

# Affordable Housing Evidence of James Stacey BA (Hons) Dip TP MRTPI

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Land adjacent to Oakhurst Rise, Cheltenham

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Outline application for 43 dwellings including access, layout and scale, with all other matters reserved for future consideration.

Land adjacent to Oakhurst Rise, Cheltenham

W Morrison (Cheltenham) Ltd & Carmelite Charitable Trust

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TETLOW KING PLANNING  
UNIT 2, ECLIPSE OFFICE PARK, HIGH STREET, STAPLE HILL, BRISTOL, BS16 5EL  
Tel: 0117 9561916 Email: [all@tetlow-king.co.uk](mailto:all@tetlow-king.co.uk)

[www.tetlow-king.co.uk](http://www.tetlow-king.co.uk)

## Contents

	Executive Summary	
Section 1	Introduction	1
Section 2	Affordable Housing as an Important Material Consideration	4
Section 3	The National Housing Crisis	6
Section 4	Extent of the National Shortfall in Housing Delivery	29
Section 5	The Development Plan and Related Policies	41
Section 6	Affordable Housing Needs and Delivery in Cheltenham	47
Section 7	Affordability Indicators in Cheltenham	60
Section 8	The Weight to be Attributed to the Proposed Affordable Housing Provision	67
Section 9	Summary and Conclusions	76

## Appendices

- Appendix JS1 [Freedom of Information Correspondence \(7 and 8 January 2021, 4, 5, 11, 15 and 16 February 2021\)](#)
- Appendix JS2 [Extracts from Planning Practice Guidance \(March 2014, Ongoing Updates\)](#)
- Appendix JS3 [House of Commons Debate \(October 2013\)](#)
- Appendix JS4 [Building the Homes We Need \(April 2014\)](#)
- Appendix JS5 [Former Secretary of State for Housing, Communities and Local Government Speech on the Housing Market \(16 November 2017\)](#)
- Appendix JS6 [BBC Housing Briefing \(February 2020\)](#)
- Appendix JS7 [Speech by Secretary of State for Housing, Communities and Local Government to the Chartered Institute for Housing \(September 2020\)](#)
- Appendix JS8 [Home Truths South West \(September 2020\)](#)



## Executive Summary

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- i. This Proof of Evidence deals specifically with affordable housing and my consideration of the weight which I believe should be applied in the context of the acute need and the woeful level of affordable housing that has been delivered in Cheltenham.
- ii. The appeal proposals seek permission for 43 dwellings, of which 42% - 18 dwellings - are proposed as affordable homes. The provision of 18 affordable homes (comprising six social rented units, seven affordable rented units and five shared ownership properties) at the appeal sites marginally exceeds the requirements of JCS Policy SD12 which requires 40% provisions on qualifying sites.
- iii. The affordable housing provision will be secured through a Section 106 agreement.
- iv. There is irrefutable evidence of an acute national housing crisis. The former Housing Minister recently described the shortage of housing in the UK as possibly the largest scandal to hit the country in the past 30 years. Ms McVey acknowledged at her RESI Convention speech in September 2019 that the housing crisis has led *“to a rise in renting and costs, and to a fall in home ownership which has destroyed the aspiration of a generation of working people.”*  
  
*“Since the mid-1990s, house prices have risen to 8 times, 10 times, 12 times, in some of the most expensive parts of this country 44 times the actual income of someone, that cannot be right”,* claimed the former Housing Minister.
- v. Meanwhile in a House of Commons debate in September 2019 it was resolved that *“this House notes with concern the ongoing shortage of housing and the housing crisis across England; further notes with concern the number of families in temporary accommodation and the number of people rough sleeping; [and] acknowledges that there are over one million households on housing waiting lists...”*
- vi. In a speech on 4 March 2020 to the Planning Inspectorate, the current Housing Minister, Christopher Pincher stated that:  
  
*“I know a lot about the need for new and better homes. Because in my part of the world, houses for purchase and rent are appreciatively more expensive than in other parts of the West Midlands as we simply do not have enough homes.*

*There isn't a week that goes by without my constituents contacting me saying, "Chris, we just aren't able to buy or to rent the homes that we want to live in in this beautiful part of the world." (emphasis added)*

- vii. More recently at his speech on 14 October 2020 to the District Councils' Network, Housing Minister Christopher Pincher stated that: *"Local plans do not provide for the ambition we have – 300,000 new homes each year – nor enough to meet the demands of organisations and such as KPMG and Shelter, both of which say we need to be building north of 250,000 homes a year to deal with the housing challenges that we have."*
- viii. On a national level, in every scenario, against every annual need figure identified since the publication of the Barker Review in 2004, the extent of the shortfall in housing delivery in England is staggering and ranges from a shortfall of -1,105,490 to a shortfall of -2,635,490 homes over the past 17 years depending on which annual target actual housing completions are measured against. However, the true picture is that since 1969 the scale of the shortfall is over 5.5 million homes have not been provided. Not once in the last 50 years has the country built more than 300,000 homes. In January 2019, Shelter reported at least three million new homes will need to be built in England over the next 20 years to solve the housing crisis.
- ix. Analysis undertaken by Shelter and Savills in June 2020 identifies a range of scenarios for housebuilding recovery following the significant impact Covid-19 has had for the housebuilding industry and the wider economy in 2020.
- x. The scenarios anticipate that between 125,000 and 318,000 fewer new dwellings will be delivered in the five years 2020-2025, because of Covid-19, equating to a 9-23% drop in delivery. Of these, between 25,000 and 66,000 fewer affordable homes will be delivered (an 8-21% drop in delivery). Of these scenarios, the 'best case' assumes a rapid economic recovery (e.g. in light of medical advances) and the worst case assumes deeper and longer economic difficulties.
- xi. Shelter recommends boosting social housing provision in order to support overall housing output, with social housing demand being counter-cyclical to the prevailing wider economy. This merely serves to further compound the acute affordability problems that the country is facing.

## Key Findings

### xii. Affordable Housing Needs in Cheltenham Borough

- Joint Core Strategy Policy SD12 does not define a numerical target for the provision of affordable homes in Cheltenham Borough, instead it requires 40% provision from qualifying sites in Cheltenham.
- The reasoned justification to the policy draws reference to the need for 638 affordable homes per annum across the JCS area which is taken from the 2015 SHMA Update
- Within this JCS area need figure the 2015 SHMA Update identifies a need for 231 net affordable homes per annum in Cheltenham Borough between 2015/16 and 2031/32, equivalent to 3,696 net affordable dwellings when using 30% income thresholds.
- When comparison is drawn between affordable housing delivery and the needs identified in the SHMA Update since its 2015 base date, there has been a shortfall in the delivery of affordable housing of some -1,015 affordable homes against an identified need for 1,155 over the same period.
- The Gloucestershire LHNA published in September 2020 finds a minimum net annual need of 194<sup>1</sup> affordable homes per annum over the 20-year period between 2021 and 2041 for the Cheltenham Borough Council area. This equates to a minimum of 3,874 net affordable dwellings over the period.
- Is it important to note that the 2020 LHNA focuses on households with the most acute housing needs but does not however take into account households currently residing in the PRS.
- If these households were to be included the annual affordable housing need figure for the Borough increases significantly by 52% to 295 dwellings per annum, equivalent to 5,900 new affordable dwellings over the 20-year period.

### xiii. Affordable Housing Delivery in Cheltenham Borough and Charlton Kings parish

- Since the start of the JCS period in 2011/12 there have been a total of 3,570 net overall housing completions and 373 net affordable housing completions. This equates to an average of 41 net affordable housing additions to stock over the

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<sup>1</sup> Figures do not sum due to rounding –  $3,874 / 20 = 193.7$

nine-year period. There has been an average rate of 10% affordable housing delivery over the period.

- Over the same period in Charlton Kings parish there have been a total of 140 net overall housing completions and -6 net affordable housing completions. This equates to an average of -0.7 net affordable housing additions to stock over the nine-year period. There has been an average rate of -4% affordable housing delivery over the period.
- These figures should also be viewed in context of the fact that since the start of the JCS period in 2011/12 there have been a total of 181 losses to affordable housing stock through the Right to Buy across the Borough, ten of which have occurred in Charlton Kings Parish. This equates to an average of more than 20 affordable dwellings lost from stock across the Borough per annum. Losses in Charlton Kings have average 6% of losses in the Borough over the period.
- It is abundantly clear that the Council have a poor performance record in terms of delivering affordable housing at a Borough and local level.

#### xiv. **Future Delivery in Cheltenham Borough**

- The future delivery of affordable housing is highly uncertain. Within Cheltenham Borough the delivery of affordable homes has fluctuated considerably since the start of the JCS period in 2011/12 and the 2015 SHMA Update period in 2015/16.
- The delivery of a higher number of affordable homes one year does not guarantee this will continue for future years. The supply of affordable housing is affected by the local market factors, including the number of sites with planning permission and also wider national factors including availability of public funding.
- When the Sedgefield approach is applied in seeking to address the backlog in delivery of affordable homes which has accrued since 2014/15 compared with identified needs taken from the 2015 SHMA Update there would be a need for 434 net affordable homes per annum for the five years period between 2020/21 and 2024/across the Borough.
- The Council produced its latest five-year housing land supply (5YHLS) statement in December 2019 covering the period 1 April 2019 to 31 March 2024. If we were generously to assume that all 2,265 dwellings included in the 5YHLS will come forward on sites eligible for affordable housing; and that all of these sites would provide policy compliant levels of affordable housing (i.e., 40%) as a proportion of

overall housing completions this is likely deliver only 906 affordable dwellings over the period, equating to just 181 new affordable dwellings per annum.

- This figure falls substantially short of both the 231 per annum and 434 per annum figure required when back log needs are addressed in the first five years in line with the Sedgefield approach. Similarly, this figure falls below the minimum net annual need of 194 affordable homes per annum over the 20-year period between 2021 and 2041 identified in the 2020 LHNA.
- It should also be highlighted that net affordable completions in the 2019/20 monitoring period only averaged 7% of net overall housing. This further serves to demonstrate the Council are actively failing to plan to address affordable housing needs across the Borough and have been for some time.

#### xv. **Affordability Indicators**

- Housing Register:

The housing register data has been updated and shows that at 1 April 2020 there were 2,418 households on the register, qualifying for assistance with their housing needs. Of these households 598 had expressed Charlton Kings as one of their three preferred choices of location<sup>2</sup>. This is almost 25% of the entire register seeking a home in or near Charlton Kings.

- Temporary Accommodation

At 1 April 2020 there were 17 households being housed in temporary accommodation within the Borough, this represents almost a 31% increase from 1 April 2019.

- Private Market Rents

The lower quartile monthly rent in Cheltenham in 2019/20 was £600 per month whilst the average rental costs for the Borough were £825 per month for the same period.

Private market rents are increasingly unaffordable in the Borough, even with Local Housing Allowance support there are shortfalls in monthly rental costs ranging from -£89 to -£368 for average rental prices, to shortfalls of -£64 to -£155 for lower quartile rental properties which are typically considered to be the 'more affordable' segment of the rental market. For those in need of an affordable home in

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<sup>2</sup> The Councils FOI response (**Appendix JS1**) notes that Applicants are asked to choose 3 preferred areas but not in any order.

Cheltenham, the private rental market fails to provide an appropriate alternative to genuinely affordable homes.

- Affordability:

The average house price to average income ratio in Cheltenham now stands at 10. Even those seeking a home in the 'more affordable' lower quartile segment of the market would need to find more than eight times their annual income to do so with the lower quartile house price to lower quartile income ratio now standing at 8.31, a 6% increase since the start of the JCS period in 2011 where it stood at 7.84.

- House Prices:

The National Housing Federation report that the average house price in Cheltenham in 2018/19 was £332,953 which exceeds the national average. By comparison, data taken from Zoopla shows that over the past 12 months the average house price in Charlton Kings was £442,085.

- Tenure Profile:

Using Census 2011 data, social housing tenures comprised 19% of all households nationally. Within Cheltenham just 13% of tenures were affordable. The picture in Charlton Kings Parish was even more bleak with just 5% of homes comprising affordable tenures. This means the prospect of the 598 households expressing a preference for having their needs met where they wish to live is exceedingly low.

- xvi. The weight to be applied to affordable housing in the planning balance is a matter for Mr Frampton to address in his planning evidence, however in light of the Borough's record of affordable housing delivery and the level of affordable housing needs identified I consider that the provision of 18 affordable dwellings on this site should be afforded **substantial weight** in the determination of this appeal.

# Introduction

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## Section 1

- 1.1 This Affordable Housing Proof of Evidence has been prepared by James Stacey of Tetlow King Planning on behalf of W Morrison (Cheltenham Ltd) and the Carmelite Charitable Trust for land adjacent to Oakhurst Rise, Cheltenham. It examines the affordable housing need in Cheltenham and considers the weight to be attributed to affordable housing in the overall planning balance.
- 1.2 The appeal proposals seek permission for 43 dwellings, of which 42% - 18 dwellings - are proposed as affordable homes. The provision of 18 affordable homes (comprising six social rented units, seven affordable rented units and five shared ownership properties) at the appeal sites exceeds the requirements of JCS Policy SD12 which requires 40% provisions on qualifying sites.
- 1.3 The affordable housing provision will be secured through a Section 106 agreement.
- 1.4 This Proof of Evidence deals specifically with affordable housing and the weight to be afforded to it in this planning decision in light of evidence of need in the area. It should be read alongside the main Planning evidence of Peter Frampton.
- 1.5 My credentials as an expert witness are summarised as follows:
  - I hold a Bachelor of Arts (Hons) degree in Economics and Geography from the University of Portsmouth (1994) and a post-graduate diploma in Town Planning from the University of the West of England (UWE) (1997). I am a member of the Royal Town Planning Institute.
  - I have over 25 years' professional experience in the field of town planning and housing. I was first employed by two Local Authorities in the South West and have been in private practice since 2001. I have been a Director of Tetlow King Planning Ltd for the past ten years.
  - I act for a cross-section of clients and advise upon a diverse range of planning and housing related matters.
  - During the course of my career, I have presented evidence at over 70 Section 78 appeal inquiries and hearings.

- Both Tetlow King Planning generally and I have acted on a wide range of housing issues and projects for landowners, house builders and housing associations throughout the country. Tetlow King Planning has been actively engaged nationally and regionally to comment on emerging development plans, including the Regional Strategy, all Local Development Framework Core Strategies and many specific development plan and supplementary planning documents on affordable housing throughout the UK.
- 1.6 In accordance with the Planning Inspectorates Procedural Guidance, I hereby declare that:
- “The evidence which I have prepared and provide for this appeal reference APP/B1065/B1605/W/20/3261154 in this Statement is true and has been prepared and is given in accordance with the guidance of the Royal Town Planning Institute. I confirm that the opinions expressed are my true and professional opinions.”*
- 1.7 Providing a significant boost in the delivery of housing, and in particular affordable housing, is a key priority for the Government. This is set out in the most up-to-date version of the National Planning Policy Framework (NPPF), the Planning Practice Guidance (PPG), the National Housing Strategy and the Government’s Housing White Paper. Having a thriving active housing market that offers choice, flexibility and affordable housing is critical to our economic and social well-being.
- 1.8 In researching the evidence which underpins my evidence, I have placed reliance upon a Freedom of Information (FOI) request submitted to Cheltenham Borough Council on 7 January 2021 seeking a range of information relating to affordable housing delivery. A partial response was received on 5 February 2021. A full response was received on 16 February 2021.
- 1.9 Copies of all relevant correspondence relating to the FOI requests are included within **Appendix JS1**.
- 1.10 This proof of evidence comprises eight sections:
- Section 2 establishes the importance of affordable housing as an important material consideration;
  - Section 3 considers the national housing crisis;
  - Section 4 discusses the extent of the national shortfall in housing delivery;
  - Section 5 analyses the development plan and related policy framework including Cheltenham Borough Council corporate documents;



- Section 6 examines the extent to which new affordable homes are being delivered towards meeting identified needs in Cheltenham Borough;
- Section 7 covers a range of affordability indicators in Cheltenham Borough;
- Section 8 considers the weight to be attached to the proposed affordable housing provision; and
- Section 9 draws together my summary and conclusions.

# Affordable Housing as an Important Material Consideration

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## Section 2

- 2.1 The provision of affordable housing is a key part of the planning system. A community's need for affordable housing was first enshrined as a material consideration in PPG in 1992 and has continued to play an important role in subsequent national planning policy, including the NPPF.
- 2.2 It has been reflected in a number of court cases including *Mitchell v Secretary of State for the Environment and Another*, Court of Appeal (1994); *ECC Construction Limited v Secretary for the Environment and Carrick District Council*, Queens Bench Division (1994); *R v Tower of Hamlets London Borough Council, ex parte Barratt Homes Ltd*, Queens Bench Division (2000).

### **National Planning Policy Framework (February 2019) – CD D1**

- 2.3 The revised NPPF was last updated on 19 February 2019 and is a material planning consideration. It is important in setting out the role of affordable housing in the planning and decision-making process.
- 2.4 It sets a strong emphasis on the delivery of sustainable development. Fundamental to the social objective is to “*support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations*” (paragraph 8).
- 2.5 Chapter 5 NPPF (2019) focuses on delivering a sufficient supply of homes, in which paragraph 59 confirms the Government's objective of “*significantly boosting the supply of homes*”.
- 2.6 The NPPF (2019) is clear that local authorities should deliver a mix of housing sizes, types and tenures for different groups, which include “*those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes*” (paragraph 61).

- 2.7 It places a great responsibility on all major developments (involving the provision of housing) to provide an element of affordable housing. Paragraph 64 establishes that *“at least 10% of new homes on major residential developments be available for affordable home ownership”*.
- 2.8 Affordable housing is defined within the NPPF (2019) glossary as affordable housing for rent (in accordance with the Government’s rent policy for Social Rent or Affordable Rent or is at least 20% below local market rents), Starter Homes, discounted market sales housing (at least 20% below local market value) and other affordable routes to home ownership including shared ownership, relevant equity loans, other low-cost homes for sale (at least 20% below local market value) and rent to buy (which includes a period of intermediate rent).

#### **Planning Practice Guidance (March 2014, Ongoing Updates)**

- 2.9 The PPG was first published online on 6 March 2014 and is subject to ongoing updates. It replaced the remainder of the planning guidance documents not already covered by the NPPF and provides further guidance on that document’s application.
- 2.10 **Appendix JS2** sets out the paragraphs of the PPG of particular relevance to affordable housing.

#### **Conclusions on Affordable Housing as an Important Material Consideration**

- 2.11 Within national policy, providing affordable housing has long been established as, and remains, a key national priority as part of the drive to address the national housing crisis.

# The National Housing Crisis

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## Section 3

- 3.1 There is incontrovertible evidence that there is a national housing crisis in the UK affecting many millions of people, who are unable to access suitable accommodation to meet their housing needs. This section highlights some of this evidence and the Government's response to grappling with this issue.

### **Laying the Foundations – A Housing Strategy for England (November 2011)**

- 3.2 Laying the Foundations: A Housing Strategy for England was published on 21 November 2011. The foreword by the former Prime Minister and former Deputy Prime Minister set out the former Coalition Government's intention to unblock the housing market and tackle the social and economic consequences of the failure to develop sufficient high-quality homes over recent decades.
- 3.3 The Executive Summary signed off by both the then Secretary of State for Communities and Local Government and the then Minister for Housing and Local Government included the following:
- A thriving active but stable housing market that offers choice, flexibility and affordable housing is stated as being critical to our economic and social wellbeing;
  - *'The problems we face are stark'* and have been compounded by the impact of the credit crunch;
  - *'Urgent action to build new homes'* is necessary as children will grow up without the opportunities to live near their family and older people will not have the choice and support, they need;
  - *'Housing is crucial for our social mobility, health and wellbeing'*;
  - *'Housing is inextricably linked to the wider health of the economy'*; and
  - Fundamental to the whole approach of the strategy is communities (including prospective owners and tenants), landlords and developers working together.

### House of Commons Debate (October 2013)

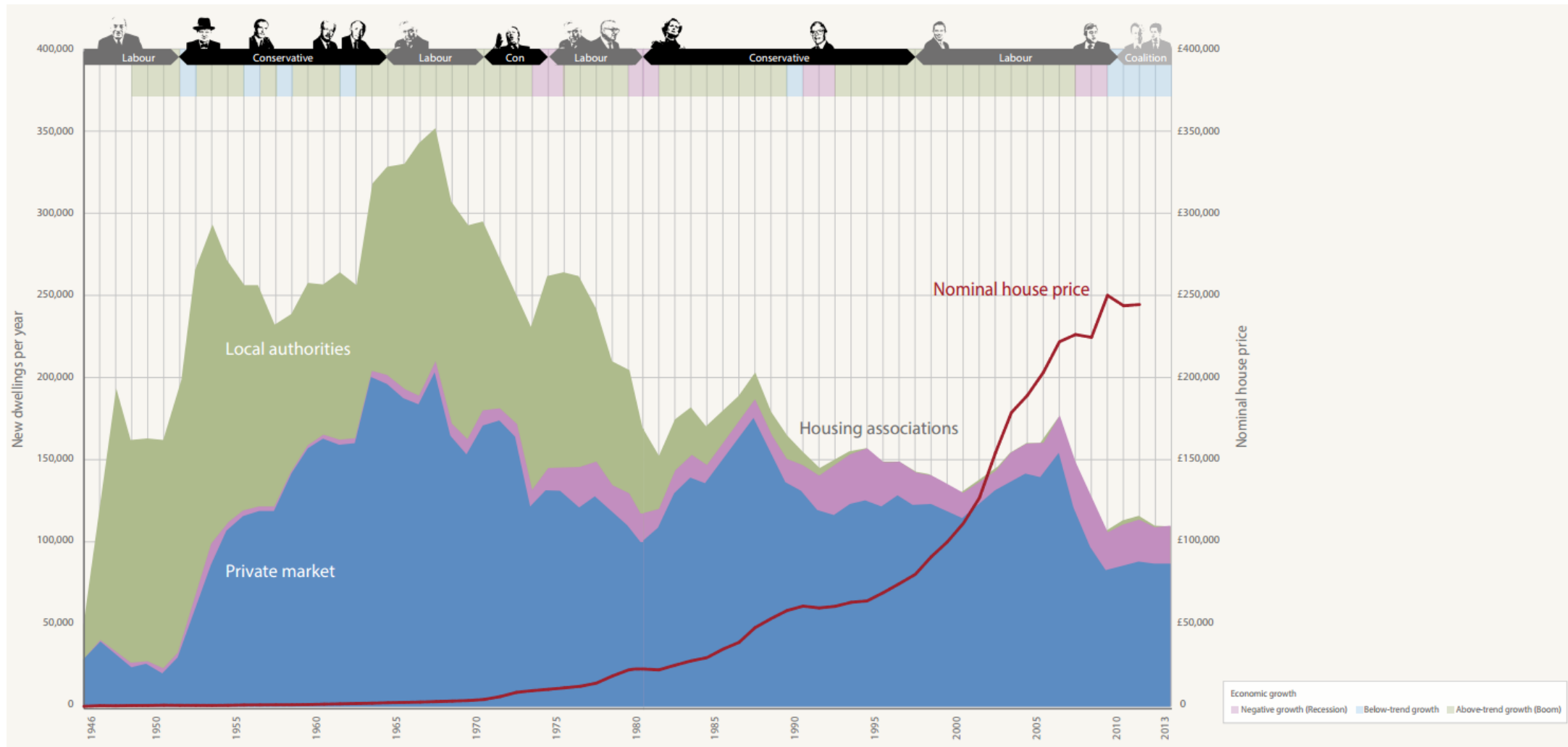
- 3.4 A debate took place in the House of Commons on 24 October 2013 concerning the issue of planning and housing supply; despite the debate taking place over six years ago the issues remain, and the commentary is sadly still highly pertinent to the issues surrounding affordable housing in Cheltenham. A copy of the debate can be found in **Appendix JS3**.
- 3.5 The former Planning Minister, Nick Boles, provided a comprehensive and robust response to the diverse concerns raised, emphasising the pressing need for more housing, and in particular affordable housing across the country. He opened by stating:
- “I need not start by underlining the scale of the housing crisis faced by this country, the extent of the need for housing or the grief and hardship that the crisis is visiting on millions of our fellow citizens.”*
- 3.6 When asked to clarify the word “*crisis*” by the Member for Tewkesbury, Nick Boles commented that in the past year the percentage of first time buyers in England who were able to buy a home without their parents’ help had fallen to the lowest level ever, under one third. He also commented that the first-time buyer age had crept up and up and was now nudging 40 in many parts of the country. He stated that the crisis “*is intense within the south-east and the south, but there are also pockets in parts of Yorkshire*”.
- 3.7 In response to questions, Nick Boles reaffirmed that:
- “Housing need is intense. I accept that my hon. Friend the Member for Tewkesbury (Mr Robertson) does not share my view, but many hon. Members do, and there are a lot of statistics to prove it”.*
- 3.8 He went on to say: “*It is not unreasonable, however, for the Government to tell an authority, which is representing the people and has a duty to serve them, “Work out what’s needed, and make plans to provide it”. That is what we do with schools. We do not tell local authorities, “You can provide as many school places as you feel like”; we say, “Provide as many school places as are needed”. We do not tell the NHS, “Provide as many GPs as you feel you can afford right now”; we say, “Work out how many GPs are needed.” The same is true of housing sites: we tell local authorities, “Work out how many houses will be needed in your area over the next 15 years, and then make plans to provide them.”*”

- 3.9 Mr Boles' full response highlighted the Government's recognition of the depth of the housing crisis and continued commitment to addressing, in particular, affordable, housing needs. The final quote above also emphasised the importance of properly assessing and understanding the needs; and planning to provide for them.

