



BRIEFING PAPER

Number 07671, 19 January 2017

Tackling the under-supply of housing in England

By Wendy Wilson
Cassie Barton
Louise Smith

Contents:

1. How much new housing does England need?
2. Trends in UK housing supply
3. Increasing supply in England: barriers and solutions



Contents

Summary	3
1. How much new housing does England need?	6
1.1 Defining housing need	6
1.2 Estimating housing need	7
Projections for the number of households in England	7
Other estimates of need	7
2. Trends in UK housing supply	9
2.1 Growth in housing supply	9
2.2 Expenditure on housing	10
2.3 Components of new housing supply	13
2.4 Trends in house building	15
Housing starts and completions	15
House building by type of developer	15
Profile of new builds in England	19
2.5 Trends in the tenure of housing stock	20
National tenure trends	20
Regional tenure trends	20
Why has the social rented stock declined in England?	22
3. Increasing supply in England: barriers and solutions	24
3.1 The local authority and housing association contribution	25
3.2 Land supply	32
Release of public sector land	34
Direct commissioning	35
New Towns and Garden Cities	36
3.3 Funding infrastructure	37
3.4 The planning system	38
Planning conditions	39
Section 106 agreements and the Community Infrastructure Levy	40
Resourcing authorities' planning capacity	41
Delivering a variety of sites for development	42
The duty to cooperate and housing market areas	42
Incentives to develop	43
Better use of green belt land	45
3.5 Support for SME developers	48
3.6 The construction industry	50
Labour market and skills	50
Innovation in construction	51
The Farmer Review's recommendations 2016	52

Cassie Barton	Sections 1 and 2
Wendy Wilson	Section 3
Louise Smith	Section 3.4

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 Government has a stated aim of delivering 1 million new homes in England over the course of the Parliament which translates into 200,000 additional homes per year. Critics have said that the figure does 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 to build 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 Government has taken action to stimulate housing supply through a variety of schemes. These schemes are referred to in the Government's response to [Building More Homes](#) which acknowledges 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." The Autumn Statement 2016 also announced that a Housing White paper would be published 'shortly' which would set out "a comprehensive package of reform to increase housing supply and halt the decline in housing affordability."

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 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 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.

4 Tackling the under-supply of housing in England

- 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.”

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

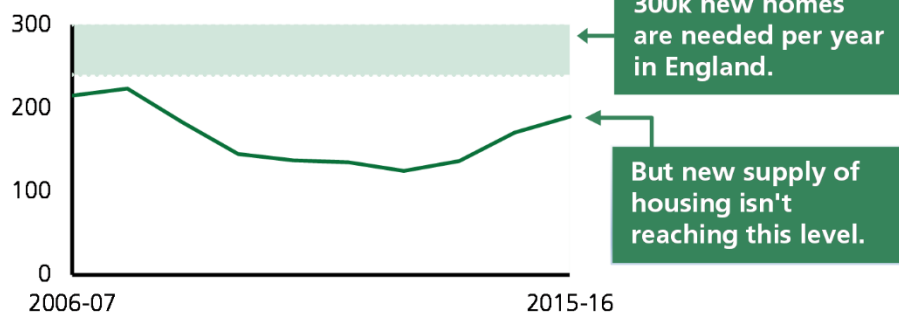
Statistics in this briefing paper

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.

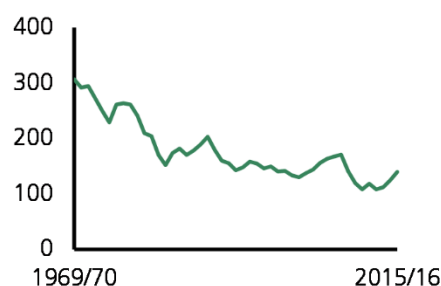
Tables summarising the data used in this briefing paper can be downloaded from the landing page.

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

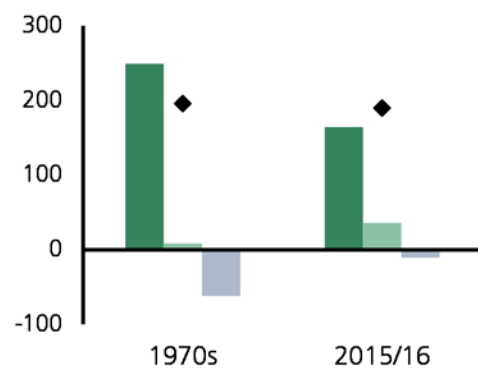
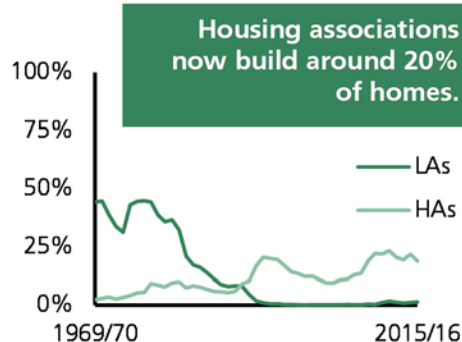
In charts: Housing supply in England¹



House building has declined since the 1970s.



The % of homes built by local authorities has fallen.



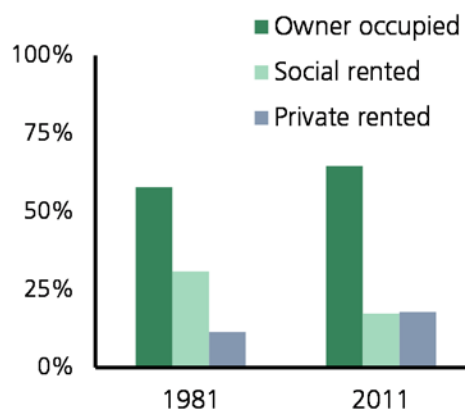
New supply in 2015-16 was close to the yearly average in the 1970s.

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

■ New building ■ Other gains ■ Losses ◆ Net change

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

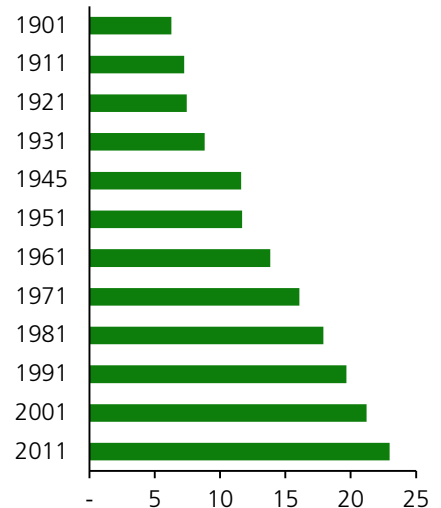
2.1 Growth in housing supply

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%).

