

Research Briefing

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Tackling the under-supply of housing



Summary

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

Contributing Authors

Lorna Booth, section 3.7

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Summary

Government ambitions for new housing supply

In their 2019 election manifestos, all the main political parties included commitments to increase housing supply in England.

The [Conservative manifesto](#) pledged to “continue to increase the number of homes being built” and referred to a need to rebalance the housing market towards more home ownership. It said progress towards a target of 300,000 homes per year by the mid-2020s would continue, which would “see us build at least a million more homes, of all tenures, over the next Parliament.”

Both the [Public Accounts](#) (PDF) and [Housing, Communities and Local Government](#) Committees have sought greater clarity on how the target of 300,000 housing units a year will be met and why this number was chosen.

How much new housing is needed?

It’s difficult to put a precise number on the amount of new housing needed in England.

Need for new housing arises when population growth leads to new households forming, but other factors also have an effect. There’s a backlog of need among people currently living in unsuitable accommodation, and affordability pressures can prevent people accessing the housing they need.

According to one estimate [commissioned by the National Housing Federation \(NHF\) and Crisis from Heriot-Watt University](#), around 340,000 new homes need to be supplied in England each year, of which 145,000 should be affordable.

When people are unable to access suitable housing it can result in overcrowding, more young people living with their parents for longer, impaired labour mobility, which makes it harder for businesses to recruit staff, and increased levels of homelessness.

Trends in housing supply

New housing supply is currently lower than the Government’s ambition of 300,000 new homes per year. [216,000 new homes were supplied in 2020/21](#).

This is lower than the 243,000 new homes supplied in the previous year, in part because of disruption to housebuilding caused by Covid-19 in early 2020.

Prior to 2020/21, new housing supply had been increasing year-on-year since 2013. Relaxed planning rules around converting non-residential premises to residential use contributed to some of this increase.

The charts on page 8 of this briefing summarise trends in housing supply.

Barriers and solutions

There's some consensus around increasing housing supply to address the backlog of housing need, but there's less agreement about how best to achieve it.

Commentators agree there's no 'silver bullet' and call for a range of solutions across policy areas. There are calls for a housing-led recovery from the pandemic, emphasising housebuilding as a [proven form of counter-cyclical investment](#), and to recognise the importance of housing in the levelling-up agenda.

There's increased focus on addressing **affordability** as distinct from supply. In [the foreword to a 2017 Institute for Public Policy Research report](#), Sir Michael Lyons said: "We would stress that it is not just the number built but also the balance of tenures and affordability which need to be thought through for an effective housing strategy."

As noted above, research commissioned by the NHF and Crisis from Heriot-Watt University identified a need for 145,000 new affordable homes each year to 2031. Although based on 2015/16 data, it's still widely cited as establishing the case for a large programme of social rented housing development.

The current Government has diagnosed the planning system as central to the failure to build enough homes, particularly where housing need is at its most severe. There's a continued focus on supporting private sector delivery.

The [Planning White Paper](#) (August 2020) proposed "Radical reform unlike anything we have seen since the Second World War." Following Michael Gove's appointment as Secretary of State at the Department for Levelling Up, Housing and Communities (DLUHC) in autumn 2021, there were [reports of a 'pause' on planning reform](#). At the time of writing, the Planning Bill promised in the 2021 Queen's Speech hadn't been introduced. In January 2022, the Lords Built Environment Committee [described the uncertainty generated by the 'pause' as having "a chilling effect" on housebuilding](#) (PDF).

This paper focuses on the main barriers and possible solutions to increasing supply in England, including:

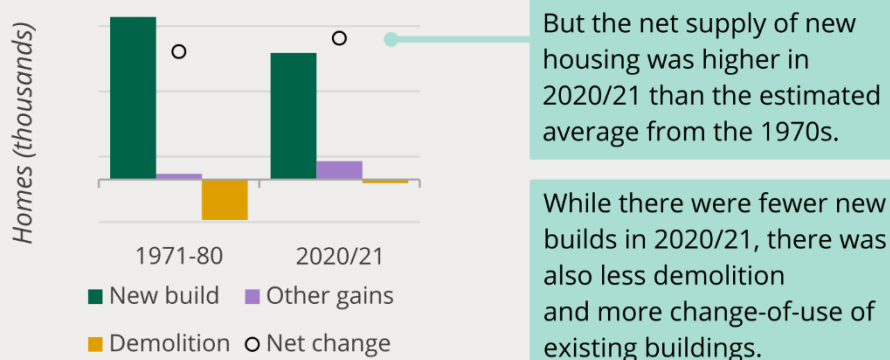
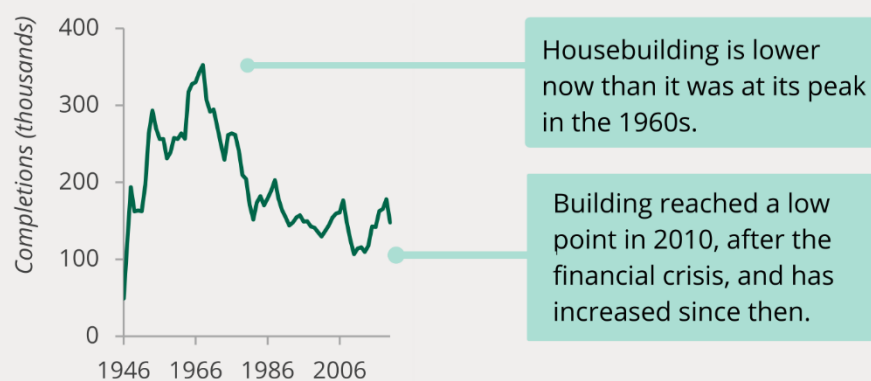
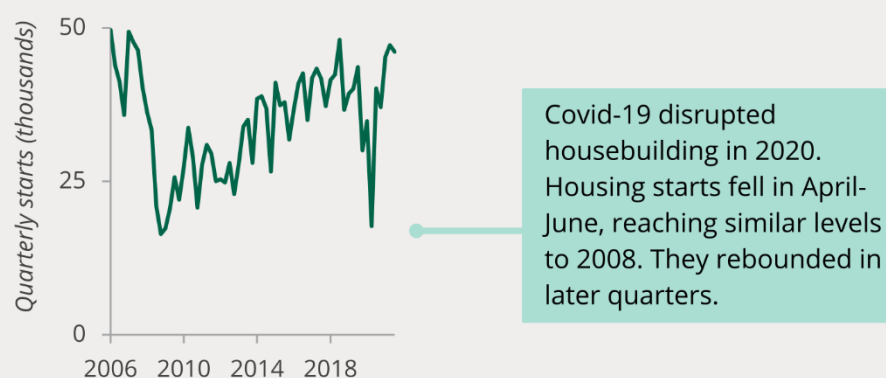
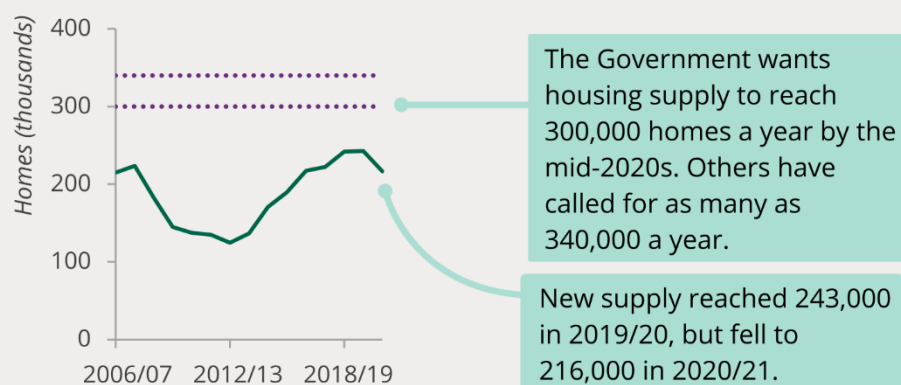
- The potential contribution of the local authority and housing association sectors. The widespread view that meeting delivery targets will require major public sector investment in a housebuilding programme.
- How to ensure more land suitable for development is brought forward at a reasonable price, including how more public land can be brought forward more quickly.
- How to properly resource local authority planning departments and address a planning system that's widely seen as slow, costly and complex.
- How essential infrastructure to support housing development can be funded.
- How to encourage and support more small and medium sized (SME) building firms into a market dominated by a small number of large companies.
- How to ensure the construction industry is in a fit state to deliver housebuilding capacity, eg through improved training. The Government commissioned [Farmer Review of the UK Construction Labour Model](#) (2016) concluded "many features of the industry are synonymous with a sick, or even a dying patient."

Statistics on housing supply

Historical house building statistics for all UK countries are available to download from the [landing page for this briefing](#).

The Library has also produced an interactive dashboard, [Local authority data: housing supply](#), which provides statistics on housing stock, new supply, and supply of affordable housing for local authorities in England.

In charts: Housing supply in England



Sources: Conservative Manifesto (2019); Bramley (2018); DLUHC; ONS; Holmans (2005).
See sections 1 and 2 of this briefing for full sources.

1 How much new housing does England need?

This section looks at approaches to defining and measuring housing need.

There is no agreed measure of exactly how much new housing needs to be supplied each year in England. Projected levels of housing growth are often used as a starting point when talking about housing need (section 1.2), but don't give the whole picture. Other factors are discussed in section 1.3, including the backlog of need amongst households living in unsuitable accommodation, and the role of affordability pressures.

The Government's stated target is for 300,000 new homes per year to be developed by the mid-2020s. Other estimates put the level of need at up to 340,000 new homes per year. Current delivery is not at this level (section 1.4).

1.1 Defining housing need

There is no strict definition of **housing need**, but it can be understood as the amount of housing required for all households to live in accommodation that meets a certain normative standard.

Projected growth in the number of households is often used as a proxy for housing need, but this doesn't give the whole picture. Projections don't attempt to accurately forecast future changes, and there is also a **backlog of need** – for example, households living in unsuitable or overcrowded accommodation.¹

Housing need is different from **housing demand**, the amount of housing space that households will choose to buy, given their preferences and ability to pay.² Many households take up more housing space than they 'need', if they can afford to – for example, by living in a house with a spare bedroom or buying a second home.

Dame Kate Barker's evidence to the Treasury Select Committee's inquiry into housing policy emphasised the role of incomes in determining housing demand, and whether it is met:

Indeed, house prices respond a lot to income growth because [...] when people get richer they want more space. If you simply work on household projections

¹ DCLG, [Estimating housing need](#), (PDF) November 2010

² Ibid.

then you will not supply as much space as people would like, given their incomes, and the result of that is that people with money do get the space they want. People without money do not get the space.³

The Government has said it aims to be supplying 300,000 new homes per year by the mid-2020s, and to supply 1 million new homes by the end of the current parliament.⁴

This figure is not universally accepted as the ‘right’ number of homes to aim for. Both the Public Accounts Committee⁵ and the Housing, Communities and Local Government Committee⁶ have highlighted the lack of information on the Government’s basis for settling on this figure, as discussed in section 3.1 of this briefing.

1.2 Household projections for England

Projections of the number of households that will form in future often feature in discussions of housing need – although, as discussed above, they do not provide the whole picture.

The Office for National Statistics (ONS) is responsible for producing projections of the number of households in England. It released projections in June 2020 which were based on population trends up to 2018. 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.⁷

These figures do not attempt to model the effect of future changes – for example, they don’t try to account for the impact on migration of the UK leaving the EU. The projections make assumptions, based on past trends, about how much the population will grow and the size of households people will live in.

Because the projections are based on past trends in household formation, they can be affected by past constraints on people’s ability to form new households. They don’t therefore, necessarily reflect the number of households that would form in the absence of any economic or supply constraints.⁸

³ Treasury Committee, [Oral evidence: Housing Policy](#), HC 861, 7 December 2016, Q2

⁴ [Conservative and Unionist Party Manifesto 2019](#), p31

⁵ Public Accounts Committee, [Planning and the broken housing market](#), 19 June 2019, HC 1744, 2017-19, para 7

⁶ Housing, Communities and Local Government Committee, [The future of the planning system in England \(PDF\)](#), 10 June 2021, HC 38 2021-22, para 116

⁷ ONS, Household projections for England, [2018-based: Principal projection dataset](#), 29 June 2020

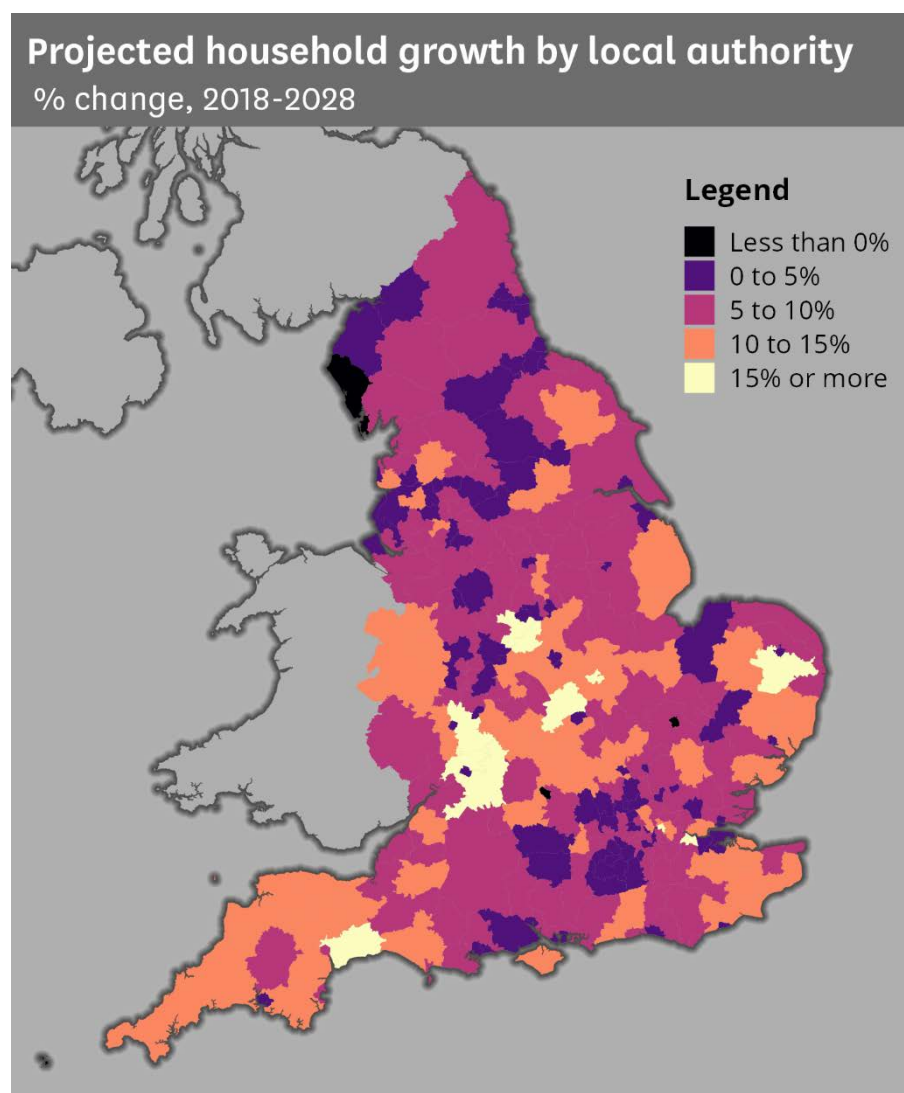
⁸ [HC 861](#), 7 December 2016, Q2; Bramley, G. for Crisis, [Housing supply requirements across Great Britain: for low-income households and homeless people](#), December 2018, p14

Geographical variation in projections

Household projections are not uniform across England. The map below shows the projected change for each local authority in England between 2018 and 2028. The number of households across England is projected to grow by around 7% in this period, but there is considerable variation between areas.

Areas of high and low growth are not concentrated in any one part of the country. Growth is projected to be highest in areas including Tower Hamlets (21%), South Derbyshire (19%) and North West Leicestershire (18%). The number of households was expected to fall in Barrow-in-Furness (-1%) and Copeland (-2%) in the North West, as well as in Cambridge (-1%), Oxford (-4%) and the Isles of Scilly (-27%).

The ONS' [Household projections for England: 2018-based](#) statistical release explains the methodology behind the projections in more detail, and provides projections for individual local authorities.



Source: ONS, Household projections for England: 2018-based principal projection dataset

Map © Crown copyright. All rights reserved. House of Commons Library 100040654 (2022)

Change from previous projections

Up until September 2018, household projections were published by what is now the Department for Levelling Up, Housing and Communities (DLUHC), and was previously the Ministry of Housing, Communities and Local Government (MHCLG). DLUHC published a set of projections based on 2014 population trends which were higher than the current estimates. They put the average increase in households at 210,000 per year over 25 years.⁹

The ONS subsequently took over responsibility for household projections and published a set of 2016-based projections in September 2018. These 2016-based projections were lower than DLUHC's, putting the average increase at around 159,000 per year.¹⁰ A number of methodological changes caused this difference. Two key changes were:

- New, lower population projections were used. The 2016-based population projections assume lower numbers of births and less net international migration, as well as slower improvements in life expectancy, than the previous set.¹¹
- The ONS made different assumptions about the rate of new household formation. Its projections were informed by more recent, short-term trends in the average household size. DLUHC's projections were informed by trends from 1971-2011, during which time the average household size declined. For several reasons relating to data quality, the ONS' projections only looked at trends from 2001-11. The average household size was relatively stable during that period, so the ONS' projections assume less new household formation than the previous set.

A number of factors have been suggested for the lower-than-expected growth in households between 2001 and 2011, including families choosing to remain in one household where they otherwise might not have done so (eg young adults continuing to live with their parents). The recession has been suggested as a cause, as has constrained supply of suitable, affordable housing during this period.¹² Additionally, levels of immigration were higher between 2001 and 2011 than previously; research suggests recent migrants tend to live in larger household groups than long-term UK residents.¹³

In June 2020, the ONS published an updated set of household projections based on population data up to 2018 (discussed above). These projections were slightly lower (an average of 150,000 new homes per year).¹⁴ The new figures reflect both the new population data and some minor methodological changes.

⁹ MHCLG, [2014-based household projections in England, 2014 to 2039](#)

¹⁰ ONS, [Household projections in England: 2016-based](#), 20 September 2018

¹¹ ONS, [National population projections: 2016-based statistical bulletin](#), 26 October 2017

¹² Eg by A.E. Holmans in [Housing need and effective demand in England](#), 2014, and [New estimates of housing demand and need in England, 2011 to 2031](#)

¹³ A.E. Holmans in [Housing need and effective demand in England](#), 2014

¹⁴ ONS, [Household projections for England: 2018-based](#), 29 June 2020

Household projections and the planning system

The Government has set out a '[standard method](#)' for assessing housing need for Local Planning Authorities (LPAs) to follow when developing a Local Plan.¹⁵ Household projections are used as a baseline in this method.

The Commons Library briefing [Calculating housing need in the planning system \(England\)](#) explains how the standard method works in detail, and discusses how it's been revised in recent years. Below, is a summary of how household projections are used.

The standard method for assessing housing need originally had three steps:

- The projected household growth over the next decade is used as a starting point.
- This figure is adjusted upwards in areas where house prices are higher relative to the earnings of people who work there.
- The level of increase that any one LPA can face compared with its previous plans may then be capped, depending on the status of its existing plans.¹⁶

In December 2020, the Government [announced](#) that on top of these three steps, a 35% uplift would be applied to the level of assessed housing need in certain urban areas.¹⁷

The household projections used in the standard method are the 2014-based projections originally published by DLUHC, rather than the more recent ONS projections. The Government had previously proposed using the most recent available projections as part of a wider set of changes to the standard method. However, it decided against this following concerns voiced about the distribution of need resulting from the proposed new formula.¹⁸

The Government chose to implement the 35% uplift on top of the existing method instead, "to ensure consistency with the Government's Manifesto commitment to see 300,000 homes per year delivered by the mid-2020s".¹⁹

¹⁵ MHCLG, [Guidance: housing need assessment](#), 16 December 2020 [Accessed 26 November 2021]

¹⁶ MHCLG, [Guidance: housing need assessment](#), 13 September 2018 [Archived version accessed 26 November 2021]

¹⁷ MHCLG, [Government response to the local housing need proposals in "Changes to the current planning system"](#), 16 December 2020

¹⁸ Ibid.

¹⁹ Ibid.

1.3

What affects housing need beyond household growth?

Affordability of existing housing

One of the stated reasons for the Government's target of supplying 300,000 homes per year is to reduce affordability pressures. When giving evidence to the Housing, Communities and Local Government Select Committee on 12 March 2018, the former Housing Minister, Dominic Raab, said:

First, the 300,000 target by the mid-2020s is the point at which we think that the affordability of homes will come down for the nurse, the teacher, and those on low and middle incomes, and particularly for those trying to get on the housing ladder for the first time.²⁰

Some commentators have questioned the extent to which an increase in housing supply can directly improve affordability. The [2017 UK Housing Review Briefing Paper](#) summarised some of the evidence in this area:

Indeed, as the evidence to the Redfern Review from Oxford Economics reminds us, [increased supply] is unlikely to bring house prices down except in the very long term and with sustained high output of new homes relative to household growth. Even boosting (UK) housing supply to 310,000 homes per annum in their model only brings a five per cent fall in the baseline forecast of house prices. Oxford Economics says this has 'important implications for a policy debate that has focused heavily on supply as both the cause of the problem of high house prices and its solution.'²¹

In a [blog article for the UK Collaborative Centre for Housing Evidence](#), housing academics Professor Christine Whitehead and Professor Geoff Meen critique the focus on housing supply as a sole solution to affordability problems. They argue macroeconomic policy decisions, such as low interest rates, create the conditions for house prices to rise faster than earnings:

At low interest rates and with readily available mortgage credit, households can afford more housing and this is reflected in prices. Furthermore, low interest rates encourage a movement away from financial assets and towards greater investment in housing. It is inconceivable that, in a low interest rate environment, changes in housing supply alone could significantly improve affordability in the short term.²²

They conclude that, because these factors make it easier for buyers to spend more on housing:

²⁰ [Oral Evidence: MHCLG Housing Priorities, HC 830 Q3 \(PDF\)](#), 12 March 2018

²¹ [2017 UK Housing Review Briefing Paper](#), Steve Wilcox, John Perry and Peter Williams, September 2017

²² Whitehead, C. and Meen, G., UK Collaborative Centre for Housing Evidence, [Meeting housing demand: only one side of the coin](#), 18 January 2022

[...] it is *demand* (in addition to supply) rather than need that drives affordability and a failure to recognise the impact of macroeconomic policy places implausible pressures on supply.²³

More recent research has called for increased supply of affordable housing to meet affordability needs. As previously noted, NHF and Crisis commissioned research identified a need for 340,000 homes each year in England to 2031, to include 145,000 affordable homes comprising 90,000 homes for social rent, 30,000 for intermediate rent, and 25,000 for shared ownership.²⁴

The backlog of existing need

Professor Bramley's figures attempted to account for an existing backlog of housing need, as well as future household growth. The report (published in 2018) estimated there were 4.75 million households in housing need across Great Britain (and 4 million in England). This figure included estimates of the number of 'concealed' households (ie adults who would prefer to live separately from their current households), and households that are overcrowded or living in unsuitable or unaffordable accommodation. The proposed housing need figures were intended to address this backlog over a 15-year timeframe.²⁵

The report made use of an alternative methodology that attempted to address a "circularity problem" with official household projections. The official projections are based on past trends in household formation, which are themselves constrained by the availability of suitable housing. The report argued that using official projections to calculate housing need therefore "risks reinforcing the effects of historic undersupply".²⁶

Geographic variation in need

The NHF/Crisis report also addressed the geographic variation in housing need, summarised in an article for the [2018 UK Housing Review](#):

While size (population) of a country/region is a factor, the increase [in housing supply] should be skewed towards regions where the pressures are greatest, currently the South and London. The exact optimal balance between 'within-London', 'near-to-London' and the 'Greater South East' is an issue for careful consideration. In this exercise we constrain London to a reasonable estimate of its capacity to build additional housing each year, and thereby accept that a higher number will have to be in the South of England.²⁷

Other commentators have drawn attention to geographic variation. A [research report by the consultancy Residential Analysts](#) (2018) used a range

²³ Ibid.

