



HOUSE OF LORDS

Built Environment Committee

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1st Report of Session 2021–22

# Meeting housing demand

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### *Built Environment Committee*

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See Appendix 1.

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Evidence is published online at <https://committees.parliament.uk/work/1328/meeting-the-uks-housing-demand/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Q in footnotes refers to a question in oral evidence.

## SUMMARY

The challenges facing the housing market have been well documented: too many people are living in expensive, unsuitable, poor quality homes. To address these complex challenges in the long term, it is necessary to increase housing supply now. The Government has set an ambitious target for 300,000 new homes per year (net additions) and one million new homes by 2024. We heard that even this target may not be enough to address future trends. We welcome this focus on housing supply but are concerned that it will not be met if the barriers to building new homes are not addressed.

In this report, we call on the Government to take action and remove the administrative and other blockers which, at present, make increasing the number of homes built much more difficult. We recognise that these challenges play out differently across the country as a whole. London and the South East face different challenges to other regions, as do those at different ends of the affordability scale.

### Housing for the elderly

Our population is ageing: one in four people in the UK will be over 65 by 2050, increasing from 19% in 2019. This must be reflected in the types of new homes built, particularly as there will be an increase in older people living alone. This will include a mix of suitable ‘mainstream’ housing and specialist housing for later living.

### Small and Medium-sized Enterprises (SMEs)

The role of SMEs in the housebuilding industry has collapsed: in 1988, SME housebuilders built 39% of new homes; now they build just 10%. If housing demand is to be met, SMEs should be supported through reduced planning risk, making more small sites available, and increased access to finance. We also provide options for a fast-track planning process for SMEs to reduce delays and planning risk.

### Planning

Uncertainty about the future planning system and delays to planning reforms have had a ‘chilling effect’ on housebuilding and created uncertainty for housebuilders and planners. The Government needs to set out its strategy for the planning system. This should include clear proposals on local plans, infrastructure funding and land availability. These changes should be for the long term.

It is impossible to have a ‘plan-led’ system of development in the absence of local plans and without sufficient planners. Currently, more than half of local planning authorities do not have an up-to-date local plan. The barriers to plan making must be addressed and we support the Government’s proposals to get all authorities to make local plans within 30 months of any new legislation. Local plans can be very political and require public engagement so they must be provided in a common, simple and accessible format.

Spending on planning has fallen by 14.6% since 2010 causing delays, issues with recruitment, and staff shortages in many authorities. Any new planning system will only work if local planning authorities have the resources and staff to implement it. We recommend that local planning authorities should be

enabled to recover more of their costs through planning fees to relieve the crisis in funding. We also suggest a proposal for building more homes on land around railway stations and raise concerns about delays caused by the way Section 106 Agreements operate in practice, including the impact on SME housebuilders.

### **Social housing**

Many tenants who would previously have been in social housing are now living in expensive private rented accommodation, with their rents subsidised by housing benefit, which is costing the Exchequer around £23.4 billion per year. We suggest that a transition to spending more on the social housing stock would address this problem over time and help meet the most critical needs. We ask the Government to reform Right to Buy to enable the replenishment of the social housing stock. We call on the Government to allocate more funding for affordable homes to homes for social or affordable rent.

### **Help to Buy**

We find that the Government's Help to Buy scheme, which will have cost around £29 billion in cash terms by 2023, inflates prices by more than its subsidy value in areas where it is needed the most. We note recent changes to the programme. This funding would be better spent on increasing housing supply.

### **Skills shortages**

Skills shortages in the construction, design and planning sectors must be addressed to unlock the required development. This will include broadening the base of talent, upskilling and reskilling, including for the green skills needed to address climate change. The number of apprenticeships starts has fallen by over 25% since the introduction of the apprenticeship levy. We call for reform of the levy.

### **Addressing uncertainty**

We are facing a national housing crisis, which is only exacerbated by uncertainty and a lack of clear policy direction. The Government needs to take urgent action to progress a plan to ensure more homes are built to meet housing demand.

In this report, we provide a package of proposals to help deliver much needed housing, some of which are large and strategic while others call for changes within the existing systems. Taken together, they would help address the critical undersupply of new homes.

## SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

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### Housing demand and demographics

1. The UK has an ageing population: one in four people in the UK will be over 65 by 2050. Changes in age demographics should be reflected in the types of new homes built, particularly as there will be an increase in older people living alone. (Paragraph 18)
2. Data from the 2021 census will provide a much-needed update to current assessments of demographic shifts, which affect how housing need is calculated. The Government should publish these data as soon as possible. This will shed some light on other demographic shifts, such as changes to rates of household formation and patterns of migration, which are particularly uncertain in the light of the COVID-19 pandemic and Brexit. (Paragraph 19)
3. We welcome the Government's target to deliver 300,000 homes per year and one million homes by 2025 to address the long-term undersupply of new housing. However, even with increased development through SMEs, 'build to rent', self-commissioned homes and local authorities, building will likely still fall short of the target. Without reducing the barriers to meeting housing demand—including skills shortages, lack of available land, resources for local planning authorities, the reduced role of SME housebuilders, inadequate support for social housing provision, and the barriers and delays in the planning system—it will not be possible to get close to this target. (Paragraph 35)

### Housing types and tenures

4. The overall housing picture over the past 40 years shows: a doubling of the private rented sector, a halving of the social rented sector and relatively steady rates of home ownership following a peak in the mid-2000s. (Paragraph 39)
5. The Government's home ownership schemes come with an opportunity cost and evidence suggests that, particularly in areas where help is most needed, these schemes inflate prices by more than their subsidy value. In the long term, funding for home ownership schemes do not provide good value for money, which would be better spent on increasing housing supply. (Paragraph 50)
6. Those living in the private rented sector are more likely to live in poor quality, overcrowded conditions than owner-occupiers, and often have limited forms of redress. Many tenants who would previously have been in social housing are now living in expensive private rented accommodation, with their rents subsidised by housing benefit, which is costing the Government around £23.4 billion per year. A transition to spending more on the social housing stock would address this problem over time and help meet the most critical needs. (Paragraph 61)
7. We welcome the expansion of 'build to rent' where it contributes towards a net addition to housing supply. This emerging area of development will need to be kept under review. (Paragraph 62)
8. There is a serious shortage of social housing, which is reflected in long waiting lists for social homes and a large number of families housed in temporary accommodation. The Government should set out what proportion of funding



for the Affordable Homes Programme it believes should be spent on homes for social or affordable rent. (Paragraph 76)

9. Right to Buy has left some councils unable to replace their social housing stock. Right to Buy must be reformed to help councils replenish their social housing stock: councils should keep more of the receipts from Right to Buy sales, have a longer period to spend the receipts, and there should be tighter restrictions on the conditions under which social homes can be bought. (Paragraph 77)
10. There will need to be a mix of more suitable, accessible ‘mainstream’ housing and specialist housing for the elderly if the housing market is to be sustainable in the coming years as the population ages. Older people’s housing choices are constrained by the options available. (Paragraph 90)
11. Little progress has been made on housing for the elderly. As demand changes as the population ages, a more focussed approach is needed. The Government must take a coordinated approach to the issue of later living housing, between departments and through the National Planning Policy Framework. (Paragraph 91)

### **SMEs**

12. The role of SMEs in the housebuilding industry has seen a sharp decline: in 1988, SME housebuilders built 39% of new homes, by 2020 this had dropped to 10%. The Government should encourage SME housebuilders in order to diversify the market and maintain competition. (Paragraph 103)
13. Local authorities should support SME housebuilders to navigate the planning process. One focus of the Government’s planning reforms should be to reduce planning risk by making decisions more predictable and reducing delays, which will benefit SMEs. The Government should work with local planning authorities to create a fast-track planning process for SMEs. (Paragraph 104)
14. Wider adoption of the ‘master developer’ model, where larger sites are built out by a number of different housebuilders, would help SME housebuilders bid for more secure developments. The Government should require local planning authorities and Homes England to increase the percentage of homes on larger sites each year which are built by SME housebuilders. (Paragraph 108)
15. Access to finance is one of the key barriers for SME housebuilders. The Government should work with lenders to encourage them to provide more support to SME housebuilders on commercial terms. (Paragraph 112)

### **Planning**

16. Uncertainty about the future planning system and delays to planning reforms have had a ‘chilling effect’ on housebuilding and created uncertainty for planners and housebuilders. The Government needs to set out its strategy for the planning system. (Paragraph 118)
17. Only 40% of local plans are less than five years old or have been updated or reviewed in the past five years. The lack of local plan-making means the system is not ‘plan led’ and creates an uncertain environment for housebuilders. It also prevents councils from taking a strategic approach to development.

We support the Government's proposals to get councils to make local plans within the 30-month target. Meeting this target will require more planning skills and resources within local planning authorities (Paragraph 122)

18. Local plans are currently too complex and detailed, which results in delays. Alongside introducing time limits on plan-making processes, the Government should produce standardised definitions and simplified guidance for local planning authorities. Simplification will also aid community engagement with local plans. (Paragraph 127)
19. Whatever the nature of planning reforms, the Government's proposals should ensure there is community engagement with the planning system. Engagement is necessary to ensure communities are on-board with changes in their local area and to prevent backlash. Digitalisation will help with transparency and engagement, but paper notices should also continue to ensure the system is inclusive. We also heard evidence that Neighbourhood Plans enable deliberation at the hyper-local level and have helped identify where more homes can be built. (Paragraph 136)
20. Section 106 Agreements and the Community Infrastructure Levy help deliver necessary infrastructure and social housing; however, the current system adds complexity and uncertainty. More should be done to increase the predictability and transparency of these obligations. (Paragraph 149)
21. Any new system to replace Section 106 Agreements and the Community Infrastructure Levy should provide safeguards to ensure that the resources raised are spent on the delivery of affordable homes or necessary infrastructure early on in the development and are tied to identified needs. We are concerned that the new Infrastructure Levy could have some of the same disadvantages as the Community Infrastructure Levy. (Paragraph 150)
22. The availability of land is a significant barrier to meeting housing demand. We welcome the Government's Brownfield Housing Fund and Land Release Fund. However, building on brownfield land is not a 'silver bullet', especially as the availability of brownfield land is disproportionately in areas with less pressure on the housing market. (Paragraph 155)
23. Residential development on land around railway stations close to major cities would help meet housing demand. The Government should consider pilot schemes to facilitate this development. This would include releasing some Green Belt or agricultural land for development, any release of Green Belt land could be offset through land swaps. (Paragraph 158)
24. We are concerned about the quality of homes delivered under the permitted development rights regime for conversions from office to residential properties. The Government has recently taken steps to impose minimum standards for conversions. If these steps do not lead to improved outcomes, the Government should not hesitate to introduce stricter rules. (Paragraph 162)

### **Local planning authorities**

25. There is an evolving crisis: local planning authorities do not have sufficient financial resources, and in many cases do not have the skilled personnel, to deliver a quality service in a reasonable timeframe. The Government needs to increase resourcing for local planning authorities consistently and for the long term. Additional resources should be targeted at improving local plan-making and processing planning applications more quickly. This

should include through increasing planning fees to help cover the costs of the system. (Paragraph 168)

26. We heard that the 35% uplift in housing targets in the 20 largest urban areas has affected the delivery of local plans and risks backlash from local communities. The Government should consider options to update the calculation of housing targets as soon as possible, to provide certainty to councils. (Paragraph 175)
27. We heard evidence of the limited options available for local authorities to encourage developers to build homes on sites more quickly when they have planning permission. To address this problem, the Government must give local planning authorities better tools to encourage build out, particularly on large strategic sites. We note proposals to increase local planning authorities' leverage, including setting a three-year time limit, and encourage the Government to consider this option. (Paragraph 182)

### **Skills**

28. Official figures for the construction industry should include those employed in factories related to construction. This would more accurately reflect productivity levels in the industry, particularly as the sector moves towards modern methods of construction. (Paragraph 186)
29. The Construction Industry Training Board has not addressed construction skills shortages in an effective manner over many years. Reform is needed to address this issue. The Government should consider how the Construction Industry Training Board can upgrade its training offer for construction professionals. Failure to recruit and train the skills required to build new homes should cause the Government to consider potential alternative models for a national construction careers body. (Paragraph 193)
30. Diversity remains a major issue in construction trades, with only 4% of trades roles held by women. It will be essential to draw on a wider talent base to meet the demand for skills. (Paragraph 202)
31. The Government should enable local planning departments to have access to flexible resources, where skills from the private sector and other specialist areas are brought on for specific large sites. (Paragraph 209)
32. Apprenticeships are vital to many built environment sectors and help develop talent for the future. The number of apprenticeships has fallen consistently since the Apprenticeship Levy's introduction. We urge the Government to review the Apprenticeship Levy. (Paragraph 218)
33. Introduction through technical qualifications at the age of 16 is too late to capture young peoples' interest in the built environment. The Government should ensure wider and earlier engagement with built environment sectors across the curriculum, by introducing modules before and at GCSE level. (Paragraph 222)

### **Quality and design**

34. Local planning departments are severely underequipped in terms of design resources. Increased flexible resourcing for local planning authorities should include design skills. (Paragraph 234)

35. We welcome the Government's increased focus on the importance of beauty in building new homes. However, we are concerned that the proposed 'fast-track for beauty' would compromise the quality of some new builds. (Paragraph 238)
36. The Government should establish a clear implementation timetable for the Future Homes Standard. Where possible, the number of homes built to the Future Homes Standard should be maximised. (Paragraph 240)
37. We encourage the Government to promote local engagement with placemaking, including through the Office for Place. The Office for Place should help coordinate flexible resources for planning. (Paragraph 247)
38. We commend the Government's plans for a New Homes Ombudsman to handle complaints from those who buy new homes. The New Homes Ombudsman's powers must be robust and adequately enforced. (Paragraph 253)
39. MMC can help to alleviate skills shortages in construction. We welcome the creation of the Government's MMC Taskforce, and encourage the Taskforce to focus on the potential for MMC to create more digital and manufacturing jobs in communities with high levels of unemployment. (Paragraph 261)
40. MMC can help to deliver more new homes with a reduced number of defects. The Government and Homes England should help reassure consumers about the quality and safety benefits of MMC. (Paragraph 262)

### **Conclusions**

41. Evidence to our inquiry has shown how vital it is that that new homes are built to help meet housing demand. Building more homes will not address affordability pressures in the short term but is an essential first step to ensure that demand can be met in the long term. We heard that meeting future housing demand will require more homes of all kinds. (Paragraph 263)
42. To meet that challenge, the sector needs certainty and a clear direction from the Government about reforms to the planning system and more resources to address chronic delays. It is also very important to address skills shortages in the construction and planning sectors and to allocate additional land for homes. Only if all the challenges we have identified are addressed will it be possible to boost housing supply and affordability and meet the Government's targets in the years ahead. (Paragraph 264)

# Meeting housing demand

## CHAPTER 1: INTRODUCTION

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1. The Government has set a target of 300,000 new homes per year and one million new homes by 2024.<sup>1</sup> This ambitious target reflects the challenges facing the housing market—there will be 3.7 million more households in the next 25 years.<sup>2</sup> Indeed, we heard that even this target may not be enough to address future trends. Affordability has worsened dramatically over the past 20 years: in England the ratio of median house prices to median earnings has almost doubled while in London it has more than doubled.<sup>3</sup> Many are living in expensive, unsuitable, substandard housing. While increasing housing supply might not solve these problems in the short term, it is a necessary step to meet future demand. While numbers have gradually increased recently, the net number of new homes built per year has not exceeded 224,000 since 2005/6.<sup>4</sup> Looking beyond the Government’s targets, the type, tenure and quality of new builds will affect whether the UK can meet its housing demand.
2. In this report, we investigate the demographic and other trends shaping demand for new housing and consider how barriers to meeting demand can be overcome. We set out the key factors shaping housing demand, including demographic trends (Chapter 2) and the expected shifts in the housing type and tenures required to accommodate these changes (Chapter 3). We then consider what can be done to address the depletion of small and medium-sized enterprise (SME) housebuilders (Chapter 4) and how hurdles to meeting housing demand can be addressed. We look at the planning system (Chapter 5) and local government (Chapter 6) and consider what could be done to ensure the right types of homes can be built where they are needed. Our report makes recommendations on how skills shortages can be addressed in the construction, planning, design and other industries (Chapter 7). Finally, we consider how to promote quality new builds and encourage good design (Chapter 8). This report focusses on England, as housing policy and the planning system are devolved.
3. The challenges our inquiry seeks to address are complex and multidimensional. House prices and affordability pressures shape where people want to live, particularly to access jobs and the local environment, amenities and public goods they seek. Existing measures to help young people onto the housing ladder may make housing more expensive in practice. Older people tend to prefer staying in their homes, but it is not clear whether that is because of a lack of suitable alternatives, or the disturbance and cost of moving. It is more difficult to gather contributions to fund affordable housing in the most deprived areas.

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1 Written evidence from the Ministry of Housing, Communities and Local Government (UKH0042)

2 Office for National Statistics, ‘Household projections for England’ (29 June 2020): <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/householdprojectionsforengland> [accessed 24 November 2021]

3 Office for National Statistics, ‘House price to workplace-based earnings ratio’ (25 March 2021): <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian> [accessed 24 November 2021]

4 National Audit Office, *Planning for New Homes* (February 2019): <https://www.nao.org.uk/wp-content/uploads/2019/02/Planning-for-new-homes.pdf> [accessed 24 November 2021]

4. Evidence has shown that these challenges play out differently across areas and regions. Urban and rural areas face different challenges, as do those at different ends of the affordability scale. Measures introduced to help areas with high land values may not assist those with lower land values, which is contrary to the Government's stated levelling up agenda. Our report seeks to address these issues and asks what can be done to deliver much-needed housing.
5. These challenges are not new. The average tenure for housing ministers since 2001 has been one year and four months. Throughout our inquiry we heard of past reviews, reports and parliamentary inquiries into these issues, which considered the evidence and made practical recommendations. These include the 2004 and 2006 Barker reviews and the 2018 Letwin review, amongst others. It is notable that little progress has been made in addressing the issues identified in those reports. As the Government considers its response to its proposed planning reforms, we set out why now is the time to act.

### Box 1: Examples of previous reports addressing housing issues

- Dame Kate Barker, *Review of Housing Supply* (2004)<sup>5</sup>
- Dame Kate Barker, *Review of Land Use Planning* (2006)<sup>6</sup>
- Sir Oliver Letwin, *Independent Review of Build Out* (2018)<sup>7</sup>
- Lords Select Committee on National Policy for the Built Environment, *Building better places* (2016)<sup>8</sup>
- House of Lords Economic Affairs Committee, *Building more homes* (2016)<sup>9</sup>

**Table 1: Housing Ministers between 2001 and 2021**

Housing Minister	Dates	Time in post
The Rt Hon. Christopher Pincher MP	Feb 2020–Present	1 year, 11 months
The Rt Hon. Esther McVey MP	July 2019–Feb 2020	8 months
The Rt Hon. Kit Malthouse MP	July 2018–July 2019	1 year, 1 month
The Rt Hon. Dominic Raab MP	Jan 2018–July 2018	7 months
The Rt Hon. Alok Sharma MP	June 2017–Jan 2018	8 months
The Rt Hon. the Lord Barwell	July 2016–June 2017	1 year

5 Dame Kate Barker, *Review of Housing Supply: Delivering Stability: Securing our Future Housing Needs: Final Report—Recommendations* (March 2004): [http://news.bbc.co.uk/nol/shared/bsp/hi/pdfs/17\\_03\\_04\\_barker\\_review.pdf](http://news.bbc.co.uk/nol/shared/bsp/hi/pdfs/17_03_04_barker_review.pdf) [accessed 2 December 2021]

6 Dame Kate Barker, *Barker Review of Land Use Planning: Final Report—Recommendations* (December 2006): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/228605/0118404857.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/228605/0118404857.pdf) [accessed 2 December 2021]

7 Rt Hon. Sir Oliver Letwin, *Independent Review of Build Out—Final Report*, CM 9720, October 2018: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/752124/Letwin\\_review\\_web\\_version.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752124/Letwin_review_web_version.pdf) [accessed 2 December 2021]

8 Select Committee on National Policy for the Built Environment, *Building better places* (Report of Session 2015–16, HL Paper 100)

9 Economic Affairs Committee, *Building more homes* (1st Report, Session 2016–17, HL Paper 20)

<b>Housing Minister</b>	<b>Dates</b>	<b>Time in post</b>
The Rt Hon. Brandon Lewis CBE MP	July 2014–July 2016	2 years, 1 month
Kris Hopkins MP	Oct 2013–July 2014	10 months
Mark Prisk MP	Sept 2012–Oct 2013	1 year, 2 months
The Rt Hon. Grant Shapps MP	May 2010–Sept 2012	2 years, 5 months
The Rt Hon. John Healey MP	June 2009–May 2010	1 year
The Rt Hon. Dame Margaret Beckett DBE MP	Oct 2008–June 2009	9 months
The Rt Hon. Caroline Flint MP	Jan 2008–Oct 2008	10 months
The Rt Hon. Yvette Cooper MP	May 2005–Jan 2008	2 years, 9 months
The Rt Hon. Keith Hill MP	June 2003–May 2005	2 years
The Rt Hon. the Lord Rooker	May 2002–June 2003	1 year, 2 months
The Rt Hon. the Lord Falconer	June 2001–May 2002	1 year

Source: *Inside Housing, A timeline of the 18 housing ministers since 1997* (13 February 2020): <https://www.insidehousing.co.uk/insight/insight/a-timeline-of-the-18-housing-ministers-since-1997-65065> [accessed 16 December 2021]

## CHAPTER 2: HOUSING DEMAND AND DEMOGRAPHIC TRENDS

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### Demographic trends

6. Demographic trends affect housing demand now and will do in the future. In this chapter, we discuss the key UK-wide demographic shifts which will affect housing demand in the coming years: an ageing population, household formation, international migration and internal migration. The latest ONS population projections estimate that the UK population will increase by 3 million (4.5%) from 66.4 million in 2018 to 69.4 million in 2028.<sup>10</sup> The 25-year projection anticipates that the UK population will reach 72.4 million in 2043.<sup>11</sup> There will also be an increased demand because of demographic shifts towards more older, single-person households.

### *Ageing population*

7. The UK has an ageing population: by 2050, the ONS projects that one in four people in the UK will be aged 65 years and over, an increase from approximately one in five in 2019.<sup>12</sup> In 1999, around one in six people were over 65 years old (15.8%).<sup>13</sup> This is the result of both declining fertility rates and people living longer. In 2019, 19% of the population was under 16 years old; this is projected to decline to 16.9% by 2039.<sup>14</sup> In 2018, there were 1.6 million people aged 85 years and over; by mid-2043, this is projected to almost double to 3 million.<sup>15</sup> This partly reflects the 1960s so-called ‘baby boomers’ entering the 70–to–80–year mark at that point, but also general increases in life expectancy.
8. The overall UK population is also ageing because of declining fertility rates.<sup>16</sup> Setting aside migration, a fertility rate of around 2.1 children per woman is required to sustain current population levels.<sup>17</sup> The fertility rate reached a high of 1.96 in 2008 but has since declined to 1.68 in 2018.<sup>18</sup> The data do not yet reflect the impact of the COVID-19 pandemic and Brexit on fertility rates.
9. Many witnesses highlighted the significance of the ageing population for housing demand. Smart Growth UK argued that the shift in the household projections data towards smaller households occupied by older people requires “serious recognition that we need to be making bigger provision for housing the elderly”.<sup>19</sup> We discuss this further in Chapter 3.

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10 The projections were published in October 2019 and are based on data from 2018. Office for National Statistics, ‘National population projections: 2018-based’ (21 October 2019): <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2018based> [accessed 24 November 2021]

11 *Ibid.*

12 Office for National Statistics, ‘Overview of the UK population: January 2021’ (14 January 2021): <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/january2021> [accessed 24 November 2021]

13 *Ibid.*

14 *Ibid.*

15 *Ibid.*

16 The total fertility rate of a population is the average number of children that would be born to a woman over her lifetime if she was to experience the exact current age-specific fertility rates through her lifetime if she was to live from birth until the end of her reproductive life.

17 Office for National Statistics, ‘[Overview of the UK population: January 2021](#)’

18 *Ibid.*

19 Written evidence from Smart Growth UK ([UKH0010](#))



*Household projections*

10. Demographic changes and changes to the population structure affect projections of rates of household formation. The overall picture of the latest ONS household projections for the next 10 years is a larger number of smaller households, particularly comprised of older age groups.<sup>20</sup> According to ONS projections, the number of households in England is projected to increase by 1.6 million (7.1%) over the next 10 years, from 23.2 million in 2018 to 24.8 million in 2028. This equates to an average of 164,000 additional households per year.<sup>21</sup> In England, the highest regional rate of growth in households is projected to take place in the South West (9%), while the North East is projected to have the slowest rate of growth (4.2%). The projected rate of growth for London is 7.8% and for the South East is 6.9%.<sup>22</sup> The average age of leaving the parental home has also increased, from 21 in 2009 to 24 in 2019. In addition, there have been increases in the numbers of people who are living alone, from 7.5 million in 2009 to 8.2 million in 2019 (a growth of 9%).<sup>23</sup>
11. The ONS projections show that “Most of the projected growth in households between 2018 and 2028 will come from one-person and multiple adult households without dependent children”.<sup>24</sup> The number of households with dependent children is expected to increase by around 80,000 (1.2%), while one-person households will increase by 727,000 (10.1%) and multiple-adult households by 833,000 (8.8%).<sup>25</sup>
12. Much of this projected growth in the number of households is a factor of an ageing population (as discussed above). Households where the lead householder is aged 75 years or over account for 64% of the total growth in households.<sup>26</sup> Figure 1 shows the projected number of households for 2018 and 2028 by age group. The number of households is expected to decrease in the 25 to 34 years category and the 45 to 54 years category. The number of households where the lead householder is over 55 is expected to increase.<sup>27</sup>

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20 The latest figures are based on data from 2018 and were published in June 2020.

21 Office for National Statistics, ‘Household projections for England: 2018-based’ (29 June 2020): <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/householdprojectionsforengland/2018based> [accessed 24 November 2021]

22 *Ibid.*

23 Office for National Statistics, ‘[Overview of the UK population: January 2021](#)’

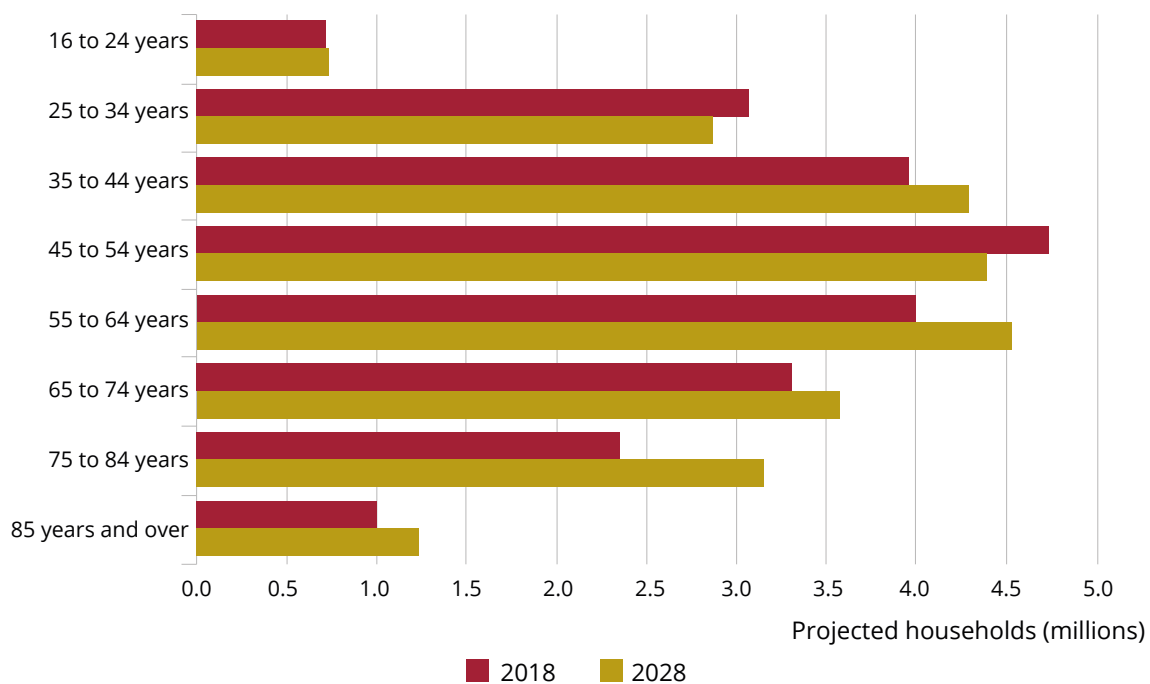
24 Office for National Statistics, ‘[National population projections: 2018-based](#)’

25 *Ibid.*

26 Office for National Statistics, ‘[National population projections: 2018-based](#)’

27 *Ibid.*

**Figure 1: Projected number of households by age of household reference person, England**



Source: Office for National Statistics, '[National population projections: 2018-based](#)'

13. As Professor Chris Leishman, Professor of Property and Housing Economics at the University of South Australia, told the Committee, “we are seeing the size of households falling significantly”, so as the “population ages and becomes more heavily weighted towards larger numbers of smaller households, that creates the demand for a different type of product.”<sup>28</sup>

#### *International migration*

14. The ONS predicts that 5.4 million people will move to the UK between 2018 and 2028 and 3.3 million people will emigrate from the UK on a long-term basis. Based on these projections, of the 3 million increase in the total population, 2.2 million (73%) would result directly from net international migration (compared with 0.8 million from the higher number of births than deaths).<sup>29</sup> London has the largest number of migrants among all regions of the UK, amounting to 35% of the UK’s total population born overseas.<sup>30</sup> This is a highly mobile section of the population.
15. Professor Christine Whitehead, Emeritus Professor of Housing Economics at the London School of Economics and Political Science, stressed that “We have a very unclear position, because of both Brexit and the COVID-19 pandemic, on what our immigration status looks like in the short or long run” and, because of this, “ONS figures are very unclear about what has happened in the last year.” She noted, on the other hand, that 5.5 million people had applied for settled status.<sup>31</sup>

28 [Q 1](#) (Professor Chris Leishman)

29 Office for National Statistics, '[National population projections: 2018-based](#)'

30 The Migratory Observatory, *Migrants in the UK: An Overview* (6 November 2020): <https://migrationobservatory.ox.ac.uk/resources/briefings/migrants-in-the-uk-an-overview/> [accessed 7 December 2021]

31 [Q 3](#) (Professor Christine Whitehead)

*Internal migration*

16. Internal migration within the UK will have been affected by the COVID-19 pandemic. In the 12-month period to mid-2020, an estimated 3.2 million people moved between local authorities, a decrease in internal migration of 11.5% on the previous year (3.7 million to mid-2019).<sup>32</sup> Internal mobility is important to facilitate growth and opportunities across the whole of the UK, which will be essential to the levelling up agenda. The ONS found, however, that the overall geographical pattern of internal migration flows were broadly in line with previous years, given that around nine months of the year to mid-2020 were not affected.<sup>33</sup>
17. The data on internal migration for the year to mid-2021 will not be released until September 2022. The 2021 Census will provide more detailed internal migration statistics for the UK, including estimates classifying people and households in areas within the UK and those who have moved elsewhere within the UK. These data will need to be reviewed to consider patterns of household formation and internal migration.
18. **The UK has an ageing population: one in four people in the UK will be over 65 by 2050. Changes in age demographics should be reflected in the types of new homes built, particularly as there will be an increase in older people living alone.**
19. **Data from the 2021 census will provide a much-needed update to current assessments of demographic shifts, which affect how housing need is calculated. The Government should publish these data as soon as possible. This will shed some light on other demographic shifts, such as changes to rates of household formation and patterns of migration, which are particularly uncertain in the light of the COVID-19 pandemic and Brexit.**

*Assessing housing demand*

20. The Government recognises that many factors affecting housing demand are interrelated and endogenous:
 

“Factors that affect the demand for new homes include changes in population and population structures, which translate into the rate of household formation; changes in income over time; lending patterns; as well as underlying preferences for housing in different locations and of different types, which in turn reflect patterns and ways of working amongst other things.”<sup>34</sup>
21. When considering these issues, some witnesses warned against viewing demographic trends in isolation. Professor Christine Whitehead said “It is foolish to look at demographics on their own. We know that not just housing demand, but household formation is affected by income.”<sup>35</sup> Shelter, a housing and homelessness charity, argued that a “focus primarily on promoting

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32 Office for National Statistics, ‘Population estimates for the UK, England and Wales, Scotland and Northern Ireland: mid-2020’ (25 June 2021): <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2020#local-area-population-change> [accessed 24 November 2021]

33 *Ibid.*

34 Written evidence from the Ministry of Housing, Communities and Local Government (UKH0042)

35 [Q 3](#) (Professor Christine Whitehead)

homeownership” has “driven demographic trends in our dysfunctional housing system and household formation.”<sup>36</sup>

### *Need v demand*

22. Throughout our inquiry, we heard about the need to differentiate between housing need and housing demand. Housing demand reflects the amount of housing space households buy, given their preferences and ability to pay. 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 standard.
23. The Cambridge Centre for Housing & Planning Research also raised this issue, emphasising the difficulty of understanding and assessing housing need and housing demand:
 

“Unpicking trends in housing demand is not easy. Housing need might be thought of as a measurement of the basic unmet human need (and right) to have adequate, affordable shelter. Housing demand is complex as it is shaped by multiple factors, including demographics and changing household formations, incomes, employment growth, alternative investment opportunities, policy drivers, housing costs (rent/mortgage costs) etc.”<sup>37</sup>
24. Savills emphasised that economic factors play an important role in shaping housing demand:
 

“The reality is that people live where they can, given the availability and pricing of housing, and the usual desire to be close to employment, schools and/or family, and that availability in turn influences what households aspire to. The economic factors are at least as important as the social and demographic factors.”<sup>38</sup>
25. There are 1.19 million households recorded on social housing waiting lists in England and 124,290 children living in temporary accommodation.<sup>39</sup> A study by Professor Glen Bramley of Herriot-Watt University, based on analysis of the UK Household Longitudinal Study, estimated that almost 8 million people were experiencing some form of housing need, including overcrowded households, those living with family members who would rather not do so, and those with unaffordable accommodation.<sup>40</sup>

### **Housing target of 300,000 net additions annually**

26. The Government has committed to “increase building output to 300,000 homes a year” and “deliver one million new homes by the end of this Parliament”, which is due to end in 2024.<sup>41</sup>
27. The House of Lords Economic Affairs Committee’s 2016 report, *Building more homes*, concluded that “to address the housing crisis at least 300,000

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36 Written evidence from Shelter ([UKH0065](#))

37 Written evidence from the Cambridge Centre for Housing and Planning Research ([UKH0028](#))

38 Written evidence from Savills ([UKH0080](#))

39 Written evidence from the National Housing Federation ([UKH0035](#)) and House of Commons Library, Households in temporary accommodation (England), [Number 02110](#), 23 November 2021

40 Written evidence from the National Housing Federation ([UKH0035](#))

41 Written evidence from the Ministry of Housing, Communities and Local Government ([UKH0042](#))

new homes are needed annually for the foreseeable future.”<sup>42</sup> The report added “The Government’s [then] target of one million new homes by 2020 is not based on a robust analysis” as “One million homes by 2020 will not be enough.”<sup>43</sup> Between 2016/17 and 2019/20, net additional dwellings totalled 924,650.<sup>44</sup> This suggests that even if the Government’s annual 300,000 homes target is met, it may not be enough to address future demand.

