CM 9384, December 2016

¹²¹ Ibid.

The evidence submitted to the review overwhelmingly cautioned against further fundamental and wholesale reform of the system which would lead to widespread uncertainty and undermine a rapid increase in housing supply.¹²²

Witnesses to the Lords Economic Affairs Committee expressed a variety of opinions on the need for planning reforms. Some thought that reform was 'critical' while others thought that planning 'was not a problem'.¹²³

Planning conditions

Planning is clearly an essential part of the delivery process but many argue that reforms to planning alone will not provide the answer to the housing supply crisis. The Home Builders Federation (HBF) has pointed to **an increase in the number of planning permissions granted**, but still describes the planning system as a 'constraint':

Permissions for 76,242 homes were granted in England between July and September, with the total number for the 12 months to September reaching 289,011, the highest since the survey began in 2006. However, the number of actual sites these permissions are on dropped, indicating Local Authorities are granting permission for an increasing number of large strategic sites as opposed to the mix of size and type of site needed to deliver more homes.

This is an encouraging headline figure but few of those recently permitted will yet be buildable. Permissions are recorded once one of the 'conditions' attached to them by the Local Authority is satisfied- or 'discharged'. Many will have dozens of 'pre commencement' conditions attached and so builders will not legally be entitled to commence construction until they are all discharged- a process which could take some months and is dependent on the ability and capacity of the authority to provide this service.¹²⁴

The HBF has welcomed Government measures in the *Neighbourhood Planning Act 2017* to introduce a new process for agreeing pre-commencement conditions, but would like to see **a limit on the number of conditions authorities can impose, and authorities prevented from imposing 'spurious' conditions** that, the HBF argues, could be dealt with later in the construction process to enable builders to get on site more quickly:

Many conditions – such as the Local Authority needing to approve a final children's play area design – should not be holding up building work and could be agreed once work is underway through the imposition of a 'pre-occupation' condition. Information collected by HBF shows how authorities are holding up construction with demands for scale drawings of the placement of picnic tables and refuse bins in children's play areas and detailed statements on the 'engagement and recruitment of local artists' to provide public art on the new estate.¹²⁵

The number of planning permissions granted has increased but this does not mean that work on those sites will start quickly.

The Secretary of State is gaining powers to prohibit conditions that do not meet national policy tests. A deemed discharge provision has operated since 2015.

¹²² [Lyons housing review](#), 2014 p43

¹²³ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 148

¹²⁴ HBF, [New home planning 'permissions' up – but system remains a constraint](#), 3 January 2017

¹²⁵ Ibid.

Evidence submitted to the Lords Economic Affairs Committee inquiry, [Building More Homes](#) (2016) referred to the planning system as **slow, costly and complex**.

Section 106 agreements and the Community Infrastructure Levy

There is a divergence of opinion on the merits of section 106¹²⁶ and Community Infrastructure Levy (CIL)¹²⁷ requirements. Section 106 has been credited with ensuring a substantial supply of affordable housing; an additional 14,370 homes were supplied through this route in 2014/15.¹²⁸ Witnesses to the Lords Economic Affairs Committee commended the flexibility of CIL. However, others, including small builders, believe that section 106 and CIL are ineffective and act as an obstacle to development. One company, Pocket Living, told the Committee that it took 16 weeks to get planning consent and a further 22-44 weeks to negotiate the section 106 agreement.¹²⁹ Small builders face the same level of complexity as larger developers – the Committee was told that an increasing number now have to buy-in expertise in order to navigate the system.¹³⁰

David Orr, CEO of the National Housing Federation, referred to the complexity of section 106 agreements which make it difficult to calculate the value of the contributions made. Professor Paul Cheshire of the London School of Economics told the Committee that section 106 and CIL should be replaced by a single, national development charge of 20% of the sale value of land.¹³¹

The Chartered Institute of Housing's (CIH) submission to the Autumn Statement 2016 called for a restoration of requirements on developers to provide affordable housing via the planning system. These requirements were relaxed in order to boost a sluggish housing market but, the CIH argues, the provision of social or affordable rent properties can help to underpin building projects.¹³²

The Committee recommended that, as part of its ongoing reviews of planning obligations and CIL, **the Government should aim for simplicity, transparency and a system that is responsive to smaller builders**. The value of developer contributions should act as a sufficient incentive to local authorities to grant planning permission.¹³³

There is a divergence of opinion on the merits of section 106 agreements and Community Infrastructure Levy.

An independent review of CIL and its relationship with s.106 was published in February alongside the Housing White Paper. The Government said it would respond to the review at Autumn Budget 2017 and that consultation would take place on short-term changes to s.106 agreements to reduce disputes and delays.

¹²⁶ Developers and local authorities agree a contract relevant to a specific development that will mitigate its impact. These can include the provision of affordable housing and payment for additional infrastructure.

¹²⁷ A local authority may set a levy on all new building in their area. The money raised is used to fund general infrastructure.

¹²⁸ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 141

¹²⁹ *Ibid.*, para 115

¹³⁰ *Ibid.*, para 116

¹³¹ *Ibid.*, paras 140-46

¹³² [CIH submission to the Autumn Statement 2016](#), October 2016

¹³³ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 147

In November 2015 the Government [asked](#) Liz Peace, former chief executive at British Property Federation, to chair an independent group to conduct a review of the Community Infrastructure Levy (CIL). The purpose of this group is to assess the extent to which CIL does or can provide an effective mechanism for funding infrastructure, and to recommend changes.¹³⁴ The group has been asked to specifically take into account the Government’s pre-election manifesto commitment that “when new homes are granted planning permission, we will make sure local communities know up-front that necessary infrastructure such as schools and roads will be provided”. The review group’s report was submitted to the 2015 Government but has not yet been published. The Government’s response was expected to be part of the White Paper.¹³⁵

Resourcing authorities’ planning capacity

One area where there appears to be a good deal of agreement in the industry is on the **need for proper resourcing of local authority planning departments**. The Lords Economic Affairs Committee noted that cuts in local government expenditure “have fallen particularly heavily on planning departments.”¹³⁶ Local authority witnesses told the Committee that they were “under resourced and “desperately short of ...staff.” **There is a view that the balance of power has shifted towards developers when negotiating planning matters.**¹³⁷

A potential solution would be to introduce **a more flexible planning fee system to allow authorities to invest in their planning capacity**. The Lords Economic Affairs Committee recommended that the Government:

- a) allows local authorities to set and vary planning fees in accordance with the needs of their local area. To prevent abuse there should be an upper limit or cap on the level of fees. To allow sufficient discretion to local authorities, this cap should be significantly higher than the current fees that can be charged; and
- b) provides that the money raised from these fees is ring-fenced for expenditure on planning and development.

It was expected that the forthcoming Housing White Paper would contain measures on planning fees following proposals from Government in its February 2016 [Implementation of planning changes: technical consultation](#). The consultation proposed a system whereby planning fees could be increased for Local Planning authorities which are “performing well.” [Fixing our broken housing market](#) (February 2017) did set out the 2015 Government’s intention to increase nationally set planning fees:

Planning departments are under resourced and under staffed. The balance of power in negotiations has shifted towards developers.

The Housing White Paper said that £25m in new funding would be available for ambitious authorities in areas of high housing need to plan for new homes and infrastructure. (para 2.16)

¹³⁴ HM Government, [Review of the Community Infrastructure Levy: Terms of Reference](#), November 2015

¹³⁵ Neighbourhood Planning Bill, Public Bill Committee seventh sitting 27 October 2016 [c243](#)

¹³⁶ Ibid., para 119

¹³⁷ Ibid., para 120

Local authorities will be able to increase fees by 20% from July 2017 if they commit to invest the additional fee income in their planning department. We are also minded to allow an increase of a further 20% for those authorities who are delivering the homes their communities need and we will consult further on the detail. Alongside we will keep the resourcing of local authority planning departments, and where fees can be charged, under review.¹³⁸

The Housing White Paper also set out an intention to consult on the introduction of a fee for making a planning appeal on the basis that “unnecessary appeals can be a source of delay and waste taxpayer’s money.”¹³⁹

Delivering a variety of sites for development

The HBF has proposed that **authorities should not rely on one large site to meet local housing needs** given the significant infrastructure requirements that this can entail, and should instead be approving a range of site sizes.¹⁴⁰ This position is supported in a report from Nathaniel Litchfield & Partners (NLP), [Start to Finish – How quickly do large-scale housing sites deliver?](#) (November 2016):

Large-scale sites can be an attractive proposition for plan-makers. With just one allocation of several thousand homes, a district can – at least on paper – meet a significant proportion of its housing requirement over a sustained period. Their scale means delivery of the infrastructure and local employment opportunities needed to sustain mixed communities.