²⁴ Bramley, G. for Crisis, [Housing supply requirements across Great Britain: for low-income households and homeless people](#), December 2018, p10

²⁵ Ibid., pp8-9

²⁶ Ibid., p14

²⁷ Mark Stephens, John Perry, Steve Wilcox, Peter Williams and Gillian Young, [2018 UK Housing Review Briefing Paper \[PDF, 1.5MB\]](#), October 2018, p7

of indicators of housing demand at local authority level to explore trends across the country. The report measured lack of supply using indicators including affordability, overcrowding and population growth, and concluded “while the lack of supply is frequently assumed to be a national issue, it is very much a London and South East problem with some other localised hotspots”.²⁸ Other indicators were used to assess areas of lower demand:

To identify where weak demand is most severe we have created a ranking based on three sub-categories. These are: weak demographic demand where the population is ageing and people are leaving, weak housing market demand where house price and sales activity are weak, and weak economic demand where job opportunities are poor and incomes are low with limited growth.

The local authorities most affected by weak demand are typically found in Wales, the north of England, south west Scotland, and Northern Ireland. The underlying causes for these high rankings vary. [...]

New supply is not a panacea for these markets. Indeed, it may even accelerate decline if the more affluent residents leave existing urban areas for new build estates.²⁹

1.4

Is new supply meeting housing need?

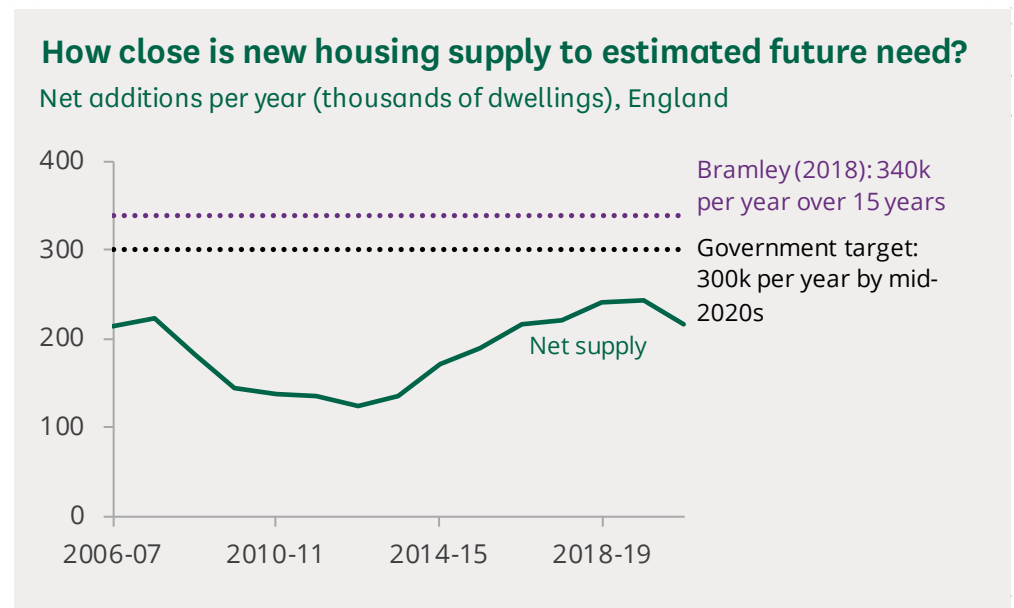
The key measure of housing supply in England is DLUHC’s net housing supply series. This measures the total increase in the number of homes in each financial year, factoring gains from conversions and change-of-use as well as new-build.

Section 2 of this briefing has more detailed analysis of housing supply in England over time, but the chart overleaf summarises the level of net supply in each year since 2006/07 and how this compares to estimates of housing need.

Net supply has been increasing in recent years, from a low point of around 125,000 in 2012/13 to a high of around 243,000 in 2019/20. The number of new homes supplied fell in 2020/21, despite rising in each of the previous seven years. **Around 216,000 new homes were delivered in 2020/21** – 11% fewer than in the previous year.

²⁸ Residential Analysts, [A housing crisis? More like a series of local crises needing local solutions \(PDF\)](#), October 2018, pp5-6

²⁹ Ibid., p13



Source: DLUHC, [Live Table 120](#); [Bramley \(2018\)](#); [Conservative Manifesto 2019](#)

The decrease may be partly due to a fall in housebuilding activity during spring 2020, as a result of restrictions related to the Covid-19 pandemic. This pattern is discussed further in section 2.1 of this briefing.

In order to reach the Government's target of 300,000 new homes per year, annual net supply would need to reach levels 39% higher than in 2020/21. To reach the 340,000 called for by Crisis and the NHF, the increase would need to be 57%.

2

Trends in housing supply

This section looks at changes in England's housing supply, and the impact of different factors contributing to new supply. Section 2.1 looks at recent data on housing delivery, and section 2.2 describes trends over the last century.

2.1

Recent trends in housing supply

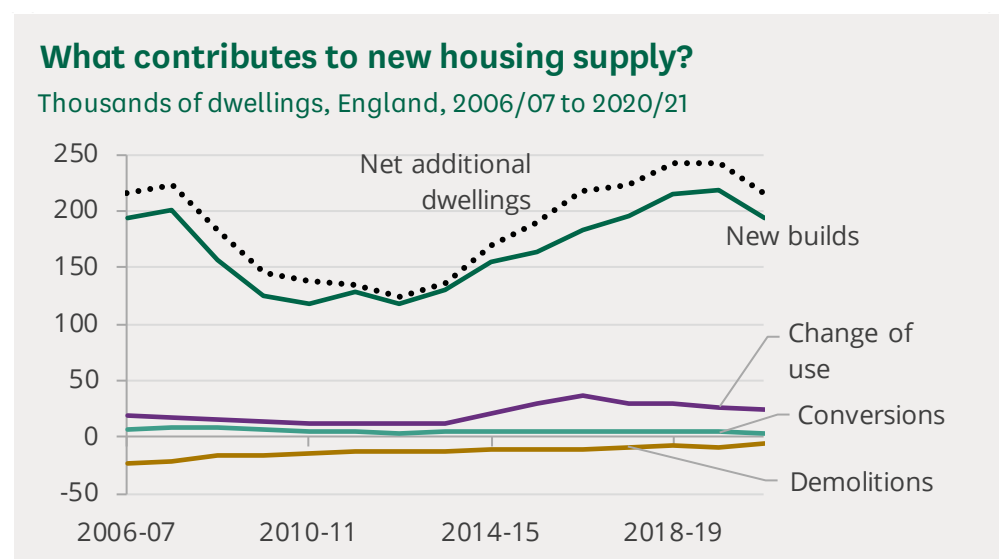
Net supply of new housing

216,490 new homes were supplied in 2020/21.

A net total of 216,490 new homes were supplied in England in 2020/21. Housing supply is not just a product of building new houses. Conversions (eg splitting a house into flats) and change of use (eg turning a commercial property into residential units) can add to the dwelling stock, while demolitions and other damage can reduce it.

In 2020/21, there were 194,060 new-build completions. 23,790 new homes were supplied through change of use, while 3,870 were supplied through conversions. 5,760 homes were demolished in the same period.

Overall, new supply was around 11% lower in 2020/21 than in 2019/20. The chart below shows trends in the components of net supply since 2006/07 in more detail.



Source: DLUHC, [Live Table 120](#)

Note: The net additional dwellings total also includes adjustments based on the 2011 Census, and a small number of gains labelled as 'other'.

The number of net additional dwellings completed each year began to decline after the financial crisis, reaching a low point of 124,720 new homes delivered in 2012/13. Supply began to rise year-on-year after this point, reaching a high point of 242,700 new homes in 2019/20.

New building has accounted for less of the net total in recent years, as change of use has become more common as a way of adding to the housing stock. Additions through change of use grew by 65% between 2013/14 and 2014/15, and continued to rise over the next two years. However, the number of new homes delivered through change of use has declined each year since then.

The growth in change of use is due to extensions to permitted development rights (a right to develop without the need to apply for planning permission). Permitted development rights were temporarily extended to include office to residential change of use in 2013, and made permanent in April 2016.

Geographic variation in supply

DLUHC also publishes statistics on net additional dwellings at local authority level. Larger local authorities tend to build more homes: areas building the most over the three years from 2018/19 to 2020/21 included Birmingham (11,463 homes), Manchester (10,373) and Salford (10,100).

By comparing housing supply figures to household population, we can see which local authorities have the most new supply relative to their current size. The map overleaf shows the number of new homes supplied over the three-year period compared with the number of households living in the area in 2018.

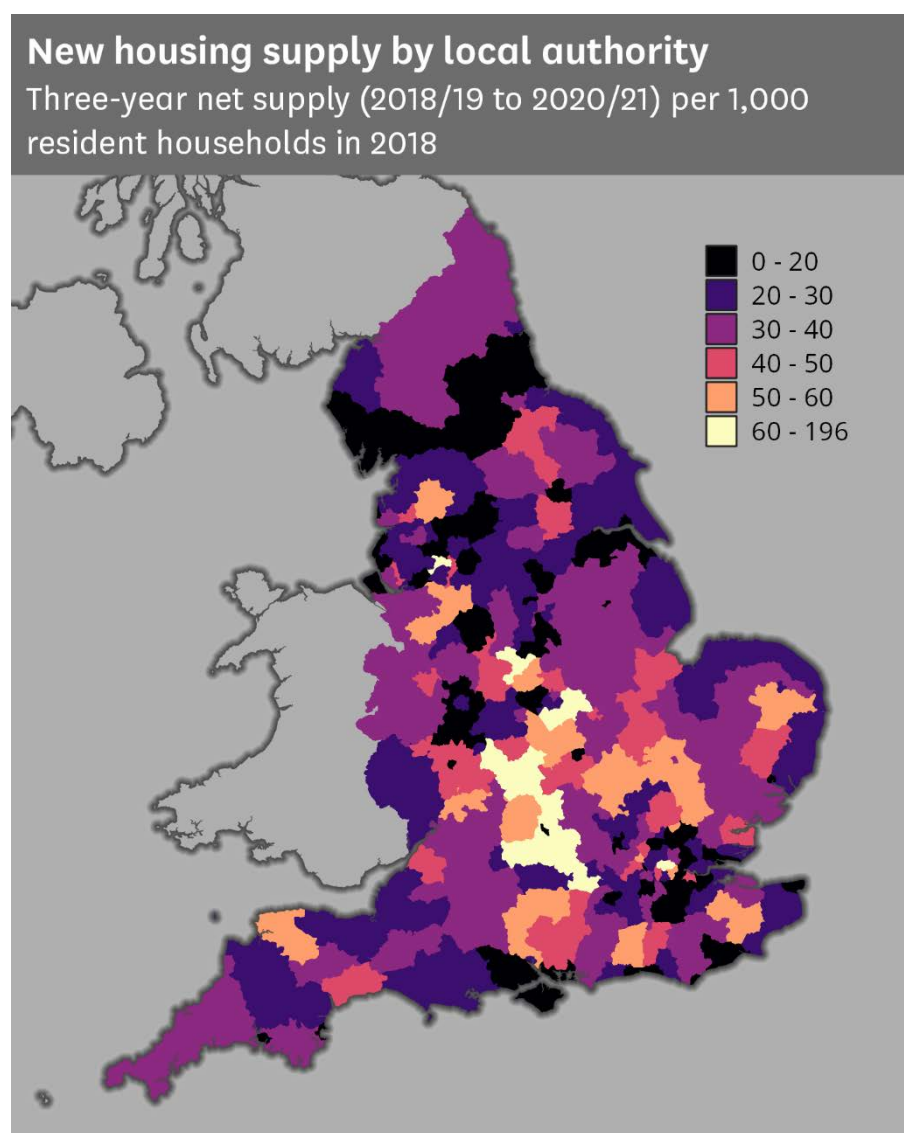
Areas with the highest level of supply relative to their household population included Salford (in the North West); South Derbyshire and Harborough (both in the East Midlands); Tower Hamlets and Newham (London); and Bracknell Forest and Vale of White Horse (South East).

Areas with low levels of supply were similarly dispersed around the country. Some of the lowest levels of supply were in Portsmouth (South East), Rossendale (North West), and South Tyneside (North East).

Many factors affect the amount of new housing delivered in a given local authority, including the level of housing need and demand locally, and the amount of available land for building. Some urban local authorities have little undeveloped land within their boundaries; others are constrained because land has a protected status (eg Green Belt or National Parks).

For detailed data on housing supply at local authority level, see the Commons Library's online dashboard, [Local authority data: housing supply](#). It includes data on current housing stock by tenure, components of net supply in the area, and new supply of affordable housing.

You can find local authority data on housing stock and new supply using our [online housing supply dashboard](#).



Source: DLUHC, [Live Table 122](#); ONS, [Household projections for England: 2018-based](#)

Map © Crown copyright. All rights reserved. House of Commons Library 100040654 (2022)

The effect of Covid-19 on housebuilding

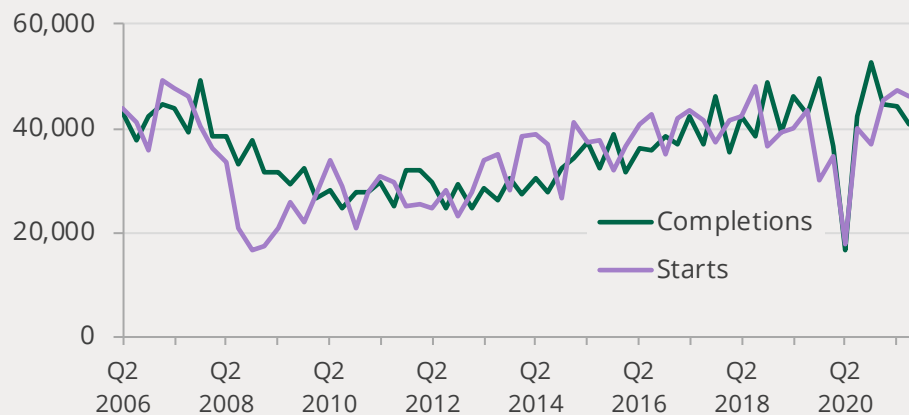
The Covid-19 outbreak and subsequent restrictions had an impact on housing output. Evidence for this comes from DLUHC's quarterly statistics on housebuilding in England. These do not capture all building activity, but are published as 'indicators of new supply' (see Box 1, 'A note on housebuilding data series', below).

Recorded building starts and completions fell in the second quarter of 2020 (April – June, a period which includes the majority of England's first national lockdown). The number of starts in this period was 56% lower than a year previously, reaching a level last seen in 2008 during the financial crisis. The number of completions was 64% lower.

Starts and completions rebounded in subsequent quarters. By the last quarter of 2020, the number of starts was 6% higher than a year previously while the number of completions was 23% higher. The second and third quarters of 2021 saw both starts and completions return to a level closer to the average for the same quarter in pre-pandemic years.

Starts and completions fell in April-June 2020, then rebounded

Dwellings started and completed, England



Source: DLUHC, [Live tables on housing supply: indicators of new supply](#). Live Table 213, 13 January 2022

1 A note on housebuilding data series

DLUHC publishes two separate time series on housing: a [quarterly publication covering new-builds only](#) and an [annual series covering overall net supply](#) of housing.

The **annual net supply** series is more comprehensive. It includes data on new builds (shown in green on the chart overleaf), as well as data on overall supply accounting for conversions, change of use, demolitions, and other stock changes (shown in black).

The **quarterly series** covers new-builds (shown in purple), but its figures are generally lower than the new-build figures given in the annual net supply series. Since 2012-13, the number of new-builds in the quarterly series has been 10% to 27% lower than the number in the annual series.

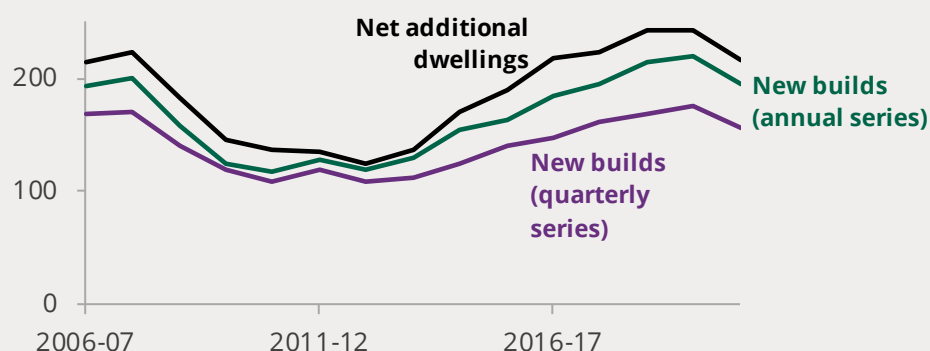
DLUHC describes the annual series as “the primary and most comprehensive measure of housing supply” and the quarterly series as a “leading indicator” of the trend in supply.

While the quarterly series is less accurate, its advantages are it is faster and covers a longer historical period. It also identifies supply from private

developers, local authorities and housing associations separately. Equivalent quarterly statistics for the devolved nations are published by the devolved administrations and compiled by the [Office for National Statistics](#).

Comparing housing supply measures

Thousands of dwellings, England



Source: DLUHC, [Live Table 120](#) (annual series), [Live Table 213](#) (quarterly series)

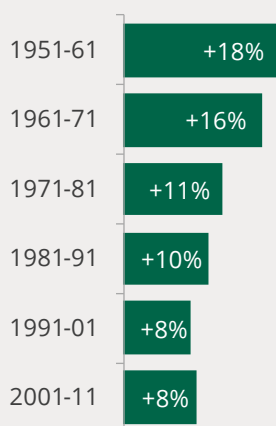
This briefing paper primarily uses the more accurate, annual series. Quarterly data is used when looking at some historical and short-term trends, as well as the contribution of different developers.

2.2

Historical trends in housing supply

Growth in housing stock

Decades, Great Britain



Source: DLUHC, Live Table 102

This section looks at long-term trends in new housing supply – both the changing components making up net supply, and trends in the role of different sectors in new house building.

The chart on the left shows how Great Britain's housing stock grew in the period after the Second World War. Growth was higher in the 1950s and 1960s than it was in subsequent decades. Great Britain's housing stock grew by 18% between 1951 and 1961, and by 16% between 1961 and 1971. By contrast, it grew by just over 8% between 2001 and 2011.

Trends in net supply of new housing

The graphic overleaf explores trends in the components of housing supply across the 20th century, compared with more recent patterns.

The 20th-century figures are estimates based on multiple sources and compiled by A. E. Holmans, who was a researcher at the Cambridge Centre for Housing and Planning Research.

In general, the earlier part of the 20th century saw high levels of new house building, which was offset in part by relatively high levels of demolition.

Supply of new housing was very low during the Second World War; few new homes were built, and destruction of homes due to enemy action contributed to the loss of existing stock.

In the decades after the Second World War, the supply of new housing began to increase. Large numbers of new-build homes were completed in this period. At the same time, 'slum clearance' led to many existing homes being demolished. Local authorities had specific powers to remove unfit dwellings, and many of the new-builds completed were intended to replace these demolitions. As a result, the 1960s saw more building and more demolition activity than at any point previously.

In the 1970s, an average of 249,000 new-build homes were completed in England in each year. But in the same period, around 62,000 homes were removed through slum clearance and other demolition, resulting in net supply of around 196,000 homes per year.

New building decreased in subsequent decades, but so did the amount of slum clearance. By the 1990s, around 147,000 new-builds were completed each year on average. The number of demolitions was much lower, and supply was boosted slightly by conversions of existing property. As a result, net supply was at around 153,000 new homes per year, slightly higher than the number of new builds.

In 2020/21, around 194,000 new-builds were completed. This was more than the average for the 1990s, but less than the 1970s average. Despite this, overall net supply in 2020/21 was higher than the 1970s average, at around 216,000 new homes.

This is partly because demolitions continue to be much lower than they were at the height of slum clearance. The use of conversions and change-of-use of existing property also accounts for much more new supply than it did previously. In 2020/21, around 28,000 new homes were supplied in this way, compared with an average of 9,000 per year in the 1970s and 12,000 per year in the 1990s.

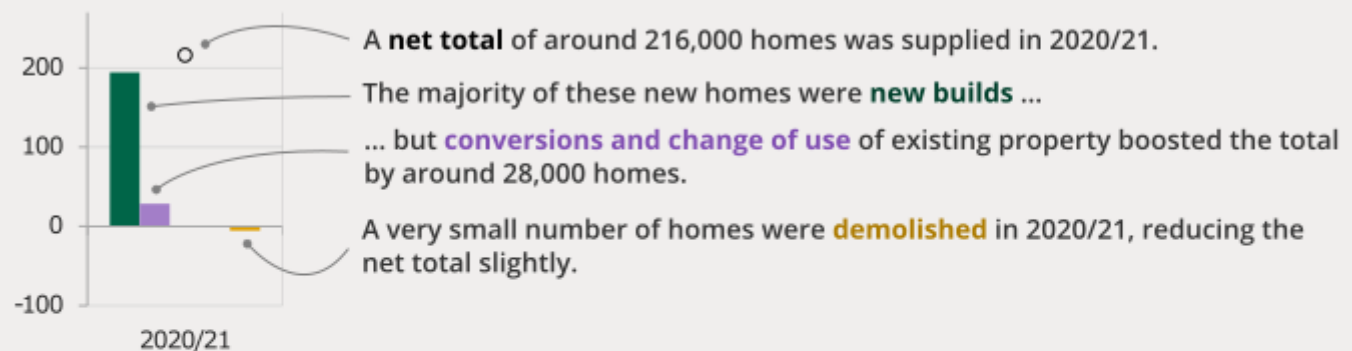
Current trends in the components of housing supply are discussed in more detail in section 2.1 of this briefing.

2 Get the data

All historical data used in this briefing paper is available for download from the [briefing landing page](#), in an Excel spreadsheet titled [Housing supply: historical statistics for the UK](#) (Excel, 104KB).