#### **Building the Homes We Need (April 2014)**

- 3.10 This report (**Appendix JS4**) was the result of a year-long project by KPMG and Shelter to understand the housing shortage and was intended to provide advice to the incoming 2015 Government.
- 3.11 The report started by setting out that *"everyone now accepts that we have a desperate housing shortage in England."* It further explained that *"each year we build 100,000 fewer homes than we need, adding to a shortage that has been growing for decades. What's more, our current house building system seems incapable of delivering growth on the scale required. Growing demand means that without a step change in supply we will be locked into a spiral of increasing house prices and rents – making the current housing crisis worse"*.
- 3.12 The report highlighted that if we do not take firm action to build more homes there will be very worrying consequences for our economy and society; including rising homelessness, stalled social mobility, declining pension saving and an ever-rising benefit bill.
- 3.13 The report set out the graph illustrated in figure 3.1 showing the levels of house building in England since 1946.

Figure 3.1: House building since 1946



Source: *Building the Homes We Need, Shelter and KPMG (2014)*

3.14 Figure 3.1 graph shows four interrelated trends:

- An overall decline in house building since 1946, including a steep decline from 1980 and a marked further decline since 2007;
- Relatively high levels of social housing provision by local authorities up until the mid-1970s;
- The growing relative contribution to affordable housing provision by housing associations since the late 1980s; they are providing most of the new affordable housing stock but not matching anything like the previous local authority contribution; and
- The gradual increase in the nominal house price through until about 1985 then grows exponential over the subsequent 30 years. There appears to be a correlation with the decline in new housing provision, although there are clearly other interrelated factors.

#### **Priced Out: Affordable Housing in England (November 2017)**

- 3.15 The Institute for Public Policy Research (IPPR) identified that affordable housing delivery continued to fall well behind the required level of need. In this study, the IPPR provided an overview of current affordability challenges across England, alongside a set of recommendations to increase affordable housing delivery.
- 3.16 The report found that in 67% of local authorities across England, insufficient homes were built to meet demand in 2015/16. In addition, house prices have risen by 76% since 1995, far outstripping inflation and as a result are out of reach to many on average incomes.
- 3.17 It also highlighted that the nature of affordable housing has changed in recent years. The range of available products has increased with these products becoming increasingly divorced from earnings and linked to market prices or rents.
- 3.18 Many affordable housing models are out of the reach of single people. Whilst dual earning couples, even those with lower quartile earnings, can afford most models in most areas, when income is diminished by the removal of a full-time earner as in the case of couples with a child, a much larger range of models become out of reach, particularly for those on lower incomes.



## **Government Post-EU Referendum**

- 3.19 The government which formed after the Brexit vote continued to pursue the issue of increased housebuilding. In commenting upon the increase on the number of new homes built and started in June 2016 the-then Communities Secretary Sajid Javid said:

*“We’ve got the country building again with more new homes started and built than this time last year...”*

*...This is real progress but there is much more to do. That’s why we are going further and increasing our investment in house building to ensure many more people can benefit.”*

- 3.20 In terms of continued support for home ownership the then Housing and Planning Minister Gavin Barwell said in response to the English Housing Survey (released 21 July 2016):

*“We are determined to ensure that anyone who works hard and aspires to own their own home has the opportunity to do so...”*

*Since 2010 over 300,000 households have been helped into home ownership through government-backed schemes...*

*The ground-breaking Housing and Planning Act will allow us to go even further delivering our ambition to build an additional one million homes.”*

- 3.21 This suggests that successive governments are continuing with their earlier aspirations and policies regarding housebuilding and homeownership.

## **House of Commons Briefing Paper: Tackling the under-supply of Housing (12 December 2018)**

- 3.22 The Paper provided an analysis of evidence in relation to how much housing the UK needs, trends in UK housing supply, barriers and solutions to supply in England and additional responses to the Housing White Paper.

- 3.23 The Briefing Paper set out that *“according to DCLG’s projections, the number of households in England is expected to grow from 22.7 million in 2014 to 28.0 million in 2039. This is an average increase of around 210,000 households per year.”*

- 3.24 It stated that *“in 2015/16, the total housing stock in England increased by around 190,000 residential dwellings: 12% higher than the previous year’s increase but a long*

way short of the estimated 240-250,000 new homes needed to keep pace with household formation" (my emphasis).

- 3.25 The Paper went on to identify that "*the new supply of social housing has not kept pace with growth in other sectors; in the long term, it has generally been lower than the amount lost through sales and demolitions*" (my emphasis).

**Former Secretary of State for Housing, Communities and Local Government  
Speech to Local Government Association Conference (July 2017)**

- 3.26 At the beginning of July 2017, the then Secretary of State for Housing, Communities and Local Government, Sajid Javid, addressed the conference reflecting on "*what has gone wrong in local government*" and outlining what the national and local governments need to do to address the nationwide housing crisis.
- 3.27 On housing, Mr Javid stated that "*there's a serious shortage of decent, affordable housing in this country*". He added "*since the 1970s – under Wilson, Callaghan, Thatcher, Major, Blair, Brown, Cameron and now May – we've supplied an average of 160,000 new homes each year. That's far below what's needed, and that failure of supply to keep up with demand has led to predictable results*".
- 3.28 Mr Javid summarised the issue, by outlining that "*the simple fact is that to put this right we need to build more homes that people want to live in, in places people want to live*".

**Former Prime Minister's Speech (15 November 2017)**

- 3.29 In November 2017, former Prime Minister Theresa May delivered a speech in which she made it her 'mission' to speed up the delivery of more homes.
- 3.30 Mrs May announced that "*for decades we simply have not been building enough homes, nor have we been building them quickly enough, and we have seen prices rise*". Whilst "*the number of new homes being delivered each year has been increasing since 2010*" and acknowledged that "*there is more we can do*".
- 3.31 She stated that "*we must get back into the business of building the good quality new homes for people who need them most*" and "*that is why I have made it my mission to build the homes the country needs and take personal charge of the Government's response*".
- 3.32 The former Prime Minister added that "*today I am seeing the work now underway to put this right and, in coming weeks and months, my Government will be going further to ensure that we build more homes, more quickly*".

- 3.33 In concluding, Theresa May stated that *“this will be a long journey and it will take time for us to fix the broken housing market - but I am determined to build a Britain fit for the future”*.

**Former Secretary of State for Housing, Communities and Local Government  
Speech on the Housing Market (16 November 2017)**

- 3.34 The day after the former Prime Minister pledged her commitment to providing more homes, former Communities Secretary Sajid Javid delivered a speech setting out his blueprint for boosting housing provision. A copy of this can be found at **Appendix JS5**.
- 3.35 Mr Javid announced that following the publication of official figures, there was an additional 217,000 new homes (net) which were delivered during the 2016/17 financial year. He added that this was the *“first time in almost a decade that the 200,000 milestone had been reached”*.
- 3.36 However, Mr Javid acknowledged that *“it is painfully obvious that there remains much, much more to be done”*, and that *“fixing the broken housing market will require a much larger effort”*.
- 3.37 He set out that *“even today, I still hear from those who say that there isn’t a problem with housing in this country. That we don’t need to build more. That affordability is only a problem for Millennials that spend too much on nights out and smashed avocados. It’s nonsense...where once it would have taken an average couple 3 years to save for a deposit – it will now take a quarter of a century. Assuming of course they could save at all”*.
- 3.38 Mr Javid compared the position of a first-time buyer in London saying a deposit of more than £90,000 was needed and lamented *“that’s a lot of avocados.”*
- 3.39 The former Communities Secretary stated that *“without affordable, secure, safe housing we risk creating a rootless generation, drifting from one short-term tenancy to the next, never staying long enough to play a real role in their community”*.

**Former Prime Minister’s Speech to the National Housing Federation Summit  
(September 2018)**

- 3.40 There is continued acknowledgment from the-then Prime Minister that the housing market is broken with the importance of more indistinguishable, high quality affordable homes being a crucial to resolving the housing crisis, with housing associations being at the forefront of increased affordable housing delivery.

3.41 In her speech to the National Housing Federation, Theresa May spoke to housing leaders about tackling “what remains one of the greatest challenges of our time” and how she has made it her “personal mission to fix our broken housing system”.

3.42 The former Prime Minister set out that one of the Government’s priorities is:

*“doing all we can to get more of the right homes built in the right places, so we can help more people onto the housing ladder – and ensure that those who cannot afford to own their own home also have a decent place to live”.*

3.43 She went on to make clear that:

*“the housing crisis we face today did not come about overnight. It is the result of decades of neglect. Year after year in which housebuilding of all kinds fell even as demand rose. So, while the steps we are taking are already making a real and lasting difference to millions of lives, we should not pretend that our broken housing system can be fixed at the flick of a switch.”*

#### **Centre for Policy Studies Press Release (January 2019)**

3.44 The press release outlines new analysis indicating that the 2010s will see housebuilding figures in England come in below any decade since the Second World War which is part of a 50-year pattern in which each decade has seen fewer new homes built than the last.

3.45 It stated that despite the Government’s recent efforts to boost construction, new-build housing completions in England between 2010 and 2019 are set to be approximately 130,000 per year - well below the 147,000 of the 2000s or 150,000 of the 1990s, and half of the level in the 1960s and 1970.

3.46 It goes on to say the picture becomes even worse when you factor in population size. In the 1960s, the new-build construction rate in England was roughly the equivalent of one home for every 14 people over the decade. In the 2010s, that ratio was one to 43, more than three times higher.

#### **Building for Our Future: A Vision for Social Housing (January 2019)**

3.47 The report produced by Shelter states three million homes must be built in England over 20 years to solve the housing crisis. It advises 1.2 million homes are needed for younger families who cannot afford to buy and face a lifetime in expensive and insecure private renting.

- 3.48 The research estimates 277,000 people are homeless in England, most commonly because they have lost their privately rented homes. The report indicates that upfront costs of £11bn a year could come from housing benefit savings by moving tenants from privately rented homes to social housing.
- 3.49 It also claims that schemes such as Help-to-Buy are a less effective use of taxpayers' money. It reports that 59% of people who used Help to Buy said they could have afforded the same or a similar property without using the scheme, meaning that only 24,000 households have been able to get into home ownership because of Help to Buy.

**Bleak Houses: Tackling the Crisis of Family Homelessness in England (August 2019)**

- 3.50 The report was produced by the Children's Commissioner to investigate the impact of homelessness and in particular the effect of this upon children.
- 3.51 It identifies that family homelessness in England today is primarily a result of structural factors, including the lack of affordable housing and recent welfare reforms. It states that the social housing sector has been in decline for many years and that between the early 1980s and early 2010s, the proportion of Britons living in social housing halved, as a result of losses to stock through the Right to Buy and a drop in the amount of social housing being built.
- 3.52 The research found that the decline in social housing has forced many households, including families, into the private rented sector. High rents are a major problem: between 2011 and 2017 rents in England grew 60% quicker than wages. It states that "Simply put, many families cannot afford their rent. It is telling that over half of homeless families in England are in work".
- 3.53 The report particularly focused on the effect on children. In particular the report reveals that many families face the problem of poor temporary accommodation and no choice but to move out of their local area, which can have a "deeply disruptive impact on family life". This can include lack of support (from grandparents for example) and travel costs.
- 3.54 It finds that a child's education can suffer, even if they stay in the same school, because poor quality accommodation makes it difficult to do homework and that younger children's educational development can also be delayed.
- 3.55 Temporary accommodation also prevents serious risks to children's health, wellbeing and safety, particularly families in B&Bs where they are often forced to share facilities

with adults engaged in crime, anti-social behaviour or those with substance abuse issues.

- 3.56 Other effects include lack of space to play (particularly in cramped B&Bs where one family shares a room) and a lack of security and stability. The report found (page 12) that denying children their right to adequate housing has a “*significant impact on many aspects of their lives*”.

### **House of Commons Debate on a Motion on the British Housebuilding Industry (August 2019)**

- 3.57 The debate pack was produced by the House of Commons Library in August 2019 in advance of a debate on the British housebuilding industry in September 2019.
- 3.58 The report noted at paragraph 1.2 that there were 83,700 homeless households living in temporary accommodation in England at the end of December 2018, a 74% increase compared with December 2010.
- 3.59 Furthermore, the number of people sleeping rough in England on any given night in Autumn 2018 was 4,677 people, 165% higher than in 2010.
- 3.60 In the debate itself, it resolved at Column 465, 4.59pm, that:
- “This House notes with concern the ongoing shortage of housing and the housing crisis across England; further notes with concern the number of families in temporary accommodation and the number of people rough sleeping; [and] acknowledges that there are over one million households on housing waiting lists...”*
- 3.61 It concluded that it “*calls on the Government to tackle the housing crisis as an urgent priority*” (my emphasis).

### **Housing Minister’s speech to the RESI Convention 2019 (September 2019)**

- 3.62 Following her appointment as Housing Minister on 24 July 2019, Esther McVey spoke at the RESI Convention claiming that the shortage of housing in the UK is possibly the largest scandal to hit the country in the past 30 years.
- 3.63 Ms McVey acknowledged that the housing crisis has led “*to a rise in renting and costs, and to a fall in home ownership which has destroyed the aspiration of a generation of working people.*”
- 3.64 Continuing to talk on the subject of affordability, the Housing Minister stated that:

*“Since the mid-1990s, house prices have risen to 8 times, 10 times, 12 times, in some of the most expensive parts of this country 44 times the actual income of someone, that cannot be right.”*

- 3.65 Ms McVey detailed that *“too many people feel that vital link between hard-work and owning their own home is broken. And when that link is severed, social mobility and opportunity falls away.”*

#### **National Housing Federation Research (September 2019)**

- 3.66 The National Housing Federation (NHF) published new research on the state of the housing crisis which found that 8.4 million people across England are directly affected by the housing crisis, which amounts to one in seven people.
- 3.67 The NHF report that people are affected in a variety of ways, including:
- Living in overcrowded homes;
  - Living with ex-partners or parents;
  - Living in unsuitable homes, such as homes that are not suitable for people with mobility issues; and
  - People who are homeless or at risk of homelessness.
- 3.68 Of these 8.4 million, around half, some 43% or 3.6 million, would need a social rented home to meet their needs.
- 3.69 Commenting on the NHF’s report the Local Government Association said that the Government *“should now go further and devolve Right to Buy so that councils retain 100 per cent of their receipts to reinvest”*.

#### **Conservative Party Manifesto (December 2019)**

- 3.70 The Conservative Party Manifesto for the December 2019 election reports at page 29 that *“the biggest problem that young people face in getting on the housing ladder is the deposit.”* It commits to ensure that the Government will *“offer more homes to local families”*
- 3.71 At page 30 of the Manifesto it states that *“home ownership is one of the most fundamental Conservative values. People are happier, more secure and more rooted in their communities when they own their own home – and know that they can pass it on to future generations”*. It goes on to set out that *“young people need the security of*



*knowing that home ownership is within their reach – that they too can have a tangible stake in society, can be rooted in their communities and have a place to raise a family”.*

- 3.72 The Manifesto (page 30) details that *“while we want to encourage as many people as possible into home ownership, we recognise that not everyone can afford their own home – and that those in social housing deserve the same dignity, respect and fair treatment as private renters”*. It commits to bring forward a Social Housing White Paper to *“support the continued supply of social housing”* and commits to *“end the blight of rough sleeping by the end of the next parliament”*.
- 3.73 Under the heading of ‘places we want to live in’ at page 31, the Manifesto explains that despite increased housebuilding since 2010 *“it still isn’t enough. That is why 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”*.

#### **BBC Housing Briefing (February 2020)**

- 3.74 The BBC Housing Briefing, attached as **Appendix JS6**, summarises a range of secondary data and case studies relating to the scale of housing need, quality, availability, and tenure. Sections 1 to 4 cover the broad context and issues; sections 5 to 7 consider the role of the public and private sectors in housing provision; and sections 8 to 10 cover policy mechanisms to address housing issues. The Briefing is prepared at the national level and sets out the overall ‘picture’ in respect of housing matters.
- 3.75 The Briefing was the topic of several news stories on the BBC Website and was widely promoted on the day of its publication, including through radio phone-ins, television news items, and the Bitesize revision service for teenagers.
- 3.76 The BBC states that the Housing Briefing was prepared in order to address public demand for *“more transparency and better explanation of the facts behind the headlines”*. The acknowledgements include Dame Kate Barker who undertook a review of the housing market in 2004, and Toby Lloyd, the former policy director of Shelter.
- 3.77 Section 8 of the Briefing refers to the scale of the housing shortfall that has amassed in recent years. It highlights at page 134 the work undertaken by Dame Kate Barker in 2004, the KPMG/Shelter study of 2014; the joint study between Heriott Watt University, Crisis and the National Housing Federation in 2018/9; all of which are referenced at Section 4 of this Proof of Evidence.



- 3.78 The Briefing contains case studies throughout which highlight the impact of the housing crisis on real people and households. These include the numerous case studies at pages 33, 40, 66, 69, 84, and 125 which include those in desperate need, facing homelessness or temporary accommodation, and those trapped in rented housing unable to afford to purchase.
- 3.79 The Briefing also refers to the serious impact of family homelessness upon children at page 34 and the work undertaken by the Children's' Commissioner, which I have reviewed at paragraphs 3.49 to 3.55 of this section.

### **Spring Budget 2020 (March 2020)**

- 3.80 The Spring Budget 2020 was presented by the Chancellor of the Exchequer, Rishi Sunak, to Parliament on 11 March, setting out an ambitious package of investment plans in the first Budget since the UK's departure from the European Union (EU).
- 3.81 Speaking on housing, the Chancellor stated the following:
- "Everyone should be able to access a safe and affordable home. Increasing housing supply is essential to creating a fairer, more affordable housing market and boosting productivity across the country".*
- 3.82 The Chancellor continued to explain in further detail the demand for more housing in the UK, concluding his points by confirming that *"the government has committed to creating at least 1 million new homes in England by the end of this Parliament and an average of 300,000 homes a year by the mid-2020s."*
- 3.83 The Chancellor also confirmed that the Government will be investing a further £9.5 billion into the Affordable Homes Programme, raising the level of investment to £12.2 billion of grant funding from 2021-22 to support the creation of affordable homes across England.

### **'Planning for the Future' Policy Paper (March 2020)**

- 3.84 On 12 March 2020, and as trailed in the Budget the previous day, the Government published a policy paper titled 'Planning for the Future'. It provides a summary of the reforms the Government expects to explore in more detail in the forthcoming Planning White Paper, expected later in 2020.
- 3.85 The introductory paragraphs emphasise the Government's intention to boost homeownership, noting at paragraph 2 *that "for many who are still trapped paying high rents and struggling to save for a deposit, home ownership seems like a dream which*

*is increasingly out of reach*". The paper also clearly recognises the importance of providing for those who are not homeowners. Paragraph 4 states that *"We must ensure security for those who do not own their homes"* and that *"We also need to prevent people from falling into homelessness by building more affordable homes and ensure that those living in social housing are treated with the dignity and respect they deserve"*.

- 3.86 Relevant measures proposed in the policy paper include those to help first time buyers onto the property ladder (paragraph 14), through the proposed First Homes scheme, work to deliver long-term fixed rate mortgages, and a new Shared Ownership model. Paragraph 17 goes further in respect of affordable housing, noting that *"We [the Government] are committed to improving access to safe and high-quality housing, improving affordability..."* and proposed measures include a renewed financial commitment to affordable housing and a package of measures to protect social and private sector renters. Paragraphs 18 to 20 explain that, in order to inform the Planning White Paper the Government will review the housing market and planning system and will consider, amongst other related matters, *"how to ensure affordable, quality, safe housing"*.

#### **Affordable Housing Commission Report (March 2020)**

- 3.87 The Affordable Housing Commission (AHC) is an independent, non-partisan group comprising fifteen experts drawn from the public, private and voluntary sectors. Its extensive full report was released in late March 2020 and examines a wide range of issues relating to the housing affordability crisis, with data from a wide range of sources. The AHC report examines the approach taken to affordable housing through the planning system; the definition of an 'affordable' rent; the challenges facing households in housing stress; and other measures including the approach taken to public investment and taxation.
- 3.88 The AHC report paints a bleak picture of housing affordability at present. It makes the simple proposition that *"Something has gone fundamentally wrong with the housing system and what it offers local people"*. The effects of this are serious and wide-ranging. The AHC notes that:
- "Housing stress is impoverishing families and young and old struggling renters, creating debts and arrears, harming health and well-being, and limiting life chances and aspiration. There are wider negative effects too – on the economy and productivity, on wealth inequality and poverty – resulting in more public expenditure subsidising rents and healthcare and tackling homelessness"*.

- 3.89 The AHC concludes that the root cause of the current affordability crisis is a clear shift in the structure of the housing market over the last 20 years. The AHC note that social rented sector has contracted, with low rates of new supply and extensive losses through the Right to Buy. By contrast, the AHC notes that the private rented sector has expanded significantly, even though it is ill-equipped to provide for those groups in greatest housing need.
- 3.90 The AHC is clear that the housing crisis is of such a scale that it will take many years to resolve. Its first recommendation is that the Government commits to ensure all households have access to affordable housing by 2045 so that the next generation does not face the same kind of hardships as the current.
- 3.91 Its package of 53 recommendations seek to substantially boost the role of the social rented sector, whilst also helping a sizeable cohort of households termed ‘frustrated first time buyers’ into homeownership. Key recommendations for planning include recommendation 5 to address the supply of affordable housing, namely that *“the government seeks a step change in affordable housing supply in line with the latest assessments of housing need. On current best evidence, this would equate to an increase to about 90,000 social rented homes a year (forming part of the government’s overall housing target of 300,000 homes a year)”*. Recommendation 43 notes the important role that Local Planning Authorities must play in this, and states that:
- “The Commission recommends that the preparation of local plans be made an enforceable statutory duty to ensure that all councils are delivering on their housing plans and targets. Local and city-region plans must be based on accurate housing needs assessment – including numbers of concealed households – which should be updated regularly”*.
- 3.92 Recommendation 16 addresses the impact of Right to Buy and proposes reforms to the system. It states that:
- “The Commission recognises that the Right to Buy remains a popular scheme. However, it is undermining efforts to address affordability, reducing numbers of relets at lower rents and moving properties from social renting to the PRS. Accordingly, the Commission recommends that the RTB is radically overhauled, including giving councils and housing associations discretion over the level of discount they offer, complete control over receipts and the opportunity to restrict any letting by a purchaser (e.g. requiring consent for letting the property)”*.

