

Research Briefing

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# Tackling the under-supply of housing in England



## Summary

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

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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.

While acknowledging challenges, Michael Gove, Secretary of State at the Department for Levelling Up, Housing and Communities (DLUHC), [confirmed the commitment 300,000 new homes every year by the mid-2020s in an October 2022 BBC interview](#).

### 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. [Around 233,000 new homes were supplied in 2021/22.](#)

New housing supply increased year-on-year from a low point of 125,000 in 2012/13, reaching a high point of 243,000 new homes in 2019/20. Supply declined in 2020/21, in part because of disruption to housebuilding caused by Covid-19 but rose again in 2021/22.

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 were 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. The housing supply shortage has been described as "[A key driver of the UK's weak economic performance.](#)"

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 [Levelling Up and Regeneration Bill](#) currently before Parliament contains measures to reform the planning system.

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."

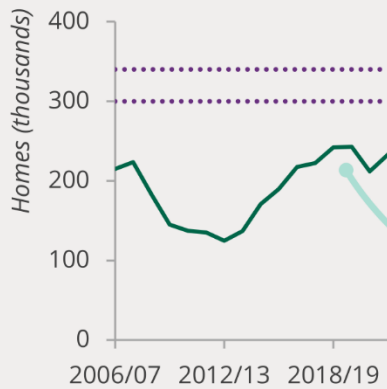
## Statistics on housing supply

This publication contains both historical and recent data on housing supply. Sources for current data are listed in the briefing paper.

Historical housing supply statistics (including data for all UK countries) can be downloaded from the [landing page for this briefing paper](#). Please get in touch with us at [papers@parliament.uk](mailto:papers@parliament.uk) if you would like to access the data in a different format.

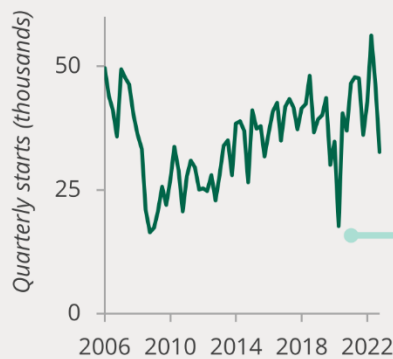
The Library has also produced an interactive dashboard, [Local authority data: housing supply](#), which provides statistics on housing stock, new supply, and supply of affordable housing for local authorities in England.

## In charts: Housing supply in England

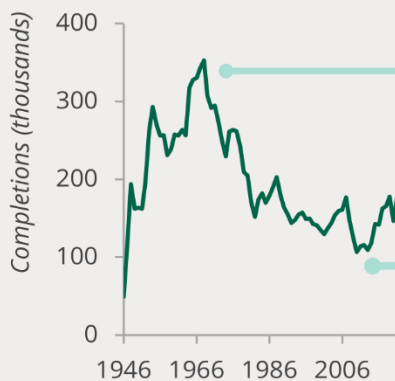


The Government has said it wants housing supply to reach 300,000 homes a year by the mid-2020s. Others have called for as many as 340,000 a year.

New supply reached a recent peak of 243,000 in 2019/20, but has since fallen.

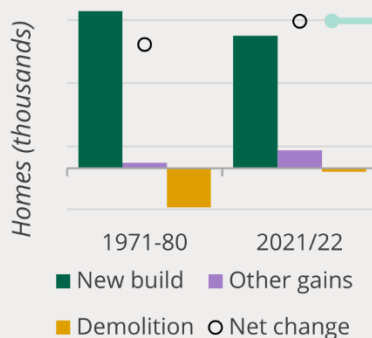


Covid-19 disrupted housebuilding in 2020. Housing starts fell in April-June, reaching similar levels to 2008. They rebounded in later quarters.



Housebuilding is lower now than it was at its peak in the 1960s.

Building reached a low point in 2010, after the financial crisis, and has increased since then.



But the net supply of new housing was higher in 2021/22 than the estimated average from the 1970s.

While there were fewer new builds in 2021/22, there was also less demolition and more change-of-use of existing buildings.

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 The Government's housing target

The Conservative party's manifesto for the 2019 General Election included a commitment for housing delivery to reach 300,000 new homes per year by the mid-2020s, and to supply 1 million new homes by the end of the current parliament.<sup>1</sup>

The Government says that this is still the ambition that they are working towards. This was confirmed by Baroness Scott of Bybrook (Parliamentary Under-Secretary of State for DLUHC) in response to a question asked in the House of Lords on 30 March 2023.<sup>2</sup>

The 300,000 figure is not universally accepted as the 'right' number of homes to aim for. Both the Public Accounts Committee<sup>3</sup> and the Housing, Communities and Local Government Committee<sup>4</sup> 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.

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<sup>1</sup> [Conservative and Unionist Party Manifesto 2019](#), p31

<sup>2</sup> [HL Deb 30 March 2023, c345](#)

<sup>3</sup> Public Accounts Committee, [Planning and the broken housing market](#), 19 June 2019, HC 1744, 2017-19, para 7

<sup>4</sup> Housing, Communities and Local Government Committee, [The future of the planning system in England \(PDF\)](#), 10 June 2021, HC 38 2021-22, para 116

## 1.2 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.<sup>5</sup>

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.<sup>6</sup> 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 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.<sup>7</sup>

## 1.3 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.<sup>8</sup>

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

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<sup>5</sup> DCLG, [Estimating housing need](#), (PDF) November 2010

<sup>6</sup> As above

<sup>7</sup> Treasury Committee, [Oral evidence: Housing Policy](#), HC 861, 7 December 2016, Q2

<sup>8</sup> ONS, Household projections for England, [2018-based: Principal projection dataset](#), 29 June 2020

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. This means that they don't necessarily reflect the number of households that would form in the absence of any economic or supply constraints.<sup>9</sup>

## Geographical variation in projections

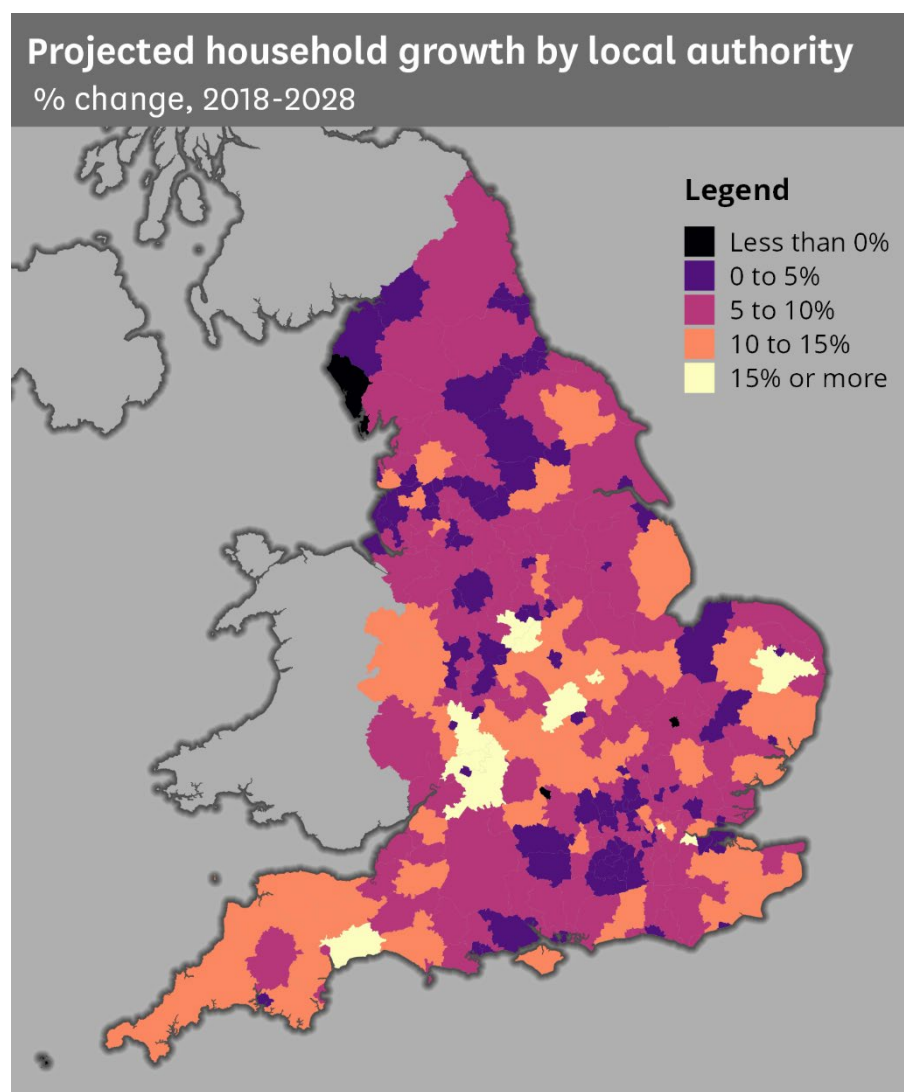
Household projections are not uniform across England. The map below shows the projected change for each local authority in England between 2018 and 2028. The number of households across England is projected to grow by around 7% in this period, but there is considerable variation between areas.

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.

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<sup>9</sup> [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



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.<sup>10</sup>

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

<sup>10</sup> MHCLG, [2014-based household projections in England, 2014 to 2039](#)

around 159,000 per year.<sup>11</sup> 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.<sup>12</sup>
- 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.<sup>13</sup> 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.<sup>14</sup>

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).<sup>15</sup> The new figures reflect both the new population data and some minor methodological changes.

## 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.<sup>16</sup> 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.

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<sup>11</sup> ONS, [Household projections in England: 2016-based](#), 20 September 2018

<sup>12</sup> ONS, [National population projections: 2016-based statistical bulletin](#), 26 October 2017

<sup>13</sup> 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](#)

<sup>14</sup> A.E. Holmans in [Housing need and effective demand in England](#), 2014

<sup>15</sup> ONS, [Household projections for England: 2018-based](#), 29 June 2020

<sup>16</sup> MHCLG, [Guidance: housing need assessment](#), 16 December 2020 [Accessed 26 November 2021]

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.<sup>17</sup>

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.<sup>18</sup>

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.<sup>19</sup>

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”.<sup>20</sup>

## 1.4

# 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.<sup>21</sup>

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<sup>17</sup> MHCLG, [Guidance: housing need assessment](#), 13 September 2018 [Archived version accessed 26 November 2021]

<sup>18</sup> MHCLG, [Government response to the local housing need proposals in “Changes to the current planning system”](#), 16 December 2020

<sup>19</sup> As above

<sup>20</sup> As above

<sup>21</sup> [Oral Evidence: MHCLG Housing Priorities, HC 830 Q3 \(PDF\)](#), 12 March 2018

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.’<sup>22</sup>

In a [blog article for the UK Collaborative Centre for Housing Evidence \(2018\)](#), 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.<sup>23</sup>

They conclude that because these factors make it easier for buyers to spend more on housing it is demand that drives affordability rather than need:

[...] 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.<sup>24</sup>

Research published in 2018 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.<sup>25</sup>

## 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

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<sup>22</sup> [2017 UK Housing Review Briefing Paper](#), Steve Wilcox, John Perry and Peter Williams, September 2017

<sup>23</sup> Whitehead, C. and Meen, G., UK Collaborative Centre for Housing Evidence, [Meeting housing demand: only one side of the coin](#), 18 January 2022

<sup>24</sup> As above

<sup>25</sup> Bramley, G. for Crisis, [Housing supply requirements across Great Britain: for low-income households and homeless people](#), December 2018, p10

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.<sup>26</sup>

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”.<sup>27</sup>

Research from the Centre for Cities think-tank has also concluded there is a backlog of a roughly similar size. In this research, the Centre for Cities compared housebuilding rates (the number of homes built, relative to the amount of existing housing stock) in several Western European countries between 1955 and 2015.<sup>28</sup>

The Centre for Cities argues that if the UK had built new homes at the same rate as the average Western European country, it would have built an additional 4.3 million homes across the period. The research concludes that higher annual rates of housebuilding are needed:

The result of this underperformance is that England needs 442,000 new homes a year to close its housing backlog with the average European country over 25 years, or 654,000 to close it in ten years. England’s current housing target of 300,000 new homes a year will not clear the housing backlog for at least half a century. England’s recent housebuilding levels of 220,000 to 240,000 is the minimum at which housing outcomes remain stable compared to the average European country.<sup>29</sup>

## 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.<sup>30</sup>

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<sup>26</sup> As above, pp8-9

<sup>27</sup> As above, p14

<sup>28</sup> Centre for Cities, The [housebuilding crisis: the UK’s 4 million missing homes, February 2023](#), p43

<sup>29</sup> Centre for Cities, The [housebuilding crisis: the UK’s 4 million missing homes, February 2023](#), p4

<sup>30</sup> Mark Stephens, John Perry, Steve Wilcox, Peter Williams and Gillian Young, [2018 UK Housing Review Briefing Paper \[PDF, 1.5MB\]](#), October 2018, p7



Other commentators have drawn attention to geographic variation. A [research report by the consultancy Residential Analysts](#) (2018) used a range 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”.<sup>31</sup> 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.<sup>32</sup>

## 1.5 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.

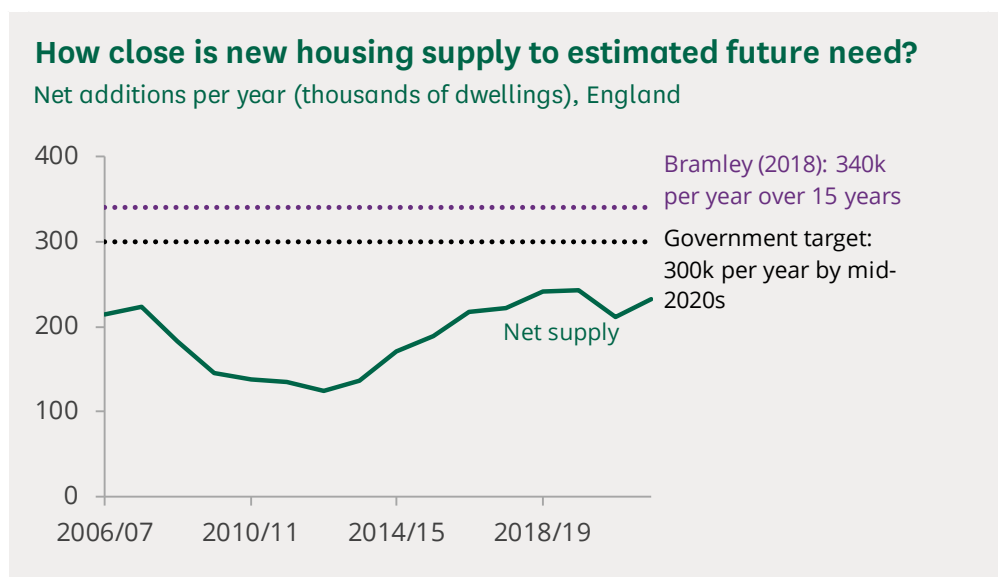
Section 2 of this briefing has more detailed analysis of housing supply in England over time, but the chart overleaf summarises the level of net supply in each year since 2006/07 and how this compares to estimates of housing need.

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, but recovered in 2021/22. **Around 233,000 new homes were delivered in 2021/22** – 10% more than in the previous year.

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<sup>31</sup> Residential Analysts, [A housing crisis? More like a series of local crises needing local solutions \(PDE\)](#), October 2018, pp5-6

<sup>32</sup> As above p13



Source: DLUHC, [Live Table 12Q](#); [Bramley \(2018\): Conservative Manifesto 2019](#)

The decrease in 2020/21 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 29% higher than in 2021/22. To reach the 340,000 called for by Crisis and the NHF, the increase would need to be 46%.