Components of housing supply: the 20th century and today

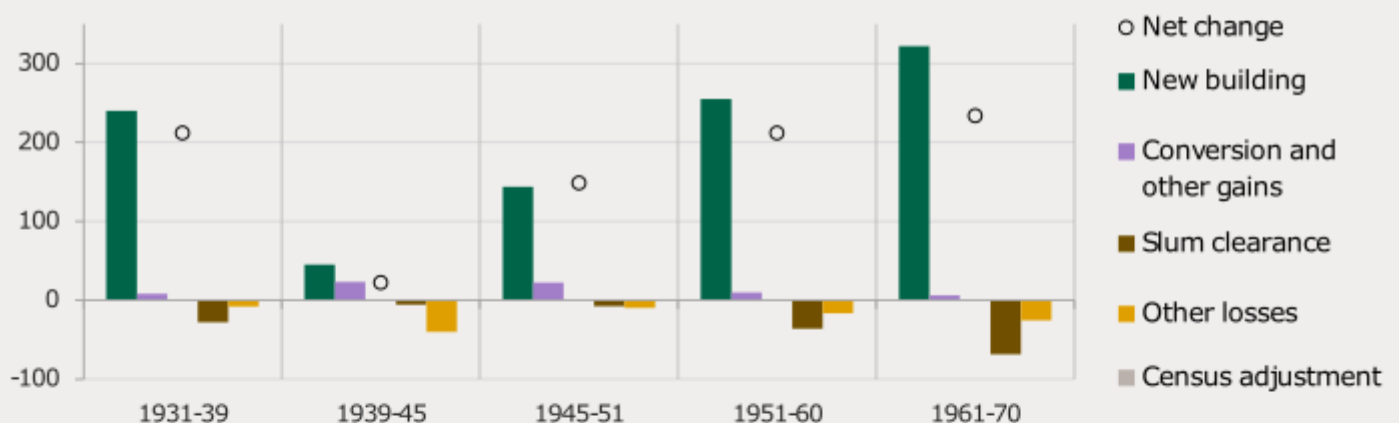
Net supply in England, 2020/21 (thousands of homes)



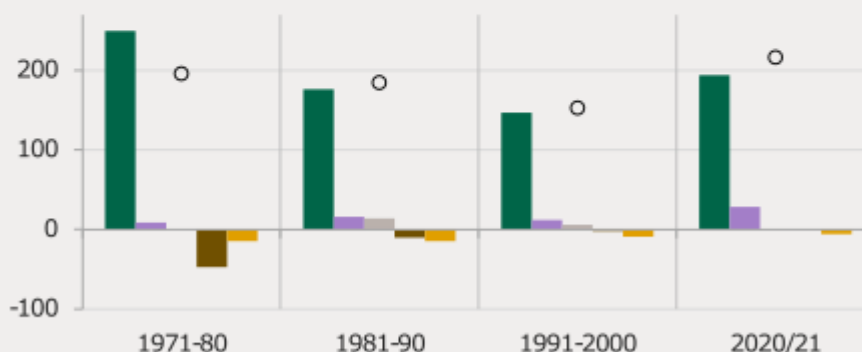
Net supply in Great Britain, 1930s to 1960s (thousands of homes, annual average)

Estimates for supply across Great Britain (not just England) show that this pattern was different in the mid-20th century.

New housebuilding grew after World War 2, but net supply was generally lower than the number of new builds. This was because a lot of existing homes were removed through slum clearance.



Net supply in England, 1980s to 2000s (thousands of homes, annual average)



The same pattern holds if we compare 2020/21 figures with averages for England in later decades.

While the number of new builds was higher on average in the 1970s than it is now, net supply was lower.

This is because the 1970s had much more demolition, and less conversion of existing property.

Source: A.E. Holmans (2005), Historical Statistics of Housing in Great Britain, Table B.17; DLUHC, Live Table 120

Notes: 'Slum clearance' refers to demolitions carried out by local authorities using specific powers for removing unfit dwellings under the Housing Act 1930 and Housing Repairs and Rents Act 1954.

Trends in new-build housing

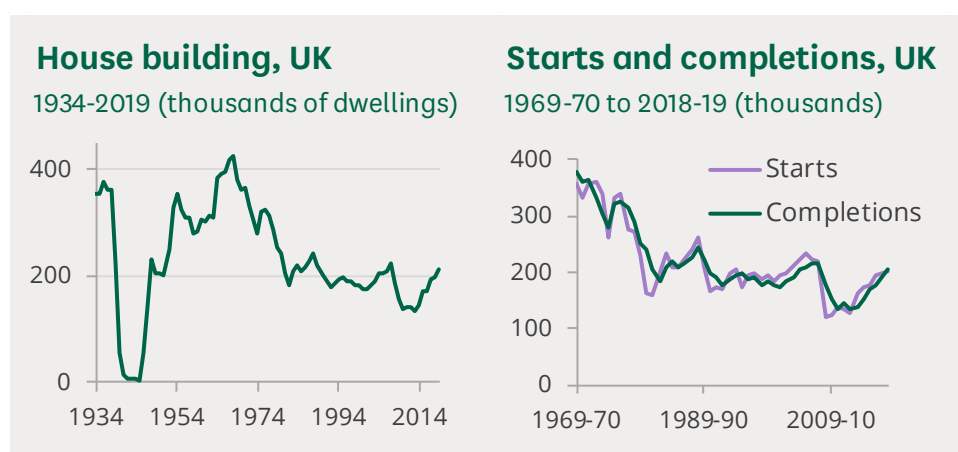
This section looks at trends in the supply of new-build housing.

Housing starts and completions

The chart below shows trends in the number of new homes built in the UK since 1935 (but see Box 1 for detail on the limitations of this data).

House building recovered after falling substantially during the Second World War, reaching peak levels in the late 1960s (the highest number of completions was 425,830 in 1968).

House building has seen an overall decline since then, with the most recent drop taking place after the 2008 financial crisis. 2013 had the smallest number of completions recorded since 1946. House building increased thereafter with completions in 2017 higher than pre-crisis levels.



Sources: B.R. Mitchell Sources: B.R. Mitchell, *British Historical Statistics*; ONS, [UK house building](#); Scottish Government, [Housing statistics quarterly update: September 2020](#).

Notes: Incorporates some financial year data. See data download for full notes.

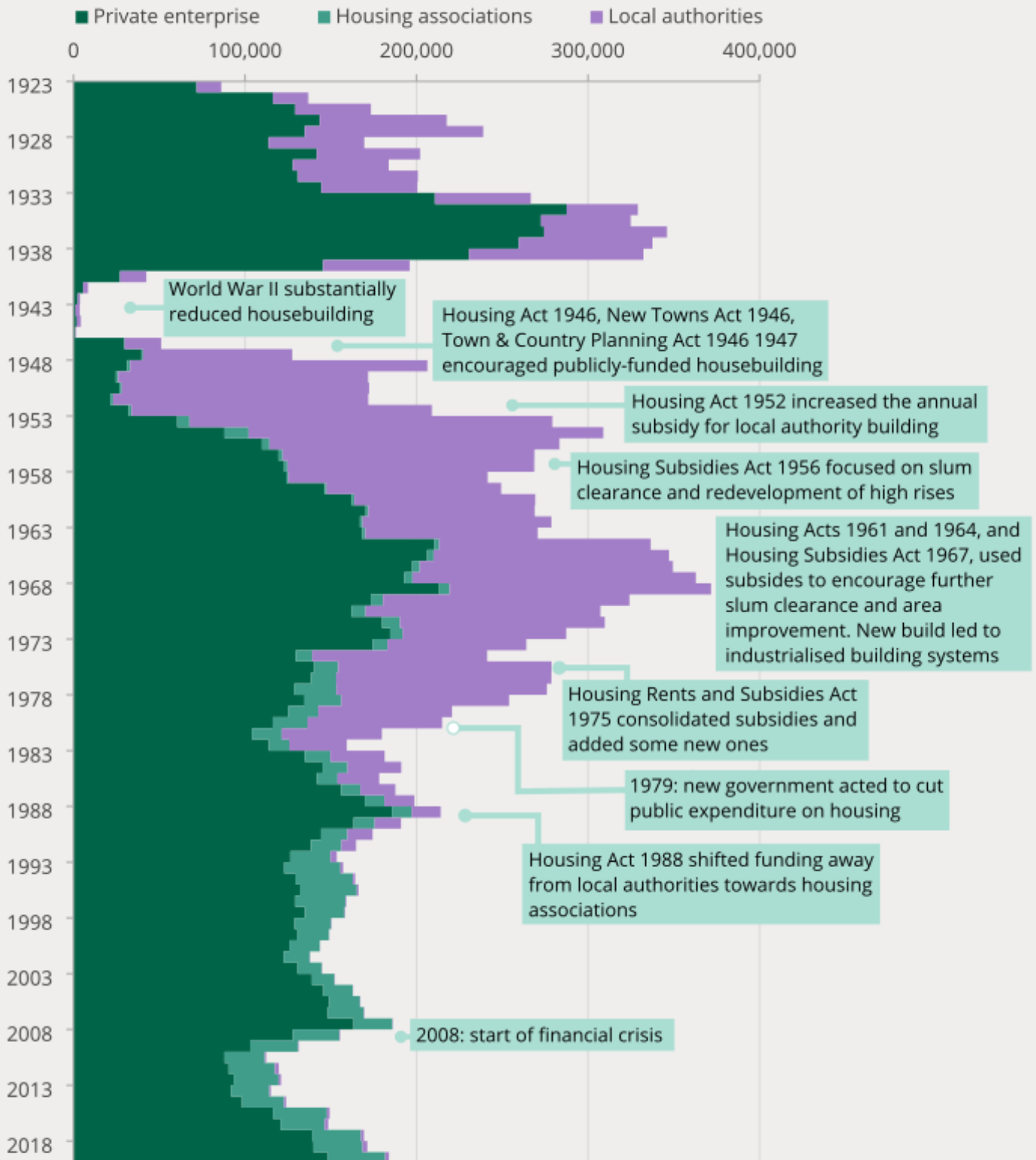
Housing completions figures do not instantaneously reflect changes to policy or the economic climate, because the house building process takes time and is influenced by multiple factors. Trends in housing starts tend to be starker. For example, the financial crisis caused housing starts to fall by 46% between 2007/08 and 2008/09, whereas completions decreased more gradually over the following years.

House building by type of developer

The chart overleaf shows housing completions broken down by type of developer: private enterprise, local authorities, and housing associations. The type of developer doesn't always correspond to the property's final use. For example, homes built by private enterprise may end up being let in the social rented sector, and social housing providers may build homes for the private market.

Again, Box 1 has more detail on the limitations of this data.

House building by type of developer: England and Wales, 1923-2019



Notes: This data series undercounts new build completions. See Box 1 for details.
Data is for financial years from 1923/24 to 1944/45, then calendar years. See data download for more notes.

Sources: B. R. Mitchell, British Historical Statistics; ONS, UK house building: permanent dwellings started and completed

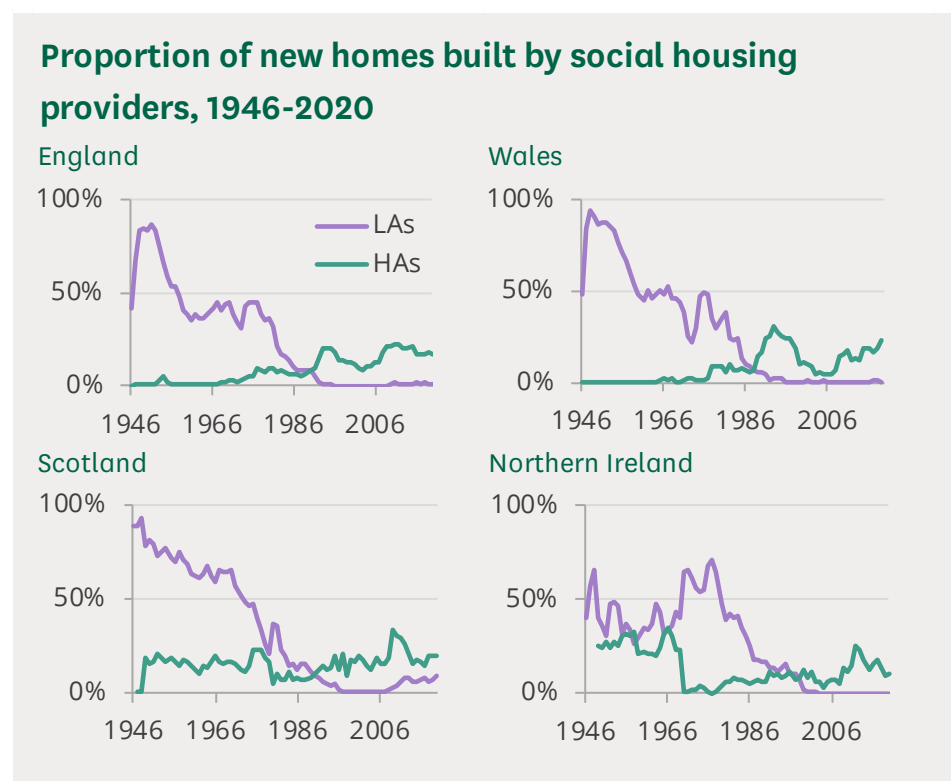
The Library briefing [Social rented housing \(England\): past trends and prospects \(CBP 8963\)](#) discusses the contribution of social housing providers in more detail.

The amount of housing built by private-versus social-sector developers has changed considerably over time. Prior to the Second World War, local authorities were responsible for a large minority of housing development – around a quarter of all new homes completed between 1923 and 1939.

Post-war growth in housing supply was driven in large part by subsidised development carried out by local authorities. The number of new homes delivered peaked in 1968 at around 372,000 homes – of which 43% were delivered by social housing developers and 57% by private developers.

The local authority contribution to housing delivery began to decline in the late 1970s and 1980s as public expenditure on housing decreased. By the early 1980s, local authority contributions made up less than a quarter of all delivery in England and Wales. By the start of the 1990s, local authorities were delivering fewer than 10,000 new homes per year.

The charts below look at how the proportion of homes delivered by social-sector developers has changed in the post-war period. Broadly, building by housing associations increased after building by local authorities fell. In 2019, housing associations accounted for around 18% of new building across the UK. In all nations, the overall proportion of building by the social sector increased relative to the private sector in the years following the financial crisis. The private sector experienced a greater drop in the volume of completions during this period.



Sources: ONS, [UK house building: permanent dwellings started and completed](#); Scottish Government, [Housing statistics quarterly update: December 2021](#)

3 Increasing housing supply: barriers and solutions

3.1 Introduction

3 Manifesto commitments General Election 2019

Conservative Party: A commitment to “continue to increase the number of homes being built” and to “rebalance the housing market towards more home ownership. The Queen’s Speech December 2019 included a commitment to build “at least a million more homes over this Parliament.”

Labour Party: A commitment to create a new Department for Housing and to “deliver a new social housebuilding programme of more than a million homes over a decade, with council housing at its heart”.

Liberal Democrats: A commitment to build at least 100,000 social rented homes per year and ensure that total housebuilding increases to 300,000 homes per year.

Green Party: A commitment to create enough affordable homes, including 100,000 social rented homes each year built to a Passivhaus or equivalent standard.

As outlined above, all the main political parties included commitments to increase housing supply in their 2019 election manifestos.

Although there is some consensus around the need to increase housing supply, there’s less agreement within the industry about how best to achieve it. Commentators agree there’s no ‘silver bullet’, and call for a range of solutions across several policy areas.

For example, the [UK Housing Review 2015](#) called for “a comprehensive housing strategy” with “actions coordinated and sustained over at least a decade.”³⁰ Shelter and KPMG, in [Building the homes we need: a programme for the 2015 government](#) (2014), set out a series of measures aimed at reversing “the model of a high cost, low output housing sector to a low cost, high output one” having identified “a number of self-sustaining and self-

³⁰ Wilcox S; Perry J; Williams P, [UK Housing Review 2015](#), March 2015

Affordability of new housing is increasingly regarded as critical

reinforcing problems that must all be addressed if the housing shortage is to be rectified.”³¹

While there’s an ongoing focus on supply, affordability is also regarded as critical. In the [2020 UK Housing Review Autumn Briefing Paper](#) (1,057KB, PDF) Christine Whitehead and Geoff Meen noted “Housing affordability has worsened in the age of Covid-19 for many households - but more for income than for price and rent reasons.”³²

The 2015 Government set out an ambition to deliver 1 million net additions to the housing stock in England by the end of the Parliament, which was expected to be in 2020.³³ This translated into around 200,000 net additions per year. This ‘target’ was arrived at after consideration of the household formation statistics.³⁴ Critics said the figure did not take account of the backlog of housing need.³⁵

The aforementioned research by Heriot Watt University for the National Housing Federation (NHF) and Crisis called for 340,000 new homes each year up to 2031.³⁶ The research, based on 2015/16 data, identified a need for 145,000 affordable homes per year of which 90,000 should be for social rent.³⁷ Despite the passage of time, it is still widely cited as establishing the case for a large programme of social rented housing development.³⁸ Professor Bramley’s evidence to the House of Lords Built Environment Committee’s inquiry into meeting housing demand (2021-22) indicated his estimate “might be shaded down a little towards 300,000 in the light of demographic events”.³⁹

³¹ Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p32 and p50

³² Whitehead C; Meen G: [2020 UK Housing Review Autumn Briefing Paper](#) (1,057KB, PDF), Chartered Institute of Housing and the University of Glasgow, p15

³³ Net additions includes, for example, conversions and changes of use in addition to newly built housing.

³⁴ [Economics of the United Kingdom Housing Market - oral evidence](#), 22 March 2016, Q237

³⁵ Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, pp19-20

³⁶ Bramley, G 2019, [Housing supply requirements across Great Britain for low-income households and homeless people: Research for Crisis and the National Housing Federation: Main Technical Report](#). Heriot Watt University, Edinburgh

³⁷ Ibid.

³⁸ See for example, Joseph Rowntree Foundation (JRF), [Renters on low incomes face a policy black hole: homes for social rent are the answer](#) (919KB, PDF), Elliot J; Earwaker R; October 2021

³⁹ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 30

The current Government committed to deliver at least a million homes over the Parliament

The previous Conservative Government was elected in 2017 with a manifesto pledge to meet the 2015 commitment to deliver 1 million homes by the end of 2020 and to “deliver half a million more by the end of 2022.” The current Government committed to building at least a million more homes over this Parliament:

...we will continue our progress towards our target of 300,000 homes a year by the mid-2020s. This will see us build at least a million more homes, of all tenures, over the next Parliament – in the areas that really need them. And we will make the planning system simpler for the public and small builders, and support modern methods of construction.⁴⁰

In addition to questioning whether a target to deliver 1 million homes is ambitious enough, doubt was expressed over whether this number was achievable. The House of Lords Select Committee on Economic Affairs put this question to then-Housing Minister, Brandon Lewis, during its 2016-17 [Building More Homes](#) (1,751KB, PDF) inquiry. The Committee concluded the target “was not based on a robust analysis” and went on to recommend the development of at least 300,000 new homes annually “for the foreseeable future”.⁴¹ The Committee called on the then-Government “to recognise the inability of the private sector, as currently incentivised, to build the number of homes needed.”⁴²

The Lords Built Environment Committee’s inquiry into meeting housing demand reported in January 2022. They welcomed the Government’s building targets but concluded “building will likely fall still fall short of the target” without action to address 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.⁴³

Both the Public Accounts and Housing, Communities and Local Government Committees have sought greater clarity on how the ambition for 300,000 housing units a year will be met and why this target was chosen. HCLG’s June 2021 report said “the scepticism voiced by some about the validity of the 300,000 units target, particularly given the revisions to household projections, deserves a clear answer.”⁴⁴

The 2015 Government took action to stimulate housing supply through a variety of schemes.⁴⁵ Its response to [Building More Homes](#) (1,751KB, PDF)

⁴⁰ [Conservative and Unionist Party Manifesto 2019](#), p31

⁴¹ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 84

⁴² Ibid., para 85

⁴³ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 35

⁴⁴ Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 116

⁴⁵ For more information see Library briefing (CBP-06416), [Stimulating housing supply - Government initiatives \(England\)](#)

referred to these schemes and to additional funding and measures announced during the [Autumn Statement 2016](#) (4.8MB, PDF).⁴⁶ The response acknowledged “we have much more to do as a country to build more homes and that the Government has a role to play in making sure our housing market works for everyone.”⁴⁷

February 2017 saw publication of the Housing White paper [Fixing our broken housing market](#).⁴⁸ which set out “a comprehensive package of reform to increase housing supply and halt the decline in housing affordability.”⁴⁹ When giving evidence to the Public Accounts Committee in February 2017, Melanie Dawes, Permanent Secretary at DCLG, was questioned on when the gap between net additions to the stock and demand for new housing would be eliminated. She replied:

It will continue as it has done for decades. I agree, and that will show itself primarily in affordability and in some places in homelessness. I am simply being honest with you. For something on this scale and of this magnitude, we do not have some neat line that tells us when those paths will cross.⁵⁰

Some commentators are arguing for a housing-led recovery from the pandemic, emphasising housebuilding as a proven form of countercyclical investment.⁵¹ There are also calls to recognise housing’s role in the levelling up agenda. [The Building Back Britain Commission](#), an independent industry group established to provide “expertise and policy proposals to Government”, is calling for a new national housing strategy explicitly based on “a dynamic model of future demand, not historic need” which is aligned to the levelling up agenda and which “creates new targets for the delivery of housing specifically in levelling up areas.”⁵²

The following sections highlight some of the barriers and potential solutions to increasing housing supply identified by commentators. As previously noted, there’s a lack of consensus on all the issues and possible approaches. Some proposals, such as building on the green belt, are particularly contentious.

A request made by the economist, Dame Kate Barker, when giving evidence to both the House of Lords Economic Affairs Committee⁵³ and the Treasury Committee, during its inquiry into housing policy following the Autumn Statement 2016,⁵⁴ was for housing policy to be joined up between the

⁴⁶ [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) (172KB, PDF), CM 9384, December 2016

⁴⁷ Ibid.

⁴⁸ Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017

⁴⁹ [Autumn Statement 2016](#) (4.8MB, PDF), November 2016, para 3.11

⁵⁰ Public Accounts Committee Oral evidence: [Housing: State of the Nation](#) (462KB, PDF), HC 958, 22 February 2017, Q132

⁵¹ For example, UK Collaborative Centre for Housing Evidence, [Housebuilding’s role in stimulating economic recovery](#), 5 May 2020

⁵² Building Back Britain Commission, [Levelling up and the housing challenge](#), November 2021

⁵³ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 59

⁵⁴ [Treasury Committee Oral evidence: Housing Policy](#), 7 December 2016, HC 861, Q50

Treasury, Department for Work and Pensions (DWP), Department for Communities and Local Government (now the Department for Levelling Up, Housing and Communities, DLUHC) and the Bank of England.