### **Shelter/Savills - Social Housing & Britain's Housebuilding Recovery (June 2020)**

- 3.93 Analysis undertaken by Shelter and Savills in June 2020 identifies a range of scenarios for housebuilding recovery following the significant impact Covid-19 has had for the housebuilding industry and the wider economy in 2020.
- 3.94 The scenarios anticipate that between 125,000 and 318,000 fewer new dwellings will be delivered in the five years 2020-2025 as a result of Covid-19, equating to a 9-23% drop in delivery.
- 3.95 Of these, between 25,000 and 66,000 fewer affordable homes will be delivered (an 8-21% drop in delivery). Of these scenarios, the 'best case' assumes a rapid economic recovery (e.g. in light of medical advances) and the worst case assumes deeper and longer economic difficulties.
- 3.96 Shelter recommends boosting social housing provision in order to support overall housing output, with social housing demand being counter-cyclical to the prevailing wider economy.

### **Housing, Communities and Local Government Committee: Building more social Housing, Third Report of Session 2019–21**

- 3.97 The Housing, Communities and Local Government Committee held an inquiry in 2020 into the delivery of social housing, building upon work undertaken in 2018 by its predecessor committee. The inquiry sought to investigate matters relating to the long-term delivery of social and affordable rented homes in England.
- 3.98 The Committee identified several matters of concern relating to the state of the housing market and the availability of affordable housing. Drawing in evidence from housing associations, charitable bodies and local authorities, the Committee noted the research by Shelter that some 500,000 households are homeless or not living in satisfactory housing; some 1 in 9 children live in overcrowded homes, and that use of Temporary Accommodation has risen by 82% since 2010. It also noted the increasing rates of poverty observed in the private rented sector, and the Committee supported the Affordable Housing Commission's finding that where housing costs more than one third of household incomes then serious issues such as arrears and debts become prevalent.
- 3.99 In terms of the annual need for affordable homes, the Committee considered evidence from a number of sources and was supportive of the work by the National Housing Federation in 2018 which identifies an annually-arising need for around 90,000 social

rented homes, 30,000 affordable rented homes, and 25,000 shared ownership homes. The Committee noted that although local authority housing registers had declined this was largely attributable to the provisions of the Localism Act 2011 which allowed councils to apply additional eligibility criteria.

- 3.100 The Committee was critical of the impact of Right to Buy losses upon the overall affordable housing stock which resulted in a significant depletion of the affordable housing stock – falling from 5.49 million dwellings in 1981 to 4.13 million dwellings in 2019. The Committee noted that the Government’s aim of a one-for-one replacement was not being achieved and that restrictions on the spending of receipts limited the ability of councils to replace lost stock.
- 3.101 The Committee has set out a package of recommendations which include improvements to the way housing statistics are collated and published, prioritising a social housebuilding programme, reforms to compulsory purchase rules, and reforms to the Right to Buy.

#### **White Paper: Planning for the Future (August 2020)**

- 3.102 On 6 August 2020, the Ministry of Housing, Communities and Government opened a 12-week public consultation on the long anticipated Planning for the Future White Paper. The Planning for the future consultation proposes reforms of the English planning system to streamline and modernise the planning process, bring a new focus to design and sustainability, improve the system of developer contributions to infrastructure, and ensure more land is available for development where it is needed.
- 3.103 In his foreword on page seven of the White Paper, the Prime Minister, Boris Johnson, highlights the importance of housing delivery, stating the following:

*‘And, above all, that gives the people of this country the homes we need in the places we want to live at prices we can afford, so that all of us are free to live where we can connect our talents with opportunity.*

*Getting homes built is always a controversial business. Any planning application, however modest, almost inevitably attracts objections and I am sure there will be those who say this paper represents too much change too fast, too much of a break from what has gone before.*

*But what we have now simply does not work.*

*So let's do better. Let's make the system work for all of us. Any let's take big, bold steps so that we in this country can finally build homes we all need and the future we all want to see.'*

- 3.104 On page eight, in his foreword, the Secretary of State for Housing, Communities and Local Government, Robert Jenrick, declares:

*"These proposals will help us to build the homes our country needs, bridge the present generational divide and recreate an ownership society in which more people have the security and dignity of a home of their own."*

**Speech by Secretary of State for Housing, Communities and Local Government to the Chartered Institute for Housing (September 2020)**

- 3.105 The Secretary of State, Robert Jenrick, gave a speech (attached as **Appendix JS7**) the Chartered Institute of Housing (CIH) in September 2020 covering a range of issues including affordable housing.
- 3.106 The Secretary of State made clear the problems that the Covid-19 pandemic has caused for those less fortunate than most – those stuck in poor, cramped accommodation, struggling to pay the rent, or those – worst of all – who have no home of their own at all. For these people, Jenrick stated that the pandemic 'has unquestionably been one of the darkest periods'.
- 3.107 Jenrick stated that 'they deserve better' and that, as we recover from the pandemic, the Government is absolutely determined to deliver the homes needed.
- 3.108 The Secretary of State recognised that there is 'still a great deal more to do' to help those trapped paying high rents who are 'struggling to save for a deposit to enjoy homeownership or even to enjoy the security and the dignity that comes with a secure home of their own, whether that be owned or rented'.
- 3.109 Jenrick stated specifically that '*Affordability remains a very big issue across the board*' and that '*issues around affordability are higher than ever on our agenda*'.
- 3.110 The speech talked about the Government's Affordable Homes Programme (AHP) announcement, which aims to deliver up to 180,000 affordable homes over five years from 2021 to 2026, right across the country. This is part of the Government's commitment to 'levelling up' and ensuring that opportunities are available to people across the country.

- 3.111 Jenrick went on to say that *'whether we're aiming to help more people onto the housing ladder, people who are renting or, crucially, who are homeless or sleeping rough, we will only succeed if we build more homes'*
- 3.112 The Secretary of State also highlighted the planning reforms that were set out at the beginning of the summer, which he stated will help to deliver even more affordable homes.
- 3.113 The Secretary of State for Housing, Communities and Local Government concluded that, to be on track to realise individual hopes and dreams, and to power the economy and social revival, requires 'building more homes – affordable homes', getting more people onto the housing ladder and 'building where affordability is most challenging'.

#### **NHF – People in Housing Need (September 2020)**

- 3.114 In September 2020, the NHF (National Housing Federation) published an analysis of the scale and shape of housing need in England today.
- 3.115 On page 4, the report shows that *'nearly 8 million people in England have some form of housing need'*. Nearly 1.9 million households are hosting a 'concealed' household while 3.4 million people found to be living in overcrowded accommodation.
- 3.116 The report expresses concern that the number of people in need of social housing could rise rapidly as a result of the coronavirus crisis – with low-income earners roughly twice as likely to lose their jobs.
- 3.117 It finds (page 2) that *'Long-term investment in social housing is needed to tackle this problem and provide people with suitable homes they can afford'*.
- 3.118 The report describes how the number of people in need of social housing in England has now hit 3.8 million people. This equates to 1.6 million households – 500,000 more than the 1.16 million households recorded on official waiting lists.
- 3.119 The report provides a clear measurement of housing need, necessary because local housing registers (or waiting lists) have become inadequate following the introduction of the Localism Act in 2011.
- 3.120 It states (page 3) that *'There is now no consistent set of criteria for allowing households to join a register'* and the data on these registers is not necessarily reviewed for accuracy on a regular basis. While local registers serve an important function, *'they do not give the full picture of how many people are in need of a home'*, hence the reason for the NHF analysis.



- 3.121 The report identifies how *'the housing crisis is not one crisis, but a series of interrelated and overlapping crises'* (page 3). These include affordability, the suitability, size and condition of homes, and the ability of people to find accommodation in the first place. Some people will experience one of these problems – others will experience many at once. The complicated picture of interrelated housing crises means there is a need for new, accurate and comprehensive research on housing need, the report finds.
- 3.122 It reveals that the number of people for whom social rent is the most appropriate tenure has increased since the previous iteration of the analysis. It states that *'This suggests an intensifying of need at the 'sharp end' – things are getting worse for the worst off'* (page 5). This is reflected both in the growth in the numbers of people affected by affordability issues and in the growth in overcrowding.
- 3.123 The report continues that more than 3.4 million people were found to be living in overcrowded households, a 5% increase on the previous figures, and 2.7 million were found to have an affordability issue – up nearly 10%.
- 3.124 As might be expected, a significant proportion of these people are to be found within the social sector already. Overcrowding is a known issue in this sector, the report establishes. A shortage of larger homes can make finding a suitably sized home more difficult for families as a result of the sale of council housing and a decrease in government funding for building new social homes since 2010.
- 3.125 This is because larger, family homes are more expensive to build and therefore more difficult to build with less government funding. The 'spare bedroom subsidy' has also acted as an incentive for developers to build smaller homes. Given the freeze on working-age benefits (introduced in 2016 following the 2015 Budget), benefits sometimes *'no longer cover even the cheapest forms of social housing rent'*, the report finds (page 6).
- 3.126 Meanwhile the analysis finds that nearly 1.9 million households are hosting a 'concealed' household, and that concealed households make up the third largest group of people affected, including nearly 1.8 million single people concealed within a total of nearly 1.5 million host households.
- 3.127 Across different tenures, when examining the proportions relative to the size of each tenure, the report finds that problems are more prevalent in the rented sectors, particularly the private rented sector, *'where more than a quarter of households have some form of housing need'* (page 6).



- 3.128 In addition, when the report looks at those households with needs for whom social rent is the most appropriate tenure, 18.8% of private renting households are in this position compared to 11.6% of social renters and just 1.3% of homeowner households.
- 3.129 Within the private rented sector, affordability, unsuitability and overcrowding are the most frequent issues. In particular, the wider measure of affordability (using an additional higher threshold) shows up highly, as does the measure of unsuitability for the age and health of the occupant.

**Speech by Secretary of State for Housing, Communities and Local Government to the Creating Communities Conference 2020 (September 2020)**

- 3.130 The Secretary of State, Robert Jenrick, reiterated the importance of affordability in a speech he gave to the Creating Communities Conference 2020.
- 3.131 In the speech, Jenrick made clear that *‘We owe it to the next generation to radically reform the existing system, so we can offer them a future where our children and grandchildren can afford to own their own home.*

**Speech by the Minister for Housing to the District Councils’ Network (October 2020)**

- 3.132 The Housing Minister, Christopher Pincher, gave a speech to the District Councils’ Network explaining why the Government is seeking reforms to the planning system. In explaining why the Government is considering a revised methodology for calculating housing need, Pincher noted the work of KPMG and Shelter, stating that *“Local plans do not provide for the ambition we have – 300,000 new homes each year – nor enough to meet the demands of organisations and such as KPMG and Shelter, both of which say we need to be building north of 250,000 homes a year to deal with the housing challenges that we have”.*
- 3.133 Pincher also emphasised the need to address poor housing affordability, particularly that observed in the South and the South East. He explained that in calculating housing need under the Government’s proposed methodology, that *“Fundamentally the initial driver, the first driver of need, must be affordability because there are parts of our country, not just in the south and the south east, where the affordability is low and people who want and need to live in a certain place and work in that place cannot afford to do so”.*

**Minister of State for Housing Speech at Savills Annual Housing Seminar (24 November 2020)**

- 3.134 The Housing Minister, Christopher Pincher, gave a speech to Savills Annual Housing Seminar about the government's strategy for housing.
- 3.135 The Minister made clear that the coronavirus pandemic only reinforced the need to double our efforts to build more quality homes with strong and sustainable communities, which are needed now *“more urgently than ever”*.
- 3.136 The Minister continued, that that means *“keeping up the pace on supply”* to make up for ground lost and that notwithstanding the emergency and the challenges to the economy the Government's target of building 300,000 new homes of all types and tenures each year by the middle of this decade must be met, so that people can *“afford to buy or afford to rent the sorts of homes that they want to be able to provide them with the security and the opportunity that they want and need”*.

**Conclusions on the National Housing Crisis**

- 3.137 There is an ever-increasing wealth of evidence including from figures at the highest levels of Government that unaffordability and inability to get on the housing ladder is a significant problem.
- 3.138 What is also clear is that the messages from previous Governments have failed to ensure enough new homes, especially affordable homes, are being built.
- 3.139 The evidence is clear and, in my opinion, demonstrates the pressing requirement to build more homes to meet the significant level of unmet need, particularly for homes that are affordable.
- 3.140 Evidence suggests that failure to do so will present a risk to the future economic and social stability of the United Kingdom.

# Extent of the National Shortfall in Housing Delivery

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## Section 4

4.1 In a speech to the House of Commons on 24 October 2013 the-then Planning Minister, Nick Boles, made reference to *“the scale of the housing crisis faced by this country”* and *“the extent of the need for housing”*.

4.2 The extent of the need for housing and the scale of the crisis as a result of the persistent under delivery of both market and affordable housing in the UK is explored further in this section of my evidence, starting almost 17 years ago with Kate Barker’s Review of Housing Supply in March 2004.

### **The Barker Review of Housing Supply (17 March 2004)**

4.3 In her 2004 review into issues underlying the lack of supply and responsiveness of the housing in the UK, Barker reported that housing is a basic human need, fundamental to our economic and social well-being. She found that:

- A weak supply of housing contributes to macroeconomic instability and hinders labour market flexibility;
- Housing has become increasingly unaffordable over time, noting that the aspiration for home ownership is as strong as ever, yet the reality is that for many this aspiration will remain unfulfilled unless the trend in real house prices is reduced;
- This brings potential for an ever widening social and economic divide between those able to access market housing and those kept out; and
- Homes are more than shelter. They provide access to a range of services and to communities. Housing also plays a major role as an asset in household’s balance sheets and in household planning for their financial futures.

4.4 Barker considered that continuing at the current rate of housebuilding was not a realistic option:

*“Unless we are prepared to accept increasing problems of homelessness, affordability and social division, decline in standards of public service delivery and increasing costs of doing business in the UK – hampering our economic success”.*

- 4.5 She found that whilst demand for housing is increasing over time, driven by demographic trends and rising incomes, in 2001 the construction of new houses in the UK fell to its lowest level since the Second World War.
- 4.6 A weak response of housing supply to demand changes has been one of the factors underlying the instability of the UK housing market with Barker reporting that *“there is growing evidence of a persistent inadequate supply”* noting that in the UK the trend rate of real house price growth over the past 30 years had been 2.4% compared to the European average of 1.1%
- 4.7 She found that affordability has worsened and that in 2002 only 37% of new households could afford to buy a property compared to 46% in the late 1980s. The overall objective of the Barker Review included:
  - To achieve improvements in housing affordability in the market sector;
  - A more stable housing market; and
  - An adequate supply of publicly funded housing for those who need it.
- 4.8 Taking the baseline level of private sector housing built in 2002/03 of 140,000 gross starts and 125,000 gross completions, Barker estimated that:
  - Reducing the trend in real house prices to 1.8% would require an additional 70,000 private sector homes per annum; and
  - More ambitiously, to reduce the trend in real house prices to 1.1% an additional 120,000 private sector homes per annum would be required.
- 4.9 Even in the case of the less ambitious price trend, Barker found that this would include pricing an additional 5,000 new households into the market each year and improving the access for the backlog of those currently priced out.
- 4.10 She found that an increase in supply of 17,000 affordable homes per annum would be required to meet the needs among the flow of new households, noting that there is also a case for the provision of up to 9,000 affordable homes per annum above this rate in order to make inroads into the backlog of need, a total of 26,000 per annum

- 4.11 Barker presented three scenarios for real house price trends ranging from slowing the rate at which households were being priced out to a long-term reduction of house price inflation:
- 2.4% per annum – which represented the Government’s target aimed at slowing the rate at which households were being priced out of the market, would have required an increase in housebuilding to 160,000 per annum;
  - 1.8% per annum – to reduce the long-term trend would have required an increase in housebuilding to 200,000 per annum; and
  - 1.1% per annum – which represented the EU average at the time, and which was considered would ‘improve the housing market’ would have required an increase in housebuilding to 260,000 per annum.
- 4.12 Meeting Barker’s most optimistic objective of improving the housing market and pricing many more households back into the marketplace would have required an estimated 260,000 homes per annum.

#### **The Barker Review: A Decade On (24 March 2014)**

- 4.13 In March 2014, the Home Builders Federation (HBF) undertook a review of housing delivery against the findings of the Barker Review and the impacts of this upon the market and affordability. They found that by 2004 the housing crisis was already building and in the 10 years since then, even against the most modest of the housing targets identified by Barker (which was met only once in 2005/06), the average annual shortfall has been 45,000 homes.
- 4.14 Measured against the objective of improving the housing market, housebuilding had been an average of 145,000 per annum down on the target of 260,000 per annum over the period between 2004 and 2014.
- 4.15 The HBF found that when measured against the middle of Barker’s three price inflation targets for 200,000 per annum, the shortfall of homes over the decade stood at 953,000 homes in 2014. This was on top of a backlog that had already been identified as being large (estimated at between 93,000 and 146,000) and growing in 2004.
- 4.16 They reported that in 2014 even if housebuilding rose to 210,000 per annum overnight, assessed against the middle objective of reducing the long-term rate of inflation, the country would be four and a half years behind where it was in 2004.

- 4.17 In 2014, the HBF found that a decade on from the Barker Review, the UK was 1.45 million homes short of where Kate Barker projected would have brought about an improved housing market.
- 4.18 The HBF reported that a basic estimate would suggest that in order to achieve the very modest objective of slowing the increase in the affordability gap so that fewer new households are priced out of the market, in 2014 some 200,000 private household starts would be required, a figure last achieved in 1972/73.
- 4.19 It goes further to detail that the objective of improving the housing market would, in 2014, have required 320,000 private housing starts per annum, a figure achieved in England only four times since World War II.

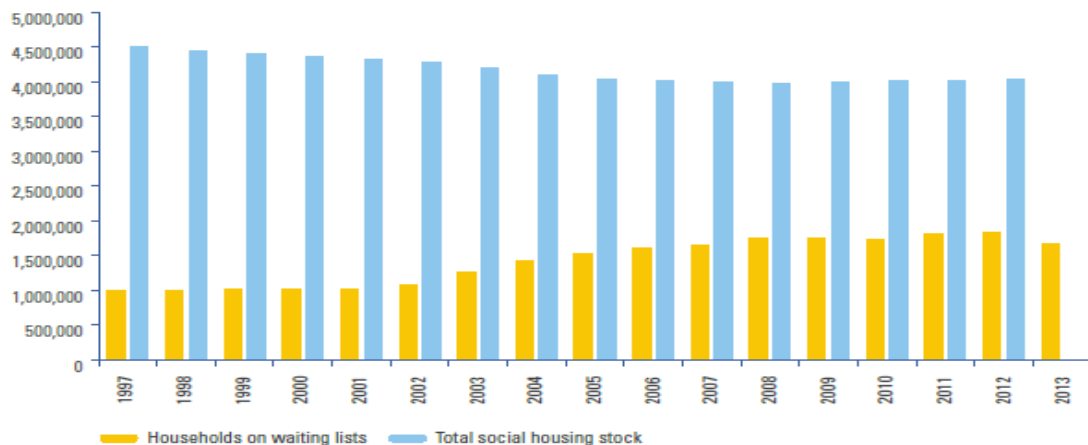
#### **Building the Homes We Need (April 2014)**

- 4.20 The KPMG and Shelter research was intended to provide a package of new housing policies to inform the new 2015 Government.
- 4.21 It reported that each year an average of 100,000 fewer homes are built that are needed which adds to a shortfall which has been growing for decades, noting that growing demand means that without a step-change in supply we will be locked into a spiral of increasing house prices and rents, making the housing crisis worse.
- 4.22 Because of private housing becoming less affordable, the number of people in need of affordable housing has grown and with the failure of successive governments to deliver new social housing whilst existing stock continues to be depleted through the Right to Buy, waiting lists have grown whilst social housing stock has shrunk as illustrated by figure 4.1<sup>3</sup>.

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<sup>3</sup> Reduction in total numbers on housing waiting lists in 2013 as a result of local authorities utilising the freedoms afforded to set their own housing allocation criteria through the Localism Act.

Figure 4.1: Social Housing Waiting Lists and Stock



Source: *Building the Homes We Need* (2014)

- 4.23 KPMG and Shelter found that changing demographics meant that we need to build a minimum of 250,000 new homes per annum in England to meet rising demand. In 2013 (the most recent monitoring period available at the time of publication of the report) just 109,660 new homes were built, the lowest annual level since 1946, the year of recovery after the Second World War.
- 4.24 In addition to which the report found that estimates suggest that the backlog of housing need may be as large as two million households and that to clear this England would need to build well over 250,000 homes each year, which would require doubling current output at the time of publication of the report.

#### **The House of Lords Select Committee on Economic Affairs: Building More Homes (15 July 2016)**

- 4.25 The Select Committee found that a growing population, rising immigration and rising incomes have increased demand for housing in England in recent decades but that too few homes have been built over this period. As a result, house prices and rents have risen sharply and there has been a decline in home ownership over the past decade.
- 4.26 They considered that we must build enough homes to make housing more affordable for everyone, noting that aspirant home owners who are unable to afford a deposit pay substantial proportions of their income on rent, families on waiting lists of social housing contend with insecure tenancies and rogue landlords, and at the same time housing benefit spending has doubled in the past two decades.
- 4.27 The Lords reported that as former Housing and Planning Minister Brandon Lewis had explained to them, the Government aimed to address the problems by building one



million homes by the end of Parliament. However, it was noted that since the Brexit vote the Minister had effectively abandoned this target and prior to the vote had warned that it would be difficult to achieve if the UK voted to leave the European Union.

4.28 In addition to this the Committee found that whilst the Government's ambition was welcomed, it must be matched by appropriate action on a much larger scale than currently envisaged and across all tenure. They considered that the Government was focused on building for home ownership and therefore neglecting housing for affordable and social rent.

4.29 It was reported that it had been 10 years since 200,000 homes (the implied annual rate from the Government's target) were added to the housing stock in a single year, but the evidence suggested that this will not be enough to meet future demand and the backlog from previous years of undersupply.

4.30 The Select Committee found that in order to meet demand and have a moderating effect on house prices, at least 300,000 homes a year need to be built for the foreseeable future otherwise the age of a first-time buyer will continue to rise. The main conclusions of the Select Committee included that:

*"The Government's target of one million new homes by 2020 is not based on a robust analysis. To address the housing crisis at least 300,000 new homes are needed annually for the foreseeable future. One million homes by 2020 will not be enough".*

**National Housing Federation Press Release: 'England Short of Four Million Homes' (18 May 2018)**

4.31 The NHF press release<sup>4</sup> reported that new figures reveal the true scale of the housing crisis in England and that the research (conducted by Heriot-Watt University) shows that England's total housing backlog has reached four million homes.

4.32 They report that in order to both meet this backlog and provide for future demand, the country needs to build 340,000 homes per year until 2031, noting that this is significantly higher than current estimates which have never before taken into account the true scale of housing need created by both homelessness and high house prices.

4.33 However, the NHF is clear that these need to be the right type of houses with a need for 145,000 of these new homes per year to be affordable homes, compared to previous estimates of annual affordable housing need of around 78,000 homes. It

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<sup>4</sup> <https://www.housing.org.uk/press/press-releases/england-short-of-four-million-homes/>

reports that this means around two fifths (or 40%) of all new homes built every year must be affordable homes, yet in 2016/17 only around 23% of the total built were affordable homes.

4.34 The research breaks down exactly what type of affordable homes are needed:

- 90,000 per annum should be for social rent;
- 30,000 per annum should be for intermediate affordable rent; and
- 25,000 per annum should be for shared ownership.

4.35 Reference was drawn to the September 2017 announcement by the former Prime Minister Theresa May that £2 billion will be invested in affordable housing and indicating that this could deliver around 25,000 new homes for social rent over three years, however the NHF report that even when this funding is made available, the research shows that it would deliver less than 10% of the social rented homes needed each year.