28. The Government’s annual 300,000 homes target has yet to be met, and of course is mainly met by the private sector. In 2019/20, net new additions rose to 243,770, the highest in 30 years.<sup>45</sup> These net additions comprised 220,600 new build homes, 26,930 gains from change of use between non-domestic and residential, 4,340 gains from conversions between houses and flats, and 930 other gains (caravans, houseboats, etc.).<sup>46</sup> Some 12,348 of the net additions from change of use were through permitted development rights where full planning permission is not required.<sup>47</sup> This was offset by 9,020 demolitions.<sup>48</sup> While approximately 11,000 self-build homes are built each year, less than 10% of those homeowners were physically involved in the building work.<sup>49</sup>
29. The UK Collaborative Centre for Housing Evidence emphasised that framing the target in terms of net additions does not mean this is a target for 300,000 new homes to be built annually. They highlighted that “At its peak in 2016/17, 37,000 net additions came from changes in use. It appears unlikely, therefore, that the 300,000 target is achievable without a significant continuing contribution from this source.”<sup>50</sup>

*Is the target suitable?*

30. The aforementioned analysis by Professor Glen Bramley set out the scale of housing requirements taking account of future household projections, backlog of housing need and scale of homelessness. This analysis identified an overall annual requirement for England of 340,000 homes, which suggests more homes are needed than the Government’s target.<sup>51</sup> In evidence to our inquiry, Professor Bramley acknowledged that this estimate “might be shaded down a little towards 300,000 in the light of demographic events”, including more modest household formation projections.<sup>52</sup>

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42 Economic Affairs Committee, *Building more homes* (1st Report, Session 2016–17, HL Paper 20), para 84

43 *Ibid.*

44 Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities and Local Government, *Collection: Housing supply: net additional dwellings* (26 November 2020): <https://www.gov.uk/government/collections/net-supply-of-housing> [accessed 24 November 2021]

45 Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities and Local Government, *Live tables on dwelling stock (including vacants)* Live Table 120 (22 July 2021): <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants> [accessed 24 November 2021]

46 Ministry of Housing, Communities and Local Government, *Housing supply: net additional dwellings, England: 2019–20* (26 November 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/938173/Housing\\_Supply\\_England\\_2019-20.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938173/Housing_Supply_England_2019-20.pdf) [accessed 24 November 2021]

47 *Ibid.*

48 *Ibid.*

49 Homebuilding and Renovating, ‘Self Build: A beginners guide to building your own home’ (25 November 2021): <https://www.homebuilding.co.uk/advice/self-build> [accessed 25 November]

50 Written evidence from UK Collaborative Centre for Housing Evidence ([UKH0055](#))

51 Written evidence from Crisis ([UKH0052](#))

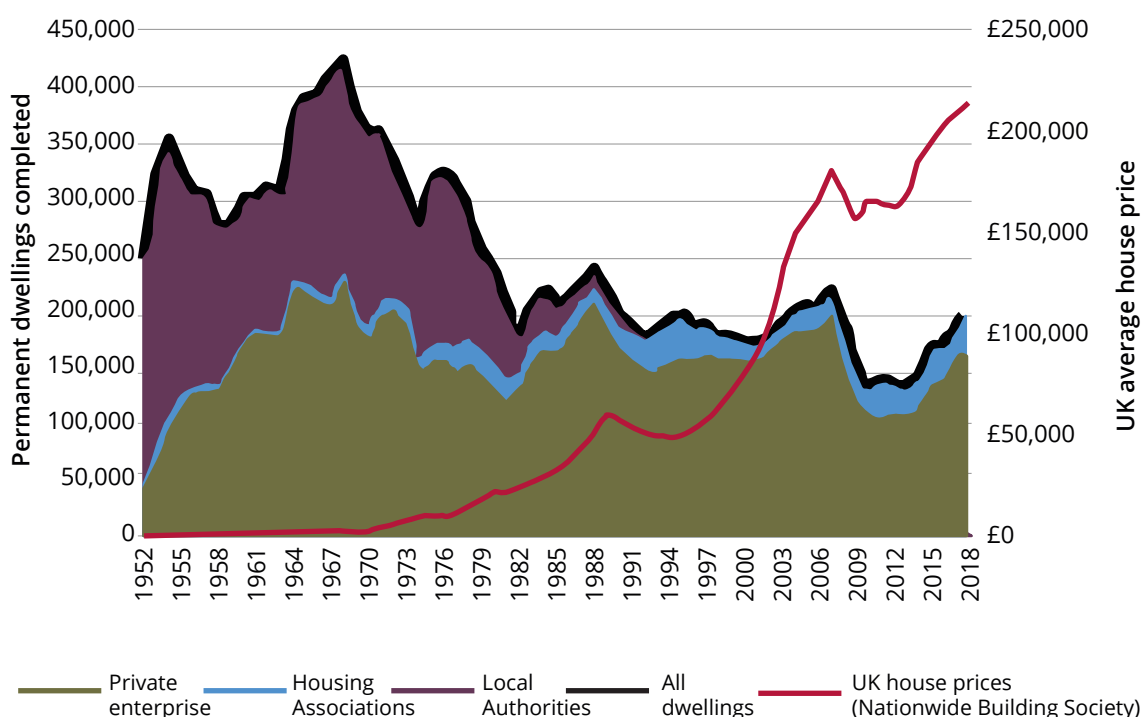
52 Written evidence from Professor Glen Bramley ([UKH0101](#))

31. The UK Collaborative Centre for Housing Evidence said “Whether the appropriate figure is 300,000 is more difficult to judge.” They added that “It is certainly the case that large, sustained increases in housing supply are necessary if the objective is to improve affordability ... But, even then, it is most unlikely that increases in supply alone could bring house price to earnings ratios even close to a value of 4.0.”<sup>53</sup>

*Is the target achievable?*

32. The Rt Hon. Christopher Pincher MP, Minister for Housing at the Department for Levelling Up, Housing and Communities, formerly the Ministry for Housing, Communities and Local Government (“the Minister”), called the Government’s target “ambitious but reachable”.<sup>54</sup> There was scepticism among some other witnesses about whether the Government’s target is achievable. Professor Chris Leishman said: “The 300,000 figure is a good aspiration, but I do not see housing policy delivering that; it never has in the past in the UK.”<sup>55</sup> The Construction Industry Council warned that “Given the lack of progress in achieving the original target, it seems likely that 300,000 new homes each year is unachievable without direct government investment in social housing. Without this, it is certainly not achievable by the target years of 2025/26.”<sup>56</sup> Other witnesses said that it is likely that the target of 300,000 net additions each year is unachievable without increased direct government investment in social housing.<sup>57</sup> Figure 2 shows housing completions in the UK between 1952 and 2018, charted against house prices.<sup>58</sup>

**Figure 2: UK Housing completions and house prices in a historical context**



Source: Written evidence from Cambridge Centre for Housing and Planning Research ([UKH0028](#))

53 Written evidence from UK Collaborative Centre for Housing Evidence ([UKH0055](#))

54 [Q 87](#) (Rt Hon. Christopher Pincher MP)

55 [Q 7](#) (Professor Chris Leishman)

56 Written evidence from Construction Industry Council ([UKH0059](#))

57 Written evidence from Shelter ([UKH0065](#)), National Housing Federation ([UKH0035](#)) and Professor Michael Oxley ([UKH0005](#)).

58 Written evidence from Cambridge Centre for Housing and Planning Research ([UKH0028](#))

33. In Table 2, we estimate the output of key housebuilding sectors in recent years and what their potential output could be in reasonable conditions. These figures are estimates informed by the evidence we received. They suggest that over the next five years it is possible to move to 300,000 net additions per year, but it would require a number of changes now to ensure that target can be met in the future.
34. To achieve the target, the Government has said it will “drive up the supply of new homes” by “diversifying the market; simplifying the planning system; investing in affordable housing; increasing land supply for new homes by investing in infrastructure and making the best use of surplus public sector land.”<sup>59</sup> We consider this further in Chapter 5.
35. **We welcome the Government’s target to deliver 300,000 homes per year and one million homes by 2025 to address the long-term undersupply of new housing. However, even with increased development through SMEs, ‘build to rent’, self-commissioned homes and local authorities, building will likely still fall short of the target. Without reducing the barriers to meeting housing demand—including skills shortages, lack of available land, resources for local planning authorities, the reduced role of SME housebuilders, inadequate support for social housing provision, and the barriers and delays in the planning system—it will not be possible to get close to this target.**

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59 Written evidence from the Ministry of Housing, Communities and Local Government ([UKH0042](#))

**Table 2: Key housebuilding sectors**

Housing type	Current output	Potential output
New build – large housebuilders	194,000 new homes were built in England in 2020/21, down from the record figure of 220,500 in 2019/20. <sup>60</sup> Of these, 22,060 were built by SME housebuilders. <sup>61</sup> Around 7,500 new retirement properties were built in 2019. <sup>62</sup> The overall numbers can be expected to recover after the COVID-19 pandemic to around 220,000 homes per year.	Large developers could continue to match their recent high numbers in a range from 150,000 to 165,000 homes per annum for the next five years or so. (Around 25,000 would be affordable homes sold to social housing providers through Section 106 Agreements).
New build – SME housebuilders	SME builders are currently providing just 10-12% of the total private sector newbuild programme. <sup>63</sup>	SMEs have the potential to build a higher proportion of the total of new homes and increase overall supply, for example, by developing smaller sites. Under the right conditions, SME builders could add an additional 5,000-10,000 homes per annum.
Conversions/change of use	Added 27,000 homes in 2019/20. <sup>64</sup>	Although tighter Permitted Development Rights rules may have curbed its growth, this source of supply will continue to add around 25,000 to 30,000 homes per year.
Demolitions	Around 9,000-10,000 homes are demolished each year. <sup>65</sup>	N/A

60 Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government, 'Live tables on housing supply: indicators of new supply' (30 September 2021): <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building> [accessed 4 January 2021]

61 Savills and LDS, 'A review of the availability of development sites for SME housebuilders in England and Wales' (9 November 2021): <https://ldsyoursite.com/savills-sme-housebuilders-report-demonstrates-huge-potential> [accessed 16 December 2021]

62 Written evidence from McCarthy Stone (UKH0040)

63 Savills and LDS, 'A review of the availability of development sites for SME housebuilders in England and Wales'

64 Written evidence from UK Collaborative Centre for Housing Evidence (UKH0055)

65 Written evidence from Cambridge Centre for Housing and Planning Research (UKH0028)



Housing type	Current output	Potential output
Build to rent	The companies now undertaking Build to Rent developments have been expanding output rapidly, completing around 13,000 homes in the year to Q3 2021. <sup>66</sup>	The growth of Build to Rent means this type of development may rise by around 10,000 homes a year over the next five years. Some of these will be on sites that would otherwise have been developed by housebuilders, but in general will provide additional homes.
Self-build/Custom housebuilding	Of the total new build homes, those provided by people organising development themselves – usually using SME builders – account for around 13,000 per year. <sup>67</sup>	Self-build and custom housebuilding could increase significantly (although some of this will represent replacement, rather than additionality). Growth of an extra 5,000 homes per year could be achieved in the next few years, under the right circumstances.
Social housing providers – local authorities	Given changes to local authority borrowing rules, some local authorities are seeking to build new social housing, often on land in their ownership.	From a virtually zero level of output in recent years, local authorities could produce some 5,000-10,000 homes annually in the years ahead.
Social housing providers – housing associations	Housing associations/registered providers have been building around 25,000–35,000 new homes a year over recent years, in addition to taking on the ownership and management of a similar number of homes resulting from the obligations on private sector house builders. <sup>68</sup> Up to 10% of their homes are specifically for older people.	Despite the constraints of increased expenditure on remediation of building defects and on decarbonisation of existing homes, these organisations have the capability to substantially increasing their output – perhaps by 20,000 homes annually if Government or other investment is made available.
Total	Approximately, 220,000 to 260,000 homes per year which represents a shortfall of 40,000-80,000 homes from the Government’s target.	Depending on the circumstances, there could be between 35,000 and 60,000 additional homes in the coming years.

66 British Property Federation, ‘UK build-to-rent housing supply grows in 2020 despite Covid-19’ (8 February 2021): <https://bpf.org.uk/media/press-releases/uk-build-to-rent-housing-supply-grows-in-2020-despite-covid-19/> [accessed 24 November 2021]

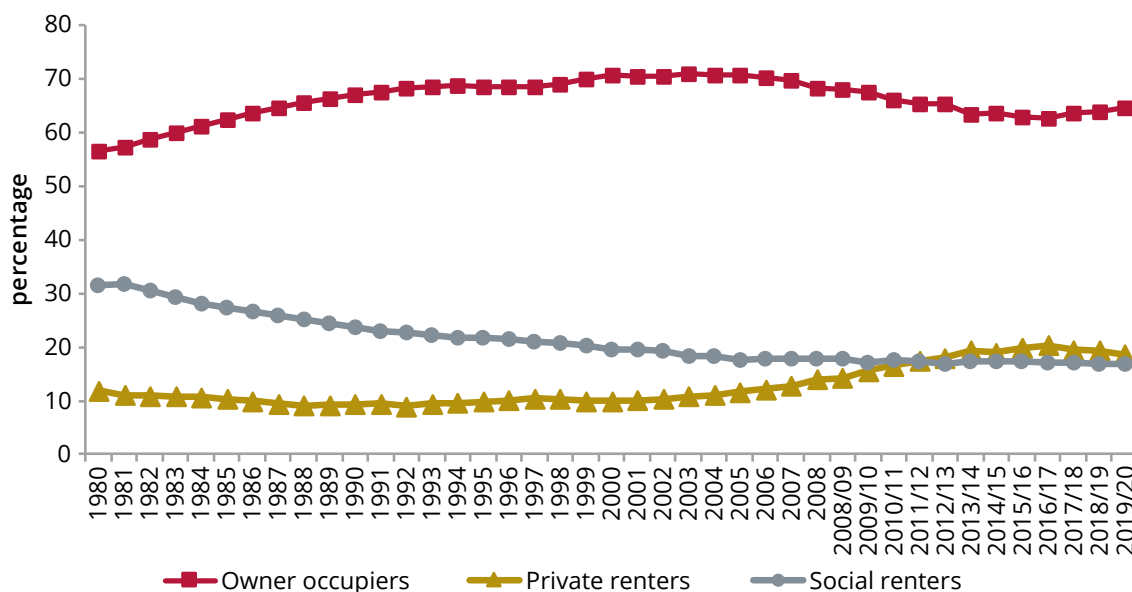
67 Ministry of Housing, Communities and Local Government, *Independent review into scaling up selfbuild and custom housebuilding: report* (21 August 2021): <https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report> [accessed 26 November 2021]

68 Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government, ‘[Live tables on housing supply: indicators of new supply](#)’

### CHAPTER 3: HOUSING TYPES AND TENURES

36. The housing market is a complex, mixed picture. Of the 23.8 million households in England in 2018/19, 64.6% were living in owner-occupied housing; 19% were privately rented; and 17% were homes for social rent.<sup>69</sup> Owner-occupation peaked in 2005 at 71%, while the proportion of households in the private rented sector has almost doubled from 10% in 2003. Social housing has seen a significant decline since 1980, when over 30% of householders were in the social rented sector. Figure 3 shows these trends.<sup>70</sup>

**Figure 3: Trends in tenure (proportions)**



Source: Ministry of Housing, Communities and Local Government, *English Housing Survey Headline Report 2019–20* (December 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/945013/2019-20\\_EHS\\_Headline\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945013/2019-20_EHS_Headline_Report.pdf) [accessed 24 November 2021]

37. Average annual new housing completions over the five years to March 2021 in England consisted of:
- 95,000 homes sold on the open market, unsupported by Help to Buy
  - 49,000 homes sold with support from Help to Buy
  - 10,000 homes built specifically for private rent—i.e. ‘build to rent’
  - 16,000 shared ownership homes
  - 26,000 affordable rent homes
  - 5,000 social rent homes.<sup>71</sup>
38. It is important to understand the nature of this complex market in order to address the issue of housing demand. In this chapter, we consider homes for

69 Written evidence from the Ministry of Housing, Communities and Local Government ([UKH0042](#))

70 Ministry of Housing, Communities and Local Government, *English Housing Survey Headline Report 2019–20* (December 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/945013/2019-20\\_EHS\\_Headline\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945013/2019-20_EHS_Headline_Report.pdf) [accessed 24 November 2021]

71 Written evidence from Savills ([UKH0080](#))

owner-occupancy, housing in the private rented sector and social housing. We also consider the challenge of suitable housing for later living.

39. **The overall housing picture over the past 40 years shows: a doubling of the private rented sector, a halving of the social rented sector and relatively steady rates of home ownership following a peak in the mid-2000s.**

### Owner-occupancy

40. Owner-occupation remains the most popular housing tenure. Given a free choice, in the current housing market, surveys show a majority of people would choose to buy a home (87%) rather than rent (12%).<sup>72</sup> The aforementioned decline in home ownership has been more pronounced in younger age groups: in 2003/04, 59% of households led by someone aged 25–34 were homeowners; this fell to 41% in 2019/20.<sup>73</sup>

### Affordability

41. Home ownership is becoming increasingly unaffordable as growth in house prices has outstripped growth in wages. In 1997, the median full-time worker in England could expect to pay about 3.5 times their annual earnings to buy a home; this had more than doubled by 2020 to 7.7.<sup>74</sup> We were told that an average ratio higher than 4.0 rendered housing unaffordable.<sup>75</sup> This measure of affordability varies substantially across England. In London, the ratio was 11.8 compared with 5.0 in the North East. Across local authorities excluding London boroughs, this affordability ratio ranges from 2.6 in Copeland (in the North West) to 17.4 in Epsom and Ewell (in the South East). For new homes, the figures were higher: for England in 2020 the ratio was 9.6 compared with 7.7 for existing homes.<sup>76</sup> Figures 4 and 5 show housing affordability in England and Wales, as measured by housing affordability ratios.

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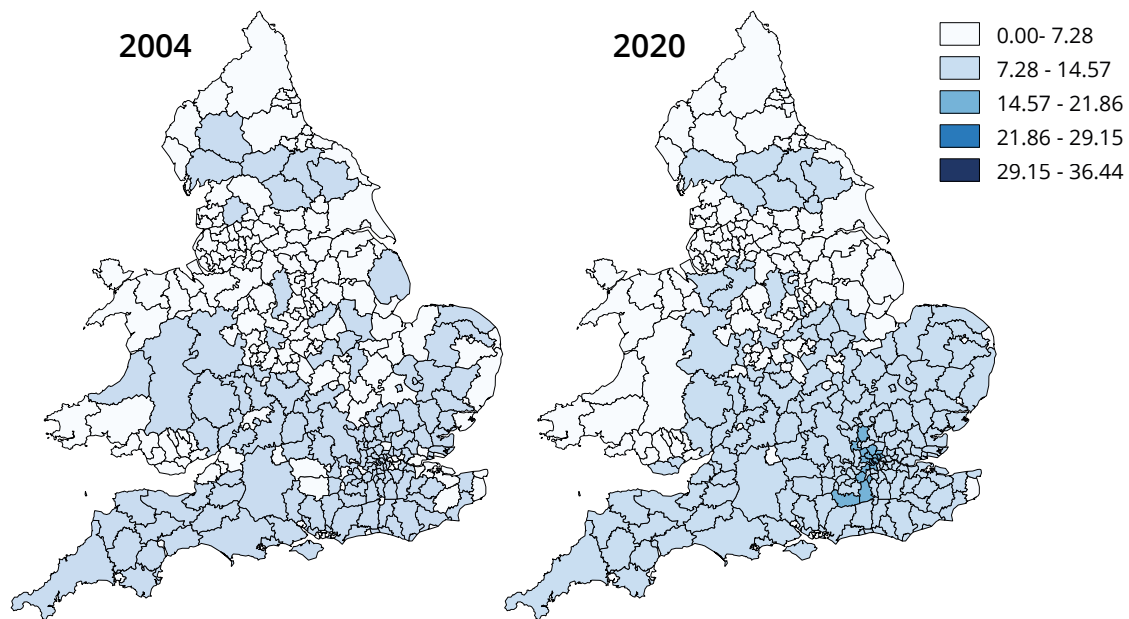
72 Ministry of Housing, Communities and Local Government, *Public attitudes to house building* (October 2019): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/841815/BSA\\_House\\_building\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841815/BSA_House_building_report.pdf) [accessed 24 November 2021]

73 Ministry of Housing, Communities and Local Government, *English Housing Survey Headline Report 2019–20* (December 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/945013/2019-20\\_EHS\\_Headline\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945013/2019-20_EHS_Headline_Report.pdf) [accessed 24 November 2021]

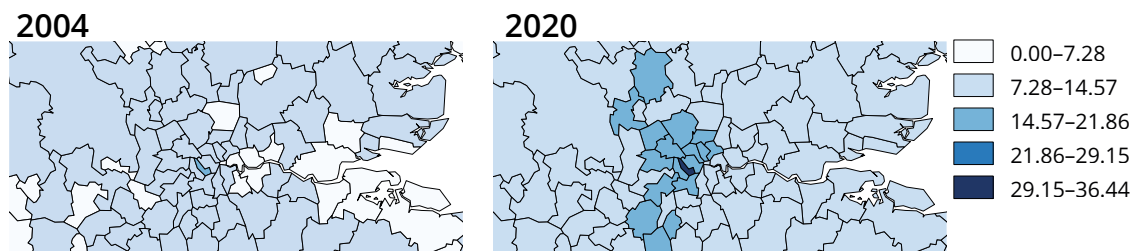
74 The affordability ratio is measured as the ratio of median price paid for residential property to the median workplace-based gross annual earnings for full-time workers. Written evidence from the Intergenerational Foundation ([UKH0022](#)). See also Colin Wiles, *Stockpiling Space: How the pandemic has increased housing inequalities between older and younger generations* (2021), p 46: [https://www.if.org.uk/wp-content/uploads/2021/04/Stockpiling-Space\\_How-the-pandemic-has-increased-housing-inequalities\\_FINAL.pdf](https://www.if.org.uk/wp-content/uploads/2021/04/Stockpiling-Space_How-the-pandemic-has-increased-housing-inequalities_FINAL.pdf) [accessed 24 November 2021].

75 [Q 7](#) (Professor Christine Whitehead)

76 Written evidence from the Intergenerational Foundation ([UKH0022](#))

**Figure 4: House price affordability ratios, England and Wales**

Source: Office for National Statistics, *Housing affordability in England and Wales: 2020*: <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/2020> [accessed 2 December 2021]

**Figure 5: House price affordability ratios, Greater London**

Source: Office for National Statistics, *Housing affordability in England and Wales: 2020*

42. In the year to October 2021, UK average house prices increased by 10.2%: the average UK house price was £268,000 in October 2021, which was £24,000 higher than October 2020.<sup>77</sup> Figure 6 shows the average annual price rates change for all dwellings in the UK from 2006 to present.
43. We heard that the high costs of housing in the private rented sector (discussed below) inhibit people from saving the deposit necessary to move into home ownership. Given that average deposits are £59,000, “saving for a deposit is impossible for many renters on lower incomes”, especially as research before the COVID-19 pandemic showed that 45% of private renters in England did not have enough savings to pay their rent for more than a month if they lost their job.<sup>78</sup> The UK Collaborative Centre for Housing Evidence told us:

77 Office for National Statistics, ‘UK House price Index: October 2021’: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/october2021> [accessed 16 December 2021]

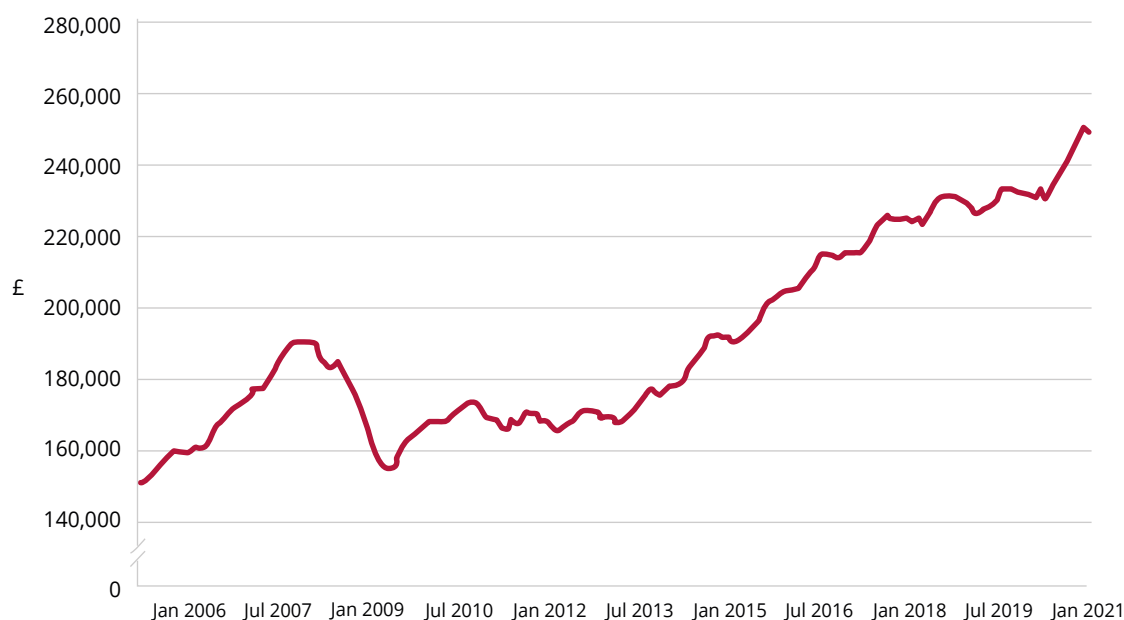
78 Written evidence from Rentplus-UK Ltd (UKH0073), see also Shelter, ‘Almost half of working renters only one paycheque away from losing their home’ (19 September 2019): [https://england.shelter.org.uk/media/press\\_release/almost\\_half\\_of\\_working\\_renters\\_only\\_one\\_paycheque\\_away\\_from\\_losing\\_their\\_home](https://england.shelter.org.uk/media/press_release/almost_half_of_working_renters_only_one_paycheque_away_from_losing_their_home) [accessed 24 November 2021]

“Although it may be the case that preferences have shifted towards renting in the short term as a lifestyle choice, the main constraint on achieving home ownership remains an inability to save the required deposit, a goal that becomes increasingly out-of-reach if house prices rise faster than savings.”<sup>79</sup>

This also reflects tighter rules from mortgage lenders since the 2007/08 financial crisis. The House of Lords Economic Affairs Committee considered these issues in detail in its 2016 report, *Building more homes*.<sup>80</sup>

44. The Minister agreed that there are “a significant number of people who would be able to afford a mortgage because the cost of the mortgage repayments would be less than their rent, but they cannot afford the deposit.” He was “alive to that particular challenge” and was exploring “what we can do to make sure that people who want to get on to the housing ladder and who are presently in the private rented sector have opportunities so to do.”<sup>81</sup>
45. The increased cost of owning a home is reflected in the fact that, between 1991 and 2003, about 40% of people whose parents were homeowners had become homeowners themselves by the age of 30; this dropped to 25% between 2004 and 2017. Over the same period, the figures decreased from 19% to 9% for those whose parents were not homeowners.<sup>82</sup> Additionally, the “traditional preference” for couples to become homeowners before having their first child has been “undermined by rising unaffordability and housing uncertainty.”<sup>83</sup> This is particularly the case in London and the South East, where affordability pressures are most severe.

**Figure 6: Average UK house prices 2006–2021**



Source: Office for National Statistics, ‘UK House price Index: January 2021’: <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/january2021#uk-house-prices> [accessed 16 December 2021]

79 Written evidence from UK Collaborative Centre for Housing Evidence ([UKH0055](#))

80 Economic Affairs Committee, *Building more homes* (1st Report, Session 2016–17, HL Paper 20)

81 [Q 103](#) (Rt Hon. Christopher Pincher MP)

82 Written evidence from Understanding Society, the UK Household Longitudinal Study, University of Essex ([UKH0026](#))

83 *Ibid.*

46. Like many aspects of the housing challenge, age affects experience of the housing system. Older people are much more likely to be owner-occupiers and many no longer pay a mortgage. The Intergenerational Foundation told us that the amount of space that people have in their home is “very unevenly distributed between homeowners and renters, and thus between older and younger people” as “homeowners are more likely to be under-occupying”.<sup>84</sup>

*Government support for home ownership*

47. Schemes to support home ownership have existed in various forms for many years: including loans, mortgage guarantees, savings accounts, and subsidies. While many commentators in the sector have generally favoured interventions to support home ownership in challenging market conditions, they emphasise the need for an overall increase in housing supply to reduce the call on public funds (including foregone taxation) and prevent subsidised home ownership from adding to house price inflation.<sup>85</sup>
48. The Government’s flagship Help to Buy: Equity Loan scheme enables first-time buyers to obtain an equity loan from the Government of up to 20% (or up to 40% in London) of the market value of an eligible newbuild property, subject to regional maximum property price caps. Spending on this scheme is expected to total around £29 billion in cash terms by March 2023.<sup>86</sup> This scheme has supported over 300,000 house purchases, with first-time buyers making up 82% of these.<sup>87</sup> The National Audit Office has, however, identified an opportunity cost to this funding, as it is unavailable for other housing schemes or priorities, such as building more homes.<sup>88</sup>
49. The Home Builders Federation told us that these schemes to support home ownership “improved visibility of effective demand” and “led to a sustained period of record investment in land and labour for future housing delivery, therefore increasing supply”.<sup>89</sup> However, Professor Christian Hilber, Professor of Economic Geography at the London School of Economics and Political Science, highlighted analysis which shows that “demand-side housing policies (such as the Help to Buy Equity Loan scheme) may increase housing construction, but only in locations where it is comparably easy to add new housing supply (such as near the English/Welsh border)”. He added that in areas where “jobs are located and housing is severely supply constrained (such as in Greater London)” the scheme has “led to a substantive increase in house prices, with no statistically significant effect on construction numbers.”<sup>90</sup> The Affordable Housing Commission concluded

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84 Ministry of Housing, Communities and Local Government, *English Housing Survey Headline Report 2019–20* (December 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/945013/2019–20\\_EHS\\_Headline\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945013/2019–20_EHS_Headline_Report.pdf) [accessed 24 November 2021]

85 Written evidence from Professor Christian Hilber ([UKH0116](#)) and the Intergenerational Foundation ([UKH0022](#))

86 House of Commons Library, *Extending home ownership: Government initiatives*, Briefing Paper [Number 03668](#), 30 March 2021

87 Written evidence from Home Builders Federation ([UKH0044](#))

88 National Audit Office, ‘Help to Buy: Equity Loan scheme—progress review’ (June 2019): <https://www.nao.org.uk/report/help-to-buy-equity-loan-scheme-progress-review/> [accessed 24 November 2021]

89 Written evidence from Home Builders Federation ([UKH0044](#))

90 Written evidence from Professor Christian Hilber ([UKH0116](#))

in March 2020 that “many” affordable for-sale and rent products “are clearly unaffordable to those on mid to lower incomes.”<sup>91</sup>

50. **The Government’s home ownership schemes come with an opportunity cost and evidence suggests that, particularly in areas where help is most needed, these schemes inflate prices by more than their subsidy value. In the long term, funding for home ownership schemes do not provide good value for money, which would be better spent on increasing housing supply.**

### Private rented sector

51. In 2019/20, the private rented sector accounted for 4.4 million or 19% of households in England.<sup>92</sup> In the 1980s and 1990s, the proportion of private rented households was steady at around 9% to 11%. While the sector has doubled in size since the early 2000s, the rate has remained at around 19% or 20% since 2013/14.<sup>93</sup> As of 2019/20, private renters had on average lived in their accommodation for 4.3 years, which is considerably shorter than for social renters (12.2 years) or owner-occupiers (17.4 years).<sup>94</sup> Many more families with children are living in privately rented accommodation: 49.2% of children are born to families who are renting as people buy later or are not able to buy.<sup>95</sup>

### Affordability

52. Homes in the private rented sector have become increasingly unaffordable. In 1980, the average working-age family renting privately spent 12% of its income on housing; today it spends almost three times this proportion (32%).<sup>96</sup> Private renters in London spend an average of 42% of their household income on rent.<sup>97</sup> The unaffordability of housing can have significant social consequences, including for those on low incomes and key workers.
53. Toby Lloyd, Chair of the No Place Left Behind Commission and an Independent Housing Policy Consultant, said “The private rented sector is by far the most expensive, by far the lowest quality and by far the least popular. It is absolutely the worst possible tenure for almost everybody in it.” He added “Most people who are private renting would much rather be in something cheaper and higher quality. Who would not be? That means either social renting or owner occupation. It is absolutely the tenure of last resort.”<sup>98</sup> As

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91 Affordable Housing Commission, ‘Making Housing Affordable Again: Rebalancing the Nation’s Housing System: The final report of the Affordable Housing Commission’ (March 2020): <https://www.affordablehousingcommission.org/news/2020/3/23/making-housing-affordable-again-rebalancing-the-nations-housing-system-the-final-report-of-the-affordable-housing-commission> [accessed 24 November 2021]

92 Ministry of Housing, Communities and Local Government, *English Housing Survey Private rented sector 2019–20* (July 2021): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1000052/EHS\\_19-20\\_PRS\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1000052/EHS_19-20_PRS_report.pdf) [accessed 24 November 2021]

93 *Ibid.*

94 *Ibid.*

95 Citizens Advice, ‘Families with children hit by insecurity in the private rented sector’ (3 January 2017): <https://www.citizensadvice.org.uk/about-us/about-us1/media/press-releases/families-with-children-hit-by-insecurity-in-the-private-rented-sector/> [accessed 2 December 2021]

96 Written evidence from UK Women’s Budget Group (UKH0046)

97 Ministry of Housing, Communities and Local Government, *English Housing Survey Private rented sector 2019–20*

98 [Q 19](#) (Toby Lloyd)

renters age, there is also a concern that they will struggle to afford expensive private rents when their incomes drop at retirement and rents continue to rise.<sup>99</sup>

**Table 3: Average monthly housing costs by region<sup>100</sup>**

Region	Average monthly cost of owning (Dec 2020)	Average monthly cost of renting (Dec 2020)	% difference	Annual difference
London	£1,408	£1,791	-21%	£4,608
South East	£1,018	£1,232	-17%	£2,580
East Anglia	£739	£907	-19%	£2,016
South West	£1,018	£1,232	-17%	£1,836
North West	£576	£723	-20%	£1,764
West Midlands	£638	£756	-16%	£1,416
North East	£484	£599	-19%	£1,380
East Midlands	£632	£706	-11%	£900
Yorkshire & the Humber	£557	£628	-11%	£864
Northern Ireland	£445	£490	-9%	£540
Wales	£546	£665	-18%	£1,428
Scotland	£527	£683	-23%	£1,872

Source: *Which? Is it cheaper to own or rent a home?* (10 April 2021): <https://www.which.co.uk/news/2021/04/is-it-cheaper-to-own-or-rent-a-home/> [accessed 16 December 2021]

54. The Affordable Housing Commission noted that “The private rented sector has grown, from housing 12% of people in the lower half of income distribution in 2000, to 22% in 2017”, which suggests that “as the social housing sector has shrunk, many people have made homes in the private sector, where housing is often less suited to tenants with complex needs.”<sup>101</sup> Research from 2017 found that four in ten council homes sold through Right-to-Buy were now in the private rented sector—with the highest proportion being 70.6% in Milton Keynes.<sup>102</sup> Dr Anna Minton, Reader at the School of Architecture, University of East London, said: “It has long been the case that as we moved from a policy of moving social housing tenants or council housing tenants into the private rented sector, housing benefit would pay their rents.” However, “the local housing allowance no longer covers rents in expensive parts of the country.” She suggested that this was “negative

99 Q 20 (Toby Lloyd)

100 These figures represent estimates for given one-year periods and illustrate outgoings as at December 2020, they exclude other associated financial calculations such as capital gains, tax impacts and the costs of maintenance. On balance, the figures in the table are likely to underestimate the long-term financial advantages of buying compared to renting in the current state of the housing market. They may not be representative of the relative costs of renting and buying in the past or in the future.