## 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

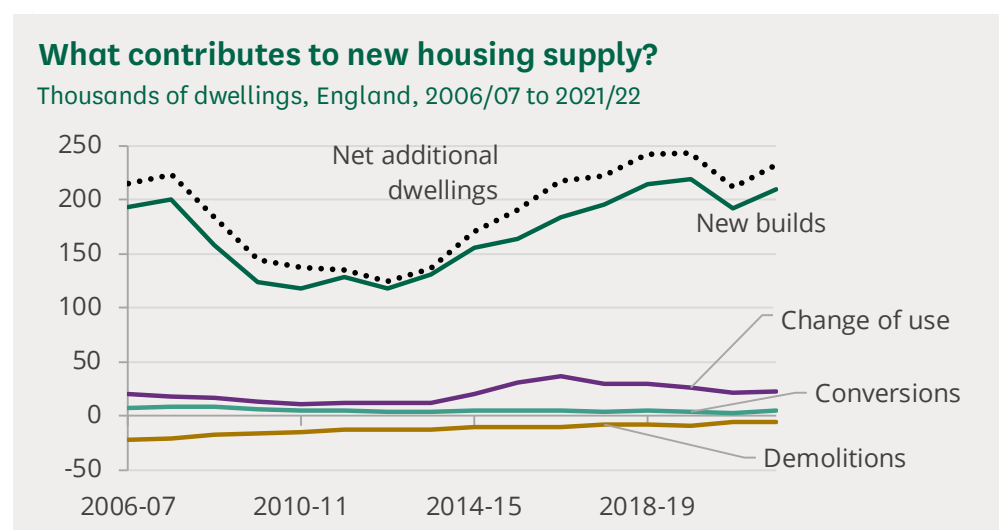
#### Net supply of new housing

**232,820 new homes were supplied in 2021/22.**

A net total of 232,820 new homes were supplied in England in 2021/22. 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 2021/22, there were 210,070 new-build completions. 22,770 new homes were supplied through change of use, while 4,870 were supplied through conversions. 5,680 homes were demolished in the same period.

Overall, new supply was around 10% higher in 2021/22 than in 2020/21. 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. Supply declined during the Covid-19 pandemic in 2020/21 but rose again in 2021/22.

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. The number of new homes delivered through change of use has declined 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.<sup>33</sup>

## 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 2019/20 to 2021/22 included Tower Hamlets (12,015), Birmingham (10,453 homes), Manchester (11,766) and Salford (9,710).

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 2019.

Areas with the highest level of supply relative to their household population included the City of London, Tower Hamlets, Newham and Brent (in London); Salford (in the North West); South Derbyshire and Harborough (both in the East Midlands); and Rugby (in the West Midlands).

Areas with low levels of supply were similarly dispersed around the country. Some of the lowest levels of supply relative to the household population were in Bromley and Richmond-upon-Thames (London), Portsmouth (South East), and Bury (North West).

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).

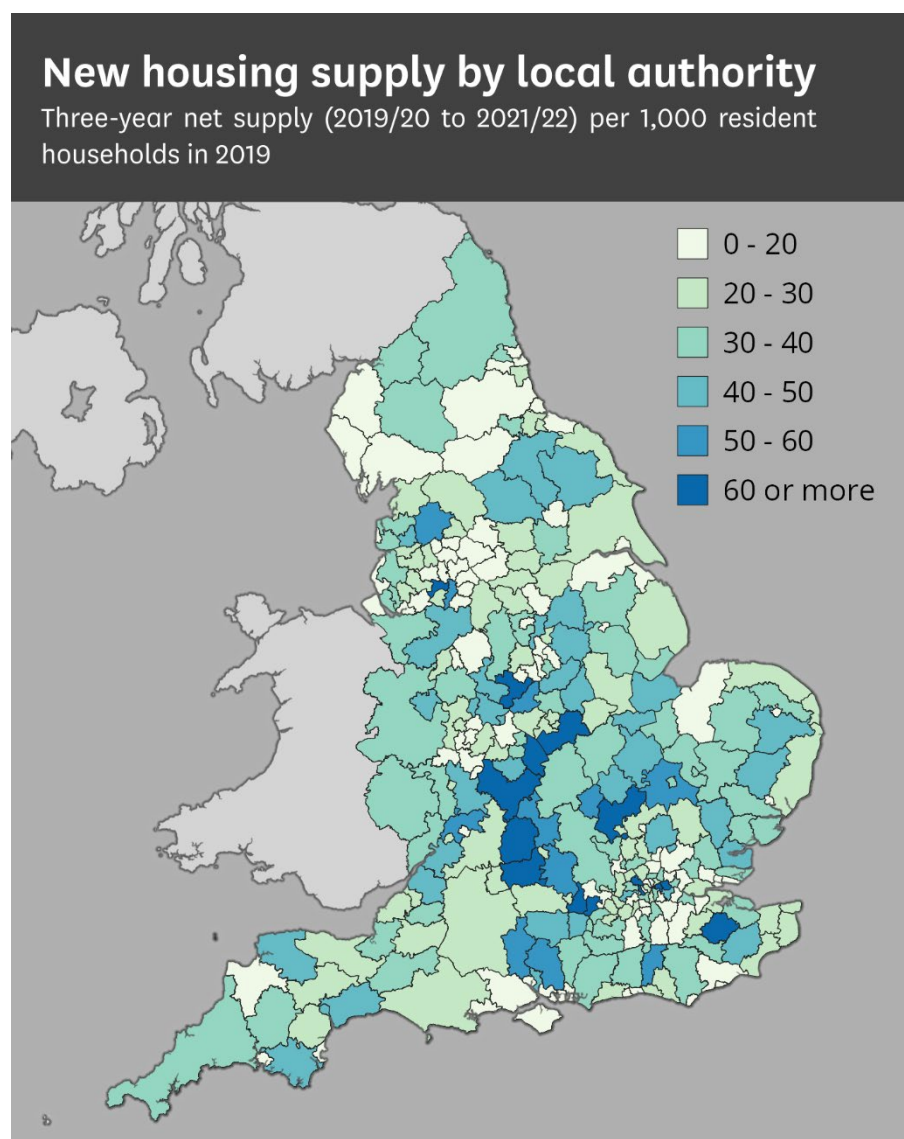
For detailed data on housing supply at local authority level, see the Commons Library's online dashboard, [Local authority data: housing supply](#). It includes

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<sup>33</sup> As of 2021, office to residential conversions form part of a broader set of permitted development rights covering all commercial to residential conversions.

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 (2023)

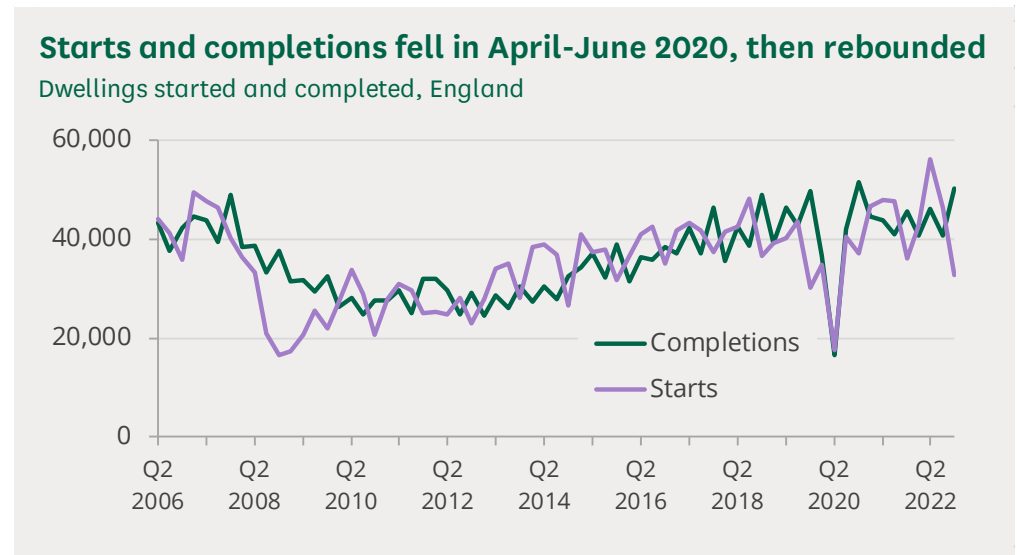
## The effect of Covid-19 on housebuilding

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.



Source: DLUHC, [Live tables on housing supply: indicators of new supply](#). Live Table 213, 23 March 2023

## 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).

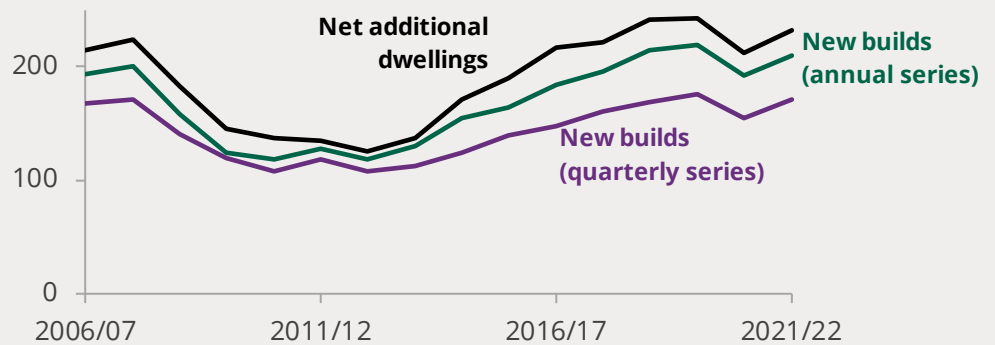
The **quarterly series** covers new-builds (shown in purple), but its figures are generally lower than the new-build figures given in the annual net supply series. Since 2012-13, the number of new-builds in the quarterly series has been 10% to 27% lower than the number in the annual series.

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



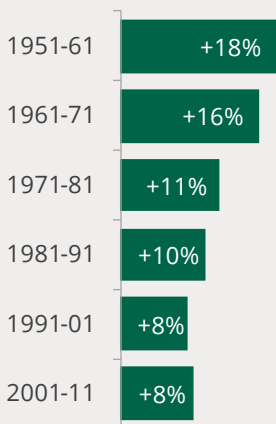
Source: DLUHC, [Live Table 120](#) (annual series), [Live Table 213](#) (quarterly series)

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

### Growth in housing stock

Decades, Great Britain



Source: DLUHC, Live Table 102

## Historical trends in housing supply

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 20<sup>th</sup> century, compared with more recent patterns.

The 20<sup>th</sup>-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 20<sup>th</sup> 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 2021/22, around 210,000 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 233,000 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 2021/22, 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.

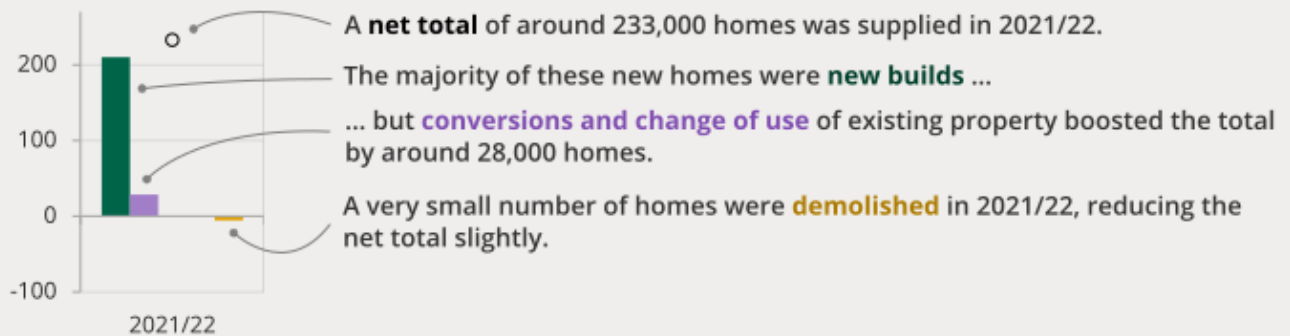
## 2 Get the data

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

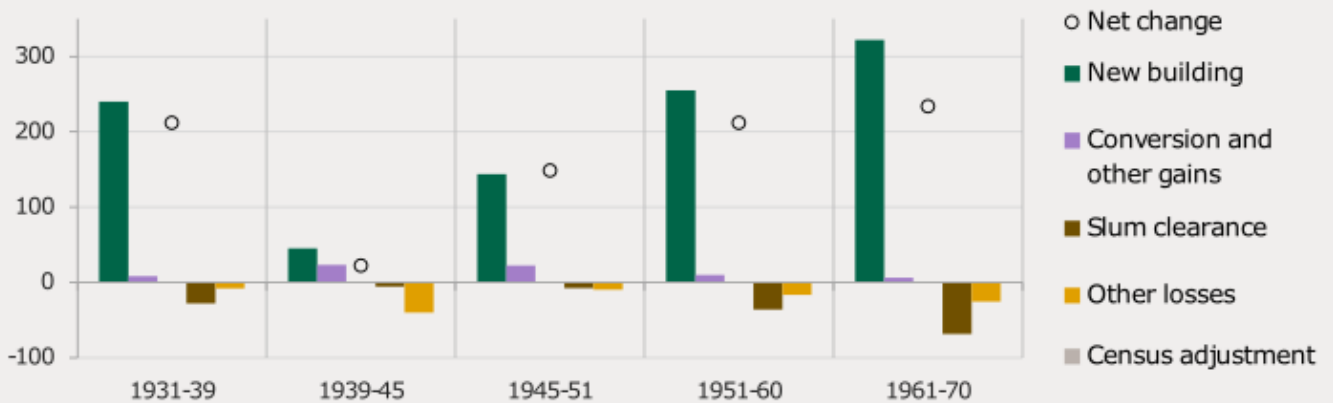
### Net supply in England, 2021/22 (thousands of homes)



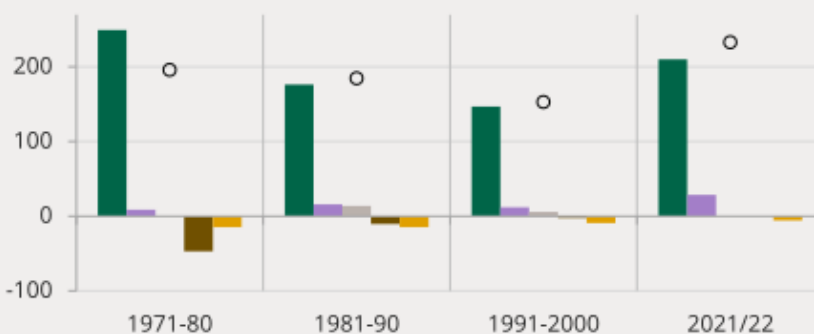
### Net supply in Great Britain, 1930s to 1960s (thousands of homes, annual average)

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 2021/22 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

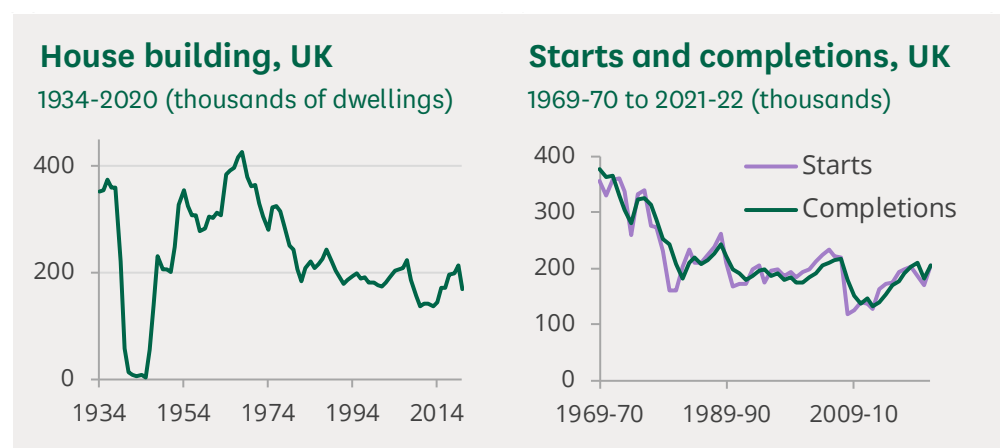
This section looks at trends in the supply of new-build housing.