But large-scale sites are not a silver bullet. Their scale, complexity and (in some cases) up-front infrastructure costs means they are not always easy to kick start. And once up and running, there is a need to be realistic about how quickly they can deliver new homes. Past decades have seen too many large-scale developments failing to deliver as quickly as expected, and gaps in housing land supply have opened up as a result.¹⁴¹

NLP suggest that if authorities’ Local Plans and five year land assessments are placing reliance on large-scale developments, including Garden Towns and Villages, to meet housing need, then “the assumptions they use about when and how quickly such sites will deliver new homes will need to be properly justified.”¹⁴²

¹³⁸ [Cm 9352](#), Fixing our broken housing market, February 2017, para 2.15

¹³⁹ *Ibid.*, para 2.17

¹⁴⁰ HBF, [New home planning ‘permissions’ up – but system remains a constraint](#), 3 January 2017

¹⁴¹ NLP, [Start to Finish – How quickly do large-scale housing sites deliver?](#), November 2016 p1

¹⁴² *Ibid.*

The duty to cooperate and housing market areas

The [Lyons Housing Review](#) (2014) called for **more cooperation across local authority boundaries when identifying land suitable for development**:

The responsibility of councils to identify sufficient land for new homes in local plans should be strengthened, as should their ability to deliver these plans. Where there is a failure to cooperate across boundaries to meet needs in a housing market area, councils will be required to produce a joint strategic plan, with the Secretary of State having the ability to intervene and instruct the Planning Inspectorate to ensure that it happens. This will address the weaknesses in the current Duty to Cooperate and ensure that places that need it can exercise a "Right to Grow".¹⁴³

Provisions in the *Neighbourhood Planning Act 2017* will allow the Secretary of State to direct a group of authorities to work together to produce a joint plan.

The duty to cooperate has been criticised for not being a duty of any substance.¹⁴⁴ It is a duty which does not require agreement, it simply requires that evidence is shown that attempts to cooperate have been made. As noted in an article in the Planner, there is little incentive for a neighbouring authority to actually cooperate and its enforcement relies on planning inspectors taking a "robust approach".¹⁴⁵

In its final report to Government, the [Local Plans Expert Review Group](#) (LPEG)¹⁴⁶ said that it received "strong representations" that the duty to cooperate was "not effective in ensuring agreement between neighbouring authorities about the distribution of housing needs and that this was one of the most significant constraints to effective plan making."¹⁴⁷ The LPEG recommended changes to planning policies to strengthen the duty, as well as an expectation that where there has been no agreement across boundaries on distributing housing needs, the Government should take and use powers to direct the preparation of a high level Joint Local Plan for the housing market area.¹⁴⁸

The Housing White Paper noted that the duty to cooperate had not been successful in some areas and said that consultation would take place on changes to the NPPF to require authorities to prepare a Statement of Common Ground setting out how they will work together to meet housing requirements. (para 1.9)

Shelter and KPMG also referred to the limitations of local boundaries in [Building the homes we need: a programme for the 2015 government](#):

If local authorities could capture more of the returns of their spending across a functional economic or "travel to work" area, it may incentivise those areas usually resistant to a certain type of development to coordinate.¹⁴⁹

Incentives to develop: speeding up and monitoring build-out rates

Witnesses to the Lords Economic Affairs Committee inquiry considered that **the system does not provide authorities with sufficient incentives to allow developments** and that this lack of incentives

¹⁴³ [The Lyons Housing Review](#), 2014, p8

¹⁴⁴ "The duty to cooperate: What next?" [The Planner](#) 14 March 2016

¹⁴⁵ "The duty to cooperate: What next?" [The Planner](#) 14 March 2016

¹⁴⁶ The Local Plans Expert Group (LPEG) was established by the then Communities Secretary, Greg Clark and the Minister of Housing and Planning, Brandon Lewis MP, in September 2015, with a remit to consider how local plan making can be made more efficient and effective

¹⁴⁷ Local Plans Expert Review Group, [Local Plans Report to Government](#), March 2016, p3

¹⁴⁸ Ibid

¹⁴⁹ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p48

also affects local residents and developers. Three linked problems were identified:

- Local opposition creates pressure on local councils to resist development.
- The lack of any immediate financial benefit to the local authority from the planning process. In contrast, a ‘windfall’ created by the granting of planning permission is retained by the landowner. The Community Infrastructure Levy (CIL) can act to address this disparity but it is not transparent and it is not always clear to residents what a development has funded. **One suggestion is to reward developing authorities with the retention of business rates.**
- A lack of incentives for builders to develop permissioned land.¹⁵⁰

In terms of solutions, there is some support for a ‘**use it or lose it**’ approach. For example, the [Labour Party Manifesto 2015](#) included a commitment to:

...introduce greater transparency in the land market and give local authorities new ‘use it or lose it’ powers to encourage developers to build.¹⁵¹

The [Lyons Housing Review](#) (2014) **proposed disincentives to holding a planning permission and not building it out, in addition to measures to incentivise swift delivery of land allocated in a plan**, for example:

- Shortening the lifetime of planning permission to 2 years with higher fees for renewal.
- Requiring greater substantive progress to demonstrate that works have started on site.
- Giving local authorities the option to charge Council Tax on the land owner in respect of the number of proposed dwellings where development has not started on sites with planning permission within an expected timeframe.
- Compulsory Purchase Order powers strengthened and streamlined to make it easier for public bodies to acquire land where it is not brought forward and where it is a priority for development.¹⁵²

The 2015 Government said it would consider the implications of amending the timescale for implementing planning permission from 3 to 2 years. (White Paper para 2.41)

These options were also considered by the Lords Economic Affairs Committee. Developers said that they were not in favour of these schemes, arguing that a range of factors outside their control can influence build-out rates.¹⁵³ **The Committee supported giving local authorities the power to levy Council Tax on developments that remain incomplete within a given time period.**¹⁵⁴ The Government’s response did not address this specific recommendation

¹⁵⁰ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, paras 110-14

¹⁵¹ [Labour Party Manifesto 2015](#), p46

¹⁵² [The Lyons Housing Review](#), 2014, p67

¹⁵³ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, paras 131-33

¹⁵⁴ *Ibid.*, para 139

but said that the Housing White Paper would set out a further package of reforms to “ensure that our planning system better supports housing delivery”.¹⁵⁵ The Government also said: “We are also clear that it is the responsibility of the house building industry to be more transparent and forthcoming in agreeing a trajectory for build-out rates on sites with local authorities.”¹⁵⁶

Lyons specifically commented on the **need to persuade communities of the benefits of housing development:**

The public is frequently concerned that houses are often built in the wrong place, for the wrong people and without adequate attention to the pressures created for existing infrastructure. As new housing changes and shapes the places in which people live, communities should make the decisions about how they grow. It is the job of elected local authorities to do this with their communities and to ensure the homes they need are provided. We therefore recommend that local authorities play a much more energetic role in leading housing development for their communities.¹⁵⁷

Also relevant here are references in the previous section to the desirability of incentives to encourage authorities to work across boundaries with a better focus on functional economic areas:

In housing, the responsibility for need assessments and land use planning rests at the individual local authority level, when the reality is that people live and work across administrative boundaries.¹⁵⁸

[Fixing our broken housing market](#) (February 2017) said that the Government wanted development to happen as soon as possible where planning permission is granted.¹⁵⁹ The White Paper contained the following proposals aimed at achieving this, several of which pick up on some of the themes set out above:

- The Government is considering the implications of amending national planning policy to encourage authorities to shorten the timescale in which developers should implement planning permission from the default three years to two years, with an exception where this could hinder viability.¹⁶⁰
- There is a proposal to simplify and speed up the completion notice process under which planning permission can be withdrawn where no substantive progress is made on a site.¹⁶¹
- Authorities will have strengthened compulsory purchase powers which the Government wants to see authorities use to promote development on stalled sites. Separate consultation will take place

The Housing White Paper’s proposals picked up on several of the themes identified above which are aimed at improving build-out rates.