101 Affordable Housing Commission, *Making Housing Affordable Again: Rebalancing the Nation’s Housing System: The final report of the Affordable Housing Commission*

102 Inside Housing, ‘Revealed: the scale of ex-RTB home conversions to private rent’ (7 December 2017): <https://www.insidehousing.co.uk/insight/insight/revealed-the-scale-of-ex-rtb-home-conversions-to-private-rent-53525> [accessed 2 December 2021]



for the benefit bill” which is “soaring” and “high rents are putting upward inflationary pressures on the private rented market as a whole.”<sup>103</sup> Overall housing benefit spending in 2018/19 was £23.4 billion, with 4.6 million recipients paid an average of £5,035 each.<sup>104</sup>

55. There were two important areas where the Committee did not take evidence but merit further investigation. First, there has been an increase in short-term lets through sites such as Airbnb. The Community Planning Alliance highlighted that the “Airbnb phenomenon” is adding affordability and availability problems, noting that “many cities (not just in the UK) are seeking to control the number of houses taken out of the local market.”<sup>105</sup> Between April 2016 and May 2019, the number of active listings on Airbnb tripled, from about 76,000 to more than 225,000.<sup>106</sup> Second, there are concerns about unoccupied homes: there were 479,000 empty homes in England in 2020. Local authorities in Yorkshire and the Humber tend to have a higher proportion of empty homes, as well as coastal areas and the South West.

### *Quality and conditions*

56. The expansion of the private rented sector has focused attention on the need to improve living conditions. In 2019/20, 23% of private rented homes did not meet the Decent Homes Standard, amounting to around 1.1 million homes.<sup>107</sup> This compares with 18% of owner-occupied homes and 12% of social-rented homes.<sup>108</sup> Some 7% of private renters live in overcrowded accommodation—compared with 1% of owner-occupiers—the highest it has been since 1995/96.<sup>109</sup> A total of 29% of private renters in receipt of Housing Benefit live in a non-decent home, compared with 21% of private renters not receiving Housing Benefit.

### *Landlords*

57. Most private rented homes are owned by private individuals. Savills highlighted that institutional ownership of private rented housing is “growing quickly, but from a very low base and is focussed on the development of new homes.”<sup>110</sup> When considering demand in the private rented sector, it is important to consider the demographics of private landlords. We heard that 94% of private landlords rent property as an individual, 4% as part of a company and 2% as part of some other organisation.<sup>111</sup> Moreover, 45% of

103 Q 19 (Dr Anna Minton)

104 Office for Budget Responsibility, ‘Welfare spending: housing benefit’: <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/welfare-spending-housing-benefit/> [accessed 24 November 2021]

105 Written evidence from the Community Planning Alliance (UKH0082)

106 ‘Revealed: the areas in the UK with one Airbnb for every four homes’, *The Guardian* (20 February 2020): <https://www.theguardian.com/technology/2020/feb/20/revealed-the-areas-in-the-uk-with-one-airbnb-for-every-four-homes> [accessed 16 December 2021]

107 Ministry of Housing, Communities and Local Government, *English Housing Survey Headline Report 2019–20*

108 *Ibid.*

109 Data is based on the “bedroom standard”, the difference between the number of bedrooms needed to avoid undesirable sharing (given the number, ages and relationship of the household members) and the number of bedrooms actually available to the household. See Ministry of Housing, Communities and Local Government, Ministry of Housing, Communities and Local Government, *National statistics overview: English Housing Survey 2019 to 2020: headline report* (17 December 2020): <https://www.gov.uk/government/statistics/english-housing-survey-2019-to-2020-headline-report> [accessed 24 November 2021].

110 Written evidence from Savills (UKH0080)

111 Written evidence from National Residential Landlords Association (UKH0072)

landlords have just one rental property and a further 38% own between two and four properties.<sup>112</sup>

58. Factors such as changes to pensions policy and Buy-to-Let lending rules have an impact on the number of properties in the private rented sector. Research by Dr Julie Rugg found that older landlords leaving the market are not being replaced in the same numbers by younger people. Nationwide Foundation warned that “In time this could well cause a pinch-point, where the number of landlords reduces along with a reduction of properties, or a concentration of properties into fewer hands.”<sup>113</sup>

### *Build to rent*

59. The ‘build to rent’ market of new homes and residential schemes being designed, built and managed specifically for rent is relatively new in the UK. This is a sector in which Savills predicts “delivery increasing significantly in coming years, potentially to two- or three-times recent levels.”<sup>114</sup>
60. Most popular in cities, ‘build to rent’ represented 20% of London’s new housing supply in 2020. While the number of ‘build to rent’ properties currently available is small, with 20,800 across the UK, it is a growing area with the British Property Federation predicting the development of 200,000 ‘build to rent’ homes in the next two years.<sup>115</sup> The average rent on these developments is 8.4% higher than other rental homes in London.<sup>116</sup>
61. **Those living in the private rented sector are more likely to live in poor quality, overcrowded conditions than owner-occupiers, and often have limited forms of redress. Many tenants who would previously have been in social housing are now living in expensive private rented accommodation, with their rents subsidised by housing benefit, which is costing the Government around £23.4 billion per year. A transition to spending more on the social housing stock would address this problem over time and help meet the most critical needs.**
62. **We welcome the expansion of ‘build to rent’ where it contributes towards a net addition to housing supply. This emerging area of development will need to be kept under review.**

### *Social housing*

63. Social housing rents are below market prices and are designed to help those whose needs are not served by the market. Social housing is still provided by local authorities but private registered providers, which are primarily housing associations but can include for-profit organisations, are now the main source.

112 *Ibid.*

113 Written evidence from Nationwide Foundation ([UKH0084](#)) and Nationwide Foundation, *Property supply to the lower end of the English private rented sector* (June 2021): <https://nationwidefoundation.org.uk/wp-content/uploads/2021/06/Sustainable-Private-Rented-Sector-FINAL.pdf> [accessed 24 November 2021]

114 Written evidence from Savills ([UKH0080](#))

115 British Property Federation, ‘UK build-to-rent housing supply grows in 2020 despite Covid-19’ (8 February 2021): <https://bpf.org.uk/media/press-releases/uk-build-to-rent-housing-supply-grows-in-2020-despite-covid-19/> [accessed 24 November 2021]

116 JLL, *Evaluating Build to Rent performance* (September 2018): <https://www.jll.co.uk/content/dam/jll-com/documents/pdf/research/emea/uk/jll-residential-insight-build-to-rent.pdf> [accessed 24 November 2021]

## Box 2: Types of social housing

**Homes for social rent:** rent levels are typically set at around 50–60% of market rents and seek to provide long-term security of tenure.

**Homes for affordable rent:** a form of social housing introduced in 2011 which is allocated in the same way as social rented homes but the rent level can be up to 80% of market rent.

**Shared ownership:** a programme which enables home buyers to buy a share of a property, usually between 25% and 75%, and pay a subsidised rent on the remaining share.

64. Four million households live in social rented housing in England, just under a fifth (17%) of all households.<sup>117</sup> In 2019/20, 10% (2.4 million) of all households rented from housing associations and 7% (1.6 million) from local authorities.<sup>118</sup> The proportion of households living in homes for social rent fell from 30% in 1980 to 17% in 2020. We heard that this fall in the number of homes for social rent is due to factors including Right to Buy sales and an inability to replace sold stock, conversions from social rent to affordable rent, and only a limited number of new homes being built for social rent.<sup>119</sup> The number of new social rent lettings made in 2019/20 was 25% lower than in 2012/13, while the number of new affordable rent lettings was 48% higher.<sup>120</sup>

### *Building new social housing*

65. Around 57,600 new affordable homes were delivered in 2019/20. Homes for affordable rent (at up to 80% of the market rate) were the most common type of new affordable housing being built or acquired in 2019/20, making up 47% of the total.<sup>121</sup> Figure 7 shows the additional affordable homes provided by tenure between 1991/92 and 2019/20.<sup>122</sup> There has been a steady decline in social rent as a proportion of new supply, from over 75% in 1991/92 to 11% in 2019/20. In 50 local authorities, no homes for social rent were built over the five-year period from 2015/16 to 2019/20.<sup>123</sup>

117 Ministry of Housing, Communities and Local Government, *National statistics overview: English Housing Survey 2019 to 2020: headline report* (17 December 2020): <https://www.gov.uk/government/statistics/english-housing-survey-2019-to-2020-headline-report> [accessed 24 November 2021]

118 *Ibid.*

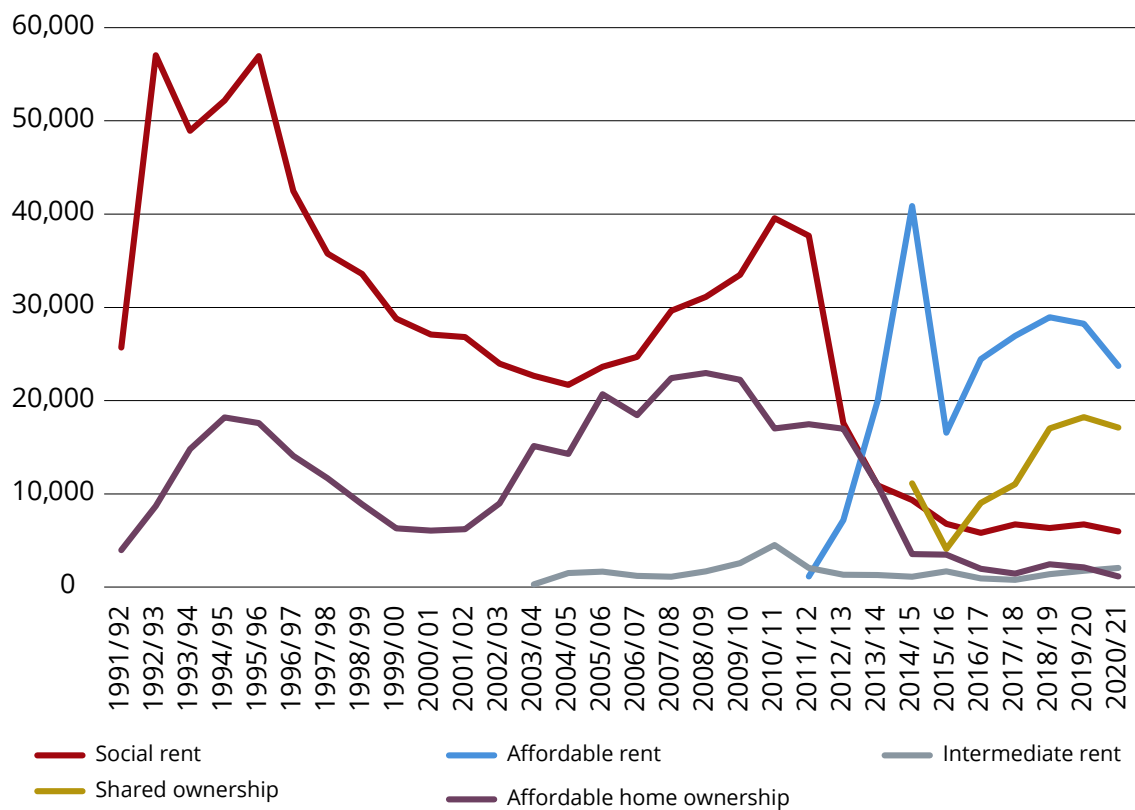
119 For example, Committee visit to Southwark (Appendix 4), [Q 18](#) (Alex Morton) and [Q 69](#) (Grant Butterworth)

120 Ministry of Housing, Communities and Local Government, *Statistical Release: Housing Social Housing Lettings: April 2019 to March 2020, England–April 2021 Update*: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/981724/Social\\_Housing\\_Lettings\\_in\\_England\\_April\\_2019\\_to\\_March\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/981724/Social_Housing_Lettings_in_England_April_2019_to_March_2020.pdf) [accessed 24 November 2021]

121 The term ‘affordable housing’ covers social, affordable and other low-cost rental housing as well as affordable home ownership products. In this context, ‘new’ homes include both new builds and acquisitions. House of Commons Library, *What is affordable housing?* Briefing Paper, [Number 07747](#), 19 April 2021

122 Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities and Local Government, ‘Statistical data set: Live tables on affordable housing supply’ (18 November 2021): <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply> [accessed 24 November 2021]

123 Ministry of Housing, Communities and Local Government, *Statistical release Housing Affordable Housing Supply: April 2019 to March 2020, England* (December 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/940517/AHS\\_2019-20.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/940517/AHS_2019-20.pdf) [accessed 24 November 2021]

**Figure 7: Additional affordable homes provided by tenure**

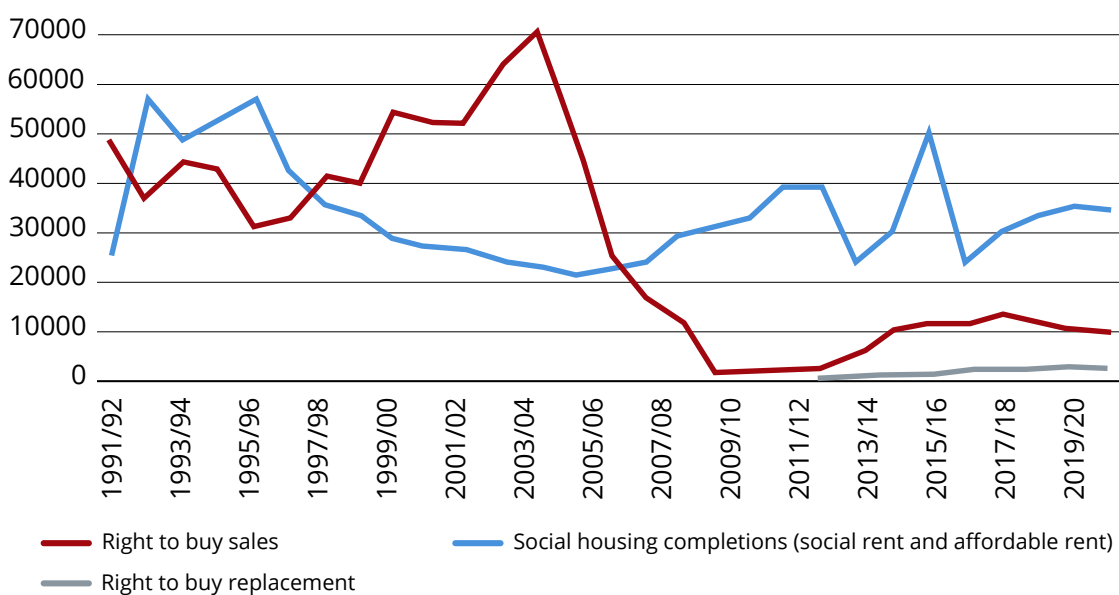
Source: Department for Levelling Up, Housing and Communities, 'Live Tables on Affordable Housing': <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply> [accessed 19 November 2021]

### *Right to Buy*

66. Figure 8 shows the number of new social housing completions (for social rent and affordable rent) as well as the number of homes lost through Right to Buy sales and the number of replacements (since 2012). It shows how much of the social housing stock has been sold through Right to Buy and how councils struggle to replace the stock lost through such sales.<sup>124</sup> The Campaign to Protect Rural England raised a particular concern about rural communities where the current replacement rate for social housing is one new home built in a rural area per eight homes sold, which leaves “limitations on the number of options available for those on low incomes who are seeking social rented housing in rural areas.”<sup>125</sup>

124 It is not possible fully to calculate net additions as no data exist on conversions or change of use. The House of Commons Communities and Local Government Committee recommended that these data be regularly published. Housing, Communities and Local Government Committee, *Building more social housing* (Third Report, Session 2019–21, HC 173)

125 Written evidence from CPRE the countryside charity ([UKH0029](#))

**Figure 8: New social housing completions**

Source: Department for Levelling Up, Housing and Communities, 'Live Tables on Affordable Housing': <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply> [accessed 19 November 2021]

67. The Affordable Housing Commission found that Right to Buy, while popular with the public, has brought about the continued depletion of the social rented sector.<sup>126</sup> The Commission called for reforms to Right to Buy, so that local authorities have discretion to set discount rates, can control capital receipts, and ensure funds are recycled into new affordable homes. On our visit to Southwark Council, we heard about the importance of having flexibility to allocate Right to Buy receipts.<sup>127</sup>
68. The Government made changes to Right to Buy in March 2021, which included:
- Extending the time for councils to spend Right to Buy receipts from three to five years
  - Raising the cap on the percentage cost of new homes councils can fund from Right to Buy receipts from 30% to 40%
  - Allowing receipts to be used for shared ownership and First Homes, as well as affordable and social housing
  - Introducing a cap on the use of Right to Buy receipts for acquisitions.

The impact of these changes will be monitored closely by councils and the Local Government Association.<sup>128</sup>

126 Affordable Housing Commission, *Making Housing Affordable Again: Rebalancing the Nation's Housing System*: <https://nationwidefoundation.org.uk/wp-content/uploads/2020/03/Making-Housing-Affordable-Again.-The-Affordable-Housing-Commission.pdf> [accessed 24 November 2021]

127 See Appendix 4

128 Written evidence from the Local Government Association ([UKH0043](#))

*Social housing need*

69. As of March 2021, 95,450 families had been placed into temporary accommodation by local authorities.<sup>129</sup> There were 1,187,641 households on local authority housing waiting lists in 2021.<sup>130</sup> Research for the National Housing Federation and Crisis in 2018 identified a need for 145,000 new affordable homes per year, of which 90,000 for the next 15 years should be for social rent, 30,000 for affordable rent and 25,000 shared ownership homes.<sup>131</sup> These estimates are based on an analysis of the backlog of housing need at that time (e.g. overcrowded households, those facing serious affordability problems, homeless households in unsuitable accommodation), combined with projections of household growth. The research concluded that a subsidy of around £14.6 billion per year over 10 years would be required to build the new social rented homes.<sup>132</sup> In July 2020, the Commons Levelling Up, Housing and Communities Select Committee in its report *Building more social housing* concluded that the Government should introduce a large-scale social housebuilding programme.<sup>133</sup>
70. Within its overall 300,000 housing target, the Government has not set targets for housing types and tenures, despite having made commitments on starter homes and increasing owner occupancy. Alex Morton, Head of Policy at the Centre for Policy Studies said, “There is a legitimate argument about how much affordable or social rent there should be. For political reasons people will always have different preferences” but “a group of people will always need affordable housing, which is a different market niche that can increase overall supply.”<sup>134</sup>
71. Witnesses raised concerns about whether ‘affordable’ rents, set at around 80% of the market rate, were genuinely affordable, especially in high-cost areas. Between 2012 and 2018 over 111,000 social rent homes were converted to affordable rents.<sup>135</sup> The Nationwide Foundation said that “In areas where the housing market is overheated, our concern is that the government’s lack of an affordability definition is, in effect, pushing low-income households into poverty.”

*Affordable Homes Programme*

72. The Government’s Affordable Homes Programme 2021–26 is an initiative to boost the construction of new affordable homes in England. Homes England will distribute £7.5 billion of the funding and the Government will negotiate with the Greater London Authority on the use of an additional £4 billion for London. The Government’s goal is to see 130,000 new affordable properties

129 Ministry of Housing, Communities and Local Government, *National statistics overview: English Housing Survey 2019 to 2020: headline report* (17 December 2020): <https://www.gov.uk/government/statistics/english-housing-survey-2019-to-2020-headline-report> [accessed 24 November 2021]

130 Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government, ‘Live Table 600: Numbers of households on local authorities’ housing waiting lists by district 31 March 1997–2021’: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/995281/Live\\_Table\\_600\\_June\\_2021\\_revisions.ods](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/995281/Live_Table_600_June_2021_revisions.ods) [accessed 25 November 2021]

131 Professor Glen Bramley, *Crisis and National Housing Federation Housing supply requirements across Great Britain* (November 2018): [https://www.crisis.org.uk/media/239700/crisis\\_housing\\_supply\\_requirements\\_across\\_great\\_britain\\_2018.pdf](https://www.crisis.org.uk/media/239700/crisis_housing_supply_requirements_across_great_britain_2018.pdf) [accessed 25 November 2021]

132 *Ibid.*

133 Housing, Communities and Local Government Committee, *Building more social housing* (Third Report, Session 2019–21, HC 173)

134 [Q 15](#) (Alex Morton)

135 Written evidence from Crisis ([UKH0052](#))

built outside London by 2026, with more built in London under the programme. 50% of the funding for the Affordable Homes Programme will be allocated to homeownership products, predominantly shared ownership, with an aim of building 57,000 homes for affordable ownership. The Government expects that the programme will also deliver around 30,000 new homes for social rent.<sup>136</sup> The Government has not, however, set targets for the delivery of homes by tenure type.<sup>137</sup> Research by the Chartered Institute of Housing has found that, of the £53 billion housing budget from 2019/20 to 2023/24, over three-quarters will be directed to private housing. That compares with £18 billion on affordable housing, where the 2021–26 Affordable Homes Programme is one of the most expensive policies.<sup>138</sup>

73. Crisis recommended that the Government should “increase the proportion of the programme spent on social renting” which would “deliver more social housing over a shorter timescale than the scale of delivery currently envisaged, while Government works with the social housing and construction sectors ... to scale up investment in delivery of homes for social rent.”<sup>139</sup> Shelter said that the programme’s “prioritisation of homeownership at the expense of genuinely affordable social rent homes means that in its current form it will not address the huge shortage of social housing in all the regions.”<sup>140</sup>
74. The Local Government Association warned that the Government’s approach of “announcing new funding every five or so years” is “highly inefficient because it gives only short-term certainty over the future availability of grant.” They said that “A lack of certainty can lead to pronounced peaks and troughs in delivery, with ‘lumpiness’ that drives up unit costs and has the knock-on effect of preventing innovation and investment in the housebuilding supply chain.”<sup>141</sup>
75. As it has been some time since local authorities delivered large-scale housing development programmes, some councils have warned of a lack of skilled staff in several fields, such as project management, procurement, development and financial/business planning. The Minister told us that Homes England had set up the Local Government Capacity Centre, which is a ‘hub’ to provide interested local authorities with the skills and support to improve delivery of social housing. We discuss skills shortages further in Chapter 7.
76. **There is a serious shortage of social housing, which is reflected in long waiting lists for social homes and a large number of families housed in temporary accommodation. The Government should set out what proportion of funding for the Affordable Homes Programme it believes should be spent on homes for social or affordable rent.**

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136 Ministry of Housing, Communities and Local Government, ‘£8.6 billion for affordable homes to give boost onto housing ladder’ (31 August 2021): <https://www.gov.uk/government/news/86-billion-for-affordable-homes-to-give-boost-onto-housing-ladder> [accessed 24 November 2021]

137 Written evidence from Crisis ([UKH0052](#))

138 The HRAs hold the council’s income from rents and services charges collected from tenants, and spends this money exclusively on building and maintaining housing. Written evidence from Optivo ([UKH0068](#)) and Chartered Institute of Housing, *Rethinking social housing: final report*, (June 2018): <https://assets-eu-01.kc-usercontent.com/c783d326-05c6-0106-90ef-624f23b543bd/e99612d4-0483-48d8-b281-dd97268bb9fa/Rethinking%20social%20housing%20report.pdf> [accessed 24 November 2021]

139 Written evidence from Crisis ([UKH0052](#))

140 Written evidence from Shelter ([UKH0065](#))

141 Written evidence from the Local Government Association ([UKH0043](#))

77. **Right to Buy has left some councils unable to replace their social housing stock. Right to Buy must be reformed to help councils replenish their social housing stock: councils should keep more of the receipts from Right to Buy sales, have a longer period to spend the receipts, and there should be tighter restrictions on the conditions under which social homes can be bought.**

### Homes for older people

78. One of the most important challenges in the coming years will be ensuring there is a good supply of suitable housing as the population ages. In the 10 years up to 2028, the number of households with people aged 75 and over living on their own is expected to increase by 461,000.<sup>142</sup> By 2032, the number of people over 80 is estimated to rise to 5 million, up from 3.2 million presently.<sup>143</sup> This demographic shift will clearly have a significant bearing on the housing market and the types of homes that will be required. The Lifestory Group, a later-living housebuilder, highlighted the need for “a diverse range of well designed, sustainable, later living homes delivered to provide older people with suitable housing choices”. They stressed that “failure to meet this demand will put greater pressure on already overstretched resources, including adult social care and the NHS.”<sup>144</sup> The Commons Levelling Up, Housing and Communities Committee published a report *Housing for Older People* in 2018.<sup>145</sup>

#### *Specialist housing*

79. There was discussion among witnesses on how much meeting the demand of housing an ageing population should be through specialist housing for the elderly. Such specialist housing includes retirement properties, care homes and housing-with-care, which combines independent living with support and care.
80. McCarthy Stone told us that there is a “structural shortage of suitable housing options for older people and more retirement communities are needed for the UK’s rapidly aging population.”<sup>146</sup> On the other hand, the Centre for Ageing Better told us that “only 5% of over-65s live in specialist housing, while the vast majority of older people live in mainstream housing and 80% wish to remain in their own homes as they age.”<sup>147</sup> They added: “Older people are a diverse group with varying needs and require a range of mainstream housing options, and specialist homes only form a small part of the solution.”<sup>148</sup>
81. The Cambridge Centre for Housing and Planning Research said that between one quarter and one third of older people are consistently found to express interest in moving to a new house, but only 3.4% of older adults do so and most of them move within mainstream housing, rather than into specialised housing for older people. While this implies that there is “not currently huge demand for specialised housing options”, this low number

142 Written evidence from National Association of Local Councils (UKH0016)

143 Office for National Statistics, ‘Living longer: caring in later working life’ (15 March 2019):- <https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongerhowourpopulationischangingandwhyitmatters/2019-03-15> [accessed 24 November 2021]

144 Written evidence from Lifestory Group (UKH0021)

145 Communities and Local Government Committee, *Housing for older people* (Second Report, Session 2017–19, HC 370)

146 Written evidence from McCarthy Stone (UKH0040)

147 Written evidence from Centre for Ageing Better (UKH0051)

148 *Ibid.*



of moves may be “constrained by the low supply of such homes and poor distribution throughout the country, as well as demand-side barriers. These figures suggest that moving to a new house may be popular in theory, but that older people are deterred from making such moves in practice.”<sup>149</sup>

82. Around 7,500 new retirement properties were built in 2019. The current housing composition of the later living sector is:

- Retirement housing:
  - 67.5% social rent (505,783 units)
  - 21.3% private sale (159,687)
  - 0.4% private rent (2,836)
- Extra care/housing-with-care:
  - 7.7% social rent (57,690)
  - 2.8% private sale (21,284)
  - 0.2% private rent (1,722)<sup>150</sup>

### **Box 3: International housing-with-care best practice**

Housing-with-care combines independent living with 24/7 onsite staffing, social care and communal facilities and services. In New Zealand, Australia and the USA at least 5–6% of the over-65 population has the option to live in housing-with-care. In the UK, this is just 0.6%.

Following the introduction of sector-specific regulation and legislation, the housing-with-care sector in New Zealand has flourished. Five out of the top 15 residential housebuilders in the country are retirement community operators, including the top housebuilder, Ryman Healthcare.

Source: *Written evidence from the Associated Retirement Community Operators (UKH0011)*

83. One innovative, community-led form of specialist housing is co-housing, “where citizens come together to design, develop and collectively manage housing to meet their needs.”<sup>151</sup> In co-housing residences, each resident has their own private home whilst sharing a range of communal facilities including a common house for eating and activities, gardens, small-scale energy generation and car-pools. The UK Co-housing Network told us: “Co-housing classically, but not exclusively, is an attractive option for an ageing population as they seek to live independently in a mutually supportive smaller home, within a sociable community.” Intergenerational cohousing, where older and younger people live alongside each other, has been “shown to be a way where those with equity may leverage up those starting out to share life, skills and resources.”<sup>152</sup>

149 Written evidence from Cambridge Centre for Housing and Planning Research (UKH0028)

150 Written evidence from McCarthy Stone (UKH0040), see also Knight Frank, *Seniors Housing Development Update 2021*: <https://www.knightfrank.com/research/report-library/seniors-housing-development-update-2021-8317.aspx> [accessed 24 November 2021]

151 Written evidence from UK Cohousing Network (UKH0033)

152 *Ibid.*

#### Box 4: New Ground co-housing community, High Barnet

The UK's first senior cohousing community, New Ground in High Barnet, opened in 2016 with 26 women members. Two thirds of the group are aged over 70 and a third are over 80. Almost all of the women previously lived alone. The group live in a new, purpose-built block of flats with gardens. Occupants live in their own accommodation but share common areas including a common room, guest room, laundry and gardens. 17 flats are owner-occupied; 8 are for social renters on assured tenancies. In the Netherlands, with a population of around 17 million, there are at least 300 older people's co-housing communities.