### 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. Housebuilding 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.

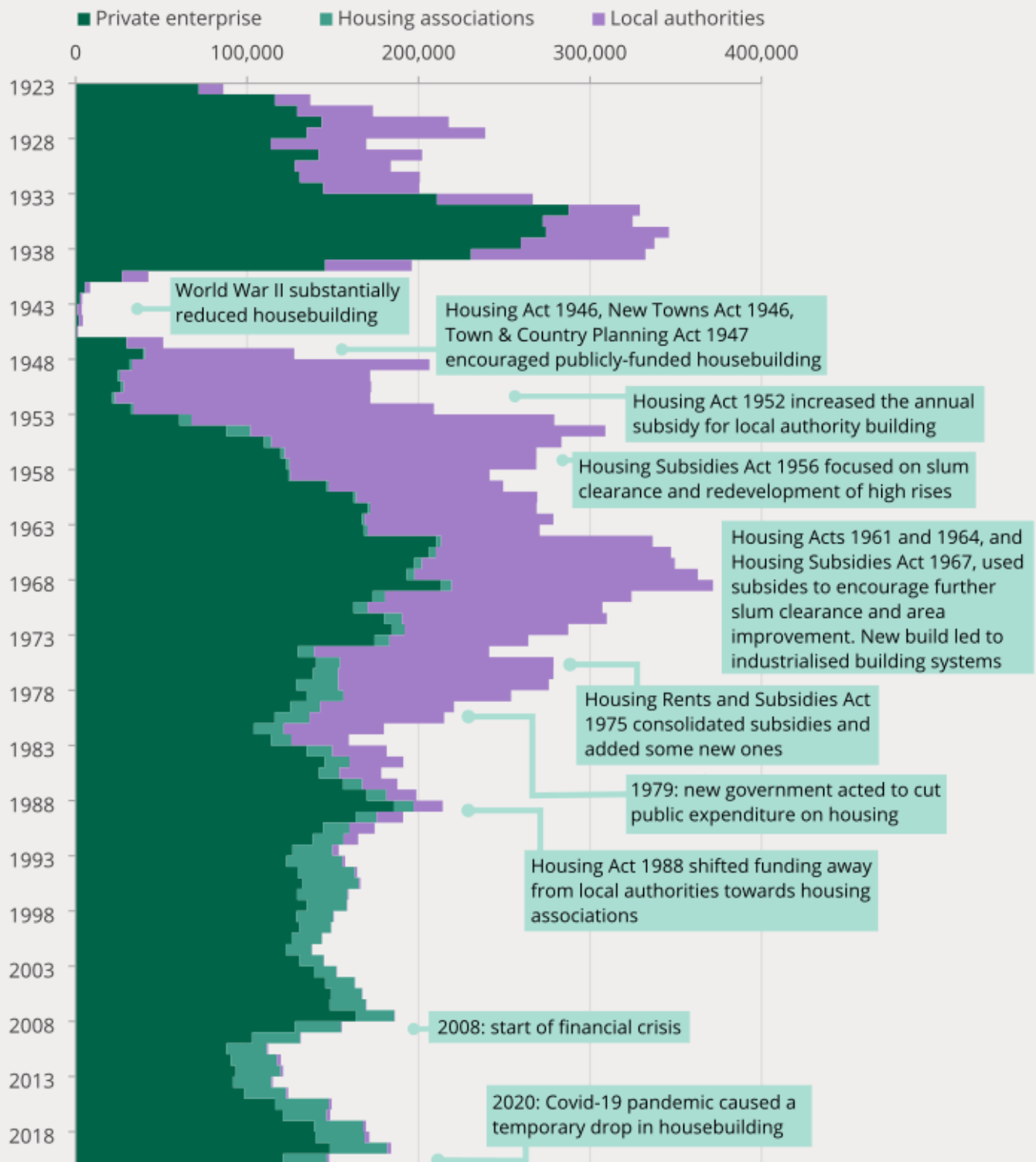
Housing completions figures do not instantaneously reflect changes to policy or the economic climate, because the house building process takes time and is influenced by multiple factors. Trends in housing starts tend to be starker. For example, the financial crisis caused housing starts to fall by 46% 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 & Wales, 1923-2020



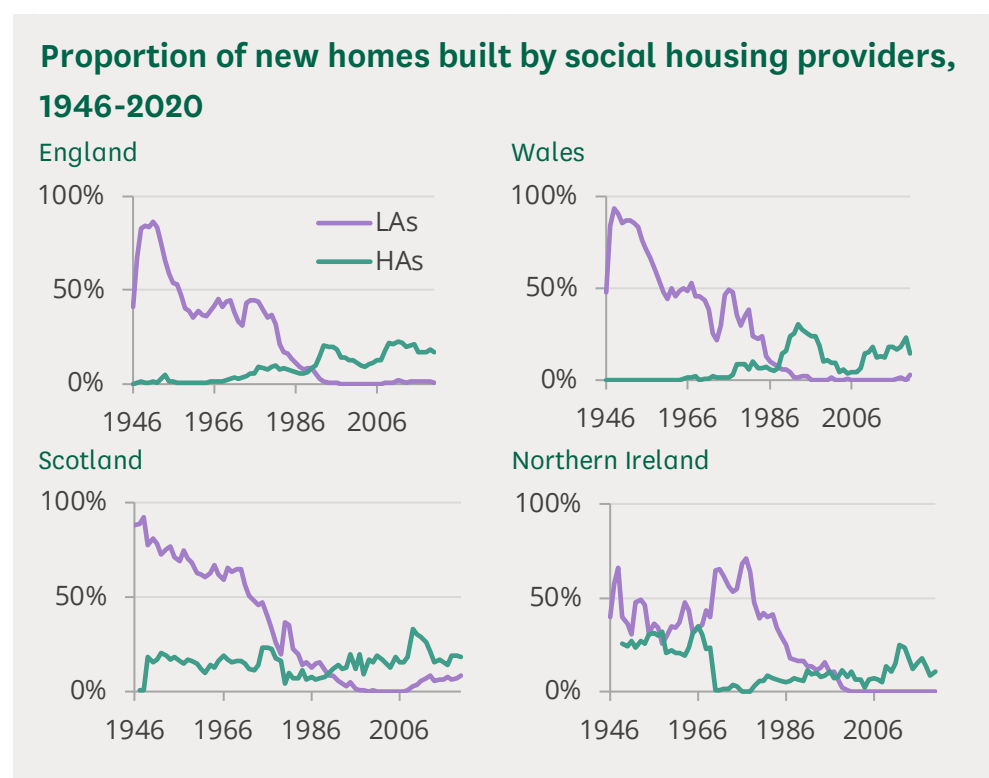
The Library briefing [Social rented housing \(England\): past trends and prospects \(CBP 8963\)](#) discusses the contribution of social housing providers in more detail.

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.” This was not repeated in the 2022 Queen’s Speech notes.

**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’s 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.”<sup>34</sup> 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-

<sup>34</sup> Wilcox S; Perry J; Williams P, [UK Housing Review 2015](#), March 2015

reinforcing problems that must all be addressed if the housing shortage is to be rectified.”<sup>35</sup>

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Affordability of new housing is increasingly regarded as critical

While there’s an ongoing focus on supply, affordability is regarded as critical. In the [2020 UK Housing Review Autumn Briefing Paper](#) (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.”<sup>36</sup> Cost of living challenges in the form of rising interest rates and rents have added to affordability pressures.<sup>37</sup>

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.<sup>38</sup> This translated into around 200,000 net additions per year. This ‘target’ was arrived at after consideration of the household formation statistics.<sup>39</sup> Critics said the figure did not take account of the backlog of housing need.<sup>40</sup>

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.<sup>41</sup> 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.<sup>42</sup> Despite the passage of time, it is still widely cited as establishing the case for a large programme of social rented housing development.<sup>43</sup>

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”.<sup>44</sup>

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<sup>35</sup> Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p32 and p50

<sup>36</sup> Whitehead C; Meen G: [2020 UK Housing Review Autumn Briefing Paper](#) (PDF), Chartered Institute of Housing and the University of Glasgow, p15

<sup>37</sup> See Library briefing, [Housing and the cost of living](#).

<sup>38</sup> Net additions includes, for example, conversions and changes of use in addition to newly built housing.

<sup>39</sup> [Economics of the United Kingdom Housing Market - oral evidence](#), 22 March 2016, Q237

<sup>40</sup> Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, pp19-20

<sup>41</sup> 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

<sup>42</sup> As above.

<sup>43</sup> See for example, Joseph Rowntree Foundation (JRF), [Renters on low incomes face a policy black hole: homes for social rent are the answer](#) (PDF), Elliot J; Earwaker R; October 2021

<sup>44</sup> 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 Conservative Government elected in 2017 had 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 Government elected in 2019 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.<sup>45</sup>

In October 2022, Michael Gove, Secretary of State at DLUHC, confirmed the commitment to building 300,000 homes every year by the mid-2020s in a BBC interview.<sup>46</sup> He acknowledged challenges in the form of the rising cost of materials, global supply chains and a “tight” labour market.<sup>47</sup> New housing supply is currently lower than the Government’s ambition of 300,000 new homes per year with around 233,000 new homes supplied in 2021/22.<sup>48</sup>

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](#) (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”.<sup>49</sup> 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.”<sup>50</sup>

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.<sup>51</sup>

The [Government response](#) (March 2022) agreed there remain “some specific barriers to increasing housing supply”. The response referred to actions to

<sup>45</sup> [Conservative and Unionist Party Manifesto 2019](#), p31

<sup>46</sup> [Michael Gove commits to 300,000 homes target - BBC News](#) 30 October 2022 [accessed 21 April 2023]

<sup>47</sup> As above.

<sup>48</sup> [Housing supply: net additional dwellings, England: 2021 to 2022 - GOV.UK](#), 24 November 2022

<sup>49</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 84

<sup>50</sup> As above, para 85

<sup>51</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 35

address supply including diversifying the market; supporting SMEs through the Levelling Up Home Building Fund; supporting modern methods of construction; helping to improve sector productivity; increasing land supply by investing in infrastructure; and supporting development of affordable housing.<sup>52</sup>

Both the Public Accounts and Housing, Communities and Local Government Committees sought greater clarity on how the ambition for 300,000 housing units a year would 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."<sup>53</sup>

February 2017 saw publication of the Housing White paper [Fixing our broken housing market](#),<sup>54</sup> which set out "a comprehensive package of reform to increase housing supply and halt the decline in housing affordability."<sup>55</sup> 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.<sup>56</sup>

Mark Stephens writing in the 2023 UK Housing Review, notes that stock-adjustment economic models that are used to assess the impact of supply on housing prices assume house prices are affected by the whole stock of housing and not just new supply. Therefore, "using housebuilding to moderate prices is a long-term project that requires consistently higher levels of output over a sustained period."<sup>57</sup>

Some commentators argued for a housing-led recovery from the pandemic, emphasising housebuilding as a proven form of countercyclical investment.<sup>58</sup> 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", called for a new national housing strategy explicitly based on "a dynamic

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<sup>52</sup> [Her Majesty's Government's response to the House of Lords Built Environment Committee report on Meeting Housing Demand](#), March 2022

<sup>53</sup> Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 116

<sup>54</sup> Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017

<sup>55</sup> [Autumn Statement 2016](#) (4.8MB, PDF), November 2016, para 3.11

<sup>56</sup> Public Accounts Committee Oral evidence: [Housing: State of the Nation](#) (462KB, PDF), HC 958, 22 February 2017, Q132

<sup>57</sup> Stephens M; Perry J; Williams P; Young G: [2023 UK Housing Review](#), March 2023, p14

<sup>58</sup> For example, UK Collaborative Centre for Housing Evidence, [Housebuilding's role in stimulating economic recovery](#), 5 May 2020



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.”<sup>59</sup>

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 Committee<sup>60</sup> and the Treasury Committee, during its inquiry into housing policy following the Autumn Statement 2016,<sup>61</sup> was for housing policy to be joined up between the 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 27 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.<sup>62</sup>

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.<sup>63</sup>

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<sup>59</sup> Building Back Britain Commission, [Levelling up and the housing challenge](#), November 2021

<sup>60</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 59

<sup>61</sup> [Treasury Committee Oral evidence: Housing Policy](#), 7 December 2016, HC 861, Q50

<sup>62</sup> Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p20

<sup>63</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 85

Local authorities and housing associations need to make a much bigger contribution to housebuilding if it is to reach required levels.<sup>64</sup>

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."<sup>65</sup>

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.<sup>66</sup> The National Audit Office (2022) noted:

A lack of affordable homes causes social inequalities and can increase cost pressures elsewhere in central and local government, such as on housing benefit payments and temporary accommodation.<sup>67</sup>

While there is some agreement that overall supply is important, commentators are increasingly focusing on the need to deliver more affordable housing to tackle living standards and "loosen the grip of poverty."<sup>68</sup> A Policy Exchange report, [Homes for Growth](#), (2023) calls for "a programme to significantly expand social housebuilding."<sup>69</sup>

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.<sup>70</sup> 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.<sup>71</sup>

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.<sup>72</sup>

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

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<sup>64</sup> As above, para 56

<sup>65</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 32

<sup>66</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 201

<sup>67</sup> NAO, [The Affordable Homes Programme since 2015](#), 8 September 2022, summary p5

<sup>68</sup> Joseph Rowntree Foundation, [Affordable housing: why current plans to invest don't go far enough](#), 27 March 2018

<sup>69</sup> Policy Exchange, [Homes for Growth](#), February 2023

<sup>70</sup> Stephens M; Perry J; Williams P; Young G: [2020 UK Housing Review Autumn Briefing Paper](#) (PDF), p5

<sup>71</sup> Whitehead C; Meen G: [2020 UK Housing Review Autumn Briefing Paper](#) (PDF), p15

<sup>72</sup> 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

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.<sup>73</sup>

## 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)<sup>74</sup> 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.<sup>75</sup>

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

- 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.”<sup>76</sup>
- 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.<sup>77</sup>
- The 2018 submission called for measures to build on Homes England's strategic partnerships and for “ten-year certainty over housing investment.”<sup>78</sup>
- Calls for a long-term rent settlement.<sup>79</sup>
- Calls for a more flexible funding system to deliver housing solutions relevant to local needs:

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<sup>73</sup> CSJ, [Exposing The Hidden Housing Crisis](#), November 2021

<sup>74</sup> The representative body of housing associations.

<sup>75</sup> NHF, [How can housing associations chart a course out of this crisis?](#) 27 April 2020

<sup>76</sup> NHF, [An offer for everyone](#) (PDF), October 2016

<sup>77</sup> As above. 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.

<sup>78</sup> NHF, [Submission: Budget 2018](#) (PDF), 28 September 2018

<sup>79</sup> 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 [login required]. From April 2020 social landlords were able to apply annual rent increases for five years of CPI+1%, however cost of living challenges led to the imposition of a [7% cap on rent increases in 2023/24](#) (with some exceptions).

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.<sup>80</sup>

We urge the government to go further to enable more flexibility on existing funding including allowing for replacement of homes so that high quality housing-led regeneration is delivered where it cannot be funded otherwise.<sup>81</sup>

- 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. 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.<sup>82</sup>

- 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.<sup>83</sup>
- 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.<sup>84</sup>
- Targeted funding for housing-related support (specifically the reinstatement of £1.6 billion ring-fenced funding) to support independent living:

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<sup>80</sup> NHF, [Submission: Budget 2018](#) (PDF), 28 September 2018

<sup>81</sup> NHF, [Submission: Spring Budget 2023](#), 10 February 2023

<sup>82</sup> NHF, [Budget 2020 submission](#) (PDF), February 2020

<sup>83</sup> NHF, [Submission: Budget 2018](#) (PDF), 28 September 2018

<sup>84</sup> NHF, [Submission: Autumn Budget 2017](#) (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.”