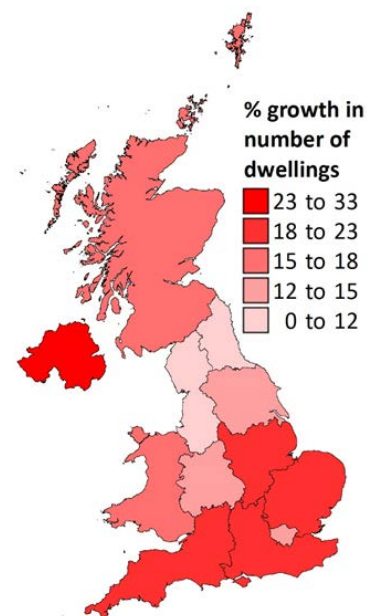
Total dwelling stock (millions), England 1901-2011



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).

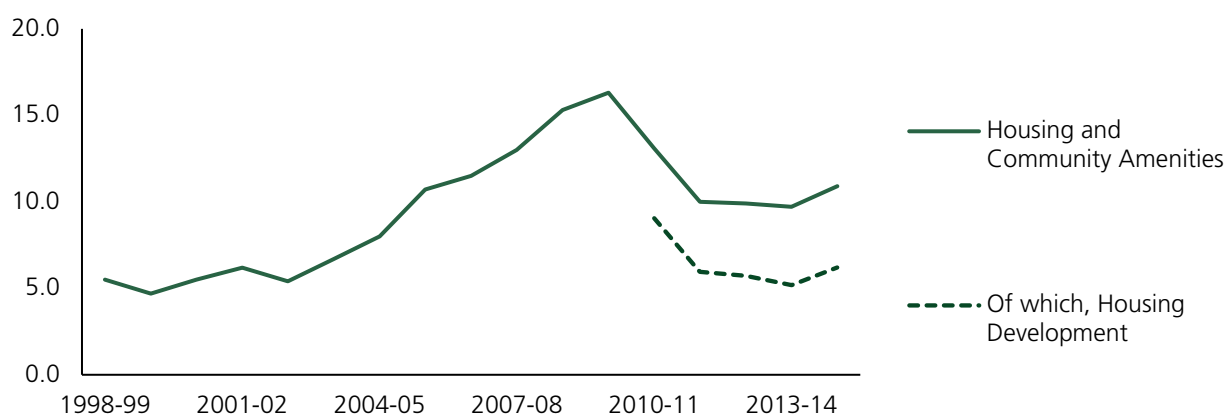
PESA records spending by the UK government on 'housing and community amenities' – a category that includes spending on items such as water supply, street lighting and planning. However, the bulk of spending in this category is on 'housing development', including building, improvements, land acquisition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

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

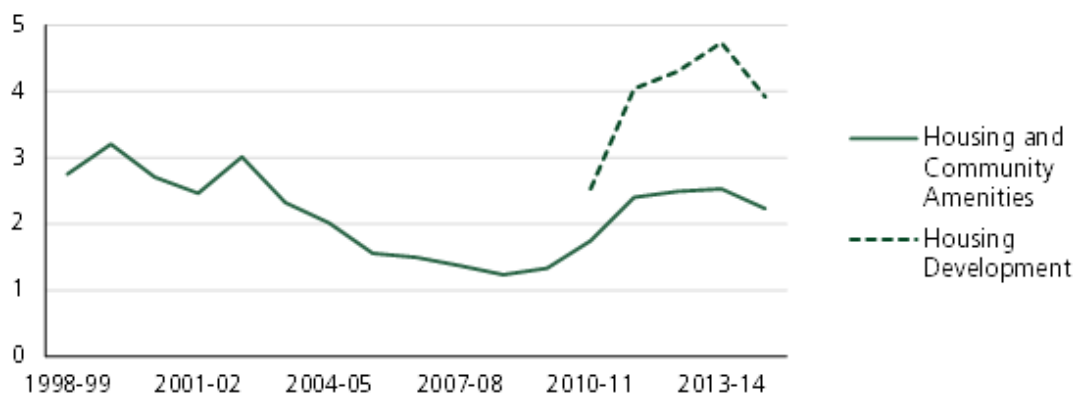
¹⁷ Shelter, 2014, [Bricks or Benefits?](#), p.9

12 Tackling the under-supply of housing in England

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.

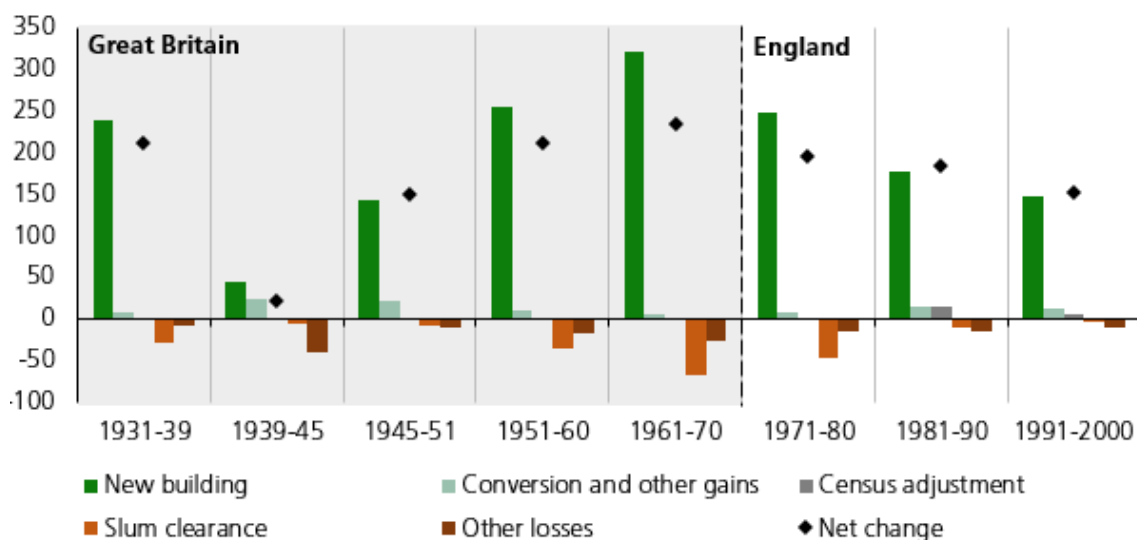
DCLG say that their net housing supply series is 'more comprehensive but less timely' than their main house building series. House building figures recorded as part of the net housing supply series are more accurate, but those published in the broader house building series cover a longer time-span, provide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