Source: Maria Brenton, UK Cohousing Senior Cohousing Ambassador, Maria's blog: <https://www.owch.org.uk/news-articles/2021/9/30/marias-blog> [accessed 22 December 2021]

#### *Under-occupation of housing*

84. There was a debate among witnesses about older people under-occupying larger, family homes. On the one hand, we heard that a “lack of retirement housing” is “one of the key factors contributing towards older people staying in large, unsuitable houses for longer instead of downsizing.”<sup>153</sup> This can cause “stagnation in the housing market, as it prevents younger buyers from trading up to larger houses, which in turn prevents first-time buyers from entering the housing market at all” and can “result in older people needing to spend more time in hospitals and care homes as their homes do not meet their needs”.<sup>154</sup> McCarthy Stone said that it is “becoming increasingly clear that there is a large bottleneck at the top of the housing market, particularly with the abundance of older people who want to downsize and are not able to.”<sup>155</sup>
85. The Minister said: “There is an opportunity to encourage downsizing and the growth of the later-living sector in order to free up the two and three-bedroom semis in the middle of the market so that those properties can be moved into.”<sup>156</sup>
86. On the other hand, the Cambridge Centre for Housing and Planning Research said that while “Older households are often accused of ‘hoarding’ space that could be used for families”, “this does not reflect the multiple uses of space amongst older people, many of whom now work into retirement, care for grandchildren, and house multiple generations of their families at various points.”<sup>157</sup>
87. Barriers to older people ‘down-sizing’ or ‘right-sizing’ can include: emotional bonds; fear of change; the cost of Stamp Duty Land Tax which increases with property price and so with size; reluctance to lose a principal financial asset; and a lack of choice in appropriate accommodation to move to.<sup>158</sup> We also heard that some housing schemes for the elderly are based on unfair terms and can result in additional costs. The Nationwide Foundation wrote that most lower-income older households “own their own homes, but they experience problems of non-decent housing as they do not have surplus

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153 Written evidence from the Intergenerational Foundation ([UKH0022](#))

154 *Ibid.*

155 Written evidence from McCarthy Stone ([UKH0040](#))

156 [Q 90](#) (Rt Hon. Christopher Pincher MP)

157 Written evidence from Cambridge Centre for Housing and Planning Research ([UKH0028](#))

158 House of Commons Library, Housing an ageing population: a reading list, Briefing Paper, [Number 09239](#), 3 June 2021

income to spend on costly repairs and adaptations. This means that their homes do not meet their changing, and often deteriorating, health and mobility needs.”<sup>159</sup>

*Government response*

88. The Minister said that this is an “area that we [the Government] need to focus on for good economic, social welfare and green reasons.”<sup>160</sup> The Minister said it requires discussion with other Government departments, including the Department for Health and Social Care and HM Treasury.
89. The Government has committed that 10% of homes built through the Affordable Housing Programme will be for specialist or adaptable living, which would deliver around 20,000 properties. However, witnesses raised the concern that this should not be at the expense of funding for social housing.
90. **There will need to be a mix of more suitable, accessible ‘mainstream’ housing and specialist housing for the elderly if the housing market is to be sustainable in the coming years as the population ages. Older people’s housing choices are constrained by the options available.**
91. **Little progress has been made on housing for the elderly. As demand changes as the population ages, a more focussed approach is needed. The Government must take a coordinated approach to the issue of later living housing, between departments and through the National Planning Policy Framework.**

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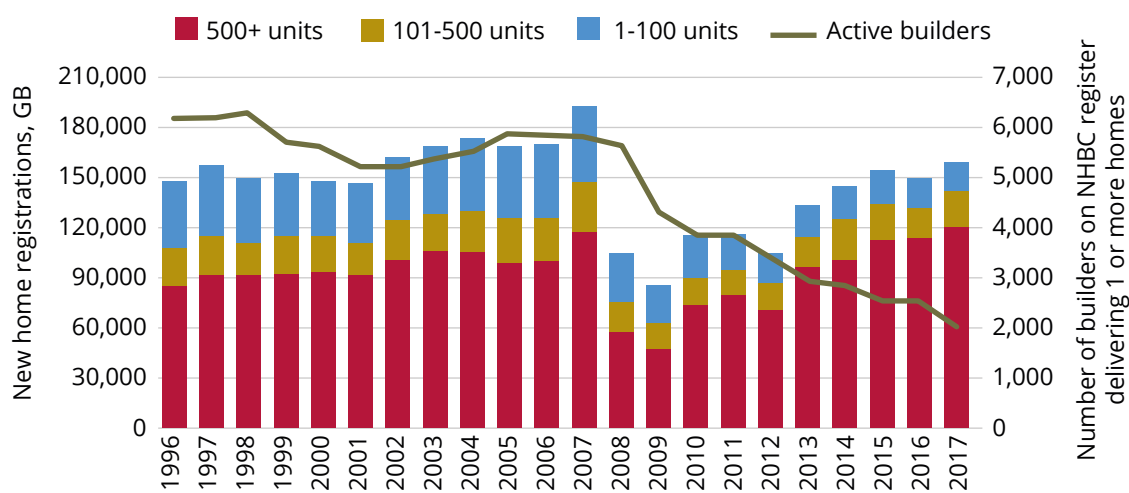
159 Written evidence from Nationwide Foundation ([UKH0084](#))

160 [Q 90](#) (Rt Hon. Christopher Pincher MP)

## CHAPTER 4: SME HOUSEBUILDERS

92. A prevalent and concerning trend in the development of new homes has been the sharp decline in SMEs housebuilders: in 1988 SME builders constructed 39% of new homes; by 2020 this had dropped to 10%.<sup>161</sup> While the industry as a whole has grown in recent years, housing delivery has increasingly relied on a smaller number of large developers, as shown in Figure 9.<sup>162</sup> The number of SME housebuilders has approximately halved since 2007; many have been acquired by larger builders over the years or ceased operations.<sup>163</sup> When discussing this sharp decline, the Minister said: “we have to get those numbers back up.”<sup>164</sup>

**Figure 9: Output by size of housebuilder**



Source: Savills and LDS, *A review of the availability of development sites for SME housebuilders in England and Wales* (2021): <https://ldsyoursite.com/savills-sme-housebuilders-report-demonstrates-huge-potential> [accessed 16 December 2021]

93. In this chapter, we consider how to ensure SME housebuilders can contribute to meeting housing demand. We look at the three major challenges identified by SMEs—planning, land availability and funding—and discuss how they may be addressed.

### Advantages of a diverse and competitive housebuilding market

94. The loss of SME housebuilders has clearly affected the industry’s ability to meet its housebuilding targets. The Home Builders Federation calculated that returning to the number of home builders operational in 2007 could help boost housing supply by 25,000 homes per year. Even a return to 2010 levels could help increase output by 11,000 homes per year.<sup>165</sup>

161 Savills and LDS, *A review of the availability of development sites for SME housebuilders in England and Wales* (2021): <https://ldsyoursite.com/savills-sme-housebuilders-report-demonstrates-huge-potential> [accessed 16 December 2021]

162 *Ibid.*

163 *Ibid.*

164 **Q 87** (Rt Hon. Christopher Pincher MP)

165 Home Builders Federation, *Reversing the decline of small housebuilders: Reinvigorating entrepreneurialism and building more homes* (2017): [https://www.hbf.co.uk/documents/6879/HBF\\_SME\\_Report\\_2017\\_Web.pdf](https://www.hbf.co.uk/documents/6879/HBF_SME_Report_2017_Web.pdf) [accessed 26 November 2021]

95. The House of Lords Economic Affairs Committee’s 2016 report, *Building more homes*, concluded:

“The large private builders operate a business model which makes commercial sense for them but does not deliver an increase in the supply of new homes on the scale required. The market has oligopolistic characteristics: the eight largest builders build more than 50% of new homes and smaller builders find it difficult to operate.”<sup>166</sup>

These characteristics still dominate the housebuilding landscape. The largest four developers complete around 60,000 homes annually, approximately one third of the total.<sup>167</sup> Brian Berry, Chief Executive Officer of the Federation of Master Builders, told us: “If we are going to deliver [more homes], we need to increase capacity in the housebuilding industry. We need to create a more diverse housebuilding industry. We need to overcome the barriers that SME housebuilders face.”<sup>168</sup>

96. We heard that, in addition to providing competition for the volume housebuilders, there were advantages to ensuring that SME housebuilders could continue to develop homes. Brian Berry told us:

“Local housebuilders tend to live in the community in which they are building, so their reputation is at stake. They make sure that the homes they build are of high quality. Consumers are reported as being twice as satisfied with the quality of homes built by local housebuilders as compared with those built by one of the volume housebuilders.”<sup>169</sup>

97. As most SME developers live and work within their community, they also contribute to shaping local communities. The Land Promoters and Developers’ Federation said: “In recent years, housing development has become focused within a fewer number of larger builders, hence housing design has tended to become more standardised and housing layouts can take a strikingly similar form.”<sup>170</sup>

### Addressing the barriers

98. SME housebuilders consistently identify three main barriers to development: planning, land availability and funding. The Government is aware of these barriers, as identified in their submission to our inquiry.

### Planning system

99. Complexity and delays in the planning system, which we discuss in detail in Chapter 5, act as a barrier to SME housebuilders in particular. In addition, smaller builders have a particular struggle with the uncertainty of decision making including with respect to Section 106 obligations. LDS, a company which provides sales guarantees to SME housing developers, said that while it is “understandable that planning authorities are rigorous in process, for many SMEs, the planning system itself is a deterrent.”<sup>171</sup> Research by the

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166 Economic Affairs Committee, *Building more homes* (1st Report, Session 2016–17, HL Paper 20)

167 Written evidence from Home Builders Federation ([UKH0044](#))

168 [Q 67](#) (Brian Berry)

169 [Q 62](#) (Brian Berry)

170 Written evidence from Land Promoters and Developers’ Federation ([UKH0092](#))

171 Written evidence from LDS ([UKH0100](#))

Home Builders Federation found that 48% of SME housebuilders say the planning system is constraining their output.<sup>172</sup>

100. We heard that delays in securing planning permission have a significant impact on SMEs who, unlike the big developers, are often not able to use funds raised from one site to fund another and lack internal capital. The Home Builders Federation said: “Over the past 30 years, the process of obtaining planning permission has become riskier, costlier, and more complex.” They added: “While larger companies can mitigate risk across dozens of sites in some cases, small firms encountering delays on one or two sites will be the difference between a year of growth and a year of contraction.”<sup>173</sup> As we discuss in Chapter 5, appeals processes are increasingly being used, especially in areas with no local plan. The Home Builders Federation said: “For SME developers in particular, the expensive and drawn-out appeals process can cripple the balance sheet and cash-flow, delay important business decisions and stifle opportunities for growth and housing.”<sup>174</sup>
101. The Minister told us that one of the aims of the Government’s proposed planning reforms is to “make sure that the planning rules would be sufficiently predictable to make it much more attractive for land to come forward, particularly for SME developers”. He added “it would therefore encourage them to get into the marketplace to develop.”<sup>175</sup> The Minister recognised the impact of planning delays on SMEs; he said SMEs “do not have the bandwidth to wait around for a long time, which the present system tends to encourage”.<sup>176</sup> This could be addressed through enabling a system of ‘pre-packaged’ planning permissions for small sites and providing a fast-track for SMEs.
102. The UK Collaborative Centre for Housing Evidence suggests that reducing planning risk and delay could have wider benefits for the sector, as it would reduce the ability of large developers to control the supply of new homes within a local market to maintain house prices.<sup>177</sup>
103. **The role of SMEs in the housebuilding industry has seen a sharp decline: in 1988, SME housebuilders built 39% of new homes, by 2020 this had dropped to 10%. The Government should encourage SME housebuilders in order to diversify the market and maintain competition.**
104. **Local authorities should support SME housebuilders to navigate the planning process. One focus of the Government’s planning reforms should be to reduce planning risk by making decisions more predictable and reducing delays, which will benefit SMEs. The Government should work with local planning authorities to create a fast-track planning process for SMEs.**

### *Land availability*

105. In addition to planning risk, a major challenge facing SME housebuilders is the limited number of small sites for development. Brian Berry told us “If

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172 Written evidence from Home Builders Federation ([UKH0044](#))

173 *Ibid.*

174 *Ibid.*

175 [Q 93](#) (Rt Hon. Christopher Pincher MP)

176 *Ibid.*

177 Written evidence from UK Collaborative Centre for Housing Evidence ([UKH0055](#))

you want more diversity and creative design, you must provide that land.”<sup>178</sup> In order to address this barrier, he pointed to the need for local plans to identify more small sites, rather than just large strategic developments. He said: “Local authorities find it easier to deal with one larger housebuilder compared to lots of local housebuilders ... It is too easy for local authorities to rely on volume housebuilders to provide the homes needed.”<sup>179</sup>

106. We asked Homes England what they are doing to help SME housebuilders access suitable land for development. They told us that for Homes England sites over 500 homes, they typically pursue a ‘master developer’ model and split the site into smaller land parcels which are then sold and developed separately, giving SME developers a realistic prospect of a successful bid.<sup>180</sup>
107. An additional way of increasing the availability of small sites is to grow the number of self-commissioned new homes. Around 13,000 homes are self-commissioned in the UK each year.<sup>181</sup> In some markets, such as Austria, Germany, Poland and Japan, self-commissioned housing is the dominant form of housebuilding.<sup>182</sup> An independent report, commissioned by the Government, on scaling up self-build and custom housebuilding by Richard Bacon MP was published in August 2021.<sup>183</sup> The report recommended a new Custom and Self-Build Housing Delivery Unit within Homes England to enable the creation of serviced building plots on small and large sites and support the delivery of custom and self-build housing at scale.
108. **Wider adoption of the ‘master developer’ model, where larger sites are built out by a number of different housebuilders, would help SME housebuilders bid for more secure developments. The Government should require local planning authorities and Homes England to increase the percentage of homes on larger sites each year which are built by SME housebuilders.**

### *Finance*

109. Access to finance is one of the key barriers for SME housebuilders who often have limited cash resources. As the Minister identified, SME housebuilders “tend to live hand to mouth; they build to sell to get the cash in to build again.”<sup>184</sup>
110. Homes England told us that they provide debt and equity finance through programmes such as the £4.5 billion Home Building Fund, which was announced in November 2020. Homes England’s aspiration is for the programme to deliver more than 73,500 homes; this finance has already supported 306 SMEs who hold contracted or approved deals. However, we heard that the value of loans agreed through the Home Building Fund

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178 Q 86 (Brian Berry)

179 Q 76 (Brian Berry)

180 Written evidence from Homes England (UKH0115)

181 Written evidence from UK Cohousing Network (UKH0033)

182 The Bacon Review, *House: How putting customers in charge can change everything* (2021): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1013928/Bacon\\_Review.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1013928/Bacon_Review.pdf) [accessed 2 December 2021]

183 Ministry of Housing, Communities and Local Government, *Independent review into scaling up self-build and custom housebuilding: report* (21 August 2021): <https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report> [accessed 26 November 2021]

184 Q 94 (Rt Hon. Christopher Pincher MP)

reduced by 44% last year.<sup>185</sup> The Government has also set up the ENABLE Build Guarantee with the British Business Bank which will make available up to £1 billion of guarantees to support finance for smaller housebuilders.<sup>186</sup> The Minister said that Homes England supports SMEs through “resources and expertise to help SMEs, essentially, grow their businesses and help them to learn the softer skills that you need to build a business from a smaller scale to a slightly larger scale.”<sup>187</sup>

111. The Home Builders Federation recommends that the Government provides guarantees to lenders to help bridge the gap between current lending terms and enable higher loan-to-cost ratios (perhaps from 60% to 80%). It suggests that the Government should take action to help lenders identify and address the “structural issues” that prevent SMEs accessing finance on reasonable terms.<sup>188</sup>
112. **Access to finance is one of the key barriers for SME housebuilders. The Government should work with lenders to encourage them to provide more support to SME housebuilders on commercial terms.**

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185 Written evidence from LDS ([UKH0100](#))

186 British Business Bank, ‘British Business Bank ENABLE Build programme launches, offering further support for smaller housebuilder finance’ (7 May 2019): <https://www.british-business-bank.co.uk/press-release/british-business-bank-enable-build-programme-launches-offering-further-support-for-smaller-housebuilder-finance/> [accessed 26 November 2021]

187 [Q 107](#) (Rt Hon. Christopher Pincher MP)

188 Home Builders Federation, *Reversing the decline of small housebuilders: Reinvigorating entrepreneurialism and building more homes*



## CHAPTER 5: PLANNING

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113. Planning performs an important function by enabling central and local government to determine how many homes should be built, ensure they are of the right type and in the right places, and identify areas to be protected and areas to be developed. The planning system balances wider considerations such as transport, employment, health, sustainability, and climate change, with housing demand and urban development, subject to public consultation. Throughout our inquiry, however, we heard that the planning system acts as a barrier to meeting housing demand by increasing delays, adding costs and causing uncertainty, and raising barriers—particularly for SMEs.
114. Over the last 30 years, successive governments have expressed concern with the planning system and its ability to deliver the number of homes needed; our inquiry is not the first to consider these issues. Dame Kate Barker’s first report on housing supply, published in 2003, said “The long-term upward trend in house prices and recent problems of affordability are the clearest manifestations of a housing shortage in the UK”.<sup>189</sup> Subsequent major reviews of these issues include: the 2004 Barker report on housing supply, the 2006 Barker Review of land use and the 2018 Letwin review of ‘build out’ rates, the rate at which agreed developments are completed. Parliamentary reports include the 2018 Lords Economic Affairs Committee’s *Building more homes* report and, more recently, the Commons Levelling Up, Housing and Communities Committee’s report on the Planning White Paper.<sup>190</sup> The thorough exploration of these issues raises questions as to why the planning system’s impact on meeting housing demand has not been successfully addressed.
115. The Government published the National Planning Policy Framework in 2012 to try to simplify the system and speed up decision making.<sup>191</sup> This was followed by successive updates, the latest in July 2021. A White Paper, *Fixing our Broken Housing Market*, published in 2017, included plans for a new housing delivery test, more freedoms to maximise density on existing brownfield land, new quality standards, measures aimed at closing the gap between planning permissions granted and homes built, and changes to the system of developer contributions<sup>192</sup>. These reforms were not brought forward in legislation.

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189 Dame Kate Barker, *Review of Housing Supply: Securing our Future Housing Needs: Interim Report – Analysis* (December 2003): [http://news.bbc.co.uk/1/shared/spl/hi/uk/03/budget/documents/pdf/barker\\_review\\_foretoch3\\_396.pdf](http://news.bbc.co.uk/1/shared/spl/hi/uk/03/budget/documents/pdf/barker_review_foretoch3_396.pdf) [accessed 25 November 2021]

190 Economic Affairs Committee, *Building more homes* (1st Report, Session 2016–17, HL Paper 20) and Housing and Communities and Local Government Committee, *The future of the planning system in England* (First Report, Session 21-22, HC 38)

191 Department for Communities and Local Government, ‘National Planning Policy Framework’ (27 March 2012): <https://www.gov.uk/guidance/national-planning-policy-framework> [accessed 24 November 2021]

192 Ministry of Housing, Communities and Local Government, *Policy paper: Fixing our broken housing market* (7 February 2021): <https://www.gov.uk/government/publications/fixing-our-broken-housing-market> [accessed 24 November 2021]

116. Most recently, the Government published its White Paper on reforms to the planning system in England, *Planning for the Future*, in August 2020.<sup>193</sup> The proposals included a further commitment to the national target of 300,000 more homes per annum by setting binding housing targets for local authorities and ensuring that authorities have a valid local plan in place with a five-year supply of land. The Government is still considering the 44,000 responses to the White Paper consultation. There is some discussion about the political viability of these reforms, given responses to the proposals. This chapter discusses some of the key elements of these proposals and considers alternative solutions.
117. A common theme among witnesses was a concern about the ‘chilling effect’ that uncertainty about planning reforms is having on the system over and above the hurdle the present system imposes on the construction industry. When the future of planning is uncertain, landowners are reluctant to sell land for development, developers are reluctant to submit plans that they may have to change later, and councils are hesitant about drafting or approving new local plans. The proposals in the White Paper amounted to the most radical change of the system since 1947, so continuing uncertainty about which elements of these proposals will be implemented has left both developers and councils unable to make the commitments required for the Government to meet its ambitious housing targets.
118. **Uncertainty about the future planning system and delays to planning reforms have had a ‘chilling effect’ on housebuilding and created uncertainty for planners and housebuilders. The Government needs to set out its strategy for the planning system.**

### Local plans and zoning

119. Under the current planning system, local planning authorities are required by the National Planning Policy Framework to prepare a local plan for their area. This may involve a single local authority preparing a local plan for its own area or a group of local authorities working together to prepare a local plan for their combined areas. The local plan guides decisions on future development proposals. Local plans set out a long-term framework for the future development of an area. They define: the priorities for an area, strategic policies, housing needs, and land allocations, amongst other areas. The National Planning Policy Framework states that if a plan is absent or out of date, a ‘presumption of favour of sustainable development’ is introduced, which reduces councils’ say over individual developments. Local plans are examined by the Planning Inspectorate to assess whether they have been prepared in accordance with various duties.
120. In March 2020, the Government set a deadline of December 2023 for all authorities to have up-to-date local plans in place.<sup>194</sup> As of 2020, only 40% of local plans were less than five years old or have been updated or

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193 Ministry of Housing, Communities and Local Government, *White paper: Planning for the future* (August 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/958420/MHCLG-Planning-Consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/958420/MHCLG-Planning-Consultation.pdf) [accessed 29 November 2021] and Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities and Local Government, *Closed consultation overview: Planning for the future* (4 February 2021) <https://www.gov.uk/government/consultations/planning-for-the-future> [accessed 24 November 2021].

194 Ministry of Housing, Communities and Local Government, ‘Councils urged to ensure Local Plans are up to date’ (19 January 2021): <https://www.gov.uk/government/news/councils-urged-to-ensure-local-plans-are-up-to-date> [accessed 24 November 2021]

reviewed in the past five years. Only 30% of local plans would be considered valid if using the Government's definition that the council must be able to demonstrate that it has sufficient land identified in the plan for five years of housing development. Over 80% of local planning authorities will need to review an existing plan or adopt a new plan, to meet the Government's proposed deadline of December 2023.<sup>195</sup>

121. The widespread absence of up-to-date local plans suggests that the current system is not 'plan-led' and relies on consideration of individual cases and appeals. This limits community engagement with the vision for local areas' development, increases uncertainty for the local community and developers, and adds to the costs of development. Witnesses raised the concern that councils are often not provided with additional resources, for example for schools and medical facilities, when additional homes are built and more people move into the area. We heard that blockers to local plans include: delays and changes to central government infrastructure projects, repeated rounds of public consultation, local elections leading to policy change, and Natural England decisions on environmental matters, amongst others.
122. **Only 40% of local plans are less than five years old or have been updated or reviewed in the past five years. The lack of local plan-making means the system is not 'plan led' and creates an uncertain environment for housebuilders. It also prevents councils from taking a strategic approach to development. We support the Government's proposals to get councils to make local plans within the 30-month target. Meeting this target will require more planning skills and resources within local planning authorities**

*The Government's proposals*

123. The Planning White Paper set out an ambition for homes to be built more quickly through designating 'zones' in local plans and cutting down the time taken to develop a local plan. These simplified local plans would place land in three categories: growth areas, renewal areas and protected areas (see Box 5).

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195 Written evidence from CPRE the countryside charity ([UKH0029](#)) and the Countryside Charity, 'Planning under fire as our new research shows issues with local plans' (20 May 2020): <https://www.cpre.org.uk/about-us/cpre-media/only-third-councils-have-up-to-date-local-plan/> [accessed 24 November 2021]

### Box 5: Zoning proposal definitions

**Growth areas:** places “suitable for substantial development”, including new settlements and urban extension sites, and areas for redevelopment, such as former industrial sites or urban regeneration sites. Proposals in these areas would automatically be granted outline planning permission for the principle of development, with full permission achieved through streamlined and faster consent routes.

**Renewal areas:** places “suitable for development”, including gentle densification and infill of residential areas, development in town centres, and development in rural areas that are not annotated as growth or protected areas. Specified forms of development that meet the design and other conditions of the local plan would receive automatic consent. Other proposed developments would have a faster planning application process.

**Protected areas:** places “which, as a result of their particular environmental and/or cultural characteristics, would justify more stringent development controls to ensure sustainability”. These would include Green Belt and Areas of Outstanding Natural Beauty, amongst others. Proposals in these areas would follow the current process.

Source: Ministry of Housing, Communities and Local Government, *White Paper: Planning for the future*

124. The White Paper sets the ambition that this system of zoning would halve the time to acquire planning permission on larger sites. The proposals include a statutory duty for local planning authorities to adopt a new local plan within 30 or 42 months of the new legislation being introduced. Proposals consistent with local zone requirements and local design guidelines would be granted quasi-automatic permission once some conditions have been met, such as environmental protection requirements. Community engagement in the process would, therefore, come largely at the early plan development stage.

#### *Improving local plan making*

125. We received a significant volume of evidence which recommended reforms of the local plan-making process, but which stopped short of the zoning proposals in the Government’s White Paper. These suggestions included:

- Make the preparation and adoption of 10-year local plans mandatory, to set out clearly the housing numbers required (including affordable homes) and subject to rolling (at least five yearly) reviews<sup>196</sup>
- Strategic oversight of local plans through introducing regional plans<sup>197</sup>
- Meaningful sanctions, which are enforced, for those who continually fail to provide a local plan<sup>198</sup>
- Simplification of the plethora of strategic plans required and their competing timeframes; it is hard for a local plan to consider a 15–20 year timeframe when utility companies only have a 5 year plan<sup>199</sup>

196 Written evidence from Chartered Planners in Academic Practice Group ([UKH0062](#))

197 Including [Q 73](#) (Grant Butterworth), written evidence from the CPRE Countryside Charity ([UKH0029](#)), Royal Town Planning Institute ([UKH0094](#)), and UK2070 Commission ([UKH0075](#))

198 Written evidence from Lifestory Group ([UKH0021](#)) and Barratt Developments ([UKH0099](#))

199 Written evidence from Cornwall Council ([UKH0063](#))

- Simplification of the requirements on the local plan-making process
  - Increase resources for councils, to enable them to recruit the necessary skills and expertise to deliver a local plan (we discuss this further in Chapter 6).
126. This pointed towards the need for local plans to be simplified and standardised. The Minister told us that the Government aims to “simplify the process and make it much more outcome driven rather than process or step oriented.”<sup>200</sup> We heard that in a many cases local plans are held up by a complex array of challenges, including land supply, changing targets, biodiversity requirements and other environmental protections.<sup>201</sup> Additionally, practices differ between authorities on the mapping and terminology used. Savills told us that standard templates would help meet the Government’s objective of shorter local plans that take less time to agree.<sup>202</sup> Savills said this would also help promote more straightforward local plans which are more accessible to the public.
127. **Local plans are currently too complex and detailed, which results in delays. Alongside introducing time limits on plan-making processes, the Government should produce standardised definitions and simplified guidance for local planning authorities. Simplification will also aid community engagement with local plans.**

### Community engagement

128. Community engagement is necessary to enable people to shape the places in which they live. We heard of the benefits of promoting community engagement with new housebuilding and development. Victoria Hills, Chief Executive Officer of the Royal Town Planning Institute, said the COVID-19 pandemic has led to an increased emphasis on local communities: “If there was ever a time to engage with the community about the quality of homes and the quality of their living environment, their access or not to green space, this is it.”<sup>203</sup>
129. If the Government goes ahead with the Planning White Paper’s proposals to introduce a zone-based planning system, the new scheme will have a significant impact on how communities engage with the plans that shape their communities. Rather than having a say over each case, communities will be asked to agree a local plan which allocates areas for development. The Government says:

“There will be a continuing role for public consultation as part of the planning application process. Even where the broad principle of development is agreed through the plan, all the details would still need to be consulted on with communities and statutory consultees and approved by officers or committees where appropriate.”<sup>204</sup>

The Government’s proposals to support ‘street plans’, which will grant street-wide permission to homeowners to densify suburban streets where a

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200 [Q 95](#) (Rt Hon. Christopher Pincher MP)

201 Written evidence from the Cambridge Centre for Housing and Planning Research ([UKH0028](#))

202 Written evidence from Savills ([UKH0080](#))

203 [Q 42](#) (Victoria Hills)

204 Written evidence from the Ministry of Housing, Communities and Local Government ([UKH0042](#))

large majority of residents vote for it, were announced after we concluded our evidence collection.<sup>205</sup>

130. We heard how difficult it can be to ensure that a wide range of voices is heard on proposed developments. The Royal Institute of British Architects said that “Older homeowners are more likely to be politically engaged and vote in local elections” and are “more likely to believe that too many homes are being built in their area compared to renters and younger people.”<sup>206</sup> On the other hand, the Centre for Ageing Better suggested that moving planning to digital platforms risks “disenfranchising older people who are disproportionality impacted by social and digital exclusion.”<sup>207</sup> The Planning White Paper said “New digital engagement processes will make it radically easier to raise views about and visualise emerging proposals whilst on-the-go on a smart phone”.<sup>208</sup> Professor Flora Samuel recommended “A clear, holistic, map-based system that looks at community assets and needs”, adding that “Technology will allow for the emergent field of adaptive planning using real time and constant data input to assist with the making of transparent, evidence-based and democratic decisions.”<sup>209</sup>

### *Neighbourhood planning*

131. Neighbourhood planning is a right for communities to shape the way their local area is developed through the use of Neighbourhood Development Plans. Introduced through the Localism Act 2011, Neighbourhood Development Plans become part of the wider local plan and are used to determine the outcome of planning applications. The aim of Neighbourhood Plans is to allow communities to have more influence over their local area. These plans cannot influence or block development set out previously by the Local Plan. Neighbourhood Plans are led and produced by an authorised local community organisation such as a parish or town council, or a neighbourhood forum, and are usually subject to a local referendum.
132. We welcome the Minister’s comments in favour of neighbourhood plans and agree with his assessment that they tend to engage with the local community more closely than other planning tools. He added: “They can help identify, in a much more collegiate, consensual way, where additionality of homes in local communities might be placed. Local people tend to get ... more involved in them.”<sup>210</sup>
133. Research for the Government of 135 neighbourhood plans has shown that far from being protectionist, neighbourhood plans had contributed 18,000 units over and above local plan allocations.<sup>211</sup> Whilst a small sample, more than 2,400 communities across England have started the neighbourhood

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205 Housing Today, ‘Gove says government will legislate for ‘street votes’ (30 November 2021): <https://www.housingtoday.co.uk/news/gove-says-government-will-legislate-for-street-votes/5114990.article> [accessed 16 December 2021]

206 Written evidence from the Royal Institute of British Architects (UKH0053)

207 Written evidence from the Centre for Ageing Better (UKH0051)

208 Ministry of Housing, Communities and Local Government, *White paper: Planning for the future*

209 Written evidence from Professor Flora Samuel, University of Reading, and the Quality of Life Foundation (UKH0025)

210 Q 99 (Rt Hon. Christopher Pincher MP)

211 Final Report to the Ministry of Housing, Communities and Local Government, *Impacts of Neighbourhood Planning in England* (May 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/929422/Impacts\\_of\\_Neighbourhood\\_Planning\\_in\\_England.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/929422/Impacts_of_Neighbourhood_Planning_in_England.pdf) [accessed 25 November 2021]

planning process, this suggests that community engagement can promote more homes being built.

134. Witnesses raised the concern that neighbourhood plans tend to be in place in more rural communities. Pooja Agrawal, Chief Executive Officer at Public Practice, said that “neighbourhood plans are more successful outside urban areas, so they tend to be in rural and parish areas”.<sup>212</sup> Grant Butterworth, Head of Planning at Leicester City Council, added that they “work well or are very active where you have a mobilised and motivated local community who want generally to protect their environment through a neighbourhood plan.”<sup>213</sup>
135. Victoria Hills said that embracing neighbourhood plans would require more resourcing of local planning authorities: “Many of the planning departments ... are so busy—they are on their knees already, just doing the statutory stuff—that it is very hard then to throw yourself in and engage with the community or a neighbourhood forum on their specific plan.”<sup>214</sup>
136. **Whatever the nature of planning reforms, the Government’s proposals should ensure there is community engagement with the planning system. Engagement is necessary to ensure communities are on-board with changes in their local area and to prevent backlash. Digitalisation will help with transparency and engagement, but paper notices should also continue to ensure the system is inclusive. We also heard evidence that Neighbourhood Plans enable deliberation at the hyper-local level and have helped identify where more homes can be built.**

### Infrastructure funding and land value capture

137. There has long been debate over how to capture the increases in land value that result from planning permission and housing development, and how to ensure that communities have the infrastructure they require. Like much of the housing challenge, this plays out differently in areas with different affordability pressures, land availability and land values: land values available for capture are systematically greater in the wider south east and south west of the country than they are in the north. We heard mixed views on the current arrangements and the Government’s proposed changes.
138. Section 106 Agreements are legally enforceable obligations negotiated between a developer and the local planning authority as a condition of planning permission to provide complementary investment in the local community. These negotiations are complex and are often renegotiated throughout the development process. The most common contribution under a Section 106 Agreement is the provision of social or affordable housing. Infrastructure developments funded by Section 106 Agreements include highways, public transport, education, community and cultural facilities, and environmental mitigation for the development. The obligations may be provided by the developers ‘in kind’—by the developer directly building or providing the necessary infrastructure to fulfil the obligation, for example by building affordable homes—or in the form of financial payments. Section 106 Agreements raise revenue for infrastructure mainly associated with a

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212 [Q 68](#) (Pooja Agrawal)

213 [Q 68](#) (Grant Butterworth)

214 [Q 40](#) (Victoria Hills)

particular planning decision and its acceptability, so tend to be most common with larger developments.

139. Since 2010, some developments have been subject to a Community Infrastructure Levy. The Community Infrastructure Levy is an optional locally determined, fixed-rate development charge which is levied in terms of pounds per square metre. Different areas of a planning authority and types of development can have different charging rates. The Community Infrastructure Levy sits alongside Section 106 Agreements, can be used for non-site-specific infrastructure and is intended to fund development across a wider area. Adoption of the Community Infrastructure Levy has grown since its introduction; by the end of 2019 almost half of local planning authorities had adopted one.<sup>215</sup>

**Table 4: Illustrative Community Infrastructure Levy rates by local authority<sup>216</sup>**

Local authority	Residential charges per sq/m*	Date adopted
Bolton	£45	13/05/2013
Breckland	£60 and £0	15/04/2013
Brentwood	£200	27/10/2016
Guildford	£500, £400, £300, £150 and £100	19/01/2015
Islington	£250 and £300	26/06/2014
Newcastle upon Tyne	£60, £30 and £0	02/11/2016
Richmondshire	£120, £50 and £0	24/10/2016
Selby	£50, £35 and £10	03/12/2015
Southend-on-Sea	£60, £30 and £20	23/07/2015
Wandsworth	£575, £265, £250 and £0	11/07/2014

\*The rates vary depending on the charging zone. These rates exclude charges for retirement housing, student accommodation, affordable housing and hotel developments.

Source: Planning resource, CIL Watch: who's charging what? (2 December 2021): <https://www.planningresource.co.uk/article/1121218/cil-watch-whos-charging-what> [accessed 16 December 2021]

140. Developer contributions paid through Section 106 Agreements and the Community Infrastructure Levy were valued at £7 billion in 2018/19 (an increase of 9% from 2016/17 in real terms). This included both financial and in-kind contributions. In 2020, 47% of local authorities received contributions from developers through the Community Infrastructure Levy. 67% of contributions went into affordable housing (providing 44,500 new affordable homes), with 53% of developer contributions agreed in London and the South East.<sup>217</sup> The Chartered Planners in Academic Practice Group

215 Ministry of Housing, Communities and Local Government, *The Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Levy in England in 2018–19* (August 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/907203/The\\_Value\\_and\\_Incidence\\_of\\_Developer\\_Contributions\\_in\\_England\\_201819.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907203/The_Value_and_Incidence_of_Developer_Contributions_in_England_201819.pdf) [accessed 25 November 2021]

216 This table represents a sample set of Community Infrastructure Levy rates by local authority. It is the Committee's own analysis of selected authorities to illustrate a range of charges across the country. For the full data on each local authority and their Community Infrastructure Levy status.