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.<sup>85</sup>

- 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.”<sup>86</sup>
- Maximising existing funding through the Affordable Homes Programme “to support housing-led regeneration across the country”.<sup>87</sup> 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.”<sup>88</sup>

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.<sup>89</sup>

The Government confirmed a condition of receiving AHP funding would require the homes built to have the Right to Shared Ownership attached.<sup>90</sup> The November 2020 Spending Review confirmed funding for the AHP.<sup>91</sup>

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

The 2021-26 AHP was expected to support the delivery of up to 180,000 new starts by 2026, subject to economic conditions.<sup>92</sup> However, the National Audit Office (NAO) was told the Government’s “stretch target” was to deliver 165,000 new homes.<sup>93</sup> The 2023 UK Housing Review refers to a DLUHC “central forecast” of delivering 157,000 new completions – 23,000 less than originally planned.<sup>94</sup>

The programme’s funding was initially split: 50% to fund homes at a discounted rent, and 50% for affordable home ownership products. In February 2023 DLUHC said social rented housing would be a “priority for the fund” advising “you can now access Social Rent-specific grant rates in all parts of the country. This is subject to meeting Homes England’s value-for-

<sup>85</sup> NHF, [Autumn Budget and Spending Review 2021](#), 21 September 2021

<sup>86</sup> As above.

<sup>87</sup> NHF, [Submission: Spring Budget 2023](#), 10 February 2023

<sup>88</sup> NHF, [Autumn Budget and Spending Review 2021](#), 21 September 2021

<sup>89</sup> [Budget 2020](#), HC 121, March 2020 (1,224KB, PDF), para 2.91

<sup>90</sup> [PQ 28566 \[Affordable Housing: Construction\], 17 March 2020](#)

<sup>91</sup> [Spending Review 2020](#) (2,001, PDF), CP 330, November 2020, para 6.59

<sup>92</sup> With completions continuing to 2028.

<sup>93</sup> NAO, [The Affordable Homes Programme since 2015](#), 8 September 2022, para 2.3

<sup>94</sup> Stephens M; Perry J; Williams P; Young G: [2023 UK Housing Review](#), March 2023, p85

money assessments.”<sup>95</sup> Homes England will also consider proposals including acquisition of an increased number of homes originally built for market sale in certain circumstances.<sup>96</sup>

London is receiving a lower percentage of available funding than under the previous programme. Bidding opened on 15 December 2020.<sup>97</sup>

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.”<sup>98</sup> The Government response said “we do not intend to set out a proportion of the funding which should be used for social housing” but said the programme would deliver around 32,000 social rented homes.<sup>99</sup>

The five-year funding settlement was welcomed.<sup>100</sup> 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.”<sup>101</sup>

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.<sup>102</sup>

The 2023 UK Housing Review notes Government investment plans for affordable housing in England have remained largely unchanged since Spending Review 2020.<sup>103</sup>

In the 2021 UK Housing Review Autumn Briefing Paper, John Perry referred to 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 was

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<sup>95</sup> Homes England and DLUHC, [Apply for affordable housing funding - GOV.UK](#) [accessed 5 May 2023]

<sup>96</sup> As above.

<sup>97</sup> MHCLG, [Apply for affordable housing funding](#), 15 December 2020

<sup>98</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 76

<sup>99</sup> [Her Majesty’s Government’s response to the House of Lords Built Environment Committee report on Meeting Housing Demand](#), March 2022

<sup>100</sup> [NHF Spring Budget 2020 – briefing for housing associations](#) (220KB, PDF), 26 March 2020

<sup>101</sup> [NHF, Details on the next Affordable Homes Programme announced](#), 9 September 2020. Also see Library briefing paper: [Shared ownership \(England\): the fourth tenure?](#)

<sup>102</sup> Stephens M; Perry J; Williams P; Young G: [2020 UK Housing Review Autumn Briefing Paper](#) (PDF), p5

<sup>103</sup> Stephens M; Perry J; Williams P; Young G: [2023 UK Housing Review](#), March 2023, p83

46%. In 2020 three-quarters of Government investment supported private sector provision.<sup>104</sup>

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

He questioned whether investment in affordable housing in England, even at this increased level, was 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'.<sup>105</sup>

The Housing, Communities and Local Government (HCLG) Select Committee's inquiry into Building more social housing reported in July 2020.<sup>106</sup> The Committee received "compelling evidence that England needs at least 90,000 net additional social rent homes a year"<sup>107</sup> and called on Government "to invest so the country can build 90,000 social rent homes a year."<sup>108</sup> 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.<sup>109</sup>

The Committee wanted to see expenditure on social housing development treated as infrastructure spending.<sup>110</sup> 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.<sup>111</sup>

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."<sup>112</sup>

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<sup>104</sup> Perry J; Stephens M; Williams P; Young G, [2021 UK Housing Review Autumn Briefing paper](#) (PDF), 2021, p5

<sup>105</sup> As above.

<sup>106</sup> Housing, Communities and Local Government Select Committee, [Building more social housing](#) (PDF), 27 July 2020, HC 173 2019-21

<sup>107</sup> As above, para 53

<sup>108</sup> As above, para 90

<sup>109</sup> As above, para 92

<sup>110</sup> As above, para 89

<sup>111</sup> As above, para 53

<sup>112</sup> As above, paras 44-45

The Government's response was published in October 2020.<sup>113</sup> 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.<sup>114</sup>

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.<sup>115</sup>

A 2022 report published by the British Property Federation and Legal & General, [Delivering a Step Change in Affordable Housing Supply](#) (PDF) considers how the subsidy gap might be addressed through a partnership between Government, housing associations, and institutional investors.<sup>116</sup>

## 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.<sup>117</sup>

In 1968 more than 352,000 new homes were completed with over 40% delivered by local authorities.<sup>118</sup>

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.<sup>119</sup> There is evidence of authorities' appetite to increase their contribution.

The Local Government Association (LGA) said it was "imperative" in its response to the pandemic for the Government to consider "what steps,

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<sup>113</sup> [Government Response to the Housing, Communities and Local Government Select Committee report on the Long-term Delivery of Social and Affordable Rented Housing](#) (PDF), CP 299, 27 October 2020

<sup>114</sup> As above, p6

<sup>115</sup> As above, p6

<sup>116</sup> British Property Federation and Legal & General, [Delivering a Step Change in Affordable Housing Supply](#) (PDF), March 2022

<sup>117</sup> Stephens M; Perry J; Williams P; Young G; Fitzpatrick S: [2020 UK Housing Review](#), p18

<sup>118</sup> As above.

<sup>119</sup> As above.



measures and reforms would support councils to work towards delivering a new generation of 100,000 high quality social homes per year.<sup>120</sup>

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 economy”, the LGA’s report, [Delivery of Council Housing – Developing a Stimulus Package Post-Pandemic](#), listed several policy and fiscal interventions which they suggest would have a positive impact in stimulating council housing supply.<sup>121</sup>

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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.
- The ability to retain and use all capital receipts generated by Right to Buy (RTB) sales in 2022/23 and 2023/24 with five years to spend the money.<sup>122</sup> 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.<sup>123</sup> The DLUHC announcement in March 2023 was preceded by flexibilities announced in March 2021:
  - The period within which receipts must be used was 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 could meet up to 40% of the cost of delivering a First Home or unit of shared ownership by using RTB receipts.<sup>124</sup>

Ongoing barriers include:

- The level of grant funding. The Chartered Institute of Housing (CIH) called for higher levels of investment and grant rates to aid providers’ response to the coronavirus-related economic crisis.<sup>125</sup>
- Continued restrictions on authorities’ ability to retain and use RTB generated capital receipts. The flexibilities announced in March 2023 were welcomed but councils have said they require a long-term

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<sup>120</sup> LGA, [Delivery of Council Housing – Developing a Stimulus Package Post-Pandemic](#), June 2020

<sup>121</sup> As above.

<sup>122</sup> DLUHC letter to all Chief Executives and Section 151 Officers of Stock-Holding Housing Authorities, Right to Buy receipts: further flexibilities, 31 March 2023

<sup>123</sup> CIH; NFA; Arch, [Local authority new build programmes and lifting the HRA borrowing caps](#) (PDF), January 2020, p4

<sup>124</sup> As above.

<sup>125</sup> CIH, [Grant levels need to rise to pump-prime social housing investment](#), 30 March 2020

settlement on retention and freedom to use RTB receipts with other grant funding.<sup>126</sup>

- Capping rent increases at 7% for 2022/23 in response to cost-of-living challenges. The Public Accounts Committee (2022) said: “The Department accepts that lower forecast rent will have a knock-on impact on the Programme, potentially leading to housing providers building fewer homes for social rent.”<sup>127</sup>
- The cost of fire safety remediation work.
- Pressure to invest in stock improvement work, eg to address damp and mould issues.
- 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](#).

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.

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[The Levelling Up White Paper](#) said there would 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.<sup>128</sup>

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.” They supported “tighter restrictions on the conditions under which social homes can be bought.”<sup>129</sup>

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<sup>126</sup> Inside Housing, “New Right to Buy receipts policy may be ‘too little, too late’, councils say”, 23 April 2023 [login required]

<sup>127</sup> Public Accounts Committee, [The Affordable Homes Programme since 2015](#) (PDF), 7 December 2022, HC 684 2022-23, para 13

<sup>128</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 61

<sup>129</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 77

## 3.3

## Land supply and capturing value

Part 5 of the Levelling up and Regeneration Bill will enable Community Land Auctions allowing planning authorities to capture land value for the benefit of communities (see below)

Around 10% of land in England is classed as ‘urban’ and 1% has domestic buildings on it.<sup>130</sup> 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.”<sup>131</sup>

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 landowner, not the developer.”<sup>132</sup> 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 solution to the housing crisis will never succeed unless it takes major steps to address our broken land system.”<sup>133</sup>

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.<sup>134</sup>

<sup>130</sup> UK National Ecosystem Assessment, 2011, p23

<sup>131</sup> Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), April 2014, p8

<sup>132</sup> As above.

<sup>133</sup> NEF, [What lies beneath: how to fix the broken land system at the heart of our housing crisis](#), July 2018, p2

<sup>134</sup> Shelter and KPMG (2015), [Building the homes we need: a programme for the 2015 government](#), 2014, p39

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”

A Government amendment to the Levelling Up and Regeneration Bill would disapply ‘hope value’ of land in certain circumstances (see below)

One potential response could be a Land Value Tax (LVT). Essentially, under this system landowners 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.”<sup>135</sup>

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.”<sup>136</sup>

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.<sup>137</sup>

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.<sup>138</sup>

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.

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.”<sup>139</sup> 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.<sup>140</sup>

Former Conservative Planning Minister, Nick Boles, expressed some support for giving authorities the ability to buy land at current use value<sup>141</sup> and, in Green, Pleasant and Affordable (June 2018), Neil O’Brien, writing for the Conservative think tank, Onward, said:

<sup>135</sup> [Land Value Taxation Campaign](#) [accessed on 30 December 2021]

<sup>136</sup> NEF, [What lies beneath: how to fix the broken land system at the heart of our housing crisis](#), July 2018, p2

<sup>137</sup> Institute for Economic Affairs, [The case for a Land Value Tax](#), September 2012 [accessed 14 May 2023] and UL Collaborative Centre for Housing Evidence (Cache), [Britain’s economic slowdown, the role of housing and land, and what to do about it](#), 16 February 2023

<sup>138</sup> Civitas, [Reform of the land compensation rules: How much could it save on the cost of a public-sector housebuilding programme?](#) (PDF), March 2018

<sup>139</sup> NHF, [Submission: Budget 2018](#) (PDF), 28 September 2018

<sup>140</sup> As above.

<sup>141</sup> Financial Times, [“Tory MP’s housing reforms divide industry,”](#) 14 November 2017

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.<sup>142</sup>

The HCLG Select Committee conducted an inquiry into land value capture which reported on 13 September 2018.<sup>143</sup> The Government response followed in November 2019.<sup>144</sup>

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.”<sup>145</sup>

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.”<sup>146</sup>

On calls to reform the Land Compensation Act 1961 to allow authorities to compulsorily purchase land at a fairer price, the Government said they were keen to let reforms introduced by the Housing and Planning Act 2016 and Neighbourhood Planning Act 2017 bed in but would “continue to monitor their practical application and remain open to considering practical improvements to the framework.”<sup>147</sup>

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.<sup>148</sup> The Government response (October 2020) referred to the reform of developer contributions and potential future reforms to the 1961 Act.<sup>149</sup>

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<sup>142</sup> Neil O’Brien MP, Onward, [Green, Pleasant and Affordable](#) (PDF), June 2018, p8

<sup>143</sup> Housing, Communities and Local Government Select Committee, [Land Value Capture](#) (PDF), 13 September 2018, HC 766 2017-19

<sup>144</sup> [Government Response to the Housing, Communities and Local Government Select Committee inquiry on land value capture](#) (PDF), CM 9734, November 2018

<sup>145</sup> Housing, Communities and Local Government Select Committee, [Land Value Capture](#) (PDF), 13 September 2018, HC 766 2017-19

<sup>146</sup> [Government Response to the Housing, Communities and Local Government Select Committee inquiry on land value capture](#) (PDF), CM 9734, November 2018, para 11

<sup>147</sup> As above, para 29

<sup>148</sup> Housing, Communities and Local Government Select Committee, [Building more social housing](#) (PDF), 27 July 2020, HC 173 2019-21, para 36

<sup>149</sup> [Government Response to the Housing, Communities and Local Government Select Committee report on the Long-term Delivery of Social and Affordable Rented Housing](#) (PDF), CP 299, 27 October 2020, p5

In January 2020 the UK Collaborative Centre for Housing Excellence (CaCHE) published a briefing paper on [Capturing increases in land value](#).<sup>150</sup> The paper 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 four parts of the UK.

The Lords Built Environment Committee (January 2022) also identified availability of land as a “significant barrier to meeting housing demand”<sup>151</sup> and highlighted differential land values as an issue in the ability to raise funding for infrastructure in low value areas.<sup>152</sup>

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.<sup>153</sup> 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.<sup>154</sup>

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.<sup>155</sup>

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

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<sup>150</sup> Crook T: [Capturing increases in land value](#), 13 January 2020, CaCHE

<sup>151</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 155

<sup>152</sup> As above, para 146

<sup>153</sup> Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p13

<sup>154</sup> [The Lyons Housing Review](#) (PDF), 2014, p63. A report of the Housing Commission established by Ed Miliband.

<sup>155</sup> 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.<sup>156</sup>

The annex to the White Paper contained consultation questions on these proposals. On 6 June 2019, Kit Malthouse responded to a parliamentary question on progress in this area.<sup>157</sup>

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.”<sup>158</sup> 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.”<sup>159</sup> Responses to the call for evidence are being analysed.

## The Levelling Up and Regeneration Bill 2022-23

### Land Compensation Act 1961 reforms

A Government amendment to the Levelling Up and Regeneration Bill<sup>160</sup> which is currently before Parliament would allow ministers to disapply the “hope value” of land obtained via a compulsory purchase order and see landowners compensated for only existing use value. This would only apply in certain cases involving affordable housing, health or education.<sup>161</sup>

### Community Land Auctions

The Bill contains new provisions to enable Community Land Auctions (CLAs) to be piloted. The Explanatory Notes describe CLAs as “an innovative approach to identifying land for allocation for development in a local planning authority’s area, in a way which seeks to improve land value capture for the benefit of local communities.”<sup>162</sup>

The Secretary of State at DLUHC, Michael Gove, described the purpose of CLAs in a [written statement](#):

Development must also be accompanied by the infrastructure needed to support it. Alongside the proposals for a more streamlined and non-negotiable infrastructure levy which are already contained in the bill, our amendments will introduce powers to allow piloting of community land auctions. These would give local planning authorities new powers to capture value from land

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<sup>156</sup> Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017, paras 1.17-21

<sup>157</sup> [PQ 258955 \[Housing\], 6 June 2019](#)

<sup>158</sup> MHCLG, [Transparency and competition: a call for evidence on data on land control](#), August 2020

<sup>159</sup> As above.