4.36 Government funding for social housing has been steadily declining for decades. In 1975/76 investment in social housing stood at more than £18 billion a year but had declined to just £1.1 billion in 2015/16. Over the same period, the housing benefit bill grew from £4 billion to £24.2 billion each year.

4.37 The NHF set out that homeownership rates have plummeted among young people, rough sleeping has risen by 169% since 2010 and that unless the Government takes steps to deliver more private, intermediate and social housing, the number of households in temporary accommodation is on track to reach 100,000 by 2020.

4.38 A series of quotes accompany the NHF press release from senior industry professionals, summaries of which are detailed below:

- David Orr, Chief Executive of the NHF – *“This ground-breaking new research shows the epic scale of the housing crisis in England”.*
- Jon Sparkes, Chief Executive of Crisis – *“Today’s findings are stark and shocking, but they also represent a huge opportunity for us as a country to get to grips with our housing and homelessness crisis – and to end it once and for all”.*
- Terrie Alafat CBE, Chief Executive of the Chartered Institute of Housing – *“This new report once again highlights the chronic housing shortage we face in the UK and it is clear that only a bold and ambitious plan to solve the housing crisis will*

*prevent a decent, genuinely affordable homes being out of reach for our children and their children.”*

- Campbell Robb, Chief Executive of the Joseph Rowntree Foundation – *“It is unacceptable that currently in our society millions of people are locked out of being able to afford a decent and secure home. For years our failure to deliver enough affordable housing in England has led to rising levels of poverty and homelessness across our country.”*
- Polly Neate, Chief Executive of Shelter – *“We are in the midst of a housing emergency where an entire generation faces a daily struggle for a decent home...Government can turn things around but only by building many more of the high quality, genuinely affordable homes this country is crying out for”.*

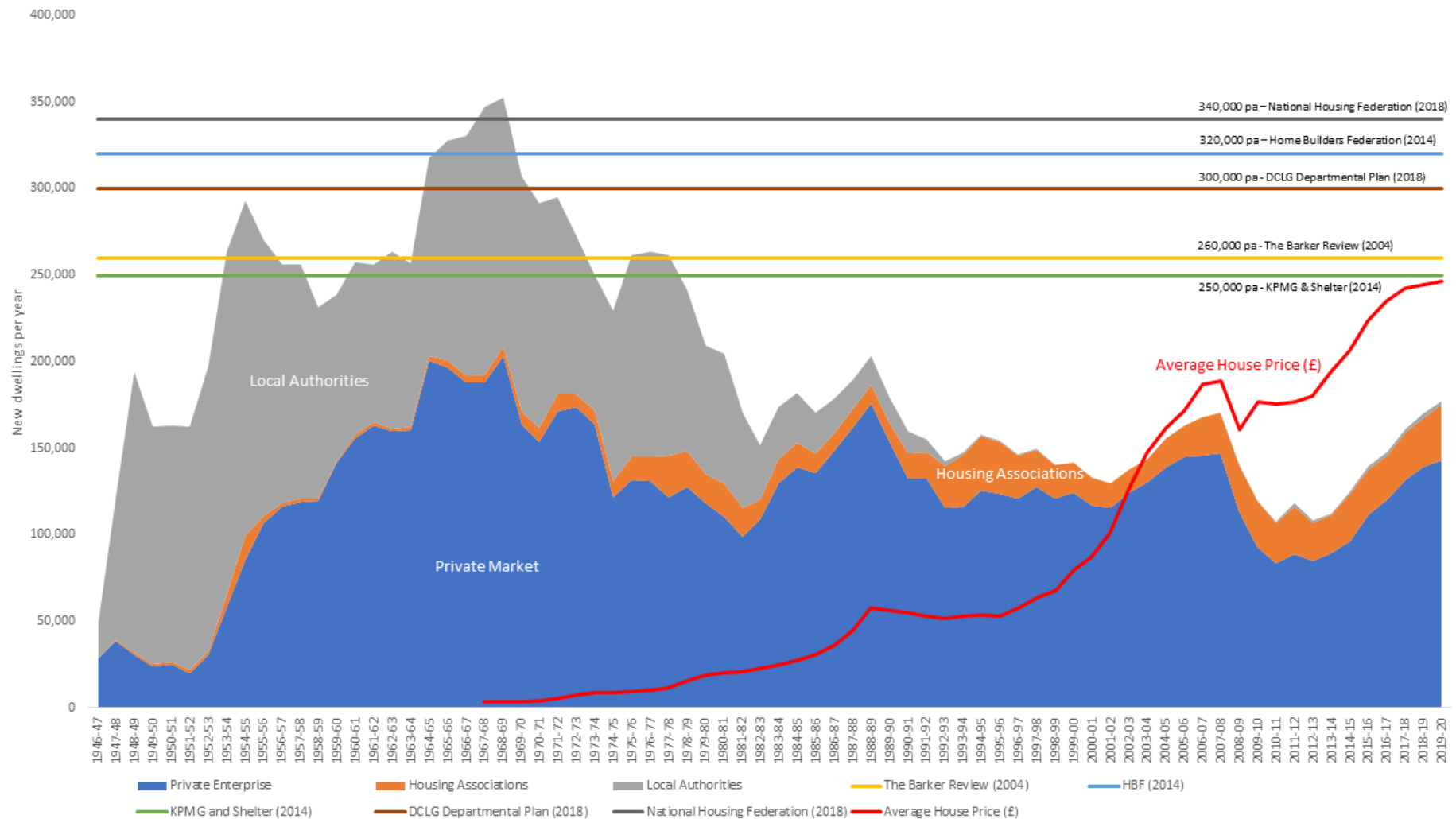
### **Ministry of Housing, Communities and Local Government Single Departmental Plan (27 June 2019)**

- 4.39 The Ministry’s Single Departmental Plan outlines its objectives which include to *“deliver the homes the country needs”* and to *“make the vision of a place you call home a reality.”*
- 4.40 Under the objective of delivering the homes the country needs, the Plan states that the Ministry will:
- “Support the delivery of a million homes by the end of 2020 and half a million more by the end of 2022 and put us on track to deliver 300,000 net additional homes a year on average by the mid-2020s, to help increase affordability.”*
- 4.41 The Departmental Plan clearly outlines the Government’s aim to deliver 300,000 new homes per annum in order to address the housing crisis in England.

### **The National Housing Shortfall**

- 4.42 Over the course of the past 17 years a series of industry leading professionals and figures at the highest level of Government have identified that there is a need for between 200,000 to 340,000 homes per annum to address the housing crisis that has engulfed the country.
- 4.43 Figure 4.2 below illustrates the level of house building in England between 1946 and 2017 and compares delivery over this period with the range of annual housing needs identified between 2004 and 2020, the most recent of which of course being the Government’s own Ministry for Housing, Communities and Local Government (MHCLG) target for 300,000 new homes per annum.

Figure 4.2: House Building in England 1946 to 2019



Source: MHCLG Live Table 209; MHCLG Live Table 253; HM Land Registry (2018); The Barker Review (2004); HBF (2014); Building the Homes We Need, KPMG & Shelter (2014); MHCLG Single Departmental Plan (2019); NHF (18 May 2018).

- 4.44 Figure 4.2 shows that the Government's current target of 300,000 new homes per annum is a figure that the country has not seen achieved since the mid to late 1960s. Whilst housing completions have been increasing since around 2011, they are still a long way short of meeting the level of housing delivery that is desperately needed to address the housing crisis in this country.
- 4.45 At Figure 4.3 net additional dwellings in England since 2004 sourced from MHCLG Live Table 122 are compared with the annual need figures identified in the Barker Review (2004), the KPMG & Shelter research (2014), the HBF research (2014), the NHF research (2018), and the MHCLG Single Departmental Plan (2019).
- 4.46 The results are stark. The lowest of the annual need figures since 2004, that of the KPMG/Shelter report of 250,000 homes per annum, results in a shortfall of -1,105,490 homes in the past 17 years. To put this into context, this is equivalent to:
- 95% of the total number of households on local authority Housing Registers in the whole of England<sup>5</sup>; and
  - Almost four times the total number of homes across the entire County of Oxfordshire<sup>6</sup>.
- 4.47 At the other end of the scale, the need for 340,000 homes per annum most recently identified in the NHF research results in a shortfall figure of -2,635,490 homes. This is equivalent to more than twice the total number of homes in the entire West Midlands region<sup>7</sup>.
- 4.48 When the Government's most recently published target of 300,000 home per annum taken from the MHCLG 2018 Single Departmental Plan is used for comparison, there has been a shortfall of -1,955,490 homes since 2004. To put this into context, this is equivalent to:
- More than 1.6 times the number of households on local authority Housing Registers in the whole of England (see footnote 3); and
  - More than one-and-a-half times the total number of homes in Greater Manchester<sup>8</sup>.

<sup>5</sup> Source: MHCLG Live Table 600 – 1,159,833 households on Housing Registers in England at 1 April 2019

<sup>6</sup> Source: MHCLG Live Table 100 – 295,517 homes in Oxfordshire at 1 April 2019

<sup>7</sup> Source: MHCLG Live Table 100 – 1,174,904 homes in West Midlands at 1 April 2019

<sup>8</sup> Source: MHCLG Live Table 100 – 1,223,807 homes in Greater Manchester Metropolitan County at 1 April 2019

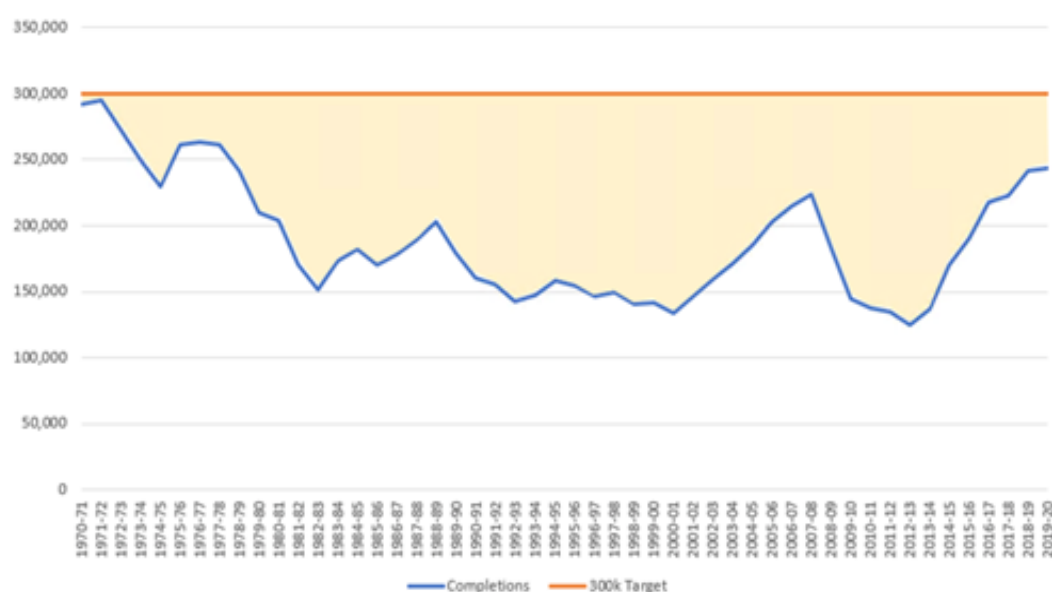
Figure 4.3: National Housing Shortfall Comparison

Year	Net Additions	KPMG/Shelter (2014) 250,000 pa		Barker Review (2004) 260,000 pa		MHCLG Departmental Plan (2019) 300,000 pa		The HBF (2014) 320,000 pa		NHF Research (2018) 340,000 pa	
		Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative
03/04	170,969	-79,031	-79,031	-89,031	-89,031	-129,031	-129,031	-149,031	-149,031	-169,031	-169,031
04/05	185,553	-64,447	-143,478	-74,447	-163,478	-114,447	-243,478	-134,447	-283,478	-154,447	-323,478
05/06	202,653	-47,347	-190,825	-57,347	-220,825	-97,347	-340,825	-117,347	-400,825	-137,347	-460,825
06/07	214,936	-35,064	-225,889	-45,064	-265,889	-85,064	-425,889	-105,064	-505,889	-125,064	-585,889
07/08	223,534	-26,466	-252,355	-36,466	-302,355	-76,466	-502,355	-96,466	-602,355	-116,466	-702,355
08/09	182,767	-67,233	-319,588	-77,233	-379,588	-117,233	-619,588	-137,233	-739,588	-157,233	-859,588
09/10	144,870	-105,130	-424,718	-115,130	-494,718	-155,130	-774,718	-175,130	-914,718	-195,130	-1,054,718
10/11	137,394	-112,606	-537,324	-122,606	-617,324	-162,606	-937,324	-182,606	-1,097,324	-202,606	-1,257,324
11/12	134,896	-115,104	-652,428	-125,104	-742,428	-165,104	-1,102,428	-185,104	-1,282,428	-205,104	-1,462,428
12/13	124,722	-125,278	-777,706	-135,278	-877,706	-175,278	-1,277,706	-195,278	-1,477,706	-215,278	-1,677,706
13/14	136,605	-113,395	-891,101	-123,395	-1,001,101	-163,395	-1,441,101	-183,395	-1,661,101	-203,395	-1,881,101
14/15	170,693	-79,307	-970,408	-89,307	-1,090,408	-129,307	-1,570,408	-149,307	-1,810,408	-169,307	-2,050,408
15/16	189,645	-60,355	-1,030,763	-70,355	-1,160,763	-110,355	-1,680,763	-130,355	-1,940,763	-150,355	-2,200,763
16/17	217,345	-32,655	-1,063,418	-42,655	-1,203,418	-82,655	-1,763,418	-102,655	-2,043,418	-122,655	-2,323,418
17/18	222,281	-27,719	-1,091,137	-37,719	-1,241,137	-77,719	-1,841,137	-97,719	-2,141,137	-117,719	-2,441,137
18/19	241,877	-8,123	-1,099,260	-18,123	-1,259,260	-58,123	-1,899,260	-78,123	-2,219,260	-98,123	-2,539,260
19/20	243,770	-6,230	-1,105,490	-16,230	-1,275,490	-56,230	-1,955,490	-76,230	-2,295,490	-96,230	-2,635,490
Total Shortfalls Since 2004 compared to:		KPMG/Shelter Research		The Barker Review		MHCLG Departmental Plan		The HBF		NHF Research	
		-1,105,490		-1,275,490		-1,955,490		-2,295,490		-2,635,490	

Source: MHCLG Live Table 122; HM Land Registry; The Barker Review (2004); HBF (2014); Building the Homes We Need, KPMG & Shelter (2014); NHF (18 May 2018); MHCLG Single Departmental Plan (2019)

- 4.49 It is widely accepted that 300,000 new homes are needed per annum and have been for quite some considerable time as set out above. The last time the country built more than 300,000 homes was in 1969. Since that time there is an accumulated shortfall of 5,542,181. This shortfall is set out in Figure 4.4 below.

*Figure 4.4 National Housing Shortfall since 1970/71*



Source: MHCLG Live Tables 122 and 209

### Conclusion on the Extent of the National Housing Shortfall

- 4.50 The evidence before the Inspector shows that in every scenario, against every annual need figure, the extent of the shortfall in housing delivery in England is staggering and merely serves to further compound the acute affordability problems that the country is facing.

It is my view that what is clear is that a significant boost in the delivery of housing, and in particular affordable housing, in England is absolutely essential to arrest the housing crisis and prevent further worsening of the situation.

# The Development Plan and Related Policies

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## Section 5

### Introduction

- 5.1 In accordance with Section 38(6) of the Planning and Compulsory Purchase Act 2004, the application should be determined in accordance with the Development Plan unless material considerations indicate otherwise.
- 5.2 The Development Plan for Cheltenham Borough currently comprises the Cheltenham Borough Council, Gloucester City Council and Tewkesbury Borough Council Joint Core Strategy (2017) and the Cheltenham Plan (2020).
- 5.3 Other material considerations include the NPPF (2019) and the PPG, the Affordable Housing Supplementary Planning Guidance (2004), the emerging Cheltenham Plan, and the emerging Joint Core Strategy Review.

### The Development Plan

#### **Gloucester, Cheltenham and Tewkesbury Joint Core Strategy 2011-2031 (2017) – CD D3**

- 5.4 The Plan vision at section two sets out that by 2031 across the JCS authorities *“improved access to housing will have addressed the needs of young families, single people and the elderly”*.
- 5.5 In identifying key challenges at paragraph 2.29 the JCS sets out that *“for young people the key issue in the area is not just the availability of housing, but also the price of housing”*. It reports that in the JCS area the house price to earnings ratios was around 6:1 for people aged under 40 in 2011, noting that *“there has been insufficient delivery of housing in recent years to lower this ratio”*.
- 5.6 Paragraph 2.29 goes on to explain that whilst 8,266 homes were delivered across the JCS between 2006 and 2011, only 2,015<sup>9</sup> of these were affordable which equates to around 400 per annum across the entire JCS area. As a result, it notes that *“housing need in both the rural and urban areas remains a pressing issue”*.

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<sup>9</sup> Equivalent to 24%



- 5.7 There are three overarching ambitions of the JCS identified with a series of strategic objectives sitting beneath these ambitions. Ambition 3: A healthy, safe and inclusive community, includes Strategic Objective 8: Delivering a Wide Choice of Quality Homes, which seeks to *“deliver good quality new housing to meet the needs of the current and future population and ensure greater affordability for all sectors of the community”*. It aims to do so by:
- *“Delivering, at least, a sufficient number of market and affordable houses; and*
  - *Delivering housing of the right size, type and tenure to ensure the creation of mixed communities located in sustainable locations with good access to jobs and services”*.
- 5.8 Policy SD12: Affordable Housing, applies a sliding scale approach to affordable housing contributions. Strategic Allocations are required to provide a minimum of 35% affordable housing. Outside of these allocations, qualifying sites within Gloucester City administrative area are required to provide 20% affordable housing, whilst qualifying sites in Cheltenham Borough and Tewkesbury Borough administrative areas are required to provide 40% affordable housing.
- 5.9 The reasoned justification to the policy at paragraph 4.12.6 states that evidence from the 2015 SHMA Update determined a need for 638<sup>10</sup> affordable homes per annum across the JCS area.

#### **The Cheltenham Plan (2020) – CD D4**

- 5.10 The Cheltenham Plan was adopted 20 July 2020 and runs to 2031. It supports the Joint Cores strategy of the three Councils. The Cheltenham Plan must be read in conjunction with the other documents that make up the development plan as well as the latest iteration of the National Planning Policy Framework (NPPF), as policies are not replicated from one document to another.
- 5.11 Chapter 11 – Residential Development, identifies local sites suitable for new homes and jobs while protection the natural and built environment. Policy HD4: Land off Oakhurst Rise amongst other criteria set out a minimum requirement of 25 dwellings.
- 5.12 Chapter 12 – deals with housing mix and standards, in regard to affordable, it confirms that affordable housing policy for Cheltenham is set out in the JCS (Policy SD12).

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<sup>10</sup> The 2015 SHMA Update also found that within this need figure for the JCS, there was a need for 231 affordable homes per annum in Cheltenham Borough

## Other Material Considerations

### Charlton Kings Parish Plan (2017) – CD J10

- 5.13 Chapter three is titled ‘Our urban environment – housing and green space’. In setting out residents’ views on development in Charlton Kings at page eight of the Parish Plan it states that the question about what type of development would be appropriate elicited many responses *“with almost every response strongly emphasising the need to prioritise the building of affordable/starter/council/social housing, especially for young people and disadvantaged groups”*.
- 5.14 The conclusions in respect of future development in Charlton Kings are also covered on page eight and reported that:
- “Respondents were mostly pragmatic in respect of identifying the likely future demand for, and need to satisfy, housing in Charlton Kings. Many went further and actively promoted the need to maintain the social mix of residents, by moving to a phase of housing provision that actively favoured starter and properly affordable homes that would allow young people and those on low incomes to own their own home”*.
- 5.15 The overall conclusions to chapter three on page 13 state that *“the Parish Council will promote and encourage affordable housing development”*.
- 5.16 The conclusions and next steps are detailed at chapter 10 on page 38 and outline the aspiration that *“people of all ages will be able to afford to live in Charlton Kings through the mix of housing available”* and acknowledge that in order to achieve this a *“range of affordable housing to be included in future developments enabling Charlton Kings to be home to people of all ages”*.

### Affordable Housing Supplementary Planning Guidance (2004) – CD J11

- 5.17 The Affordable Housing Supplementary Planning Guidance (SPG) cross-referenced a Housing Needs Survey from 2000 at paragraph 5.1 which concluded that there was a need for 709 affordable homes between 2001 and 2005 in Cheltenham.
- 5.18 Paragraph 5.2 goes on to explain that a 2003 update to the 2000 survey indicated that when taking account of changes in the levels of affordability Cheltenham since 2000, there was a gross affordable housing requirement of 753 per annum.
- 5.19 At paragraph 5.6 it explained that when annual supply has been taken into account, this indicated a net requirement of 294 affordable homes per annum over the next five years (2004 to 2009) in order to meet local needs. 4.20 Paragraph 6.6 explained

that *“in light of the considerable level of housing needs which exist in Cheltenham Borough, the Council will generally seek a minimum level of affordable housing provision amounting to 40% of total dwellings proposed”*.

### **Emerging Joint Core Strategy Review – Issues and Options (2018) – CD J12**

- 5.20 The JCS authorities are undertaking a review of the JCS and published an Issues and Options paper for consultation between 12 November 2018 and 11 January 2019. 223 responses were received to the questionnaire, these are available to view on the Council’s website. The JCS are still to publish their formal response to representations received.
- 5.21 Section nine explains at paragraph 9.3 that the six Gloucestershire districts are currently working on a new Local Housing Needs Assessment (LHNA) which will replace the existing Strategic Housing Market Assessment (SHMA) and is intended to provide a robust evidence based around specific housing needs to provide policies to inform the JCS review.

### **Cheltenham Borough Corporate Plan 2019-2023 (2019) – CD J13**

- 5.22 A key priority of the Plan at page 13 is *“increasing the supply of housing and investing to build resilient communities”*. It identifies that success will be measured as *“work[ing] with partners to increase the supply of new homes in the Borough”*

### **Housing and Homelessness Strategy 2018-2023 – CD J14**

- 5.23 The foreword to the Strategy by Councillor Pete Jeffries, Deputy Leader of the Council and Cabinet Member for Housing, states that *“everyone should have the right to a decent affordable home; this is something I passionately believe. At present Cheltenham doesn’t have all the homes that local people need”*.
- 5.24 At section 1.1 the Strategy outline a number of constraints that compromise the supply of affordable housing. These include:
- *“The National Planning Policy Framework, which has introduced a policy that enables developers to reduce their affordable housing contributions, potentially to zero, where they can demonstrate that the financial viability of a scheme would otherwise be compromised. Whilst this policy may have the benefit of stimulating the market and bringing about development on what might otherwise be stalled sites, the consequence is that fewer affordable homes are being provided locally.”*

- *“Recent relaxations in the Right to Buy criteria, which have led to greater discounts for tenants and a shortening of the period (from 5 years to 3 years) for which a tenant needs to reside in social housing in order to be eligible to buy their home, have incentivised the take-up of right to buy, which in turn has reduced the supply of affordable homes”*; and
- *“Whilst councils are able to retain an element of their Right to Buy receipts on homes sold, there are restrictions over how these receipts can be used, and this has the effect of limiting our options to increase supply”*.

5.25 Section 1.4 analyses local pressures in the Borough and reports that the number of affordable housing completions has fallen in recent years and that this has been compounded by high house prices which have led to more households seeking private rented accommodation as a solution to their housing needs. However, it sets out that this in turn has pushed up the price of the private rental market and the Government’s freeze on welfare benefits have meant that benefits have failed to keep pace with these increases in rents. This has forced many lower income households out of the private rented sector.

5.26 The vision, detailed in section two has four key outcomes, the first of which is “increasing the provision of affordable housing” which is covered in more detail at page 11 where it recognises that “Cheltenham has some of the highest house prices in the South West”.