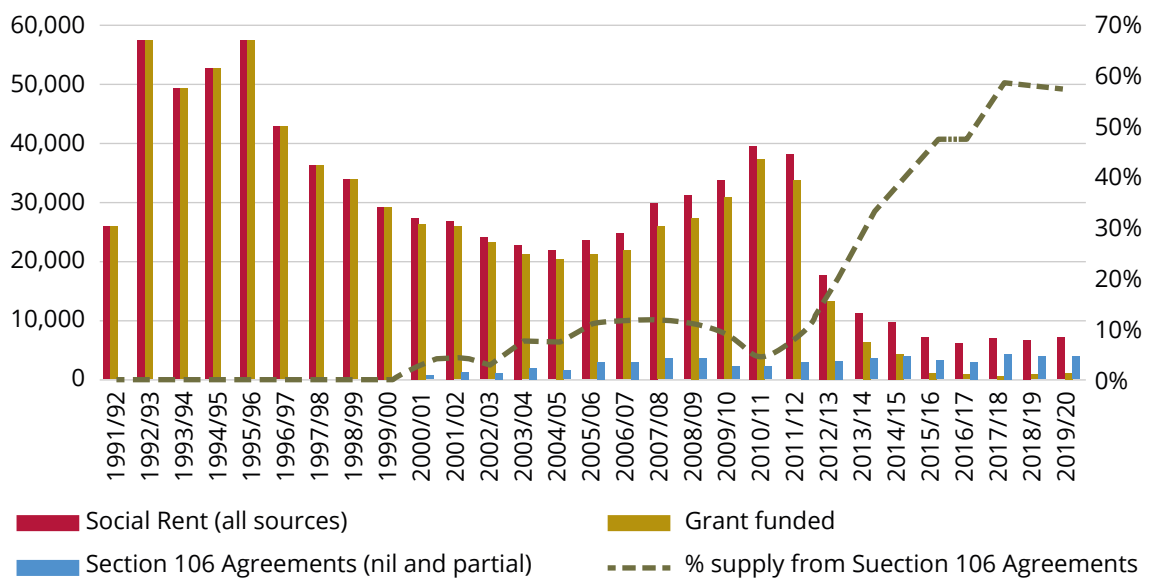
217 Ministry of Housing, Communities and Local Government, *The Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Levy in England in 2018–19* and written evidence from the Chartered Planners in Academic Practice Group (UKH0062).



estimates that Section 106 Agreements and Community Infrastructure Levy captured approximately 30% of development value on greenfield sites from landowners/developers and another 20% was captured by national capital gains and stamp duty land taxes.<sup>218</sup> These estimated contributions are gross values and do not include projects where the Section 106 contribution is rendered unviable.

141. Figure 10 shows the proportion of homes for social rent which were funded by rents from existing tenants, Section 106 Agreements and grant funding. It illustrates the increased reliance on Section 106 Agreements over time.

**Figure 10: Social rent supply by funding source and proportion delivered by all Section 106 Agreements**



Source: Written evidence from Shelter ([UKH0065](#))

### *Limitations of section 106*

142. Witnesses told us of limitations to the Section 106 system in terms of how the Agreements are reached and administered and how the resulting money is spent. On many sites, local planning authorities do not to receive the agreed Section 106 obligations as developers routinely submit ‘viability assessments’, support a claim that an existing Section 106 obligation is economically unviable and should be overturned. These viability assessments and the subsequent negotiations are not made public, as the developers argue that they contain commercially sensitive information. The Local Government Association has said that councils often do not have sufficient skills and capacity to evaluate viability appraisals, while the large developers are well resourced.<sup>219</sup> This increases the risk of development for both the developers and the council, as it is not certain what the final Section 106/Community Infrastructure Levy contribution for the site will be. Local planning authorities have reported a slowing in the delivery of Section 106

<sup>218</sup> Written evidence from the Chartered Planners in Academic Practice Group ([UKH0062](#))

<sup>219</sup> Written evidence from the Local Government Association to the House of Commons Housing, Communities and Local Government Committee ([FPS056](#))

Agreements, with 51% of authorities receiving 50% or less of the planning obligations negotiated two years previously (up from 36% in 2016/17).<sup>220</sup>

143. While large developers welcome the flexibility of Section 106 Agreements and are well-placed to navigate the system, we heard their concerns about significant delays caused by the current process.<sup>221</sup> Some of these delays may be unavoidable—those that are an inherent aspect of the negotiation of planning obligations—but there are also avoidable delays. These can be caused by limited capacity, skills and resources within the local planning authority or even as a negotiation tactic.<sup>222</sup> Such delays have the most significant impact on SME housebuilders, who do not have the planning skills nor the capital to invest in housebuilding projects where the timelines and returns are uncertain. A Federation of Master Builders’ survey in 2020 found that 55% of respondents thought the Community Infrastructure Levy and Section 106 Agreements rendered sites unviable, and thought “that Community Infrastructure Levy is arbitrary and unpredictable between different authorities” due to viability concerns and exemptions.<sup>223</sup>

### *The Government’s proposals*

144. The Planning White Paper proposed a new fixed-rate all-encompassing Infrastructure Levy to replace Section 106 Agreements and the Community Infrastructure Levy. The Government has said that the proposed levy will be “simpler, more transparent, and more consistent in delivering more of the infrastructure and affordable housing that existing and new communities require. It will be set in a way which delivers at least as much—if not more—onsite affordable housing than at present.”<sup>224</sup> The Minister thought that more “ammunition” should be put into the hands of local planning authorities to ensure that developers meet their contributions.<sup>225</sup>
145. The proposals were originally for a mandatory nationally set value-based flat rate charge, but the department has since indicated that the rates will be set locally. The proposed new Infrastructure Levy would be charged as a fixed proportion of the development value above a threshold, and would be levied at the point of occupation, to be charged on the final value of a development. Councils would be allowed to borrow against Infrastructure Levy revenues in the interim to facilitate infrastructure investment. We heard that the proposals in the White Paper do not provide enough detail on how the levels will be set and delivered and that the Government was going to need to address how the proposals would work in practice.<sup>226</sup> The Minister noted areas where the Government has taken concerns on board, including on the need for any new levy to be more localised than under the proposals in the White Paper.<sup>227</sup>
146. Land values necessarily have a significant impact on land value capture; areas with lower land values will not be able to collect as much value, under the existing or proposed system. Lancashire Council said: “The levy seeks

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220 Ministry of Housing, Communities and Local Government, *The Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Levy in England in 2018–19*

221 *Ibid.*

222 *Ibid.*

223 Written evidence from Federation of Master Builders ([UKH0058](#))

224 Written evidence from the Ministry of Housing, Communities and Local Government ([UKH0042](#))

225 [Q 96](#) (Rt Hon. Christopher Pincher MP)

226 See [Q 73](#) (Brian Berry), [Q 38](#) (David Bainbridge) and [Q 37](#) (Victoria Hills).

227 [Q 96](#) (Rt Hon. Christopher Pincher MP)

to benefit from increases in land value, but value uplift in some areas will be insufficient to fund the required infrastructure. The areas most in need of new housing and infrastructure could be deemed unviable”.<sup>228</sup>

147. There was a concern among witnesses that the proposed levy would reduce the on-site delivery of affordable housing. A survey of social housing providers found that only 4% of respondents believed that planning proposals would deliver more homes for social rent.<sup>229</sup> Through the provision of on-site contributions, Section 106 Agreements have delivered mixed communities. Optivo warned that a simple monetary contribution would “fail to encourage the creation of mixed communities to which governments have been committed for at least 30 years”, adding that “If the new system is to work, it must be designed to incentivise, or better ensure, on-site delivery.”<sup>230</sup>
148. We were told that more thought should be given to how a levy paid at the point of occupation addresses the Government’s concern that infrastructure comes too late in the build out process. Jonathan Manns, Executive Director of UK and Monaco at Rockwell Property, gave an example:
- “A new road would be required to make a development acceptable. However, the money for that road would come in only when the tax is paid when the homes are sold. You would presumably be in a situation where you are asking local authorities to borrow against anticipated future receipts from a tax, which requires local authorities to make assumptions about what those receipts will be, but also in effect requires them, as opposed to the developer, to carry the development risk for the scheme, which opens up risks such as: what if the developer does not build out the entire site, or what if the values that are achieved are not as were anticipated?”<sup>231</sup>
149. **Section 106 Agreements and the Community Infrastructure Levy help deliver necessary infrastructure and social housing; however, the current system adds complexity and uncertainty. More should be done to increase the predictability and transparency of these obligations.**
150. **Any new system to replace Section 106 Agreements and the Community Infrastructure Levy should provide safeguards to ensure that the resources raised are spent on the delivery of affordable homes or necessary infrastructure early on in the development and are tied to identified needs. We are concerned that the new Infrastructure Levy could have some of the same disadvantages as the Community Infrastructure Levy.**

### Land availability and land costs

151. Several witnesses told us that a key factor not just making it difficult to build more homes, but in influencing the quality and size of new homes, was the supply and price of land. Many reports in recent years have considered these issues and made recommendations on how they might be addressed—

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228 Written evidence from Lancashire County Council ([UKH0108](#))

229 Affordable Housing Commission, *The Planning White Paper and affordable housing: The views of social landlords* (November 2020): <https://nationwidefoundation.org.uk/wp-content/uploads/2020/11/Planning-white-paper-and-affordable-housing-surveyfinal-1.pdf> [accessed 25 November]

230 Written evidence from Optivo ([UKH0068](#))

231 [Q 37](#) (Jonathan Manns)

including the 2004 review of housing supply and 2006 review of land use planning by Dame Kate Barker, and Sir Oliver Letwin's independent review of build out, published in 2018.<sup>232</sup> The House of Lords Economic Affairs Committee's 2016 report, *Building more homes*, addressed and made recommendations on how to ensure more homes are built on public land and encourage more building by local authorities and housing associations.<sup>233</sup> The Commons Levelling Up, Housing and Communities Committee's report, *The future of the planning system in England*, published in June 2021, called for a review of the Green Belt.<sup>234</sup> In this section we focus on two areas with a focus on housing demand: brownfield development and development around train stations.

### *Brownfield development*

152. A brownfield site is an area that has been used for development before. Such sites are usually in towns and cities and were previously used for industrial or commercial purposes; because of this, some are contaminated. The Minister told us that a focus on brownfield development is “a way of making sure that we meet our 300,000 homes per year target by 2025. We think it is a sensible target and we will focus on brownfield and provide the toolkits to local authorities to remediate brownfield sites”.<sup>235</sup> Analysis by the CRPE found that registers prepared by local planning authorities show that brownfield plots available and suitable for housing could provide over 1,061,000 homes.<sup>236</sup> A major problem, however, is that the availability of brownfield land does not map well onto housing affordability issues. As shown in Figure 11, less brownfield land tends to be available in unaffordable regions. Because of the costs of preparing sites for development, brownfield land is often more expensive to build on, which is not reflected in the market price of homes. These pressures can render some brownfield land unviable even when government support is available, and can make the planning and development process slower and more costly.

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232 Dame Kate Barker, *Review of Housing Supply: Securing our Future Housing Needs: Interim Report – Analysis* (2003): [http://news.bbc.co.uk/1/shared/spl/hi/uk/03/budget/documents/pdf/barker\\_review\\_foretoch3\\_396.pdf](http://news.bbc.co.uk/1/shared/spl/hi/uk/03/budget/documents/pdf/barker_review_foretoch3_396.pdf) [accessed 22/12/2021], also Dame Kate Barker, *Barker Review of Land Use Planning Final Report - Recommendations* (December 2006): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/228605/0118404857.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/228605/0118404857.pdf) [accessed 25 November] and Ministry of Housing, Communities and Local Government, *Independent review of build out: final report* (29 October 2018): <https://www.gov.uk/government/publications/independent-review-of-build-out-final-report> [accessed 25 November]

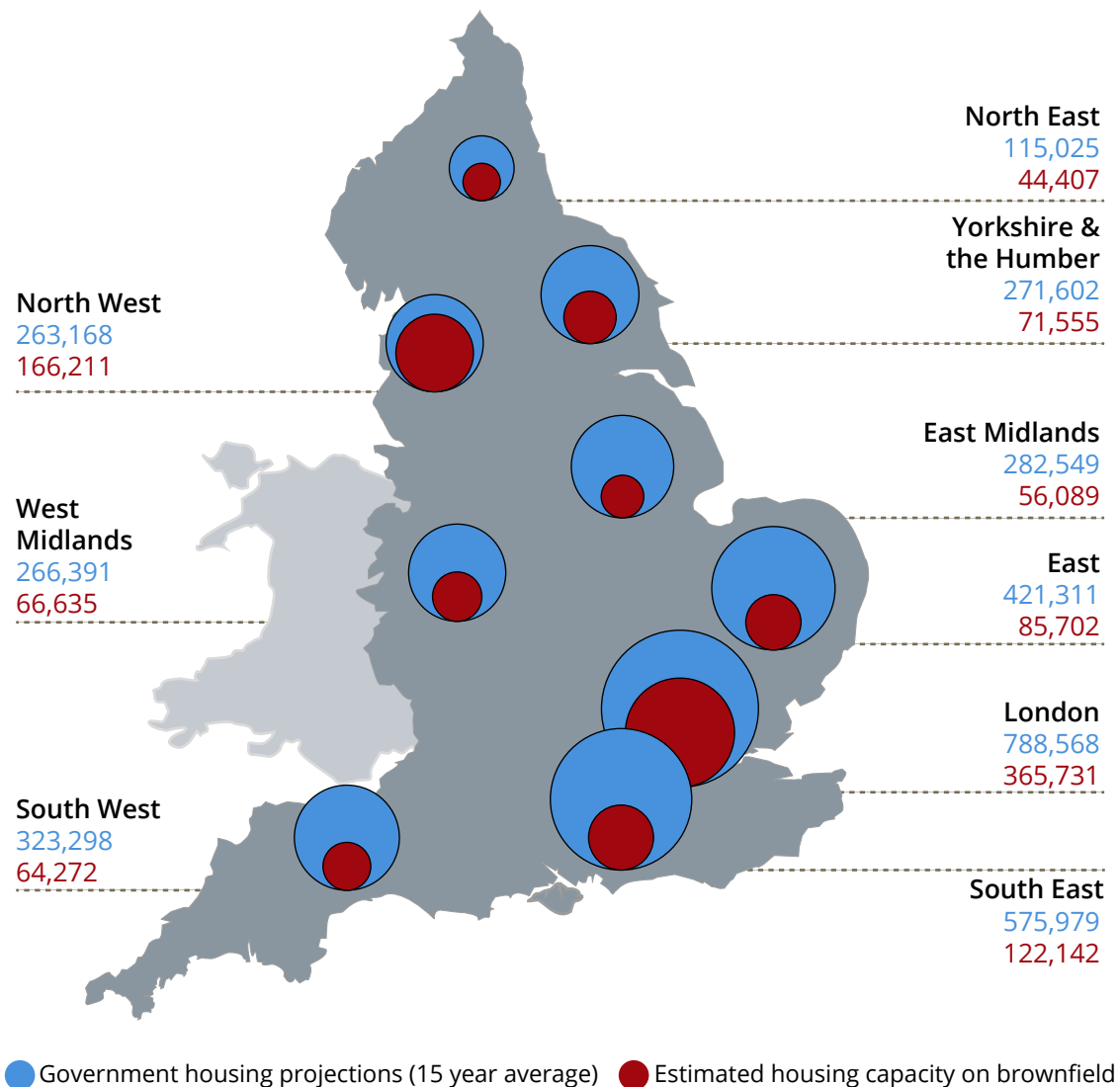
233 Economic Affairs Committee, *Building more homes* (1st Report, Session 2016–17, HL Paper 20)

234 Housing and Communities and Local Government Committee, *The future of the planning system in England* (First Report, Session 2021–22, HC 38)

235 [Q 101](#) (Rt Hon. Christopher Pincher MP)

236 Written evidence from CPRE the countryside charity ([UKH0029](#))

**Figure 11: Regional comparison of household projections and estimated housing capacity on brownfield sites**



Source: Lichfields, *Brownfield Land Solution?* <https://lichfields.uk/media/1828/456376.pdf> [accessed 19 November 2021]

153. To help offset some of these problems, the Government has introduced funding to support development on brownfield land:

- The **Home Building Fund** will provide £2.95 billion of loan funding supporting small and medium enterprises, custom builders and modern methods of construction to build housing, including some on brownfield land
- The £400 million **Brownfield Housing Fund** has been allocated to seven mayoral combined authorities, enabling 26,000 new homes on brownfield land
- The £75 million **Brownfield Land Release Fund** will accelerate the release of local authority-owned brownfield land for housing in areas not eligible for the Brownfield Housing Fund (£25 million is ringfenced for self- and custom-build projects may be on brownfield and greenfield sites that meet gateway criteria)

- The **Housing Infrastructure Fund** has allocated £4.3 billion for provision of infrastructure for housing projects, including some on brownfield. Half of the projects funded have 50% or more of the housing area on brownfield.<sup>237</sup>
154. The UK Collaborative Centre for Housing Evidence suggested that “the appropriateness of proposed sites for new housing (i.e. technical impact assessments) should be completed during the local plan process, rather than as part of the planning application process”, which would enable developers to identify more brownfield sites.
155. **The availability of land is a significant barrier to meeting housing demand. We welcome the Government’s Brownfield Housing Fund and Land Release Fund. However, building on brownfield land is not a ‘silver bullet’, especially as the availability of brownfield land is disproportionately in areas with less pressure on the housing market.**

*Development around railway stations*

156. One proposed solution is to permit development on undeveloped land close to train stations which provide a service to a major employment centre within a reasonable time—45 minutes, for example.<sup>238</sup> The most powerful arguments for such a solution are that housing tends to be most unaffordable close to hubs of employment and that rail provides the fastest means of access to larger cities and, by a large margin, has the lowest carbon footprint of any mode of travel. Maximising the use of existing rail infrastructure provides a low-carbon option for urban expansion and providing new homes. It would reduce the tendency to long-distance commuting, which has been accentuated by the COVID-19 pandemic. In contrast to building new rail links, expanding the capacity of existing rail links is relatively cheap and can be done through complementary investment in stations or by upgrading signalling and increasing frequency and speed where necessary. This model could be extended to other railway stations, such as parkways.
157. Research for the Centre for Cities concluded that the release for development of all land within 800 metres of any stations with a service of around 45 minutes to a major city, if that land had no marker of amenity or environmental value, would provide an additional 47,000 hectares in just five city-regions.<sup>239</sup> Setting aside 10% of this total for new accessible green space and building at a density of 50 homes to the hectare would provide land for 2.1 million new homes. While such a proposal would take some Green Belt land, the proportion it would apply to is small: for the five metropolitan regions included in the study this would cover just 1.8% of existing Green Belt land.

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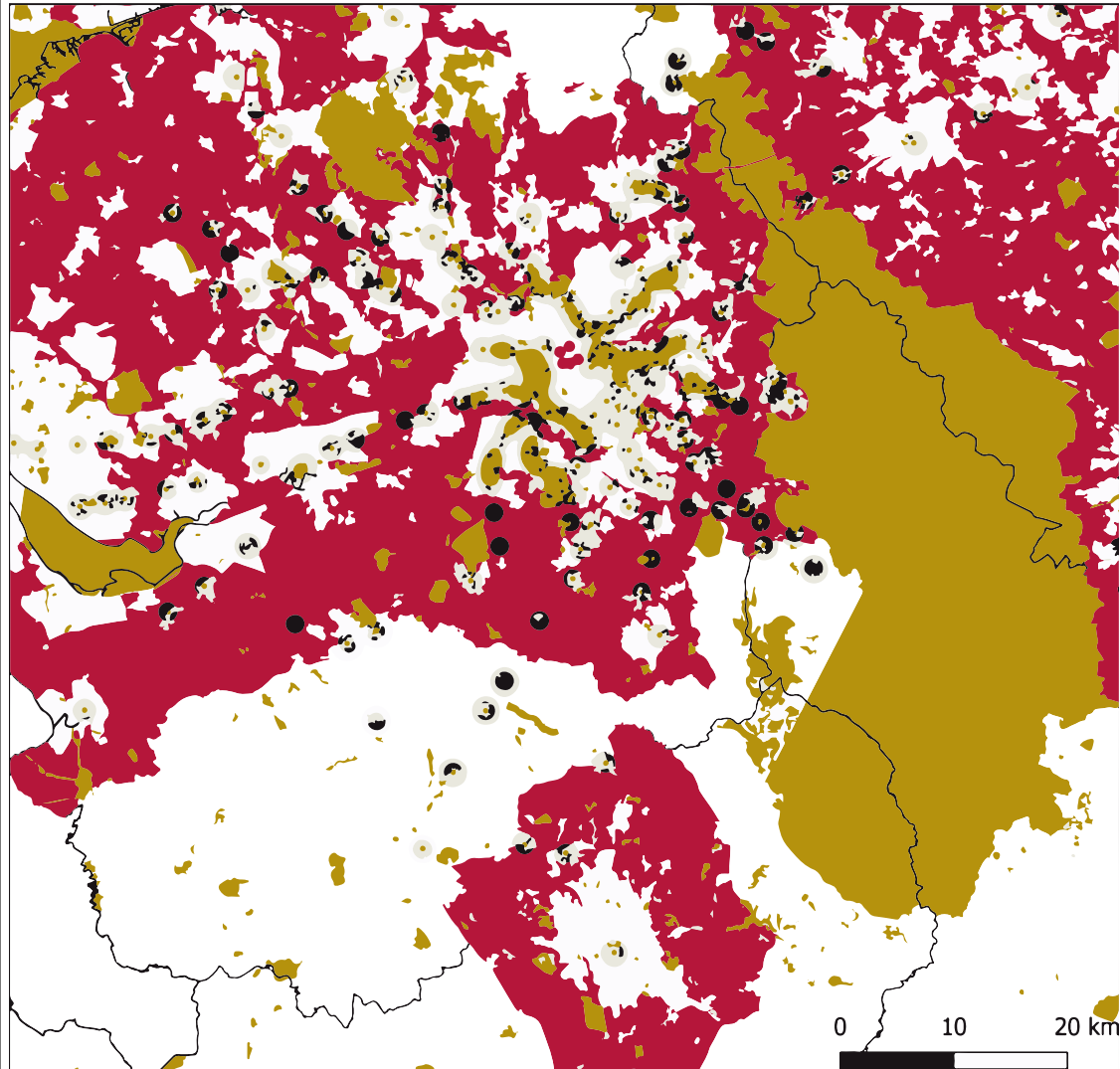
237 Supplementary written evidence from the Department for Levelling Up, Communities and Local Government ([UKH0112](#))

238 Written evidence from Centre for Cities ([UKH0114](#)). See for example: Barney Stringer, ‘Is the Green Belt sustainable?’ (17 June 2014): <https://barneystringer.wordpress.com/2014/06/17/is-the-green-belt-sustainable/> and Professor Paul Cheshire, ‘Building on Greenbelt land: so where?’ (9 July 2014): <http://spatial-economics.blogspot.co.uk/2014/07/building-on-greenbelt-land-so-where.html> [accessed 25 November 2021].

239 That is excluding building on National Parks, Areas of Outstanding Natural Beauty, Sites of Special Scientific Interest (SSSIs) or any public recreational areas, for example. Centre for Cities, *Homes on the right tracks Greening the Green Belt to solve the housing crisis* (September 2019): <https://www.centreforcities.org/wp-content/uploads/2019/09/Homes-on-the-Right-Tracks-Greening-the-Green-Belt.pdf> [accessed 25 November 2021]

### Box 6: Development of land around the Manchester city region

As an example, for the Manchester city region, there are 242 qualifying commuter stations. The total area of buildable land within 800 meters of these stations is 10,977 hectares. Allowing for 10% of this buildable land to be devoted to publicly accessible open space, there would be 9,879 hectares for new housing development. Assuming a density of 40 homes per hectare, this would enable the creation of 395,200 homes.



- Potentially buildable land
- Entry stations
- Manchester commuter stations
- Green Belt allocations
- Land with recorded marker of public benefit

Source: Centre for Cities, *Homes on the Right Tracks* report *Homes on the right tracks: Greening the Green Belt to solve the housing crisis* (September 2019): <https://www.centreforcities.org/wp-content/uploads/2019/09/Homes-on-the-Right-Tracks-Greening-the-Green-Belt.pdf> [accessed 2 December 2021]

158. **Residential development on land around railway stations close to major cities would help meet housing demand. The Government should consider pilot schemes to facilitate this development. This would include releasing some Green Belt or agricultural land for development, any release of Green Belt land could be offset through land swaps.**

### Permitted development rights

159. Permitted development rights are rights to make certain changes to a building without needing to apply for planning permission. They derive from a general planning permission, rather than from permission granted by a local planning authority. These permissions can apply to a range of developments, but this section focuses on homes.
160. Nearly 73,000 new homes were added to the housing stock through change of use permitted development rights between 2015/16 and 2019/20. Of these, 64,798 (89%) were created through office to residential conversions. This permitted development right was introduced as a temporary measure but made permanent from April 2016. While this has provided new homes, often in areas of most housing need, it has proved controversial. The Royal Institution of Chartered Surveyors reported in 2018 that the quality of office to residential schemes ranged from high to extremely poor, with permitted development rights schemes being “significantly worse” than those which had been through the full planning process.<sup>240</sup> Councillor Dr Ed Turner, Deputy Leader of Oxford City Council and Member of the Economy, Environment Housing Board at the Local Government Association, pointed to the overall housing targets being a key driver for change of use conversions: “you can quietly extend permitted development rights, nobody really notices and you fulfil some of those objectives. That is not good for building the right sort of housing that we need.”<sup>241</sup> The Royal Institute of British Architects raised the concern that conversions from office to residential use under permitted development rights enable developers to avoid contributions to local infrastructure through Section 106 charges. The Local Government Association calculated that contributions for around 13,500 affordable homes have been missed through permitted development rights.<sup>242</sup>
161. To offset some of these concerns, legislation came into force in June 2020 requiring residential conversions to have “adequate natural light in all habitable rooms”. Further legislation came into force in April 2021 to require all new homes created under permitted development rights to comply “as a minimum” with the nationally described space standards. The Commons Levelling Up, Housing and Communities Committee is currently undertaking an inquiry into permitted development rights.<sup>243</sup>

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240 RICS, *Extending permitted development rights in England: the implications for public authorities and communities* (May 2018): <http://offlinehbpl.hbpl.co.uk/NewsAttachments/RLP/RICSExtendingPermittedDevelopmentRights.pdf> [accessed 25 November 2021]

241 Q 68 (Cllr Dr Ed Turner)

242 Local Government Association, LGA - Over 13,500 affordable homes lost through office conversions (11 January 2020): <https://www.local.gov.uk/about/news/lga-over-13500-affordable-homes-lost-through-office-conversions> [accessed 25 November 2021]

243 Housing, Communities and Local Government Committee, Inquiry: ‘Permitted Development Rights’: <https://committees.parliament.uk/work/1131/permitted-development-rights/> [accessed 29 November 2021]



162. **We are concerned about the quality of homes delivered under the permitted development rights regime for conversions from office to residential properties. The Government has recently taken steps to impose minimum standards for conversions. If these steps do not lead to improved outcomes, the Government should not hesitate to introduce stricter rules.**

## CHAPTER 6: LOCAL PLANNING AUTHORITIES

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163. Local government plays an instrumental role in efforts to meet housing demand, including through allocating sites in local plans, negotiating social housing and infrastructure contributions, and engaging with local communities. Local planning authorities hold significant discretion over the planning system. We heard that local planning authorities are under-resourced and unable to undertake the skilled planning required to meet the Government’s housing targets. This chapter considers these resource shortages, issues relating to setting housing targets for local areas, and how to address slow build out rates.

### Capacity and resourcing

164. We heard that local planning authorities have a lack of skills, capacity and resourcing in their planning departments, which has led to delays, poor decision-making and greater reliance on the appeals process. Government spending on planning fell from £1.13 billion in 2010/11 to £961 million in 2017/18, a reduction of 14.6%.<sup>244</sup> More than half of this is recouped in income (mostly fees), which means that total net public spending on planning is now £400 million per year.<sup>245</sup> In practice, this has reduced councils’ abilities to undergo the complex negotiations required to agree a local plan, process applications effectively and in good time, and negotiate Section 106 Agreements and other matters with developers. Grant Butterworth characterised these shortages as a “crisis” in local planning authorities.<sup>246</sup> The Home Builders Federation said, “Chronic under-resourcing and under-staffing in local planning authorities is leading to discrepancies, administrative errors and additional delays for developers”.<sup>247</sup> McCarthy Stone said “The average time taken to determine our applications from validation is about 46 weeks, some 33 weeks more than the statutory 13-week period for determination”.<sup>248</sup>

165. Research by the RTPI estimated that an additional £500 million of spending on local authority planning departments would be needed over the next four years to address significant delays.<sup>249</sup> In their report on the August 2020 Planning White Paper, the Commons Levelling Up, Housing and Communities Committee supported this recommendation.<sup>250</sup> Analysis by the RTPI suggests that there could be a good return on such spending, as “local authorities can generate income but they need authority, expertise and capacity to do so (for example local authority led development ... land value capture, raised planning fees).”<sup>251</sup>

166. Witnesses set out how increased funding for local planning authorities could be resourced. We heard that planning fees do not recover the costs of

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244 National Audit Office and Ministry of Housing, Communities & Local Government, *Planning for new homes*, 8 February 2019 (Session 2017–19, HC 1923): <https://www.nao.org.uk/wp-content/uploads/2019/02/Planning-for-new-homes.pdf> [accessed 25 November 2021]

245 Written evidence from Royal Town Planning Institute (UKH0045)

246 Q 72 (Grant Butterworth, Leicester City Council)

247 Written evidence from Home Builders Federation (UKH0044)

248 Written evidence from McCarthy Stone (UKH0040)

249 Written evidence from the Royal Town Planning Institute (UKH0045)

250 Housing, Communities and Local Government Committee, *The future of the planning system in England* (First Report, Session 2021–22, HC 38)

251 Written evidence from the Royal Town Planning Institute (UKH0045)

running the process, requiring an additional £180 million of public subsidy.<sup>252</sup> Councillor Dr Ed Turner said that in other areas of local authority activity councils “retain the ring-fenced budget, you are not allowed to cross-subsidise other services, but you charge what the service costs.” He said, given the “acuteness of the situation”, increasing planning fees so they cover the costs of the system “would be the right way to enable us to get in some of the expertise we need, at least in the medium and longer term.”<sup>253</sup> Berkeley Homes suggested that some Help to Buy funding could be reallocated to local authority planning resources, which would do more to ensure that sites are built out.<sup>254</sup>

167. The Minister said that the Government would “look at the resourcing that local planning authorities have to ensure they have the wherewithal to execute [their] responsibilities”.<sup>255</sup>
168. **There is an evolving crisis: local planning authorities do not have sufficient financial resources, and in many cases do not have the skilled personnel, to deliver a quality service in a reasonable timeframe. The Government needs to increase resourcing for local planning authorities consistently and for the long term. Additional resources should be targeted at improving local plan-making and processing planning applications more quickly. This should include through increasing planning fees to help cover the costs of the system.**

#### Housing targets and the ‘standard method’

169. Local plans include an assessment of housing need in each district, which is based on a ‘standard method’ for calculating housing need set by central government. The standardised housing need assessments are based on projected household growth (2014 projections), an affordability adjustment for the area and a cap. Prior to the introduction of the National Planning Policy Framework, targets were based on projected household growth only.
170. The Government proposed a new formula for assessing housing need in August 2020, which would change the baseline measure of household projections, amend the affordability adjustment and remove the cap.<sup>256</sup> There was significant opposition to these changes on the ground that they could promote more development on greenfield land, rather than in urban areas.<sup>257</sup> The Government backtracked on these proposals and instead introduced the ‘new standard method’ which increased the existing housing targets by 35% in the 20 largest towns and cities in England.<sup>258</sup>
171. The Minister told us that the 35% uplift was designed to ensure a focus on brownfield development: “We think it is a sensible target and we will

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252 Written evidence from the Local Government Association ([UKH0043](#))

253 [Q 72](#) (Cllr Dr Ed Turner)

254 Written evidence from Berkeley Homes ([UKH0070](#))

255 [Q 101](#) (Rt Hon. Christopher Pincher MP)

256 Ministry of Housing, Communities and Local Government, ‘Consultation outcome: Government response to the local housing need proposals in ‘Changes to the current planning system’ (1 April 2021): <https://www.gov.uk/government/consultations/changes-to-the-current-planning-system/outcome/government-response-to-the-local-housing-need-proposals-in-changes-to-the-current-planning-system> [accessed 25 November 2021]

257 *Ibid.*

258 Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities and Local Government, ‘Housing and economic needs assessment’ (16 December 2020): <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments> [accessed 25 November 2021]

focus on brownfield and provide the toolkits to local authorities to remediate brownfield sites.”<sup>259</sup> We discuss Government support for brownfield development in Chapter 5.