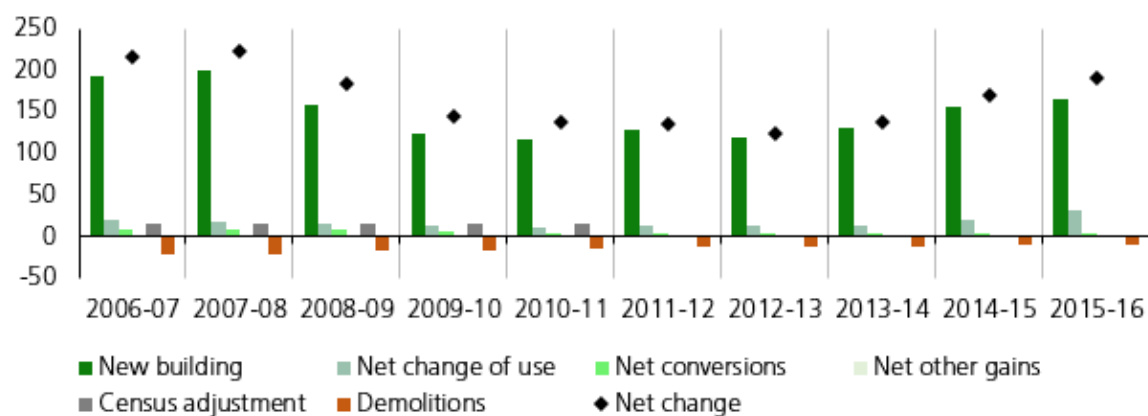
Components of change in housing supply, GB and England, 1931-2000²⁰

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.

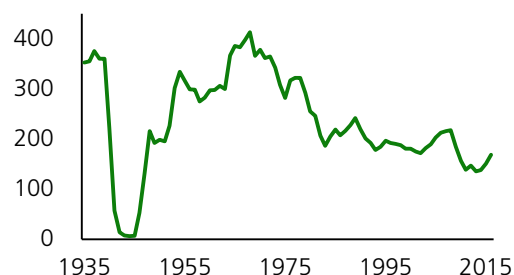
The second chart shows the difference between the number of dwellings started in each year since 1970 and the number of dwellings completed. Trends in dwelling starts tend to be starker: the speed of completions is limited by a range of factors, whereas starts are more directly impacted by planning and 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.

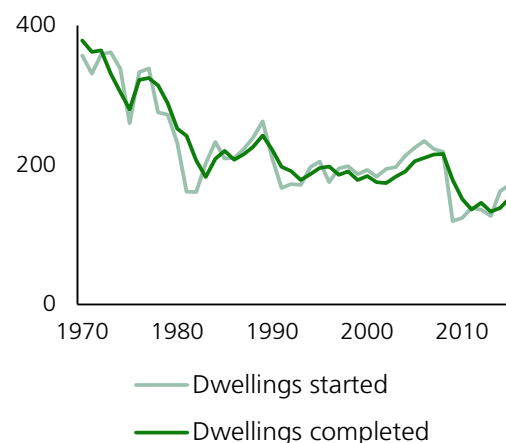
The type of developer building a property doesn't always correspond to the property's final use. For example, homes built by private enterprise may end up being let in the social rented sector.

Housebuilding, UK 1935-2016



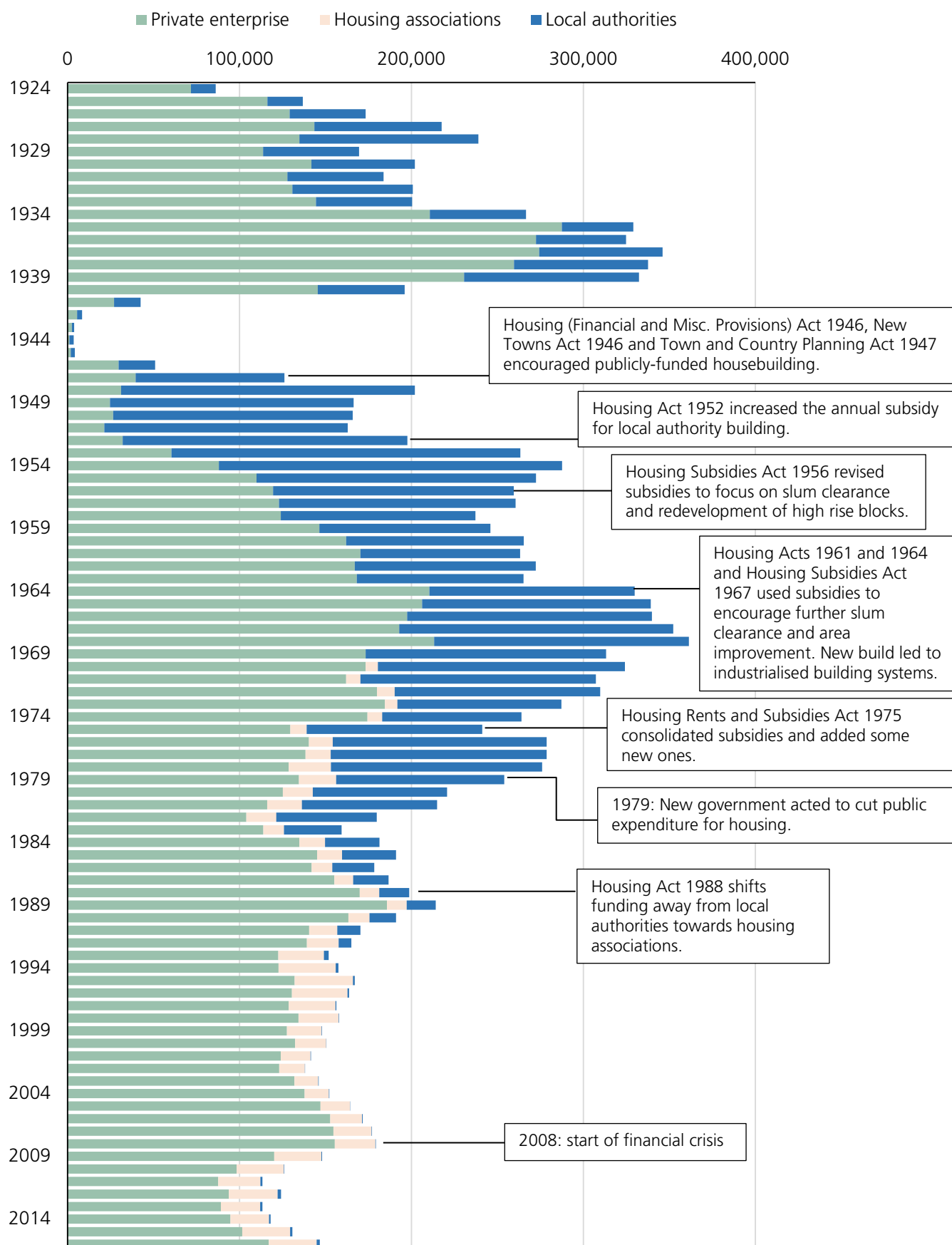
Source: B.R. Mitchell, *British Historical Statistics* (1935 to 1969, financial/calendar years); DCLG, Live Table 209 (1970 to 2016, financial years)