¹⁵⁵ [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) CM 9384, December 2016

¹⁵⁶ Ibid.

¹⁵⁷ [The Lyons Housing Review](#), 2014, p8

¹⁵⁸ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p48

¹⁵⁹ [Cm 9352](#), Fixing our broken housing market, February 2017, para 2.41

¹⁶⁰ Ibid., para 2.41

¹⁶¹ Ibid., para 2.42

on new guidance to encourage authorities to use these powers in this way.¹⁶²

- The planning application forms will be amended to include information on estimated start dates and build out rates for schemes including housing development.¹⁶³
- A duty on developers is proposed to provide planning authorities with basic information on progress in delivering the permitted number of homes after planning permission is granted.¹⁶⁴
- There is a proposal to add new requirements to the Authority Monitoring Report produced by local authorities to provide more standardised information on the delivery of the housing plan.¹⁶⁵
- Consultation is taking place on an amendment to the NPPF to encourage authorities to consider how realistic it is that a site will be developed when granting planning permission for housing. This would be relevant in regard to sites where there is evidence of previous non-implementation of planning permissions for housing.¹⁶⁶
- Consultation is taking place on whether an applicant's track record in delivering previous housing permissions should be taken into account in regard to large-scale sites.¹⁶⁷

Better use of green belt land

[Government statistics](#) on green belt land in England 2014/15 estimated that it covered 1,636,620 hectares, i.e. around 13% of the land area of England.

The 2015 Government's policy on protection for the green belt is set out in chapter 9 of the National Planning Policy Framework (NPPF). The fundamental aim of green belt policy is to prevent urban sprawl by keeping land permanently open. The NPPF states that that the construction of new buildings should be regarded as "inappropriate" for the green belt, although there are some exceptions, which are listed.¹⁶⁸

Greenbelt policy is generally regarded as having been effective in preventing urban sprawl and maintaining a clear physical distinction between town and country. The 2010 Natural England and CPRE report, [Green Belts: A greener future](#), concluded green belt policy was "highly effective" in its principal purpose, but called for "more ambition" to further enhance the green belt protection for future generations.¹⁶⁹

It is inevitable that discussions about securing a sufficient supply of land suitable for housing development often turn to the question of whether some areas of green belt land should be utilised for this purpose. The

¹⁶² Ibid., para 2.44

¹⁶³ Ibid., para A97

¹⁶⁴ Ibid., para A97

¹⁶⁵ Ibid., para A97

¹⁶⁶ Ibid., para A99

¹⁶⁷ Ibid., para A102

¹⁶⁸ Background information on green belt policy can be found in Library Briefing Paper 0934: [Green Belt](#)

¹⁶⁹ Natural England and CPRE, [Green Belts: A greener future](#), 2010,p90

question was put to Dame Kate Barker during the Treasury Select Committee's evidence session on housing policy:

Dame Kate Barker: I have not said anything about the green belt. I would not put too much weight on the green belt, on both sides. The people who do want to build on green belt talk about it as though the whole thing was some wonderful environmental preserve, and the people who do want to build over it talk as though it was all complete scrub and purposeless. Neither of those things are true. Green belt is a planning designation, and there are lots of places in which the green belt is quite important. It should be used up rather thoughtfully, but I find it hard, particularly—

Chair: I am sorry. Can I just interpret that? You used the phrase "rather thoughtfully". You mean that it should be built on, but thoughtfully.

Dame Kate Barker: You should ask yourself about each piece of green belt, whether the planning purpose that caused it to be put in is as true today as it was originally. The sentence I disliked most in the original green belt policy, which was called PPG2, explained that the key characteristic of the green belt was its "permanence". That is quite an odd thing to say about a piece of land that is a planning designation.

If we are going to use the green belt, however, particularly around London, I would prefer for us to take very strategic views. You have to build quite a significant place, a place big enough to have a proper transport link. I find the lack of solution for London overspill around London very difficult. Commuting into London gets harder and harder all the time; I say this with feeling.

If we are going to build around London, my preference would be to do something that was less piecemeal and more strategic, linked to either the transport links we are already thinking about putting in—Crossrail is an obvious one—or where we are thinking of having some new transport links altogether. I am sort of reluctant to see further building around that is not really going to help resolve some of the problems. Transport linkages are a real issue.¹⁷⁰

Witnesses to the Lords Economic Affairs Committee's inquiry expressed divergent views. Martin Wolf, chief economics correspondent at the *Financial Times* said that building on the green belt was "probably not the whole solution" but noted that a lot of protected fields are "not particularly beautiful" and that building on them could form part of the solution.¹⁷¹ Trudi Elliot of the Royal Town Planning Institute said that green belt land served "a very important purpose" and building on it "is a complex issue that is not really helped by some of the simplistic debate we have about it."¹⁷²

¹⁷⁰ [HC 861](#), 7 December 2016, Q7

¹⁷¹ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 149

¹⁷² *Ibid.*, para 150

Shelter and KPMG point out that the value of land mainly depends on what it can be used for. In this context, the planning system drives the motivations of key participants in the development process:

...restrictions on land use reduce the supply of land at the right price in the right places. for example, green belt designation in the south east restricts development around London and forces expansion beyond the green belt with people commuting across it in huge numbers.¹⁷³

Paul Cheshire, Professor Emeritus of Economic Geography, LSE, [has argued](#) that **building on the least attractive and lowest amenity parts of green belts could solve housing supply and affordability problems**.¹⁷⁴ His evidence to the Lords Economic Affairs inquiry stated that it is 'imperative' for land supply decisions and demand to "systematically respond to price information since this is the signal allowing our economy to provide enough of any good or service: with the single exception of land for development."¹⁷⁵ He set out a method for achieving this outcome:

...the price differential between land in any use and its alternative proposed use, if it exceeds some threshold, should constitute a 'material consideration'. There would then be a presumption that the alternative development would be permitted **unless** (and this is an important 'unless') it can be demonstrated that the environmental or amenity benefits generated by keeping the land in its existing use were of sufficient value to society to refuse the proposed development. It would be necessary to decide on an appropriate 'threshold' level for price differentials not to trigger a potential presumption of development. If the threshold was set at, say, £1 million, this would represent a significant hurdle to changes of use since the costs associated with such changes would not normally be as much. One can envisage, for example, agricultural land on the urban fringe or land zoned for industrial use in places where there is an undersupply of housing, so housing land prices exceed agricultural or industrial land prices by £1m or more. In neither case is it likely that basic infrastructure investment to make the land suitable for development in the new use would exceed £1m per Ha. So, if one was envisaging developing agricultural land on the urban fringe, a threshold of £1m could be viewed as the equivalent of a tax on Greenfield development, reducing the total urban land take.¹⁷⁶

The Housing White Paper said that the NPPF would be amended to make it clear that authorities should amend green belt boundaries only when they can demonstrate that other reasonable options have been fully examined for meeting their development requirements. (para A61)

There are calls on all sides for green belt principles to be re-evaluated in a 21st century context. The Royal Town Planning Institute, in a November 2016 policy statement called for the purposes of green belts to be revisited:

But it is important to revisit the purposes that green belts need to fulfil over the coming generation. The value of green belts is not simply about what is ugly and what is attractive, as some argue. We need to talk about who green belts are for, and about their

¹⁷³ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p35

¹⁷⁴ "Greenbelt myth is the driving force behind housing crisis" [The Conversation](#), 13 September 2013

¹⁷⁵ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, [written evidence [EHM0156](#)]

¹⁷⁶ Ibid., [written evidence [EHM0156](#)]

social impact, along with their continued role in shaping and managing urban growth.