<sup>160</sup> Amendment 412D, not considered at the time of writing.

<sup>161</sup> [HL Bill 84-XII Twelfth marshalled list for Committee](#) (PDF), 28 April 2023

<sup>162</sup> [Explanatory Notes to the Levelling Up and Regeneration Bill 2022-23](#) (PDF), para 55

when it is allocated for development, which can then be used to enhance local infrastructure and services.<sup>163</sup>

## Is land banking a problem?

Land banking describes the practice of landowners 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 landowners, government and ‘developers’ who do not build.<sup>164</sup> 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.<sup>165</sup>

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 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.<sup>166</sup>

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

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<sup>163</sup> [HCWS375, 17 November 2022](#)

<sup>164</sup> Molior/GLA, [Barriers to housing delivery \(PDF\)](#), December 2012

<sup>165</sup> Molior/GLA, [Barriers to housing delivery update \(PDF\)](#), July 2014

<sup>166</sup> Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p37



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.<sup>167</sup>

Then-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.<sup>168</sup>

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:

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 land.<sup>4</sup> 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.<sup>169</sup>

The Levelling Up and Regeneration Bill will place a requirement on certain developers with 'relevant' planning permission to notify the local planning authority when they expect development to start and to produce an annual development progress report. The Explanatory Notes on the Bill explain the purpose of these reports:

The introduction of the development progress report will make it more transparent to all how a scheme is being built out and; clearer when unacceptable delays to a scheme's build out programme occur; as well as

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<sup>167</sup> Rt Hon Sir Oliver Letwin, [Independent Review of Build Out Rates – draft analysis](#), June 2018

<sup>168</sup> [PQ 23256 \[Housing: Construction\], 5 July 2021](#)

<sup>169</sup> Litchfields, [Feeding the Pipeline: Assessing how many permissions are needed for housebuilders to increase the supply of homes](#), 30 November 2021, p2

providing the evidence that will inform any potential local planning authority sanctions.<sup>170</sup>

## 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.<sup>171</sup> 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.<sup>172</sup> 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.<sup>173</sup>

The Coalition Government's land release programme attracted criticism from the NAO and the PAC.<sup>174</sup> 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."<sup>175</sup> The PAC identified some improvements in guidance and monitoring arrangements related to the delivery of the disposals programme.<sup>176</sup>

MHCLG published a progress report on the Public Land for Housing Programme 2015-2020 in May 2019.<sup>177</sup> 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.<sup>178</sup>

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."<sup>179</sup> Options for a future programme were under review, with decisions to be made at Spending

<sup>170</sup> [Explanatory Notes to the Levelling Up and Regeneration Bill 2022-23](#) (PDF), para 635

<sup>171</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 154

<sup>172</sup> [Department for Communities and Local Government Press Release](#), 8 June 2011

<sup>173</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 162

<sup>174</sup> Committee of Public Accounts, [Progress with the disposal of public land for new homes](#) (PDF), 2 November 2016, HC 634 2016-17

<sup>175</sup> As above, para 8

<sup>176</sup> As above, p3

<sup>177</sup> MHCLG, [Public Land for Housing Programme 2015-20 Progress Report](#) (PDF), May 2019

<sup>178</sup> MHCLG, [Public Land for Housing programme 2015 to 2020: data release February 2020](#), 6 February 2020

<sup>179</sup> [PQ HL1573 \[Government Departments: Land\], 26 February 2020](#)

Review.<sup>180</sup> In 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.<sup>181</sup>

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.<sup>182</sup> 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.<sup>183</sup>

On 30 June 2020, the then-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.<sup>184</sup>

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 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.

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<sup>180</sup> As above.

<sup>181</sup> [PQ 18549 \[Land: Public Sector\], 3 March 2020](#)

<sup>182</sup> NEF, [Sold off public land is creating miniscule amounts of affordable housing](#), 18 February 2020

<sup>183</sup> Beswick J; McCann D; Wheatley H: NEF, [Building the social homes we need](#) (1,565, PDF), November 2019

<sup>184</sup> Prime Minister's Office, [PM: Build, Build, Build](#), 30 June 2020

Leasing the land would mean authorities could receive a share of any rental income.<sup>185</sup>

- The sale of public land to the highest bidder has been questioned.<sup>186</sup> 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.<sup>187</sup> 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.”<sup>188</sup>
- 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.”<sup>189</sup>
- 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”.<sup>190</sup>
- The LGA is 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.”<sup>191</sup>

Consultation on “the disposal of surplus local authority land - rationalising and updating the rules which govern disposal of public land at less than best value” was conducted between 29 October 2018 and 14 January 2019.<sup>192</sup> 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.”<sup>193</sup>

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<sup>185</sup> Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p76

<sup>186</sup> 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](#) (PDF), 27 July 2020, HC 173 2019-21, para 44

<sup>187</sup> NEF, [What lies beneath: how to fix the broken land system at the heart of our housing crisis](#), July 2018, p5

<sup>188</sup> As above.

<sup>189</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 177

<sup>190</sup> LGA, [Spending Review 2021 departmental supplement: Department for Levelling Up, Housing and Communities \(DLUHC\)](#), 5 October 2021

<sup>191</sup> As above.

<sup>192</sup> MHCLG, [Planning Reform: supporting the high street and increasing the delivery of new homes](#), October 2018

<sup>193</sup> MHCLG, [Government response to consultation on Planning Reform: supporting the high street and increasing the delivery of new homes](#), May 2019, p22

Lord Best tabled an amendment to the Levelling Up and Regeneration Bill which sought to optimise the use of public land, he said:

First, it would place a duty on local authorities to have a land use management plan for sites in their ownership to ensure that developments are brought forward for the public good. Secondly, since the duty to optimise the use of public land would very often be exercised by disposal of the land to others, the amendment also seeks to define the meaning of the phrase “best consideration reasonably obtainable”, which governs sale of publicly owned land at present.<sup>194</sup>

Baroness Bloomfield of Hinton Waldrist responded for the Government. She said the amendment was not necessary because section 123 of the Local Government Act 1972 already enables them to dispose of land below less than best consideration when it supports the economic, social and environmental well-being of an area.<sup>195</sup> The Bill will extend the coverage of section 123 to police and crime commissioners and the Mayor’s Office for Policing and Crime. Disposal of land by the NHS is subject to a separate disposal regime that enables disposal at “less than best” consideration where it brings public benefits.<sup>196</sup>

## 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.<sup>197</sup>

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.<sup>198</sup>

The tools local authorities have at their disposal to get developers to contribute to the cost of infrastructure are currently section 106 agreements<sup>199</sup> and the Community Infrastructure Levy – see section 3.5 for more information on these tools. Part 4 of the Levelling Up and Regeneration

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<sup>194</sup> [HL Deb 20 March 2023 c1556](#)

<sup>195</sup> [HL Deb 20 March 2023 c1563](#)

<sup>196</sup> [HL Deb 20 March 2023 c1562](#)

<sup>197</sup> [The Lyons Housing Review](#) (PDF), 2014, p92. A report of the Housing Commission established by Ed Miliband.

<sup>198</sup> Public Accounts Committee, [Planning and the broken housing market](#) (PDF), 26 June 2019, HC 1744 2017-19, para 14

<sup>199</sup> 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.

Bill makes provision for the imposition, in England, of a new charge to be known as the Infrastructure Levy (section 3.5 has more information).

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.<sup>200</sup>

Bidding for the HIF opened in 2017. Autumn Budget 2017 allocated an additional £2.7bn to bring total funding up to £5bn.<sup>201</sup> Budget 2018 announced a further £500 million bringing total funding to £5.5 billion “unlocking up to 650,000 new homes”.<sup>202</sup> 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”.<sup>203</sup>

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.<sup>204</sup>

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.”<sup>205</sup>

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<sup>200</sup> [Autumn Statement 2016](#) (4.8MB, PDF), Cm 9362, November 2016, para 3.11

<sup>201</sup> [Autumn Budget 2017](#) (2,014KB, PDF), HC 587, 23 November 2017, para 5.18

<sup>202</sup> [Budget 2018](#) (2.6MB, PDF), HC 1629, October 2018, para 4.56

<sup>203</sup> [Background notes to the Queen’s Speech](#), December 2019, p50

<sup>204</sup> [HC Deb 13 January 2020, c736](#)

<sup>205</sup> [Background notes to the Queen’s Speech](#), December 2019, p48

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.<sup>206</sup> 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.<sup>207</sup>

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.”<sup>208</sup> 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.”<sup>209</sup>

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 says:

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 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...<sup>210</sup>

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

<sup>206</sup> [Spending Review 2020](#) (PDF), CP 330, November 2020

<sup>207</sup> [As above](#), para 6.59

<sup>208</sup> DLUHC, [£624 million of loan funding to support thousands of new homes and improve vital infrastructure](#), 5 November 2021

<sup>209</sup> [As above](#).

<sup>210</sup> MHCLG, [National Planning Policy Framework](#) (NPPF), para 73

infrastructure). Such policies should not undermine the deliverability of the plan.<sup>211</sup>

The Levelling Up and Regeneration Bill includes 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.<sup>212</sup>

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.<sup>213</sup>
- 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.<sup>214</sup> 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.<sup>215</sup>
- 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

<sup>211</sup> As above, para 34

<sup>212</sup> [Written evidence submitted by the Chartered Institute of Housing to the HCLG Committee inquiry into land value capture](#) (PDF), LVC 052, March 2018

<sup>213</sup> [Government Response to the Housing, Communities and Local Government Select Committee inquiry on land value capture](#) (PDF), CM 9734, November 2018, para 17

<sup>214</sup> MHCLG, [Government response to supporting housing delivery through developer contributions](#), October 2018

<sup>215</sup> [Government Response to the Housing, Communities and Local Government Select Committee inquiry on land value capture](#) (PDF), CM 9734, November 2018, para 21



under review.<sup>216</sup> 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.<sup>217</sup> The Levelling Up and Regeneration Bill contains measures aimed at streamlining and modernising the process for compulsory purchase orders (CPOs) and giving local authorities in England “clearer enabling powers to use CPOs for regeneration purposes.”<sup>218</sup>

- 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.<sup>219</sup>

## 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 were based on a major consultation exercise. 2,897 formal responses were received; a majority identified planning as the “biggest hindrance to housing delivery.”<sup>220</sup> The Centre for Cities has identified planning reform as “the key to ending the housing shortage.”<sup>221</sup>

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.

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 last revised in July 2021 (and is expected to be updated in 2023). The NPPF and accompanying [Planning Practice Guidance](#) give broad guidance to local authorities about calculating the supply of housing.

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<sup>216</sup> As above, paras 23-28

<sup>217</sup> [Government Response to the Housing, Communities and Local Government Select Committee report on the Long-term Delivery of Social and Affordable Rented Housing](#) (PDF), CP 299, 27 October 2020, p5

<sup>218</sup> DLUHC, [Compulsory purchase - compensation reforms: consultation - GOV.UK](#), updated 27 April 2023, para 3

<sup>219</sup> [Government Response to the Housing, Communities and Local Government Select Committee report on the Long-term Delivery of Social and Affordable Rented Housing](#) (PDF), CP 299, 27 October 2020, para 38

<sup>220</sup> APPG for Housing Market and Housing Delivery, [Barriers & Bottlenecks to Greater Housing Delivery](#), March 2021

<sup>221</sup> Centre for Cities, [The housebuilding crisis: The UK’s 4 million missing homes](#), February 2023

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, the Energy Act 2016, and 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.<sup>222</sup>

The response said a forthcoming Housing White Paper would set out further proposals for planning reform to support housing delivery.<sup>223</sup> *Fixing our broken housing market* was published in February 2017.<sup>224</sup> 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.<sup>225</sup>

The 2021 UK Housing Review notes "after an initial reaction against the regional targets established by the Labour government, the Conservatives have largely adopted the view that the planning system is the main barrier to new development."<sup>226</sup>

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<sup>222</sup> [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) (PDF), CM 9384, December 2016

<sup>223</sup> As above.

<sup>224</sup> Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017

<sup>225</sup> [Background notes to the Queen's Speech](#), December 2019, p48

<sup>226</sup> Stephens M; Perry J; Williams P; Young G; Fitzpatrick S: [2021 UK Housing Review](#), Chartered Institute of Housing and University of Glasgow, p15

## Proposed reforms to the planning system

The [Planning for the Future White Paper](#) was published for consultation in August 2020 with submissions accepted up to October that year. The Government has not yet responded to this consultation.<sup>227</sup>

The White Paper included proposals for a zonal planning system<sup>228</sup> and a new “nationally-determined, binding housing requirement” that local planning authorities would have to meet.<sup>229</sup> 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](#).

The February 2022 [Levelling Up White Paper](#) included proposals for planning system reforms to “ensure that planning becomes a tool for levelling up across England” and to deliver “more housing in England, including more genuinely affordable social housing.”<sup>230</sup> The White Paper restated the Government’s ambition for 300,000 new homes per year by the mid-2020s.

The Levelling Up and Regeneration Bill 2023-23 was introduced on 11 May 2022 and is currently before Parliament. The Bill does not take forward proposals for a zonal planning system or nationally-determined housing targets as proposed in the 2020 White Paper. It also does not include provisions for the 300,000 annual housing target, as set out in the 2022 White Paper.

The Centre for Cities argued that, to address the housing crisis, the current “discretionary planning system” would need to be replaced with “a new rules-based, flexible zoning system”. Instead of development only being allowed if a site was granted planning permission by the local planning authority, it should be permitted “allowed on more urban land and undeveloped land near cities unless it was specifically prohibited”.<sup>231</sup>

Alongside the Levelling Up and Regeneration Bill, the Government announced in May 2022 that it would update the National Planning Policy Framework (NPPF) in 2023. As set out in a December 2022 consultation, the revised NPPF would include several changes that may impact the supply of housing:

- LPAs with an up-to-date local plan would no longer be required to maintain a rolling 5-year housing land supply.
- Although the standard method for calculating local housing need would remain, LPAs would have “new flexibilities for meeting housing needs”. Specifically, they would:
  - not be required to meet their housing need in full if it could only be met by “building at densities which would be significantly out-of-character with the existing area”.