Dwellings started and completed, UK 1970-2015



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

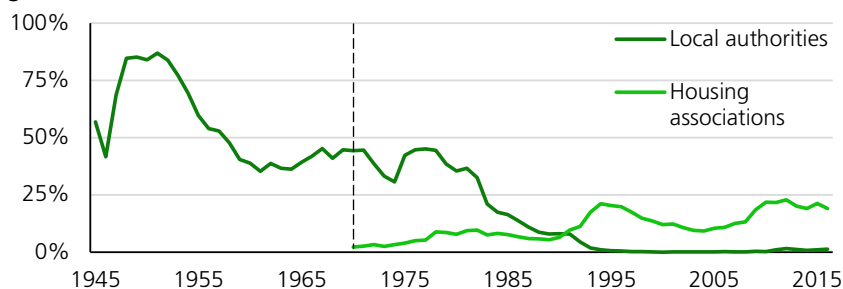
Housing completions by type of developer England and Wales, 1924 to 2016



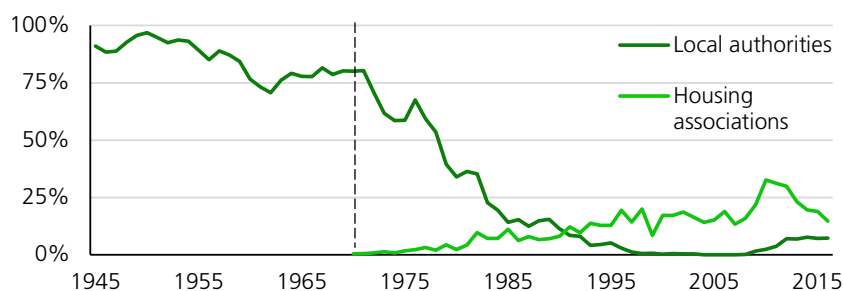
The proportion of homes built by the social housing sector has changed considerably since 1945. The charts below show trends in the proportion of dwellings built by local authorities and housing associations in this period.

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

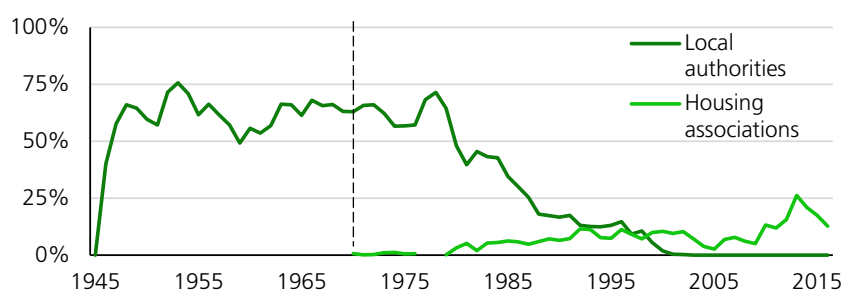
England and Wales



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.

18 Tackling the under-supply of housing in England

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
Number of bedrooms					Owner occupied	107
1	14%		10%		Private rented	77
2	40%		27%		Social rented	67
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

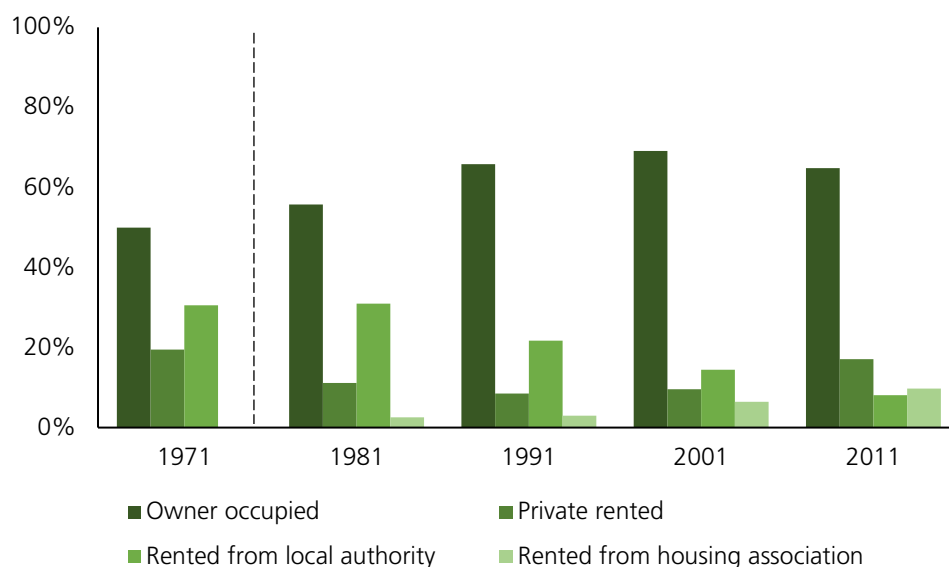
The proportion of dwelling stock in each tenure group has changed over the last 45 years – the chart below shows proportions at census years since 1971.

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.