Green belt boundaries may well need to change, but only through careful reviews over wider areas than single local authorities, and where safeguards are put in place to ensure that development is sustainable, affordable and delivered in a timely manner, and without prejudice to the renewal of brownfield land.¹⁷⁷

3.5 Support for SME developers

Most of England's new housing is built by a small number of large firms. By 2012, 70% of homes in England were built by large firms operating on similar business models.¹⁷⁸ This concentration of market power is felt to inhibit competition, and can exacerbate the impact of market shocks when all the large firms simultaneously reduce output. Section 3.2 of this paper considers the barriers that smaller and medium sized enterprises (SME) face in trying to compete for land.

Housebuilding requires considerable up-front investment, meaning that in the vast majority of cases, new housing developers need access to finance. In common with the rest of the economy, finance has been less readily available in the construction sector since the financial crisis, although this situation has improved over the past 18 months.¹⁷⁹

For the housebuilding industry, a particular concern is access to finance for SME developers. The Aldermore Group, a bank specialising in finance to small businesses, have stated:

...smaller developers continue to struggle with access to finance, with a recent industry survey showing that more than 50,000 construction and real estate firms have begun the year in 'significant' financial distress...unless more is done by lenders to increase funding to smaller regional developers, the potential for the industry to reach... [the Government's house building target]...will be less likely.¹⁸⁰

Problems accessing finance can have an impact on house builders' ability to produce high quality housing, as well as on the overall capacity of the house building industry. With reduced access to upfront investment, house builders may choose to use cheaper, less skilled construction workers or lower quality materials. Both these strategies for cost saving can have a direct impact on the quality of completed homes.

[Budget 2014](#) included a commitment:

To support SME access to finance, the government will create a £500 million Builders Finance Fund, which will provide loans to developers to unlock 15,000 housing units stalled due to difficulty in accessing finance.¹⁸¹

¹⁷⁷ RTPI, [Where should we build new homes?](#) November 2016

¹⁷⁸ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p9

¹⁷⁹ BBA, [High street bank lending](#), July 2016

¹⁸⁰ Mortgages for business, [Smaller property developers struggling to access finance](#), 18 January 2016

¹⁸¹ HC 1104, Budget 2014, March 2014, para 1.141

In July 2015 the Housing Minister announced that the Fund would be extended; Spending Review and Autumn Statement 2015 said that the £1 billion Fund would be extended to 2020-21.¹⁸²

October 2016 saw the launch of a £3 billion [Home Building Fund](#) under which builders, including SME builders, can obtain loan finance to assist with development costs and infrastructure work.

In [Building the homes we need: a programme for the 2015 government](#) Shelter and KPMG recommended the **provision of government guarantees for bank lending**:

This would work through a guarantor bank, which would guarantee certain tranches of the loans to SME builders, conditional on the funding being used to develop homes. The loan guarantees would be made by government, but this doesn't mean that government would take all of the risk. Risk sharing arrangements would be put in place, to reduce the government's risk and ensure that the guarantor bank remains incentivised to lend to those firms most likely to succeed.¹⁸³

This proposal was described as a 'mirror' of the Help to Buy: Mortgage Guarantee scheme (now closed). KPMG and Shelter argued that the biggest impact of such a scheme would be to improve the percentage of loan to value (LTV) that SMEs could achieve. Capital Economics estimated that reducing SME builders' funding costs and restoring their credit allocation to pre-2007 ratios would support the development of an extra 3,000 homes per year.¹⁸⁴

SME developers are less able to withstand market shocks. This is illustrated by the fact that their share of total housing starts declined after each of the last two house price crashes. A factor that would reduce risk and improve confidence in the development process is house price stability. Shelter and KPMG called for the launch of a **review led by the Bank of England** "on the impact of house price volatility on the economy and the policies that would be required to stabilise prices relative to incomes over the long term."¹⁸⁵ They also called for a **review of property taxation** to consider "potential extra revenue for the affordable house building programme but also in the context of economic and housing market stability."¹⁸⁶

When giving evidence to the Treasury Select Committee on housing policy, Dame Kate Barker was asked what key housing measure she would introduce if given the opportunity, she said:

Dame Kate Barker: I fear that I would be Chancellor of the Exchequer for a very short time, because I would probably wish to put capital gains tax on your first property.

The Housing White Paper said that the Accelerated Construction Programme would support diversification in the market "through partnering with small and medium-sized firms and others as development partners and contractors. There was also a commitment to continue to work with the British Business Bank to encourage investment in SMEs. (para 3.9)

¹⁸² [Cm 9162](#), November 2015, p41

¹⁸³ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p64

¹⁸⁴ Capital Economics, [Increasing investment in affordable homes](#), 2014, section 6.4

¹⁸⁵ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p67

¹⁸⁶ *Ibid.*

Chair: So it is the absence of a tax on imputed rent, for which most people consider the gains relief as a rough and ready substitute, that most concerns you. This is the abolition of schedule A.

Dame Kate Barker: Yes, it is.¹⁸⁷

The Lords Economic Affairs Select Committee considered changes to the taxation system and, while supporting amendments to Council Tax, the Committee concluded that “it is wrong to create specific tax rules, as is the case with recent changes to capital gains tax and inheritance tax, around housing.”¹⁸⁸

The Home Builders Federation (HBF) published an analysis of the position of SME builders and possible measures to tackle the issue: [Reversing the decline of small housebuilders: Reinvigorating entrepreneurialism and building more homes](#) (2017).

3.6 The construction industry

In order for any package of solutions to deliver a step-change in housing supply the construction industry has to have capacity to be able to deliver. A number of issues have been identified within the industry which require strategic intervention in order to address them.

Labour market and skills

A 2015 report from Arcadis, a built-environment design consultancy, identified significant problems in attracting and retaining sufficient trained recruits in the construction industry:¹⁸⁹

- Arcadis argues that if the government’s target for building new houses is to be met, then the industry will **need to recruit** 224,000 new people by 2019.
- The fact that **the number of people joining the sector has been declining** for some years leads Arcadis to argue that there is a weak “pipeline of talent” into the house building sector.
- Arcadis found that many construction workers are **retiring early**, meaning that around 700,000 new recruits will be required just to replace the current workforce by 2019.
- Another issue is a **lack of relevant skills needed to build houses among existing construction workers**. Arcadis reports that the following trades or professions are constraining house building due to under-supply of labour: bricklayers, plasterers, architects and quantity surveyors.
- **Training or re-training existing workers is more difficult** in the construction sector compared with other sectors due to above average rates of self-employment and “the fragmentation of the

¹⁸⁷ [HC 861](#), 7 December 2016, Q50

¹⁸⁸ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 253

¹⁸⁹ Arcadis, [People and money: fundamental to unlocking the housing crisis](#), 2015, pp4-7

supply chain". These factors make organising widespread training difficult.¹⁹⁰

- Arcadis report that a large number of **construction workers are operating in different sectors**. But there is also evidence that people with relevant skills are operating in shrinking sectors (such as manufacturing), suggesting a potential source of new labour for the construction sector.
- **The construction sector is "heavily reliant" on non-UK born workers**: around 12% of construction workers are non-UK born, according to *Inside Housing*.¹⁹¹ Construction and house building trade associations have expressed concern that the UK's new relationship with the EU could adversely affect the supply of migrant labour, which, combined with the other labour issues mentioned above, could cause considerable "damage" to the sector's capacity. The Federation of Master Builders said:

...It is now the government's responsibility to ensure that the free-flowing tap of migrant workers from Europe is not turned off...

Innovation in construction

Innovation in construction methods and materials can mean more homes being produced quickly, cost-effectively and to modern standards. Among other things, this can increase the life-span of housing, improve energy efficiency and reduce the need for major repairs.