172. We heard concerns from councils about their ability to meet the new housing targets. Grant Butterworth said in Leicester, due to the limited number of sites in the city district, the council had agreed with neighbouring districts to accommodate their unmet need of around 7,000 homes (of a total housing need assessment of 30,000 homes). However, with the new assessment, the figure for unmet need is now 18,000 homes. He predicted that the 35% uplift is “going to cause huge issues” because the “pressure on the districts around the large cities is going to grow and grow.”<sup>260</sup> The West of England Combined Authority wrote that “A further potential consequence of the Bristol 35% uplift will be to make the community acceptance of the housing numbers in the Spatial Development Strategy (and Local Plans) more challenging, particularly if, as anticipated, some of this growth uplift is distributed beyond the Bristol boundary.”<sup>261</sup>
173. Like other aspects of the housing challenge, a standardised approach to setting housing targets has a different effect in the north of England and areas with lower land values and less pressure on affordability. Lancashire County Council argued that the baseline calculations under the standard method, even with the update, “produce significantly increased housing numbers in the south and south east of the country, whilst setting low and decreasing baseline numbers in the north.”<sup>262</sup> In these areas, the councils’ local plan targets are higher than those set by central government—for example in Blackburn with Darwen the local plan has identified 625 sites but the new standard methodology calculated a need for only 154 sites.<sup>263</sup> Lancashire County Council said that this can make it harder to gain public approval of local plans and does not match the Government’s ‘levelling up’ agenda.<sup>264</sup> Figure 12 shows that overall, housing completions are more likely to outperform needs assessments in the North and North East than the South East and London.<sup>265</sup>

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259 [Q 101](#) (Rt Hon. Christopher Pincher MP)

260 [Q 67](#) (Grant Butterworth)

261 Written evidence from West of England Combined Authority ([UKH0027](#))

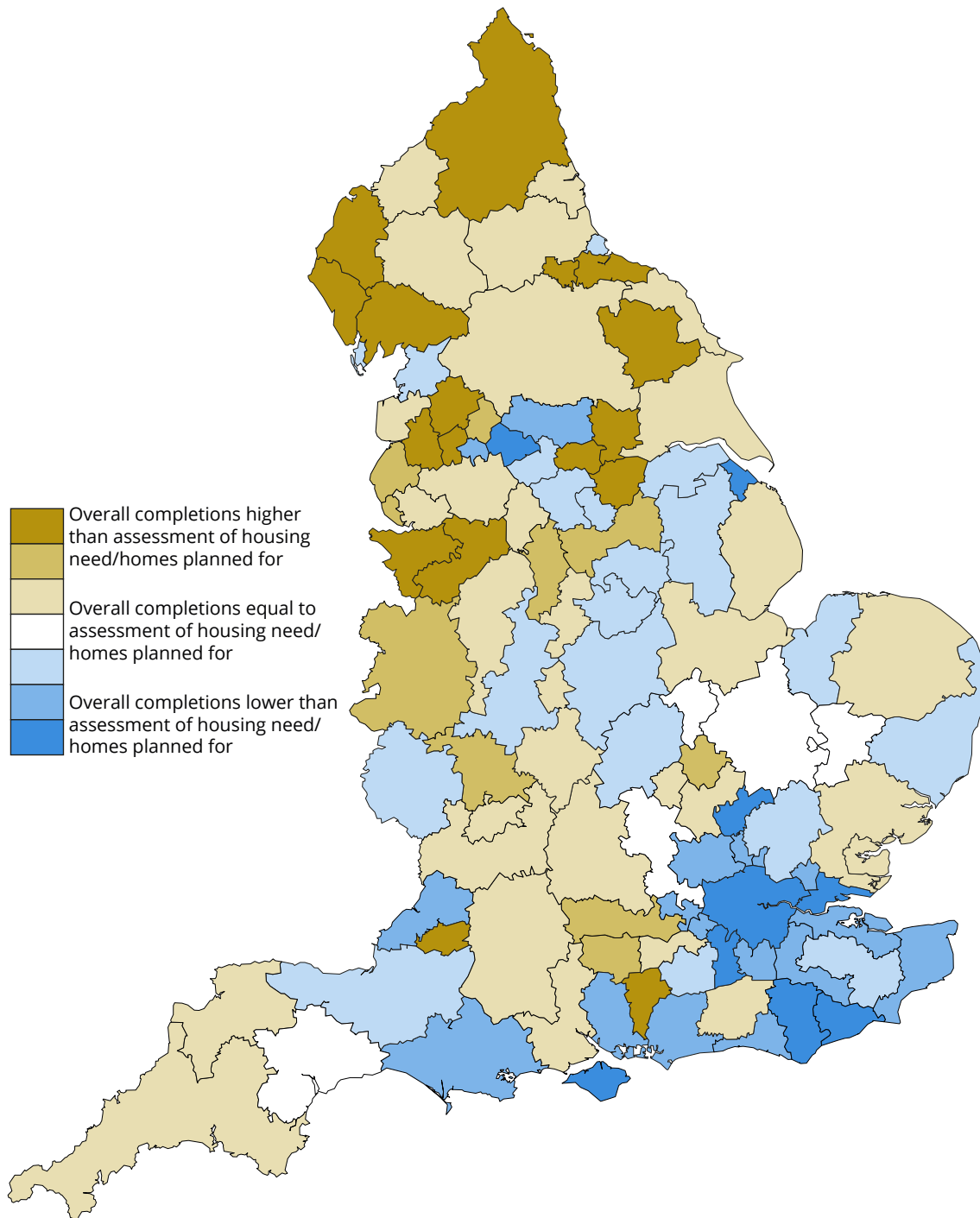
262 Written evidence from Lancashire County Council ([UKH0108](#))

263 *Ibid.*

264 *Ibid.*

265 Written evidence from Home Builders Federation ([UKH0044](#))

**Figure 12: Overall completions relative to housing need or number of homes planned for**



Source: Written evidence from Home Builders Federation ([UKH0044](#))

174. Currently, these assessments are based on household formation figures from 2014. Especially given the potential impact of Brexit and the COVID-19 pandemic, it is unlikely that these 2014 estimates will still be valid by the time the homes are built. The Minister told us that the ONS is due to review its household formation estimates in 2023 and “there may be an opportunity then to look at the numbers again.”<sup>266</sup> This leaves local planning authorities with more uncertainty.

175. **We heard that the 35% uplift in housing targets in the 20 largest urban areas has affected the delivery of local plans and risks backlash from local communities. The Government should consider options to update the calculation of housing targets as soon as possible, to provide certainty to councils.**

#### **Build out and delivery**

176. On many sites with planning permission, particularly large sites, homes take a significant time to build out. Research by Litchfields found that the average time from outline decision notice to first dwelling completions on sites of 500+ homes was around three years.<sup>267</sup> Figure 13 shows the stages for delivery of large, strategic housing sites.<sup>268</sup>
177. There was some disagreement among witnesses about the causes of these delays: developers told us that planning processes were too slow and councils felt they did not have the tools to encourage developers to deliver homes once they had been given planning permission. The Local Government Association emphasised that 9 out of 10 planning permissions are approved and there are more than 1.1 million homes which have been granted planning permission in England in the last decade but are yet to be built.<sup>269</sup>

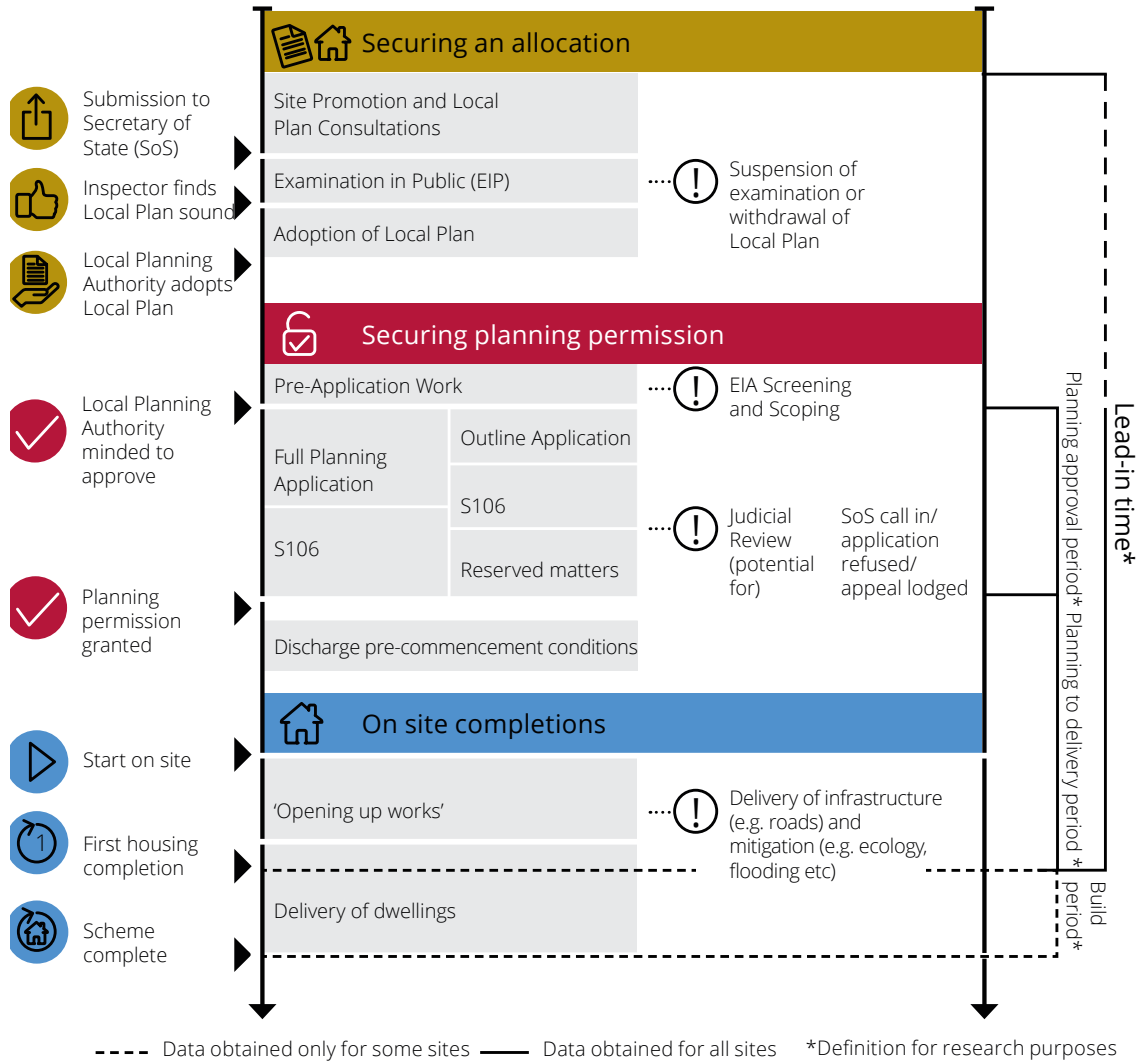
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267 Litchfields, *Start to Finish: What factors affect the build-out rates of large scale housing sites?* (February 2020): [https://lichfields.uk/media/5779/start-to-finish\\_what-factors-affect-the-build-out-rates-of-large-scale-housing-sites.pdf](https://lichfields.uk/media/5779/start-to-finish_what-factors-affect-the-build-out-rates-of-large-scale-housing-sites.pdf) [accessed 25 November 2021]

268 *Ibid.*

269 Written evidence from the Local Government Association ([UKH0043](#))

**Figure 13: Timeline for the delivery of strategic housing sites**



Source: Lichfields, *Start to Finish: What factors affect the build-out rates of large scale housing sites?*

178. Sir Oliver Letwin’s review of build out, published in 2018, considered the significant gap in many developments between housing completions and the amount of land allocated in areas of high housing demand. The review concluded that there was “no evidence” that major developers were carrying out ‘landbanking’—i.e. buying undeveloped land purely as an investment with no specific plans for its development. As we heard on our visit to the St Modwen Kingsgrove development, developers are not going to build homes faster than they can sell them.<sup>270</sup> The recommendations in Sir Oliver Letwin’s report included proposals for new planning rules that would require developers to offer a range of different property types on sites with more than 1,500 homes. Other recommendations included a new National Expert Committee to advise councils, incentives for housebuilders and more powers for councils to undertake their own developments.

179. Some councils which had an up-to-date plan thought they were unfairly penalised when they did not meet housing targets, as they did not have the appropriate tools to incentivise the build out of homes that have been approved. The Government monitors local authorities’ performance against housing targets over a three-year period through the Housing Delivery Test. Authorities that fall below 75% of their target are subject to the ‘Presumption

270 See Appendix 5

in Favour of Sustainable Development’, which tilts the balance towards granting development. The Minister told us that the aim of the Housing Delivery Test is to “generate transparency about how local authorities are doing in encouraging development and make sure they are engaging with land promoters, developers and communities to get the right number of properties in their communities built.”<sup>271</sup> Cllr Dr Ed Turner said “if you do not have the mechanisms to ensure that build-out can happen, that is rather unfair. It is perfectly reasonable to hold local authorities to account when it comes to allocating land in a plan”, but it was not reasonable to hold the “local authority to account where units are not being built out, where you do not have any tools, or a very limited range of tools, to ensure that the development comes forward”.<sup>272</sup>

180. The Local Government Association set out proposals to help councils encourage faster build out rates:
- a ‘stalled sites’ council tax premium for developers for sites that are not built out after three years
  - a streamlined compulsory purchase process to acquire (at pre-uplift value) stalled sites or sites where developers do not build out to agreed rates
  - powers to direct diversification of housing on sites.
181. On this issue, the Commons Levelling Up, Housing and Communities Committee recommended the implementation of clear timelines for build out (18 months for commencement and a further 18 months to complete the development, subject to size and complexity) and give powers to local planning authorities to levy council tax on undeveloped sites. The Commons Levelling Up, Housing and Communities Committee also recommended that the Government should produce a strategy for increasing the extent of multi-tenure construction on large sites in line with the 2018 Letwin review and explore the greater use of Development Corporations.
182. **We heard evidence of the limited options available for local authorities to encourage developers to build homes on sites more quickly when they have planning permission. To address this problem, the Government must give local planning authorities better tools to encourage build out, particularly on large strategic sites. We note proposals to increase local planning authorities’ leverage, including setting a three-year time limit, and encourage the Government to consider this option.**

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271 [Q 98](#) (Rt Hon. Christopher Pincher MP)

272 [Q 68](#)



## CHAPTER 7: SKILLS SHORTAGES

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183. Skills shortages affect a range of sectors relating to the delivery of new homes, including construction, design, planning and green skills. While there are wider structural issues with the labour market, shortages in housebuilding sectors are particularly severe. This chapter discusses where skills shortages are most acute; the effectiveness of various government initiatives to meet skills gaps; future demand for skills; and how to incentivise more young people to join the workforce and retain existing members of the workforce through career development and lifelong learning.

### Construction

184. The construction sector employs over 10% of the country's workforce.<sup>273</sup> In 2019, the sector contributed £117 billion to the UK economy, representing 6% of the UK's total economic output, and accounted for 300,000 businesses, which was 13% of the UK's total.<sup>274</sup> The Government's Employer Skills Survey in 2019 found that skills shortages accounted for 36% of all construction vacancies and 48% of all manufacturing and skilled trades vacancies.<sup>275</sup> An ageing workforce contributes to this: 35% of the workforce are over 50. Only 20% of workers are aged below 30, a 2.5% reduction from five years ago.<sup>276</sup> This will require the sector to recruit an additional 217,000 workers, or more than 43,000 per year.<sup>277</sup> The types of jobs needed span a range of manual trades, as well as including emerging jobs in digital and manufacturing. In 2019, Build UK identified the roles with the most severe shortages as: construction and building trades supervisors; general labourers; quantity surveyors; construction project managers; bricklayers; civil engineers; and carpenters and joiners.<sup>278</sup> The figures of those working in the construction industry do not include those employed in factories.<sup>279</sup>
185. The 2016 Farmer review, *Modernise or Die*, examined labour force and skills issues in the construction sector.<sup>280</sup> It identified major structural problems including manpower shortage, the cyclical nature of the industry, a widening skills gap, a poor reputation, inadequate training and a lack of policy and industry oversight. The review's findings informed the 2018 Construction Sector Deal, part of the Government's Industrial Strategy. This sought to improve the productivity of construction through measures including investing in modern methods of housebuilding, increasing the number of

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273 Centre for Digital Built Britain, 'New framework highlights new career opportunities being created by the National Digital Twin' (2021): <https://www.cdcb.ac.uk/news/new-framework-highlights-new-career-opportunities-being-created-national-digital-twin> [accessed 18 November 2021]

274 House of Commons Library, Construction industry: statistics and policy, Briefing Paper, [Number 01432](#), 16 December 2019

275 Department for Education, *Employer Skills Survey 2019: Summary report* (November 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/936488/ESS\\_2019\\_Summary\\_Report\\_Nov2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936488/ESS_2019_Summary_Report_Nov2020.pdf) [accessed 18 November 2021]

276 Institute for Public Policy Research, *Skills for a Green Recovery* (February 2021): <https://www.ippr.org/files/2021-02/skills-for-a-green-recovery-feb2021-summary.pdf> [accessed 7 December 2021]

277 CITB, *CSN Industry Outlook-21-2005*: <https://www.citb.co.uk/about-citb/construction-industry-research-reports/construction-skills-network-csn-2021-25> [accessed 19 November 2021]

278 *Shortage occupations in construction: a cross-industry research report* (January 2019): <https://builduk.org/wp-content/uploads/2019/01/Shortage-Occupations-in-Construction-A-cross-industry-research-report-January-2019.pdf> [accessed 19 November 2021]

279 [Q 28](#) (Mark Enzer)

280 The Farmer Review of the UK Construction Labour Model, *Modernise or Die: Time to decide the industry's future* (October 2016): <https://www.cast-consultancy.com/wp-content/uploads/2021/03/Farmer-Review-1-1.pdf> [accessed 26 November 2021]

apprenticeships and creating a National Retraining Scheme for the workforce to reskill.

186. **Official figures for the construction industry should include those employed in factories related to construction. This would more accurately reflect productivity levels in the industry, particularly as the sector moves towards modern methods of construction.**

#### *Perceptions*

187. We heard about the need for the sector to promote the advantages of a career in construction. Mark Enzer, Head of the National Twin Programme at the Centre for a Digital Built Britain, and Chief Technical Officer at Mott MacDonald, thought that the industry needs to harness a new narrative: “to show how every job that is contributing to the built environment is contributing to better outcomes for people, society and nature. It is something that is worth being part of.”<sup>281</sup>
188. Greater awareness of the financial rewards of a career in a trade might help with recruitment. The Centre for Vocational Education Research found in 2020 that men with a higher technical (level 4) qualification earn on average £5,100 more at age 30 (£37,000) than those with a degree (level 6), at £31,900.<sup>282</sup> Surveys of those in the industry suggest that 65% of respondents said that good pay was an appealing aspect of working in construction and 74% were attracted by the physical, outdoor nature of the work and the fact that it is not office-based.<sup>283</sup>
189. We heard of innovative digital projects designed to attract young people into construction. The Chartered Institute of Building devised ‘Craft your future’, a construction game for 12- to 14-year-olds, which takes place in Minecraft and presents users with a variety of construction problems.<sup>284</sup> Emphasising that construction is a sector that will rely on advanced digital skills in the future may help to attract children with an interest in computer science and other technical subjects, who may not previously have considered construction.

#### *Construction Industry Training Board*

190. The Construction Sector Deal committed to reforming the Construction Industry Training Board (CITB) so that it is “more strategic and focussed on future skills needs”. The CITB is funded by a levy paid by all construction employers, which is intended to support training, develop qualifications, offer apprenticeships and promote the industry as a career. Consultation on Levy Proposals for 2022–25 for registered employers took place in Spring 2021, a year later than planned due to the pandemic. Only 0.4% of employers registered with CITB responded to the proposals.<sup>285</sup>

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281 Q 32 (Mark Enzer)

282 Centre for Vocational Education Research, *Post-18 Education: Who is Taking Different Routes and How Much do they Earn?* (September 2020): <https://cver.lse.ac.uk/textonly/cver/pubs/cverbrf013.pdf> [accessed 12 November 2021]

283 IFF Research, *The Construction Industry Early Leavers Survey* (April 2017): <https://www.citb.co.uk/media/emop5xfm/the-construction-industry-early-leavers-survey.pdf> [accessed 19 November 2021]

284 Written evidence from the Chartered Institute of Building (UKH0034)

285 CITB, *2021 Consultation report* (May 2021): <https://www.citb.co.uk/media/cdxcvdo4/levy-proposals-consultation-2021-results-final.pdf> [accessed 2 December 2021]

191. Following a Government review in 2017, the CITB no longer provides training directly.<sup>286</sup> Its current responsibilities include providing grants for apprenticeships; hosting the industry’s career portal, ‘Go Construct’; hosting Onsite Experience Hubs, which prepare new entrants from different professional backgrounds to work in construction; and developing Occupational Traineeships with Further Education Colleges to prepare participants for work and apprenticeships.
192. The CITB has attracted criticism for failing to meet skills shortages. In October 2021, the National Federation of Builders published a paper calling for a fundamental restructuring of the body, including stripping CITB of its levy-raising powers.<sup>287</sup> The paper found that industry confidence in the CITB as “credible and reputable, adding value to the industry” in 2020 was 26%, down from 35% in 2019. It concluded that the CITB’s responsibilities should be redeployed to existing and new organisations, and the existing company put to competitive tender to ensure a focus on accountability and value for money. The National Federation of Builders proposed setting up a new national construction careers body that would be sponsored by the Department for Education.<sup>288</sup>
193. **The Construction Industry Training Board has not addressed construction skills shortages in an effective manner over many years. Reform is needed to address this issue. The Government should consider how the Construction Industry Training Board can upgrade its training offer for construction professionals. Failure to recruit and train the skills required to build new homes should cause the Government to consider potential alternative models for a national construction careers body.**

*Trade skills shortages*

194. Firms are struggling to recruit electricians, roofers, bricklayers, plasterers, carpenters, plumbers and safety inspectors. According to the ONS, there were 48,000 UK construction vacancies between April and October 2021—the most vacancies in 20 years. This contrasts with the pre-pandemic level of 27,000 between December 2019 and February 2020.<sup>289</sup> In the second quarter of 2021, 76% of roofing contractors reported experiencing difficulties with recruitment.<sup>290</sup>
195. SMEs are particularly affected by trades shortages; the Federation of Master Builders’ quarterly State of Trade Survey identified the following gaps during the second quarter of 2021:
- 53% of SME builders were struggling to hire carpenters/joiners
  - 47% were struggling to hire bricklayers
  - 36% were struggling to hire general labourers

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286 CITB, ‘What we do’: <https://www.citb.co.uk/about-citb/what-we-do/history/> [accessed 2 December 2021]

287 National Federation of Builders, ‘CITB - Time to Reconstruct’: <https://www.builders.org.uk/policy/campaigns/citb-time-to-reconstruct/> [accessed 21 November 2021]

288 *Ibid.*

289 Office for National Statistics, ‘UK Job Vacancies (thousands) - Construction’ (14 December 2021): <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/timeseries/jp9/lms> [accessed 19 November 2021]

290 Written evidence from National Federation of Roofing Contractors ([UKH0074](#))

- 31% were struggling to hire plasterers.<sup>291</sup>

*Career progression and employment models*

196. A lack of career progression in construction was raised as a major barrier to staff retention in the workforce. Table 5 shows how earnings tend to plateau for skilled construction and trades roles after 20 years in the industry.

**Table 5: Hourly salary rates for skilled construction and building trades**

Age range	Median hourly rate* (£)
18–21	8.20
22–29	11.73
30–39	13.41
40–49	13.32
50–59	13.59
60+	13.64

\*The median hourly rate is likely to vary around the country. This table illustrates the tendency for earnings to plateau.

Source: Written evidence from Construction Industry Training Board ([UKH0103](#))

197. The construction sector is dominated by self-employed contractors. Self-employed workers comprise nearly 40% of the construction workforce, as opposed to under 15% across all industries.<sup>292</sup> Women are more likely than men to work as employees and less likely to be self-employed: in 2021, 88% of women in the construction sector were employees, compared with 80% of men.<sup>293</sup> The Construction Leadership Council’s Industry Skills Plan recommends increasing the rate of direct employment in the construction sector to modernise and improve skills, concluding that it is “an enabler of apprenticeships, digital upskilling and competence”.<sup>294</sup> On the other hand, this can be difficult for SMEs who may need to draw on a more flexible set of skills throughout a project. Off-payroll working rules, known as IR-35, determine the tax contributions for self-employed workers.<sup>295</sup> These rules were altered in April 2021 and may also have an impact on the ability to hire skilled resources on building sites.<sup>296</sup>

198. We heard that most developers tend to bring in trade-specific subcontractors on a project-by-project basis, creating a cycle of high levels of turnover, with ‘layoffs’ taking place between projects. There is little incentive for companies to invest in and train their workforce under this model. LDS confirmed to us: “the business model for most SMEs is to acquire staff or sub-contractors

291 Written evidence from Federation of Master Builders ([UKH0058](#))

292 Office for National Statistics, ‘EMP14: Employees and self-employed by industry’ (16 November 2021): <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/employeesandselfemployedbyindustryemp14> [accessed 19 November 2021]

293 House of Commons Library, Women and the Economy, Briefing Paper, [Number CBP06838](#), 2 March 2021

294 Construction Leadership Council, *Industry Skills Plan for the UK Construction Sector 2021–2025*: [https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2021/03/B06322\\_CLC\\_SkillsPlan\\_v27.pdf](https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2021/03/B06322_CLC_SkillsPlan_v27.pdf) [accessed 19 November 2021]

295 HM Revenue & Customs, ‘Important factors for contractors-off-payroll working rules (IR35)’: <https://www.gov.uk/government/publications/off-payroll-working-rules-communication-resources/know-the-facts-for-contractors-off-payroll-working-rules-ir35> [accessed 16 December 2021]

296 NB: Such rule changes included that from 6 April 2021 the client has responsibility for determining the employment status for tax for the services provided by an individual or limited company.

on a site-by-site basis”.<sup>297</sup> Shelter told us that: “Insolvencies and drops in available work mean many ... workers lose employment and/or leave the sector to train in another industry.”<sup>298</sup> While some smaller housebuilders take on their own staff, as we learned at our site visit to St Modwen Properties, this remains a rarity.

199. Several witnesses called for appropriate mandatory continued professional development to enhance the skills of those already in the workforce.<sup>299</sup> This ‘lifelong learning’ will be necessary to keep the workforce up to date with the skills it needs. We heard that this would raise standards and improve the safety-critical aspects of construction. Some larger housebuilders provide continued development and training. Persimmon’s training includes accreditation programmes for site managers and contracts managers; full IT training for employees who regularly use IT applications; regular sales and customer service training for relevant staff; and course/exam fees, study leave and day release for recognised professional qualifications.<sup>300</sup>

### *Diversity*

200. The construction industry is male dominated: only around 4% of trades roles are held by women.<sup>301</sup> Only 8% of all construction apprenticeship starts are undertaken by women.<sup>302</sup> Representation of people from a Black, Asian and minority ethnic background (BAME) is also poor: only around 5% of the construction workforce in the UK identify as BAME; this drops to 1% among senior industry roles.<sup>303</sup> It will be necessary to attract people from a wider, more diverse talent pool to address skills shortages in the construction industry.
201. We heard that one barrier to attracting a more diverse workforce is the informality of the recruitment process. Firms tend to recruit people they know with few visible opportunities or role models. Brian Berry advocated online training courses as one way of encouraging more diverse routes into the profession.<sup>304</sup> The precarious nature of a career in construction, which usually involves self-employment, long hours and working in a wide variety of locations, may also deter potential applicants.
202. **Diversity remains a major issue in construction trades, with only 4% of trades roles held by women. It will be essential to draw on a wider talent base to meet the demand for skills.**

### **Planning and design skills**

203. There are also challenges in recruiting to professional roles in built environment sectors, leading to delays in the planning process. The National Audit Office reported a 13% reduction in planning inspectors between

297 Written evidence from LDS ([UKH0100](#))

298 Written evidence from Shelter ([UKH0065](#))

299 Written evidence from University College of Estate Management ([UKH0071](#)) and Chartered Institute for Plumbing and Engineering ([UKH0038](#)).

300 Persimmon, ‘Training and Development’: <https://www.persimmonhomes.com/jobs/training-and-development/> [accessed 26 November 2021]

301 [Q 81](#) (Brian Berry)

302 Written evidence from University College of Estate Management ([UKH0071](#))

303 CIOB, *A Special Report & Charter on Diversity and Inclusion*: <https://www.ciob.org/specialreport/charter/diversityandinclusion> [accessed 16 December 2021]

304 [Q 82](#) (Brian Berry)

2010 and 2018.<sup>305</sup> The Home Builders Federation told us: “Chronic under-resourcing and under-staffing in local planning authorities is leading to discrepancies, administrative errors and additional delays for developers”.<sup>306</sup>

204. The traditional route to become a professional planner is to pursue a university degree accredited by the Royal Town and Planning Institute, with a master’s required for those whose first degree is in an unrelated subject. In 2019, the Royal Town and Planning Institute introduced the Chartered Town Planner apprenticeship scheme, which is available at 10 universities.<sup>307</sup> It offers two entry points: one for current undergraduates, who complete a two-year apprenticeship programme, and a five-year programme for those without an undergraduate degree. There are approximately 300 apprentices currently enrolled on the programme.
205. Jonathan Manns was optimistic about attracting prospective young planners:
- “You are involved in shaping a community that will have a lasting legacy and a direct impact on people’s lives. Without being trite, we talk about units or homes, but these are the places where people fall in love, raise families, and have memories. The public sector has a real opportunity to attract and retain people if we start focusing on those benefits.”<sup>308</sup>
206. Having the appropriate planning resource in the right places is part of the problem. While some local authorities may have the right number of staff for day-to-day requirements, they may not have the resources required for larger sites. Pooja Agrawal argued in favour of having a more flexible resource that brings in planners from the private sector, trainees on placements or professionals from other areas, such as ecology, to contribute to larger projects.<sup>309</sup> She told us that Public Practice carries out similar work by placing mid-career built environment practitioners into public sector organisations.<sup>310</sup>
207. The Royal Institute of British Architects referred to a “concerning lack of specialist design expertise within local government”.<sup>311</sup> These experts might be qualified architects, or technical design specialists with an urban design training, who can advise on the close-up attributes of a building, such as complexity, materials and texture, as well as those viewed from a distance, such as symmetry, balance and human scale. Design specialists would also advise on broader placemaking in a new development. The Royal Institute of British Architects suggested that there is a “reliance in local authorities on using professionals without a design background to provide design related advice, such as planners and conservation officers” and thought that employing trained architects will be key to achieving positive design outcomes.<sup>312</sup> The Place Alliance found that in 2021 three quarters of local planning authorities had no access to architectural advice.<sup>313</sup>

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305 Written evidence from St Modwen ([UKH0054](#))

306 Written evidence from the Home Builders Federation ([UKH0044](#))

307 Supplementary written evidence from the Royal Town Planning Institute ([UKH0094](#))

308 [Q 43](#) (Jonathan Manns)

309 [Q 72](#) (Pooja Agrawal)

310 Public Practice, ‘About Public Practice’: <https://www.publicpractice.org.uk/about> [accessed 2 December 2021]

311 Written evidence from the Royal Institute of British Architects ([UKH0053](#))

312 *Ibid.*

313 Urban Design Group, *The Design Deficit—Skills Survey Report* (22 July 2021): <https://www.udg.org.uk/publications/articles/design-deficit-skills-survey-report> [accessed 12 November 2021]

208. The Urban Design Group has suggested that a ratio of design specialist staff to other professional planning staff of 1:10 is a reasonable aspiration.<sup>314</sup> At the current rate of recruitment, it will take until 2077 to have at least one urban design officer in every local planning authority in England.<sup>315</sup>
209. **The Government should enable local planning departments to have access to flexible resources, where skills from the private sector and other specialist areas are brought on for specific large sites.**

### Digital skills

210. We heard that the housebuilding sector has not been quick to adapt to digital ways of working. The Construction Industry Council told us that digital training programmes for construction are lacking, with education failing to reflect the industry’s technological developments.<sup>316</sup> Mark Enzer advised: “As we anticipate the transformation of the industry, we can anticipate the transformation of the workforce.”<sup>317</sup> Rather than relying on highly skilled digital graduates, however, Mark Enzer suggested that jobs at all levels will involve digital elements. He stressed that this will make processes easier and help to make the industry more attractive and diverse.
211. Connected Places Catapult highlighted that local planning authorities need to be supported by digital leadership programmes, in order to upskill the digital and data literacy of the workforce. The Construction Industry Council also want to see more digital training programmes in construction. It said:
- “some of the larger building contractors are using technology in a fully integrated way to streamline processes and drive up quality, with projects designed and ‘built’ digitally before starting on site. They are arming their site-based project managers with tablets and apps to check projects are being built as designed”.<sup>318</sup>
212. The digitalisation of processes is rarer in smaller firms, but the Construction Industry Council is confident that greater remote working has “led to the wider adoption of digital technologies across the sector” and recommend that Government, local authorities and housing associations reward companies that invest in training their staff.
213. Specialist skills will also be needed to retrofit the existing housing stock with green technologies. The UK has a particularly challenging housing stock to retrofit, because it has some of the oldest and least energy efficient homes.<sup>319</sup> The New Economics Foundation predicts that the UK will need 36,000 trained retrofit specialists to meet demand, yet at present there are only 2%

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314 *Ibid.*

315 Survey conducted by the Place Alliance: <https://placealliance.org.uk/research/design-deficit/CPRE> [accessed 12 November 2021], see written evidence from the Chartered Planners in Academic Practice Group ([UKH0062](#))

316 Written evidence from Construction Industry Council ([UKH0059](#))

317 [Q 26](#) (Mark Enzer)

318 Written evidence from Construction Industry Council ([UKH0059](#))

319 Environmental Audit Committee, *Energy Efficiency of Existing Homes* (Fourth Report, Session 2019–21, HC 346)

of that number.<sup>320</sup> The Commons Environmental Audit Committee recently published a report, *Green Jobs*, on these issues.<sup>321</sup>

### Apprenticeship Levy

214. The Apprenticeship Levy was introduced in April 2017 and is a form of taxation designed to fund the Government’s apprenticeship programme for large and small employers. The levy applies to businesses with a pay bill over £3 million at a rate of 0.5%. Businesses with an income of less than £3 million can use levy funds if they agree to contribute 5% of the apprenticeship’s training costs, with the Government contributing the rest.
215. The number of apprenticeship starts has fallen consistently since the levy’s introduction. Between the 2015/16 financial year and the first full year of the levy’s operation in 2017/18, the National Audit Office reported that the number of apprenticeship starts fell by 26%.<sup>322</sup> The COVID-19 pandemic exacerbated problems with the scheme, with the Construction Industry Training Board informing us: “During the 2020/21 academic year there were 6,000 fewer construction apprenticeship starts, representing a reduction of 30% compared to the previous year.”<sup>323</sup> The Federation of Master Builders suggested that the consistent decline in the number of apprenticeship starts, with 21,900 reported in 2019/20, “means that the Government has failed to meet its commitment to grow this to 25,000 by 2020, as set out in the Construction Sector Deal” of 2018.<sup>324</sup>
216. In July 2021, the Government introduced a £7 million fund to help employers set up ‘flexi-job’ construction apprenticeship schemes. These are due to begin in January 2022 and are intended to allow apprentices to work across a range of projects with multiple employers. This initiative could help apprenticeships to develop the varied set of skills needed to move between contracts and could also enable smaller employers to share apprenticeships.<sup>325</sup>
217. In recent years, a number of bodies have called for wholesale reform of the levy, including other Lords Committees.<sup>326</sup> Make Modular pointed to limitations on what the levy funds can be spent and the cap on how much can be spent on each apprenticeship, which can lead to unspent funds.<sup>327</sup> We heard that the £3,000 incentive for taking on an apprentice in an SME does not cover the bureaucracy involved.<sup>328</sup> In 2019, the Confederation of British Industry concluded: “Without urgent action, the Apprenticeship Levy risks

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320 Prospectus, ‘Green skills are essential for a low-carbon UK—the not for profit sector has a huge role to play, 2021’: <https://www.prospect-us.co.uk/news/green-skills-and-jobs-from-charity-sector> [accessed 19 November 2021]

321 Environmental Audit Committee, *Green Jobs* (Third Report, Session 2021–22, HC 75)

322 National Audit Office, *Department for Education The apprenticeships programme* (Session 2017–19, HC 1987): <https://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme.pdf> [accessed 19 November 2021]

323 Written evidence from the CITB ([UKH0103](#))

324 Written evidence from Federation of Master Builders ([UKH0058](#))

325 Written evidence from the CITB ([UKH0103](#))

326 Several other House of Lords Committees have called for reform of the apprenticeship levy, including the Communications and Digital Affairs Committee, *Breaking News? The Future of UK Journalism* (1st Report, Session 2019–21, HL Paper 176) and Economic Affairs Committee, *Employment and COVID-19: time for a new deal* (3rd Report, Session 2019–21, HL Paper 188).