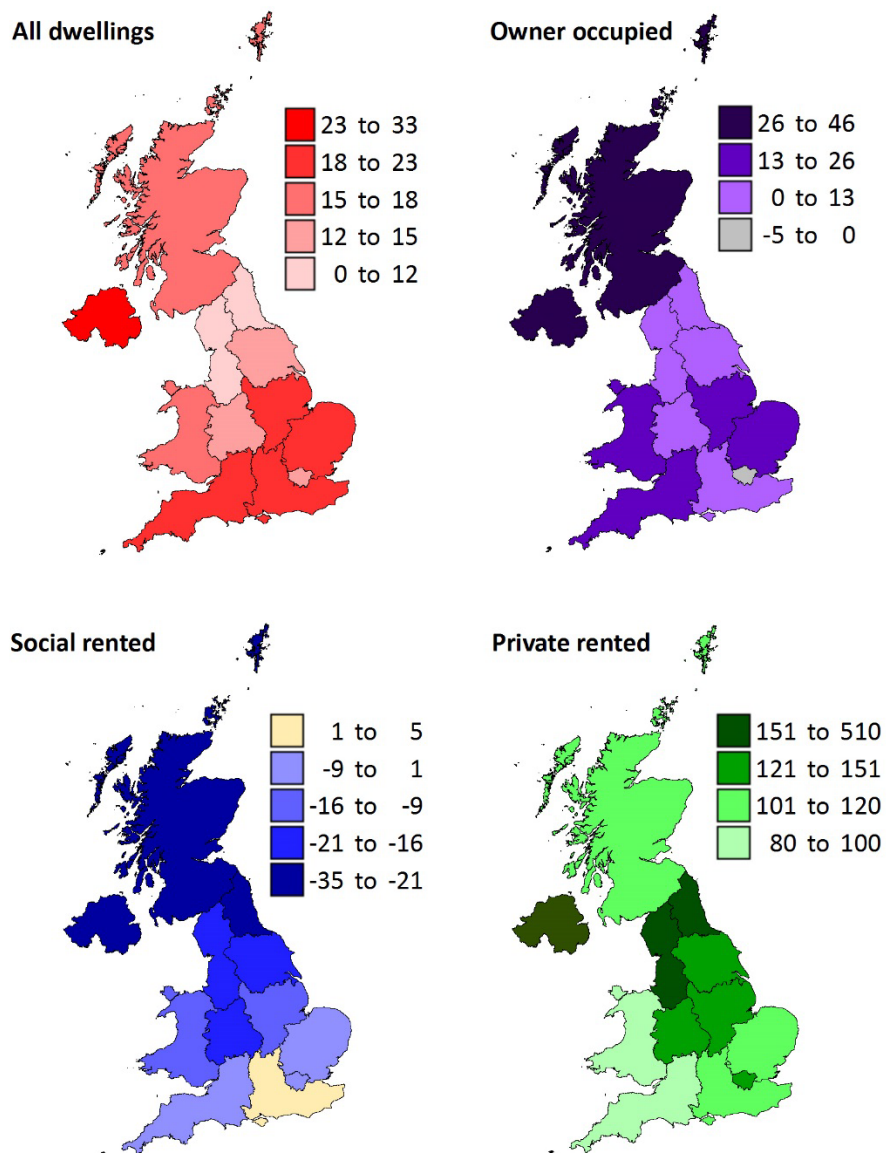
All figures are from the census for each year (i.e. for April), with the exception of 1991 (which uses December 1990 data for Scotland and Northern Ireland) and 2001 (which uses December 2000 data for Northern Ireland).

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

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%

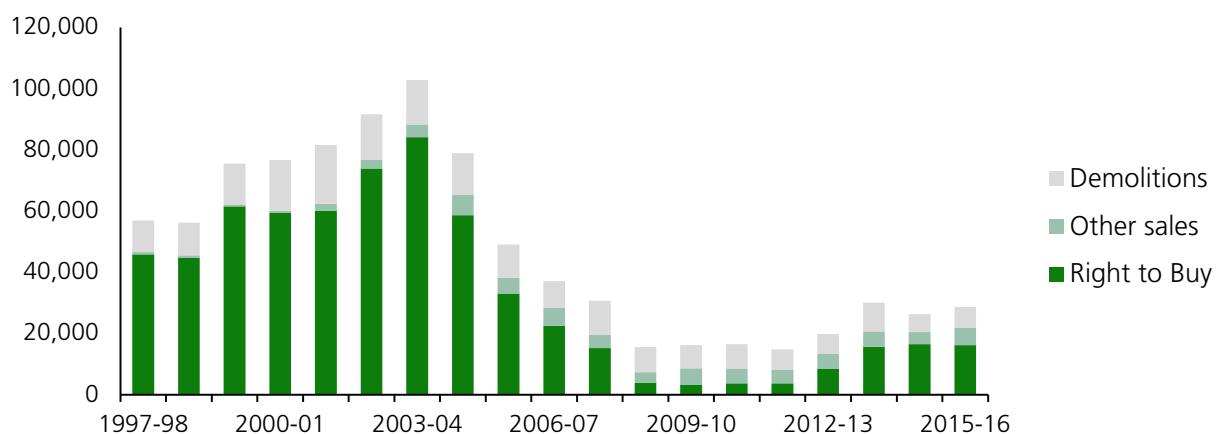
Why has the social rented stock declined in England?

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

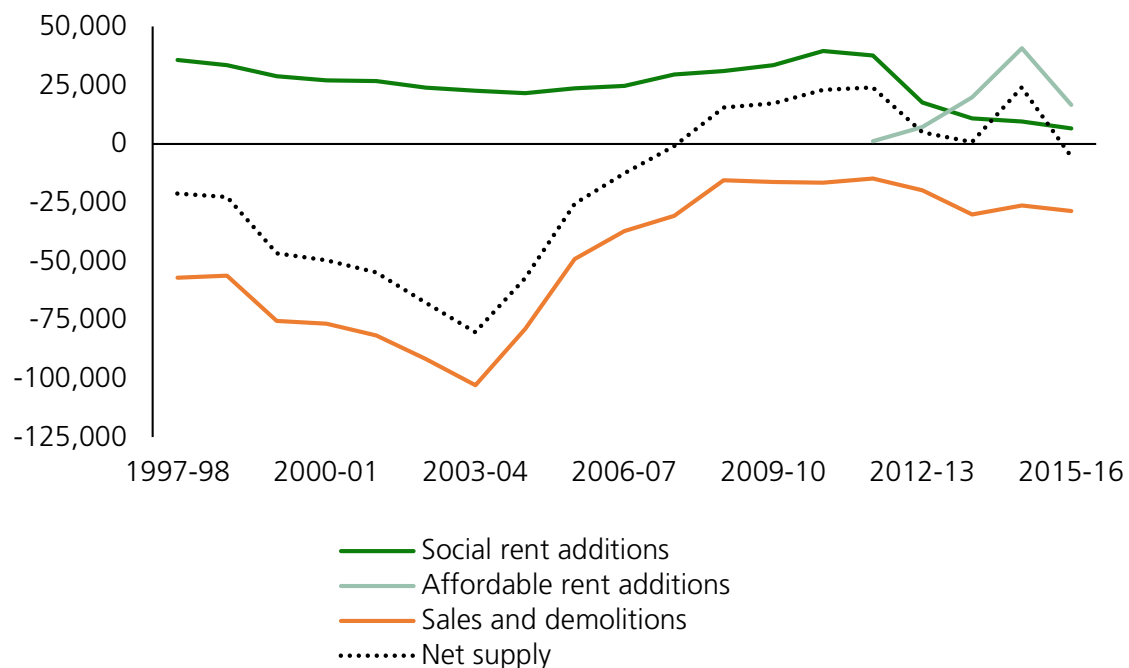
The new supply of social housing has not kept pace with growth in other sectors; in the long term, it has generally been lower than the amount lost through sales and demolitions (see chart below).