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<sup>227</sup> MHCLG, [Planning for the Future](#), 6 August 2020

<sup>228</sup> MHCLG, [White paper: Planning for the Future](#), August 2020, p15

<sup>229</sup> As above, p19

<sup>230</sup> DLUHC, [Levelling Up the United Kingdom](#), February 2022

<sup>231</sup> Centre for Cities, [What does this mean for housebuilding today?](#), 22 February 2023

- not be required to review or alter their Green Belt boundaries “if this would be the only way of meeting [housing] need in full”.
- be able to take past “over-delivery” into account when assessing their local housing need, such that if permissions granted had exceeded the provision made in the existing local plan, that surplus may be deducted from what needs to be provided.
- Although the Housing Delivery Test would be retained, LPAs whose delivery over the past three years had fallen below 85% of the housing requirement would no longer be required to apply a 20% buffer.<sup>232</sup>

The planning consultancy Lichfields assessed the impact of the proposed changes to the NPPF on housing supply. It concluded that the proposals “threaten to make what is a bad situation even worse, taking supply down by 77k to just 156k”:

We do not find measures in the proposed NPPF changes that would suggest housing output will increase or counter the prevailing downward pressures. Even if the Government is correct that more local plans will be prepared, fewer of them are likely to have targets that meet their local housing need or address unmet need from neighbours, and there will be fewer measures to address the inevitable shortfalls in housing delivery that follow.<sup>233</sup>

The “downward pressure” on housing supply would affect areas where homes to buy and rent were “most needed”: “more than half of the shortfall against the 300k ambition will be in the least affordable third of local authorities”.<sup>234</sup>

The House Builders Federation (HBF) objected to the proposals to give LPAs “new flexibilities for meeting housing needs” and remove the 5-year housing land supply for LPAs with an up-to-date local plan. It said these proposals would “significantly reduce the number of new homes being planned for”.<sup>235</sup>

The NHF expressed similar concerns that the proposed changes would “lead to a reduction in housing delivery overall”, including in affordable housing.<sup>236</sup> Other organisations, such as the Royal Institute of British Architects (RIBA) and the Royal Town Planning Institute (RPTI) expected the changes to have “knock-on” effects on housing supply.<sup>237</sup>

Lichfields said the Government’s proposed planning reforms had led a number of local planning authorities to pause or delay work on their

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<sup>232</sup> DLUHC, [Levelling-up and Regeneration Bill: reforms to national planning policy](#), December 2022

<sup>233</sup> Lichfields, [Making a bad situation worse? The impact of the proposed NPPF changes on housing supply](#), 27 February 2023

<sup>234</sup> Lichfields, [Making a bad situation worse? The impact of the proposed NPPF changes on housing supply](#), 27 February 2023

<sup>235</sup> House Builders Federation (HBF), [HBF's response to Government's NPPF consultation](#), 3 March 2023

<sup>236</sup> NHF, [Levelling-up and Regeneration Bill: reforms to national planning policy consultation](#), 26 January 2023

<sup>237</sup> Royal Institute of British Architects (RIBA), [RIBA responds to National Planning Policy Framework reforms: What does the future of the planning system look like?](#), 28 February 2023; RPTI, [NPPF consultation response](#), March 2023

emerging local plans. In April 2023, they estimated “we are forgoing c.11,200 homes per year” as a result of these delays to local plans.<sup>238</sup>

## 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.<sup>239</sup>

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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.<sup>240</sup>

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 applicant before imposing a pre-commencement condition on a grant of planning permission.<sup>241</sup> 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 2020 Planning White Paper included a commitment to introduce “clearer and more consistent planning conditions, with standard national conditions to cover common issues.”<sup>242</sup> Neither the Levelling Up and Regeneration Bill nor accompanying changes to national planning policies include proposals for streamlining planning conditions.

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<sup>238</sup> Lichfields, [Failing to Plan or Planning to Fail? The State of Local Plan-Making](#), April 2023; Lichfields, [Start me up – but then you stopped: the continuing cost of local plan delays](#), January 2023

<sup>239</sup> HBF, [New home planning ‘permissions’ up – but system remains a constraint](#), 3 January 2017

<sup>240</sup> As above.

<sup>241</sup> MHCLG, [Improving the use of planning conditions: consultation on draft regulations](#), January 2018

<sup>242</sup> MHCLG, [White paper: Planning for the Future](#), August 2020, p32

## Section 106 agreements and the Community Infrastructure Levy

There is a divergence of opinion on the merits of section 106 agreements<sup>243</sup> and Community Infrastructure Levy (CIL)<sup>244</sup> 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 third quarter of 2021/22:

- 44% (4395) of affordable completions were delivered through Section 106 agreements.
- 43% (4665) of affordable starts were delivered through Section 106 agreements.<sup>245</sup>

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.”<sup>246</sup>

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.<sup>247</sup> One company, Pocket Living, told the Lords Committee that it took 16 weeks to get planning consent and a further 22-44 weeks to negotiate the section 106 agreement.<sup>248</sup> 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.<sup>249</sup>

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

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<sup>243</sup> 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.

<sup>244</sup> A local authority may set a levy on all new building in their area. The money raised is used to fund general infrastructure.

<sup>245</sup> NHF, [How many homes did housing associations deliver in Q3 2021/22?](#) (PDF), May 2022

<sup>246</sup> Stephens M: [2020 UK Housing Review Autumn Briefing Paper](#), p14

<sup>247</sup> NAO, [Planning for more homes](#), HC 1923, February 2019, para 2.18

<sup>248</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 115

<sup>249</sup> As above., para 116

Committee that section 106 and CIL should be replaced by a single, national development charge of 20% of the sale value of land.<sup>250</sup>

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.<sup>251</sup>

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.<sup>252</sup> 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”.<sup>253</sup>

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.<sup>254</sup> 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.

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.<sup>255</sup>

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.<sup>256</sup>

The following changes were implemented:

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<sup>250</sup> As above, paras 140-46

<sup>251</sup> As above, para 147

<sup>252</sup> HM Government, [Review of the Community Infrastructure Levy: Terms of Reference](#) (PDF), November 2015

<sup>253</sup> DCLG, [A new approach to developer contributions: a report by the CIL review team](#), October 2016, para 3.5.5

<sup>254</sup> MHCLG, [Government response to supporting housing delivery through developer contributions](#), October 2018

<sup>255</sup> MHCLG, [Section 106 planning obligations and the Community Infrastructure Levy in England, 2018 to 2019: report of study](#), August 2020

<sup>256</sup> MHCLG, [Developer contributions reform: technical consultation](#), 2019

- 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.<sup>257</sup>
- 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.<sup>258</sup>
- 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.<sup>259</sup>

### A new Infrastructure Levy (IL)

The Levelling Up and Regeneration Bill would introduce a new Infrastructure Levy (IL), to replace the CIL. Unlike the CIL, IL rates would be based on the gross development value of a property at the point of sale. Section 106 agreements would remain but only to support the delivery of “the largest sites”.<sup>260</sup> Unlike the initial proposal, it would not be “a nationally-set value-based flat rate charge” but would be for local planning authorities to determine.

The Government said the IL would ensure “developers pay their fair share to deliver the infrastructure that communities need”.<sup>261</sup> The IL would be used to both to meet affordable housing needs and local infrastructure.

The new IL is controversial. The Shadow Minister for Housing and Planning, Matthew Pennycook, expressed concern that receipts from the IL would not be sufficient to meet both affordable housing needs and build the local infrastructure new development requires.<sup>262</sup> In a February 2023 letter, the National Housing Federation said the IL “risks a significant reduction in the delivery of affordable housing and homes for social rent through the planning system” by directing investment away from affordable housing:

In its current form, the new Infrastructure Levy could lead to the diversion of developer contributions away from affordable and social housing and towards other, unspecified forms of expenditure entirely unconnected to development. By contrast, a very high proportion of the value of developer contributions obtained via Section 106 agreements currently enables the delivery of affordable and social housing which plays a crucial role in helping to address housing need.<sup>263</sup>

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<sup>257</sup> [Community Infrastructure Levy \(Amendment\) \(England\) \(No. 2\) Regulations 2019](#)

<sup>258</sup> As above.

<sup>259</sup> As above.

<sup>260</sup> DLUHC, [Policy paper: Levelling Up and Regeneration: Further information](#), 11 May 2022

<sup>261</sup> As above.

<sup>262</sup> Public Bill Committee Debate 6 Sep 2022 [[Levelling Up and Regeneration Bill](#)], c632

<sup>263</sup> National Housing Federation (NHF), [Joint letter to the Secretary of State on the proposed Infrastructure Levy](#), 22 February 2023



The letter was signed by several other organisations, including Shelter, the British Property Federation and Crisis.<sup>264</sup> The Chartered Institute of Housing expressed similar concerns that the IL “risks a significant reduction in the delivery of affordable housing and homes for social rent”.<sup>265</sup>

The Government has repeatedly said it is committed to delivering “at least as much, if not more, on-site affordable housing” under the IL as under the current system.<sup>266</sup> In March 2023, the Government published a technical consultation on the design of the IL, which set out – amongst other things – how it expected the IL to deliver affordable housing:

A new ‘right to require’ will enable local authorities to set out what proportion of the Levy they want delivered as affordable homes and what proportion they want delivered as cash. As the developer will be obliged to deliver these apportionments, the ‘right to require’ will afford greater protection to policy compliant levels of affordable housing.<sup>267</sup>

Alongside the consultation, the Government published a research paper on the potential effects of the IL.<sup>268</sup> The paper concluded that the effects would depend on its design, specifically, the extent to which it would apply to development that is currently exempt from section 106 contributions:

The aggregate ‘take’ of the IL will be strongly influenced by the degree to which it encompasses development which would have historically been either partly or wholly exempted from developer contributions under the existing system.<sup>269</sup>

The research paper also highlighted that the potential effects of the IL could differ across the country based on context:

In contexts where existing real estate values are low, and costs are high – such as many brownfield sites in the midlands and north – it does not appear that the IL would be more likely to capture greater value than the existing system.<sup>270</sup>

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<sup>264</sup> National Housing Federation (NHF), [Joint letter to the Secretary of State on the proposed Infrastructure Levy](#), 22 February 2023

<sup>265</sup> Chartered Institute for Housing, [CIH response to the technical consultation on the Infrastructure Levy](#), March 2023

<sup>266</sup> Public Bill Committee Debate 6 Sep 2022 [[Levelling Up and Regeneration Bill](#)], c628

<sup>267</sup> DLUHC, [Technical consultation on the Infrastructure Levy](#), March 2023

<sup>268</sup> DLUHC, [Technical consultation on the Infrastructure Levy](#), March 2023

<sup>269</sup> DLUHC, [Exploring the potential effects of the proposed Infrastructure Levy](#) (PDF), February 2023 paragraph ES.64

<sup>270</sup> As above, paragraph ES.37

HCLG Committee concluded First Homes proposals “have the potential to negatively impact on social housing delivery.” (2020, para 99)

### Other short-term measures

In 2020 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”.<sup>271</sup>

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

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.<sup>272</sup>

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.<sup>273</sup>

### 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

<sup>271</sup> MHCLG, [Changes to the current planning system: consultation on changes to planning policy and regulations](#), August 2020

<sup>272</sup> Stephens M: [2020 UK Housing Review Autumn Briefing Paper](#), p14

<sup>273</sup> NHF, [Proposed changes to the planning system – our consultation response](#), 6 October 2020

than representative” ...this is “clearly an area of potentially great significance”.<sup>274</sup>

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.<sup>275</sup>

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 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.<sup>276</sup>

The National Housing Federation said if changes on viability are well implemented they “should increase the numbers of affordable homes”.<sup>277</sup> 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.<sup>278</sup>

The Housing, Communities and Local Government Select Committee’s inquiry into land value capture welcomed moves to increase transparency in the

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<sup>274</sup> Stephens; Perry; Wilcox; Williams and Young, 2018 UK Housing Review, Heriot-Watt University and the Chartered Institute of Housing, March 2018, p26

<sup>275</sup> NEF, [What lies beneath: how to fix the broken land system at the heart of our housing crisis](#), July 2018, p4

<sup>276</sup> MHCLG, [Planning Practice Guidance – Viability](#), 1 September 2019

<sup>277</sup> NHF, Initial thoughts on the new National Planning Policy Framework, 26 July 2018

<sup>278</sup> As above.

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.<sup>279</sup> No further correspondence is listed on the Committee’s webpage.

The Government has said, because the new Infrastructure Levy (IL) would be mandatory for all developers, it would prevent them from negotiating their contributions “downward on viability grounds”.<sup>280</sup>

[...] under the existing [section 106] system, levels of affordable housing are often negotiated downward on viability grounds, resulting in fewer units being delivered than a local authority initially sought. The non-negotiable nature of the [Infrastructure] Levy provides an opportunity to address this. The ‘right to require’ means that where local authorities set out how much of the Levy they want as affordable housing, that amount will be delivered without the risk of a downward negotiation.<sup>281</sup>

The NHF has said issues related to viability could remain under an IL-based system. It argues that setting IL rates “at the level needed to maintain current levels of affordable and social housing delivery could make many developments unviable”.<sup>282</sup>

The Centre for Cities has said the IL could resolve debates about viability because “rather than negotiating for everything case-by-case, the developer would just hand over the cash”. The Centre for Cities called for “a Land Development Charge set at 20 per cent of the market value of all new development when sold” in its 2019 report [Homes on the right tracks](#).<sup>283</sup> It said a flat rate, based on the gross development value of the finished development, like the IL would benefit both developers and local councils:

Both sides would win from this arrangement. Instead of having to bargain with developers claiming higher levels of contributions are unviable, councils get more funds to spend on infrastructure to mitigate the congestion problems that come with growth, while developers benefit from having total up-front certainty about what level of contribution is expected when acquiring land and making planning applications, minimising delays.<sup>284</sup>

## 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

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<sup>279</sup> [Government Response to the Housing, Communities and Local Government Select Committee inquiry on land value capture](#) (PDF), CM 9734, November 2018, para 12

<sup>280</sup> DLUHC, [Technical consultation on the Infrastructure Levy](#), March 2023

<sup>281</sup> DLUHC, [Technical consultation on the Infrastructure Levy](#), March 2023

<sup>282</sup> National Housing Federation (NHF), [Joint letter to the Secretary of State on the proposed Infrastructure Levy](#), 22 February 2023

<sup>283</sup> Centre for Cities, [Homes on the right tracks](#), September 2019

<sup>284</sup> Centre for Cities, [How can reform ensure the Levelling Up Bill’s new Infrastructure Levy is a success?](#), 18 May 2022

(2021) records: “Nobody argued that the current level funding for LPAs was adequate.”<sup>285</sup>

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.<sup>286</sup>

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.<sup>287</sup>

In Fixing our broken housing market, the 2015 Government said it intended to increase nationally set planning fees by 20%.<sup>288</sup>

The 20% fee increase was introduced on 17 January 2018. Consultation on additional increases in planning application fees was launched in September 2017.<sup>289</sup> A summary of responses, together with the Government’s view on the way forward was published on 5 March 2018.<sup>290</sup> The Government said it would assess the impact of the fee increase introduced in January 2018 when considering any further increases.<sup>291</sup>

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

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<sup>285</sup> Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 177

<sup>286</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 120

<sup>287</sup> As above, para 128

<sup>288</sup> Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017, para 2.15

<sup>289</sup> MHCLG, [Planning for the right homes in the right places: consultation proposals](#), 14 September 2017

<sup>290</sup> MHCLG, [Government response to the Planning for the right homes in the right places consultation](#), 5 March 2018

<sup>291</sup> As above, p31

for local planning authorities. Providing this certainty of funding should precede the introduction of the Planning Bill.<sup>292</sup>

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.<sup>293</sup> Other witnesses called for an increase in fees and for some Help to Buy investment to be redirected to ensure sites are built out.<sup>294</sup>

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.<sup>295</sup>

In February 2023, the Government launched a consultation on increasing planning fees by 35% for major applications and 25% for other applications (closed April 2023). It also proposed an annual adjustment to fees in line with inflation.

The consultation also sought views on how to “deliver a programme of support for building planning capacity and capability”, noting that local planning authorities faced “significant challenges in recruiting and retaining planning professionals and other technical experts”.<sup>296</sup>

The RTPI welcomed proposals to increase planning fees and tackle “the capacity and capability challenges” faced by LPAs but said “raising fees alone won't solve the resourcing crisis in LPAs”:

Fundamental questions remain about how the system should operate and be resourced as a whole remain. Planning services have become increasingly dependent on fee income, as opposed to other sources of funding, which is not optimal. [...] We recommend:

- The introduction of Chief Place Makers (who should be Chartered Town Planners);
- Greater government support for planning education and entry points into the profession including firm government exhortation for much greater use of councils' apprenticeship levy for town planning;

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<sup>292</sup> Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, p7

<sup>293</sup> [Written evidence from the Local Government Association \(UKH0043\)](#) [accessed 27 January 2022]

<sup>294</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 166

<sup>295</sup> As above, para 168

<sup>296</sup> DLUHC, [Increasing planning fees and performance: technical consultation](#), February 2023

- Widespread uptake of and support for our Planning Agencies model of public sector consultancy;
- Exploring new ways in which plan making, monitoring and enforcement could be funded.<sup>297</sup>

## Provisions in the Levelling Up and Regeneration Bill would abolish the Duty to Cooperate

### The Duty to Cooperate and housing market areas

The Duty to Cooperate has been criticised for not being a duty of any substance.<sup>298</sup> It is a duty which does not require agreement, it simply requires evidence of attempts to cooperate. 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”.<sup>299</sup>

In its final report to Government, the Local Plans Expert Review Group (LPEG)<sup>300</sup> 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.”<sup>301</sup>

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.<sup>302</sup>

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.<sup>303</sup>

The Levelling Up and Regeneration 2023 includes measures to abolish the Duty to Cooperate. The Government has said it would instead introduce a “flexible alignment test” to be set out in a future NPPF “to secure appropriate engagement between authorities where strategic planning considerations”.<sup>304</sup>

<sup>297</sup> RTPI, [RTPI response to consultation on planning fees and local authority performance](#), April 2023

<sup>298</sup> “The duty to cooperate: What next?” [The Planner](#) 14 March 2016

<sup>299</sup> “The duty to cooperate: What next?” [The Planner](#) 14 March 2016

<sup>300</sup> 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.