3.2

The local authority and housing association contribution

As the chart on page 26 shows, the periods where new house building has been highest in England have involved major public sector building programmes. The Shelter and KPMG report [Building the homes we need: a programme for the 2015 government](#) noted that, since World War II, private housebuilding has been through three major periods of expansion followed by contractions and after each crash the recovery has been slower, with the result:

...for more than half the period, private house building has either been contracting or stagnant, and total output has ratcheted steadily down with each cycle.⁵⁵

In this context, there is a good deal of interest in the contribution of the local authority and housing association sectors to housing supply. The House of Lords Select Committee on Economic Affairs was emphatic on this point:

To achieve its target the Government must recognise the inability of the private sector, as currently incentivised, to build the number of homes needed.⁵⁶

Local authorities and housing associations need to make a much bigger contribution to housebuilding if it is to reach required levels.⁵⁷

Evidence submitted by the Construction Industry Council to the Lords Built Environment Committee's inquiry into meeting housing demand (January 2022) said "it seems likely that 300,000 new homes each year is unachievable without direct government investment in social housing."⁵⁸

A further argument advanced to support the development of more social and affordable rented housing is its potential to reduce Housing Benefit expenditure over the long-term.⁵⁹ While there is some agreement that overall supply is important, commentators are increasingly focusing on the need to

⁵⁵ Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p20

⁵⁶ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 85

⁵⁷ Ibid., para 56

⁵⁸ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 32

⁵⁹ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 201

deliver more affordable housing to tackle living standards and “loosen the grip of poverty.”⁶⁰

Commentators argue the pandemic exposed the need for more affordable housing to tackle homelessness and in anticipation of the impact of reduced incomes on accessing home ownership and meeting housing costs.⁶¹ In the 2020 UK Housing Review Autumn Briefing Paper, Christine Whitehead and Geoff Meen argued stagnating incomes would be the driving factor behind housing affordability in the foreseeable future.⁶²

The local authority and housing association sectors are keen to do more and argue they have the capacity to deliver. They are also advancing the case for housing as part of the levelling-up agenda.⁶³

Research published by the Centre for Social Justice (CSJ) in November 2021 found “considerable public support” for social housing development:

In short, this research suggests that there is no simple left-right divide in England on what is known today as ‘social housing’, following the seismic realignments in political affiliation seen in recent years. This presents a major opportunity for the Government to reset the agenda on truly affordable housing and address the social, economic and fiscal problems associated with the hidden housing crisis – with considerable public support.⁶⁴

Housing associations

Housing associations are the largest non-market developers across the UK. In April 2020, an article by the National Housing Federation’s (NHF)⁶⁵ Head of Policy said affordable housing was quick and low-risk to build and went on:

Working with the government we can get residential construction back up and running within weeks, saving jobs and SME firms. If done as part of a long-term strategy for affordable housebuilding it could unlock wider benefits across the construction sector: unleashing the potential for modern methods of construction, which would deliver a new generation of skilled workers and improve productivity.⁶⁶

NHF submissions ahead of key fiscal events have, since 2016, raised the following issues and ‘asks’:

⁶⁰ Joseph Rowntree Foundation, Affordable housing: why current plans to invest don’t go far enough, 27 March 2018

⁶¹ Stephens M; Perry J; Williams P; Young G: [2020 UK Housing Review Autumn Briefing Paper](#) (1,057KB, PDF), p5

⁶² Whitehead C; Meen G: [2020 UK Housing Review Autumn Briefing Paper](#) (1,057KB, PDF), p15

⁶³ See for example Shelter’s submission to the Public Accounts Committee inquiry Department for Levelling Up, Housing and Communities recall (Homelessness and housing), [Submission: Public Accounts Committee inquiry into housebuilding and homelessness](#), December 2021

⁶⁴ CSJ, [Exposing The Hidden Housing Crisis](#), November 2021

⁶⁵ The representative body of housing associations.

⁶⁶ NHF, [How can housing associations chart a course out of this crisis?](#) 27 April 2020

- An offer of “£6 of private investment for every £1 of public money, maximum flexibility in the way we use our existing resources and a guarantee that all profits are reinvested in homes and communities.”⁶⁷
- Associations use public funding to lever in private finance for housing development. As grant rates per unit have generally reduced over time, associations have become more reliant on their ability to raise finance. In its 2016 submission to the Autumn Statement, the NHF argued for the continuation of the Affordable Homes Guarantee scheme (AHGS) which gives access to long-term, competitively priced finance to deliver affordable homes.⁶⁸
- The 2018 submission called for measures to build on Homes England’s strategic partnerships and for “ten-year certainty over housing investment.”⁶⁹
- Calls for a long-term rent settlement.⁷⁰
- Calls for a more flexible funding system to deliver housing solutions relevant to local needs:

We are keen to see Homes England consolidate its existing funding streams into a single fund, and to remove restrictions around where future funding for social rent can be spent. Instead, Homes England should be allowed to work with local areas, to deliver according to local need.⁷¹

- The 2020 Budget submission made a case for £12.8 billion in investment per year for ten years to build one million additional social rent and shared ownership properties:

To deliver the homes we need requires £12.8bn of government investment per year, in real terms, for the first ten years. This funding should be long term, flexible, available around the country, and should offer a higher level of grant per home, an average of 44%.

This ambitious kind of funding programme would unlock further borrowing from housing associations. They could then more than match government funding to build the truly affordable homes we need to tackle homelessness and reduce the cost of living for many hardworking families. No part of England would be left behind, with communities around the country seeing beautiful, great quality homes to rent and own.

Investing in new homes could also add £120bn to the economy each year, distributed across the country. As Britain negotiates a new deal with the EU, a social housing development programme can quickly create new jobs in construction and other industries; bringing investment to our local economies.

⁶⁷ NHF, [An offer for everyone](#) (139KB, PDF), October 2016

⁶⁸ Ibid. On 16 October 2020 the Housing Minister [announced](#) a new £3 billion Affordable Homes Guarantee Scheme would shortly open for applications and would be delivered by ARA Venn.

⁶⁹ NHF, [Submission: Budget 2018](#) (167KB, PDF), 28 September 2018

⁷⁰ Summer Budget 2015 announced social housing providers would have to reduce their rents by 1% each year for four years up to 2020. Analysis of the impact on associations by Savills Housing Consultancy, and seen by Inside Housing, reported the sector’s financial capacity had reduced by 9% since the rent cut began in April 2016. *Inside Housing*, ‘Sector’s capacity down 9% since rent cut, research shows’, 9 March 2018 [subscription required]. Since April 2020 social landlords have been able to apply annual rent increases for five years of CPI+1%,

⁷¹ Ibid.

It would also allow housing associations to invest in new technologies, Modern Methods of Construction and more. Effectively, every pound spent by the government would generate up to £8.22, boosting the economy in a balanced and sustainable way.⁷²

- The NHF's submission to the 2018 Budget suggested closing the funding gap by capturing a greater proportion of land value and using it to fund affordable housing. At the time, the NHF estimated this approach could reduce annual investment needed to £2.43 billion.⁷³
- The 2017 and 2018 Budget submissions focused on the need to secure affordable housing on public land, alongside a call for a national minimum threshold for affordable housing required on new housing developments.⁷⁴
- Targeted funding for housing-related support (specifically the reinstatement of £1.6 billion ring-fenced funding) to support independent living:

With funded support, social rented homes can help people in the most challenging circumstances, including addressing homelessness and supporting people out of hospital. This in turn saves money in the long term.⁷⁵

- Targeted funding for decarbonisation and to cover the upfront costs of fire safety remediation works. The 2021 submission argued “money spent on remediation means less to spend on building much needed new affordable homes or improving existing homes.”⁷⁶
- Maximising existing funding “to support housing-led regeneration across the country.” Arguing the case for housing to “sit at the heart of the levelling up agenda with housing associations able to access funding for regeneration and economic development, including via the UK Shared Prosperity Fund.”⁷⁷

The March 2020 Budget announced £9.5 billion for an extension of the Affordable Homes Programme (AHP) over five years from 2021-22:

The Budget announces an additional £9.5 billion for the Affordable Homes Programme. In total, the programme will allocate £12.2 billion of grant funding from 2021-22 to build affordable homes across England. This should bring in a further £38 billion in public and private investment. This new five-year programme will help more people into homeownership and help those most at risk of homelessness.⁷⁸

⁷² NHF, [Budget 2020 submission](#) (207KB, PDF), February 2020

⁷³ NHF, [Submission: Budget 2018](#) (167KB, PDF), 28 September 2018

⁷⁴ NHF, [Submission: Autumn Budget 2017](#) (157KB, PDF), 22 September 2017. The current version of the [National Planning Policy Framework \(NPPF\)](#) says where major development involving the provision of housing is proposed, planning policies and decisions “should expect at least 10% of the homes to be available for affordable home ownership.”

⁷⁵ NHF, [Autumn Budget and Spending Review 2021](#), 21 September 2021

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ [Budget 2020](#), HC 121, March 2020 (1,224KB, PDF), para 2.91

The Levelling Up White Paper commits to increasing the amount of social housing over time “over time to provide the most affordable housing to those who need it”

The Government confirmed a condition of receiving AHP funding would require the homes built to have the Right to Shared Ownership attached.⁷⁹ The November 2020 Spending Review confirmed funding for the AHP.⁸⁰

The 2021-26 AHP is expected to support the delivery of up to 180,000 new homes, subject to economic conditions. The programme’s funding is split: 50% to fund homes at a discounted rent, and 50% for affordable home ownership products. The mix of rented housing, eg between affordable rent and social rent, appears to be dependent on providers’ bids. London is receiving a lower percentage of available funding than under the previous programme. Bidding opened on 15 December 2020.⁸¹

The Lords Built Environment Committee (January 2022) identified a “serious shortage of social housing” and called on Government to set out what proportion of AHP funding “it believes should be spent on homes for social or affordable rent.”⁸²

The five-year funding settlement was welcomed.⁸³ Providers expressed concerns about changes to the shared ownership model and the new Right to Shared Ownership, which they said “may present some challenges to delivering new homes.”⁸⁴ The latter years of the 2016-21 AHP saw more emphasis on the delivery of rented housing, particularly social rented housing, so the new AHP marks something of a shift in emphasis back to homeownership.

John Perry, policy advisor to the Chartered Institute of Housing commented on funding for the 2021-26 programme in the 2020 UK Housing Review Autumn Briefing Paper:

A new Affordable Homes Programme was announced for 2021/22-25/26, worth £11.5 billion together with £0.7 billion carried over from the current programme. Thus in total investment will rise somewhat to £2.44 billion annually, a quarter more than the current level of spending. The government claims, correctly, that in cash terms spending will be the highest for a decade. However, by the final year of the last Labour government’s programme, cash spending was one-fifth higher than this and of course in real terms higher still.⁸⁵

In the 2021 UK Housing Review Autumn Briefing Paper, he noted a shift in affordable housing’s share of overall Government support for housing investment due to a larger AHP for 2021-26 alongside the end of some of the Cameron-Osborne private market incentives. Affordable housing’s share is

⁷⁹ [PQ 28566 \[Affordable Housing: Construction\], 17 March 2020](#)

⁸⁰ [Spending Review 2020](#) (2,001, PDF), CP 330, November 2020, para 6.59

⁸¹ MHCLG, [Apply for affordable housing funding](#), 15 December 2020

⁸² House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 76

⁸³ [NHF Spring Budget 2020 – briefing for housing associations](#) (220KB, PDF), 26 March 2020

⁸⁴ [NHF, Details on the next Affordable Homes Programme announced](#), 9 September 2020. Also see Library briefing paper: [Shared ownership \(England\): the fourth tenure?](#)

⁸⁵ Stephens M; Perry J; Williams P; Young G: [2020 UK Housing Review Autumn Briefing Paper](#) (1,057KB, PDF), p5

now 46%. In 2020 three-quarters of Government investment supported private sector provision.⁸⁶ In Scotland, Wales and Northern Ireland, investment in affordable housing represents between 74 and 100% of Government investment.⁸⁷

The Affordable Housing

Commission (March 2020) called for a return to 2010 grant levels to build 90,000 social rented homes

John Perry questioned whether investment in affordable housing in England, even at this increased level, is sufficient:

Before the pandemic, there was already evidence that needs had increased above the level indicated by Glen Bramley's comprehensive assessment based on 2015/16 data, which called for 90,000 social rented units annually together with 25,000 for shared ownership. Problems have since worsened. Overcrowding has increased, particularly in the PRS, where 15 per cent of tenants are now overcrowded. Also, some nine per cent of private renters (353,000 households) are in arrears, compared with only three per cent in 2019/20. More than one-fifth of private renters have lost income (at least £100 per month) during the pandemic. Despite economic recovery, more low-income workers now subsist in 'a very unstable and precarious labour market'.⁸⁸

The Housing, Communities and Local Government (HCLG) Select Committee's inquiry into Building more social housing reported in July 2020.⁸⁹ The Committee received "compelling evidence that England needs at least 90,000 net additional social rent homes a year"⁹⁰ and called on Government "to invest so the country can build 90,000 social rent homes a year."⁹¹ It was accepted it would take time to scale up to the level of required funding (£12.8 billion per year) but savings in Housing Benefit and land value reform could reduce the overall cost.⁹²

The Committee wanted to see expenditure on social housing development treated as infrastructure spending.⁹³ They also recommended the publication of annual net addition targets for social rent, affordable rent, intermediate rent and affordable homeownership tenures to improve transparency over the contribution of affordable housing to achieving 300,000 new homes a year.⁹⁴

The Committee supported a review of the disposal of public land strategy on the basis that it is "short-sighted to sell public land to the highest bidder when social housing providers struggle with the cost of land."⁹⁵

⁸⁶ Perry J; Stephens M; Williams P; Young G, [2021 UK Housing Review Autumn Briefing paper](#) (1,126KB, PDF), 2021, p5

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ Housing, Communities and Local Government Select Committee, [Building more social housing](#) (773KB, PDF), 27 July 2020, HC 173 2019-21

⁹⁰ Ibid., para 53

⁹¹ Ibid., para 90

⁹² Ibid., para 92

⁹³ Ibid., para 89

⁹⁴ Ibid., para 53

⁹⁵ Ibid., paras 44-45

The Government's response was published in October 2020.⁹⁶ There was no commitment to develop 90,000 social rented homes annually. Nor did the Government commit to publishing targets for the delivery of specific tenures:

While we do not place a specific figure on the number of affordable houses which need to be built every year, we are committed not only to increasing the supply of new affordable homes, but ensuring that we build the right homes in the right places.⁹⁷

On the approach to public land disposal, the Government said:

Planning reform will make land available for building more quickly, but making the best use of surplus public sector land plays a critical contribution towards this vision. As announced by the Prime Minister on 30 June 2020, work will begin to look at a new, ambitious cross-Government strategy to look at how public sector land can be managed and released so it can be put to better use. This will include home building, improving the environment, contributing to net-zero goals and injecting growth opportunities into communities across the country.⁹⁸

Local housing authorities

On the contribution of council housing, the 2020 UK Housing Review observed:

In the mid-twentieth century, an upsurge in housebuilding was almost unthinkable without a major contribution by local authorities building new council homes.⁹⁹

In 1968 more than 352,000 new homes were completed with over 40% delivered by local authorities.¹⁰⁰

Councils' contribution to new housing supply had been contracting since the early 1980s so by 1995 English authorities were building fewer than 1,000 units annually. Recent years have seen an upswing, albeit from a very low base.¹⁰¹ There is evidence of authorities' appetite to increase their contribution.

The Local Government Association (LGA) has said it is "imperative" in its response to the pandemic for the Government to consider "what steps, measures and reforms would support councils to work towards delivering a new generation of 100,000 high quality social homes per year."¹⁰²

In addition to stressing the multiplier effect of new social housing, whereby "every £1 invested in a new social home generates £2.84 in the wider

⁹⁶ [Government Response to the Housing, Communities and Local Government Select Committee report on the Long-term Delivery of Social and Affordable Rented Housing](#) (306KB, PDF), CP 299, 27 October 2020

⁹⁷ Ibid., p6

⁹⁸ Ibid., p6

⁹⁹ Stephens M; Perry J; Williams P; Young G; Fitzpatrick S: [2020 UK Housing Review](#), p18

¹⁰⁰ Ibid.

¹⁰¹ Ibid.

¹⁰² LGA, [Delivery of Council Housing – Developing a Stimulus Package Post-Pandemic](#), June 2020

economy”, the LGA’s report, [Delivery of Council Housing – Developing a Stimulus Package Post-Pandemic](#), lists several policy and fiscal interventions which they suggest would have a positive impact in stimulating council housing supply.¹⁰³

The Government envisioned lifting borrowing caps would enable councils to build around 10,000 new homes per year

Policy developments favouring more council development include:

- Access to bid for grant funding.
- Freedom to combine grant funding with unrestricted prudential borrowing from November 2018.
- The end of enforced rent reductions between April 2016 and 2019.

Ongoing barriers include:

- The level of grant funding. The Chartered Institute of Housing (CIH) has called for higher levels of investment and grant rates to aid providers’ response to the coronavirus-related economic crisis.¹⁰⁴
- Restrictions on authorities’ ability to retain and use capital receipts generated by Right to Buy (RTB) sales. A joint report published by the CIH, National Federation of ALMOs (NFA) and the Association of Retained Council Housing (Arch) (January 2020) described rules on the use of RTB receipts as “a severe impediment” to local authority building programmes.¹⁰⁵ The long-awaited outcome of a 2018 consultation on the use of RTB receipts was published in March 2021.¹⁰⁶ More radical changes, such as freedom to use RTB receipts along with other grant funding, were rejected but some flexibilities were announced:
 - The period within which receipts must be used has been extended from three to five years together with annual pooling of receipts.
 - An increase in the cap on the proportion of a replacement unit that can be funded using RTB receipts from 30 to 40%.
 - Authorities will be able to meet up to 40% of the cost of delivering a First Home or unit of shared ownership by using RTB receipts.¹⁰⁷
- The cost of fire safety remediation work.
- Land and planning constraints.
- Capacity.

These barriers and potential solutions are considered in detail in a separate Library briefing: [Social rented housing \(England\): past trends and prospects](#).

¹⁰³ Ibid.

¹⁰⁴ CIH, [Grant levels need to rise to pump-prime social housing investment](#), 30 March 2020

¹⁰⁵ CIH; NFA; Arch, [Local authority new build programmes and lifting the HRA borrowing caps](#) (2.4MB, PDF), January 2020, p4

¹⁰⁶ MHCLG, [Use of receipts from Right to Buy sales: Government response to the consultation](#), 19 March 2021

¹⁰⁷ Ibid.

Section 3.5 of this paper refers to proposed changes to developer contributions which are viewed as a potential threat to securing development of affordable housing through their use.

[The Levelling Up White Paper](#) says there will be a review of how to support councils to deliver greater numbers of council homes, alongside Housing Associations

The representative bodies of both housing associations and local authorities agree that to make a significant contribution to housing supply, the sectors require certainty around public policy matters. In 2016 the House of Lords Select Committee on Economic Affairs concluded:

Government must recognise the effect that constant changes in public policy have on the housing market; housebuilders, housing associations and local authorities are unlikely to commit to large building programmes amid such uncertainty.¹⁰⁸

The Lords Built Environment Committee, in Meeting housing demand (January 2022), called for reforms to the RTB “to help councils replenish their social housing stock.” Specifically, they called for councils to be able to keep more of their RTB receipts and for a longer period over which to spend them. They supported “tighter restrictions on the conditions under which social homes can be bought.”¹⁰⁹

3.3

Land supply and capturing value

Around 10% of land in England is classed as ‘urban’ and 1% has domestic buildings on it.¹¹⁰ While there is sufficient land to build on, land is scarce in economic terms as its supply is inherently limited and fixed. This results in, it is argued, developers having to undergo “fierce” competition for land “while remaining uncertain as to what planning permission they will be able to secure.”¹¹¹

The price of land is viewed as a barrier to housebuilding. The gain in value planning permission offers is said to encourage strategic land trading, rather than development, “resulting in the most profitable beneficiaries of residential development being the land owner, not the developer.”¹¹² High land prices can, in turn, force down the quality and size of new homes and present difficulties for small and medium sized enterprises (SMEs) when seeking to compete for sites to develop.

The New Economics Foundation (NEF) in [What lies beneath](#) (July 2018), argued unaffordable land is “at the heart of the housing crisis” and “any

¹⁰⁸ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 61

¹⁰⁹ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 77

¹¹⁰ UK National Ecosystem Assessment, 2011, p23

¹¹¹ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), April 2014, p8

¹¹² Ibid.

solution to the housing crisis will never succeed unless it takes major steps to address our broken land system.”¹¹³

Shelter and KPMG (2014) suggested that combined features of the land market mean there is little competitive pressure at the consumer end of development process:

...the development process is highly vulnerable to shocks, requiring developers to minimise build costs and maximise sale prices by building at a rate that is not related to demand for homes, but demand for homes at certain prices. This strategy is only possible because barriers to entry and market concentration mean there is little competitive pressure at the consumer end of the development process, which might otherwise drive down margins. Competition is focused on acquiring land, rather than satisfying consumers. the result is a vicious circle in which high land prices ensure housing output remains low and house prices high – which in turn feedback to sustain higher land prices.¹¹⁴

The New Economics Foundation suggested taxation mechanisms could “either involve capturing one-off increases in value that come with new development or capturing some or all land value increases over time”

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

The necessity to pay the tax obliges landowners to develop vacant and under-used land properly or to make way for others who will.¹¹⁵

In [What lies beneath](#) (July 2018), the NEF proposed taxation mechanisms “to redistribute unfair gains which accrue to landowners through public investment and land value increases.”¹¹⁶

There is some support amongst economists for an LVT to replace business rates, and, ultimately, Council Tax and Stamp Duty Land Tax. These ideas have not garnered wide political support.¹¹⁷

A March 2018 briefing note by thinktank Civitas, proposed councils should be allowed to buy sites at valuations excluding potential future planning permission. This, it is argued, could reduce upfront development costs for 100,000 units from an estimated £24 billion to £15 billion using a new code for valuing land.¹¹⁸

There is support for reforms to the Land Compensation Act 1961 and for changes to the prospective use value that landowners can charge for sites.

¹¹³ NEF, [What lies beneath: how to fix the broken land system at the heart of our housing crisis](#), July 2018, p2

¹¹⁴ Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), 2014, p39

¹¹⁵ [Land Value Taxation Campaign](#) [accessed on 30 December 2021]

¹¹⁶ NEF, [What lies beneath: how to fix the broken land system at the heart of our housing crisis](#), July 2018, p2

¹¹⁷ Institute for Economic Affairs, [The case for a Land Value Tax](#), September 2012 [accessed 30 December 2021]

¹¹⁸ Civitas, [Reform of the land compensation rules: How much could it save on the cost of a public-sector housebuilding programme?](#) (134KB, PDF), March 2018

The NHF's submission ahead of Budget 2018 said "the cost and availability of land remains the single biggest barrier housing associations face to building more homes, more quickly."¹¹⁹ The NHF called for:

- Reform of the Land Compensation Act 1961 to enable a fairer proportion of the uplift in land value to be shared with the community, including for affordable housing.
- A commitment to deliver 50% affordable housing on public sector land.
- A transparent database of land ownership.¹²⁰

Former Conservative Planning Minister, Nick Boles, expressed some support for giving authorities the ability to buy land at current use value¹²¹ and, in *Green, Pleasant and Affordable* (June 2018), Neil O'Brien, writing for the Conservative think tank, Onward, said:

Give councils borrowing power to buy land and grant themselves planning permission, to enable councils to capture more of the gains from development. Reform the 1961 Land Compensation Act to clarify that local and central government can purchase land at current market use values, not inflated or speculative "hope" values. Reform Section 106 to relax constraints on what councils can charge.¹²²

The HCLG Select Committee conducted an inquiry into land value capture which reported on 13 September 2018.¹²³ The Government response followed in November 2019.¹²⁴

The Committee concluded there was scope for central and local government to claim a greater proportion of land value increases through "reforms to existing taxes and charges, improvements to compulsory purchase powers, or through new mechanisms of land value capture."¹²⁵

The previous Conservative Government agreed there was scope to claim a greater proportion of land values but intended to "evolve the existing system of developer contributions to make them more transparent, efficient and accountable." There was an intention to "continue to explore options for further reforms to better capture land value uplift, providing it can be assured that the short-run impact on land markets does not distract from delivering a better housing market."¹²⁶ The section on planning obligations and the

¹¹⁹ NHF, [Submission: Budget 2018](#) (167KB, PDF), 28 September 2018

¹²⁰ Ibid.