5.27 It goes on to detail that “real earnings are failing to keep pace with house price rises and these pressures are set to grow, as the population both within Cheltenham and more generally within the Joint Core Strategy area continues to grow”.

5.28 In discussing the specific affordable housing requirements of the Borough on page 11 the Strategy goes on to set out that the 2015 SHMA Update identified a requirement for 231 affordable homes per annum in Cheltenham between 2015 and 2031, totalling 3,696 affordable homes. It considers that there is a potential supply of around 2,654 affordable homes (from commitments and allocations) leaving an unmet requirement of 1,042 affordable homes.

5.29 It recognises that this figure may increase if viability issues are presented on S106 sites, resulting in a loss of affordable homes, or if S106 sites become stalled. It acknowledges that *“Affordable housing delivery in the last three years in particular has been poor, with the number of completions for 2014/15, 2015/16 and 2016/17 being*

24, 34 and 52 respectively” and concludes that *“this simply cannot be allowed to continue”*.

- 5.30 At page 12 the Strategy accepts that the Council relies significantly on the market to provide affordable housing through landowners S106 obligations and notes that “if sites do not come forward in a timely manner, then housing supply generally will be affected, and this in turn will affect the delivery of the majority of our affordable housing supply”.
- 5.31 In discussing the private rented sector at page 14, the Strategy recognises that private rental rates in Cheltenham have increased significantly in recent years, reflecting the fact that demand is outpacing supply and reports that “this is hardly surprising given that home ownership is now out of reach for many, in particular young people”.
- 5.32 Another key outcome identified by the Strategy is ‘tackling homelessness’. At page 22 the Strategy examines the causes of homelessness and finds that “by far the main cause of homelessness in Cheltenham is loss of private rented accommodation”
- 5.33 At pages 24-25 the Strategy reports on future trends and notes that the continued freeze on Local Housing Allowance (LHA) will create even more pressures on low-income households trying to access and remain in the private rented sector, should rents continue to rise. It anticipates that the loss of private rented accommodation will continue to remain the main cause of homelessness in Cheltenham.

### **Conclusions on the Development Plan and Related Policies**

- 5.34 The Development Plan for Cheltenham Borough currently comprises the Cheltenham Borough Council, Gloucester City Council and Tewkesbury Borough Council Joint Core Strategy (2017) and the Cheltenham Plan (2020).
- 5.35 At a national level the direction of travel to address housing need and supply, including affordable housing, is abundantly clear. It is my opinion that the evidence set out in this section clearly highlights that within adopted policy, emerging policy and a wide range of other plans and strategies, providing affordable housing has long been established as, and remains, a key issue which urgently needs to be addressed within Cheltenham.
- 5.36 The appeal proposals provide an affordable housing contribution which exceeds requirements of JCS Policy SD12. The 18 affordable homes will make a substantial contribution towards the annual affordable housing needs of the Borough, particularly when viewed in the context of past rates of affordable housing delivery which is considered in more detail in section five of my evidence.

# Affordable Housing Needs and Delivery in Cheltenham

## Section 6

### Affordable Housing Needs

- 6.1 JCS Policy SD12 does not define a numerical target for the provision of affordable homes in Cheltenham Borough, instead it requires 40% provision from qualifying sites in Cheltenham. The reasoned justification to the policy draws reference to the need for 638 affordable homes per annum across the JCS area which is taken from the 2015 SHMA Update (**CD J16**).
- 6.2 Within this SHMA Update need figure for the JCS area there is an identified need for 231 net affordable homes per annum in Cheltenham Borough between 2015/16 and 2031/32, equivalent to 3,696 net affordable dwellings when using 30% income thresholds.
- 6.3 The 2015 SHMA Update also sets out alternative net annual affordable housing need figures for the Borough over the same period when calculated using a variety of other income thresholds. These are set out in Figure 6.1 below.

*Figure 6.1: Net Annual Affordable Housing Need Adjusted Using Gross Household Income*

Gross Income Threshold	Annual Need (2015/16 to 2031/32)	Total Need (2015/16 to 2031/32)
25%	431	6,896
30%	302	4,832
35%	231	2,432
40%	86	1,376

Source: 2015 SHMA Update, Table A1.13

- 6.4 Since the production of the SHMA Update in 2015 there has only been one other assessment of local housing need commissioned for the JCS area and by proxy Cheltenham Borough Council.

- 6.5 The Gloucestershire Local Housing Needs Assessment (LHNA) (**CD J15**) was published in September 2020 and finds a minimum net annual need of 194<sup>11</sup> affordable homes per annum over the 20-year period between 2021 and 2041 for the Cheltenham Borough Council area. This equates to a minimum of 3,874 net affordable dwellings over the period.
- 6.6 Is it important to note that the 2020 LHNA focuses on households with the most acute housing needs but does not however take into account households currently residing in the private rented sector (PRS).
- 6.7 This is because 2020 LHNA was prepared on the basis that households in receipt of housing benefit within the PRS are not in need of affordable housing.
- 6.8 Section 6 of this Proof of Evidence finds that even with Local Housing Allowance support there are shortfalls in monthly rental costs ranging from -£89 to -£368 for average rental prices, to shortfalls of -£64 to -£155 for lower quartile rental properties which are typically considered to be the 'more affordable' segment of the rental market.
- 6.9 Furthermore, the councils own Homeless Strategy (**CD J14**) acknowledges this issue setting out clearly at paragraph 1.2 that:
- 'The number of new affordable housing completions has fallen in recent years, largely due to our reliance on delivery through s.106 provision. These pressures have been compounded by high house prices, which have led to more households seeking private rented accommodation as a solution to their housing needs. This in turn has pushed up the price of the private rented market. The government's introduction of the freeze on welfare benefits, most notably Local Housing Allowance, has meant that benefits have failed to keep pace with these increases in rents, forcing many low-income households out of the private rented sector.'* (my emphasis).
- 6.10 The 194 per annum figure should therefore be considered as minima at best.
- 6.11 It is commonly accepted that the PRS should not be regarded as a form of affordable housing. Indeed, the PRS is not within the definition of affordable housing set out in the 2019 NPPF and this has been emphasised through numerous examples such as the Eastleigh Local Plan examination (**CD J55**), in which the Inspector's report states at Paragraph 34:

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<sup>11</sup> Figures do not sum due to rounding – 3,874 / 20 = 193.7



*“There is no justification in the Framework or Guidance for reducing the identified need for affordable housing by the assumed continued role of the PRS with LHA. This category of housing does not come within the definition of affordable housing in the Framework. There is not the same security of tenure as with affordable housing and at the lower-prices end of the PRS the standard of accommodation may well be poor”.*

- 6.12 The 2020 LHNA appears to acknowledge this lack of security in the PRS at paragraph 9.6 by stating *“As the PRS expands and other sectors contract, it is clear that many households who would traditionally meet their housing needs in other sectors are now renting privately. This includes many households currently unable to afford their housing costs, which can be seen from the expansion of families receiving Housing Benefit in the sector, in particular since the start of the most recent recession.”*
- 6.13 However, at paragraph 9.10, the 2020 LHNA states that *‘it remains appropriate to recognise that the private rented sector will continue to make an important contribution towards providing housing options for households unable to afford their housing costs in future.’*
- 6.14 In light of this, I suggested that the 2020 LHNA underestimates the extent to which affordable housing is required within the Cheltenham administrative area. If these households were to be included the annual affordable housing need figure for the Borough increases significantly by 52% to 295<sup>12</sup> dwellings per annum over the period.
- 6.15 Additionally, for comparative analysis there is no data available to assess the likely success of the Council on delivering either quantum of affordable housing professed in the 2020 LHNA.

### **Past Affordable Housing Delivery in Cheltenham Borough**

- 6.16 Figure 6.2 illustrates the delivery of affordable housing in Cheltenham Borough over the nine-year period between 2011/12<sup>13</sup> and 2019/20.

<sup>12</sup> See 2020 LHNA Figure 62:  $1,510 + 2,022 + 2,364 = 5,896 / 20 \text{ years} = 294.8$  affordable dwellings per annum

<sup>13</sup> Start of JCS period



Figure 6.2: Net Housing and Affordable Housing Completions in Cheltenham Borough

Monitoring Period	Overall Housing Completions (Net)	Affordable Housing Completions (Net)	Affordable Housing as a %age of Overall Housing
2011/12	36	16	44%
2012/13	266	88	33%
2013/14	413	115	28%
2014/15	316	14	4%
2015/16	397	-22	-6%
2016/17	296	-15	-5%
2017/18	594	85	14%
2018/19	776	57	7%
2019/20	476	35	7%
<b>Total</b>	<b>3,570</b>	<b>373</b>	<b>10%</b>

Source: Freedom of Information Response (16 February 2021)

- 6.17 Since the start of the JCS period in 2011/12 there have been a total of 3,570 net overall housing completions and 373 net affordable housing completions.
- 6.18 This equates to an average of 41 net affordable housing additions to stock over the nine-year period. There has been an average rate of 10% affordable housing delivery over the period.

#### Affordable Housing Delivery in Charlton Kings Parish

- 6.19 Figure 6.3 illustrates the delivery of affordable housing in Charlton Kings Parish over the nine-year period between 2011/12<sup>14</sup> and 2019/20.

<sup>14</sup> Start of JCS period

Figure 6.3: Net Housing and Affordable Housing Completions in Charlton Kings Parish

Monitoring Period	Overall Housing Completions (Net)	Affordable Housing Completions (Net)	Affordable Housing as a %age of Overall Housing
2011/12	18	0	0%
2012/13	11	0	0%
2013/14	3	-3	-100%
2014/15	13	-2	-15%
2015/16	34	-2	-6%
2016/17	1	-2	-200%
2017/18	7	2	29%
2018/19	3	-1	-33%
2019/20	50	2	4%
<b>Total</b>	<b>140</b>	<b>-6</b>	<b>-4%</b>

Source: Freedom of Information Response (16 February 2021)

- 6.20 Since the start of the JCS period in 2011/12 there have been a total of 140 net overall housing completions and -6 net affordable housing completions.
- 6.21 This equates to an average of -0.7 net affordable housing additions to stock over the nine-year period. There has been an average rate of -4% affordable housing delivery over the period.

### Losses to Social Housing Stock through the Right to Buy

- 6.22 Research published by the Local Government Association (LGA) in April 2018<sup>15</sup> indicated 12,224 were homes sold under the scheme in 2017. Should these levels of sales remain consistent, with continuing borrowing restrictions, the research calculated that in 2023 councils will only be able to replace 2,000 of these homes. The LGA stated that “Councils are being hampered in replacing homes because a portion of all receipts are given to the Treasury, rather than reinvested in housing.”
- 6.23 The representative for Councils in England and Wales noted that in the past six years more than 60,000 homes have been sold off at an average price of half the market rate. This means that councils can fund to build or buy just 14,000 replacement homes.
- 6.24 It is also of relevance to note that only 30% of Right to Buy receipts can be retained to use for affordable housing provision and £17,000 of each Right to Buy receipt has to be paid into the Attributable Debt Pot to cover Housing Revenue Account debt.

<sup>15</sup> Local Government Association: Sustainability of Right to Buy (April 2018)

- 6.25 At a national level, almost two million households have exercised their right to buy since it was introduced in 1980. *‘Fixing the Foundations’ (2015) confirmed that the Government is committed to extending the Right to Buy to housing association tenants, noting that “since the Right to buy for council tenants was reinvigorated in the last Parliament, the number of sales has increased by nearly 320%”.*
- 6.26 The Government recently undertook a Voluntary Right to Buy pilot scheme with a limited number of RPs in a limited area. It is understood that plans are still being drawn up to extend this to all tenants but that the publication of Guidelines for the Voluntary Right to Buy has been delayed by the Brexit vote. In the Government’s Autumn Statement, Chancellor Philip Hammond, outlined that there would be a large-scale regional pilot scheme of Right to Buy for housing association tenants.
- 6.27 In my opinion, the extension of Right to Buy to Housing Association tenants will further increase the loss of existing affordable housing stock, putting increasing pressure on the need to deliver more affordable homes in Cheltenham in the future.
- 6.28 This was acknowledged by the Inspector presiding over the appeal at land at Site of Former North Worcestershire Golf Club Ltd, Hanging Lane, Birmingham which was allowed in July 2019 (**CD J17**). Paragraph 14.108 of the Inspector’s Report sets out that:
- “Mr Stacey’s unchallenged evidence shows that only 2,757 new affordable homes were provided in the City over the first 6 years of the plan period. This represents less than half of the target provision and a net increase of only 151 affordable homes if Right to Buy sales are taken into account. On either measure there has been a very low level of provision against a background of a pressing and growing need for new affordable homes in Birmingham.”* (emphasis added)
- 6.29 This was later endorsed by the Secretary of State, who stated that the 800 family homes, including up to 280 affordable homes, is a benefit of significant weight.
- 6.30 Figure 6.4 illustrates the rate of affordable housing stock being lost through the Right to Buy in Cheltenham Borough and Charlton Kings Parish over the nine-year period between 2011/12<sup>16</sup> and 2019/20.

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<sup>16</sup> Start of JCS period

Figure 6.4: Right to Buy Losses to Affordable Housing Stock in Cheltenham Borough and Charlton Kings Parish

Monitoring Period	Cheltenham Borough RtB losses to stock	Kings Charlton Parish RtB losses to stock	Parish as a %age of Borough losses
2011/12	7	0	0%
2012/13	13	0	0%
2013/14	29	3	10%
2014/15	13	2	15%
2015/16	22	2	9%
2016/17	30	2	7%
2017/18	27	0	0%
2018/19	21	1	5%
2019/20	19	0	0%
<b>Total</b>	<b>181</b>	<b>10</b>	<b>6%</b>

Source: Freedom of Information Response (16 February 2021)

- 6.31 Since the start of the JCS period in 2011/12 there have been a total of 181 losses to affordable housing stock through the Right to Buy across the Borough, ten of which have occurred in Charlton Kings Parish.
- 6.32 This equates to an average of more than 20 affordable dwellings lost from stock across the Borough per annum. Losses in Charlton Kings have averaged 6% of losses in the Borough over the period.
- 6.33 This issue is also acknowledged on the Borough Council's website where it states that *"should the number of affordable dwellings in Cheltenham continue to decrease, this will inevitably place even greater pressure on existing housing to meet housing needs"*.

Figure 6.5: Extract from Cheltenham Borough Council website

### Requirement for affordable housing

Cheltenham Borough Council faces significant challenges in relation to the affordability of homes in the town. A combination of high average house prices and relative constraints on developable land has resulted in a significant unmet need for affordable housing in Cheltenham Borough. As of August 2020, the **UK House Price Index** indicated that the average house price in England stands at £256,109, with the South West having an average house price of £264,886. In comparison, Cheltenham borough's average house price as of August 2020 stood at £280,199, 9% greater than English average and 6% greater than South West average respectively.



Clearly, therefore, increasing the provision of affordable housing in Cheltenham is a key priority for the council. We recognise that increasing the delivery of affordable homes can provide a critical safety net to help tackle and prevent homelessness and rough-sleeping, reducing the reliance upon temporary accommodation, as well as creating strong, resilient communities with a sense of belonging.

Between April 2015 and April 2020, the total amount of Council and Registered Provider (housing association) affordable homes in Cheltenham borough has risen slightly, from 6,873 homes in 2015 to 6,935 homes in 2020, despite the loss of 126 council affordable homes over this period through Right to Buy, in addition to the demolition of 44 affordable homes.

In terms of new affordable housing provision, since April 2015 Cheltenham has delivered 340 new affordable homes, with an average annual delivery of 68 affordable homes, this is broken down as follows:

- 2015-2016- 34 affordable homes delivered
- 2016-2017- 35 affordable homes delivered
- 2017-2018- 112 affordable homes delivered
- 2018-2019- 80 affordable homes delivered
- 2019-2020- 79 affordable homes delivered

Additionally, our **current Local Housing Needs Assessment (LHNA)** identifies a need for Cheltenham borough to deliver 3,874 new affordable homes (194 per annum) between 2021 and 2041.

Comparing this identified need against our prior delivery over the past 5 years indicates that demand for affordable housing in Cheltenham continues to significantly outstrip supply. As of October 2020, the council had 2,180 households on our housing register waiting for a new affordable home. However, between April 2015- October 2020, affordable housing need in Cheltenham was more than three times greater than the actual supply of new affordable homes.

Source: [https://www.cheltenham.gov.uk/info/49/housing\\_strategy\\_and\\_enabling/635/housing\\_enabling](https://www.cheltenham.gov.uk/info/49/housing_strategy_and_enabling/635/housing_enabling) [accessed 16 February 2021]

- 6.34 It is unclear why the affordable housing completions figures shown in Figure 6.5 do not align with the affordable housing completions provided in the Councils Freedom of Information (FOI) response (**Appendix JS1**) which have been replicated in Figure 6.2 above. For the purposes of this appeal, I have assumed the figure's in the FOI response are the correct affordable housing completions figures for the Borough.

### Affordable Housing Delivery Compared to Objectively Assessed Needs

- 6.35 When comparison is drawn between affordable housing delivery and the needs identified in the SHMA Update since its 2015 base date, it can be seen in Figure 6.6 that there has been a shortfall in the delivery of affordable housing of some -1,015

affordable homes against an identified need for 1,155 over the same period based on 35% of income being spent.

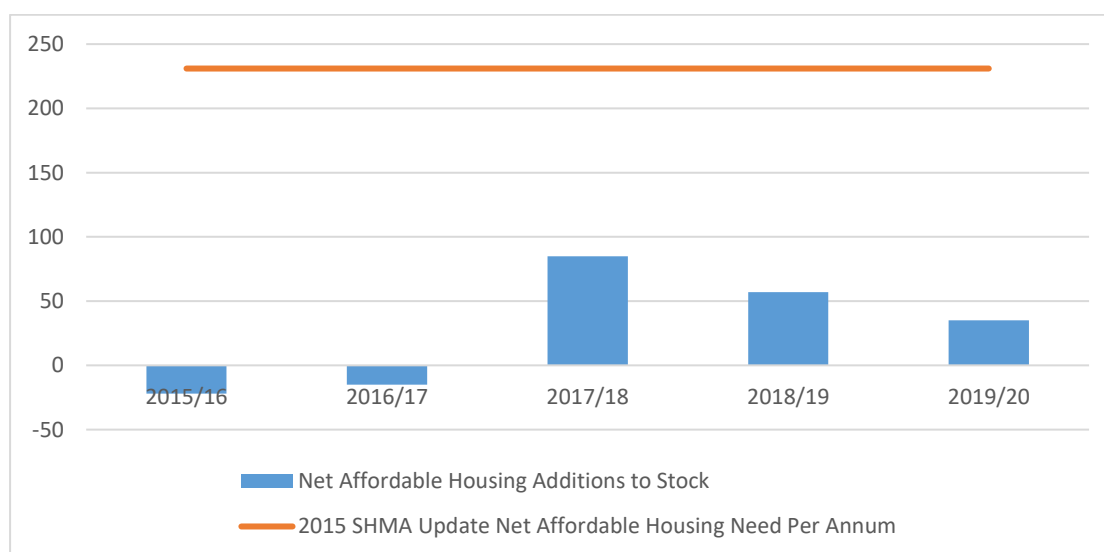
*Figure 6.6: Net Affordable Housing Delivery in Cheltenham Borough Compared with the 2015 SHMA Update Identified Needs*

Monitoring Period	Additions to Affordable Housing Stock (Net)	2015 SHMA Update Identified Needs <sup>17</sup> (Net)	Shortfall	Shortfall a % of Identified Needs
2015/16	-22	231	-253	-110%
2016/17	-15	231	-246	-106%
2017/18	85	231	-146	-63%
2018/19	57	231	-174	-75%
2019/20	35	231	-196	-85%
<b>Total</b>	<b>140</b>	<b>1,155</b>	<b>-1,015</b>	<b>-88%</b>

Source: Freedom of Information Response (16 February 2021) and 2015 SHMA Update

- 6.36 The sheer scale of the Council's persistent failure to meet identified needs is better illustrated graphically, as shown in Figure 6.7.

*Figure 6.7 Affordable Housing Delivery Compared to Identified Affordable Housing Needs*



Source: Freedom of Information Response (16 February 2021) and 2015 SHMA Update

- 6.37 The 18 affordable homes provided by the appeal proposals represents the equivalent of 13% of the total number of affordable homes delivered across the entire Borough since the 2015 SHMA Update base period in 2015/16.

<sup>17</sup> Need calculated using 35% gross income threshold

## Future Affordable Housing Delivery in Cheltenham Borough

- 6.38 The future delivery of affordable housing is highly uncertain. Within Cheltenham Borough the delivery of affordable homes has fluctuated considerably since the start of the JCS period in 2011/12 and the 2015 SHMA Update period in 2015/16 as illustrated in Figure 6.2 and 6.6 respectively.
- 6.39 The delivery of a higher number of affordable homes one year does not guarantee this will continue for future years. The supply of affordable housing is affected by the local market factors, including the number of sites with planning permission and also wider national factors including availability of public funding.
- 6.40 The 2015 SHMA Update identifies an objectively assessed need for 231 net affordable homes per annum between 2015/16 and 2031/32. Over the 16-year period this equates to a total need for 3,696 net affordable homes.
- 6.41 Over the same period the Council have overseen the delivery of 140 net affordable homes against a need of 1,155 net new affordable homes which has resulted in a shortfall of -1,015 affordable homes in just five years.
- 6.42 I consider that any shortfall in delivery should be dealt with within the next five years. This is also an approach set out within the PPG<sup>18</sup> and endorsed at appeal.
- 6.43 The Inspector presiding over the appeal at land off Aviation Lane, Burton-upon-Trent which was allowed in October 2020 (**CD J54**) set out at paragraph 8 of her decision that:
- “In my view, the extent of the shortfall and the number of households on the Council’s Housing Register combine to demonstrate a significant pressing need for affordable housing now. As such, I consider that, the aim should be to meet the shortfall as soon as possible.” (my emphasis).*
- 6.44 Similarly, in considering the disputed sites in the Council’s five-year housing land supply that did not yet have planning permission the Inspector stated at paragraph 9 that:
- ‘I am not convinced, in accordance with the guidance in the PPG and the Framework, that there is clear evidence that the 108 dwellings relied on by the Council from these two sites would be deliverable within five years. There is nothing within the Framework*

<sup>18</sup> Paragraph: 031 Reference ID: 68-031-20190722



or the PPG to suggest that this definition should not apply to affordable housing as well as market housing.' (my emphasis).

6.45 The Inspector went on to set out at paragraph 11 that:

*'My concern, given the nature of the development proposed, is whether the affordable housing needs of the Borough are being met. These are households in need of a home now. While the Council is of the view that there is not an overwhelming need for affordable housing which cannot be met within the settlement boundary, on allocated sites or through current planning permissions, just by excluding these three sites from its five year housing supply, the Councils expectation of 884 houses coming forward within five years is reduced to 768 which would be below the five year requirement of 818 dwellings including the existing shortfall.'* (my emphasis).

6.46 It is therefore imperative that the -1,015 dwelling affordable housing shortfall which has accumulated since 2015/16 is addressed within the next five years. When the shortfall is factored into the 2015 SHMA's Updates identified need of 231 affordable homes per annum for the period 2015/16 to 2031/32, the number of affordable homes the Council will need to complete substantially increases to 434 per annum for the period 2020/21 to 2024/25.

6.47 This would ensure that for the remainder of the period to 2031/32 the annual affordable housing need reduces to 231 per annum to deal solely with newly arising needs. This is illustrated in Figures 6.8 and 6.9.