<sup>301</sup> Local Plans Expert Review Group, [Local Plans Report to Government](#), March 2016, p3

<sup>302</sup> As above.

<sup>303</sup> MHCLG, [National Planning Policy Framework](#), February 2019, para 27

<sup>304</sup> DLUHC, [Levelling-up and Regeneration Bill: reforms to national planning policy](#), December 2022

The HCLG Select Committee (2021) acknowledged the duty had “operated imperfectly” but said it should only be abolished “when more effective mechanisms have been put in place to ensure cooperation.”<sup>305</sup>

The RTPI also questioned whether the new flexible alignment test would be “any more successful” than the Duty to Cooperate. It argued that removing the Duty to Cooperate would “make it harder for local planning authorities to allocate land strategically across a local housing market area”.<sup>306</sup>

## 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.
- A lack of incentives for builders to develop permissioned land.<sup>307</sup>

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.”<sup>308</sup>

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.

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<sup>305</sup> Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 61

<sup>306</sup> RTPI, [NPPF consultation response](#), March 2023

<sup>307</sup> Select Committee on Economic Affairs, [Building More Homes](#) (1,751, PDF), 15 July 2016, HL Paper 20 2016-17, paras 110-14

<sup>308</sup> [Labour Party Manifesto 2015](#) (PDF), p46



- 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.<sup>309</sup>

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.<sup>310</sup>

The Committee supported giving local authorities the power to levy Council Tax on developments that remain incomplete within a given time period.<sup>311</sup>

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".<sup>312</sup> 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."<sup>313</sup>

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.<sup>314</sup>

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<sup>309</sup> [The Lyons Housing Review](#) (PDF), 2014, p67. A report of the Housing Commission established by Ed Miliband.

<sup>310</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, paras 131-33

<sup>311</sup> As above, para 139

<sup>312</sup> [Government response to the House of Lords Economic Affairs Committee Report: "Building more homes"](#) (PDF), CM 9384, December 2016

<sup>313</sup> As above.

<sup>314</sup> MHCLG, [National Planning Policy Framework](#) (NPPF), February 2019, paras 75-76

Lyons specifically commented on the need to persuade communities of the benefits of housing development.<sup>315</sup>

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.<sup>316</sup>

Shelter published updated research on Planning permissions and completions in August 2019.<sup>317</sup> In May 2021, the Local Government Association (LGA) published an analysis of planning permissions showing “1.1 million homes granted planning permission in England in the last decade are yet to be built”.<sup>318</sup>

Based on this, the LGA argued “planning is not the barrier to house-building” and said: “it is the housing delivery system that needs to be reformed.”<sup>319</sup> The LGA called for legislation to incentivise developers to build out planning permissions, such as charging full Council Tax and strengthened use of compulsory purchase powers on “stalled sites.”<sup>320</sup>

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.”<sup>321</sup>

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.”<sup>322</sup> 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

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<sup>315</sup> [The Lyons Housing Review](#) (2.4MB, PDF), 2014, p8. A report of the Housing Commission established by Ed Miliband.

<sup>316</sup> Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p48

<sup>317</sup> Shelter, Research note, [Planning permissions and completions](#), August 2019

<sup>318</sup> LGA, [Over 1.1 million homes with planning permission waiting to be built - new LGA analysis | Local Government Association](#), May 2021

<sup>319</sup> As above.

<sup>320</sup> As above.

<sup>321</sup> Litchfields, [Taking Stock: The geography of housing need, permissions and completions](#), June 2021

<sup>322</sup> Litchfields, [Tracking Progress: Monitoring the build-out of housing planning permissions in five local planning authority areas](#), September 2021

details, resolving land ownership and legal hurdles) that take time to resolve and in many cases require a fresh permission.<sup>323</sup>

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.”<sup>324</sup> 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.<sup>325</sup>

Fixing our broken housing market (February 2017) said the 2015 Government wanted development to happen as soon as possible where planning permission is granted.<sup>326</sup> 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 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.<sup>327</sup> Following mixed responses, the NPPF was amended to “encourage local authorities to consider shorter timescales for implementing planning permissions where appropriate.”<sup>328</sup>

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.”<sup>329</sup> Some of the responses received to questions posed in the Housing White Paper (2017) informed the work of this review.<sup>330</sup>

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

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<sup>323</sup> As above.

<sup>324</sup> Litchfields, [Feeding the Pipeline: Assessing how many permissions are needed for housebuilders to increase the supply of homes](#), 30 November 2021

<sup>325</sup> As above.

<sup>326</sup> Department for Communities and Local Government (DCLG) [Fixing our broken housing market](#), Cm 9352, February 2017, para 2.41

<sup>327</sup> As above, para 2.41

<sup>328</sup> MHCLG, [Government response to the housing White Paper consultation: Fixing our broken housing market](#) (PDF), 5 March 2018, p48

<sup>329</sup> MHCLG, [Independent review to tackle barriers to building](#), 14 January 2018

<sup>330</sup> MHCLG, [Government response to the housing White Paper consultation: Fixing our broken housing market](#) (PDF), 5 March 2018, p44

out rates “are as they are”.<sup>331</sup> 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 new 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.<sup>332</sup>

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.<sup>333</sup> This was overtaken by the 2019 Government’s commitment to introduce a Planning White Paper (see below).

HCLG Committee (2021) supported “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.<sup>334</sup>

Lichfields, the planning consultancy, published [Start to Finish](#) in February 2020 which considered the factors influencing build-out rates on large sites.<sup>335</sup>

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,

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<sup>331</sup> MHCLG, [Independent review of build out: preliminary update](#), March 2018

<sup>332</sup> MHCLG, [Independent review of build out: final report - GOV.UK](#), 29 October 2018

<sup>333</sup> [MHCLG Press Release](#), 14 March 2019

<sup>334</sup> Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 129

<sup>335</sup> Litchfields, [Start to Finish](#) (Second edition), February 2020

particularly on large strategic sites.<sup>336</sup> They also supported consideration of a three-year time limit from grant of planning permission.<sup>337</sup>

In [Homes for Growth](#) (2023) Policy Exchange argues that expediting planning permissions will not get to the root of why house builders are not building out as quickly as they might. Instead, the author says it is “the inherent uncertainty of our discretionary planning system that incentivises the accumulation of land and lower build out rates.”<sup>338</sup> He goes on to say measures to speed up delivery by builders without addressing land uncertainty “will mean that housebuilding remains subdued.”<sup>339</sup> He supported making the planning permission process more of a contractual one “with expectations and obligations for both local authorities and development companies” to improve trust and confidence in the system.<sup>340</sup>

### Levelling Up and Regeneration Bill

The Levelling Up and Regeneration Bill would require certain developers to notify their local planning authority of when they expected development to start (using “commencement notice”) and provide it with annual progress reports.<sup>341</sup> Baroness Scott of Bybrook set out the Government’s plans to address build out rates in a parliamentary answer on 5 May 2023:

...the Levelling Up and Regeneration Bill, which is currently going through the legislative process, contains a number of provisions which, if agreed by Parliament, will offer additional powers to encourage developers to build out more quickly. We recently consulted on changes to national planning policy which included proposals to publish data on developers of sites over a certain size in cases where they fail to build out according to their commitments. We also intend to consult on proposals to introduce a financial penalty against developers who are building out too slowly.<sup>342</sup>

### Better use of green belt land

Government statistics on green belt land on 31 March 2021 estimated it covered 1.64 million hectares representing around 12.4% of the land area of England.<sup>343</sup>

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

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<sup>336</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 182

<sup>337</sup> As above.

<sup>338</sup> Policy Exchange, [Homes for Growth](#), February 2023, p51

<sup>339</sup> As above.

<sup>340</sup> As Above.

<sup>341</sup> Clause 103 of the [Levelling Up and Regeneration Bill 2022-23](#) [as brought from the Commons]; Clause 106 of the [Levelling Up and Regeneration Bill 2022-23](#) [as brought from the Commons]

<sup>342</sup> [PQ HL7448 \[Derelict Land\], 5 May 2023](#)

<sup>343</sup> 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.<sup>344</sup>

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.<sup>345</sup>

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. She said the green belt should be “used up rather thoughtfully” and expanded on what she meant by this:

**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.<sup>346</sup>

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.<sup>347</sup> Trudi Elliot of the Royal Town Planning Institute said green belt land served “a very important

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<sup>344</sup> Para 145 of the [NPPF](#). Background information on green belt policy can be found in Library Briefing CBP-0934: [Green Belt](#)

<sup>345</sup> Natural England and CPRE, [Green Belts: A greener future](#), 2010, p90

<sup>346</sup> [Treasury Committee Oral Evidence: Housing Policy](#), HC 861, 7 December 2016, Q7

<sup>347</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 149

purpose” and building on it “is a complex issue that is not really helped by some of the simplistic debate we have about it.”<sup>348</sup>

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.<sup>349</sup>

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.<sup>350</sup> 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.”<sup>351</sup> He set out a method for achieving this outcome:

...the price differential between land in any use and its alternative proposed use, if it exceeds some threshold, should constitute a ‘material consideration’. There would then be a presumption that the alternative development would be permitted **unless** (and this is an important ‘unless’) it can be demonstrated that the environmental or amenity benefits generated by keeping the land in its existing use were of sufficient value to society to refuse the proposed development. It would be necessary to decide on an appropriate ‘threshold’ level for price differentials not to trigger a potential presumption of development. If the threshold was set at, say, £1 million, this would represent a significant hurdle to changes of use since the costs associated with such changes would not normally be as much. One can envisage, for example, agricultural land on the urban fringe or land zoned for industrial use in places where there is an undersupply of housing, so housing land prices exceed agricultural or industrial land prices by £1m or more. In neither case is it likely that basic infrastructure investment to make the land suitable for development in the new use would exceed £1m per Ha. So, if one was envisaging developing agricultural land on the urban fringe, a threshold of £1m could be viewed as the equivalent of a tax on Greenfield development, reducing the total urban land take.<sup>352</sup>

There are calls on all sides for green belt principles to be re-evaluated in a 21<sup>st</sup> century context. In [The Case for Housebuilding](#) (2023), the Centre for

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<sup>348</sup> As above, para 150

<sup>349</sup> Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014 p35

<sup>350</sup> “Greenbelt myth is the driving force behind housing crisis” [The Conversation](#), 13 September 2013

<sup>351</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, [written evidence [EHM0156](#)]

<sup>352</sup> As above, [written evidence [EHM0156](#)]

Policy Studies says “there is no realistic possibility of building the homes we need on brownfield sites alone.”<sup>353</sup>

Following consultation on proposed amendments to the green belt provisions in the NPPF set out in the 2017 Housing White Paper, the Government announced plans to “make clear the criteria that must be satisfied before the release of Green Belt land may, in exceptional circumstances, be justified.” Loss of green belt land was to be off-set through “compensatory improvements to environmental quality and access on remaining Green Belt land.” Rural exception sites could be created in green belt and development under neighbourhood development orders and changes of land-use for outdoor sport and recreation or provision of burial grounds would not be inappropriate in green belt “if it preserves its openness and would not conflict with its purposes.”<sup>354</sup>

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 Government should ensure there is sufficient funding provided to support their decontamination.<sup>355</sup>

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.’<sup>356</sup>

The Committee supported development on undeveloped land close to train stations. There would be an impact on green belt land, but a relatively small proportion: “for the five metropolitan regions included in the study this would cover just 1.8% of existing Green Belt land.”<sup>357</sup>

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.<sup>358</sup>

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<sup>353</sup> Centre for Policy Studies, [The Case for Housebuilding](#), January 2023

<sup>354</sup> MHCLG, [Government response to the housing White Paper consultation: Fixing our broken housing market](#) (565KB, PDF), 5 March 2018, pp23-25

<sup>355</sup> As above, para 205

<sup>356</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 155

<sup>357</sup> As above, para 156

<sup>358</sup> As above, para 158



Some organisations expressed disappointment that the Levelling Up and Regeneration Bill did not include Green Belt reforms. The property services group, Leaders Romans, argued the Green Belt had, in part, driven the “north/south divide”, inflating house prices around cities like Cambridge, London, and Oxford. Green Belt reforms should therefore be part of the “levelling up” agenda:

It is clear that the Government views Green Belt reform as separate from levelling up. This is ironic because Green Belt has, to some extent, driven the north-south divide, which itself brought about the need for levelling up agenda. The Green Belt constraints growth around cities such as Oxford, Cambridge and London, inflating house prices beyond the means of many, especially the young. Arguably, the presence of a green ‘halo’ around these and other locations (notable towns in the southeast ...), in which valuable urban brownfield sites have already been utilised, results in very limited opportunities for growth, and therefore a perception of exclusivity.<sup>359</sup>

In its December 2022 consultation on reforms to national planning policy to accompany the Levelling Up and Regeneration Bill, the Government included proposals to strengthen the Green Belt. It proposed amending the National Planning Policy Framework (NPPF) to “make clear that local planning authorities are not required to review and alter Green Belt boundaries if this would be the only way of meeting need in full”.<sup>360</sup>

The RTPI said, while some councils would support the reforms “as a welcome protection against encroaching on the natural landscape”, others may use it “as a convenient excuse to not prioritise housing delivery”.<sup>361</sup> The law firm Freeths argued the change would offer a “political green light” to not meet local housing need:

The strengthening of Green Belt policy will be a local political green light to plan for below required needs and the requirement for the cities/urban areas uplift to be contained within these areas has already been demonstrated to be undeliverable in several instances. The proposed changes will only exacerbate existing uncertainty and delays in plan-making. There has been a failure to provide any assessment, alongside the consultation, which grapples with the chilling conflict between these proposed changes and the, much needed, commitment to delivering 300,000 homes a year by the mid-2020s.<sup>362</sup>

## 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

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<sup>359</sup> Property Reporter, [Fresh calls for a review as government announce latest Green Belt statistics](#), 20 September 2022

<sup>360</sup> DLUHC, [Levelling-up and Regeneration Bill: reforms to national planning policy](#), December 2022, chapter 4, paragraph 9

<sup>361</sup> RTPI, [NPPF: Tackling the housing crisis](#), 26 January 2023

<sup>362</sup> Freeths, [Planning Freethinking January 2023: NPPF Revisions Consultation](#), 5 January 2023

developing 39% of new homes in 1988 compared to 10% in 2020.<sup>363</sup> 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.<sup>364</sup> The Centre for Cities (2023) has said social housing can contribute to addressing the housing shortage "but given the scale of the backlog, significantly increasing the amount of private housebuilding will be crucial."<sup>365</sup>

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.

## 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."<sup>366</sup> 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:

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.<sup>367</sup>

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

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<sup>363</sup> As above, para 92

<sup>364</sup> [Written evidence submitted by the Federation of Master Builders](#) [FPS 125]

<sup>365</sup> Centre for Cities, [The housebuilding crisis: The UK's 4 million missing homes](#), February 2023

<sup>366</sup> IPPR, [Think small, build big: Lessons from SME housebuilding in Germany](#), December 2017

<sup>367</sup> As above.