¹²¹ Financial Times, "[Tory MP's housing reforms divide industry](#)," 14 November 2017

¹²² Neil O'Brien MP, Onward, [Green, Pleasant and Affordable](#) (1,988KB, PDF), June 2018, p8

¹²³ Housing, Communities and Local Government Select Committee, [Land Value Capture](#) (806KB, PDF), 13 September 2018, HC 766 2017-19

¹²⁴ [Government Response to the Housing, Communities and Local Government Select Committee inquiry on land value capture](#) (273KB, PDF), CM 9734, November 2018

¹²⁵ Housing, Communities and Local Government Select Committee, [Land Value Capture](#) (806KB, PDF), 13 September 2018, HC 766 2017-19

¹²⁶ [Government Response to the Housing, Communities and Local Government Select Committee inquiry on land value capture](#) (273KB, PDF), CM 9734, November 2018, para 11

Community Infrastructure Levy (below) covers the current Government's intentions in this area.

On calls to reform the Land Compensation Act 1961 to allow authorities to compulsorily purchase land at a fairer price, the Government said:

Through the Housing and Planning Act 2016 and Neighbourhood Planning Act 2017, the Government has recently taken forward wide-ranging reforms to make the compulsory purchase process clearer, fairer and faster for all. These reforms include extensive changes to the Land Compensation Act 1961. We are keen to let these recent reforms bed in but will continue to monitor their practical application and remain open to considering practical improvements to the framework.¹²⁷

The HCLG Committee returned to the issue in its Building more social housing inquiry (July 2020), in which they said: "Reform of the Land Compensation Act 1961 is well overdue" and referred to conclusions reached in the 2018 report.¹²⁸ The Government response (October 2020) referred to the reform of developer contributions and potential future reforms to the 1961 Act:

The Government expects the new Levy to raise more revenue than under the current system of developer contributions and deliver at least as much – if not more – on-site affordable housing as at present. This approach to capturing land value will be simpler, more transparent and more consistent than the current system.

The Government is also committed to a faster and better compulsory purchase process to support the delivery of housing, regeneration and infrastructure projects. We intend to publish proposals in the Autumn for consultation, including potential further reforms to the land compensation regime so it is fairer and easier to reach agreement.¹²⁹

The Committee's inquiry into planning reform (2021) expressed disappointment over lack of progress since the predecessor Committee reported on land value capture:

The Government's response to our social housing report did not engage with our renewed recommendations about reforming the Land Compensation Act 1961, and the promised consultation in the response for autumn 2020 has not appeared. We call upon the Government to act upon the whole range of recommendations in our predecessor committee's Land Value Capture report.¹³⁰

In January 2020 the UK Collaborative Centre for Housing Excellence (CaCHE) published a briefing paper on [Capturing increases in land value](#).¹³¹ The paper

¹²⁷ Ibid., para 29

¹²⁸ Housing, Communities and Local Government Select Committee, [Building more social housing](#) (773KB, PDF), 27 July 2020, HC 173 2019-21, para 36

¹²⁹ [Government Response to the Housing, Communities and Local Government Select Committee report on the Long-term Delivery of Social and Affordable Rented Housing](#) (306KB, PDF), CP 299, 27 October 2020, p5

¹³⁰ Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 154

¹³¹ Crook T: [Capturing increases in land value](#), 13 January 2020, CaCHE

looks at the arguments for capturing increases in land values and reviews evidence on the impact of policies to date and what more might be done. The paper includes consideration of experience overseas and within the nations of the UK.

The Lords Built Environment Committee (January 2022) also identified availability of land as a “significant barrier to meeting housing demand”¹³² and highlighted differential land values as an issue in the ability to raise funding for infrastructure in low value areas.¹³³

There is support for an increase in transparency of the land supply system through the release of data on land market activity, and for incentives to promote the development of stalled sites. Better data would, it’s argued, create a more level playing field and enable small builders to find sites more easily.¹³⁴ The Lyons Housing Review of 2014 recommended the Land Registry should open up land ownership information to the public, and it should be made a legal requirement to register land option agreements, prices and transactions:

Greater transparency about ownership, options and transactions would deliver a number of important benefits that would result in better operation of the land market. It would assist in effective plan making by enabling local authorities to properly assess land availability and the record of landowners, agents and developers in bringing forward sites. It would greatly assist local authorities and other developers in land assembly, and provide information on achievable prices to landowners. It would also improve understanding of the viability of schemes to assist in negotiations of planning obligations. This would also increase the chance of planning gain being financed by a landowner rather than a developer.¹³⁵

Fixing our broken housing market (2017) set out measures the 2015 Government intended to take to increase transparency of land ownership and interests, including:

A target for HM Land Registry to achieve comprehensive land registration by 2030 with all publicly held land in areas of high housing need registered by 2020, with the rest to follow by 2025.¹³⁶

Consult on improving the transparency of contractual arrangements used to control land with legislation to follow “at the earliest opportunity.”

¹³² House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 155

¹³³ Ibid., para 146

¹³⁴ Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p13

¹³⁵ [The Lyons Housing Review](#) (2.4MB, PDF), 2014, p63. A report of the Housing Commission established by Ed Miliband.

¹³⁶ In June 2019 the Government said it was working with the Land Registry to meet the White Paper commitments on land registration. [Housing: Written question -258995, 3 June 2019](#)

The release of the commercial and corporate ownership data set and the overseas ownership data set free of charge, and publication of a draft Bill on the reform of restrictive covenants and other interests.¹³⁷

The annex to the White Paper contained consultation questions on these proposals. Responses were accepted up to 2 May 2017. On 6 June 2019, Kit Malthouse responded to a parliamentary question on progress in this area:

MHCLG is working with HM Land Registry to meet the Housing White Paper commitments on land registration, including registering all publicly-owned land by 2025 with the aim of achieving comprehensive registration in England and Wales by 2030. To assist this process, it has published a list of unregistered land believed to be owned by central and local government.¹³⁸

In August 2020 MHCLG launched a call for evidence containing proposals “to increase transparency of contractual arrangements used to exercise control over the buying or selling of land.”¹³⁹ The aim is to “improve the ability of local communities to play an informed role in the development of their neighbourhoods and support the Government’s efforts to encourage more companies to enter the house building market.”¹⁴⁰ Responses to the call for evidence are being analysed.

Is land banking a problem?

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

Several studies have considered whether land banking takes place. For example, a report by Molior for the London Mayor in 2012 found of the 210,000 existing planning permissions for new homes in London, 55% were in the control of building firms, while 45% were in the control of non-building firms such as investment funds, historic land owners, government and ‘developers’ who do not build.¹⁴¹ Molior concluded accusations of land banking directed at builders were “misplaced.” A 2014 update found a smaller percentage of planning permissions held by non-developers.¹⁴²

It is acknowledged that developers retain stocks of land with planning permission as a strategy for managing pipelines and smoothing out peaks and troughs in resource allocation. There are also holdings of strategic land banks which are sites without planning permission which are generally held under option, ie not recorded as in the developer’s ownership. Shelter and

¹³⁷ Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017, paras 1.17-21

¹³⁸ [PQ 258955 \[Housing\], 6 June 2019](#)

¹³⁹ MHCLG, [Transparency and competition: a call for evidence on data on land control](#), August 2020

¹⁴⁰ Ibid.

¹⁴¹ Molior/GLA, [Barriers to housing delivery \(6.6MB, PDF\)](#), December 2012

¹⁴² Molior/GLA, [Barriers to housing delivery update](#) (1,124KB, PDF), July 2014

KPMG (2014) concluded that incentives to get strategic land through planning are “very high” and expected any issues to be:

...more at the strategic and local planning level, with a lack of visibility over land control and intent meaning that it is less easy to match planning strategy with land that is controlled by developers and hence more likely to be able to be brought forward quickly for development.¹⁴³

Sir Oliver Letwin’s review of build-out rates, the [final report](#) of which was published in October 2018, found no evidence of speculative land banking by large developers:

The other allegation – that the ‘real option’ value attaching to the non-depreciating asset of land is inducing the major house builders to engage in “land banking” in the sense of “locking away” land from the market before receiving implementable permissions is (albeit in a slightly less obvious way) equally implausible.

It is of course true that, although the land market can be highly volatile, land (unlike most assets) does not depreciate, and has generally tended to increase in value across the cycle, and has a ‘real option’ value. By holding rights over land that benefits from (or is soon likely to benefit from) some form of permission to build houses, the company which holds that land obtains a valuable ability to make profit by building on it at whatever time is thought likely to maximise the profitability of doing so. It would therefore be perfectly possible for financial investors of a certain kind to seek to make a business out of holding land as a purely speculative activity.

But I cannot find any evidence that the major house builders are financial investors of this kind.¹⁴⁴

The Housing Minister, Christopher Pincher, responded to a parliamentary question on action to tackle land banking on 5 July 2021:

Sir Oliver Letwin reported in his 2018 independent review of build out rates - building on the work of Dame Kate Barker and many others before them - that the often-repeated idea of housebuilders 'sitting on' land is overstated. However, the Government does recognise how important build-out is to communities. The Government is absolutely clear that new homes should be built out as soon as possible.

Where build-out is delayed, it is for councils and developers to work closely together to overcome any barriers. To ensure this happens, we are exploring further options to support faster build-out as part of our proposed planning reforms.¹⁴⁵

Research by Litchfields (November 2021) commissioned by the Land Promoters and Developers Federation and the Home Builders Federation, commented on continuing references to land-banking:

¹⁴³ Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p37

¹⁴⁴ Rt Hon Sir Oliver Letwin, [Independent Review of Build Out Rates – draft analysis](#), June 2018

¹⁴⁵ [PQ 23256 \[Housing: Construction\], 5 July 2021](#)

The commentary on unimplemented planning permissions is often accompanied by ire directed at ‘housebuilders’ and particularly the major national builders, who are accused of holding on to land with planning permission and restricting supply, in order to drive up prices of homes or the land⁴. This accusation persists despite many a study and investigation concluding that this does not occur; from Kate Barker’s seminal research in 2004 and the Office of Fair Trading in 2008 to the Letwin Review in 2018.

Often, what such accusations fail to consider is what housebuilder pipelines are, how they relate to output, and the degree to which housebuilders, and land promoters who source, secure and feed those housebuilders land with planning permissions, have an important (albeit far from the sole) role in driving housebuilding rates to meet Government targets.¹⁴⁶

Release of public sector land for housing

Government activity since 2010 in relation to land supply has been focused on ensuring land in public ownership is released for housebuilding.

Performance data released on 6 February 2020 showed land release for 160,000 homes by the end of March 2020 would not be met

Evidence submitted by the Home Builders Federation to the Lords Economic Affairs Committee (2016) said between a quarter and a third of all potential residential land was controlled by the public sector.¹⁴⁷ In June 2011, the then-Minister for Housing announced a plan to release enough public land to build up to 100,000 new homes by 2015.¹⁴⁸ The Autumn Statement 2015 saw a commitment to sell land for more than 160,000 new homes up to 2020, while the Housing Minister told the Economic Affairs Committee the 2015 Government was aiming for 320,000 homes on public land in the Parliament.¹⁴⁹

The Coalition Government’s land release programme attracted criticism from the National Audit Office (NAO) and the Public Accounts Committee (PAC).¹⁵⁰ Progress in disposing of sites was described as “slow” and many potential sites were considered to be at “high risk” of falling out of the programme. The PAC concluded the disposals programme up to 2015 “could not demonstrate the success of the programme in addressing the housing shortage or achieving value for money.”¹⁵¹ The PAC identified some improvements in guidance and monitoring arrangements related to the delivery of the disposals programme.¹⁵²

¹⁴⁶ Litchfields, [Feeding the Pipeline: Assessing how many permissions are needed for housebuilders to increase the supply of homes](#), 30 November 2021, p2

¹⁴⁷ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 154

¹⁴⁸ [Department for Communities and Local Government Press Release](#), 8 June 2011

¹⁴⁹ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 162

¹⁵⁰ Committee of Public Accounts, [Progress with the disposal of public land for new homes](#) (509KB, PDF), 2 November 2016, HC 634 2016-17

¹⁵¹ *Ibid.*, para 8

¹⁵² *Ibid.*, p3

MHCLG published a progress report on the Public Land for Housing Programme 2015-2020 in May 2019.¹⁵³ Ordnance Survey was commissioned to monitor progress of homes built on land released through the 2011-15 and 2015-20 programmes. Performance data was released on 6 February 2020.¹⁵⁴

It was acknowledged that land release for 160,000 new homes would be achieved to a longer timeframe “due to the complexities of disposal and the evolving demands placed on departments’ estates.”¹⁵⁵ Options for a future programme were under review, with decisions to be made at Spending Review.¹⁵⁶ As of August 2019, two-thirds of local authorities in England were forecasting the release of land for approximately 128,000 homes by the end of March 2020. The final local authority land ambition numbers were expected to be reported in Summer 2020.¹⁵⁷

On release of the data on 6 February 2020, the New Economics Foundation (NEF) commented on the lack of affordable housing built on public land.¹⁵⁸ In *Building the social homes we need* (November 2019), the NEF argued for, amongst other things, the ring-fencing of public land for the provision of social housing where appropriate.¹⁵⁹

On 30 June 2020, the Prime Minister announced work would begin to consider how Government-owned land could be managed more effectively:

Ahead of the Spending Review, a new, ambitious cross-government strategy will look at how public sector land can be managed and released so it can be put to better use. This would include home building, improving the environment, contributing to net zero goals and injecting growth opportunities into communities across the country.¹⁶⁰

Lord Greenhalgh, responding to a Lords debate on 24 March 2021, outlined other measures related to the release of public land:

Last September, the Government announced an additional £30 million to help release surplus land for housing and to support local authorities to bounce back from the pandemic. The funding includes £10 million for the One Public Estate programme, a partnership between MHCLG, the Cabinet Office and the Local Government Association that brings public bodies together to create better places by using public assets more efficiently. Since its establishment in 2013, the programme has helped create over 23,000 new jobs and released land for over 14,000 new homes.

The funding also includes £20 million for the land release fund, which is available to councils for remediation works and infrastructure to bring their

¹⁵³ MHCLG, [Public Land for Housing Programme 2015–20 Progress Report](#) (6MB, PDF), May 2019

¹⁵⁴ MHCLG, [Public Land for Housing programme 2015 to 2020: data release February 2020](#), 6 February 2020

¹⁵⁵ [PQ HL1573 \[Government Departments: Land\]](#), 26 February 2020

¹⁵⁶ Ibid.

¹⁵⁷ [PQ 18549 \[Land: Public Sector\]](#), 3 March 2020

¹⁵⁸ NEF, [Sold off public land is creating miniscule amounts of affordable housing](#), 18 February 2020

¹⁵⁹ Beswick J; McCann D; Wheatley H: NEF, [Building the social homes we need](#) (1,565, PDF), November 2019

¹⁶⁰ Prime Minister’s Office, [PM: Build, Build, Build](#), 30 June 2020

surplus sites forward for housing. The land release fund targets small sites, with a focus on supporting SME builders, ensuring that the necessary remediation work can take place to help get spades in the ground where only the Government can step in.

Commentators have made suggestions aimed at more effective use of public land for housing development purposes, including:

- Local authorities setting up joint ventures to lease land to affordable house builders, or institutional investors, while retaining the freehold. Leasing the land would mean authorities could receive a share of any rental income.¹⁶¹
- The sale of public land to the highest bidder has been questioned.¹⁶² The New Economic Foundation (2018) called for public land to be “put to the service of long-term public good” via a People’s Land Bank.¹⁶³ The NEF also expressed support for the establishment of a Land Commission based on the Scottish model “to identify policies for an equitable distribution of land, and land values, and a fairer land system.”¹⁶⁴
- The Lords Economic Affairs Select Committee (2016) supported the relaxation of the requirement to achieve best market value when releasing public land but concluded that this would only work “if there is a central scheme that approves and compensates public bodies who sell land below market value.”¹⁶⁵
- The Local Government Association (LGA) has called for a longer-term approach to releasing and repurposing public sector land instead of the annual process of bidding for funding from the One Public Estate programme. Certainty associated with a three-year programme would mean “public bodies would be more assured to plan and develop a solid pipeline of projects”.¹⁶⁶
- We are also calling for councils to be given new flexibilities to acquire public land identified as surplus or redundant by the current public sector owner in their area, to provide public facilities, including housing, at the valuation determined by the district valuer based on current use.

Consultation on “the disposal of surplus local authority land - rationalising and updating the rules which govern disposal of public land at less than best

¹⁶¹ Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p76

¹⁶² See for example: NEF, [What lies beneath: how to fix the broken land system at the heart of our housing crisis](#), July 2018, p5; Committee of Public Accounts, [Sale of Public Land](#), 29 July 2019, HC 2040 2017-19 para 1; HC 173, Housing, Communities and Local Government Select Committee, [Building more social housing](#) (773KB, PDF), 27 July 2020, HC 173 2019-21, para 44

¹⁶³ NEF, [What lies beneath: how to fix the broken land system at the heart of our housing crisis](#), July 2018, p5

¹⁶⁴ Ibid.

¹⁶⁵ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 177

¹⁶⁶ LGA, [Spending Review 2021 departmental supplement: Department for Levelling Up, Housing and Communities \(DLUHC\)](#), 5 October 2021

value” was conducted between 29 October 2018 and 14 January 2019.¹⁶⁷ The Government response was published in May 2019. On disposing of public land at less than best value, the Government said: “We are considering the responses to this part of the consultation and will announce the way forward in due course.”¹⁶⁸

3.4

Funding infrastructure

A large-scale housebuilding programme requires investment in infrastructure. For example, the Lyons Housing Review (2014) pointed out that much of the infrastructure for post-1949 New Town developments was publicly funded with Government loans over 60 years.¹⁶⁹

The Public Accounts Committee’s June 2019 report, *Planning and the broken housing market*, referred to the Department’s “rough estimate” of needing around £12 billion from the public purse to support infrastructure for 200,000 new homes a year, with the remainder coming from developers.¹⁷⁰

The tools local authorities have at their disposal to get developers to contribute to the cost of infrastructure are currently section 106 agreements¹⁷¹ and the Community Infrastructure Levy – see section 3.5 for more information on these tools.

The Autumn Statement 2016 announced a new Housing Infrastructure Fund (HIF) of £2.3 billion by 2020-21:

...funded by the NPIF [national productivity investment fund] and allocated to local government on a competitive basis, will provide infrastructure targeted at unlocking new private house building in the areas where housing need is greatest. This will deliver up to 100,000 new homes. The government will also examine options to ensure that other government transport funding better supports housing growth.¹⁷²

Bidding for the HIF opened in 2017. Autumn Budget 2017 allocated an additional £2.7bn to bring total funding up to £5bn.¹⁷³ Budget 2018 announced a further £500 million bringing total funding to £5.5 billion “unlocking up to

¹⁶⁷ MHCLG, [Planning Reform: supporting the high street and increasing the delivery of new homes](#), October 2018

¹⁶⁸ MHCLG, [Government response to consultation on Planning Reform: supporting the high street and increasing the delivery of new homes](#), May 2019, p22

¹⁶⁹ [The Lyons Housing Review](#) (2.4MB, PDF), 2014, p92. A report of the Housing Commission established by Ed Miliband.

¹⁷⁰ Public Accounts Committee, [Planning and the broken housing market](#) (286KB, PDF), 26 June 2019, HC 1744 2017-19, para 14

¹⁷¹ Developers and local authorities agree a contract relevant to a specific development that will mitigate its impact. This can include the provision of affordable housing and payment for additional infrastructure.

¹⁷² [Autumn Statement 2016](#) (4.8MB, PDF), Cm 9362, November 2016, para 3.11

¹⁷³ [Autumn Budget 2017](#) (2,014KB, PDF), HC 587, 23 November 2017, para 5.18

650,000 new homes”.¹⁷⁴ The background notes to the 2019 Queen’s Speech said through the HIF “the Government has already allocated £3.07 billion to unlock over 280,000 homes”.¹⁷⁵

Then-Secretary of State, Robert Jenrick, said a new version of the HIF would be created:

In the previous Parliament we created the housing infrastructure fund, which was a huge success and has delivered billions of pounds of infrastructure. We have committed to create a new version of that, which the Chancellor and I will be announcing shortly and will be larger and longer-term than its predecessor.¹⁷⁶

The notes to the 2019 Queen’s Speech referred to a “a new £10bn Single Housing Infrastructure Fund” which will provide “roads, schools and GP surgeries needed to support new homes.”¹⁷⁷

The [National Housing Federation](#) welcomed the new [NHBF](#) noting that although the funding is for private developers, associations could benefit from the unlocking of brownfield sites and providing regeneration opportunities

Spending Review 2020 (SR2020) was deferred to November 2020 and covered only one year.¹⁷⁸ It announced the creation of a National Home Building Fund (NHBF) with £7.1 billion in funding made up of £4.8 billion in previously announced capital grant funding, £2.2 billion in new loan finance for SMEs and innovative housebuilders, and £100 million for non-Mayoral Combined Authorities (MCAs). Additional funding was to be confirmed at the next multi-year Spending Review, including £10 billion to unlock homes through the provision of infrastructure.¹⁷⁹

On 5 November 2021, the Government announced £624 million in loan funding “to improve the vital infrastructure needed to kick-start new housing projects, with a particular focus on transforming unsightly and derelict brownfield sites.”¹⁸⁰ The press release confirmed the funding as part of the £2.2 billion made available at Spending Review 2020. Loans are administered by Homes England through the NHBF. Spending Review 2021 announced £1.8 billion to regenerate brownfield land and deliver transport links and community facilities. The Government said: “The funding boost meets the government’s manifesto commitment to a £10 billion housing fund and will help unlock 1 million new homes.”¹⁸¹

Fixing our broken housing market (2017) said the Government would amend national planning policy so local authorities would be expected to identify development opportunities arising out of new infrastructure. The NPPF states:

The supply of large numbers of new homes can often be best achieved through planning for larger scale development, such as new settlements or significant

¹⁷⁴ [Budget 2018](#) (2.6MB, PDF), HC 1629, October 2018, para 4.56

¹⁷⁵ [Background notes to the Queen’s Speech](#), December 2019, p50

¹⁷⁶ [HC Deb 13 January 2020, c736](#)

¹⁷⁷ [Background notes to the Queen’s Speech](#), December 2019, p48

¹⁷⁸ [Spending Review 2020](#) (2,001, PDF), CP 330, November 2020

¹⁷⁹ [Ibid.](#), para 6.59

¹⁸⁰ [DLUHC, £624 million of loan funding to support thousands of new homes and improve vital infrastructure](#), 5 November 2021

¹⁸¹ [Ibid.](#)

extensions to existing villages and towns, provided they are well located and designed, and supported by the necessary infrastructure and facilities. Working with the support of their communities, and with other authorities if appropriate, strategic policy-making authorities should identify suitable locations for such development where this can help to meet identified needs in a sustainable way. In doing so, they should:

a) consider the opportunities presented by existing or planned investment in infrastructure, the area's economic potential and the scope for net environmental gains...¹⁸²

The NPPF requires local plans to set out policy requirements for developer contributions towards infrastructure and affordable housing:

Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.¹⁸³

The Planning White Paper (August 2020) proposes significant reforms to developer contributions. See section 3.5

Section 3.3 of this paper touches on debate about capturing increases in land value for the public benefit once planning permission is granted. Currently, the Community Infrastructure Levy (CIL) and section 106 agreements are the main means through which this increase in value is captured. Evidence submitted to the Housing, Communities and Local Government Committee's inquiry into land value capture by the Chartered Institute of Housing (2018) argued for an improved system to achieve a higher contribution towards the cost of infrastructure:

[Analysis](#) by the Centre for Progressive Capitalism identified that Section 106 agreements and CIL together captured £2.8 billion of the increase in land value for public benefit, leaving £9.3 billion as windfall profit, largely accruing to landowners/traders. They estimate that, at that rate, £185 billion of increased value over the next 20 years would be lost, which otherwise would be able to contribute towards the infrastructure required for that development, and the benefit of local communities. A system is required that enables a more balanced share of the increase in land value between landowner, developer and the public.¹⁸⁴

The Committee made several recommendations on funding infrastructure for housing developments, including changes to section 106 and CIL (see section 3.5 of this paper):

- Consideration to be given to introducing a Local Infrastructure Tariff (LIT). The 2017 Government said it would continue to explore options, including a LIT but that there was no precise model for it.¹⁸⁵

¹⁸² MHCLG, [National Planning Policy Framework](#) (NPPF), para 73

¹⁸³ Ibid., para 34

¹⁸⁴ [Written evidence submitted by the Chartered Institute of Housing to the HCLG Committee inquiry into land value capture](#) (87.2KB, PDF), LVC 052, March 2018

¹⁸⁵ [Government Response to the Housing, Communities and Local Government Select Committee inquiry on land value capture](#) (273KB, PDF), CM 9734, November 2018, para 17

- Further consideration of how Strategic Infrastructure Tariffs (SITs) could be used to capture value for specific large infrastructure projects. The 2017 Government consulted on proposals to take forward SITs for Combined Authorities early in 2018 – a summary of responses and the Government response was published in October 2018.¹⁸⁶ In the longer term there was an intention to allow joint planning committees to charge the SIT and to “review options for giving other groups the power to levy a tariff.” Guidance was to be amended to encourage groups of charging authorities to use existing powers to support the delivery of strategic infrastructure by pooling their local CIL receipts.¹⁸⁷
- Build on reforms to the Compulsory Purchase Order (CPO) process to make it faster and less expensive. The Committee said CPO powers could be important in enabling the provision of necessary infrastructure on sites. The 2017 Government confirmed that CPO powers would be kept under review.¹⁸⁸ The Government response to the HCLG Committee’s report, Building more social housing (July 2020), said proposals aimed at achieving a faster and better compulsory purchase process would be published in the Autumn for consultation.¹⁸⁹
- Consideration of how Tax Increment Financing (TIF) could be used “more extensively to fund infrastructure in enterprise zones”. The 2017 Government said there were no plans to change this process.¹⁹⁰

3.5 The planning system

The planning system in England is frequently cited as a ‘blocker’ to housing delivery. The All-Party Parliamentary Group (APPG) for Housing Market and Housing Delivery published *Barriers & Bottlenecks to Greater Housing Delivery* in March 2021, the findings of which are based on a major consultation exercise. 2,897 formal responses were received; a majority identified planning as the “biggest hindrance to housing delivery.”¹⁹¹

The system regulates, amongst other things, where housing development takes place, density levels, the necessary supporting infrastructure, and the obligation to provide a proportion of affordable housing as part of a development.