*Figure 6.8: Annual Affordable Housing Need incorporating Backlog Needs since the 2015 base date of the 2015 SHMA Update (Applying the Sedgefield Approach)*

<b>A</b>	Affordable housing need per annum for the period 2015/14 to 2018/19 identified in the 2015 SHMA Update	231
<b>B</b>	Net Affordable housing need for the period 2015/14 to 2019/20 (A x 5)	1,155
<b>C</b>	Net Affordable housing completions for the period 2015/14 to 2019/20	164
<b>D</b>	Shortfall/backlog of affordable housing need for the period 2015/14 to 2019/20 (B – C)	1,015
<b>E</b>	Backlog affordable housing need per annum required over the period 2020/21 to 2024/25 (D/5)	203
<b>F</b>	Full affordable housing need per annum for the period 2020/21 to 2024/25 (A + E)	434
<b>G</b>	Full affordable housing need for the period 2020/21 to 2024/25 (F x 5)	2,170



- 6.48 Further illustration of the severity of the situation can be seen in Figure 6.9 which illustrates that the Council need to deliver 2,170 net affordable homes over the next five years to address backlog needs in line with the Sedgefield approach.
- 6.49 In the previous nine years the Council have delivered a total of just 373 net affordable homes, equivalent to an average of a mere 41 homes per year. It is clear that the backlog affordable housing needs within the Borough will continue to grow exponentially unless the Council takes drastic action to address the needs and deliver more affordable homes.

*Figure 6.8: Annual Affordable Housing Need 2020/21 to 2024/25 incorporating Backlog Needs Accrued Since 2015/16 and Applying the Sedgefield Approach*

Monitoring Period	Net Affordable Housing Need – 2015 SHMA Update	Net Affordable Housing Need When Addressing Backlog Within Next Five Years
2019/20	231	434
2020/21	231	434
2021/22	231	434
2022/23	231	434
2023/24	231	434
<b>Total</b>	<b>1,155</b>	<b>2,170</b>

- 6.50 The Council produced its latest five-year housing land supply (5YHLS) statement in December 2019 covering the period 1 April 2019 to 31 March 2024 (**CD J52**).
- 6.51 If we were generously to assume that all 2,265 dwellings included in the 5YHLS will come forward on sites eligible for affordable housing; and that all of these sites would provide policy compliant levels of affordable housing (i.e., 40%) as a proportion of overall housing completions this is likely deliver only 906 affordable dwellings over the period, equating to just 181 new affordable dwellings per annum.
- 6.52 This figure falls substantially short of both the 231 per annum and 434 per annum figure required when back log needs are addressed in the first five years in line with the Sedgefield approach. Similarly, this figure falls below the minimum net annual need of 194 affordable homes per annum over the 20-year period between 2021 and 2041 identified in the 2020 LHNA.
- 6.53 It should also be highlighted that net affordable completions in the 2019/20 monitoring period only averaged 7% of net overall housing completions (Figure 6.2). This further

serves to demonstrate the Council are actively failing to plan to address affordable housing needs across the Borough and have been for some time.

- 6.54 I have no confidence that the council can see a sufficient step change in the delivery of affordable housing to meet the new annual needs requirements. It makes it even more important that suitable sites, such as the appeal site, being granted planning permission in order to boost the supply of affordable housing.
- 6.55 In light of the Council's abysmal record of affordable housing delivery, the anticipated levels and rates of future affordable housing delivery in Cheltenham Borough Council and the level of affordable housing needs identified there can be no doubt that the provision of up to 18 affordable dwellings on this site to address the Borough-wide needs of Cheltenham Borough should be afforded **substantial weight** in the determination of this appeal.

#### **Conclusions on Affordable Housing Needs and Past Delivery**

- 6.56 On a borough-wide basis in the nine-year period between 2011/12 and 2019/20 net affordable housing delivery represented just 10% of overall net housing delivery. Average delivery on a per annum basis over the same period has been just 41 net affordable homes per annum.
- 6.57 In Kings Charlton for nine-year period between 2011/12 and 2019/20 net affordable housing delivery represented -4% of overall net housing delivery. Average delivery on a per annum basis over the same period has been -0.7 net affordable homes per annum.
- 6.58 The Borough's performance in delivering affordable housing is failing to meet the needs of its residents, which has resulted in an accumulated shortfall of -1,015 households not having their housing needs met in just five years, against a net need of 1,155 affordable dwellings.
- 6.59 In light of the Borough's poor record of affordable housing delivery and the level of affordable housing needs identified within Cheltenham Borough there can be no doubt that the provision 18 affordable dwellings on this site should be afforded **substantial weight** in the determination of this appeal.

# Affordability Indicators in Cheltenham

## Section 7

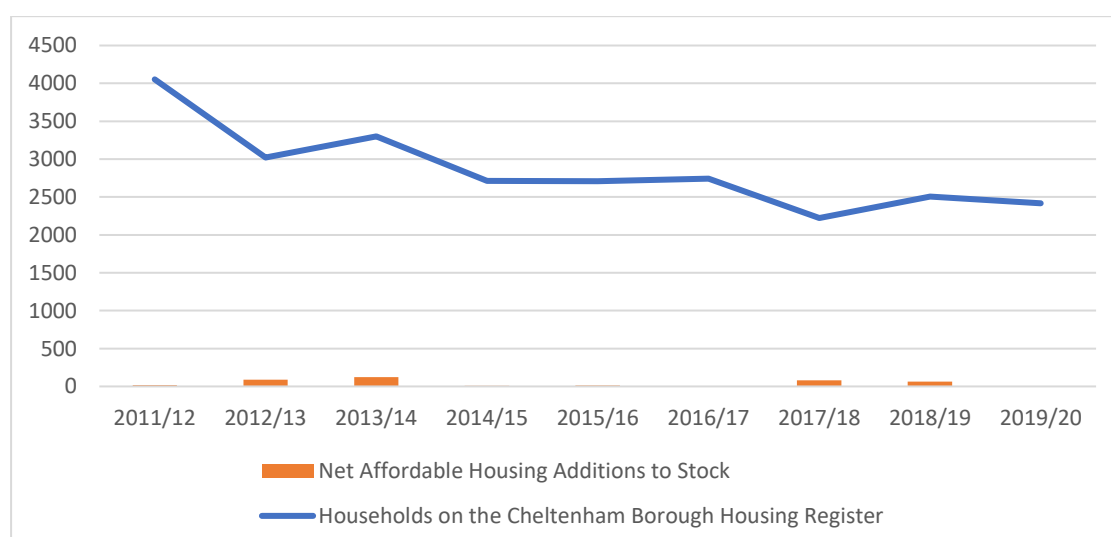
### Market Signals

- 7.1 The PPG recognises the importance of giving due consideration to market signals as part of understanding affordability. I acknowledge that this is in the context of Plan making.

### Cheltenham Borough Housing Register

- 7.2 At 1 April 2020, there were 2,418 households on the Borough's Housing Register. Of these households 598 had expressed Charlton Kings as one of their three preferred choices of location<sup>19</sup>. This is almost 25% of the entire register seeking a home in or near Charlton Kings.
- 7.3 Figure 7.1 illustrates changes in the Housing Register and the delivery of affordable homes in Cheltenham over the nine-year period since 2011/2012. This illustrates that the rate of affordable housing delivery in the Borough has persistently failed to meet identified needs on the Housing Register.

*Figure 7.1: Cheltenham Borough Housing Register and Affordable Housing Delivery*



Source: MHCLG Live Table 685, Residential Land Availability Report (February 2020); Freedom of Information Response (5 February 2021)

<sup>19</sup> The Councils FoI response (**Appendix JS1**) notes that Applicants are asked to choose 3 preferred areas but not in any order.

- 7.4 The Borough is part of the Homeseeker Plus Partnership which comprises Cheltenham Borough Council, Cotswold District Council, Gloucester City Council, Stroud District Council, Tewkesbury Borough Council, Forest of Dean District Council and West Oxfordshire District Council as well as Registered Providers.
- 7.5 The Housing Allocations Policy (**CD J53**) covering all the Homeseeker Plus authorities details local connection criteria at section 11. Paragraph 11.1 states that *“due to the exceptional demand for housing across the Homeseeker Plus area and the difficulty in solving local housing need, preference will usually be given to applicants with a local connection to the appropriate district”*.
- 7.6 It explains that each authority may set quotas of dwellings available for cross boundary moves if necessary, to increase mobility but will balance this against the local connection requirements.
- 7.7 Paragraph 11.2 defines local connection as:
- Those who are normally resident in the local authority area, and that residence is or was of their own choice (for six of the last 12 months or there of the last five years);
  - Those employed in the local authority area (permanent employment, not seasonal or temporary);
  - Those who have family connections in the local authority area (immediate family members who have lived in the area for five years); and
  - Members of the armed forces have a local connection to the district of their choice (those currently serving, served within the immediate preceding 5 years; bereaved spouse or civil partner who has recently or will cease to be entitled to Ministry of Defence accommodation following the death of their service spouse and the death was wholly or partly attributable to their service; existing or former members of the reserve forces who are suffering from a serious injury, illness or disability which is wholly or partly attributable to their service).
- 7.8 It should also be highlighted that the councils FOI response indicated that that a new Homeseeker Plus Policy is now out for consultation (1 February 2021 to 29 March 2021) on a series of proposed changes to the current policy.
- 7.9 It is important to note that the Housing Register is only part of the equation relating to housing need. The housing register does not constitute the full definition of affordable housing need as set out in the NPPF – Annex 2 definitions i.e. affordable rented, starter

homes, discounted market sales housing and other affordable routes to home ownership including shared ownership, relevant equity loans, other low cost homes for sale and rent to buy, provided to eligible households whose needs are not met by the market.

- 7.10 As such the number of households on the Housing register will only be an indication of those in priority need and whom the Housing Department have a duty to house. But it misses thousands of households who are in need of affordable housing, a large proportion of whom will either be living in overcrowded conditions with other households or turning to the private rented sector and paying unaffordable rents.
- 7.11 The extent of the affordable housing crisis within Cheltenham Borough is such that at 1 April 2020 there were 17 households being housed in temporary accommodation within the Borough, this represents almost a 31% increase from 1 April 2019 (**See Appendix JS1**).

#### **Private Rental Market in Cheltenham Borough**

- 7.12 The lower quartile monthly rent in Cheltenham in 2019/20 was £600 per month<sup>20</sup> whilst the average rental costs for the Borough were £825 per month<sup>21</sup> for the same period.
- 7.13 It is important to consider this in the context of the level of Local Housing Allowance (LHA) available to qualifying residents of the Borough. Figure 7.2 illustrates the disparity between not only average private market rents in the borough but also lower quartile private rents, whilst illustrating the relative affordability of Registered Provider rents to lower income households.

<sup>20</sup> ONS Private Rental Market Statistics

<sup>21</sup> ONS Private Rental Market Statistics

Figure 7.2: Comparison of Monthly Rental Costs with Local Housing Allowance in Cheltenham

No. Bedrooms of	Average Monthly Private Rent	Maximum Monthly LHA Rate <sup>22</sup>	Disparity between LHA and Average Monthly Private Rent
1-Bedroom	£633	£544	-£89
2-Bedroom	£815	£688	-£127
3-Bedroom	£1,079	£841	-£238
4+ Bedroom	£1,551	£1,183	-£368
No. Bedrooms of	Lower Quartile Monthly Rent	Maximum Monthly LHA Rate <sup>23</sup>	Disparity between LHA and Lower Quartile Rent
1-Bedroom	£550	£486	-£64
2-Bedroom	£700	£623	-£77
3-Bedroom	£875	£758	-£117
4+ Bedroom	£1,200	£1,045	-£155

Source: Directgov website, ONS Private Rental Market Statistics (2019/20)

- 7.14 The evidence demonstrates that private market rents are increasingly unaffordable in the Borough, even with LHA support there are shortfalls in monthly rental costs ranging from -£89 to -£368 for average rental prices, to shortfalls of -£64 to -£155 for lower quartile rental properties which are typically considered to be the 'more affordable' segment of the rental market. For those in need of an affordable home in Cheltenham, the private rental market fails to provide an appropriate alternative to genuinely affordable homes.

### Average House Prices in Cheltenham Borough

- 7.15 The National Housing Federation (NHF) produce an annual report for each of the regions in England, looking at various elements of the housing market across each area.
- 7.16 The September 2020 Home Truths report (**Appendix JS8**) for the South West covering the 2018/19 period identifies the ratio of average house prices to average incomes in Cheltenham stands at 10. This means that average house prices in the Borough are more than 10 times average incomes.

<sup>22</sup> Figures based on weekly LHA Rate multiplied by 4.3 to represent monthly LHA rate available

<sup>23</sup> Figures based on weekly LHA Rate multiplied by 4.3 to represent monthly LHA rate available

7.17 The report also found that whilst an income of £76,104 per annum would be required in order to obtain an 80% mortgage<sup>24</sup> in the Borough, by comparison the average annual earnings in the Borough in 2018/19 were £32,583<sup>25</sup>.

7.18 In terms of house prices themselves, the NHF reported that whilst the average for England was £303,006 in Cheltenham the average house price was £332,953.

### Lower Quartile House Prices in Cheltenham Borough

7.19 For those seeking a lower quartile priced property (typically considered to be the 'more affordable' segment of the housing market), the ratio of lower quartile house price to incomes stood at 8.31 in 2019, a 6% increase since the start of the JCS period in 2011 where it stood at 7.84.

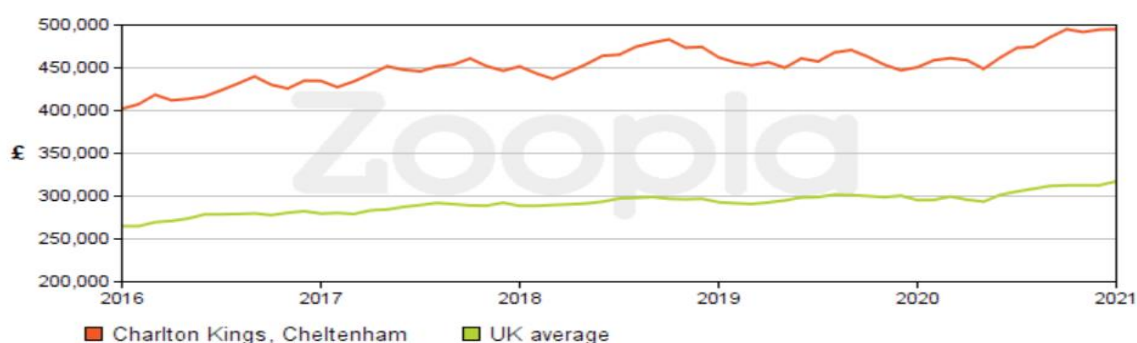
7.20 This means that those on the lowest incomes in the Borough seeking to purchase a home in the lower end of the property market now need to find more than eight times their annual income to do so.

### House Prices in Charlton Kings

7.21 Data taken from Zoopla indicates that the average price paid for a home in Charlton Kings over the past 12 months<sup>26</sup> was £442,085. When this is broken down by dwelling type, the average price for a flat over the past 12 months in Charlton Kings was £230,969, a terraced home £308,427, a semi-detached home £390,240 and a detached home £721,587

7.22 Figure 7.4 illustrates that average home prices in Charlton Kings have consistently far outstripped the UK average.

*Figure 7.4: Average Home Prices in Charlton Kings Compared to UK Average*



Source: <https://www.zoopla.co.uk/market/charlton-kings/> [accessed 13 January 2021]

<sup>24</sup> Based on 3.5 x income multiples

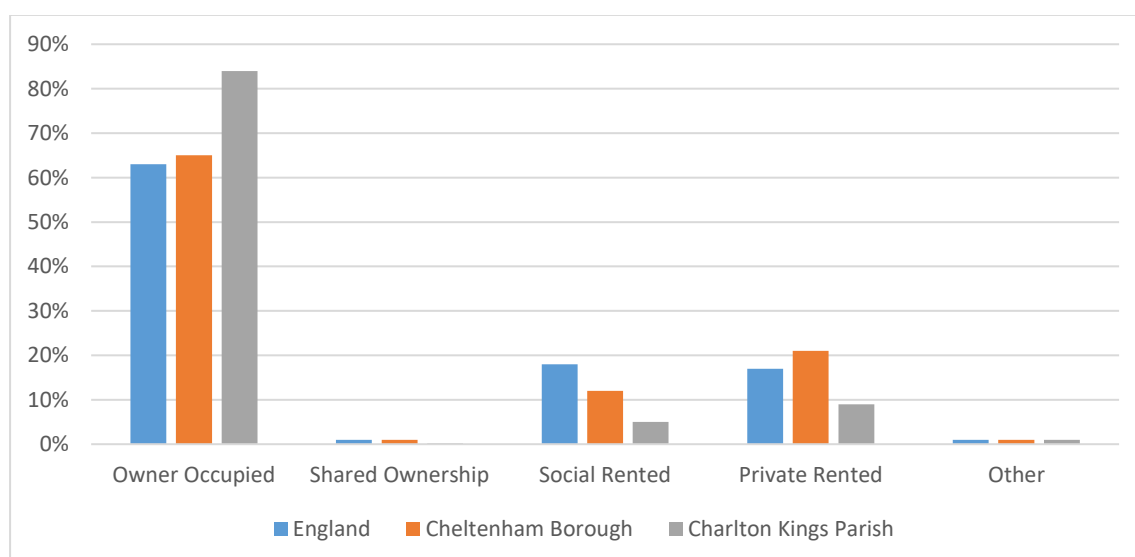
<sup>25</sup> Based on Valuation Office Agency data

<sup>26</sup> Accessed 20 January 2020

## Tenure Profile in Cheltenham Borough and Charlton Kings Parish

- 7.23 Figure 7.5 illustrates the breakdown of tenures within Cheltenham Borough and Charlton Kings Parish compared with the tenure breakdown nationally at the time of the 2011 Census. Owner occupation by far represents the largest tenure typology within the Borough with 65% of households owned outright or with a mortgage which exceeds the national average.
- 7.24 By comparison only 12% of households in Cheltenham were social rent/affordable rent, which is lower than the national average, whilst less than 1% of the households in the Borough were shared ownership tenure properties. The picture in Charlton Kings Parish was even worse, with just 5% of tenures being affordable products (considerably below both the national and the Borough average) and some 84% of households being homeowners which far exceeded both the national and the Borough average.
- 7.25 This means the prospect of the 598 households expressing a preference for having their needs met where they wish to live is exceedingly low.

*Figure 7.5: Tenure Breakdown for England, Cheltenham Borough and Charlton Kings Parish*



Source: 2011 Census

- 7.26 The data shows that by comparison to the national average, there are a larger percentage of owner occupiers in Cheltenham and an even higher proportion in Charlton Kings and lower proportions of social housing tenures available.
- 7.27 The evidence indicates that the situation for those in need of an affordable home in Cheltenham Borough is worsening.



- 7.28 The importance of the analysis of such data was acknowledged in Inspectors Drew appeal decision concerning Cornerways, Twyning in Tewkesbury (**CD J62**) where in considering affordable housing provision through the appeal scheme, he stated that:
- 7.29 *“The significance of this scheme in meeting the needs of different groups in the Borough, as required by paragraph 50 of the Framework, is underlined by the stark figure that this scheme alone would result in a 100% increase in shared ownership properties in the Parish of Twyning, as well as a 27% increase in social rented properties. Those figures are a powerful illustration of the extent to which the proposed development would contribute to creating a more mixed and balanced community, which is a key Government objective”* (paragraph 65).

### **Conclusions on Affordability Indicators in Cheltenham**

- 7.30 As demonstrated through the analysis in this section, affordability in the Borough has been and continues to be, in crisis. House prices and rent levels in both the average and lower quartile segments of the market are increasing whilst at the same time the stock of affordable homes is decreasing. LHA rates for the Borough are insufficient to cover average private rents or lower quartile rents.
- 7.31 This only serves to push buying or renting in Cheltenham out of the reach of more and more people.
- 7.32 Analysis of market signals is critical in understanding the affordability of housing. It is my opinion that there is an acute housing crisis in Cheltenham Borough, with an average house price to average income ratio of 10.
- 7.33 The picture for those seeking to purchase a lower quartile priced property (typically considered to be the ‘more affordable’ segment of the housing market) is not much better with a lower quartile house price to income ratio of 8.31, meaning those on lower earnings would need to find more than eight their annual salary to purchase a lower price home.
- 7.34 The Borough’s woeful record of affordable housing delivery and the failure to plan for a significant boost in the supply of affordable homes to meet identified needs are merely serving to further fuel the acute affordability crisis in Cheltenham.
- 7.35 Market signals indicate a worsening trend in affordability in Cheltenham and by any measure of affordability, this is a Borough in the midst of an affordable housing crisis, and one through which urgent action must be taken to deliver more affordable homes.

# The Weight to be Attributed to the Proposed Affordable Housing Provision

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## Section 8

- 8.1 The Government attaches weight to achieving a turnaround in affordability to help meet affordable housing needs. The NPPF is clear that the Government seeks to significantly boost the supply of housing.

### **The Need for Affordable Housing**

- 8.2 The National Housing Strategy sets out that a thriving housing market that offers choice, flexibility and affordable housing is critical to our social and economic wellbeing.
- 8.3 The JCS does not define a numerical target for the provision of affordable homes in Cheltenham Borough, instead it requires that in Cheltenham 40% of homes are provided as affordable tenures from qualifying developments.
- 8.4 In the absence of a defined affordable housing target in adopted policy, it is important to consider the objectively assessed need for affordable housing within the most up-to-date SHMA. Notably the reasoned justification to Policy SD12 of the JCS cross-references the identified needs of the 2015 SHMA Update.
- 8.5 The 2015 SHMA Update identifies a need for 213 net affordable homes per annum in the Borough between 2015 and 2031 when the Liverpool approach to addressing backlog is applied.
- 8.6 In either scenario this is a Borough which has overseen an average delivery rate of just 41 affordable homes per annum over the course of the past nine years which helps to illustrate the sheer scale of the affordable housing crisis engulfing Cheltenham Borough. There has been an average rate of just 10% affordable housing delivery over the period.
- 8.7 It is my view that backlog needs should be addressed within the first five years in line with the Sedgefield approach. This would ensure that the same approach to addressing backlog needs is applied for both market and affordable housing and is an approach which has been endorsed at appeal (**CD J54**).

- 8.8 When the Council's record of affordable housing delivery is compared with the needs identified in the SHMA then there has been a shortfall of -1,015 affordable homes since the base date in 2015/16.
- 8.9 When the Sedgefield approach is applied to address the backlog of -1,015 affordable homes within the next five years, then this results in a need for 434 net affordable homes per annum between 2020/21 to 2024/25.
- 8.10 The 2020 Gloucestershire LHNA found a minimum net annual need of 194 affordable homes per annum over the 20-year period between 2021 and 2041 for the Cheltenham Borough Council area. This figure increases by 52% to 295 dwellings per annum over the period when those in receipt of housing benefit within the PRS are factored into the calculation. Not once in the past nine years has the council achieved either of these figures.
- 8.11 For the sake of clarity, the Council has overseen the delivery an annual average of just 28 net affordable homes per annum over the five years since the base date of the 2015 SHMA Update in 2015/16. The challenge the Council faces in addressing affordable housing needs in the Borough is stark.
- 8.12 The Borough's track record of affordable housing delivery must also be viewed in the context of the fact that at 1 April 2020 there were 2,418 households on the Housing Register in need of an affordable home in Cheltenham. It is critically important that we do not lose sight of the fact that these are real people, who are in real housing need, now.
- 8.13 This acute level of affordable housing need will detrimentally affect the ability of people to lead the best lives they can. The National Housing Strategy requires urgent action to build new homes, acknowledging the significant social consequences of failure to do so.
- 8.14 In addition to the shortfall in delivery against the affordable housing needs identified in the SHMA, other indicators further point to an affordability crisis in the Borough. This includes increasing house prices, a large number of households on the housing register and increasingly unaffordable private rents.
- 8.15 This demonstrates an acute need for affordable housing in Cheltenham and one which the Council and decision makers need to do as much as possible to seek to address. Indeed, they are required to do so, and proactively, by the NPPF (2019).