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.<sup>368</sup> The Spending Review and Autumn Statement 2015 announced an extension of “the £1 billion Builders’ Finance Fund to 2020-21.”<sup>369</sup>
- A £3 billion [Home Building Fund](#) was launched in October 2016 under which builders, including SME builders, could 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.”<sup>370</sup> The fund closed for applications in 2022.
- 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 ‘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.<sup>371</sup>
- 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.<sup>372</sup> Then-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

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<sup>368</sup> [Budget 2014](#) (PDF), HC 1104, March 2014, para 1.141

<sup>369</sup> [Spending Review and Autumn Statement 2015](#) (PDF) Cm 9162, November 2015, p41

<sup>370</sup> [Autumn Budget 2017](#) (PDF), HC 587, 23 November 2017, para 5.21

<sup>371</sup> MHCLG, [£10 billion package to build more homes and level up communities](#), 26 November 2020

<sup>372</sup> [MHCLG Press Release](#), 29 January 2020

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.<sup>373</sup>

The Housing Minister, Rachel Maclean, provided an update on 10 May 2023:

Our £1 billion ENABLE Build guarantee scheme has increased the amount of borrowing available to SME house builders. So far the Department has guaranteed nearly £350 million in loans to SME house builders, increasing the amount and variety of lending available to the sector.<sup>374</sup>

- 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.<sup>375</sup>
- The £1.5 billion [Levelling Up Home Building Fund](#) opened in February 2022. It supports SMEs to access loans and equity finance and is expected to support the delivery of 42,000 new homes across the country.<sup>376</sup>

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.<sup>377</sup>

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 this 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.<sup>378</sup>

The Lords Built Environment Committee (January 2022) received evidence from the Home Builders Federation (HBF) which recommended Government

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<sup>373</sup> [HC Deb 3 March 2020 c248WH](#)

<sup>374</sup> [HC Deb 10 May 2023 c226WH](#)

<sup>375</sup> MHCLG, [Homes England and United Trust Bank launch £250m Housing Accelerator Fund](#), 16 February 2021

<sup>376</sup> [Her Majesty's Government's response to the House of Lords Built Environment Committee report on Meeting Housing Demand](#), March 2022

<sup>377</sup> Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p64

<sup>378</sup> Capital Economics, [Increasing investment in affordable homes](#), 2014, section 6.4

guarantees to lenders “to help bridge the gap between current lending terms and enable higher loan-to-cost ratios.”<sup>379</sup>

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.”<sup>380</sup> 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.”<sup>381</sup>

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.<sup>382</sup>

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.”<sup>383</sup> 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.<sup>384</sup>

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). The All-Party Parliamentary Group for SME House Builders considered how Homes England might work with SMEs to build more homes in a report published in

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<sup>379</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 111

<sup>380</sup> Shelter and KPMG, [Building the homes we need: a programme for the 2015 government](#), April 2014, p67

<sup>381</sup> As above.

<sup>382</sup> [Treasury Committee Oral evidence: Housing Policy](#), 7 December 2016, HC 861, Q50

<sup>383</sup> Select Committee on Economic Affairs, [Building More Homes](#) (PDF), 15 July 2016, HL Paper 20 2016-17, para 253

<sup>384</sup> A Corlett & J Leslie, [Home county: Options for taxing main residence capital gains](#), Resolution Foundation, December 2021

spring/summer 2021.<sup>385</sup> The findings are based on responses from the industry following a call for evidence.

During a Westminster Hall debate led by Andrew Lewer MP about SME housebuilders on 10 May 2023, he said the APPG, which he chairs, had “just submitted a call for evidence on access to finance for SME house builders.”<sup>386</sup>

## Planning

During the Westminster Hall debate on 10 May 2023, Andrew Lewer said the planning system was the one issue SME housebuilders raised with him “more than any other.”<sup>387</sup>

Planning for the Future (August 2020) had supporting SME builders and developers as one of its aims. 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.<sup>388</sup>

Planning for the Future suggested 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.<sup>389</sup>

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.

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<sup>385</sup> APPG for SME House Builders, [Homes England and SME Housebuilders: How can the agency work with SMES to build more homes](#) (PDF), Spring/summer 2021

<sup>386</sup> [HC Deb 10 May 2023 c209WH](#)

<sup>387</sup> [HC Deb 10 May 2023 c210WH](#)

<sup>388</sup> MHCLG, [Press release: Launch of Planning for the future consultation to reform the planning system](#), 6 August 2020

<sup>389</sup> MHCLG, [White paper: Planning for the Future](#), August 2020, p49

- 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.<sup>390</sup>

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 for SMEs.”<sup>391</sup>

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.<sup>392</sup> 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.<sup>393</sup>

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.<sup>394</sup> They saw merit in Government working with planning authorities to “create a fast-track planning process for SMEs.”<sup>395</sup>

The Government response said they aimed to “make the planning process more certain, streamlined, proportionate, and digitally enabled”, and said they were helping SME housebuilders by introducing permitted development rights to enable the conversion of existing commercial and industrial buildings into housing.<sup>396</sup>

There was agreement with the Committee’s suggestion that a ‘master developer’ model – in which a large site is built out by a number of different housebuilders – could help to support SMEs. The Government also said Homes England can take the master developer role on certain sites and it was “exploring further options” relating to speeding up building as part of changing the planning system.<sup>397</sup>

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<sup>390</sup> Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 10 June 2021, HC 38 2021-22, para 126

<sup>391</sup> As above, para 127

<sup>392</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 99

<sup>393</sup> As above, para 100

<sup>394</sup> As above, para 104

<sup>395</sup> As above.

<sup>396</sup> [Her Majesty’s Government’s response to the House of Lords Built Environment Committee report on Meeting Housing Demand](#), March 2022

<sup>397</sup> As above.

In [Homes for Growth](#) (2023), Policy Exchange call for strategic disposal of public land, “reforming the planning system and streamlining infill development on brownfield sites” to support SME builders.<sup>398</sup>

During her response to the Westminster Hall debate on 10 May 2023, the Housing Minister, Rachel Maclean said the “impetus” for the Levelling Up and Regeneration Bill “is to reform planning and support SMEs to build more homes by making the planning process easier to navigate, faster and more predictable.”<sup>399</sup> She said the Government had consulted on strengthening policies through the NPPF to encourage greater use of small sites which support SME housebuilders and are considering the responses.<sup>400</sup>

## 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.

Some of the main challenges facing the sector in recent years have included a shortage of skills and insufficient recruitment, supply chain disruption and lower productivity growth than the economy average.

The government’s efforts to address the skills shortage, such as making it easier for the sector to employ workers from abroad have been welcomed. Also the number of apprentices starting in construction is higher than pre-pandemic levels.<sup>401</sup>

However, some industry members have criticised the Construction Industry Training Board (CITB), a public body which helps the sector develop skills and attract workers, for being ineffective.

On productivity, the industry has welcomed government actions to, for example, support the development of modular housing.<sup>402</sup>

Meanwhile supply chains have largely recovered from disruption caused by the pandemic.

### Key issues and policies

The government works with the industry through the [Construction Leadership Council \(CLC\)](#), which is jointly chaired by a minister (currently Nusrat Ghani

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<sup>398</sup> Policy Exchange, [Homes for Growth](#), February 2023

<sup>399</sup> [HC Deb 10 May 2023 c227WH](#)

<sup>400</sup> [HC Deb 10 May 2023 c228WH](#)

<sup>401</sup> CITB, [Construction Skills Network – UK 2023-2027](#), January 2023, p18

<sup>402</sup> Make UK Modular, [Who will be the builders?](#), March 2023



MP) and an industry representative (currently Mark Reynolds, CEO and Chair of Mace).<sup>403</sup>

The CLC's priorities are building safety, making the sector more environmentally friendly, boosting the sector's productivity through digital adoption and industrialisation and making sure the future workforce is robust and has the right skills.<sup>404</sup>

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 Council<sup>405</sup>
- 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 market.<sup>406</sup>
- The CLC's [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.<sup>407</sup>
- The CLC's [Vision and Mission](#), September 2022: includes a short-term focus on helping the industry tackle recent economic challenges including inflation and skills shortages.<sup>408</sup>

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<sup>403</sup> CLC, "[Co-chairs](#)" (accessed 18 May 2023)

<sup>404</sup> [CLC website](#) (accessed 18 May 2023)

<sup>405</sup> HM Government, [Construction 2025 Vision](#), July 2013

<sup>406</sup> HM Government, [Construction Sector Deal](#), July 2018

<sup>407</sup> CLC, [CLC Strategy 2021](#), March 2021

<sup>408</sup> CLC, "[Vision and Mission](#)" (accessed 18 May 2023)

## Supply chain challenges

During the past few years the construction industry has faced challenges with its supply chain, though these appear to be easing.

Over winter 2022/23, the construction supply chain generally improved, with the CLC saying in April “there is good availability for the vast majority of building products”.<sup>409</sup> It said this is due to factors including the demand for construction services slowing down, allowing manufacturers in the supply chain to catch up with orders, and shipping costs from east Asia falling.<sup>410</sup>

In the months preceding this publication there has been low availability of products including plasterboard, bricks and products with semi-conductors such as boilers. Birch plywood has also been in low supply due to the sanctions placed on Russia, one of the main suppliers of the material.

As of April 2023, plasterboard and products such as solar equipment and LED lighting which require semi-conductors were mentioned as having remaining supply issues.<sup>411</sup>

In March 2023, 4% of trading construction businesses surveyed by the ONS said they were unable to procure the materials, goods or services they needed within the UK that month. The proportion unable to procure from the EU was 2%, and 5% said they had experienced global supply chain disruption.<sup>412</sup>

All these figures were close to the lowest levels recorded since data started being collected in 2020 and 2021.

For example, a year earlier in March 2022, 20% of construction businesses said they had experienced global supply chain disruption in the preceding month.

## 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

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<sup>409</sup> CLC, [Construction Product Availability Statement](#), 4 April 2023

<sup>410</sup> CLC, [Construction Product Availability Statements](#), November 2022 to April 2023

<sup>411</sup> CLC, [Construction Product Availability Statement](#), 4 April 2023

<sup>412</sup> ONS, Business Insights and Conditions Survey data, Wave 81, 4 May 2023, tables 31 to 33

- 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
- Lack of R&D and investment in innovation
- Poor industry image<sup>413</sup>

These factors affect the attractiveness of the industry to workers and the extent of investment in skills development.

Survey data from the ONS collected periodically between October 2021 and April 2023 found that between 11% and 25% of construction businesses said they were experiencing a shortage of workers at a given point in time.<sup>414</sup> In April 2023, 35% of construction businesses said the workforce required extra support or training in at least one skill type. This has increased slightly from around 25% during 2021.<sup>415</sup>

In March 2023, the Migration Advisory Committee recommended a range of construction-related jobs including bricklayers, roofers and carpenters be added to the shortage occupation list, which makes it easier for employers to hire people in these professions from abroad.<sup>416</sup>

In the Spring Budget, the government said it would accept these interim recommendations for the construction sector, ahead of a wider review of the list concluding in autumn 2023.<sup>417</sup> It also said it would review the list more regularly. The news was welcomed by the Federation of Master Builders.<sup>418</sup>

The Construction Industry Training Board (CITB), an executive non-departmental public body funded by the industry via a statutory levy, has attracted criticism for failing to address skills shortages effectively.<sup>419</sup>

Citing a critical report from the National Federation of Builders,<sup>420</sup> 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

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<sup>413</sup> [Farmer Review of the UK Construction Labour Model: 'Modernise or die'](#), December 2016, p7

<sup>414</sup> ONS, Business Insights and Conditions Survey data, Wave 81, 4 May 2023, table 48

<sup>415</sup> As above, table 45

<sup>416</sup> Migration Advisory Committee, [Construction and hospitality shortage review](#), 15 March 2023

<sup>417</sup> HM Treasury, [Spring Budget 2023](#), March 2023, p101

<sup>418</sup> Federation of Master Builders, "[Budget boost to tackle construction skills shortages, says FMB](#)", 15 March 2023

<sup>419</sup> CITB, [Statutory Overview](#), March 2020

<sup>420</sup> National Federation of Builders, [CITB - Time to Reconstruct](#), October 2021

to consider potential alternative models for a national construction careers body.<sup>421</sup>

The government said CITB had made changes to “place industry voices at the heart of decision making” and outlined its efforts to provide training support in four areas where there were shortages, including bricklayers and dry liners (who build internal walls from plasterboard).<sup>422</sup>

The Committee’s report also made several 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.<sup>423</sup>

It 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”.<sup>424</sup>

The government said it had no plans to review the Apprenticeship Levy but would continue to work with industry to “ensure that the wider skills offer meets the needs of employers in the sector” via the Construction Skills Delivery Group.

On diversity, it highlighted among other things the Apprenticeships Diversity Champions Network and funding from the Department for Work and Pensions to provide employment support for disabled people and people with health conditions.<sup>425</sup>

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.”

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<sup>421</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, paras 218 and 222

<sup>422</sup> HM Government, [Her Majesty’s Government’s response to the House of Lords Built Environment Committee report on Meeting Housing Demand \(PDF\)](#), 12 January 2023, p16

<sup>423</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 193

<sup>424</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 202

<sup>425</sup> HM Government, [Her Majesty’s Government’s response to the House of Lords Built Environment Committee report on Meeting Housing Demand \(PDF\)](#), 12 January 2023, p17-19

- 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.”<sup>426</sup>

The [CLC Skills Plan for 2023 to 2024](#) says this year it will expand entry routes into the sector by educating schoolchildren about careers, expand apprenticeships and launch online resources on career pathways.<sup>427</sup>

It also aims for construction subsectors to develop “competence frameworks” to improve standards. The CLC has said while the majority of subsectors have some form of accredited third-party certification scheme, these typically look at a broad scope of work, but do not cover more specific activities, which these frameworks are intended to address.<sup>428</sup>

## 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 lifespan 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.<sup>429</sup>

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.<sup>430</sup>
- Encouraging the use of MMC as part of the Affordable Homes Programme 2021-2026.<sup>431</sup> The government and industry provided over £400 million

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<sup>426</sup> Construction Leadership Council, [Industry Skills Plan for the Construction Sector 2021-25](#), March 2011

<sup>427</sup> CLC, [Industry Skills Plan Update](#), April 2023, p4

<sup>428</sup> CLC Competence Steering Group, [Competence Framework – Installer Pilots Report \(Phase One\)](#) (PDF), 17 May 2022, p2

<sup>429</sup> National Audit Office, [Using modern methods of construction to build homes more quickly and efficiently](#), November 2005; NHBC Foundation, [Modern methods of construction: views from the industry](#), June 2016; McKinsey, [Modular construction: From projects to products](#), June 2019

<sup>430</sup> HM Treasury, [Budget 2021](#), March 2021, p60

<sup>431</sup> Gov.uk, [Apply for affordable housing funding](#), updated Dec 2020

through the Transforming Construction Challenge to various projects “to accelerate the shift in construction in the UK towards manufacturing and digital processes”.<sup>432</sup> This included, for example, the [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”.<sup>433</sup>

- The government’s Construction Playbook for public works encourages the aggregation and standardisation of demand to support the use of MMC methods.<sup>434</sup>

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.<sup>435</sup>

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”.<sup>436</sup>

The Committee also recommended the government and Homes England “help reassure consumers about the quality and safety benefits of MMC”, given evidence of consumers’ reservations.<sup>437</sup>

In its response the government said building regulations apply equally to homes built using MMC as to those built using traditional methods.<sup>438</sup> It added it was working to address the lack of standardisation across the industry and difficulties in obtaining warranties and therefore insurance and mortgages and that this would help provide assurance around the quality and safety of MMC.

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<sup>432</sup> UKRI, [Transforming construction](#), 2 May 2023 (accessed 18 May 2023)

<sup>433</sup> 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](#) (accessed 18 May 2023)

<sup>434</sup> HM Government, [The Construction Playbook](#), December 2020

<sup>435</sup> 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](#), September 2019, CP 168

<sup>436</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, para 262

<sup>437</sup> House of Lords Built Environment Committee, [Meeting Housing Demand](#), 10 January 2022, HL Paper 132 2021-22, paras 261 and 262

<sup>438</sup> HM Government, [Her Majesty’s Government’s response to the House of Lords Built Environment Committee report on Meeting Housing Demand \(PDF\)](#), 12 January 2023, p23

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