¹⁸⁶ MHCLG, [Government response to supporting housing delivery through developer contributions](#), October 2018

¹⁸⁷ [Government Response to the Housing, Communities and Local Government Select Committee inquiry on land value capture](#) (273KB, PDF), CM 9734, November 2018, para 21

¹⁸⁸ Ibid., paras 23-28

¹⁸⁹ [Government Response to the Housing, Communities and Local Government Select Committee report on the Long-term Delivery of Social and Affordable Rented Housing](#) (306KB, PDF), CP 299, 27 October 2020, p5

¹⁹⁰ Ibid., para 38

¹⁹¹ APPG for Housing Market and Housing Delivery, [Barriers & Bottlenecks to Greater Housing Delivery](#), March 2021

It's an area that's attracted a good deal of Government attention. The Coalition Government's Localism Act 2011 abolished nationally set housing targets and regional planning bodies. National planning policy is now set out in the [National Planning Policy Framework](#) (NPPF), originally published in March 2012 – the current version was revised in February 2019. The NPPF and accompanying Planning Practice Guidance give broad guidance to local authorities about calculating the supply of housing.

Following the election of the Conservative Government in May 2015, there were several planning related consultations and announcements. Changes to the planning system were included in the Housing and Planning Act 2016 and Energy Act 2016. Additional reforms were included in the Neighbourhood Planning Act 2017.

The 2015 Government's response to the Lords Economic Affairs Committee's report *Building More Homes* (2016), set out how the reforms made up to that point had impacted:

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

In addition, in the year to 30 June 2016, the reformed planning system has given permission for 277,000 new homes. Finally, our reforms to Permitted Development Rights have led to a strong contribution to housing supply from conversions and changes of use in addition to new house building.¹⁹²

The response said a forthcoming Housing White Paper would set out further proposals for planning reform to support housing delivery.¹⁹³ *Fixing our broken housing market* was published in February 2017.¹⁹⁴ A summary of its proposals on planning, together with initial reactions, can be found in Library briefing [Planning reform in the housing white paper](#).

The 2019 Queen's Speech set out the Government's intention to reform the planning system:

To deliver on the homes this country needs, the Government is committed to building at least a million more homes over this Parliament. In the coming months we will set out further steps to achieve this, including an ambitious Planning White Paper and funding for critical infrastructure.¹⁹⁵

The 2021 UK Housing Review notes "after an initial reaction against the regional targets established by the Labour government, the Conservatives

¹⁹² [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) (172KB, PDF), CM 9384, December 2016

¹⁹³ Ibid.

¹⁹⁴ Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017

¹⁹⁵ [Background notes to the Queen's Speech](#), December 2019, p48

have largely adopted the view that that planning system is the main barrier to new development.”¹⁹⁶

The Planning White Paper, August 2020

The [Planning White Paper](#) was published in August 2020 with submissions invited up to 29 October. Responses are being analysed.¹⁹⁷ However, when Michael Gove became Secretary of State at the Department for Levelling Up, Housing and Communities (DLUHC) in September 2021, there were reports of a ‘pause’ on proposed planning reforms.¹⁹⁸ The Planning Bill promised in the 2021 Queen’s Speech had not been introduced at the time of writing.¹⁹⁹

A separate Library paper discusses the contents of the White Paper and early responses: [Planning for the Future: planning policy changes in England in 2020 and future reforms](#).

Despite claims that planning acts as a blocker to new development, there are mixed views on whether reforms are required. For example, the Local Government Association has stressed the need for stability and certainty in planning, arguing: “Constant changes to national planning policy over successive Government administrations have undermined councils’ critical role in placemaking.”²⁰⁰

The Lords Built Environment Committee (January 2022) referred to uncertainty about the future planning system and delays to planning reforms as having “a chilling effect” on housebuilding.²⁰¹

Witnesses to the Lords Economic Affairs Committee (2016) expressed a variety of opinions on the need for planning reforms. Some thought that reform was “critical” while others thought planning “was not a problem”.²⁰²

In the [2020 UK Housing Review Autumn Briefing Paper](#) Mark Stephens said the White Paper “articulates the widely held belief that the system is responsible for the housing shortage” and goes on:

It argues that the discretionary system creates uncertainty and risk for developers, that preparing plans takes too long, and that developer

¹⁹⁶ Stephens M; Perry J; Williams P; Young G; Fitzpatrick S: [2021 UK Housing Review](#), Chartered Institute of Housing and University of Glasgow, p15

¹⁹⁷ MHCLG, [Planning for the Future](#), 6 August 2020

¹⁹⁸ Inside Housing, “Planning shake-up ‘paused’ as Gove takes charge, reports say”, 17 September 2021 [subscription required]

¹⁹⁹ [Queen’s Speech 2021 - background briefing notes](#), 11 May 2021, p61

²⁰⁰ LGA, [House of Commons debate, Access to affordable housing and planning reform](#), November 2021

²⁰¹ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 118

²⁰² Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 148

contributions for infrastructure and affordable housing are complex and applied unevenly. This analysis is often questioned.²⁰³

The discretionary system refers to the role of planning authorities in approving or refusing planning permission on a case-by-case basis.

The key White Paper proposals aimed at impacting on housing delivery included moving towards a ‘rules-based’ system and the following measures:

- **A deadline of December 2023 would be set for all planning authorities (LPAs) to have in place an up-to-date Local Plan.** The Government would intervene where the deadline is not met.²⁰⁴ LPAs are required to assess housing need and plan for making sufficient land available as part of the development of Local Plans. There would be “A new nationally-determined, binding housing requirement that local planning authorities would have to deliver through their Local Plans.”²⁰⁵
- **Public participation in the planning process would be front-loaded and facilitated by digitalisation.** Mark Stephens notes:

This places much store on people’s willingness to become involved when there is no pressing reason for doing so. By the time a proposal is made it is likely to be too late to object. Public involvement at the application stage would be ‘streamlined’ because at present it causes delays and ‘allows a small minority of voices... to shape outcomes’.²⁰⁶

- **A zonal system would replace the discretionary system:**²⁰⁷ Under this system shorter ‘rules-based’ Local Plans²⁰⁸ would identify three types of area: ‘growth’ where outline approval would be automatic for the kinds of development identified in the plan; ‘renewal’ where some development would be allowed, such as ‘gentle densification,’ and ‘protected’ areas kept largely free of development.²⁰⁹ Mark Stephens notes “the zoning exercise would clearly be driven by the increased amount of development land that it would be obliged to identify.”²¹⁰
- **Local Plans would be subject to a single statutory “sustainable development” test,** and “unnecessary assessments and requirements that cause delay and challenge in the current system” would be abolished.²¹¹
- **The Housing Delivery Test was to be retained.** A separate consultation on the standard method for assessing housing need was issued in August 2020, the outcome of which was announced on 1 April 2021 and is

²⁰³ Stephens M: Stephens M; Perry J; Williams P; Young G: [2020 UK Housing Review Autumn Briefing Paper](#) (1,057KB, PDF), p14

²⁰⁴ MHCLG, [White paper: Planning for the Future](#), August 2020, p6

²⁰⁵ Ibid., p19

²⁰⁶ Stephens M: Stephens M; Perry J; Williams P; Young G: [2020 UK Housing Review Autumn Briefing Paper](#) (1,057KB, PDF), p14

²⁰⁷ See – Royal Town Planning Institute, [Zoning: a single page](#) (292KB, PDF) (undated)

²⁰⁸ As opposed to containing general policies for development.

²⁰⁹ MHCLG, [White paper: Planning for the Future](#), August 2020, p15

²¹⁰ Stephens M: [2020 UK Housing Review Autumn Briefing Paper](#), p14

²¹¹ MHCLG, [White paper: Planning for the Future](#), August 2020, p16

discussed in section 1.2 of this paper.²¹² Briefly, the Government said it would not proceed with proposed changes to the standard method for assessing housing need “instead we will proceed with a reformed standard method which reflects our commitment to levelling up and enables regeneration and renewal of our urban areas as we recover from the COVID-19 pandemic.”²¹³

- **Developer contributions**, in the form of the Community Infrastructure Levy (CIL) and planning obligations (section 106 agreements), would be reformed as a nationally-set value-based flat rate charge (‘the Infrastructure Levy’).²¹⁴

Some of these proposals together with reactions are discussed in more detail in the following sections.

Planning conditions

The Home Builders Federation (HBF) has criticised the use planning conditions:

[Planning]permissions are recorded once one of the ‘conditions’ attached to them by the Local Authority is satisfied- or ‘discharged’. Many will have dozens of ‘pre- commencement’ conditions attached and so builders will not legally be entitled to commence construction until they are all discharged- a process which could take some months and is dependent on the ability and capacity of the authority to provide this service.²¹⁵

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

The HBF welcomed measures in the Neighbourhood Planning Act 2017 for a new process for agreeing pre-commencement conditions, but said it would like to see a limit on the number of conditions authorities can impose, and authorities prevented from imposing ‘spurious’ conditions which, the HBF argued, could be dealt with later in the construction process to enable builders to get on site more quickly:

Many conditions – such as the Local Authority needing to approve a final children’s play area design – should not be holding up building work and could be agreed once work is underway through the imposition of a ‘pre-occupation’ condition. Information collected by HBF shows how authorities are holding up construction with demands for scale drawings of the placement of picnic tables and refuse bins in children’s play areas and detailed statements on the ‘engagement and recruitment of local artists’ to provide public art on the new estate.²¹⁶

A consultation process in 2018 invited comments on draft regulations to create an exemption to the requirement in the Neighbourhood Planning Act 2017 that local planning authorities obtain the written agreement of an

²¹² MHCLG, [Changes to the current planning system: consultation on changes to planning policy and regulations](#), August 2020

²¹³ MHCLG, [Government response to the local housing need proposals in “Changes to the current planning system”](#), 1 April 2021

²¹⁴ MHCLG, [White paper: Planning for the Future](#), August 2020, p18

²¹⁵ HBF, New home planning ‘permissions’ up – but system remains a constraint, 3 January 2017

²¹⁶ Ibid.

applicant before imposing a pre-commencement condition on a grant of planning permission.²¹⁷ The Government response was published in May 2018. [The Town and Country Planning \(Pre-commencement Conditions\) Regulations 2018](#) came into force on 1 October 2018.

The Planning White Paper included a commitment to introduce “clearer and more consistent planning conditions, with standard national conditions to cover common issues.”²¹⁸

Section 106 agreements and the Community Infrastructure Levy

There is a divergence of opinion on the merits of section 106 agreements²¹⁹ and Community Infrastructure Levy (CIL)²²⁰ requirements.

Data from the National Housing Federation’s (NHF) survey of housing associations indicates the importance of section 106’s contribution to affordable housing development. In the 12 months to June 2020:

- 52% (18,400) of affordable completions were delivered through Section 106 agreements.
- 42% (17,500) of affordable starts were delivered through Section 106 agreements.²²¹

In the [2020 UK Housing Review Autumn Briefing Paper](#) Mark Stephens observed developer contributions “are worth almost £7 billion, with affordable housing contributions worth almost £4.7 billion. This is clearly important as around half of affordable housing is currently provided through this mechanism.”²²²

It is worth noting the extent to which section 106 can be used to deliver affordable housing is limited where private housing development is already constrained.

Witnesses to the Lords Economic Affairs Committee (2016) commended the flexibility of CIL. However, others, including small builders, said section 106 and CIL were ineffective and an obstacle to development. The National Audit Office (NAO) reported at January 2019 only 47% of local authorities had implemented the CIL.²²³ One company, Pocket Living, told the Lords Committee that it took 16 weeks to get planning consent and a further 22-44

²¹⁷ MHCLG, [Improving the use of planning conditions: consultation on draft regulations](#), January 2018

²¹⁸ MHCLG, [White paper: Planning for the Future](#), August 2020, p32

²¹⁹ Developers and local authorities agree a contract relevant to a specific development that will mitigate its impact. This can include the provision of affordable housing and payment for additional infrastructure.

²²⁰ A local authority may set a levy on all new building in their area. The money raised is used to fund general infrastructure.

²²¹ NHF, [How many homes did housing associations build in quarter one 2020/21?](#) February 2021

²²² Stephens M: [2020 UK Housing Review Autumn Briefing Paper](#), p14

²²³ NAO, [Planning for more homes](#), HC 1923, February 2019, para 2.18

weeks to negotiate the section 106 agreement.²²⁴ Small builders face the same level of complexity as larger developers – the Committee was told an increasing number buy-in expertise to navigate the system.²²⁵

David Orr, then-CEO of the NHF, referred to the complexity of section 106 agreements which make it difficult to calculate the value of the contributions made. Professor Paul Cheshire of the London School of Economics told the Committee that section 106 and CIL should be replaced by a single, national development charge of 20% of the sale value of land.²²⁶

The Lords Committee recommended as part of its ongoing reviews of planning obligations and CIL, the Government should aim for simplicity, transparency and a system that is responsive to smaller builders. The value of developer contributions should act as a sufficient incentive to local authorities to grant planning permission.²²⁷

In November 2015, the Government asked Liz Peace, former chief executive at British Property Federation, to chair an independent group to conduct a review of the CIL. The aim was to assess the extent to which CIL does, or can, provide an effective mechanism for funding infrastructure, and to recommend changes.²²⁸ The group recommended a twin track approach - combining a low level local infrastructure tariff (LIT) and section 106 - describing this as “the best of both worlds”.²²⁹

In 2018 MHCLG launched a consultation on proposals to reform developer contributions to support housing delivery and infrastructure – a summary of responses and the Government response was published in October 2018.²³⁰ The consultation paper set out the perceived shortcomings of the system, including delays in negotiating and renegotiating section 106 planning obligations and lack of transparency. It set out the 2017 Government’s objectives for reform, focused on reducing complexity and increasing certainty; supporting swifter development; increasing market responsiveness; improving transparency; and allowing local authorities to introduce a Strategic Infrastructure Tariff to help fund or mitigate strategic infrastructure.

²²⁴ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 115

²²⁵ Ibid., para 116

²²⁶ Ibid., paras 140-46

²²⁷ Ibid., para 147

²²⁸ HM Government, [Review of the Community Infrastructure Levy: Terms of Reference](#) (187KB, PDF), November 2015

²²⁹ DCLG, [A new approach to developer contributions: a report by the CIL review team](#), October 2016, para 3.5.5

²³⁰ MHCLG, [Government response to supporting housing delivery through developer contributions](#), October 2018

The department commissioned research into the extent and value of agreed planning obligations and CIL levied in England in 2018 to 2019 which built on previous studies.²³¹

A further technical consultation on draft regulations to reform developer contributions ran from December 2018 to January 2019. The summary of responses and the Government's view of the way forward was published in June 2019.²³²

The following changes were implemented:

- Restrictions on pooling section 106 planning obligations and CIL were lifted in September 2019. The regulations allow local authorities to use both the Levy and section 106 planning obligations to fund the same item of infrastructure.²³³
- The regulations made amendments in relation to the calculation of CIL where planning permission has been 'amended', including providing for credits to be moved between phases of planning permissions.²³⁴
- The regulations introduced Infrastructure Funding Statements, requiring local authorities to report on developer contributions received and allocated, and to increase transparency over the indexation of CIL rates.²³⁵

As previously noted, Planning for the Future (August 2020) proposed to further reform section 106 contributions and CIL to create an Infrastructure Levy as "a nationally-set value-based flat rate charge". This might involve a single rate or variable rates. There is an aim for the new levy "to raise more revenue than under the current system of developer contributions, and deliver at least as much – if not more – on-site affordable housing as at present."²³⁶

The Lords Built Environment Committee (January 2022), commented on the nationally-set value proposal for the Infrastructure Levy and said "the department has since indicated that the rates will be set locally."²³⁷

²³¹ MHCLG, [Section 106 planning obligations and the Community Infrastructure Levy in England, 2018 to 2019: report of study](#), August 2020

²³² MHCLG, [Developer contributions reform: technical consultation](#), 2019

²³³ [Community Infrastructure Levy \(Amendment\) \(England\) \(No. 2\) Regulations 2019](#)

²³⁴ Ibid.

²³⁵ Ibid.

²³⁶ MHCLG, [White paper: Planning for the Future](#), August 2020, p18

²³⁷ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 145

For more on First Homes see section 2.2 of [Planning for the Future: planning policy changes in England in 2020 and future reforms](#). HCLG Committee concluded First Homes proposals “have the potential to negatively impact on social housing delivery.” (2020, para 99)

The Government also consulted on some shorter-term measures including:

- securing First Homes, sold at a discount to market price for first time buyers, including key workers, through developer contributions in the short term until the transition to a new system;
- temporarily lifting the small sites threshold, below which developers do not need to contribute to affordable housing, to up to 40 or 50 units. This proposal was ultimately deemed “not necessary at this stage”.²³⁸

Commenting on these proposals in the [2020 UK Housing Review Autumn Briefing Paper](#) Mark Stephens said:

The white paper optimistically suggests that this could be a more effective mechanism for land value capture. However, the evidence is that CIL has raised less than anticipated and that authorities are cautious in setting rates so as not to risk the viability of lower-value developments. The 2019 edition of the Review concluded that CIL ‘has an inbuilt and entirely predictable tendency to under-tax land value uplift arising from planning permission’.

The white paper also suggests giving local authorities discretion on spending proceeds from the levy, which might lead to a shift away from affordable housing. A short-term concern arises from the government’s intention to amend the NPPF to require a quarter of affordable units supported by s106 agreements to take the form of First Homes, i.e. houses or flats for sale at discounted prices. Longer-term, for affordable housing delivery much will depend on the design of the instruments that are developed once the white paper is implemented.²³⁹

The NHF expressed concerns over the proposed short-term changes saying they:

- Would mean a reduced supply of new affordable homes, particularly in areas that rely on Section 106 contributions.
- May also mean that fewer new homes would be built due to landowners reassessing ongoing developments.
- May present a greater risk to smaller developers due to increased land prices and a reliance on the open market.²⁴⁰

There are concerns that the creation of a single levy will put affordable housing in competition with other infrastructure projects. The Chartered Institute of Housing, Royal Town Planning Institute, and Town and Country Planning Association said more evidence, modelling and policy development was needed to establish whether the new levy would impact on the delivery of affordable housing.²⁴¹

²³⁸ MHCLG, [Changes to the current planning system: consultation on changes to planning policy and regulations](#), August 2020

²³⁹ Stephens M: [2020 UK Housing Review Autumn Briefing Paper](#), p14

²⁴⁰ NHF, [Proposed changes to the planning system – our consultation response](#), 6 October 2020

²⁴¹ Inside Housing, “What the sector thinks of the Planning White Paper: six key takeaways”, 6 November 2020 [subscription required]

John Perry, policy advisor to the Chartered Institute of Housing, wrote:

The government must remember that the present scheme, for all its faults, delivers a huge proportion – approaching half – of the affordable homes built each year. Most of this is provided without any government grant. Section 106 therefore plays a major part in delivering the housing the country needs for people on lower incomes, independent of the government’s Affordable Homes Programme.

Common sense would indicate that scrapping it should be done only if there is a convincing case that the alternative will be better – and not just for developers, but for social landlords, potential tenants and society as a whole.²⁴²

The HCLG Select Committee considered the proposed planning reforms and reported in June 2021. On section 106 and CIL they said:

The Government has proposed replacing the current Section 106 and Community Infrastructure Levy with a national infrastructure levy. We find that there is a case for replacing the latter, but not the former. Preserving Section 106 will protect against a possible loss of affordable housing. We think that the proposals of the 2017 review into the Community Infrastructure Levy and our predecessor committee’s recommendations for greater land value capture represent the best way of ensuring sufficient revenue. If the Government does proceed it will need to charge various local rates and provide additional funding for the infrastructure that will not be met out of the levy revenues.²⁴³

The Government response is awaited.

A Joseph Rowntree Report (December 2021) argues if the proposed levy is not set at “sufficiently ambitious rates” it will not deliver the funds necessary to deliver social housing “on the scale required to solve the housing crisis.”²⁴⁴ JRF supports, alongside other measures, a “zonal approach” to setting the levy to control and capture land values. Under this system authorities would vary the levy according to the expected increase in land value for different developments.²⁴⁵

In Meeting housing demand (January 2022), the Lords Built Environment Committee revisited arguments for and against the operation of section 106 agreements and CIL. They concluded that, despite its benefits, the system “adds complexity and uncertainty” and said “More should be done to increase the predictability and transparency of these obligations.” The Committee called for any new system to safeguard resources for affordable housing and infrastructure “early on in the development” and to be “tied to identified

²⁴² Inside Housing, “Is this the end of Section 106?”, 10 August 2020 [subscription required]

²⁴³ Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, p7

²⁴⁴ Joseph Rowntree Foundation, [How the infrastructure levy can be designed to boost social and affordable housing supply](#), December 2021

²⁴⁵ Ibid.

needs.” They thought the new levy might carry over some of CIL’s disadvantages.²⁴⁶

Viability tests

There’s been an increased focus on the role viability tests can play where developers seek to reduce/remove the affordable housing contribution from a proposed development. To assist a sluggish housing market in the wake of the financial crisis, the Coalition Government acted to allow certain section 106 agreements to be renegotiated where they rendered a scheme unviable as a temporary measure.