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

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 Government has a stated aim of delivering 1 million new homes in England over the course of the Parliament which translates into 200,000 additional homes per year.³² This ‘target’ was arrived at after consideration of the household formation statistics.³³ Critics have said that the figure does 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 literature review identified a need to develop 250,000 new homes annually.³⁴

In addition to questioning whether a target to build 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

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

There is some doubt that the Government’s ambition of building 1 million homes by 2020 is achievable.

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 DCLG, [Single Departmental Plan](#), section 1.1

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

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

The Government has taken action to stimulate housing supply through a variety of schemes.³⁷ In its response to [Building More Homes](#), the Government refers to these schemes and also to additional funding and measures announced during the [Autumn Statement 2016](#).³⁸ The response acknowledges 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 The Autumn Statement also announced that a Housing White paper would be published ‘shortly’ which would set out “a comprehensive package of reform to increase housing supply and halt the decline in housing affordability.”⁴⁰

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.

A request made by the economist, Dame Kate Barker, when giving evidence to both the House of Lords Economic Affairs Committee⁴¹ and the Treasury Committee, during its inquiry into housing policy following the Autumn Statement 2016,⁴² 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 16 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.⁴³

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

In this context, the contribution of the local authority and housing association sectors could be significant in achieving the necessary step-

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

⁴¹ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 59

⁴² [HC 861](#), 7 December 2016, Q50

⁴³ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p20

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.⁴⁴

Local authorities and housing associations need to make a much bigger contribution to housebuilding if it is to reach required levels.⁴⁵ 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.⁴⁶

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)⁴⁷ submission on the 2016 Autumn Statement expressed a desire in the housing association sector to work with the 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."⁴⁸ The NHF set out five Government measures that would assist associations in achieving this level of new supply, these 'asks' are explained below.⁴⁹

The NHF says that with Government help, housing associations could deliver 335,000 homes over the lifetime of this Parliament.

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."⁵⁰ 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

⁴⁴ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 85

⁴⁵ Ibid., para 56

⁴⁶ Ibid., para 201

⁴⁷ The representative body of housing associations.

⁴⁸ NHF, [An offer for everyone](#), October 2016

⁴⁹ Ibid.

⁵⁰ [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) CM 9384, December 2016

that providers have the resources to meet the housing needs of people at different stages in their lives.⁵¹

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.⁵²

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](#).⁵³

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 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."⁵⁴ 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."⁵⁵

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 associations 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

⁵¹ Ibid.

⁵² Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p10

⁵³ Shelter, [Bricks or benefits? Rebalancing housing investment](#), 2012, pp19-20

⁵⁴ NHF, [An offer for everyone](#), October 2016

⁵⁵ Ibid.

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.⁵⁶

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 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).⁵⁷

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.⁵⁸

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

⁵⁶ Ibid.

⁵⁷ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p75

⁵⁸ [Summer Budget 2015 Briefing](#), National Housing Federation (NHF), 10 July 2015

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.⁵⁹

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.⁶⁰ 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.⁶¹ 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**.⁶² 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.⁶³

The Local Government Association (LGA) and CIH favour a move to **calculating public debt using international rules which exclude council-owned housing**.⁶⁴ In [Building More Homes](#), the House of Lords Economic Affairs Select Committee described restrictions on

⁵⁹ [A Plan For Homes](#), NHF, 13 July 2015

⁶⁰ See Library briefing paper 06776, [Local housing authorities - the self-financing regime: progress and issues](#)

⁶¹ CIH and CIPFA, [Investing in Council Housing](#), July 2016

⁶² See Library briefing paper 06776, [Local housing authorities - the self-financing regime: progress and issues](#)

⁶³ [HL3457 – Written Question - 7 December 2016](#)

⁶⁴ See for example section 4 of Library briefing paper 06776, [Local housing authorities - the self-financing regime: progress and issues](#)

authorities' ability to borrow to build housing as "arbitrary and anomalous" and recommended "that the Government allows local authorities to borrow under the prudential regime to build all types of housing."⁶⁵

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.⁶⁶ 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. 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.⁶⁷

This approach, which the Committee recommended, was also supported by Labour Party-commissioned [Lyons housing review](#) (2014).⁶⁸ The Coalition Government rejected the proposition.⁶⁹

A further issue highlighted by CIPFA and the CIH's work is **how stock holding authorities might be compensated for selling higher-value properties**.⁷⁰ The suggested approach is to:

- allow them to reinvest the receipt to generate a replacement income stream, or

⁶⁵ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 220

⁶⁶ [CIH submission to the Autumn Statement 2016](#), October 2016

⁶⁷ HC 1652, Eleventh Report of 2010-12 Volume I, [Financing New Housing Supply](#), May 2012, Ev 134-5

⁶⁸ [The Lyons housing review](#), 2014 p145

⁶⁹ [Cm 8401](#), July 2012, para 17

⁷⁰ It is expected that proceeds from these sales will be used to finance the extension of the Right to Buy to housing association tenants.