The UK construction industry has been slow to adopt technological and other innovations which are frequently used by house building industries in other countries.¹⁹²

These innovations include:

- Increased use of data and data management in the design and planning of house building. This forms an important part of the recently published [Construction strategy 2016-20](#).
- Innovation in the way the workforce and businesses involved in house building are organised might provide a way to standardise more house building, and so make the industry more efficient, according to [Innovate UK](#).
- Mass produced modular components are a feature of commercial building, but are less regularly used in house building in the UK. These methods speed up the time required to build houses and require less manpower. They also help to ensure standardised levels of quality and durability.

Adopting modern construction methods can also lead to increased productivity in the sector, meaning that fewer people are required to build the same number of houses.

The Housing White Paper said that the Government would support a joint working group to ensure mortgages are readily available for a range of tested methods of construction. (Para 3.40)

The Housing White Paper said that the Government would consider how the planning system operates to support modern methods of construction (MMC) developments. (para 3.40)

¹⁹⁰ The Construction Index, [Ministers tell industry leaders to sort out skills shortage](#), 1 February 2016

¹⁹¹ *Inside Housing*, [Builders: immigration rules must protect construction workers](#), 1 July 2016

¹⁹² Innovate UK, [Construction industry summit, blog post](#), 18 September 2015

Between 1998 and 2015, labour productivity in the construction sector has grown by 0.4%. Productivity in the whole economy, despite stagnating since 2007, has increased by 22.7% over the same period.¹⁹³

The 2015 Government launched its [Accelerated Construction prospectus](#) on 3 January 2017:

Through our new Accelerated Construction programme, we now want to provide a tailored package of support to ambitious local authorities who would like to develop out surplus land holdings at pace. The programme aims to deliver up to 15,000 homes (housing starts) on central and local surplus public sector land in this Parliament through £1.7 billion of investment. In doing so, we want to use Accelerated Construction to tackle broader constraints to seeing more homes built. The programme is designed to support our market diversification objectives by supporting non-major builders and help tackle the construction skills gap, including through greater use of Modern Methods of Construction (MMC).¹⁹⁴

The Housing White Paper said that the Accelerated Construction Programme and Home Builders' Fund would create new opportunities for the use of modern methods of construction. (para 3.40)

The Farmer Review's recommendations 2016

A combination of these issues led the 2015 Government to commission research from the [Construction Leadership Council](#) into how the industry's skills and manpower problems might be overcome. The [Farmer Review of the UK Construction Labour Model: 'Modernise or die'](#) was published in December 2016. The review concluded that the construction industry and clients that rely on it are "at a critical juncture". The following symptoms of failure and poor performance were identified:

- Low productivity.
- Low predictability.
- Structural fragmentation.
- Leadership fragmentation.
- Low margins, adversarial pricing models and financial fragility.
- Dysfunctional training funding and delivery model.
- Workforce size and demographics.
- Lack of collaboration and improvement culture.
- Lack of RandD and investment in innovation.
- Poor industry image.¹⁹⁵

Amongst these, the review identified the industry's workforce size and demographic as "the real ticking time bomb." There is potential, according to the review, for the workforce to decline by 20-25% within a decade:

This scenario has never been faced by UK construction before and would be a capacity shrinkage that would render the industry

¹⁹³ ONS, [Labour productivity Oct-Dec 2015, figure 1](#), 7 April 2016

¹⁹⁴ DCLG, [Accelerated Construction: expressions of interest](#), 3 January 2017

¹⁹⁵ [Farmer Review of the UK Construction Labour Model: 'Modernise or die'](#), December 2016, p7

incapable of delivering the levels of GDP historically seen. Just as importantly, it would undermine the UK's ability to deliver critical social and physical infrastructure, homes and built assets required by other industries to perform their core functions.¹⁹⁶

The review proposed the establishment of a **tripartite covenant** "between the construction industry, its end clients (private and public) and government" with the latter acting as a strategic initiator to pump prime change.¹⁹⁷

The review's ten headline recommendations are set out below:

- 1 Construction Leadership Council (CLC) to have strategic oversight of the implementation of the review's recommendations and evolve to coordinate and drive the process of delivering the industry change programme.
- 2 Construction Industry Training Board (CITB) to be comprehensively reviewed and a reform programme instituted.
- 3 Industry, clients and government to work together leveraging CLC's Business Models workstream activity, to improve relationships and increase levels of investment in R&D and innovation by changing commissioning trends from traditional to pre-manufactured approaches.
- 4 Industry, clients and government, supported by academic expertise and leveraging CLC's Innovation workstream activity, to organise to deliver a comprehensive innovation programme. Programme to be aligned to the market and generate a new shape of demand across the industry with a priority on residential construction.
- 5 A reformed CITB to look to reorganise its grant funding model for skills and training aligned to what a future modernised industry will need. Bodies to play a more active role in ensuring training courses produce talent appropriate for a digitally enabled world.
- 6 A reformed CITB or stand-alone body should be challenged and empowered to deliver a more powerful public facing story and image for the holistic 'built environment' process. To include an outreach programme to schools and draw on existing industry exemplars and a vision for the industry's future state.
- 7 Government to recognise the value of the construction sector as part of its industrial strategy and be willing to intervene by way of appropriate further education, planning and tax/employment policies to help establish and maintain appropriate skills capacity.
- 8 Government to provide an 'initiation' stimulus to innovation in the housing sector by promoting the use of pre-manufactured solutions through policy measures. To be prioritised either through the conditional incentivisation of institutional development and investment in the private rented sector; the promotion of more pre-manufactured social housebuilding through Registered Providers; direct commissioning of pre-manufactured housing; or a combination of any of the above.

The 2015 Government set up a review of the CITB's purpose, functions and operations in 2016 to report in spring 2017. (White Paper para 2.33)

A new route into construction would be launched in September 2019 and an apprenticeship levy would operate from April 2017. (White Paper para 2.33)

The Government would work with the CLC to challenge housebuilders and companies to deliver more training. (White Paper para 2.33)

¹⁹⁶ Ibid., p8

¹⁹⁷ Ibid., p10

- 9 Government, as part of its housing policy planning, should work with industry to assemble and publish a comprehensive pipeline of demand in the new-build housing sector. This should be along the same lines as the National Infrastructure Pipeline, seeking to bring private developers and investors into this as far as possible to assist with longer term innovation and skills investment planning.
- 10 In the medium to longer-term, particularly if a voluntary approach does not achieve the necessary step-change, government to consider introducing a charge on business clients for the construction industry to further influence commissioning behaviour and to supplement funding for skills and innovation at a level commensurate with the size of the industry. The charge should be set at no more than 0.5% of construction value with a clear implementation timetable. Clients would be able to avoid payment by showing how they are contributing to industry capacity building and modernisation.¹⁹⁸

A [schedule of responses to the review](#) has been published.¹⁹⁹

¹⁹⁸ Ibid., p11

¹⁹⁹ [Schedule of responses to the Farmer Review](#), 2016

4. Housing White Paper: additional proposals and responses

Previous sections have been updated to include reference to commitments made in the Housing White Paper, [Fixing our broken housing market](#) (February 2017). The sections below cover key commitments in the White Paper which are not referred to elsewhere in this paper.

4.1 Calculating housing need

The *Neighbourhood Planning Act 2017* contains provisions to ensure that all areas must be covered by a plan – new powers will enable intervention to ensure that plans are put in place. The White Paper states that the current approach to assessing housing requirements as part of the planning process is “particularly complex and lacks transparency” – the NPPF does not provide guidance on *how* housing need should be calculated.²⁰⁰ The 2015 Government proposed:

- a more standardised approach to the assessment of housing need which is “more realistic about current and future housing pressures.” This assessment will take account of the needs of specific groups, e.g. older people and the disabled. The proposed methodology will be subject to consultation;
- councils will be incentivised to use the new approach; and
- by April 2018 the new methodology for calculating objectively assessed need will apply as the baseline for assessing five year housing land supply and housing delivery.²⁰¹

Savills has made the point that assessed need in England using the new methodology should add up to at least 300,000 new homes per year.

4.2 A housing delivery test

A new test was proposed to “ensure local authorities and wider interests are held accountable for their role in ensuring new homes are delivered in their area.”²⁰² The test would be designed to show whether the number of houses built is below target and provide a mechanism for establishing why this is happening and, where necessary, trigger policy responses to ensure more land comes forward:

The first assessment period will be for financial years April 2014 – March 2015 to April 2016 – March 2017.