The UK Housing Review 2018 considered some examples of developers using viability assessments to reduce their affordable housing contributions and concluded that, although the examples looked at were “illustrative rather than representative” ...this is “clearly an area of potentially great significance”.²⁴⁷

The New Economics Foundation also recommended the closure of “viability loopholes” as a way of reducing the cost of land:

Reforming the planning system by closing viability loopholes, which enables developers to evade building affordable housing, and strengthening the obligations on developers are ways that land price increases can be collectivised. Developers would have to factor these more fixed contributions to affordable housing and other community benefits into their bids on land, making it cheaper overall.²⁴⁸

The Planning Practice Guidance (PPG) on the use of viability tests was updated alongside the publication of the first revision of the NPPF on 24 July 2018. The guidance made it clear plans should set out “the levels and types of affordable housing provision required, along with other infrastructure”. The [PPG was updated in September 2019](#) and currently states:

Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable

²⁴⁶ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, paras 149-150

²⁴⁷ Stephens; Perry; Wilcox; Williams and Young, 2018 UK Housing Review, Heriot-Watt University and the Chartered Institute of Housing, March 2018, p26

²⁴⁸ NEF, [What lies beneath: how to fix the broken land system at the heart of our housing crisis](#), July 2018, p4

housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types or location of site or types of development.²⁴⁹

The National Housing Federation said if changes on viability are well implemented they “should increase the numbers of affordable homes”.²⁵⁰ There were remaining concerns about ‘front-loading’ the process:

I’m still concerned though that ‘front loading’ the process means considerable efforts are required upfront to assessment viability. That’s a big ask for hard-pressed local authorities who have only just managed to achieve 50% coverage of up-to-date local plans. And the options for application-specific assessment remains.²⁵¹

The Housing, Communities and Local Government Select Committee’s inquiry into land value capture welcomed moves to increase transparency in the viability process but emphasised “the need to ensure the changes lead to real improvements”. The Committee asked for a report on the impact of these reforms from Government in 12 months’ time. The 2017 Government agreed to report back at the end of 2019.²⁵² No further correspondence is listed on the Committee’s webpage.

Planning for the Future (August 2020) said “Assessments of housing need, viability and environmental impacts are too complex and opaque.”²⁵³ The reform of developer contributions will, the White Paper suggests “enable us to sweep away months of negotiation of Section 106 agreements and the need to consider site viability.”²⁵⁴

The HCLG Committee’s inquiry into planning reforms (2021) called on the Government “to act upon the whole range of recommendations in our predecessor committee’s Land Value Capture report.”²⁵⁵

Resourcing authorities’ planning capacity

One area where there appears to be a good deal of agreement in the industry is on the need for proper resourcing of local authority planning departments. The report of the HCLG Select Committee’s inquiry into planning reforms (2021) records: “Nobody argued that the current level funding for LPAs was adequate.”²⁵⁶

²⁴⁹ MHCLG, [Planning Practice Guidance – Viability](#), 1 September 2019

²⁵⁰ NHF, Initial thoughts on the new National Planning Policy Framework, 26 July 2018

²⁵¹ Ibid.

²⁵² [Government Response to the Housing, Communities and Local Government Select Committee inquiry on land value capture](#) (273KB, PDF), CM 9734, November 2018, para 12

²⁵³ MHCLG, [White paper: Planning for the Future](#), August 2020, p11

²⁵⁴ Ibid., p18

²⁵⁵ Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 154

²⁵⁶ Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 177

Local authority witnesses told the Lords Economic Affairs Committee (2016) they were “under resourced and “desperately short of ...staff.” There is a view that the balance of power has shifted towards developers when negotiating planning matters.²⁵⁷

The Lords Economic Affairs Committee recommended the Government should:

- allow local authorities to set and vary planning fees in accordance with the needs of their local area. To prevent abuse there should be an upper limit or cap on the level of fees. To allow sufficient discretion to local authorities, this cap should be significantly higher than the current fees that can be charged; and
- provide that the money raised from these fees is ring-fenced for expenditure on planning and development.²⁵⁸

Planning authorities have been able to charge higher fees since 17 January 2018. Based on activity at that time, the uplift was estimated to generate over £75 million of additional fee income annually

Fixing our broken housing market set out the 2015 Government’s intention to increase nationally set planning fees:

Local authorities will be able to increase fees by 20% from July 2017 if they commit to invest the additional fee income in their planning department. We are also minded to allow an increase of a further 20% for those authorities who are delivering the homes their communities need and we will consult further on the detail. Alongside we will keep the resourcing of local authority planning departments, and where fees can be charged, under review.²⁵⁹

The 20% fee increase was introduced on 17 January 2018. Consultation on additional increases in planning application fees was launched in September 2017.²⁶⁰ A summary of responses, together with the Government’s view on the way forward was published on 5 March 2018.²⁶¹ The Government said it would assess the impact of the fee increase introduced in January 2018 when considering any further increases.²⁶²

The Housing White Paper also set out an intention to consult on the introduction of a fee for making a planning appeal on the basis that

²⁵⁷ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 120

²⁵⁸ Ibid., para 128

²⁵⁹ Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017, para 2.15

²⁶⁰ MHCLG, [Planning for the right homes in the right places: consultation proposals](#), 14 September 2017

²⁶¹ MHCLG, [Government response to the Planning for the right homes in the right places consultation](#), 5 March 2018

²⁶² Ibid., p31

“unnecessary appeals can be a source of delay and waste taxpayer’s money.”²⁶³

[Planning for the Future](#) (August 2020) committed to developing “a comprehensive resources and skills strategy for the planning sector to support the implementation of our reforms.”²⁶⁴ A strategy would be developed incorporating the following elements:

- Planning fees will be set on a national basis and cover the full cost of processing application types based on national benchmarking.
- Subject to reform of developer contributions, a “small proportion of the income should be earmarked to local planning authorities to cover their overall planning costs, including the preparation and review of Local Plans and design codes and enforcement activities.”
- A “deep dive regulatory review” would “identify and eliminate outdated regulations which increase costs for local planning authorities, especially to the decision-making process.”
- Some local planning activities would still be funded through general taxation “given the public benefits from good planning”.
- Time limited funding would be available in line with the new burdens principle “to support local planning authorities to transition to the new planning system as part of the next Spending Review.”
- LPAs would be subject to a new performance framework “which ensures continuous improvement across all planning functions from Local Plans to decision-making and enforcement – and enables early intervention if problems emerge with individual authorities.”
- Workforce planning and skills development, including training, would be for the local government sector to lead on, “working closely with Government, statutory consultees, planning consultancies and universities.”
- A commitment to “work with local planning authorities, professional bodies and the wider planning sector to ensure views about implementation are considered.”²⁶⁵

The HCLG Committee (2021) identified a need for more resources for local authority planning departments and called for this to be confirmed before legislation is taken forward:

There is a need for additional resources for planning departments, and specialist skills. The pressures on the system will only increase if the Government proceeds with its reforms, including the thirty-month timeframe for Local Plans, at the same time as local planning authorities are also operating the current system.

The Ministry for Housing, Communities and Local Government should now seek to obtain a Treasury commitment for an additional £500 million over four years

²⁶³ Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017, para 2.17

²⁶⁴ MHCLG, [White paper: Planning for the Future](#), August 2020, p57

²⁶⁵ Ibid., pp57-58

for local planning authorities. Providing this certainty of funding should precede the introduction of the Planning Bill.²⁶⁶

The Lords Built Environment Committee considered local authority capacity and resources in Meeting housing demand (January 2022). Witnesses told the Committee planning fees don't cover running costs. The Local Government Association said planning authorities need an additional £180 million in public subsidy.²⁶⁷ Other witnesses called for an increase in fees and for some Help to Buy investment to be redirected to ensure sites are built out.²⁶⁸

The Committee supported an increase in resources:

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.²⁶⁹

The Duty to Cooperate and housing market areas

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

The Duty to Cooperate has been criticised for not being a duty of any substance.²⁷⁰ It is a duty which does not require agreement, it simply requires that evidence is shown that attempts to cooperate have been made. As noted in an article in the Planner, there is little incentive for a neighbouring authority to cooperate and its enforcement relies on planning inspectors taking a "robust approach".²⁷¹

In its final report to Government, the Local Plans Expert Review Group (LPEG)²⁷² said it received "strong representations" that the Duty to Cooperate was "not effective in ensuring agreement between neighbouring authorities about the distribution of housing needs and that this was one of the most significant constraints to effective plan making."²⁷³ The LPEG recommended changes to planning policies to strengthen the duty, as well as an expectation where there has been no agreement across boundaries on distributing housing needs, the Government should take and use powers to direct the preparation of a high level Joint Local Plan for the housing market area.²⁷⁴

²⁶⁶ Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, p7

²⁶⁷ [Written evidence from the Local Government Association \(UKH0043\)](#) [accessed 27 January 2022]

²⁶⁸ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 166

²⁶⁹ Ibid., para 168

²⁷⁰ "The duty to cooperate: What next?" [The Planner](#) 14 March 2016

²⁷¹ "The duty to cooperate: What next?" [The Planner](#) 14 March 2016

²⁷² The Local Plans Expert Group (LPEG) was established by the then Communities Secretary, Greg Clark and the Minister of Housing and Planning, Brandon Lewis MP, in September 2015, with a remit to consider how local plan making can be made more efficient and effective.

²⁷³ Local Plans Expert Review Group, [Local Plans Report to Government](#), March 2016, p3

²⁷⁴ Ibid.

The NPPF was amended to include an expectation that statements of common ground would be prepared in line with planning guidance:

In order to demonstrate effective and on-going joint working, strategic policymaking authorities should prepare and maintain one or more statements of common ground, documenting the cross-boundary matters being addressed and progress in cooperating to address these. These should be produced using the approach set out in national planning guidance, and be made publicly available throughout the plan-making process to provide transparency.²⁷⁵

Planning for the Future (August 2020) proposed the abolition of the Duty to Cooperate but said “further consideration will be given to the way in which strategic cross-boundary issues, such as major infrastructure or strategic sites, can be adequately planned for”.²⁷⁶

HCLG Select Committee acknowledged the duty has “operated imperfectly” but said it should only be abolished “when more effective mechanisms have been put in place to ensure cooperation.” They also called on the Government to:

...give combined authorities the statutory powers to oversee the cooperation of local authorities in their area. Longer-term reforms could include greater use of joint plans, of plans overseen by mayors and combined authorities, and of development corporations. The Government should seek to apply the lessons from successful strategic plans devised by local authorities in certain parts of the country in devising more effective mechanisms for strategic planning.²⁷⁷

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

Witnesses to the Lords Economic Affairs Committee 2016 inquiry considered the system fails to provide authorities with sufficient incentives to allow developments; this lack of incentives also affects local residents and developers. Three linked problems were identified:

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

²⁷⁵ MHCLG, [National Planning Policy Framework](#), February 2019, para 27

²⁷⁶ MHCLG, [White paper: Planning for the Future](#), August 2020, p26

²⁷⁷ Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 61

- A lack of incentives for builders to develop permissioned land.²⁷⁸

In terms of solutions, there is some support for a ‘use it or lose it’ approach. For example, the Labour Party Manifesto 2015 included a commitment to “introduce greater transparency in the land market and give local authorities new ‘use it or lose it’ powers to encourage developers to build.”²⁷⁹

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

- Shortening the lifetime of planning permission to 2 years with higher fees for renewal.
- Requiring greater substantive progress to demonstrate that works have started on site.
- Giving local authorities the option to charge Council Tax on the land-owner in respect of the number of proposed dwellings where development has not started on sites with planning permission within an expected timeframe.
- Compulsory Purchase Order powers strengthened and streamlined to make it easier for public bodies to acquire land where it is not brought forward and where it is a priority for development.²⁸⁰

These options were also considered by the Lords Economic Affairs Committee. Developers opposed the changes, arguing a range of factors outside their control can influence build-out rates.²⁸¹

The Committee supported giving local authorities the power to levy Council Tax on developments that remain incomplete within a given time period.²⁸²

The 2015 Government’s response did not address this specific recommendation but said the Housing White Paper would set out a further package of reforms to “ensure that our planning system better supports housing delivery”.²⁸³ The Government also said: “We are also clear that it is the responsibility of the house building industry to be more transparent and forthcoming in agreeing a trajectory for build-out rates on sites with local authorities.”²⁸⁴

²⁷⁸ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, paras 110-14

²⁷⁹ [Labour Party Manifesto 2015](#) (1,234KB, PDF), p46

²⁸⁰ [The Lyons Housing Review](#) (2.4MB, PDF), 2014, p67. A report of the Housing Commission established by Ed Miliband.

²⁸¹ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, paras 131-33

²⁸² *Ibid.*, para 139

²⁸³ [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) (172KB, PDF), CM 9384, December 2016

²⁸⁴ *Ibid.*

The revised NPPF set out an expectation of how authorities should monitor the supply and delivery of new housing within their areas:

To maintain the supply of housing, local planning authorities should monitor progress in building out sites which have permission. Where the Housing Delivery Test indicates that delivery has fallen below 95% of the local planning authority's housing requirement over the previous three years, the authority should prepare an action plan in line with national planning guidance, to assess the causes of under-delivery and identify actions to increase delivery in future years.

To help ensure that proposals for housing development are implemented in a timely manner, local planning authorities should consider imposing a planning condition providing that development must begin within a timescale shorter than the relevant default period, where this would expedite the development without threatening its deliverability or viability. For major development involving the provision of housing, local planning authorities should also assess why any earlier grant of planning permission for a similar development on the same site did not start.²⁸⁵

Lyons specifically commented on the need to persuade communities of the benefits of housing development.²⁸⁶

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

In housing, the responsibility for need assessments and land use planning rests at the individual local authority level, when the reality is that people live and work across administrative boundaries.²⁸⁷

Shelter published updated research on Planning permissions and completions in August 2019.²⁸⁸ In February 2020, the Local Government Association (LGA) published an analysis of planning permissions to show “more than a million homes granted planning permission in the past decade have not yet been built”.²⁸⁹

Based on this, the LGA argued “the backlog of unbuilt homes shows the planning system is not a barrier to house building”²⁹⁰ Instead, the LGA called on the Government to use the Planning White Paper to give councils more powers to deal with unbuilt land with planning permission.²⁹¹ On publication of the Planning White Paper the LGA said:

²⁸⁵ MHCLG, [National Planning Policy Framework](#) (NPPF), February 2019, paras 75-76

²⁸⁶ [The Lyons Housing Review](#) (2.4MB, PDF), 2014, p8. A report of the Housing Commission established by Ed Miliband.

²⁸⁷ Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p48

²⁸⁸ Shelter, Research note, [Planning permissions and completions](#), August 2019

²⁸⁹ LGA, [Unimplemented planning permissions: Permissions under construction \(units\) England](#), 2020

²⁹⁰ [LGA Press Release](#), 20 February 2020

²⁹¹ Ibid.

The system needs to ensure planning permissions are built. Any loss of local control over developments would be a concern. It would deprive communities of the ability to define the area they live in and know best and risk giving developers the freedom to ride roughshod over local areas.²⁹²

In contrast, research commissioned by the Land Promoters & Developers Federation and Home Builders Federation explored how the pipeline of sites for housing development compares with what might be needed to deliver 300,000 net additional homes per year. Litchfields (2021) found “many parts of the country – particularly those with greatest problems of affordability – have a shortage of planning permissions to meet the Government’s estimates of housing need.”²⁹³

The second phase of the research considered five local authority case studies in detail “using their monitoring data to look at what is happening to individual planning permissions at the local level once granted.”²⁹⁴ Findings led the authors to conclude:

...developers do not go through the costs involved in securing planning permission only to choose not to implement them. It is the reality of development, where implementation of permissions is often bound up with complex site-specific issues (such as securing statutory approvals, signing-off details, resolving land ownership and legal hurdles) that take time to resolve and in many cases require a fresh permission.²⁹⁵

The final report in the series (November 2021) considered “how the pipeline of sites for housing development compares with what might be needed to meet the government’s ambitions for 300,000 net additional homes per annum across England.”²⁹⁶ A need for an uptick in planning permission activity was identified, although distribution and location of permissions will not be evenly spread:

The scale-up needed is equivalent to each District in England granting permission for an extra 4 to 5 medium sized sites per year, or alternatively 4 to 5 large sites which deliver each year over a longer period, in addition to continuing to approve its usual ambient level of permissions being granted.²⁹⁷

Fixing our broken housing market (February 2017) said the 2015 Government wanted development to happen as soon as possible where planning permission is granted.²⁹⁸ The Housing White Paper contained proposals aimed at achieving this, several of which picked up on some of the themes set out above. The outcome of consultation on these proposals was announced on

²⁹² LGA responds to Government 'Planning for the Future' proposal, 5 August 2020

²⁹³ Litchfields, [Taking Stock: The geography of housing need, permissions and completions](#), June 2021

²⁹⁴ Litchfields, [Tracking Progress: Monitoring the build-out of housing planning permissions in five local planning authority areas](#), September 2021

²⁹⁵ Ibid.

²⁹⁶ Litchfields, [Feeding the Pipeline: Assessing how many permissions are needed for housebuilders to increase the supply of homes](#), 30 November 2021

²⁹⁷ Ibid.

²⁹⁸ Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017, para 2.41

5 March 2018; relevant changes were included in the revised NPPF originally published on 24 July 2018.

The then-Government considered the implications of amending the NPPF to encourage authorities to shorten the timescale in which developers should implement planning permission from the default three years to two years, with an exception where this could hinder viability.²⁹⁹ Following mixed responses, the NPPF was amended to “encourage local authorities to consider shorter timescales for implementing planning permissions where appropriate.”³⁰⁰

On 14 January 2018, MHCLG launched an independent review chaired by Sir Oliver Letwin which looked to “explain the gap between the number of planning permissions being granted against those built in areas of high demand.”³⁰¹ Some of the responses received to questions posed in the Housing White Paper (2017) informed the work of this review.³⁰²

Sir Oliver published a preliminary update on 13 March 2018, in which he said the first stage of the work would focus on an analysis of the reasons why build out rates “are as they are”.³⁰³ A draft analysis was published in June 2018. At this point Sir Oliver highlighted absorption rates on large sites as a key determinant of build-out rates. The final report was published alongside Budget 2018. Sir Oliver recommended the Government should:

...adopt a new set of planning rules specifically designed to apply to all future large sites (initially those over 1,500 units) in areas of high housing demand, requiring those developing such sites to provide a diversity of offerings, in line with diversification principles in a new planning policy document; and

establish a National Expert Committee to advise local authorities on the interpretation of diversity requirements for large sites and to arbitrate where the diversity requirements cause an appeal as a result of disagreement between the local authority and the developer.³⁰⁴

In response, James Brokenshire, then-Secretary of State, promised guidance for councils on building a diverse range of homes on large sites and a new Accelerated Planning Green Paper.³⁰⁵ This was overtaken by the 2019 Government’s commitment to introduce a Planning White Paper (see below).

Planning for the Future (August 2020) takes on board the Letwin recommendations with a proposal:

²⁹⁹ Ibid., para 2.41

³⁰⁰ MHCLG, [Government response to the housing White Paper consultation: Fixing our broken housing market](#) (565KB, PDF), 5 March 2018, p48

³⁰¹ MHCLG, [Independent review to tackle barriers to building](#), 14 January 2018

³⁰² MHCLG, [Government response to the housing White Paper consultation: Fixing our broken housing market](#) (565KB, PDF), 5 March 2018, p44

³⁰³ MHCLG, [Independent review of build out: preliminary update](#), March 2018

³⁰⁴ MHCLG, [Independent review of build out: final report - GOV.UK](#), 29 October 2018

³⁰⁵ [MHCLG Press Release](#), 14 March 2019

...to make it clear in the revised National Planning Policy Framework that the masterplans and design codes for sites prepared for substantial development should seek to include a variety of development types from different builders which allow more phases to come forward together. We will explore further options to support faster build out as we develop our proposals for the new planning system.³⁰⁶

HCLG Committee supports “carrots and sticks” to quicken the pace of completing planning permissions:

The Government should produce a strategy for increasing the extent of multi-tenure construction on large sites in line with the Letwin Review’s recommendations. It should explore the greater use of Development Corporations that are transparent and accountable, alongside incentivising the use of smaller sites and SME builders. We also recommend introducing, in the first instance, time limits for the completion of construction and non-financial penalties where those limits are exceeded without good cause. The Government should set a limit of 18 months following discharge of planning conditions for work to commence on site. If work has not progressed to the satisfaction of the local planning authority then the planning permission may be revoked. An allowance of a further 18 months should be allowed for development to be completed, after which the local authority should be able, taking account of the size and complexity of the site, and infrastructure to be completed by other parties, to levy full council tax for each housing unit which has not been completed.³⁰⁷

Lichfields, the planning consultancy, published [Start to Finish](#) in February 2020 which considered the factors influencing build-out rates on large sites.³⁰⁸

In Meeting housing demand (January 2022), the Lords Built Environment Committee recorded disagreement over the causes of slow build-out rates. They called for better tools for planning authorities to encourage build-out, particularly on large strategic sites.³⁰⁹ They also supported consideration of a three-year time limit from grant of planning permission.³¹⁰

Better use of green belt land

Government statistics on green belt land at 31 March 2021 estimate it covered 1.64 million hectares representing around 12.4% of the land area of England.³¹¹

The Government’s policy on protection for the green belt is currently set out in chapter 13 of the NPPF. The fundamental aim of green belt policy is to prevent urban sprawl by keeping land permanently open. The NPPF says the

³⁰⁶ MHCLG, [White paper: Planning for the Future](#), August 2020, p19

³⁰⁷ Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 129

³⁰⁸ Litchfields, [Start to Finish](#) (Second edition), February 2020

³⁰⁹ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 182

³¹⁰ Ibid.

³¹¹ DLUHC, [Green belt statistics](#), 28 September 2021

construction of new buildings should be regarded as “inappropriate” for the green belt, although there are some listed exceptions.³¹²

Green belt policy is generally regarded as having been effective in preventing urban sprawl and maintaining a clear physical distinction between town and country. The 2010 Natural England and CPRE report, [Green Belts: A greener future](#), concluded green belt policy was “highly effective” in its principal purpose, but called for “more ambition” to further enhance the green belt protection for future generations.³¹³

Discussions about securing a sufficient supply of land suitable for housing development often turn to the question of whether some areas of green belt land should be utilised for this purpose. The question was put to Dame Kate Barker during the Treasury Select Committee’s 2016 evidence session on housing policy:

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

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

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

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

If we are going to build around London, my preference would be to do something that was less piecemeal and more strategic, linked to either the transport links we are already thinking about putting in—Crossrail is an obvious one—or where we are thinking of having some new transport links altogether. I am sort of reluctant to see further building around that is not really going to help resolve some of the problems. Transport linkages are a real issue.³¹⁴

³¹² Para 145 of the [NPPF](#). Background information on green belt policy can be found in Library Briefing CBP-0934: [Green Belt](#)

³¹³ Natural England and CPRE, [Green Belts: A greener future](#), 2010, p90

³¹⁴ [Treasury Committee Oral evidence: Housing Policy](#), HC 861, 7 December 2016, Q7

Witnesses to the Lords Economic Affairs Committee's 2016 inquiry expressed divergent views. Martin Wolf, chief economics correspondent at the Financial Times said building on the green belt was "probably not the whole solution" but noted a lot of protected fields are "not particularly beautiful" and building on them could form part of the solution.³¹⁵ Trudi Elliot of the Royal Town Planning Institute said green belt land served "a very important purpose" and building on it "is a complex issue that is not really helped by some of the simplistic debate we have about it."³¹⁶

Shelter and KPMG (2015) pointed out that the value of land mainly depends on what it can be used for. In this context, the planning system drives the motivations of key participants in the development process:

...restrictions on land use reduce the supply of land at the right price in the right places. for example, green belt designation in the south east restricts development around London and forces expansion beyond the green belt with people commuting across it in huge numbers.³¹⁷

Paul Cheshire, Professor Emeritus of Economic Geography, LSE, argues building on the least attractive and lowest amenity parts of green belts could solve housing supply and affordability problems.³¹⁸ His evidence to the Lords Economic Affairs inquiry said it is "imperative" for land supply decisions and demand to "systematically respond to price information since this is the signal allowing our economy to provide enough of any good or service: with the single exception of land for development."³¹⁹ He set out a method for achieving this outcome:

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

³¹⁵ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 149

³¹⁶ Ibid., para 150

³¹⁷ Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014 p35

³¹⁸ "Greenbelt myth is the driving force behind housing crisis" [The Conversation](#), 13 September 2013

³¹⁹ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, [written evidence [EHM0156](#)]

the equivalent of a tax on Greenfield development, reducing the total urban land take.³²⁰

There are calls on all sides for green belt principles to be re-evaluated in a 21st century context.