- 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.⁷¹

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.⁷²

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.⁷³ 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.⁷⁴

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.⁷⁵

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.”⁷⁶ On 9 December *Inside*

⁷¹ CIH and CIPFA, [Investing in Council Housing](#), July 2016

⁷² [CIH submission to the Autumn Statement 2016](#), October 2016

⁷³ Cm 8747, [2013 Autumn Statement](#), December 2013, para 1.229

⁷⁴ [The Elphicke-House report](#), January 2015, para 4.27

⁷⁵ [The Elphicke-House report, From statutory provider to housing-delivery enabler](#), January 2015, para 4.24

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

Housing reported that over a third of authorities in England have, or are considering setting up a housing company.⁷⁷

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.⁷⁸

3.2 Land supply

Around 10% of land in England is classed as 'urban' and 1% has domestic buildings on it.⁷⁹ 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."⁸⁰ 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."⁸¹ 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.⁸²

⁷⁷ *Inside Housing*, "More than a third of councils set up housing companies", 9 December 2016

⁷⁸ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 61

⁷⁹ [UK National Ecosystem Assessment](#), 2011, p 23

⁸⁰ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p8

⁸¹ *Ibid.*

⁸² *Ibid.*, p39

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.⁸³

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.⁸⁴

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 small builders to find sites more easily.⁸⁵ 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.⁸⁶

⁸³ [Land Value Taxation Campaign](#) [accessed on 4 January 2017]

⁸⁴ Institute for Economic Affairs, [The case for a Land Value Tax](#), 15 February 2016

⁸⁵ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p13

⁸⁶ [The Lyons Housing Review](#), 2014, p63

Box 1: 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.⁸⁷

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 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.⁸⁸ 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 2015.⁸⁹ The Autumn Statement 2015 saw a commitment to sell land for more than 160,000 new homes up to 2020, while the Housing Minister told the Economic Affairs Committee that the Government is aiming for 320,000 homes on public land in this Parliament.⁹⁰

The Government's land release programme has attracted criticism from both the National Audit Office and the Public Accounts Committee (PAC).⁹¹ Progress in disposing of sites has been described as 'slow' and many of the potential sites are considered to be at 'high risk' of falling out of the programme. The PAC concluded that the disposals programme up to 2015 "could not demonstrate the success of the

⁸⁷ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p37

⁸⁸ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 154

⁸⁹ [DCLG Press Release](#), 8 June 2011

⁹⁰ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 162

⁹¹ [HC 634](#), Twenty-second report of 2016-17, 2 November 2016

programme in addressing the housing shortage or achieving value for money.”⁹²

Progress in delivering the 2015-2020 disposals programme has 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.⁹³

In [Building the homes we need: a programme for the 2015 government](#) Shelter and KPMG suggest 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).⁹⁴

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.⁹⁵

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.”⁹⁶

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

⁹² Ibid., para 8

⁹³ Ibid., p3

⁹⁴ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p76

⁹⁵ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 176

⁹⁶ Ibid., para 177

commissioning was announced on 4 January 2016.⁹⁷ This approach was also aimed at supporting smaller companies and new entrants to the housebuilding market.

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.⁹⁸

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 [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.”⁹⁹

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 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.¹⁰⁰

⁹⁷ [PM: The Government will directly build affordable homes](#), 4 January 2016

⁹⁸ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 172

⁹⁹ [The Lyons Housing Review](#), 2014, p90

¹⁰⁰ [HC 861](#), 7 December 2016, Q5

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.¹⁰¹

[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.”¹⁰² The previous Mayor of London, Boris Johnson, announced the use of [Housing Zones](#) in London in March 2016.

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.”¹⁰³ 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 to ensure that other government transport funding better supports housing growth.¹⁰⁴

[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.¹⁰⁵ 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.¹⁰⁶

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

¹⁰¹ Ibid., Q8

¹⁰² Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p52

¹⁰³ Ibid., p46

¹⁰⁴ [Autumn Statement 2016](#), para 3.11

¹⁰⁵ [The Lyons Housing Review](#), 2014, p92

¹⁰⁶ Ibid., p93

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 2017.¹⁰⁷

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 under the *Localism Act 2011*. National planning policy is now set out in the Government's National Planning Policy 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 have been a number of planning related consultations and announcements. Changes to the planning system by this Government have already been made through the *Housing and Planning Act 2016*¹⁰⁸ and *Energy Act 2016*. Additional reforms to the planning system are contained in the *Neighbourhood Planning Bill 2016-17* which is progressing through Parliament. Additional information can be found in the following Library Briefing Papers:

- [Planning for Housing](#) (May 2016)
- [Commons Library analysis of the Neighbourhood Planning Bill](#) (September 2016)
- [Neighbourhood Planning Bill: Report on Committee Stage](#) (November 2016)
- [Planning Reform Proposals](#) (December 2016)

The Government's response to the Lords Economic Affairs Committee's report [Building More Homes](#) (2016), sets out how the reforms made to date have 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

¹⁰⁷ *Inside Housing*, "Government-backed pilot on infrastructure delays launched", 4 January 2017

¹⁰⁸ Not all of these changes have been implemented at this point.

contribution to housing supply from conversions and changes of use in addition to new house building.¹⁰⁹

The response goes on to state that the forthcoming Housing White Paper “will set out a further package of reforms to ensure that our planning system better supports housing delivery.”¹¹⁰

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:

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.¹¹¹

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’.¹¹²

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.¹¹³

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

The HBF has welcomed Government measures in the Neighbourhood Planning Bill 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**

¹⁰⁹ [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) CM 9384, December 2016

¹¹⁰ Ibid.

¹¹¹ [Lyons housing review](#), 2014 p43

¹¹² Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 148

¹¹³ HBF, [New home planning 'permissions' up – but system remains a constraint](#), 3 January 2017

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.¹¹⁴

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 106¹¹⁵ and Community Infrastructure Levy (CIL)¹¹⁶ 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 2014/15.¹¹⁷ 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.¹¹⁸ 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.¹¹⁹

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

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.¹²⁰

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

¹¹⁴ Ibid.

¹¹⁵ 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.

¹¹⁶ A local authority may set a levy on all new building in their area. The money raised is used to fund general infrastructure.

¹¹⁷ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 141

¹¹⁸ Ibid., para 115

¹¹⁹ Ibid., para 116

¹²⁰ Ibid., paras 140-46

but, the CIH argues, the provision of social or affordable rent properties can help to underpin building projects.¹²¹

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.¹²²

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.¹²³ 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 has been submitted to Government but has not yet been published. The Government's response is expected to be part of the White Paper.¹²⁴

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."¹²⁵ 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.**¹²⁶

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

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

¹²¹ [CIH submission to the Autumn Statement 2016](#), October 2016

¹²² Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 147

¹²³ HM Government, [Review of the Community Infrastructure Levy: Terms of Reference](#), November 2015

¹²⁴ Neighbourhood Planning Bill, Public Bill Committee seventh sitting 27 October 2016 [c243](#)

¹²⁵ *Ibid.*, para 119

¹²⁶ *Ibid.*, para 120

- b) provides that the money raised from these fees is ring-fenced for expenditure on planning and development.