To transition to a housing delivery test we propose to use an area’s local plan (or, where relevant, the figure in the London Plan or a statutory Spatial Development Strategy) where it is up-to-date (less than 5 years old) to establish the appropriate baseline for assessing delivery. If there is no up-to-date plan we propose using published household projections for the years leading up to, and including, April 2017 - March 2018 and from the financial year

²⁰⁰ [Cm 9352](#), Fixing our broken housing market, February 2017, para 1.12

²⁰¹ *Ibid.*, paras 1.12-16

²⁰² *Ibid.*, para 2.47

April 2018 - March 2019, subject to consultation, the new standard methodology for assessing housing need.

In line with responses to our previous consultation, housing delivery will be measured using the National Statistic for net additional dwellings over a rolling three year average. Where under-delivery is identified, the Government proposes a tiered approach to addressing the situation that would be set out in national policy and guidance, starting with an analysis of the causes so that appropriate action can be taken:

- From November 2017, if delivery of housing falls below 95% of the authority's annual housing requirement, we propose that the local authority should publish an action plan, setting out its understanding of the key reasons for the situation and the actions that it and other parties need to take to get home-building back on track.
- From November 2017, if delivery of housing falls below 85% of the housing requirement, authorities would in addition be expected to plan for a 20% buffer on their five-year land supply, if they have not already done so.
- From November 2018, if delivery of housing falls below 25% of the housing requirement, the presumption in favour of sustainable development in the National Planning Policy Framework would apply automatically (by virtue of relevant planning policies being deemed out of date), which places additional emphasis on the need for planning permission to be granted unless there are strong reasons not to.
- From November 2019, if delivery falls below 45% the presumption would apply.
- From November 2020, if delivery falls below 65% the presumption would apply.

The phased introduction of the housing delivery test consequences will give authorities time to address under delivery in their areas, taking account of issues identified in their action plans and using the 20% buffer to bring forward more land.²⁰³

4.3 Build to rent

The White Paper identified a need for more good quality privately rented homes. The 2015 Government wanted to build on the work of the Private Rented Sector Taskforce to attract "major institutional investment in new large-scale housing which is purpose-built for market rent."²⁰⁴ A separate consultation exercise was initiated, [Planning and affordable housing for Build to Rent - a consultation paper](#), the key proposals of which were to:

- amend the NPPF so authorities know they should plan proactively for Build to Rent developments where there is a need and to make it easier for developers to offer private rented homes at affordable rents instead of other forms of affordable housing; and

²⁰³ Ibid., paras 2.47-50

²⁰⁴ Ibid., paras 3.20-21

- ensure family friendly tenancies of three or more years are available for tenants that want them on schemes benefiting from changes introduced by the Government.²⁰⁵

4.4 Reactions to the Housing White Paper

Lords debate: 2 March 2017

The House of Lords debated the Economic Affairs Committee Report, [Building More Homes](#) (2016) on 2 March 2017 – the contents of the Housing White Paper were widely referred to during the debate. Lord Hollick (Chair of the Committee and Labour Peer) opened the debate and identified what he referred to as “three key failures.”²⁰⁶ He said the White Paper had failed in the following areas:

- A continued reliance on the private sector to build the homes needed. He welcomed the proposal to decrease the lifespan of planning permission (three to two years) but doubted that this measure would be strong enough to tackle the problem.
- A failure to tackle the “almost non-existent level of public sector building.” He welcomed the Government’s reference to bespoke deals with housing authorities but questioned how much funding would be available for these deals.
- The low level of building on public land. He was not persuaded that the measures in the White Paper would fulfil the potential identified by evidence submitted to the Committee for 3 million homes on public land.²⁰⁷

Lord Forsyth of Drumlean, (Conservative Peer and member of the Economic Affairs Committee), said he appreciated that that White Paper had “picked up on some of the ideas” in [Building More Homes](#) but referred to evidence of the need not to rely on private sector housing provision and also to the need to provide housing that is affordable for people on very low incomes:

The evidence was absolutely overwhelming: we cannot rely on the private sector to provide all the housing that we need and the different categories of housing that we need, but it was also reassuring to find that the old kind of statist ideas were also not going to deliver. We need a rented sector, but this term “affordable housing” is like something out of double-think. Affordable housing turns out to be something that you have to be very well-off indeed to be able to afford. There is little in the way of supply for those people who are on very low incomes and do not have very much money. The conclusion that we came to is that we must find a way of enabling local authorities to provide low-cost housing for people who need those facilities.

Where I was cheered, in recognising that there needed to be more reliance on public sector housing, was that this would also enable us to save a great deal of taxpayers’ money. The noble Lord, Lord Hollick, pointed out that we were spending £27 billion on housing benefit. If we had more housing at lower rents provided by local authorities or housing associations, or local

Lord Young of Cookham, responding to the debate for the 2015 Government, said there was no fixed budget for bespoke deals with local authorities. Requests would be considered on a case-by-case basis. (HL Deb 2 March 2017 c1036)

²⁰⁵ Ibid., para 3,23

²⁰⁶ [HL Deb 2 March 2017 c988](#)

²⁰⁷ [HL Deb 2 March 2017 cc988-90](#)

authorities in partnership with the private sector, we would not have to provide the housing benefit on such a level. It does not seem a very effective use of taxpayers' money to simply use housing benefit in a market where the rents are going up and up and neither the taxpayer's situation nor the availability of housing is improved.²⁰⁸

Lord Sharkey (Liberal Democrat Peer and member of the Economic Affairs Committee) regretted the fact that local authority borrowing restrictions would not be lifted. He questioned whether joint ventures set up by local authorities, for which there is support in the White Paper, would produce a sufficient volume of housing.²⁰⁹ He welcomed the introduction of a "proper assessment by local authorities of forecasting housing needs" and the development of a plan to meet those needs. He asked how the remedy for underperformance by local planning authorities in delivering sufficient housing would work in practice:

Speaking of local authorities, the White Paper says that,

"where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken".

In paragraph 2.49, it goes on to give some detail. The remedy for underperformance seems to be that,

"the presumption in favour of sustainable development in the National Planning Policy Framework would apply automatically".

That really is quite opaque. Can the Minister explain how this would actually work to remedy a shortfall in building homes?²¹⁰

He summed by describing the White Paper in the following terms:

...a bit of a disappointment or at least a curate's egg. It contains some good things but they are all essentially second-order good things. It is not radical; in fact, it is rather timid.²¹¹

Lord Turnbull (Crossbench Peer and member of the Committee) said the White Paper "makes a major move away from the almost exclusive focus of recent Governments on promoting home ownership and recognises there are severe pressures in the rental market", he identified the "main failing of the White Paper" as a lack of "assurance that the Government will deliver the numbers required." He said the failure to address tax issues "which distort the housing market" was a "serious omission."²¹²

Lord Kerlake (Crossbench Peer) said the White Paper "contains a good number of practical and sensible improvements to the current arrangements." He named three specific improvements as:

...the objective assessment of need for local plans; the diversification of the market by growing the SME sector; and the increase in planning fees for local authorities.²¹³

Lord Cookham said that of the £300m in additional borrowing made available to English local authorities in the Autumn Statement 2013, £127.2m was taken up. In 2015-16 local authority borrowing headroom is set to be £3.4bn. (HL Deb 2 March 2017 c1037)

²⁰⁸ [HL Deb 2 March 2017 c992](#)

²⁰⁹ [HL Deb 2 March 2017 c995](#)

²¹⁰ [HL Deb 2 March 2017 c996](#)

²¹¹ [HL Deb 2 March 2017 c996](#)

²¹² [HL Deb 2 March 2017 c997](#)

²¹³ [HL Deb 2 March 2017 c1006](#)

However, he doubted that the positive features in the White Paper would be enough and highlighted five areas where “gaps still lie”, namely:

- The role of local authorities and the need for greater devolution.
- The need to do more to harness the power of housing associations.
- Allowing a more localist and flexible approach to building on the green belt.
- The need to address the concerns of private housebuilders on labour shortages and the future of Help to Buy, which has underpinned demand for new housing.
- Resolving issues raised by requiring authorities to sell higher-value properties to fund a voluntary Right to Buy for housing association tenants.²¹⁴

Public Accounts Committee – Housing: State of the Nation 2016-17

As part of its [Housing: State of the Nation inquiry](#), the Public Accounts Committee took [evidence](#) from Terrie Alafat, CEO of the Chartered Institute of Housing; Toby Lloyd, Head of Housing Development at Shelter; Peter Andrew, Deputy Chair of the Home Builders Federation; Lord Porter, Chair of the LGA; Melanie Dawes, CB, Permanent Secretary DCLG; Helen MacNamara, Director General Housing and Planning, DCLG; and Peter Schofield, Director General, Finance, DWP, on 22 February 2017.