## Cheltenham Borough Council's Assessment of the Application

- 8.16 The application was refused contrary to the Officers recommendation on 25 September 2020.
- 8.17 The Officers report to the Planning Committee (**CD A102**) states at paragraph 5.3 that the comments raised in support of the application highlighted the need for affordable housing.
- 8.18 Paragraph 6.3.17 highlights that *'in the opinion of officers, HE [Heritage England] do not acknowledge the public benefits of the scheme which include the delivery of market and affordable housing'*.
- 8.19 Paragraph 6.5.27 considers the previous appeal decision in respect of biodiversity at the site stating that:
- 'In the appeal decision the Inspector attached little weight to the results of conflicting metric assessments although he did conclude overall that the net effect of the appeal scheme on biodiversity was likely to be either neutral or negative to some degree. However this did not form the main basis of his dismissal of the appeal and states that it would not have outweighed the significant benefits to the supply of affordable and market housing.'* (my emphasis).
- 8.20 Paragraph 6.11.4 notes that the affordable housing offer complies with adopted JCS policy SD12 which requires a minimum of 40% provision on qualifying sites. Paragraph 6.11.6 goes on to note that the scheme delivers 18 affordable units i.e. 42% provision.
- 8.21 The table following paragraph 6.11.6 sets out the proposed mix of affordable dwellings at the appeal site to be six social rented units, seven affordable rented units and five shared ownership units. The subsequent paragraph is clear that:
- 'The mix of dwellings proposed here is more reflective of Cheltenham's affordable housing needs than previously proposed dwelling mixed. A number of flats were originally proposed and they have been replaced with maisonettes and a house which allowed tenants to have their own front door, fostering a sense of belonging and community that is fundamental to creating a strong and sustainable community.'*
- 8.22 Paragraph 6.11.9 clearly states that *'The provision of these affordable homes is a significant benefit of the proposal'* going on to note that *'As of May 2020, Cheltenham Borough had 2,190 households waiting for affordable housing on the Council's housing register. The affordable dwellings proposed here would go some way to addressing this need.'* (my emphasis).

- 8.23 Paragraph 6.11.10 confirms that the affordable housing provision would be secured through a S106 agreement.
- 8.24 Paragraph 7.3 considers the benefits of the scheme which includes the provision of affordable housing. The paragraph goes on to clearly state ‘*Substantial weight should be given to the delivery of market and affordable housing.*’
- 8.25 At paragraph 7.6 the report is clear that:

*‘The harm to heritage assets has significantly reduced through the revised scheme and the shortfall in provision of affordable and market housing has worsened in the meantime to significantly below a 5 year supply (3.7 years at latest calculation). Therefore Officers conclude that in balancing the key issues, the benefits of the proposal outweigh the harms. Therefore, in accordance with para 11 (d) of the NPPF, planning permission should be approved.’ (emphasis added).*

- 8.26 I concur with the weight to affordable housing given by the officers in the committee report.

#### **Weight to be Afforded to the Proposed Affordable Housing**

- 8.27 The NPPF (2019) is clear at paragraph 31 that policies should be underpinned by relevant up-to-date evidence which is adequate and proportionate and takes into account relevant market signals.
- 8.28 Paragraph 59 of the NPPF (2019) sets out the Governments clear objective of “*significantly boosting the supply of homes*” with paragraph 60 setting out that in order to “*determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment*”. The NPPF (2019) requires local authorities at paragraph 61 to assess and reflect in planning policies the size, type and tenure of housing needed for different groups, “*including those who require affordable housing*”.
- 8.29 There has been a persistent under delivery of affordable homes to meet identified needs and demand in the Borough where since 2015 alone there has been a shortfall of some -1,015 affordable homes against identified needs taken from the 2015 SHMA Update.
- 8.30 Against the scale of need in the Borough and the Council’s affordable housing delivery track record, I consider that the provision of 18 affordable homes on the appeal site should be afforded substantial weight in the determination of this appeal.

- 8.31 The weight to be applied to affordable housing in the planning balance is a matter for Mr Frampton to address in his planning evidence. I have set out my consideration of the weight which I believe should be applied in the context of the acute need and the level of affordable housing that has been delivered in Cheltenham.

### **Relevant Secretary of State and Appeal Decisions**

- 8.32 The importance of affordable housing as a material consideration has been reflected in a number of Secretary of State (SoS) and appeal decisions. Of particular interest is the amount of weight which has been afforded to affordable housing relative to other material considerations.
- 8.33 The importance of affordable housing as a material consideration has been reflected in a number of Secretary of State (SoS) and appeal decisions. Of particular interest is the amount of weight which has been afforded to affordable housing relative to other material considerations. Brief summaries are outlined below, and the full decisions are included as Core Documents.

### **Secretary of State Decision: Pulley Lane, Droitwich Spa (July 2014) – CD J57**

- 8.34 The Inspector recognised that the contribution of the scheme in meeting some of the affordable housing deficit in the area cannot be underestimated (Inspector's Report, Page 89). The Inspector set out under paragraph 8.122 of their Report that:

*"The SOS should be aware that a major plank of the Appellant's evidence is the significant under provision of affordable housing against the established need Figure and the urgent need to provide affordable housing in Wychavon. If the position in relation to the overall supply of housing demonstrate a general district-wide requirement for further housing, that requirement becomes critical and the need overriding in relation to the provision of affordable housing. The most recent analysis in the SHMA (found to be a sound assessment of affordable housing needs) demonstrates a desperate picture bearing hallmarks of overcrowding, barriers to getting onto the housing ladder and families in crisis."*

- 8.35 The Inspector continued under paragraph 8.123 of his report to state that *"the SHMA indisputably records that affordability is at crisis point. Without adequate provision of affordable housing, these acute housing needs will not be met. In terms of the NPPF's requirement to create inclusive and mixed communities at paragraph 50, this is a very serious matter. Needless to say, these socially disadvantaged people were not represented at the Inquiry."*



- 8.36 The level of significance attached to affordable housing provision was addressed through paragraph 8.124 of the Inspectors Report where he stated that:

*“These bleak and desperate conclusions are thrown into even sharper focus by an examination of the current circumstances in Wychavon itself. Over the whole of the District’s area, there is presently a need for 268 homes per annum. These are real people in real need now. Unfortunately, there appears to be no early prospect of any resolution to this problem...Given the continuing shortfall in affordable housing within the District, I consider the provision of affordable housing as part of the proposed development is a clear material consideration of significant weight that mitigates in favour of the site being granted planning permission”* (Inspectors Report, page 111).

- 8.37 This statement is supplemented at paragraph 8.125 by the Inspector considering that *“from all the evidence that is before me the provision of affordable housing must attract very significant weight in any proper exercise of planning balance.”*

- 8.38 The Secretary of State concluded that both schemes delivered *“substantial and tangible”* benefits, including the delivery of 40% *“much needed”* affordable housing.

***Appeal Decision: Land North of Upper Chapel, Launceston (11 April 2014) – CD J60***

- 8.39 At paragraph 51 the Inspector noted that *“irrespective of whether the five-year housing land supply figure is met or not, NPPF does not suggest that this has be regarded as a ceiling or upper limit on permissions. On the basis that there would be no harm from a scheme, or that the benefits would demonstrably outweigh the harm, then the view that satisfying a 5 year housing land supply figure should represent some kind of limit or bar to further permissions is considerably diminished, if not rendered irrelevant”*.

- 8.40 The Inspector acknowledged at paragraph 41 that the appeal proposal would have a very significant social role in bringing forward 40 affordable housing units, noting that there was an acute shortage of affordable housing in Launceston. The Inspector also noted that the need for additional affordable housing was all the greater having regard to other sites negotiating lower proportions of affordable housing in lieu of other planning obligation contributions.

- 8.41 At paragraph 52 of their report, the Inspector considered that *“there is an acknowledged acute need for affordable housing in this locality and the proposed scheme would bring forward 40 affordable units. This has to be a substantial benefit of the scheme.”* (my emphasis). In concluding the Inspector found that the benefits of the proposals outweighed the small degree of policy conflict.

**Appeal Decision: Oldmixon Road, Weston-super-Mare (10 April 2017) – CD J58**

- 8.42 The appeal proposals made provision for 150 dwellings of which 30% (45 dwellings) would be provided as affordable housing. Paragraph 92 of the Inspectors report acknowledged that the Sustainable Community Strategy *“recognises that one of the main challenges is the growing number of people seeking social housing in the area”* and that *“it is apparent that the need for more affordable housing in North Somerset has been, and continues to be, an issue of concern.”*
- 8.43 The Inspector went on at paragraph 94 to note the 3,608 households on the Housing Register at 1 April 2016 with paragraph 95 referring to the fact that the average waiting time for an affordable home in North Somerset was 735 days. In addition to which reference was drawn to the 34% increase in homelessness, high levels of affordability ratios and 32% house price increase over the past five years. Following on from this at paragraph 96 he found that *“the need in the district is glaring with a significant number of people having bleak housing prospects for the foreseeable future”*.
- 8.44 Furthermore, the Inspector made clear at paragraph 97 that *“although the Council sought to undermine the veracity of the affordable housing obligation, in the absence of a viability appraisal, nothing of any substance was placed before me. It is also telling that the appellant has not considered the 30% contribution to be unrealistic on the grounds of lack of viability”*.
- 8.45 Paragraph 101 set out that the Inspector *“remain[ed] content to afford substantial weight to the benefit arising from the market and affordable homes which the scheme would deliver”*.

**Appeal Decision: Land east of Park Lane, Coalpit Heath, South Gloucestershire (September 2018) – CD J61**

- 8.46 Paragraph 61 of the decision states that *“there are three different components of the housing that would be delivered: market housing, affordable housing (AH) and custom-build housing (CBH). They are all important and substantial weight should be attached to each component for the reasons raised in evidence by the appellants, which was not substantively challenged by the Council, albeit they all form part of the overall housing requirement and supply”* (my emphasis)



## **Overview of Secretary of State and Appeal Decisions**

- 8.47 The decisions above emphasise the great weight which both Inspectors and the Secretary of State have, on various occasions, attached to the provision of affordable housing in the consideration of planning appeals.
- 8.48 Some of the key points I would highlight from these examples are that:
- Affordable housing is an important material consideration;
  - The importance of unmet need for affordable housing being met immediately;
  - Planning Inspectors and the Secretary of State has attached very substantial weight to the provision of affordable housing; and
  - Even where there is a five-year housing land supply the benefit of a scheme's provision of affordable housing can weigh heavily in favour of development.

## **Conclusions on Weight to be attributed to the Proposed Affordable Housing Provision**

- 8.49 JCS Policy SD12 does not define a numerical target for the provision of affordable homes, instead it requires that 40% of dwellings are provided as affordable homes from qualifying development in Cheltenham.
- 8.50 The reasoned justification to the policy draws reference to the need for 638 affordable homes per annum across the JCS which is taken from the 2015 SHMA Update. Within this SHMA Update need figure for the JCS there is an identified need for 231 affordable homes per annum in Cheltenham Borough between 2015 and 2031.
- 8.51 In the nine-year period since the start of the JCS period in 2011/12, there have been just 373 net affordable housing additions to stock, equivalent to an average of just 41 per annum and representing an astonishingly low 10% of overall net housing additions over the same period.
- 8.52 When the 140 net affordable housing additions to stock since 2015/16 are compared with the 2015 SHMA Update need figure of 231 per annum over the same period, there has been a shortfall in delivery of -1,015 affordable homes compared to identified needs.
- 8.53 If this backlog were to be addressed within five years in line with the Sedgefield approach, then there would need to be 434 affordable homes per annum delivered between 2020/21 to 2024/25.

- 8.54 There were 2,418 households on the Council's Housing Register at 1 April 2020 with an identified need for an affordable home in Cheltenham. Of these households 598 had expressed Charlton Kings as one of their three preferred choices of location.
- 8.55 It is critically important that we do not lose sight of the fact that these are real people, who are in real housing need, now. In my opinion there is a substantial need for new affordable homes in Cheltenham and Charlton Kings.
- 8.56 The appeal proposals provide 42% affordable housing which exceeds the requirements of JCS Policy SD12, equivalent to 18 affordable dwellings. It is my view that this will make a substantial contribution to meeting the identified needs in Cheltenham.
- 8.57 Given the Council's performance towards meeting its identified housing needs across the Borough, I consider that substantial weight should be afforded to the delivery of affordable housing in the determination of this appeal.
- 8.58 The weight to be applied to affordable housing in the planning balance is a matter for Mr Frampton to address in his planning evidence. I have set out my consideration of the weight which I believe should be applied in the context of the acute need and the level of affordable housing that has been delivered in Cheltenham.

# Summary and Conclusions

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## Section 9

- 9.1 My Proof of Evidence deals specifically with affordable housing and the weight to be afforded to it in the planning decision in light of the evidence of need in the area.
- 9.2 Britain is in the midst of an undisputed housing crisis with unaffordable housing one of the biggest challenges for the South West with low and stagnating wages combined with drastically rising house prices making it one of the most unaffordable regions in the country<sup>27</sup>. The National Housing Strategy states that a thriving housing market that offers choice, flexibility and affordable housing is critical to our social and economic wellbeing.
- 9.3 The NPPF (2019) sets out the Governments clear objective of *“significantly boosting the supply of homes”*.
- 9.4 Locally, providing housing is a key issue as acknowledged by the foreword to the Housing and Homelessness Strategy by Councillor Pete Jeffries, Deputy Leader of the Council and Cabinet Member for Housing, who stated that *“everyone should have the right to a decent affordable home; this is something I passionately believe. At present Cheltenham doesn’t have all the homes that local people need”*.
- 9.5 There is a wealth of evidence to demonstrate that there is a national housing crisis in the UK affecting many millions of people who are unable to access suitable accommodation to meet their housing needs.
- 9.6 In this context, it is important to consider that the NHF report that the average house price in the Borough now stands at £303,006, which exceeds the national average. This has resulted in an average house price to average income ratio in the Borough of 10. For those seeking a lower quartile priced property the situation is not much better with a lower quartile house price to income ratio of 8.31.
- 9.7 JCS Policy SD12 does not identify a defined affordable housing numerical target, though the reasoned justification to the policy does cross refer to the affordable housing need figure identified in the 2015 SHMA Update. In the absence of which

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<sup>27</sup> NHF Home Truths South West 2019/20

consideration must be given to the objectively assessed need for affordable housing within the most up-to-date SHMA.

- 9.8 Since the base period of the 2015 SHMA update in 2015/16 the Borough have overseen the delivery of a total of 140 net affordable homes, equivalent to an average of just 28 per annum over this period. This has resulted in a shortfall of -1,015 affordable homes when compared with the identified need for 1,155 net affordable homes over the same period.
- 9.9 When the Sedgefield approach is applied in seeking to address the backlog in delivery of affordable homes which has accrued since 2014/15 compared with identified needs taken from the 2015 SHMA Update there would be a need for 434 net affordable homes per annum for the five years period between 2020/21 and 2024/across the Borough.
- 9.10 The 2020 Gloucestershire LHNA found a minimum net annual need of 194 affordable homes per annum over the 20-year period between 2021 and 2041 for the Cheltenham Borough Council area. This figure increases by 52% to 295 dwellings per annum over the period when those in receipt of housing benefit within the PRS are factored into the calculation. Not once in the past nine years has the council achieved either of these figures.
- 9.11 When viewed in this context, the stark challenge that the Borough faces becomes clear and a monumental step change in the delivery of affordable housing is required.
- 9.12 The 18 affordable homes that the appeal proposal would provide represents the equivalent of almost 13% of the total number of affordable homes delivered across the entire Borough since the SHMA base period in 2015/16. It is evident that the appeal site can help to make a substantial contribution towards addressing the acute affordable housing needs of Cheltenham.
- 9.13 It is critical to view this in the context of the 2,418 households on the Borough's Housing Register at 1 April 2020 and it is important not to lose sight of the fact that these are real people, who are in real need, now.
- 9.14 There is a clear and pressing need for more affordable homes to be delivered in Cheltenham which the appeal proposals would make a substantial contribution towards helping to address.

- 9.15 Given the persistent under delivery of affordable housing delivery in the Borough there appears to be little prospect of the backlog affordable housing needs being met without a substantial boost in the delivery of affordable housing.
- 9.16 The lack of affordable homes is fuelling the Boroughs persistent homelessness issue. By the Borough's own admission in its Housing and Homelessness Strategy private rental rates in Cheltenham has increased significantly in recent years and *"by far the main cause of homelessness in Cheltenham is loss of private rented accommodation"*
- 9.17 The evidence demonstrates that private market rents are increasingly unaffordable in the Borough, even with LHA support there are shortfalls in monthly rental costs ranging from -£89 to -£368 for average rental prices, to shortfalls of -£64 to -£155 for lower quartile rental properties which are typically considered to be the 'more affordable' segment of the rental market. For those in need of an affordable home in Cheltenham, the private rental market fails to provide an appropriate alternative to genuinely affordable homes.
- 9.18 The future supply of affordable homes in Cheltenham is highly uncertain. Past delivery has fluctuated considerably and the delivery of a higher number of affordable homes one year does not guarantee this will continue for future years.
- 9.19 The acute level of affordable housing need coupled with worsening affordability will detrimentally affect the ability of people to lead the best lives they can. The National Housing Strategy requires urgent action to build new homes, acknowledging the significant social consequences of failure to do so.
- 9.20 Existing stock in the Borough is dominated by owner occupiers. By comparison to the national average, there are a larger percentage of owner occupiers in Cheltenham and a lower proportion of rented tenures available. Within Charlton Kings, the proportion of owner occupiers exceeds both the Borough and the national average, whilst the proportion of social tenures at just 5% is particularly low in comparison to the national average of 19% and Borough average of 13%.
- 9.21 The appeal proposals would make a substantial contribution towards broadening the type and mix of dwellings in the Borough, including the provision of 18 much needed affordable homes.
- 9.22 Since 1969 there has been an accumulated shortfall of housing in excess of 5.5 million new homes. Furthermore, on a national level, in every scenario, against every annual need figure identified since the publication of the Barker Review in 2004, the extent of the shortfall in housing delivery in England is staggering and ranges from a shortfall of

-1,105,490 to a shortfall of -2,635,490 over the past 17 years depending on which annual target actual housing completions are measured against. This merely serves to further compound the acute affordability problems that the country is facing.

- 9.23 What is clear is that a significant boost in the delivery of housing, and in particular affordable housing, in England is absolutely essential to arrest the housing crisis and prevent further worsening of the situation.
- 9.24 Against the scale unmet need and the lack of suitable alternatives in the private rented sector in Cheltenham Borough, there is no doubt in my mind that the provision of 18 affordable homes will make a substantial contribution. In light of all the evidence I consider that it should be afforded **substantial weight** in the determination of this appeal.

## Appendix JS1

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Freedom of Information Correspondence  
(7 and 8 January 2021, 4, 5, 11, 15 and 16 February 2021)



## Gina Day

---

**From:** Internet-CustomerRelations@cheltenham.gov.uk  
**Sent:** 16 February 2021 14:42  
**To:** Annie Gingell  
**Subject:** RE: Freedom of Information Request - Housing data  
**Attachments:** FOI Request 2021.docx

Dear Annie,

Please accept my apologies for the delay in responding in full to your FOI request. The information the council holds in relation to your request for information is attached. Please note whilst calculating the data for questions 9-12 an error with the data provided for question 13 was highlighted, this has now been amended, see attached.

Please note: If you are dissatisfied with the Council's response you have a right of appeal. In the first instance please forward your appeal to Customer Relations, Cheltenham Borough Council, Municipal Offices, Promenade, Cheltenham, GL50 9SA or email: [customerrelations@cheltenham.gov.uk](mailto:customerrelations@cheltenham.gov.uk). Your appeal will be considered and a response sent to you within 20 working days.

If you are still not happy with any decision following any review you have a further right of appeal to the Information Commissioner, Wycliffe House, Water Lane, Wilmslow, Cheshire, SK9 5AF.

Kind regards,



**Beth Cordingley** (Mrs)  
Customer Relations and Information Officer  
Cheltenham Borough Council  
Tel: 01242 264350  
Email: [customerrelations@cheltenham.gov.uk](mailto:customerrelations@cheltenham.gov.uk)  
Website: <http://www.cheltenham.gov.uk>

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---

**From:** Annie Gingell <[Annie.Gingell@tetlow-king.co.uk](mailto:Annie.Gingell@tetlow-king.co.uk)>  
**Sent:** 16 February 2021 11:59  
**To:** Internet - Customer Relations <[Internet-CustomerRelations@cheltenham.gov.uk](mailto:Internet-CustomerRelations@cheltenham.gov.uk)>  
**Cc:** James Stacey <[James.Stacey@tetlow-king.co.uk](mailto:James.Stacey@tetlow-king.co.uk)>  
**Subject:** RE: Freedom of Information Request - Housing data  
**Importance:** High

Good morning Beth,

What is the update on this please?

Given that the council must return the requested data to central government on an annual basis it seems rather odd that providing the data is taking such a long time.

We now have less than five working days to agree a Statement of Common Ground before the Inspectors deadline of 23 February 2021.

The absence of this data is also stalling the production of our Evidence which again must be submitted by the same deadline to the Inspectorate.

Additionally it has been almost 2 weeks since the 20 working day response time has elapsed and almost 6 weeks since the initial request was submitted.

I hope this can be resolved today.

Kind regards,

**Annie Hamilton Gingell BSc (Hons) MSc**  
**Senior Planner**  
TETLOW KING PLANNING  
Please read our statement on COVID-19 [here](#)



---

**T:** 0117 9561916 **M:** 07517106114 **W:** [tetlow-king.co.uk](http://tetlow-king.co.uk)

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**From:** [Internet-CustomerRelations@cheltenham.gov.uk](mailto:Internet-CustomerRelations@cheltenham.gov.uk) <[Internet-CustomerRelations@cheltenham.gov.uk](mailto:Internet-CustomerRelations@cheltenham.gov.uk)>  
**Sent:** 15 February 2021 16:16  
**To:** Annie Gingell <[Annie.Gingell@tetlow-king.co.uk](mailto:Annie.Gingell@tetlow-king.co.uk)>  
**Subject:** RE: Freedom of Information Request - Housing data

Dear Annie,

I have received clarification on the below point:

Both questions 3 and 4 are consistent in their approach with the time period, there is not a difference in determining the averages. Both questions are completed to the average waiting times for 2018/2019 and 2019/2020.

I have further chased the outstanding questions this afternoon, and will follow this up again tomorrow morning.

Kind Regards,

**Beth Cordingley** (Mrs)

Customer Relations and Information Officer  
Cheltenham Borough Council  
Tel: 01242 264350

Email: [customerrelations@cheltenham.gov.uk](mailto:customerrelations@cheltenham.gov.uk)

Website: <http://www.cheltenham.gov.uk>

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**From:** Annie Gingell <[Annie.Gingell@tetlow-king.co.uk](mailto:Annie.Gingell@tetlow-king.co.uk)>

**Sent:** 11 February 2021 14:23

**To:** Internet - Customer Relations <[Internet-CustomerRelations@cheltenham.gov.uk](mailto:Internet-CustomerRelations@cheltenham.gov.uk)>

**Cc:** James Stacey <[James.Stacey@tetlow-king.co.uk](mailto:James.Stacey@tetlow-king.co.uk)>

**Subject:** RE: Freedom of Information Request - Housing data

Good afternoon Beth,

Can you please confirm why the answer to Q3 is for average waiting times at 1 April 2020 but the answer to Q4 is for average waiting times for the 2018/19 monitoring period?

In order to make a robust comparison the data needs to be over the same period for each question.

To do that I either require Q4 to be answered as written in the original request or for Q3 to provide the average for 2019/20 monitoring period.

Kind regards,

**Annie Hamilton Gingell BSc (Hons) MSc**  
**Senior Planner**

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**T:** 0117 9561916 **M:** 07517106114 **W:** [tetlow-king.co.uk](http://tetlow-king.co.uk)

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**From:** [Internet-CustomerRelations@cheltenham.gov.uk](mailto:Internet-CustomerRelations@cheltenham.gov.uk) <[Internet-CustomerRelations@cheltenham.gov.uk](mailto:Internet-CustomerRelations@cheltenham.gov.uk)>

**Sent:** 05 February 2021 14:39

**To:** Annie Gingell <[Annie.Gingell@tetlow-king.co.uk](mailto:Annie.Gingell@tetlow-king.co.uk)>

**Subject:** RE: Freedom of Information Request - Housing data

Dear Annie,

Yes of course, please find attached. We are waiting on the answers for questions 9-12, I will resend the complete document as soon as I can.