327 Written evidence from Make Modular ([UKH0090](#))

328 [Q 26](#) (Charlotte Bonner)



becoming a roadblock to the Government's wider and welcome efforts to modernise the skills system."<sup>329</sup>

218. **Apprenticeships are vital to many built environment sectors and help develop talent for the future. The number of apprenticeships has fallen consistently since the Apprenticeship Levy's introduction. We urge the Government to review the Apprenticeship Levy.**

### Education

219. There is limited engagement with skills related to housebuilding in school curricula; more can be done to promote careers in the built environment at an earlier age. The Royal Institution of Chartered Surveyors has called for construction and the built environment to be a focus of investment for future GCSE qualifications.<sup>330</sup> Wales introduced a Built Environment GCSE in September 2021. In England a vocational Level 1/2 qualification, 'Constructing the built environment', is available for those seeking to pursue a practical course at age 14-16, but there is no academic equivalent.<sup>331</sup>

### Box 7: Welsh Built Environment GCSE

#### Subject content

##### Unit 1:

- The sector
- The built environment life cycle
- Types of building and structure
- Tools, technologies and materials
- Building structures and forms
- Sustainable construction methods
- Trades, employment and careers
- Health and safety

##### Unit 2:

- Designing the built environment
- Constructing the built environment

329 CBI, 'Further reform urgently needed for effective Apprenticeship Levy' (17 September 2019): <https://www.cbi.org.uk/media-centre/articles/further-reform-urgently-needed-for-effective-apprenticeship-levy/> [accessed 19 November 2021]

330 Written evidence from the Royal Institute of Chartered Surveyors (UKH0078)

331 Educas, *Level 1/2 Constructing the Built Environment*: <https://www.educas.co.uk/qualifications/constructing-the-built-environment-level-1-2/> [accessed 2 December 2021]

**Unit 3:**

- Planning and design stages of buildings and structures
- Construction processes
- Wellbeing of communities
- Post-occupancy evaluations
- Building maintenance and repair
- Change of use
- Changing practices

Source: Welsh Joint Education Committee, GCSE specification template (2 October 2021): <https://www.wjec.co.uk/media/cjlos3v5/wjec-gcse-built-environment-specification-e-20-10-2021.pdf> [accessed 16 December 2021]

220. We heard of a disconnect between further education and the job market. Only 25% of further education students who study construction in a technical college go onto a job in construction and a further 15% move onto an apprenticeship, with 60% reaching the end of their studies at age 18 with no immediate secure work.<sup>332</sup> Charlotte Bonner, National Head of Education for Sustainable Development at the Education and Training Foundation, advised us that whilst there are strong attractions and training routes into the construction industry, there is “a significant drop off in that translating into long-term employment.”<sup>333</sup>

*T levels*

221. Introduced in September 2020, T levels are two-year courses which are equivalent to three A levels.<sup>334</sup> They provide students with a technical education and include a placement with an employer of approximately 45 days. As of September 2021, construction-specific T level courses are available in onsite construction; building services engineering for construction; and design, surveying and planning for construction. There are concerns that the cancellation of BTECs, which are applied general technical qualifications, will reduce student choice and accessibility.<sup>335</sup> There has also been some discussion that, as a level 3 qualification, T levels are set too high for many young people who would make useful employees. The equivalence with three A levels makes these courses suited for students already doing well academically.

**222. Introduction through technical qualifications at the age of 16 is too late to capture young peoples’ interest in the built environment. The Government should ensure wider and earlier engagement with built environment sectors across the curriculum, by introducing modules before and at GCSE level.**

332 **Q 27** (Stephen Radley, Director of Policy and Strategic Planning, Construction Industry Training Board)

333 **Q 26** (Charlotte Bonner)

334 Department for Education, ‘Introduction of T Levels’ (22 November 2021): <https://www.gov.uk/government/publications/introduction-of-t-levels/introduction-of-t-levels> [accessed 23 November 2021]

335 House of Commons Library, ‘Level 3 qualifications reform: What’s happening to BTECs?’, 18 November 2021: <https://commonslibrary.parliament.uk/level-3-qualifications-reform-whats-happening-to-btecs>

## CHAPTER 8: DESIGN AND QUALITY

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223. Meeting housing demand is about more than numbers—new homes need to be of a design and quality that people want to live in. Design codes and a greater emphasis on design quality and beauty in the planning stages may help to improve standards in new housing stock. It is also critical that new homes are durable, so that they will still be suitable homes in 100 years' time. This chapter discusses Government initiatives to promote good design and quality; building for beauty; designing for net zero; the public realm; issues of quality in new housing; and the potential impact of Modern Methods of Construction.

### Design codes

224. A design code is a set of concise, illustrated design requirements which provide specific parameters for the physical development of a site or area. The Government issued guidance on design codes in 2006, following a three-year pilot research programme.<sup>336</sup> The 2012 National Planning Policy Framework encouraged local authorities to consider using design codes and instructed local planning authorities to have local design review arrangements in place, where expert panels would provide assessment and support to ensure high standards of design.<sup>337</sup> The Government's 2020 Planning White Paper, *Planning for the Future*, set out reforms to local plans to encourage a greater focus on quality and design at the local level. It indicated that locally produced design codes should be used alongside local plans and emphasised the importance of community engagement with local design codes.<sup>338</sup> Witnesses said that it is important that design codes do not stifle innovation and imagination among architects and builders.

### *National Model Design Code*

225. Responding to criticisms about the design of new-build homes, in July 2021 the Government introduced a new National Model Design Code.<sup>339</sup> The Code sets out guidance for local planning authorities as they design their own locally informed codes and develops the broader priorities set out in the National Design Guide, which was published in October 2020. Specific standards include ensuring that the design of new development takes account of local vernacular, character, heritage, architecture and materials; creates safe, inclusive and accessible green spaces; considers landscape, green infrastructure and biodiversity; and considers environmental performance to ensure they contribute to net zero.

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336 Department for Communities and Local Government, *Preparing Design Codes: A Practice Manual* (November 2006): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/7623/152675.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/7623/152675.pdf) [accessed 29 November 2021]

337 Ministry of Housing, Communities and Local Government, *National Planning Policy Framework* (27 March 2012): <https://www.gov.uk/government/publications/national-planning-policy-framework--2> [accessed 29 November 2021]

338 Ministry of Housing, Communities and Local Government, *White Paper: Planning for the future*

339 Department for Levelling Up, Housing and Communities, *National Model Design Code* (14 October 2021): <https://www.gov.uk/government/publications/national-model-design-code> [accessed 7 December 2021]

**Box 8: National Design Code: ten characteristics of well-designed places**

1. **Context:** enhances the surroundings
2. **Movement:** accessible and easy to move around
3. **Nature:** enhanced and optimised
4. **Built form:** a coherent pattern of development
5. **Identity:** attractive and distinctive
6. **Public space:** safe, social and inclusive
7. **Use:** mixed and integrated
8. **Homes and buildings:** functional, healthy and sustainable
9. **Resources:** efficient and resilient
10. **Lifespan:** made to last

Source: Ministry of Housing, Communities and Local Government, *National Model Design Code: Part 2 Guidance Notes* (June 2021): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1009795/NMDC\\_Part\\_2\\_Guidance\\_Notes.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1009795/NMDC_Part_2_Guidance_Notes.pdf) [accessed 7 December 2021]

*Limitations of design codes*

226. We heard concerns about the ‘codification’ of good design. The Chartered Planners in Academic Practice Group warned against implementing a “one size fits all” approach and suggested that design codes “work best for single large sites being built out over a long timescale where they provide coherence, co-ordination and certainty—and often underpin public confidence in the outcomes from such large sites”. They advised: “Good design should contribute to, and not be traded off against other objectives, including environmental, economic, and social aspects of sustainable development”.<sup>340</sup>
227. Highlighting the importance of local input, the Construction Industry Council said: “It is imperative that neighbourhoods are involved as much as possible in producing codes and designs. In the past, poor quality of design has been a reason why so much new development has been opposed locally.”<sup>341</sup> However, we heard that improved design quality would not significantly reduce the extent of local objection or make new homes more acceptable to existing communities. David Birkbeck, Chief Executive Officer, Design for Homes, commented that while better design might “effectively win over about one in ten objectors ... it is not going to be big enough to move the dial”.<sup>342</sup>
228. Barratt Developments said that for design codes to be a success, they “should be aligned with the timing and content of the local plan” and “must not make sites allocated in local plans undeliverable”.<sup>343</sup>
229. The Local Government Association argued that local authorities should not be required to produce a design code:
- “While a design guide can be a helpful tool that sets out principles and provides exemplars, it may not be the right tool for creating high quality

340 Written evidence from Chartered Planners in Academic Practice Group ([UKH0062](#))

341 Written evidence from Construction Industry Council ([UKH0059](#))

342 [Q 58](#) (David Birkbeck)

343 Written evidence from Barratt Developments ([UKH0099](#))

places. There is also a risk that design codes could create an additional layer of documents to consider and require a lot of resources. Design codes may also be prescriptive, potentially stymieing design innovation.”<sup>344</sup>

230. The Chartered Planners in Academic Practice Group said that the high build costs associated with design codes could prevent SME housebuilders from being able to compete in the marketplace.<sup>345</sup>
231. Whilst suggesting that design codes will work in areas “where there already is ambition for design quality”, David Birkbeck questioned their efficacy in areas with geographical diversity. He stressed that “you cannot have a single set of design rules for something so varied” and suggested that central guidance is “ignored when it is not attractive to that particular local community”.<sup>346</sup>

*Design expertise at a local level*

232. The Chartered Institute of Building said: “Good design is not inevitable; it needs to be championed”.<sup>347</sup> We heard how a lack of design expertise in local planning authorities can compromise high-quality design. Phillip Waddy, an architect, informed us that architects are rarely engaged in the design and master-planning of large new developments. He suggested that these types of projects are particularly in need of design expertise, as they tend to lack an existing urban and landscape context, which results in “the developer’s standard offering [being] ... reproduced multiple times, creating an anywhere/nowhere environment.”<sup>348</sup>
233. Public Practice have estimated that adopting a design code for an area of approximately 1,000 homes will cost £139,000 and have suggested that to upskill, produce and deliver local design codes at scale, local planning authorities will need additional funding and support.<sup>349</sup>
234. **Local planning departments are severely underequipped in terms of design resources. Increased flexible resourcing for local planning authorities should include design skills.**

*Building for beauty*

235. The Building Better, Building Beautiful Commission (2018–20) was an independent body commissioned by the Government to advise on how to promote high-quality designs for newbuild homes and neighbourhoods.<sup>350</sup> The Planning White Paper adopted several of the commission’s recommendations.<sup>351</sup> These included implementing a planning “fast-track for beauty” for high-quality development that “reflects local character” and the publication of a revised version of the 2007 Manual for Streets, with a

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344 Written evidence from the Local Government Association (UKH0043)

345 Written evidence from Chartered Planners in Academic Practice Group (UKH0062)

346 Q 48 (David Birkbeck)

347 Written evidence from Lifestory Group (UKH0021)

348 Written evidence from West Waddy Archadia (UKH0087)

349 Written evidence from the Local Government Association (UKH0043)

350 HM Government, ‘Building Better, Building Beautiful Commission’: <https://www.gov.uk/government/groups/building-better-building-beautiful-commission> [accessed 29 November 2021]

351 Ministry of Housing, Communities and Local Government, *White Paper: Planning for the future*

commitment that all new streets are tree-lined.<sup>352</sup> The Office for Place, a new unit set up by the Department for Levelling Up, Housing and Communities to work on local design codes and undertake research, will continue to promote the Commission's findings.<sup>353</sup>

236. Some witnesses raised concerns about the proposed planning “fast-track for beauty”.<sup>354</sup> The proposal is that schemes which comply with local design codes, based on the National Model Design Code, will be more likely to gain swift approval. Criticisms include that beauty is difficult to quantify and that a fast-track risks developers putting together local elements, rather than actively engaging with architects to reflect local idioms.<sup>355</sup> Councils have expressed concern at the proposals, with the New Forest District Council emphasising that ‘sustainability’ and ‘beauty’ are not the same.<sup>356</sup> The Local Government Association warned: “The Government’s proposals to allow ‘beautiful’ development to be fast-tracked may not lead to the quality homes and places communities want and need. Councils need tools that will empower them to create great quality homes and places and stop poor development, rather than supporting those deemed to be ‘beautiful’.”<sup>357</sup>
237. We also heard: “good design and good aesthetics are not the same conceptually.”<sup>358</sup> For example, the National Federation of Roofing Contractors suggested that “faux dormers, Juliet balconies, false chimney stacks, and unnecessary valleys and gables in a roof ... add kerb appeal” but are “by and large useless, requiring maintenance later on and ... lessening value.”<sup>359</sup>
238. **We welcome the Government’s increased focus on the importance of beauty in building new homes. However, we are concerned that the proposed ‘fast-track for beauty’ would compromise the quality of some new builds.**

*Designing for net zero*

239. Homes have been the single largest emitter of greenhouse gases in the UK since 2015.<sup>360</sup> New and existing homes produce around 20% of all carbon emissions in the UK.<sup>361</sup> The Future Homes Standard is part of the Government’s plan to build homes that are zero carbon, so that an average

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352 Department for the Environment, Planning and Countryside, Department for Communities and Local Government and Department for Transport, *Manual for Streets* (2007): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/341513/pdfmanforstreets.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/341513/pdfmanforstreets.pdf) [accessed 29 November 2021]

353 Building Design, ‘New Office for Place is ‘not Cabe 2’, says government design advisor’ (7 August 2021): <https://www.bdonline.co.uk/news/new-office-for-place-is-not-cabe-2-says-government-design-advisor/5113274.article> [accessed 29 November 2021]

354 Written evidence from the Local Government Association ([UKH0043](#)) and Professor Flora Samuel University of Reading, and the Quality of Life Foundation ([UKH0025](#))

355 [Q 66](#) (Professor Ricky Burdett)

356 Urbanist Architecture, ‘Is a Fast Track for Beauty a Good Idea? The Problems with the Government’s Big Planning Idea’ (11 March 2021): <https://urbanistarchitecture.co.uk/fast-track-for-beauty-building-beautiful/> [accessed 29 November 2021]

357 Written evidence from the Local Government Association ([UKH0043](#))

358 Written evidence from National Federation of Roofing Contractors ([UKH0074](#))

359 *Ibid.*

360 Office for National Statistics, ‘COVID-19 restrictions cut household emissions’ (21 September 2021): <https://www.ons.gov.uk/economy/environmentalaccounts/articles/covid19restrictionscuthouseholdemissions/2021-09-21> [accessed 29 November 2021]

361 Hertfordshire Building Control, ‘The Future Homes Standard Consultation – Technical Briefing’: <https://www.hertfordshirebc.co.uk/future-homes-standard/> [accessed 29 November 2021]

home will have 75–80% fewer carbon emissions than a home constructed to the current national standards for energy efficiency. The proposed timeline is for a full technical specification to be consulted on in 2023, ahead of introducing legislation in 2024 and implementation in 2025. The Construction Industry Council saw drawbacks to this timeline:

“If the Government is to consistently reach its target of 300,000 homes per year, this will mean that 1 million homes are likely to have been built before the Future Homes Standard is implemented. These homes will only be subject to interim standards with some transitional arrangements still to be revealed ... [and] if the Future Homes Standard is perceived by housebuilders as increasing build costs, then plans may be rushed through to beat the legislation.”<sup>362</sup>

**240. The Government should establish a clear implementation timetable for the Future Homes Standard. Where possible, the number of homes built to the Future Homes Standard should be maximised.**

*Space standards*

241. A number of witnesses highlighted the importance of space standards and the discrepancies that exist between tenures.<sup>363</sup> Where regulations are not in place, rooms are smaller. David Orr CBE, Chair of the Good Home inquiry at the Centre for Ageing Better observed: “We have an obsession with the number of bedrooms instead of the amount of habitable space per person; that is where space standards should start from, not what size a third bedroom is.”<sup>364</sup> With more people spending more time at home following the pandemic, there is scope for reevaluating what constitutes habitable space.
242. Zero plotting is when housebuilders plot streets using suburban house types as tightly as possible. Design for Homes informed us that these schemes allow no space for soft landscaping at the front of the house and the streets tend to have no verge or tree planting.<sup>365</sup> This allows the developer to maximise their land bid and win the tender. David Birkbeck explained that these homes were previously built at 12,000 square feet to the acre and are now built at 17,000 square feet to the acre.<sup>366</sup> He remarked that builders “work out how to build the maximum number of units with absolutely nothing except for the minimum depth of garden allowed ... and enough space for two parking bays on plot to the front of the property” and suggested that the business models of several companies are based on this practice. Homes England does not allow its land to be sold to developers who adopt zero plotting. We heard evidence that mid-rise developments use space effectively to provide medium density dwellings and have less of a harmful impact on the surrounding environment.<sup>367</sup>

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362 Written evidence from Construction Industry Council ([UKH0059](#))

363 Written evidence from Clyde Whittaker ([UKH0007](#)) and National Housing Federation ([UKH0035](#))

364 [Q 53](#) (David Orr)

365 Supplementary written evidence from Design for Homes ([UKH0110](#))

366 [Q 53](#) (David Birkbeck)

367 Written evidence from Historic England ([UKH0091](#))

*Lifetime Homes Standard*

243. The Lifetime Homes Standard is comprised of sixteen design criteria intended to make new homes accessible, adaptable and inclusive.<sup>368</sup> Such standards seek to help make homes suitable for later living. The criteria include car parking width, potential for entrance level living space and accessibility of bathrooms.<sup>369</sup> The concept was developed in 1991 by the Joseph Rowntree Foundation and the Habinteg Housing Association and a revised version was published in 2010, which contributed to the Building Regulations 2010.<sup>370</sup> Some local authorities required new developments to adopt the standard. Part M (access to and use of buildings) of the Building Regulations, which were amended in 2020, sets minimum access standards for all new buildings; most of the design criteria of the Lifetimes Homes Standard are included in Part M, but not all.<sup>371</sup>

*Public realm*

244. The interplay between the home and spaces outside can enhance or detract from residents' quality of life. The Lords special inquiry Committee on National Policy for the Built Environment focused on this issue in its report, *Building better places*, which was published in 2016.<sup>372</sup> Considerations of the public realm—defined as all aspects of the built environment that are publicly accessible, such as streets, squares and parks—carry increasing weight in the planning process.
245. We were told that in some cases schemes are well-designed at the start, with a good focus on the public realm, but adapted so extensively throughout the delivery that the final product is compromised. The Construction Industry Council advised us: “following planning consent, well designed schemes should not be fundamentally changed during the process of addressing matters of design detail: too often currently, what is finally built is ‘bad’ design.”<sup>373</sup> The contribution private developers have made to the private realm attracted praise, with the regeneration of King’s Cross raised as an example of “public realm of extraordinary quality”.<sup>374</sup>

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368 Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government, ‘Raising accessibility standards for new homes’ (8 September 2020): <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes> [accessed 2 December 2021]

369 Hunter Architects, ‘Lifetime homes’: <https://www.hunterarchitects.co.uk/project-elements/lifetime-homes> [accessed 2 December 2021]

370 London Borough of Dagenham and Barking, *Lifetime Homes Standards—16 point criteria checklist*: <https://www.lbbd.gov.uk/sites/default/files/attachments/Lifetime-Homes-Standards-Checklist-April-2015.pdf> [accessed 2 December 2021]

371 Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government, *Access to and use of buildings: Approved Document M* (7 June 2021): <https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m> [accessed 2 December 2021]

372 Select Committee on National Policy for the Built Environment, *Building better places* (Report of Session 2015–16, HL Paper 100)

373 Written evidence from Construction Industry Council ([UKH0059](#))

374 [Q 59](#) (Professor Ricky Burdett)



### Box 9: King's Cross Central development

King's Cross has undergone development from an industrial site into a new neighbourhood with streets, squares, parks, homes, shops, offices, restaurants, bars, schools and a university. Part of the London Borough of Camden, the area has a new postcode, N1C. The mixed-use development was hailed by a number of witnesses as an example of best practice for urban regeneration.

In 2001, construction work began on the Channel Tunnel Rail Link and the restoration of St Pancras Station. In the same year, Argent was selected as the development partner for King's Cross Central. Consultation with the local community, government and stakeholders resulted in a paper, *Principles for a human city*, from which the masterplan evolved. These principles included having a robust urban framework, harnessing the value of heritage, and having a vibrant mix of uses. Planning permission was granted in 2006 for the development of around 50 new buildings and up to 2,000 new homes, and construction began in 2008. Granary Square is the central outdoor space; there are 26 acres of outdoor space across the site.



Image: John Sturrock, King's Cross Central Limited Partnership: <https://www.kingscross.co.uk/about-the-development>

246. The Minister indicated that the Government wants to extend the Office for Place from its present location in the department to every local authority.<sup>375</sup> He argued that this would: “enable those local authorities to generate their own localised design codes” which would in turn “make local plan-making, and thereby local development, more digestible to people who really know that we need homes but do not want them built without infrastructure, looking like any home anywhere else in the country.”

375 Q 98 (Rt Hon. Christopher Pincher MP)

**Box 10: Eddington development, Cambridge**

Eddington is the first phase of the North West Cambridge Development, which is being undertaken by the University of Cambridge. The development will ultimately provide 1,500 homes for university and college staff, 1,500 private homes for sale and accommodation for 2,000 postgraduates. Community amenities include a primary school, a nursery, a health centre, a community centre and performing arts space, 100,000 square metres of academic and research and development space, a supermarket, a hotel, a senior living home, sports pitches, retail units, public green spaces, roads and transport routes, sustainable transport provision, an energy centre and district heating network. Outline planning consent was granted in 2013 and construction began that year. The University of Cambridge Primary School opened in 2015 and residents moved into the development in 2017. The community centre and performing arts space opened in 2018.

Some of the development's innovative projects include its waste management and water collection systems. Underground chutes replace traditional wheelie bins in an innovative waste disposal system and the development has the UK's largest site-wide water recycling system. Solar panels are used extensively in the development. The development has won numerous awards for masterplanning, planning, design, construction and sustainability.



Source: Eddington, Cambridge: developed by the University of Cambridge: [www.eddington-cambridge.co.uk](http://www.eddington-cambridge.co.uk) [accessed 7 December 2021]

**247. We encourage the Government to promote local engagement with placemaking, including through the Office for Place. The Office for Place should help coordinate flexible resources for planning.**

## Quality

248. We heard that too often new homes do not meet expected quality standards: the 2018/19 Home Builders Federation survey found that 97% of respondents had reported problems to their housebuilders, with 25% of new homeowners reporting over 16 problems.<sup>376</sup> A 2017 report by Shelter found that 51% of homeowners in new-build homes had experienced problems.<sup>377</sup> Common issues in new homes range from major structural and weatherproofing problems, ventilation defects, mould, doorframes contracting, water leaks and poorly built walls, to minor issues such as plaster drying cracks.<sup>378</sup> The HomeOwners Alliance and BLP Insurance conclude that “the British public are shunning new homes because they are seen as being poorly built and characterless.”<sup>379</sup>
249. We heard that earlier engagement with inspectors could help mitigate defects. The Chartered Institute of Plumbing and Heating Engineering told us: “to improve the quality of new homes more interaction should take place with Clerk of Works/Building Inspectors especially prior to completion and handover of properties”.<sup>380</sup> We learned that in some cases schemes are well-designed at the start, with a good focus on build quality, but are adapted so extensively throughout the delivery that the final product is compromised.<sup>381</sup>
250. The decline of SME housebuilders has affected build quality. The Federation of Master Builders wrote: “Lacking the economies of scale of volume builders, they [SMEs] are unlikely to be able to compete on price, and so will tend to differentiate themselves through quality of design and quality of build.”<sup>382</sup>
251. Poor-quality housing has a significant impact on public health. In its 2021 report, *The cost of poor housing in England*, the Building Research Establishment concluded that poor housing costs the NHS £1.4 billion per annum in treatment bills, with excess cold the most expensive hazard.<sup>383</sup> Fuel poverty led to 8,500 deaths in England and Wales over the 2019/20 winter.<sup>384</sup>

### *New Homes Ombudsman*

252. In October 2018, the Government announced its intention to create a New Homes Ombudsman to “champion homebuyers, protect their interests and hold developers to account”. The New Homes Ombudsman is a component of the Government’s plan to encourage housebuilders to deliver high standards of quality, service and customer satisfaction. Those who buy new homes will have the right to take complaints against builders to the Ombudsman. Membership will be mandatory for all new developers and the Ombudsman will have the right to require housebuilders to: pay compensation; make

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376 House of Commons Library, New-build housing: construction defects—issues and solutions (England), Briefing Paper [Number 07665](#), 20 August 2020

377 Written evidence from the Royal Institute of British Architects ([UKH0053](#))

378 All Party Parliamentary Group for Excellence in the Built Environment, *More homes, fewer complaints: Report from the Commission of Inquiry into the quality and workmanship of new housing in England* (July 2016): <https://cic.org.uk/admin/resources/more-homes.-fewer-complaints.pdf> [accessed 29 November 2021]

379 *Ibid.*

380 Written evidence from the Chartered Institute for Plumbing and Engineering ([UKH0038](#))

381 Written evidence from the Chartered Planners in Academic Practice Group ([UKH0062](#))

382 Written evidence from Federation of Master Builders ([UKH0058](#))

383 BRE, *The cost of poor housing in England*, Briefing paper (2021): [https://files.bregroup.com/research/BRE\\_Report\\_the\\_cost\\_of\\_poor\\_housing\\_2021.pdf](https://files.bregroup.com/research/BRE_Report_the_cost_of_poor_housing_2021.pdf) [accessed 15 November 2021]

384 National Energy Action, ‘New ONS figures reveal cold homes death toll’ (27 November 2020): <https://www.nea.org.uk/news/271120-01/> [accessed 29 November 2021]

an apology; provide an explanation; and/or take some other action as the Ombudsman may specify. The New Homes Quality Board has consulted on the proposals for the scheme.<sup>385</sup> The Ombudsman will be created under the Building Safety Bill, which was introduced in July.<sup>386</sup>

253. **We commend the Government’s plans for a New Homes Ombudsman to handle complaints from those who buy new homes. The New Homes Ombudsman’s powers must be robust and adequately enforced.**

*Building safety*

254. The Building Safety Programme was established by the Government to ensure the safety of high-rise buildings following the Grenfell Tower tragedy in 2017.<sup>387</sup> It requires leaseholders to pay for remedial work to improve the safety of buildings. The impact of this on housing associations is acute: the National Housing Federation’s survey of housing associations found that 11% of their planned new affordable homes in England can no longer be built, due to funding for remediation.<sup>388</sup> The burden of remediation costs also limits housing associations’ capacities to fund new homes with a high design quality.

*Modern Methods of Construction*

255. Modern Methods of Construction (MMC) use a combination of offsite manufacturing, onsite techniques and innovative technologies to produce homes more quickly than traditional housebuilding methods. MMC can produce ‘modular’ homes: prefabricated homes constructed off-site in a factory in repeated sections or modules, which are later transported and assembled on-site. Currently, 8% of UK homes are built using MMC.<sup>389</sup> In March 2021, the Government announced the creation of an MMC Taskforce, aimed at increasing the delivery of MMC housing in the UK.
256. Housebuilders are increasingly adopting MMC to deliver new homes, which may have fewer defects and be built more quickly. Make Modular explained: “In a controlled factory setting, strict overall quality assurance procedures can be more easily achieved, resulting in improved quality of construction, including reduced numbers of errors and fewer snagging issues—homes will come off the production line 97% defect-free”.<sup>390</sup> At our visit to the St Modwen Kingsgrove development, we saw new homes being built through a mix of MMC and traditional methods, for example through a modular ‘room in the roof’.