Following consultation on proposed amendments to the green belt provisions in the NPPF set out in the 2017 Housing White Paper, the Government announced on 5 March 2018:

In the revised Framework we are proposing to make clear the criteria that must be satisfied before the release of Green Belt land may, in exceptional circumstances, be justified. We are proposing to state that, as well as optimising density and co-operating with neighbouring authorities, local authorities should give priority to suitable brownfield and land well-served by public transport.

We are proposing to create an expectation that loss of land from Green Belt should be off-set by means of compensatory improvements to environmental quality and access on remaining Green Belt land. We are proposing to make it explicit that rural exception sites can be created in Green Belt, and that development under neighbourhood development orders and changes of land-use for outdoor sport and recreation or provision of burial grounds is ‘not inappropriate’ in Green Belt if it preserves its openness and would not conflict with its purposes.³²¹

Planning for the Future (August 2020) says the proposed nationally determined binding housing requirement to be delivered through Local Plans “would factor in land constraints, including the Green Belt”.³²² Green belt land would fall into the ‘protected’ category for development³²³ and “The existing policy for protecting the Green Belt would remain”.³²⁴

HCLG Committee recorded criticism of the lack of reference to the green belt in the White Paper. There were calls for more detail on the “exceptional circumstances” in which green belt land might be released for development.³²⁵

The Committee supported continued protections for the green belt but called for a review of its purpose, to include whether it still meets that purpose and what additional protections might be appropriate:

The creation of new Local Plans also provides an opportunity for local reviews of Green Belts and the Government should help identify those local authorities where such reviews are particularly urgent. Local Plans can also relieve pressure on Green Belts by prioritising developments on brownfield sites. The

³²⁰ Ibid., [written evidence [EHM0156](#)]

³²¹ MHCLG, [Government response to the housing White Paper consultation: Fixing our broken housing market](#) (565KB, PDF), 5 March 2018, pp23-25

³²² MHCLG, [White paper: Planning for the Future](#), August 2020, p19

³²³ Ibid., p24

³²⁴ Ibid., p28

³²⁵ Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 204

Government should ensure there is sufficient funding provided to support their decontamination.³²⁶

The Lords Built Environment Committee (January 2022) supported the focus on brownfield land and noted Government support for this approach through the Brownfield Housing Fund and Land Release Fund. However, because the availability of brownfield land is disproportionately in areas with less pressure on the housing market, the Committee concluded this was not ‘a sliver bullet.’³²⁷

The Committee supports development on undeveloped land close to train stations. There would be an impact on green belt land, but a relatively small proportion:

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.³²⁸

The Committee called on Government to:

... 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.³²⁹

3.6

Support for SME developers

Most of England’s new housing is built by a small number of large firms. Meeting housing demand (January 2022), records SME housebuilders as developing 39% of new homes in 1988 compared to 10% in 2020.³³⁰ The Committee called for a raft of measures to support SMEs.

Evidence submitted by the Federation of Master Builders (FMB) to the HCLG Select Committee’s inquiry into planning reform estimated small builders, with the right support and reforms to planning, could deliver 65,000 homes by 2025 compared to 12,000 in 2021.³³¹

The concentration of market power in a small number of large firms is thought to inhibit competition and to exacerbate the impact of market shocks when all the large firms simultaneously reduce output.

³²⁶ Ibid., para 205

³²⁷ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 155

³²⁸ Ibid., para 156

³²⁹ Ibid., para 158

³³⁰ Ibid., para 92

³³¹ [Written evidence submitted by the Federation of Master Builders](#) [FPS 125]

Access to finance

Housebuilding requires considerable up-front investment, meaning in most cases, housing developers need access to finance. In common with the rest of the economy, finance was less readily available in the construction sector after the financial crisis, although this situation subsequently improved.

For the housebuilding industry, a particular concern is access to finance for SME developers. An Institute of Public Policy Research (IPPR) report (December 2017) identified a “toxic triangle” of mutually reinforcing issues facing SME builders in England “stemming from the planning system, the land market, and insufficient access to finance.”³³² Drawing on experience from Germany, the report recommended a seven-point plan to revitalise the SME building sector, pointing out Government housebuilding targets would likely be missed without additional SME contributions.

The seven-point plan covered many of the areas referred to in previous sections of this paper, such as greater certainty in the planning process and on developer contributions, improving the release of public sector land and making it available to SME builders, and also:

Have a clear objective of central government to ensure SME builders have sufficient development finance (monitored by the OBR), whether from the private or public sector, and regularly review the success of government funded programmes.³³³

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

Governments have provided support for SME housebuilders:

- Budget 2014 included a £500 million Builders Finance Fund to provide loans to developers to unlock 15,000 housing units stalled due to difficulty in accessing finance.³³⁴ The Spending Review and Autumn Statement 2015 announced an extension of “the £1 billion Builders’ Finance Fund to 2020-21.”³³⁵
- A £3 billion [Home Building Fund](#) was launched in October 2016 under which builders, including SME builders, can obtain loan finance to assist with development costs and infrastructure work. Autumn Budget 2017 announced a further £1.5 billion for this Fund “providing loans specifically targeted at supporting SMEs who cannot access the finance they need to build.”³³⁶

³³² IPPR, [Think small, build big: Lessons from SME housebuilding in Germany](#), December 2017

³³³ Ibid.

³³⁴ [Budget 2014](#) (2.1MB, PDF), HC 1104, March 2014, para 1.141

³³⁵ [Spending Review and Autumn Statement 2015](#) (1,418KB, PDF) Cm 9162, November 2015, p41

³³⁶ [Autumn Budget 2017](#) (2,014KB, PDF), HC 587, 23 November 2017, para 5.21

- Spending Review 2020 announced a National Home Building Fund of £7.1 billion over four years “backing smaller developers, unlocking brownfield land and supporting innovative construction techniques.” It includes funding for:
 - a new ‘Help to Build’ equity loan scheme for people who want to build their own homes, providing access to low deposit mortgages
 - £2.2 billion of loans for small and medium enterprises (SMEs) and innovative housebuilders to support new housing in areas where it is needed most
 - an additional £100 million of grant funding in 2021-22 for unlocking brownfield sites, supporting house building on land that may be less attractive such as ex-industrial sites.³³⁷
- On 29 January 2020, then- Secretary of State, Robert Jenrick, confirmed the British Business Bank’s ENABLE Build Programme would shortly begin guaranteeing new loans for local, independent construction businesses to deliver new homes.³³⁸ The Housing Minister, Christopher Pincher, referred to Government support for SMEs during a Westminster Hall debate on Housing and Planning on 3 March 2020:

We are supporting SME housebuilders with a package of measures to help the sector to grow and develop, including the home building fund, the housing growth and housing delivery fund, the ENABLE Build guarantee scheme, and our ongoing reforms to the planning system, more of which he will hear about in due course. We believe that SMEs have a key part to play by increasing their output, as the biggest home builders in our country will not meet the Government’s housing building target alone. SMEs are well placed to help to deliver new homes, welcomed in their communities rather than resisted, and those homes will be built to last.³³⁹

The Minister provided an update on ENABLE in January 2021:

A number of transactions were, and continue to be, under consideration for the programme but some of these were curtailed by the onset of Covid-19. Activity is resuming and, while there are currently no lenders accredited (and therefore no associated portfolio value) under the new ENABLE Build Programme, it is our expectation that SMEs will have access to ENABLE Build-backed lending shortly.³⁴⁰

³³⁷ MHCLG, [£10 billion package to build more homes and level up communities](#), 26 November 2020

³³⁸ [MHCLG Press Release](#), 29 January 2020

³³⁹ [HC Deb 3 March 2020 c248WH](#)

³⁴⁰ [PQ 130887 \[Housing: Construction\]](#), 11 January 2021

- In February 2021 the Government announced a £250 million Housing Accelerator Fund to support SME builders with development finance at up to 70% loan to gross development value.³⁴¹

In *Building the homes we need: a programme for the 2015 government*, Shelter and KPMG recommended the provision of government guarantees for bank lending:

This would work through a guarantor bank, which would guarantee certain tranches of the loans to SME builders, conditional on the funding being used to develop homes. The loan guarantees would be made by government, but this doesn't mean that government would take all of the risk. Risk sharing arrangements would be put in place, to reduce the government's risk and ensure that the guarantor bank remains incentivised to lend to those firms most likely to succeed.³⁴²

This proposal was described as a 'mirror' of the Help to Buy: Mortgage Guarantee scheme (now closed). KPMG and Shelter argued the biggest impact of such a scheme would be to improve the percentage of loan to value (LTV) that SMEs could achieve. Capital Economics estimated reducing SME builders' funding costs and restoring their credit allocation to pre-2007 ratios would support the development of an extra 3,000 homes per year.³⁴³

The Levelling Up White Paper announced a £1.5 bn Levelling Up Home Building Fund to provide loans to SMEs and to support the wider regeneration agenda

The Lords Built Environment Committee (January 2022) received evidence from the Home Builders Federation (HBF) which recommended Government guarantees to lenders "to help bridge the gap between current lending terms and enable higher loan-to-cost ratios."³⁴⁴

SME developers are less able to withstand market shocks, as demonstrated by their share of total housing starts declining after each of the last two house price crashes. Commentators argue for reduced risk and improved confidence through house price stability.

For example, Shelter and KPMG called for a Bank of England-led review "on the impact of house price volatility on the economy and the policies that would be required to stabilise prices relative to incomes over the long term."³⁴⁵ They also called for a review of property taxation to consider "potential extra revenue for the affordable house building programme but also in the context of economic and housing market stability."³⁴⁶

³⁴¹ MHCLG, [Homes England and United Trust Bank launch £250m Housing Accelerator Fund](#), 16 February 2021

³⁴² Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p64

³⁴³ Capital Economics, [Increasing investment in affordable homes](#), 2014, section 6.4

³⁴⁴ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 111

³⁴⁵ Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p67

³⁴⁶ Ibid.

When giving evidence to the Treasury Select Committee on housing policy (2016), Dame Kate Barker was asked what key housing measure she would introduce if given the opportunity, she said:

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

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

Dame Kate Barker: Yes, it is.³⁴⁷

The Lords Economic Affairs Select Committee (2106) considered changes to the taxation system and, while supporting amendments to Council Tax, the Committee concluded “it is wrong to create specific tax rules, as is the case with recent changes to capital gains tax and inheritance tax, around housing.”³⁴⁸ In December 2021, the Resolution Foundation and abrdn Financial Fairness Trust explored options for taxing main residence capital gains in a briefing paper entitled Home County.³⁴⁹

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

Planning

Planning for the Future (August 2020) has as one of its aims supporting SME builders and developers. The press release accompanying the launch of the White Paper argued its proposals could provide a “major boost” to SME builders:

The changes will be a major boost to SME builders currently cut off by the planning process. They will be key players in getting the country building on the scale needed to drive our economic recovery, while leading housebuilding that is beautiful and builds on local heritage and character.

(...)

Recent studies show smaller firms feel the complexities of the planning process and its associated risks, delays and costs are the key challenges they face in homebuilding.³⁵⁰

³⁴⁷ [Treasury Committee Oral evidence: Housing Policy](#), 7 December 2016, HC 861, Q50

³⁴⁸ Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, para 253

³⁴⁹ A Corlett & J Leslie, [Home county: Options for taxing main residence capital gains](#), Resolution Foundation, December 2021

³⁵⁰ MHCLG, [Press release: Launch of Planning for the future consultation to reform the planning system](#), 6 August 2020

Planning for the Future suggests the new Infrastructure Levy would reduce cashflow difficulties for SME developers:

As a value-based charge across all use classes, we believe it would be both more effective at capturing increases in value and would be more sensitive to economic downturns. It would reduce risk for developers, and would reduce cashflow difficulties, particularly for SME developers.³⁵¹

HCLG Committee's inquiry into planning reforms generated evidence from, and on behalf of SMEs, calling for:

- Homes England to dispose of small parcels of land to them with permission in principle for development.
- Ringfencing land for self and custom build.
- Putting the Development Management policies section of the NPPF on a statutory footing.
- Requiring a minimum number of SMEs on large multi-developer sites.
- Increased resources for local authorities to oversee larger sites and the promotion of a wider range and mix of housing sites in Local Plans.³⁵²

The Committee was told the Government's planning reforms failed to address certain SME barriers including "wider issues about buying and assembling land, development finance, and legal issues" that act as barriers to entry SMEs."³⁵³

The issue was revisited by the Lords Built Environment Committee in Meeting housing demand (January 2022). The Committee identified engaging with the planning system as a particular challenge for SMEs. Evidence submitted by the HBF said 48% of SME housebuilders' output was constrained by the planning system.³⁵⁴ Delays in receiving planning permission can be critical for SMEs:

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.³⁵⁵

The Committee called for one focus of Government planning reforms to be to "reduce planning risk by making decisions more predictable and reducing delays" to benefit SMEs.³⁵⁶ They saw merit in Government working with planning authorities to "create a fast-track planning process for SMEs."³⁵⁷

³⁵¹ MHCLG, [White paper: Planning for the Future](#), August 2020, p49

³⁵² Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 126

³⁵³ Ibid., para 127

³⁵⁴ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 99

³⁵⁵ Ibid., para 100

³⁵⁶ Ibid., para 104

³⁵⁷ Ibid.

3.7

The construction industry

For any package of solutions to deliver an increase in housing supply, the construction industry must have capacity to deliver.

Key issues and policies

The Government works with the industry through the [Construction Leadership Council](#), which is jointly chaired by a Minister (currently Lee Rowley MP) and an industry representative (currently Andy Mitchell, CEO of Thames Tideway).

Key policy documents from the last decade highlight key areas where both industry and government believe that work is needed, along with policies to tackle them:

- HM Government, [Construction 2025 Vision](#), July 2013 – set out a joint strategy from Government and industry for the future of the UK construction industry focused on five aspirations for 2025:
 - PEOPLE An industry that is known for its talented and diverse workforce
 - SMART An industry that is efficient and technologically advanced
 - SUSTAINABLE An industry that leads the world in low-carbon and green construction exports
 - GROWTH An industry that drives growth across the entire economy
 - LEADERSHIP An industry with clear leadership from a Construction Leadership Council³⁵⁸
- HM Government, [Construction Sector Deal](#), July 2018 – building on the 2025 Vision, this set out an ambition for the sector to deliver:
 - better-performing buildings that are built more quickly and at lower cost;
 - lower energy use and cheaper bills from homes and workplaces;
 - better jobs, including an increase to 25,000 apprenticeships a year by 2020;
 - better value for taxpayers and investors from the £600 billion infrastructure and construction pipeline;
 - a globally-competitive sector that exports more, targeting the \$2.5 trillion global infrastructure market³⁵⁹
- The Construction Leadership Council, [CLC Strategy 2021](#), March 2021 – sets out work around five themes: digital adoption, process and product innovation, building safety, race to net zero and skills and competence.

³⁵⁸ HM Government, [Construction 2025 Vision](#), July 2013

³⁵⁹ HM Government, [Construction Sector Deal](#), July 2018

Supply chain challenges

The construction industry is currently affected by supply chain problems. Broadly, these stem from global shortages of materials, staff shortages and transport delays, which have coincided with sharp spikes in demand, including for construction materials.

Supply chain disruptions have been exacerbated by coronavirus outbreaks, either closing or reducing capacity in manufacturing and shipping. The disruption to global supply chains has led to longer delivery times for some goods. The Library briefing [UK supply chain problems](#) has more detail on the general issues.

Different construction materials have been affected to different degrees at different times. As of January 2022, there were “relatively good stocks and availability of most products”, however there were challenges with supplies of “bricks and aircrete blocks, roof tiles, steel lintels, manhole covers, plastic drainage products and certain sealants, coatings and paints” and “a shortage of semi-conductors is constraining the availability of boilers at a time when demand is exceptionally high”.³⁶⁰

The Government says it is “working closely with the Construction Leadership Council (CLC)’s Product Availability Group to stress that the industry must work collaboratively during this challenging period, and to emphasise the importance of good forward-planning, as well as clear communication within the industry”.³⁶¹

People and skills

The construction industry has long faced workforce challenges. The 2016 [Farmer Review of the UK Construction Labour Model: ‘Modernise or die’](#) concluded the construction industry and clients relying on it were “at a critical juncture”. The review identified the following symptoms of failure and poor performance:

- Low productivity
- Low predictability and planning
- Structural fragmentation, with relatively high levels of self-employment, many small businesses and frequent subcontracting.
- Leadership fragmentation
- Low margins, adversarial pricing models and financial fragility
- A dysfunctional training funding and delivery model
- Workforce size and demographics
- Lack of collaboration and improvement culture

³⁶⁰ John Newcomb and Peter Caplehorn (co-chairs of the Construction Leadership Council’s Product Availability working group), [Construction Product Availability Statement](#), 18 January 2022 – these statements are being put out monthly and can be found on the Construction Leadership Council’s [News](#) site page.

³⁶¹ [PQ 62658](#) [on Construction: Equipment], answered 1 Nov 2021

- Lack of R&D and investment in innovation
- Poor industry image³⁶²

These factors affect the attractiveness of the industry to workers and the extent of investment in skills development.

Government and industry have worked to tackle the issues identified, including through the [Construction Leadership Council](#), and the 2018 [Construction Sector Deal](#). The current [Industry Skills Plan for the Construction Sector 2021-25](#) focuses on policies in four areas:

- Careers: “create an industry that is attractive to talent and bring those skills in through multiple routes.”
- Standards and Qualifications: “create the underpinning foundations for high-quality, transferable skills and pathways for learning.”
- Training, Education and Development: “enable high-quality training and development when and where needed that equips the workforce in current and emerging skills.”
- Culture and Working Environment: “create an industry whose culture and operations make it a great place to work that retains talented individuals.”³⁶³

One particular issue surrounds the Construction Industry Training Board, which is an executive non-departmental public body funded by the industry via a statutory levy.³⁶⁴ This has attracted criticism for failing to address skills shortages effectively. Citing a critical report from the National Federation of Builders,³⁶⁵ the House of Lords Built Environment Committee recommended in January 2022 that:

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.³⁶⁶

The Committee’s report also made a number of other recommendations on improving skills, including that the Government should:

- capture young people’s interest in the area early, “across the curriculum, by introducing modules before and at GCSE level”, and
- review the Apprenticeship Levy, as apprenticeship numbers are falling.³⁶⁷

³⁶² [Farmer Review of the UK Construction Labour Model: ‘Modernise or die’ \(PDF\)](#), December 2016, p7

³⁶³ Construction Leadership Council, [Industry Skills Plan for the Construction Sector 2021-25](#), March 2011

³⁶⁴ CITB, [Our role](#) [webpage, accessed 4 Feb 2022]

³⁶⁵ National Federation of Builders, [CITB – Time to Reconstruct](#), Oct 2021

³⁶⁶ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, paras 218 and 222

³⁶⁷ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 193

They also noted the importance of tackling the lack of diversity in construction trades, to allow the industry to “draw on a wider talent base to meet the demand for skills”.³⁶⁸

As well as these longer term issues, the pandemic and Brexit have stretched workforces – in 2021, more than half of SME housebuilders said supply and cost of labour was a major barrier to housing delivery, up significantly on the previous year.³⁶⁹

Innovation in construction

Innovation and improvements in construction methods and materials can mean more homes being produced quickly, cost-effectively and to modern standards. Among other things, this can increase the life-span of housing, improve energy efficiency and reduce the need for major repairs. Such ‘modern methods of construction’ (MMC) can include mass produced modular components, made off site in factories.

There have long been calls for such improvements, sometimes amid suggestions that the UK construction industry has been slow to adopt technological and other innovations which are more frequently used by house building industries in some other countries.³⁷⁰

There have been various recent initiatives to encourage such improvements, for example:

- The Ministry of Housing, Communities and Local Government (now DLUHC) establishing an MMC Taskforce “to accelerate the delivery of MMC homes in the UK”, announced in March 2021.³⁷¹
- Encouraging the use of MMC as part of the Affordable Homes Programme 2021-2026.³⁷²
- The Transforming Construction Challenge, as part of the Construction Sector Deal. This includes the Innovate UK funded [Advanced - Industrialised Methods for the Construction of Homes](#) (AIMCH) project, which aims to identify and develop “industrialised offsite solutions needed to meet current and future house building demands”.³⁷³

³⁶⁸ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 202

³⁶⁹ House Builders Federation, [State of Play, Challenges and Opportunities Facing SME Home Builders](#), [undated, but appears to be Jan 2022]

³⁷⁰ National Audit Office, [Using modern methods of construction to build homes more quickly and efficiently](#), Nov 2005; NHBC Foundation, [Modern methods of construction: views from the industry](#), June 2016; McKinsey, [Modular construction: From projects to products](#), June 2019

³⁷¹ HM Treasury, [Budget 2021](#), March 2021, p60

³⁷² Gov.uk, [Apply for affordable housing funding](#), updated Dec 2020

³⁷³ UK Research and Innovation, [Transforming construction challenge](#), updated Jun 2021; HM Government, [Construction Sector Deal](#), July 2018; [Advanced - Industrialised Methods for the Construction of Homes](#) [online, accessed 3 Feb 2022]

- The Government’s Construction Playbook for public works encourages the aggregation and standardisation of demand to support the use of MMC methods.³⁷⁴

More information on this topic can be found in the 2019 HCLG Select Committee’s report, [Modern methods of construction](#), and the [Government response](#), which includes a list of earlier government initiatives.³⁷⁵

The Lords Built Environment Committee (January 2022) pointed to the value of MMC for alleviating skills shortages in construction, as well as delivering “more new homes with a reduced number of defects”.³⁷⁶

They also recommended the Government and Homes England “help reassure consumers about the quality and safety benefits of MMC”, given evidence of consumers’ reservations.³⁷⁷

³⁷⁴ HM Government, [The Construction Playbook](#), Dec 2020

³⁷⁵ Housing, Communities and Local Government Committee, [Modern methods of construction](#), July 2019, HC 1831; Ministry of Housing, Communities & Local Government, [Modern methods of construction: government response to the Select Committee report](#), Sep 2019, CP 168

³⁷⁶ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 262

³⁷⁷ House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, paras 261 and 262

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