Caroline Flint asked for views on “the best bits”, and what is missing from the Housing White Paper.²¹⁵ Terrie Alafat welcomed the shift from home ownership to a recognition that an all-tenure response from the sector is required. She said there was still a “big question about affordable housing” i.e. “what do we mean by building for those 20% to 25% of people who cannot afford the market or cannot afford home ownership.”²¹⁶ Lord Porter agreed with the need for a multi-tenure response and welcomed the recognition of how major infrastructure projects can unlock housing, in addition to welcoming more funding for major infrastructure. He identified a need for more focus on system-building to increase supply.²¹⁷ Toby Lloyd said he was encouraged by local authorities’ ability to set up development corporations but wants to see those corporations being able to capture the value created by local authority investment and the grant of planning permission “rather than happening to create an enormous windfall for a lucky landowner.”²¹⁸ Peter Andrews said the White Paper had moved the situation forward in terms of planning matters. He was pleased with

²¹⁴ [HL Deb 2 March 2017 c1006-8](#)

²¹⁵ [HC 958, 22 February 2017, Q19](#)

²¹⁶ Ibid.

²¹⁷ Ibid.

²¹⁸ [HC 958, 22 February 2017, Q21 & Q22](#)

measures to help small builders and with measures to improve transparency around, for example, five-year land supplies from the point of view of developers and local authorities. He wanted to see clarity over Help to Buy after 2021 and ring-fencing of the whole planning fee rather than the 20% increase in the fees.²¹⁹

Melanie Dawes, Permanent Secretary at DCLG, was questioned on when the gap between net additions to the stock and the demand for new housing, estimated to be 189,000 and 277,000 respectively, would be eliminated. She replied:

It will continue as it has done for decades. I agree, and that will show itself primarily in affordability and in some places in homelessness. I am simply being honest with you. For something on this scale and of this magnitude, we do not have some neat line that tells us when those paths will cross.²²⁰

The Chair of the Committee, Meg Hillier, expressed concern at the lack of a long-term plan for reducing the gap between housing supply and demand beyond 2020:

Even if the gap shrinks, it is still a gap—there will still be a problem of supply and therefore a problem of affordability and availability. You have a responsibility as permanent secretary at DCLG for the stewardship of the wider housing market, not just of where the taxpayers' money goes. It worries me that there isn't even a long-range plan. Even if it is a 20-year plan, that might not be ideal, but we recognise where you are starting from after various Governments' approaches.²²¹

The [Committee's Report](#) was published on 28 April 2017, the key conclusions and recommendations are summarised below:

- There is no clear plan to raise supply up to the levels needed to close the supply-gap. DCLG should publish a 'housing gap' figure (updated annually) showing the rate of net additional housebuilding and estimates of the rate needed to meet demand.²²²
- There is an overreliance on private sector delivery despite the market being 'broken'. DCLG should review international evidence and report to Parliament on lessons to be learned from the housing policy and institutional landscape of other countries with higher housebuilding rates than England with a focus on innovative methods. The Committee also requested that the Government write within six months "with estimates of how many homes councils will be able to build up to 2020 under current financing arrangements".²²³
- There is a lack of transparency over DCLG's overarching housing objectives and the progress of individual programmes in meeting those objectives. The Committee wanted to see an improvement in transparency and, in particular, the Single Departmental Plan to

²¹⁹ [HC 958, 22 February 2017, Q25](#)

²²⁰ [HC 958, 22 February 2017, Q132](#)

²²¹ [HC 958, 22 February 2017, Q134](#)

²²² [HC 958, Sixty-third Report of Session 2016-17](#), 28 April 2017, p5

²²³ *Ibid.*, p6

set out the cumulative total of net additions since the beginning of the 1 million homes ambition, showing how many homes need to be completed in future years” and, how individual programmes and spending are contributing to delivery of the 1 million homes.²²⁴

- The contribution of the £21 billion spent each year on Housing Benefit to the supply of new housing is not known. Spending on Housing Benefit represents around three-quarters of all Government spending on housing. The Committee wanted DWP to identify metrics to establish the full impact of Housing Benefit on the construction of new homes and examine the scope of this financing “to be used more innovatively to increase housing supply and home ownership”.²²⁵

Communities and Local Government Committee: Capacity in the homebuilding industry

The CLG Committee published the [report](#) of its inquiry on 29 April 2017. The Committee’s key conclusions and recommendations took account of the White Paper’s contents and are summarised below:

- A need for the Government to consider how it can influence the financial model of the sector and encourage developers to take a longer-term perspective. The Committee saw a role for increased public intervention in the land market to prioritise long-term community benefits over short-term commercial profits. This was identified as a possible area for a future inquiry.²²⁶
- Local authorities’ responsibility to hold developers to account in terms of build-out rates was welcomed, but the Committee emphasised the need for the Government to ensure that the data collected on the development pipeline are “more thorough and reliable”.²²⁷ The Committee identified a need to strike a balance between penalising slow build-out rates and encouraging development.²²⁸
- The Committee wanted to see local authorities making smaller sites available to assist SME builders and to aid diversification in the sector.²²⁹ The Committee recommended that the Government should consider helping smaller building companies to access credit at more favourable rates. The Home Building Fund was welcomed – the Committee identified a need to monitor its effectiveness and recommended that the German model of support for SMEs is investigated.²³⁰
- The Accelerated Construction Programme was welcomed with the proviso that progress should be closely monitored.²³¹

²²⁴ Ibid.

²²⁵ Ibid., p7

²²⁶ [HC 46, Tenth Report of session 2016-17](#), 29 April 2017, para 12

²²⁷ Ibid., para 17

²²⁸ Ibid., para 21

²²⁹ Ibid., para 35

²³⁰ Ibid., para 44

²³¹ Ibid., para 48

- The Committee recommended that HRA borrowing caps be raised/removed “where housing affordability is at its worst.”²³²
- Innovative approaches by local authorities were welcomed but the Committee identified a risk that best practice would not be shared, and that authority owned companies might struggle to access the necessary skills and expertise.²³³
- In regard to housing associations, the Committee called for certainty on rent setting post-2020 as a matter of urgency and by the Autumn Statement 2017 “at the very latest.”²³⁴
- The Committee noted that planning authorities will not be required to use the new standardised methodology for assessing housing need and called for authorities to be incentivised to use it.²³⁵
- The Committee expressed concern over the lack of control planning authorities have over homes created using permitted development rights and called for this to be considered as part of the Government’s response to the Community Infrastructure Levy Review.²³⁶
- The Committee identified a gap in the White Paper in regard to disputes between developers and planning authorities over the financial viability of sites. The Committee recommended that developer assumptions and assessments of viability be shared with authorities “to ensure that the provision of infrastructure, affordable housing and build density is not compromised.”²³⁷ The Committee saw scope for investigating the feasibility of a standard methodology for assessing viability.²³⁸
- The Committee wanted to see a clear demonstration of how increased planning fees are accelerating housing development.²³⁹ Members also wanted local authorities to show commitment to the planning function by incentivising staff development and training.²⁴⁰
- The Committee recommended that guidance be published setting clear guidelines on “when and how it may be appropriate for a local authority to review its green belt boundary in order to deliver new homes to meet local need.”²⁴¹
- The Committee wanted to see public land released in areas where it is most needed “without delay.” Members saw potential for the HCA to become more involved in the acquisition of surplus land and, where appropriate, directly commissioning development.²⁴²