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385 Department for Levelling Up, Housing and Communities, ‘New Homes Ombudsman: factsheet’ (8 November 2021): <https://www.gov.uk/government/publications/building-safety-bill-factsheets/new-homes-ombudsman-factsheet> [accessed 29 November 2021]

386 *Building Safety Bill* [2021–22]

387 Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities & Local Government, ‘Building Safety Programme’ (22 December 2021): <https://www.gov.uk/guidance/building-safety-programme#overview> [accessed 2 December 2021]

388 National Housing Federation, ‘Funding for remediation’: <https://www.housing.org.uk/our-work/building-safety/safety-tests-and-remedial-work/funding-for-remediation/> [accessed 2 December 2021]

389 Written evidence from Make Modular ([UKH0090](#))

390 *Ibid.*

### Box 11: Berkeley Modular factory in Ebbsfleet, Kent

The Berkeley Group have established a modular factory in Ebbsfleet, Kent under a new company, Berkeley Modular. The purpose-built facility covers 150,000 square feet and produces 1,000 modular homes per year; all homes include electrics, plumbing, flooring and internal fittings.<sup>391</sup> The workforce is directly employed and there are apprenticeships available in areas including digital design, offsite assembly and site management and integration.<sup>392</sup>

Source: Barker Ross Group, 'About Berkeley Modular': <https://www.barkerross.co.uk/clients/berkeley-modular> [accessed 2 December 2021]

257. The Minister referred to the Government's interest in MMC: "We are putting a great deal of support behind modern methods of construction ... Of the properties that will be built through the new affordable homes programme, 25% will be built using MMC." He added that "MMC is a mechanism for making sure that we get good-quality, precision-build homes, ideally designed beautifully in communities that have the infrastructure to support them."<sup>393</sup>
258. However, the Chartered Institute of Building was concerned that "Without due diligence or professionalism ... MMC could be sub-standard with limited protections for consumers as well as risk reputational damage that could undermine confidence of new housebuilding routes".<sup>394</sup> The Building Research Establishment highlighted similar concerns about consumers' views of MMC:
- "consumers continue to have reservations about the quality of MMC homes. With greater assurance about their quality and longevity, as well as safety and security of living in MMC properties, consumers could potentially be persuaded to adopt them in enough volume to make greater investment in it commercially viable."<sup>395</sup>
259. Zurich Insurance identified several risks in MMC, including "the durability of the development and the increased risk of larger scale escape of water, flood, and fire damage."<sup>396</sup> They remarked that, since MMC are new and evolving, "contractors may have little or no previous experience of the materials, systems, and assembly techniques required", which could lead to "structural deficiencies, because the product was installed wrong, [or] to vital safety checks being missed".
260. The automation of production through MMC is one way of relieving the pressure on traditional trades.<sup>397</sup> Make Modular told us that volumetric construction can introduce "50,000 flexible future economy jobs where

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391 Barker Ross Group, 'About Berkeley Modular': <https://www.barkerross.co.uk/clients/berkeley-modular> [accessed 2 December 2021]

392 Berkeley Group, 'Berkeley Modular': <https://www.berkeleygroup.co.uk/about-us/who-we-are/our-brands/berkeley-modular> [accessed 2 December 2021]

393 [Q 105](#) (Rt Hon. Christopher Pincher MP)

394 Written evidence from the Chartered Institute of Building ([UKH0034](#))

395 Written evidence from BRE ([UKH0085](#))

396 Written evidence from Zurich Insurance ([UKH0089](#))

397 MMC are considered further in the reports, Science and Technology Committee: *Off-site manufacture for construction: Building for change* (2nd Report, Session 2017–19, HL Paper 169), and Housing, Communities and Local Government Committee, *Modern methods of construction* (Fifteenth Report, Session 2017–19, HC 1831)

they are needed across the UK”.<sup>398</sup> Emma Fraser, Director of the Housing Markets and Strategy team at the Department for Levelling Up, Housing and Communities, said: “the shift to modern methods of construction is going to be a really important driver of changes in the skill base in the industry”.<sup>399</sup>

**261. MMC can help to alleviate skills shortages in construction. We welcome the creation of the Government’s MMC Taskforce, and encourage the Taskforce to focus on the potential for MMC to create more digital and manufacturing jobs in communities with high levels of unemployment.**

**262. MMC can help to deliver more new homes with a reduced number of defects. The Government and Homes England should help reassure consumers about the quality and safety benefits of MMC.**

**Meeting housing demand**

**263. Evidence to our inquiry has shown how vital it is that that new homes are built to help meet housing demand. Building more homes will not address affordability pressures in the short term but is an essential first step to ensure that demand can be met in the long term. We heard that meeting future housing demand will require more homes of all kinds.**

**264. To meet that challenge, the sector needs certainty and a clear direction from the Government about reforms to the planning system and more resources to address chronic delays. It is also very important to address skills shortages in the construction and planning sectors and to allocate additional land for homes. Only if all the challenges we have identified are addressed will it be possible to boost housing supply and affordability and meet the Government’s targets in the years ahead.**

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<sup>398</sup> Written evidence from Make Modular ([UKH0090](#))

<sup>399</sup> [Q 106](#) (Emma Fraser)

## APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

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### Members

Baroness Bakewell  
 Lord Berkeley  
 Lord Best  
 Lord Carrington of Fulham  
 Baroness Cohen of Pimlico  
 Lord Grocott  
 Lord Haselhurst  
 The Earl of Lytton  
 Lord Moylan  
 Baroness Neville-Rolfe (Chair)  
 Lord Stunell  
 Baroness Thornhill

### Declarations of interest

Baroness Bakewell  
*President, Birkbeck (further education and part time, lifelong learning)*  
*Ambassador, Almshouse Association (which provides alms house provision for the elderly)*

Lord Berkeley  
*No relevant interest to declare*

Lord Best  
*Chair, Affordable Housing Commission*  
*Chair, University of Oxford Commission on Creating Healthy Cities*  
*President, Sustainable Energy Association*  
*Vice President, Local Government Association*  
*Vice President, Town and Country Planning Association*  
*Wife owns privately rented property*

Lord Carrington of Fulham  
*No relevant interest to declare*

Baroness Cohen of Pimlico  
*Member, Planning Committee, Cambridge Past Present and Future Charitable Trust*  
*Son is a property developer*  
*New house in Cambridge owned jointly with husband and let commercially*

Lord Grocott  
*No relevant interest to declare*

Lord Haselhurst  
*Chair, West Anglia Rail Taskforce*

The Earl of Lytton  
*Co-owner (with wife) of farmland and woodland, let residential and business property in West Sussex and of let residential, and holiday and a private toll road property in Somerset from which income is received*  
*Chartered Surveyor involved with development consultancy, construction, building condition and property valuation; Chair RICS panel on boundary/title/party wall issues*  
*Chair, University of West London Industry Consultative Committee (linking construction industry and academia)*

*Vice-President, LGA and of NALC*

*Joint President, West Sussex Association of Local Councils*

Lord Moylan

*Member, Board of the Ebbsfleet Development Corporation*

Baroness Neville-Rolfe (Chair)

*Non-executive Director, Capita plc (until 14 December 2021)*

*Non-executive Director, Secure Trust Bank plc*

*Shareholdings in Tesco plc (food and drug retailer)*

*Shareholdings Prudential plc (insurance)*

*Houses in London SE11 and SE17 owned jointly with husband (one also with son) from which rental income may be received*

*Cottage near Chilmark, Wiltshire, jointly owned with husband, from which rental income is received*

*One third share in family property in Wardour, Wiltshire from which rental income is received*

Lord Stunell

*Honorary President, National Home Improvement Council*

*Honorary Fellow Institute of Civil Engineers*

*Member of Marple Neighbourhood Forum, Stockport MBC, established under the Localism Act.*

Baroness Thornhill

*No relevant interest to declare*

A full list of Members' interests can be found in the Register of Lords' interests: <https://www.parliament.uk/mps-lords-and-offices/standards-and-interests/register-of-lords-interests/>

### **Specialist adviser**

Professor Paul Cheshire

*Expert witness on behalf of applicants, Quinn Estates Ltd, in a planning appeal (12 July 2021-5 November 2021)*



## APPENDIX 2: LIST OF WITNESSES

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Evidence is published online at <https://committees.parliament.uk/work/1328/meeting-the-uks-housing-demand/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the Committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with \*\* gave both oral and written evidence. Those marked with \* gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only.

### Oral evidence in chronological order

*	Professor Chris Leishman, Professor of Property and Housing Economics, University of South Australia	<a href="#">QQ 1-13</a>
**	Professor Michael Oxley, Emeritus Senior Fellow, Department of Land Economy, University of Cambridge	<a href="#">QQ 1-13</a>
*	Professor Christine Whitehead, Emeritus Professor of Housing Economics, London School of Economics and Political Science	<a href="#">QQ 1-13</a>
*	Ian Fletcher, Director of Policy, British Property Federation	<a href="#">QQ 14-24</a>
*	Toby Lloyd, Chair, No Place Left Behind Commission, and Independent Housing Policy Consultant	<a href="#">QQ 14-24</a>
*	Dr Anna Minton, Reader, School of Architecture, University of East London	<a href="#">QQ 14-24</a>
*	Alex Morton, Head of Policy, Centre for Policy Studies	<a href="#">QQ 14-24</a>
*	Charlotte Bonner, National Head of Education for Sustainable Development, Education and Training Foundation	<a href="#">QQ 23-33</a>
**	Mark Enzer, Head of the Centre for Digital Built Britain's National Twin Programme, and Chief Technical Officer, Mott MacDonald	<a href="#">QQ 23-33</a>
**	Stephen Radley, Director of Policy and Strategic Planning, Construction Industry Training Board	<a href="#">QQ 23-33</a>
*	Jonathan Manns, Executive Director, UK & Monaco, Rockwell Property	<a href="#">QQ 34-47</a>
**	David Bainbridge, Planning Director, Savills	<a href="#">QQ 34-47</a>
**	Victoria Hills, Chief Executive Officer, Royal Town Planning Institute	<a href="#">QQ 34-47</a>
**	David Birkbeck, Chief Executive Officer, Design for Homes	<a href="#">QQ 48-66</a>
*	Professor Ricky Burdett CBE, Director of LSE Cities and Urban Age, London School of Economics and Political Science	<a href="#">QQ 48-66</a>

- \* David Orr CBE, Chair, the Good Home inquiry, Centre for Aging Better [QQ 48–66](#)
- \* Pooja Agrawal, Chief Executive Officer, Public Practice [QQ 67–73](#)
- \* Grant Butterworth, Head of Planning, Leicester City Council [QQ 67–73](#)
- \* Cllr Dr Ed Turner, Member, Local Government Association, Economy, Environment Housing Board, and Deputy Leader of the Council, Oxford City Council [QQ 67–73](#)
- \*\* Brian Berry, Chief Executive Officer, Federation of Master Builders [QQ 74–86](#)
- \*\* Clare Miller, Chief Executive Officer, Clarion Housing Group [QQ 74–86](#)
- \*\* Andrew Wilford, Head of Planning, Esquire Developments Limited [QQ 74–86](#)
- \*\* Rt Hon. Christopher Pincher MP, Minister of State for Housing, Department for Levelling Up, Housing and Communities [QQ 87–107](#)
- \*\* Emma Fraser, Director, Housing Markets and Strategy Team, Department for Levelling Up, Housing and Communities [QQ 87–107](#)

#### **Alphabetical list of all witnesses**

- Abri Group [UKH0041](#)
- \* Pooja Agrawal, Chief Executive Officer, Public Practice ([QQ 67–73](#))
- Michael Allen [UKH0039](#)
- The Almshouse Association [UKH0006](#)
- Anonymous 1 [UKH0004](#)
- Anonymous 2 [UKH0013](#)
- Anonymous 3 [UKH0017](#)
- Anonymous 4 [UKH0048](#)
- Associated Retirement Community Operators (ARCO) [UKH0011](#)
- \*\* David Bainbridge, Planning Director, Savills ([QQ 37–47](#)) [UKH0080](#)
- Barratt Developments Plc [UKH0099](#)
- Berkeley Homes Plc [UKH0070](#)
- \*\* Brian Berry, Chief Executive Officer, Federation of Master Builders ([QQ 74–86](#)) [UKH0058](#)
- \*\* David Birkbeck, Chief Executive Officer, Design for Homes ([QQ 48–66](#)) [UKH0110](#)
- \* Charlotte Bonner, National Head of Education for Sustainable Development, Education and Training Foundation ([QQ 23–33](#))

	Boyle	<a href="#">UKH0030</a>
	Professor Glen Bramley, Professor of Urban Studies at Heriot-Watt University	<a href="#">UKH0101</a>
	Paul Britton	<a href="#">UKH0001</a>
	Building Research Establishment (BRE)	<a href="#">UKH0085</a>
*	Professor Ricky Burdett CBE, Director of LSE Cities and Urban Age, London School of Economics and Political Science ( <a href="#">QQ 48-66</a> )	
*	Grant Butterworth, Head of Planning, Leicester City Council ( <a href="#">QQ 67-73</a> )	
	Community Planning Alliance	<a href="#">UKH0082</a>
	Cambridge Centre for Housing & Planning Research	<a href="#">UKH0028</a>
	Centre for Ageing Better	<a href="#">UKH0051</a>
	Centre for Cities	<a href="#">UKH0114</a>
	Chartered Institute of Building	<a href="#">UKH0034</a>
	Chartered Institute of Plumbing and Heating Engineering	<a href="#">UKH0038</a>
	Chartered Planners in Academic Practice Group	<a href="#">UKH0062</a>
**	Clarion Housing Group	<a href="#">UKH0107</a>
		<a href="#">UKH0111</a>
	Connected Places Catapult	<a href="#">UKH0081</a>
	Construction Industry Council	<a href="#">UKH0059</a>
**	Construction Industry Training Board	<a href="#">UKH0103</a>
	Core Cities UK	<a href="#">UKH0088</a>
	Cornwall Council	<a href="#">UKH0063</a>
	CPRE the countryside charity	<a href="#">UKH0028</a>
	Crisis	<a href="#">UKH0052</a>
**	Department for Levelling Up, Housing and Communities (formerly known as Ministry of Housing, Communities and Local Government)	<a href="#">UKH0042</a>
		<a href="#">UKH0112</a>
**	Design for Homes	<a href="#">UKH0110</a>
	Electrical Safety Association	<a href="#">UKH0032</a>
**	Mark Enzer, Head of the Centre for Digital Built Britain's National Twin Programme and Chief Technical Officer, Mott MacDonald ( <a href="#">QQ 23-33</a> )	<a href="#">UKH0102</a>
**	Esquire Developments Ltd	<a href="#">UKH0113</a>
**	Federation of Master Builders	<a href="#">UKH0058</a>
*	Ian Fletcher, Director of Policy, British Property Federation ( <a href="#">QQ 14-24</a> )	

	For Trees UK	<a href="#">UKH0093</a>
**	Emma Fraser, Director, Housing Markets and Strategy Team, Department for Levelling Up, Housing and Communities ( <a href="#">QQ 87–107</a> )	<a href="#">UKH0042</a> <a href="#">UKH0112</a>
	Greater London Authority	<a href="#">UKH0104</a>
	Groundswell	<a href="#">UKH0060</a>
	Sally Grover	<a href="#">UKH0049</a>
	John Harper	<a href="#">UKH0095</a>
	Highbury Group on Housing Delivery	<a href="#">UKH0036</a>
	Professor Christian Hilber, Professor of Economic Geography, London School of Economics and Political Science	<a href="#">UKH0116</a>
**	Victoria Hills, Chief Executive Officer, Royal Town Planning Institute ( <a href="#">QQ 37–47</a> )	<a href="#">UKH0045</a> <a href="#">UKH0094</a>
	Historic England	<a href="#">UKH0091</a>
	Home Builders Federation	<a href="#">UKH0044</a>
	Homes England	<a href="#">UKH0115</a>
	Homes for the North	<a href="#">UKH0057</a>
	Institution of Civil Engineers	<a href="#">UKH0012</a>
	Insulation Manufacturers Association	<a href="#">UKH0037</a>
	Intergenerational Foundation	<a href="#">UKH0022</a>
	Annalise Johns	<a href="#">UKH0106</a>
	Kings Langley & District Residents Association	<a href="#">UKH0031</a>
	Lancashire County Council	<a href="#">UKH0108</a>
	Land Promoters and Developers' Federation	<a href="#">UKH0092</a>
*	Professor Chris Leishman, Professor of Property and Housing Economics, University of South Australia ( <a href="#">QQ 1–13</a> )	
	Lifestory Group	<a href="#">UKH0021</a>
	LDS	<a href="#">UKH0100</a>
*	Toby Lloyd, Chair, No Place Left Behind Commission, and Independent Housing Policy Consultant ( <a href="#">QQ 14–24</a> )	
	Local Government Association	<a href="#">UKH0043</a>
	Logistics UK	<a href="#">UKH0077</a>
	London Borough of Southwark	<a href="#">UKH0105</a>
	London Councils	<a href="#">UKH0086</a>
	London Fire Brigade	<a href="#">UKH0098</a>
	Long Harbour and Way of Life	<a href="#">UKH0064</a>

	Loughton Residents Association	<a href="#">UKH0024</a>
	Make Modular	<a href="#">UKH0090</a>
*	Jonathan Manns, Executive Director, UK & Monaco, Rockwell Property ( <a href="#">QQ 37-47</a> )	
	McCarthy Stone	<a href="#">UKH0040</a>
**	Clare Miller, Chief Executive Officer, Clarion Housing Group ( <a href="#">QQ 74-86</a> )	<a href="#">UKH0107</a> <a href="#">UKH0111</a>
	Mineral Products Association	<a href="#">UKH0047</a>
*	Dr Anna Minton, Reader, School of Architecture, University of East London ( <a href="#">QQ 14-24</a> )	
	S Morgan	<a href="#">UKH0003</a>
*	Alex Morton, Head of Policy, Centre for Policy Studies ( <a href="#">QQ 14-24</a> )	
	Dr Aileen Murphie, Durham Business School	<a href="#">UKH0109</a>
	National Association of Local Councils	<a href="#">UKH0016</a>
	National Federation of Roofing Contractors	<a href="#">UKH0074</a>
	National Housing Federation	<a href="#">UKH0035</a>
	National Residential Landlords Association	<a href="#">UKH0072</a>
	Nationwide Foundation	<a href="#">UKH0084</a>
	Natural England	<a href="#">UKH0061</a>
	NHBC Foundation	<a href="#">UKH0069</a>
	Alastair Nisbet	<a href="#">UKH0018</a>
	Optivo	<a href="#">UKH0068</a>
*	David Orr CBE, Chair, the Good Home inquiry, Centre for Aging Better ( <a href="#">QQ 48-66</a> )	
**	Professor Michael Oxley, Emeritus Senior Fellow, Department of Land Economy, University of Cambridge ( <a href="#">QQ 1-13</a> )	<a href="#">UKH0005</a>
	Nigel Pearce, Community Planning Alliance	<a href="#">UKH0050</a>
**	Rt Hon. Christopher Pincher MP, Minister of State for Housing, Department for Levelling Up, Housing and Communities ( <a href="#">QQ 87-107</a> )	<a href="#">UKH0042</a> <a href="#">UKH0112</a>
	Places for People	<a href="#">UKH0066</a>
	Propertymark	<a href="#">UKH0076</a>
	Quality of Life Foundation	<a href="#">UKH0025</a>
**	Stephen Radley, Director of Policy and Strategic Planning, Construction Industry Training Board ( <a href="#">QQ 23-33</a> )	<a href="#">UKH0103</a>
	Railfuture	<a href="#">UKH0079</a>

	Ben Reed	<a href="#">UKH0096</a>
	Rentplus-UK Ltd	<a href="#">UKH0073</a>
	Royal Institute of British Architects	<a href="#">UKH0053</a>
	Royal Institution of Chartered Surveyors	<a href="#">UKH0078</a>
**	Royal Town Planning Institute	<a href="#">UKH0045</a>
		<a href="#">UKH0094</a>
	Professor Flora Samuel, University of Reading	<a href="#">UKH0025</a>
	Save the West of Ifield	<a href="#">UKH0097</a>
**	Savills UK	<a href="#">UKH0080</a>
	Shelter	<a href="#">UKH0065</a>
	Smart Growth UK	<a href="#">UKH0010</a>
	Maria Smith	<a href="#">UKH0020</a>
	South Gloucestershire Council	<a href="#">UKH0008</a>
	A Spicer	<a href="#">UKH0023</a>
	St Modwen Properties	<a href="#">UKH0054</a>
	Stop the Arc Group	<a href="#">UKH0009</a>
	Technical Apprenticeship Consortium	<a href="#">UKH0056</a>
	Training for Professionals	<a href="#">UKH0002</a>
*	Councillor Dr Ed Turner, Member, Local Government Association, Economy, Environment Housing Board, and Deputy Leader of the Council, Oxford City Council ( <a href="#">QQ 67-73</a> )	
	UK2070 Commission	<a href="#">UKH0075</a>
	UK Cohousing Network	<a href="#">UKH0033</a>
	UK Collaborative Centre for Housing Evidence	<a href="#">UKH0055</a>
	UK Women's Budget Group	<a href="#">UKH0046</a>
	Understanding Society, the UK Household Longitude Study, University of Essex	<a href="#">UKH0026</a>
	University College of Estate Management	<a href="#">UKH0071</a>
	West of England Combined Authority	<a href="#">UKH0027</a>
	West Waddy Archadia	<a href="#">UKH0087</a>
*	Professor Christine Whitehead, Emeritus Professor of Housing Economics, London School of Economics and Political Science ( <a href="#">QQ 1-13</a> )	
	Clyde Whittaker	<a href="#">UKH0007</a>
**	Andrew Wilford, Head of Planning, Esquire Developments Limited ( <a href="#">QQ 74-86</a> )	<a href="#">UKH0113</a>
	Zurich Insurance	<a href="#">UKH0089</a>

## APPENDIX 3: CALL FOR EVIDENCE

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The new Built Environment Committee, chaired by Baroness Neville-Rolfe, has launched an inquiry into housing demand in the UK and how barriers to meeting this demand can be overcome.

The Committee invites interested individuals and organisations to submit written evidence to this inquiry by 10 September 2021. The Committee will hold evidence sessions between July and October 2021 and will publish its report in winter.

Diversity comes in many forms and hearing a range of different perspectives means that Committees are better informed and can more effectively scrutinise public policy and legislation. Committees can undertake their role most effectively when they hear from a wide range of individuals, sectors and groups in society affected by a particular policy or piece of legislation. We encourage anyone with experience or expertise of an issue under investigation by a select committee to share their views with the Committee, with the full knowledge that their views have value and are welcome.

### Background

The number of households in England is projected to rise from 23.2 million in 2018 to 26.9 million in 2043—an average increase of around 150,000 households per year. These trends are shaped by a range of factors, including population growth, immigration, rates of household formation and an aging population. This inquiry will consider how social and demographic changes affect housing demand in the UK.

The Government has set a target of building 300,000 new homes per year by the mid-2020s, and for one million homes to be supplied by the end of the current Parliament. However, since 2005/6 the net number of new homes built per year has not exceeded 224,000. Looking beyond this target, the type, tenure and quality of new builds will affect whether the UK can meet its housing demand. It will also be important to get the balance right between private ownership, privately rented accommodation and social housing. This inquiry will investigate what can be done to ensure the balance of housing types meets housing demand in the UK.

This inquiry will also consider how barriers to meeting the UK's housing demand can be overcome. These barriers include skills shortages and problems with guaranteeing the quality of new homes. While this inquiry will not undertake a wholesale review of the Government's proposed reforms to the planning system, it will consider changes which may affect the ability to meet housing demand, such as permitted development rights, changes to Section 106 agreements and community engagement in the planning process.

The Committee will be undertaking some committee visits to inform the inquiry. We are interested to hear from interested stakeholders and individuals, companies, membership organisations, representative bodies, Government, local authorities, non-governmental organisations, academics, amongst others, about housing demand in the UK and how that demand can be met. We are also interested to learn from international comparisons.

## The inquiry

The Committee seeks evidence on the following questions in particular:

1. What is the current composition of the UK's housing sector? How is the sector structured in terms of private ownership, privately rented accommodation and social housing?
2. What social and demographic factors shape housing demand in the UK? What are the expected future trends in housing demand?
3. Does the Government's target of 300,000 new homes per year accurately reflect housing demand? Is this target achievable?
4. What is the balance of demand for new housing between homes for private ownership, privately rented homes, and social housing? How does this affect the type and tenure required of new homes?
5. What can be done to ensure there is a good balance of new homes where they are needed across the UK?
6. Is the construction sector able to deliver the UK's housing demand? What barriers are facing the sector?
7. The Government has published its proposals for reform of the planning system. How can the planning system be shaped to meet housing demand?
8. What can be done to improve the quality of new homes? How can the design and aesthetics of new homes be improved?
  - What role should permitted development rights play in this?
  - How might changes to Section 106 agreements shape the provision of social housing?
  - How should communities be engaged in the planning process?
9. Is the workforce equipped with the professional, digital and other skills required to meet housing demand, for example in the construction, planning and design sectors? What can be done to overcome skills shortages?
10. How does the Government interact with Local Authorities to deliver more homes? How can this relationship be improved?
11. What are the main opportunities and areas of innovation for meeting the UK's housing demand?



## APPENDIX 4: COMMITTEE VISIT TO THE LONDON BOROUGH OF SOUTHWARK

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As part of its inquiry into housing demand, on 15 September 2021 the Committee visited a social housing development in Southwark, Marklake Court, and met with resident representatives there. The Committee then met with members and officials of Southwark Council.

The following Members took part in the visit:

- Baroness Neville-Rolfe (Chair)
- Baroness Bakewell
- Lord Berkeley
- Lord Best
- Baroness Cohen of Pimlico
- Lord Grocott
- Lord Haselhurst
- Lord Moylan
- Lord Stunell

At the Marklake Court development, the Committee heard from:

- Councillor Stephanie Cryan, Cabinet Member for Council Homes and Homelessness
- Beverley Nomafo, CBS Programme Director
- Joanna Vignola, Resident and Co-Chair of CBS Board

At the Council offices, the Committee heard from:

- Councillor Kieron Williams, Leader of the Council
- Councillor Stephanie Cryan, Cabinet Member for Council Homes and Homelessness
- Michael Scorer, Strategic Director, Housing and Modernisation
- Colin Wilson, Strategic Planning Director
- Joseph Brown, Cabinet and Public Affairs Manager

### Marklake Court development

Marklake Court is a mixed height social housing development comprised of 27 new homes on a former garage site. The development was completed in 2019 and contains a mix of one, two- and three-bedroom apartments. Marklake Court was the first development by Leathermarket CBS, the development wing of the largest social landlord in the Borough. Each of the homes are built to the Lifetime Homes Standard and 10% are wheelchair accessible.

Resident representatives said that the project has been community-led and residents had been engaged in the project from identifying the site to deciding the management structure of the block. Residents said that this was a high-quality development designed to meet their needs and argued that community

engagement from the early stages can help build support for new developments, particularly on brownfield sites.

Council Members and staff said that Southwark Council could not keep pace with the demand for social housing, so there are significant waiting lists for social homes. Council Members raised concerns about the Right to Buy programme and highlighted that they are unable to recover enough of the costs from Right to Buy sales to replenish their housing stock. They highlighted that lifting the borrowing caps on council loans for social housing developments had enabled them to build more homes.

### **Council Visit**

The Leader of the Council set out some of the key challenges to meeting housing demand in the Borough. He said there was a housing crisis in central London, which has driven the need for more social housing. Southwark has set a target to deliver 11,000 new council homes by 2043, and 2,500 of which by 2022. The Leader said that particularly as Southwark is a densely populated Borough, with approximately 325,000 current residents, it is essential to ensure that residents are on board with new developments. He indicated that the planning process has helped with this.

When asked about the delivery of affordable housing, the Leader of the Council said that all new housing developments in the Borough in the past two years have met the target of 35% of homes at affordable rent, with at least 25% at social rents. In addition, the Council is building its own social housing, such as in Marklake Court. Council officials highlighted that challenges in the construction sector have acted as a barrier to building new homes, as many contractors have been reluctant to take on large contracts since the COVID-19 pandemic due to uncertainty about skills and issues with supply chains. They also highlighted that the lack of certainty about developments, including infrastructure projects, meant they could not provide certainty to developers.

On planning, Council Members felt that the Government's proposed reforms could help simplify the planning system, for example by digitising processes, but that the current proposals lacked detail. They emphasised the need to ensure that the planning system enables strategic oversight of new developments, for example how housing developments will sit alongside each other and how they fit with the supporting infrastructure. Council Members said that a planning authority can provide this oversight under the current regime, but this could be lost if 'zoning' proposals are put in place. The Leader of the Council said that the current process of setting housing targets between local and national government was mostly positive and left room for negotiation.

Council Members and officials highlighted that land prices were one of the main barriers to building more social homes, as councils must buy land at the market rate based on future use values. This significantly increases the costs of development on brownfield sites. They raised the example of Scandinavian systems where councils are able to buy brownfield sites at cost as per their current use (e.g. as a car park). Where possible, the Council seeks to develop its own land, for example garages. Council Members outlined that they were considering rooftop development to increase the number of social homes and may buy back former council properties in strategic locations to this end. They said that they were not currently considering converting disused industrial buildings into homes under permitted development rights.

The Leader of the Council emphasised that it would not be possible for the Council to build new social housing without grants from the Greater London Authority and central government. They said that the potential loss of funding from proposals to end the Community Infrastructure Levy could prevent the Council from being able to provide the necessary infrastructure for new developments. Concerns were raised that the proposed Infrastructure Levy would be collected centrally and then distributed to councils, which could undermine the success of the scheme.

A more general concern about bureaucratic barriers set by central Government was raised by Council Members and officials, for example the need for individual reports on the decarbonisation of buildings. The Council would prefer the Government to replace short-term green grants with a longer term fund. Additionally, there was a feeling that the Government could be more flexible about how some funds are spent and how rents are set, as this acts as a barrier to raising the necessary funding for new developments. The Council would like greater flexibility in rent setting to meet some of the funding shortfall in recent years as social rents have fallen. In 2016, the Council was required to reduce rents by 1% a year for four years; this caused a loss of £62.5 million over that period.

There were also concerns about the Right to Buy programme, as Council Members and officials said that a lack of flexibility about Right to Buy receipts led to significant losses when social rented homes were sold. Since 2012 and the change in Right to Buy policy, there have been 1,582 Right to Buy sales in the borough. At present, the Government keeps half the capital receipt from Right to Buy sales and imposes restrictions on how it can be spent. The Council would like to be allowed to retain 100% of Right to Buy sales; this money would be ringfenced to pay for the full cost of replacing the sold home or increasing the stock of new council homes. The Council suggested that unrestricted use of Right to Buy receipts could be limited to councils which can demonstrate a successful track record of building new council homes.

On building safety, the Council owns 239 properties which the new building safety regulator will consider 'higher risk' (including 170 at seven storeys or taller); this is the highest number of any social landlord across the UK. Given the financial demands and operational challenges to meet the requirements of the new Building Safety Bill, the Council want Government support to cap leaseholder bills for safety work and for leaseholders to be obliged by the Council to allow fire safety works to take place in their flats.

The Council told the Committee that the Local Housing Allowance (LHA) rates only cover the cost of renting for three properties in every ten. For 2020/21 the shortfall in funding is £10.6 million in Southwark. The Council would like to see increased LHA rates to tackle h.

On skills in the planning and construction sector, the Leader of the Council highlighted a number of initiatives to improve the local skills base, such as offering apprentices at all levels and the Mayor of London's Construction Academy. The Council is also considering setting up its own construction company with a focus on social value and skills.

## APPENDIX 5: COMMITTEE VISIT TO ST MODWEN, WANTAGE, KINGSGROVE

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As part of its inquiry into housing demand, on 28 October 2021 the Committee visited a new development at Kingsgrove, Wantage hosted by the master developer, St Modwen. The Committee met with a range of St Modwen representatives, the landowner, site workers and a resident.

The following Members took part in the visit:

- Baroness Neville-Rolfe (Chair)
- Baroness Bakewell
- Lord Berkeley
- Lord Best
- Lord Grocott
- Lord Haselhurst
- Lord Moylan
- Lord Stunell

At the St Modwen show home, the Committee heard from:

- Sarwjit Sambhi, Chief Executive, St Modwen
- Dave Smith, Managing Director, St Modwen Homes
- Will Bayston, Development Director, St Modwen Strategic Land & Regeneration
- Clare Furness, Senior Human Resources Business Partner, St Modwen Homes
- Harford Smith, Landowner

On the walking tour of the site, the Committee heard from:

- Jason Gumbleton, Site Manager for Kingsgrove, St Modwen Homes
- Ian Pickering, Construction Manager, St Modwen Homes
- Dinny Shaw, Planning Director, St Modwen Strategic Land & Regeneration
- Will Bayston, Development Director, St Modwen Strategic Land & Regeneration
- Andrea Clarke, Residential Portfolio Manager, St Modwen Strategic Land & Regeneration
- A resident currently living on the site

### St Modwen Properties

Founded in 1986, St Modwen Properties employ over 600 staff and operate across England and South Wales, with a property portfolio totalling £1.37 billion. St Modwen Properties operate across three business units: St Modwen Homes, St Modwen Logistics, and Strategic Land & Regeneration. Based in the Midlands, St Modwen have sites in locations including Longbridge (Birmingham), Copthorne (West Sussex), Avonmouth (Bristol) and Glan Llyn (Newport). In September, Homes England included St Modwen as one of 66 preferred partners in its new

Delivery Partner Dynamic Purchasing Scheme. In August 2021, St Modwen came under the ownership of Blackstone Group, a global investment business. In 2019, St Modwen delivered 1,000 new homes. In 2020, a total of 948 homes were sold. St Modwen has previously stated a target of delivering 1,500 homes per year by 2023.

### **Kingsgrove development, Wantage**

Kingsgrove is a new development of 1,500 homes located in Oxfordshire on the outskirts of Wantage, a market town. The development includes a new primary school with capacity for 420 pupils, 100 acres of green space including 30 acres of new woodland, a care home, a multi-use community hall, a public park, sports pitches, and a neighbourhood hub with community amenities such as allotments and a community orchard. Once completed, Kingsgrove will also have restaurants and shops. 35% of the total units in the development are affordable housing, which is split into rented accommodation and shared ownership.

The site operates as a partnership between the landowner and St Modwen under a Development Agreement. St Modwen Strategic Land & Regeneration is the master developer. Outline planning permission was granted by the Council in 2015 and St Modwen signed the long-term development agreement in 2017. The development has been built in phases, with each housebuilder responsible for a particular area within Kingsgrove. The developers of the sites under construction or in the planning stages are as follows: St Modwen Homes (172 homes), CALA Homes (172 homes), Bellway (82 homes), Taylor Wimpey (171 homes), Bellway (121 homes), and Care UK (72 care home beds).

### **Site visit of St Modwen Kingsgrove Development**

In introducing St Modwen, the Chief Executive set out some of the company's priorities, which included ensuring quality of build, particularly in terms of height and light, and enabling biodiversity on the site through green space. St Modwen have sold approximately 700 plots over four years and are planning to sell around 1,400 in total.

When asked about Section 106, the Development Director informed the Committee that the total contribution at Kingsgrove was £24 million. The primary school has cost around £7 million and was built approximately two years early. 35% of the homes at Kingsgrove are affordable housing, with 30% for shared ownership and the remaining 5% for rent. The Development Director said that residents on the estate tend to be local young professionals who are upsizing, with not many moving to Kingsgrove from London.

Representatives from St Modwen explained that they seek to deliver quality housing with more space, light and higher quality insulation. They say that this can deliver a better product for customers and help encourage sales. To achieve this, they are building higher ceilings and bigger windows than under building regulations. St Modwen are keen to understand customer experience of quality: at present, 25% of new homes have no reports of defects.

St Modwen are aiming to be operationally Net Zero by 2025. 30% of their homes are built using Modern Methods of Construction (MMC), and they aim to increase this to 35% from 2022. One example of MMC was the loft room and roof of the show home which was built off-site and placed on top of the building. St Modwen said that they aim to achieve a net biodiversity gain of 10% in new developments and suggested that this does not add to their costs.

Representatives from St Modwen said that their dual role as master developer of the whole site and developer of some homes on the site enabled them to set a quality standard for the other construction companies. The Committee raised concerns about how the quality of homes by other developers on the site can be guaranteed. They also said that this model helped secure early infrastructure for the site, such as the school, which was seen to benefit all developers on the site.

St Modwen aims to invest 1% of the company's profits every year into education partnerships by 2025. Current education initiatives include education partnerships with colleges, the construction ambassador scheme, kickstart traineeships, hosting local school visits, the Women into Construction programme, collaboration with the homebuilding skills partnership run by the Homebuilders Federation and apprenticeships focused on construction and commercial roles. 50% of the St Modwen workforce live within 30 miles of their sites.

The landowner informed the Committee that one of the criteria for selecting the master developer was the need for a vision for a long-term community. He explained that he is a fourth-generation landowner; over the years local families have worked for his family, and as a result he wanted to give back to the community.

On a walking tour of the site, the Committee visited a number of homes under construction. The Construction Manager set out how the homes are built through a mix of off-site and on-site methods. For example, some homes had pre-built foundations and factory-engineered timber joists which were manufactured off-site. They said that this method helped to ensure the homes were built at a high quality.

The Committee also visited the wider site, including the school, new roads and areas which are not yet developed. The Committee asked about the overall planning and design of the site and raised some questions, for example about the front entrance of the school opening up onto a main road. The Committee then spoke to a current resident of the site, who said that she enjoyed living on the development and that she already felt a sense of community. She was pleased to send her children to the school, which she said had exceptional facilities.