It is expected that the forthcoming Housing White Paper will contain measures on planning fees following proposals from Government in its February 2016 [Implementation of planning changes: technical consultation](#). The consultation proposes a system whereby planning fees could be increased for Local Planning authorities which are “performing well

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.¹²⁷ 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.¹²⁸

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.”¹²⁹

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

¹²⁷ HBF, [New home planning ‘permissions’ up – but system remains a constraint](#), 3 January 2017

¹²⁸ NLP, [Start to Finish – How quickly do large-scale housing sites deliver?](#), November 2016 p1

¹²⁹ Ibid.

the weaknesses in the current Duty to Cooperate and ensure that places that need it can exercise a “Right to Grow”.¹³⁰

The duty to cooperate has been criticised for not being a duty of any substance.¹³¹ 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”.¹³²

In its final report to Government, the [Local Plans Expert Review Group](#) (LPEG)¹³³ 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.”¹³⁴ 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.¹³⁵

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.¹³⁶

Incentives to develop

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 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**

The system does not incentivise the key players to approve housing development.

¹³⁰ [The Lyons Housing Review](#), 2014, p8

¹³¹ “The duty to cooperate: What next?” [The Planner](#) 14 March 2016

¹³² “The duty to cooperate: What next?” [The Planner](#) 14 March 2016

¹³³ 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

¹³⁴ Local Plans Expert Review Group, [Local Plans Report to Government](#), March 2016, p3

¹³⁵ Ibid

¹³⁶ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p48

reward developing authorities with the retention of business rates.

- A lack of incentives for builders to develop permissioned land.¹³⁷

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.¹³⁸

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.¹³⁹

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.¹⁴⁰ **The Committee supported giving local authorities the power to levy Council Tax on developments that remain incomplete within a given time period.**¹⁴¹ The

Government's response did not address this specific recommendation 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".¹⁴² 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."¹⁴³

¹³⁷ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, paras 110-14

¹³⁸ [Labour Party Manifesto 2015](#), p46

¹³⁹ [The Lyons Housing Review](#), 2014, p67

¹⁴⁰ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, paras 131-33

¹⁴¹ *Ibid.*, para 139

¹⁴² [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) CM 9384, December 2016

¹⁴³ *Ibid.*

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.¹⁴⁴

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.¹⁴⁵

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.

Government 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 the construction of new buildings should be regarded as “inappropriate” for the green belt, although there are some exceptions, which are listed.¹⁴⁶

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.¹⁴⁷

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 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

¹⁴⁴ [The Lyons Housing Review](#), 2014, p8

¹⁴⁵ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p48

¹⁴⁶ Background information on green belt policy can be found in Library Briefing Paper 0934: [Green Belt](#)

¹⁴⁷ Natural England and CPRE, [Green Belts: A greener future](#), 2010,p90

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.¹⁴⁸

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.¹⁴⁹ 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.”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.¹⁵¹

¹⁴⁸ [HC 861](#), 7 December 2016, Q7

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

¹⁵⁰ *Ibid.*, para 150

¹⁵¹ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p35

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**.¹⁵² 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."¹⁵³ 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.¹⁵⁴

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 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.¹⁵⁵

¹⁵² "Greenbelt myth is the driving force behind housing crisis" [The Conversation](#), 13 September 2013

¹⁵³ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, [written evidence [EHM0156](#)]

¹⁵⁴ *Ibid.*, [written evidence [EHM0156](#)]

¹⁵⁵ RTPI, [Where should we build new homes?](#) November 2016

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.¹⁵⁶ 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 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.¹⁵⁷

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.¹⁵⁸

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.¹⁵⁹

In July 2015 the Housing Minister announced that the Fund would be extended and the Spending Review and Autumn Statement 2015 said that the £1 billion Fund would be extended to 2020-21.¹⁶⁰

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.

¹⁵⁶ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p9

¹⁵⁷ BBA, [High street bank lending](#), July 2016

¹⁵⁸ Mortgages for business, [Smaller property developers struggling to access finance](#), 18 January 2016

¹⁵⁹ HC 1104, Budget 2014, March 2014, para 1.141

¹⁶⁰ [Cm 9162](#), November 2015, p41

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.¹⁶¹

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.¹⁶²

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."¹⁶³ 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."¹⁶⁴

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.

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.¹⁶⁵

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

¹⁶¹ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p64

¹⁶² Capital Economics, [Increasing investment in affordable homes](#), 2014, section 6.4

¹⁶³ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), p67

¹⁶⁴ Ibid.

¹⁶⁵ [HC 861](#), 7 December 2016, Q50

the case with recent changes to capital gains tax and inheritance tax, around housing.”¹⁶⁶

The Home Builders Federation (HBF) has 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:¹⁶⁷

- 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 supply chain”. These factors make organising widespread training difficult.¹⁶⁸
- 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.

¹⁶⁶ Select Committee on Economic Affairs, 1st Report of Session 2016-17, [Building More Homes](#), HL Paper 20, 15 July 2016, para 253

¹⁶⁷ Arcadis, [People and money: fundamental to unlocking the housing crisis](#), 2015, pp4-7

¹⁶⁸ The Construction Index, [Ministers tell industry leaders to sort out skills shortage](#), 1 February 2016

- **The construction sector is “heavily reliant” on non-UK born workers:** around 12% of construction workers are non-UK born, according to *Inside Housing*.¹⁶⁹ 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.¹⁷⁰

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.

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.¹⁷¹

The 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

¹⁶⁹ *Inside Housing*, [Builders: immigration rules must protect construction workers](#), 1 July 2016

¹⁷⁰ Innovate UK, [Construction industry summit, blog post](#), 18 September 2015

¹⁷¹ ONS, [Labour productivity Oct-Dec 2015, figure 1](#), 7 April 2016

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).¹⁷²

The Farmer Review's recommendations 2016

A combination of these issues led the 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.¹⁷³

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 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.¹⁷⁴

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.¹⁷⁵

¹⁷² DCLG, [Accelerated Construction: expressions of interest](#), 3 January 2017

¹⁷³ [Farmer Review of the UK Construction Labour Model: 'Modernise or die'](#), December 2016, p7

¹⁷⁴ Ibid., p8

¹⁷⁵ Ibid., p10

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 RandD 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.
- 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.¹⁷⁶

A [schedule of responses to the review](#) has been published.¹⁷⁷

¹⁷⁶ Ibid., p11

¹⁷⁷ [Schedule of responses to the Farmer Review](#), 2016

About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publicly available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email papers@parliament.uk. Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email hcenquiries@parliament.uk.

Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the [conditions of the Open Parliament Licence](#).