²³² Ibid., para 55

²³³ Ibid., para 58

²³⁴ Ibid., para 64

²³⁵ Ibid., para 75

²³⁶ Ibid., para 86

²³⁷ Ibid., para 91

²³⁸ Ibid., para 93

²³⁹ Ibid., para 97

²⁴⁰ Ibid., para 101

²⁴¹ Ibid., para 105

²⁴² Ibid., para 110

- On Modern Methods of Construction (MMC), the Committee recommended a more active role for Government to “improve the wider sustainability of the MMC supply chain and to encourage the market to grow.”²⁴³ To support access to finance for MMC the Committee recommended a “single quality assurance mark sponsored by Government” to promote confidence amongst lenders, consumers and builders.²⁴⁴
- The Committee wanted to see monitoring of the Government’s review of the Construction Industry Training Board and some practical measures “within a year to encourage new entrants into the industry and to retain those already working.”²⁴⁵
- The Committee called on the Government to take account of the importance of EU labour to the construction industry in setting priorities for the Brexit negotiations.²⁴⁶

Summary of a selection of responses

Royal Town Planning Institute (RTPI)

The RTPI supports many of the measures in the White Paper aimed at addressing planning issues, particularly the increase in fees, although the RTPI thinks that a 20% increase may not go far enough to address “years of underinvestment.” There is regret that the White Paper does not tackle the question of capturing increases in land value:

It makes no mention of a mechanism to capture rising private land values to better benefit communities – the single most useful instrument to channel more value generated by development towards public benefit investments such as social housing and good infrastructure, without incurring more public debt.²⁴⁷

National Housing Federation (NHF)

The NHF welcomed the Government’s recognition of the broken housing market and the decades of under-supply. The NHF briefing on the White Paper states:

While few of the policy interventions could be called ground breaking, together they represent a positive step in the right direction and go some way to delivering a comprehensive and strategic framework to fix the housing crisis.²⁴⁸

There are some aspects of the White Paper that the NHF has concerns about, such as the inclusion of affordable private rented housing in the NPPF’s definition of affordable housing. The NHF would also have liked to have seen a “more radical” approach to the green belt.²⁴⁹

Savills

Savills [Policy Response: Housing White Paper](#) describes the Paper’s greatest strength as “its multi-pronged coherent approach.” There is some concern that the additional tasks for local authorities in relation to

²⁴³ Ibid., para 115

²⁴⁴ Ibid., para 119

²⁴⁵ Ibid., para 132

²⁴⁶ Ibid., para 134

²⁴⁷ [Housing White Paper – RTPI Response](#), 7 February 2017

²⁴⁸ [NHF Briefing on the Housing White Paper](#), 15 February 2017

²⁴⁹ Ibid.

plan-making and development control could lead to delays. Savills makes the point that the success of the proposals set out in the White Paper “will rest upon whether the targets truly reflect real need. England needs around 300,000 new homes a year and housing needs assessments must add up to that number.”²⁵⁰

Chartered Institute of Housing (CIH)

Head of Policy, Melanie Rees said that the CIH would continue to argue the case for the development of more housing at social rents. She welcomed the “watering down” of the Starter Home proposals and the fact that “Older people’s housing is on the agenda.”²⁵¹

House Builders’ Federation (HBF)

The HBF welcomed the White Paper’s recognition of the role that private sector builders will play in delivering new homes. There is support for the drive to ensure all local authorities have a plan in place on the basis that “Having a plan in place provides certainty for all parties and allows coordinated and structured development to take place.”²⁵² The HBF said it was keen to work with the Government to speed up build-out rates but sounded a note of caution:

However, any sensible measure should not have an adverse impact on builders. Having spent considerable time, resource and money progressing sites through the planning system, once builders have an ‘implementable’ permission (one that allows them to start work) overwhelmingly they are doing so.²⁵³

Campaign to Protect Rural England (CPRE)

The CPRE gave the White Paper a “broad welcome” and went on:

The White Paper promises a further consultation on how local authorities should calculate housing need. For those concerned about our countryside, the outcome of this consultation is the acid test. Until local authorities are able to set realistic and deliverable housing targets, with an emphasis on meeting genuine need rather than aspirational demand, the countryside and Green Belt will continue to be threatened by poor quality and speculative development.²⁵⁴

Town and Country Planning Association (TCPA)

The TCPA’s [response](#) welcomed the Paper’s “more pragmatic and measured approach to housing tenure” and recognition of the need to better resource the planning system. The TCPA particularly supports the commitment to legislate to update the New Towns Act which they think “offers real hope for a rapid step-change in housing delivery”.²⁵⁵ However, some areas where, in the TCPA’s view, the measures are “focused on the wrong problem or will have little impact on increasing housing delivery” are identified:

²⁵⁰ Savills, [Policy Response: Housing White Paper](#), 2017

²⁵¹ CIH, [Four steps to housing heaven?](#) 9 February 2017

²⁵² HBF, [White paper reflects key role private house builders have in addressing ‘broken housing market’](#), 7 February 2017

²⁵³ Ibid.

²⁵⁴ CPRE, [Housing White Paper: CPRE reaction](#), 7 February 2017

²⁵⁵ TCPA, [Briefing on the Housing White Paper](#), March 2017

- The introduction of complex testing of local authorities on their delivery of new homes fails to recognise that delivery is largely the hands of the volume housebuilders. The powers offered to local authorities to solve this problem are unlikely to be effective.
- Local authorities have always had the power to compulsorily purchase land, but making more and better use of this power would require a transformation in local government skills and funding.
- The application of 'Right to Buy' rules to new local authority housing companies may act as a disincentive for investment in the delivery of new affordable homes.²⁵⁶

The TCPA has also questioned the White Paper's "silence" on the viability test "despite the growing evidence of the impact of the viability test on reducing public policy outcomes."²⁵⁷

Local Government Association (LGA)

The LGA said the White Paper contained some "encouraging signs that the government is listening to councils on how to boost housing supply and increase affordability" but called for more powers and funding for local authorities:

Local government believes even more needs to be done to rapidly build more genuinely affordable homes to help families struggling to meet housing costs, provide homes to rent, reduce homelessness and tackle the housing waiting lists many councils have.

For this to happen, councils desperately need the powers and access to funding to resume their historic role as a major builder of affordable homes. This means being able to borrow to invest in housing and to keep 100 per cent of the receipts from properties sold through Right to Buy to replace homes and reinvest in building more of the genuine affordable homes our communities desperately need.²⁵⁸

London School of Economics (LSE)

The LSE London research group, together with academics and researchers from elsewhere, published a response to the White Paper on 2 May 2017: [LSE London's response to the Fixing our broken housing market consultation](#). Overall, the response describes the White Paper as a "disappointment." The group had been hoping for more significant structural changes to generate housing growth and measures to make the planning system "simpler to operate and outcomes more predictable." The response states that the White Paper's proposals "do not make up an agenda to fix the 'broken' housing supply system" – in the group's opinion there is little on how to improve the existing housing market as the focus is on new supply. Other gaps are identified as the private rented sector (aside from build to rent), tackling homelessness, and affordable housing. The following areas which the

²⁵⁶ Ibid.

²⁵⁷ Ibid.

²⁵⁸ LGA, [Councils respond to Housing White Paper](#), February 2017

group refers to as “some of the essential preconditions for change” are also identified as “not addressed” or moved to further consultation:

- improving the estimation of objectively assessed need (or, better, demand)
- clarifying and simplifying CIL and S106 – which is fundamental to generating a more certain and transparent system
- setting out how viability should be assessed – which depends on the answers on CIL/S106
- better integrating permitted development into the system
- ensuring an adequate supply of land²⁵⁹

Efforts to improve access to data were welcomed.

²⁵⁹ [LSE London’s response to the Fixing our broken housing market consultation](#), 2 May 2017

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