Kind regards,

**Beth Cordingley** (Mrs)  
Customer Relations and Information Officer  
Cheltenham Borough Council  
Tel: 01242 264350  
Email: [customerrelations@cheltenham.gov.uk](mailto:customerrelations@cheltenham.gov.uk)  
Website: <http://www.cheltenham.gov.uk>

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**From:** Annie Gingell <[Annie.Gingell@tetlow-king.co.uk](mailto:Annie.Gingell@tetlow-king.co.uk)>  
**Sent:** 05 February 2021 10:53  
**To:** Internet - Customer Relations <[Internet-CustomerRelations@cheltenham.gov.uk](mailto:Internet-CustomerRelations@cheltenham.gov.uk)>  
**Cc:** James Stacey <[James.Stacey@tetlow-king.co.uk](mailto:James.Stacey@tetlow-king.co.uk)>  
**Subject:** RE: Freedom of Information Request - Housing data

Good morning Beth,

I would appreciate if you could send me the information that has been complied thus far with the final parts to follow by 12/02/21.

Kind regards,

**Annie Hamilton Gingell BSc (Hons) MSc**  
**Senior Planner**  
TETLOW KING PLANNING  
[Please read our statement on COVID-19 here](#)



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**T:** 0117 9561916 **M:** 07517106114 **W:** [tetlow-king.co.uk](http://tetlow-king.co.uk)

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**From:** [Internet-CustomerRelations@cheltenham.gov.uk](mailto:Internet-CustomerRelations@cheltenham.gov.uk) <[Internet-CustomerRelations@cheltenham.gov.uk](mailto:Internet-CustomerRelations@cheltenham.gov.uk)>  
**Sent:** 04 February 2021 17:59  
**To:** Annie Gingell <[Annie.Gingell@tetlow-king.co.uk](mailto:Annie.Gingell@tetlow-king.co.uk)>  
**Subject:** RE: Freedom of Information Request - Housing data

Dear Ms Gingell,

It has come to our attention that there will be a delay in responding to your FOI request. I am very sorry for this, the officer who holds the final parts of information we need to complete your request is currently on leave. We aim to respond in full by 12/02/21.

Please accept my sincere apologies for this delay.

Kind regards,

**Beth Cordingley** (Mrs)  
Customer Relations and Information Officer  
Cheltenham Borough Council  
Tel: 01242 264350  
Email: [customerrelations@cheltenham.gov.uk](mailto:customerrelations@cheltenham.gov.uk)  
Website: <http://www.cheltenham.gov.uk>

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**From:** Internet - Customer Relations  
**Sent:** 08 January 2021 08:56  
**To:** 'Annie Gingell' <[Annie.Gingell@tetlow-king.co.uk](mailto:Annie.Gingell@tetlow-king.co.uk)>  
**Subject:** RE: Freedom of Information Request - Housing data

Dear Ms Gingell,

Thank you for your enquiry received yesterday. Your request for information has been logged as FOI 7858 and you will receive a response within 20 working days.

Kind regards,

**Beth Cordingley** (Mrs)  
Customer Relations and Information Officer  
Cheltenham Borough Council  
Tel: 01242 264350  
Email: [customerrelations@cheltenham.gov.uk](mailto:customerrelations@cheltenham.gov.uk)  
Website: <http://www.cheltenham.gov.uk>

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---

**From:** Annie Gingell <[Annie.Gingell@tetlow-king.co.uk](mailto:Annie.Gingell@tetlow-king.co.uk)>  
**Sent:** 07 January 2021 12:21  
**To:** Internet - Customer Relations <[Internet-CustomerRelations@cheltenham.gov.uk](mailto:Internet-CustomerRelations@cheltenham.gov.uk)>  
**Cc:** James Stacey <[James.Stacey@tetlow-king.co.uk](mailto:James.Stacey@tetlow-king.co.uk)>; Sue Field <[sue.field@tetlow-king.co.uk](mailto:sue.field@tetlow-king.co.uk)>  
**Subject:** Freedom of Information Request - Housing data

Dear Sir/Madam,

Please find attached a Freedom of Information request.

I look forward to hearing from you.

Kind regards,

**Annie Hamilton Gingell BSc (Hons) MSc**  
**Senior Planner**  
TETLOW KING PLANNING  
[Please read our statement on COVID-19 here](#)



---

**T:** 0117 9561916 **M:** 07517106114 **W:** [tetlow-king.co.uk](http://tetlow-king.co.uk)

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Dear Sir/Madam,

Can you please provide the following data in line with the provisions of the Freedom of Information Act.

**Housing Register**

1. The total number of households on the Council's Housing Register at 1st April 2020.

Answer: 2418

2. The total number of households on the Council's Housing Register at 1st April 2020 specifying the Charlton Kings Civil Parish as their preferred choice of location.

Answer: 598 had Charlton Kings as one of their preferred choices. Applicants are asked to choose 3 preferred areas but not in any order.

3. The average waiting times at 1 April 2020 for the following types of affordable property:

- a. A shared accommodation affordable dwelling;
- b. 1-bed affordable dwelling;
- c. 2-bed affordable dwelling;
- d. 3-bed affordable dwelling;
- e. 4-bed affordable dwelling; and
- f. A 4+ bed affordable dwelling.

Answer:

1-bed general needs	11 weeks
2-bed flat or maisonette	11 months
2-bed house	5 months
3-bed flat or maisonette	8 months
3-bed house	15 months
4-bed	10 months
5-bed	11 months

4. The average waiting times at 1 April 2019 for the following types of affordable property:

- a. A shared accommodation affordable dwelling;
- b. 1-bed affordable dwelling;
- c. 2-bed affordable dwelling;
- d. 3-bed affordable dwelling;
- e. 4-bed affordable dwelling; and
- f. A 4+ bed affordable dwelling.

Answer: This information is based on those housed in the year 2018/2019

1-bed general needs	10 months
2-bed flat or maisonette	7 months
2-bed house	11 months
3-bed flat or maisonette	10 months

3-bed house	12 months
4-bed	24 months
5-bed	8 years

5. Any changes the Council has made to its Housing Register Allocations Policy since 2011 including the date they occurred, what they entailed and copies of the respective documents.

Answer: CBC are part of countywide CBL scheme and copy of policy can be found at [www.homeseeckerplus.co.uk](http://www.homeseeckerplus.co.uk) . Homeseekerplus is a choice-based lettings (CBL) scheme run by the seven local authorities in partnership with social housing landlords. The seven local authorities are Tewkesbury Borough Council, Gloucester City Council, Cheltenham Borough Council, Stroud District Council, Forest of Dean District Council, Cotswold District Council and West Oxfordshire District Council.

The Homeseeker Plus Policy is now out for consultation on a series of proposed changes - for further information please see the link to the cabinet decision below on the approval to consult on the revised Homeseeker Plus Policy and proposed changes [https://democracy.cheltenham.gov.uk/documents/s31780/2020\\_02\\_11\\_Homeseeker%20Plus%20Policy\\_report.pdf](https://democracy.cheltenham.gov.uk/documents/s31780/2020_02_11_Homeseeker%20Plus%20Policy_report.pdf).

The Homeseekerplus consultation began on Monday 1 February 2021 and will run for eight weeks, ending on the 29 March 2021. To take part in the consultation please read the policy [here](#) and fill in the survey by following the link: [Homeseekerplus policy consultation Survey \(surveymonkey.co.uk\)](https://survey.monkey.co.uk)

### **Social Housing Stock**

6. The total number of social housing dwelling stock at 1st April 2020 in Charlton Kings Civil Parish.

Answer: 150

7. Whether all, or a part of, the Local Authority's social housing dwelling stock as been transferred to another organisation(s). If so, when did this occur and to whom (i.e. which housing association(s) or Arms-Length Management Organisation (ALMO)) was the stock transferred.

Answer: CBH (Cheltenham Borough Home's) was established as an Arm's Length Management Organisation (ALMO) in 2003 and is responsible for the management and maintenance of Cheltenham Borough Council's housing stock. In 2013 CBH also took over the operation management of the Housing Options service.

### **Social Housing Lettings**

8. The number of social housing lettings in the period between 1 April 2018 and April 2019; and between 1 April 2019 and 1 April 2020 in Charlton Kings Civil Parish

Answer:

2018/19: 14 lettings in Charlton Kings  
2019/20: 13 lettings in Charlton Kings

### **Housing Completions – Outstanding**

9. The number of NET housing completions in the Cheltenham Council region broken down on a per annum basis for the period between 2000/01 and 2019/20.

Answer:

Year	Net
2000	409
2001	417
2002	418
2003/04	559
2004/05	590
2005/06	452
2006/07	926
2007/08	558
2008/09	280
2009/10	275
2010/11	136
2011/12	36
2012/13	266
2013/14	413
2014/15	316
2015/16	397
2016/17	296
2017/18	594
2018/19	776
2019/20	476
<b>Total</b>	<b>8,590</b>

10. The number of NET affordable housing completions in the Cheltenham Council region broken down on a per annum basis for the period between 2000/01 and 2019/20.

Answer: Please see the table below. Please note that we have been unable to locate the number of CBC demolitions in the period 2000/01-2003/04. These years are marked as an asterisk to indicate this.

<b>2000/01</b>	-74*
<b>2001/02</b>	-36*
<b>2002/03</b>	-56*
<b>2003/04</b>	43*



2004/05	-38
2005/06	-29
2006/07	26
2007/08	35
2008/09	16
2009/10	16
2010/11	20
2011/12	16
2012/13	88
2013/14	115
2014/15	14
2015/16	-22
2016/17	-15
2017/18	85
2018/19	57
2019/20	35

11. The number of NET housing completions in Charlton Kings Civil Parish broken down on a per annum basis for the period between 2000/01 and 2019/20.

Answer: See table below. Note that the way residential monitoring was handled changed in 2003 to match financial years and not calendar years. Also, monitoring has always been done on a ward basis, not a Parish basis. The wards were changed in 2002 and no information seems to be available on which wards were in CK Parish pre-2002, so only net completions in CK ward have been included for 2000 and 2001, marked with an asterisk (\*).

Year	Net
2000	16*
2001	19*
2002	8
2003/04	27
2004/05	13
2005/06	39
2006/07	26
2007/08	21
2008/09	9
2009/10	20
2010/11	4
2011/12	18
2012/13	11
2013/14	3
2014/15	13
2015/16	34

2016/17	1
2017/18	7
2018/19	3
2019/20	50
<b>Total</b>	<b>342</b>

12. The number of NET affordable housing completions in Charlton Kings Civil Parish broken down on a per annum basis for the period between 2000/01 and 2019/20.

Answer: Please see the table below. Please note that we have been unable to track down the number of CBC demolitions in the period 2000/01-2003/04. These years are marked as an asterisk to indicate this, although any demolitions in the Charlton Kings civil parish during this time period are likely to have been minimal.

2000/01	5*
2001/02	0*
2002/03	0*
2003/04	-7*
2004/05	-1
2005/06	0
2006/07	-1
2007/08	0
2008/09	0
2009/10	0
2010/11	0
2011/12	0
2012/13	0
2013/14	-3
2014/15	-2
2015/16	-2
2016/17	-2
2017/18	2
2018/19	-1
2019/20	2

### **Right to Buy**

13. The number of social rented dwellings lost in the Cheltenham Council region broken down on a per annum basis for the period between 2000/01 and 2019/20 through:

- a. Right to Buy;
- b. Preserved Right to Buy; and
- c. Voluntary Right to Buy

Answer:

	CBC	CBH
2000/01	91	
2001/02	103	
2002/03	99	
2003/04	104	
2004/05	82	
2005/06	33	
2006/07	22	
2007/08	18	
2008/09	1	
2009/10	3	
2010/11	5	
2011/12	7	
2012/13	13	
2013/14	29	
2014/15	13	
2015/16	22	
2016/17	29	1
2017/18	27	
2018/19	21	
2019/20	19	

We do not hold information on preserved Right to Buy or Voluntary Right to Buy as this does not apply to CBC's stock.

Please note, whilst calculating the number of NET affordable housing completions we identified an error in the data provided for this question. This has now been amended.

14. The number of Right to Buy replacements funded by receipts from Right to Buy sales in the Cheltenham Council region broken down on a per annum basis for the period between 2000/01 and 2019/20.

Year	CBC New Build & Purchased
2016/17	26
2017/18	10
2018/19	17
2019/20	27

15. The number of social rented dwellings lost in the Charlton Kings Civil Parish broken down on a per annum basis for the period between 2000/01 and 2019/20 through:
- Right to Buy;
  - Preserved Right to Buy; and
  - Voluntary Right to Buy

Answer:

Year	RTB
2006/07	1
2007/08	0
2008/09	0
2009/10	0
2010/11	0
2011/12	0
2012/13	0
2013/14	3
2014/15	2
2015/16	2
2016/17	2
2017/18	0
2018/19	1
2019/20	0

We do not hold information on preserved Right to Buy or voluntary Right to Buy as they do not apply to CBC's stock.

16. The number of Right to Buy replacements funded by receipts from Right to Buy sales in the Charlton Kings Civil Parish broken down on a per annum basis for the period between 2000/01 and 2019/20.

Year	Charlton Kings
2016/17	0
2017/18	2
2018/19	0
2019/20	2

### **Temporary Accommodation**

17. The number of households on the Housing Register housed in temporary accommodation within the Cheltenham Council region at 1st April 2020.

Answer: 17

18. The number of households on the Housing Register housed in temporary accommodation outside the Cheltenham Council region at 1st April 2020.

Answer: 0

19. The number of households on the Housing Register housed in temporary accommodation within the Cheltenham Council region at 1st April 2019.

Answer: 13

20. The number of households on the Housing Register housed in temporary accommodation outside the Cheltenham Council region at 1st April 2019.

Answer: 0

I look forward to hearing from you. If there are any issues with providing any of the data then please get in touch.

## Appendix JS2

---

Extracts from Planning Practice Guidance  
(March 2014, Ongoing Updates)



Section	Paragraph	Commentary
Housing and Economic Needs Assessment	006 Reference ID: 2a-006-20190220	<p>This section sets out that assessments of housing need should include considerations of and be adjusted to address affordability.</p> <p>This paragraph sets out that <i>“an affordability adjustment is applied as household growth on its own is insufficient as an indicators or future housing need.”</i></p> <p>This is because:</p> <ul style="list-style-type: none"> <li>• <i>“Household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and</i></li> <li>• <i>people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford.”</i></li> </ul>
Housing and Economic Needs Assessment	018 Reference ID 2a-01820190220	Sets out that <i>“all households whose needs are not met by the market can be considered in affordable housing need. The definition of affordable housing is set out in Annex 2 of the National Planning Policy Framework”</i> .
Housing and Economic Needs Assessment	019 Reference ID 2a-01920190220	States that <i>“strategic policy making authorities will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market. This should involve working with colleagues in their relevant authority (e.g. housing, health and social care departments).</i>
Housing and Economic Needs Assessment	020 Reference ID 2a-02020190220	<p>The paragraph sets out that in order to calculate gross need for affordable housing, <i>“strategic policy-making authorities can establish the unmet (gross) need for affordable housing by assessing past trends and current estimates of:</i></p> <ul style="list-style-type: none"> <li>• <i>the number of homeless households;</i></li> <li>• <i>the number of those in priority need who are currently housed in temporary accommodation;</i></li> <li>• <i>the number of households in over-crowded housing;</i></li> <li>• <i>the number of concealed households;</i></li> <li>• <i>the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings); and</i></li> <li>• <i>the number of households from other tenures in need and those that cannot</i></li> </ul>

		<i>afford their own homes, either to rent, or to own, where that is their aspiration."</i>
Housing and Economic Needs Assessment	024 Reference ID 2a-02420190220	<p>The paragraph states that <i>"the total need for affordable housing will need to be converted into annual flows by calculating the total net need (subtract total available stock from total gross need) and converting total net need into an annual flow based on the plan period"</i>.</p> <p>It also details that:</p> <p><i>"An increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes."</i></p>
Housing Supply and Delivery	031 Reference ID: 68-031-20190722	<p>With regard to how past shortfalls in housing completions against planned requirements should be addressed, the paragraph states:</p> <p><i>"The level of deficit or shortfall will need to be calculated from the base date of the adopted plan and should be added to the plan requirements for the next 5 year period (the Sedgefield approach)"</i></p>



## Appendix JS3

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House of Commons Debate (October 2013)



## Westminster Hall

Thursday 24 October 2013

[MR DAI HAVARD *in the Chair*]

### BACKBENCH BUSINESS

#### Planning and Housing Supply

*Motion made, and Question proposed, That the sitting be now adjourned.*—(John Penrose.)

1.30 pm

**Mr Laurence Robertson** (Tewkesbury) (Con): I thank the Backbench Business Committee for granting this debate, which has been supported by a large number of concerned Members. In particular, I thank my right hon. Friend the Member for Arundel and South Downs (Nick Herbert) and the hon. Member for St Albans (Mrs Main) for sponsoring it along with me. There is concern among hon. Members and local planning authorities about apparent confusion in the Government's planning policies. I requested this debate because I want to consider planning, the countryside and housing projections, as well as related issues, such as the Government's professed preference for localism, as these matters are all interconnected.

Protecting the countryside was one of my main motivations for entering Parliament in the first place. As I represent the constituency of Tewkesbury, I am more sensitive than most to the need to avoid developing on or near flood risk areas. The terrible 2007 floods in Tewkesbury will never be forgotten by anyone who lived through them. I spend a lot of time trying to attract businesses, visitors and people in general to Tewkesbury, so I believe that a balance can be struck between allowing appropriate development and protecting our green belt, green fields and important open spaces, but I am not sure that we are striking that balance at the moment.

What do I mean by confusion in policy? The Government have said frequently, for example, that their policy is to preserve green-belt land, yet my local planning authorities—my constituency covers three—are telling me that the Government are pressuring them to provide for so many houses in their local plans or joint core strategies that it will inevitably compromise the green belt, green fields and flood risk areas.

In a ministerial statement dated 6 September 2012, the Government said:

"The green belt is an important protection against urban sprawl, providing a 'green lung' around towns and cities. The coalition agreement commits the Government to safeguarding green belt and other environmental designations".

That seems clear enough. However, the same statement goes on to say:

"As has always been the case, councils can review local designations to promote growth. We encourage councils to use the flexibilities set out in the national planning policy framework to tailor the extent of green belt land in their areas to reflect local circumstances."—[*Official Report*, 6 September 2012; Vol. 549, c. 33-34WS.]

That is less clear. Indeed, it is confusing, perhaps even contradictory.

On the face of it, reaffirming councils' right to re-designate the status of their land could be seen as promoting localism. However, the fact is that Government pressure to create high housing numbers is forcing such re-designations, which flies in the face of localism and contradicts the localism policy. The Government's policies on the green belt and the wider countryside are confusing and contradictory; clearing up that confusion is one of the purposes of this debate. The Government's insistence on high housing numbers is threatening the green belt, which leads me to question why the Government believe that we need so many houses in the first place. I wish to consider the question of housing projections.

I recognise and claim everyone's right to a decent place to live. My job immediately before I was elected to Parliament involved working with homeless women in London. My responsibility was to raise money to build a hostel and day centre for them, to enable them to take the first steps back to normality. I learned that in almost all cases, homelessness is caused not by a property shortage but by other factors such as finances, family breakdown, drug or alcohol abuse, unemployment, refugee status or other social factors. It is not that there are not enough houses.

The Government's own figures seem to confirm that there is no shortage of houses. In an answer to a recent parliamentary question that I tabled, the Government informed me that at the last count, there were 709,426 empty properties in England. Add to that the number of houses with planning permission that are not yet built and the figure for available properties in England comes close to 1 million.

Of course, there are in fact shortages of two kinds of housing: affordable homes, which are scarce in the village where I live, and privately rented properties, partly because it is hard and often undesirable to be a landlord. There are shortages in those two sectors for reasons other than a shortage of houses as such. For example, it is getting on for 2 o'clock, yet any one of us could go out into London or anywhere else and find houses to buy this afternoon. I question the Government's assertion that so many houses need to be built that local authorities must re-designate green-belt land in order to meet the Government's arbitrary and undefined housing targets.

Tewkesbury is an example of what I mean. There is no housing shortage in my area. In fact, there is planning permission for houses that have not yet been built, as well as empty properties. In the past 20 years, 7,536 houses have been completed in the borough of Tewkesbury, yet the Cambridge university econometric assessment, which is used by local councils and presumably approved of by the Government, suggests that 10,900 houses will be needed in the borough over the next 20 years—or, to be strictly accurate, over the next 18 years, as two years of the plan period have already passed. Why has Tewkesbury's housing need for the next 20 years been assessed as 45% higher than for the last 20 years? It needs explaining.

It gets worse. Tewkesbury borough is involved in drawing up a joint core strategy with Cheltenham and Gloucester. The JCS allocation for Tewkesbury borough for the next 20 years is not the 10,900 I refer to, high though that is, but 18,800, which is 150% higher than for the last 20 years. Why? Partly because it is deemed that Cheltenham and Gloucester cannot find land for



[Mr Laurence Robertson]

their housing growth needs, so the houses will be dumped in Tewkesbury borough, potentially causing housing stock in Tewkesbury to increase by 54% over the next 20 years and causing the councils to build on green-belt land and in other undesirable areas.

That raises the question of the duty to co-operate. Gloucestershire has six council areas, not just three, and the duty to co-operate goes beyond county boundaries. Why, then, will the houses that Cheltenham and Gloucester are deemed to need but cannot accommodate end up being built on green-belt land in Tewkesbury? That cannot be fair, and it demonstrates the paucity of the current planning guidance, which says that plans will be considered unsound if the councils concerned have not co-operated. However, it is the councils that are not involved in the plan, as well as those that are, that need to co-operate. How does that work?

I reiterate that if it were not for the Government's apparent pressure on local authorities to plan for a greater number of houses, the problem would not arise. Such a top-down approach is arbitrary and undefined. I say so because that is basically what the Government indicated to me in reply to a parliamentary question. In a written answer dated 9 July, the Minister told me:

"While there is no standard methodology, councils' assessments should be demonstrably objective."—[*Official Report*, 9 July 2013; Vol. 568, c. 191W.]

What exactly does that mean? If there is no standard methodology for assessing future housing needs, how can Government assessments be right and the local authority's previous housing figures wrong? That is another question that I want answered today.

That brings us to the issue of localism. In my view, the Government were right to scrap the regional spatial strategies. It was surely wrong for unelected, anonymous people to determine how many houses an area should build and where they should build them. It was therefore with great anticipation that I and many others looked forward to the new housing and planning strategy—only, so far, to be disappointed.

Local plans have always had to be sound, and developers have always had the right to appeal against decisions against them locally; there has also always been a presumption in favour of sustainable development. However, we now seem to have gone beyond that, and to be setting the bar far too high for local planning authorities, and that causes them to contradict another area of Government policy, which is the need to protect the green belt.

As I have said, in my area, Tewkesbury borough will, if the JCS is adopted, have to increase its housing stock by about 54% over the next 20 years. That massive increase will mean that the council has to grant permission for developers to build thousands of houses on land that is currently designated green belt. Such sites have already been identified.

**Sir Bob Russell (Colchester) (LD):** I understand the point that the hon. Gentleman is making, but is it that Tewkesbury borough council is not engaging in a conversation with neighbouring authorities, or do those authorities want to foist some of their development on Tewkesbury, or on its borders?

**Mr Robertson:** The authorities are involved in the joint core strategy, which covers three councils, but there are six councils in the county, and others outside the county overlap with them, or are contiguous. Perhaps there has not been enough of an attempt to ensure that all councils join in, and there has been obstinacy on the part of some of those involved in the joint core strategy, but whatever the case, it is a really strange situation to have three councils getting together while others each have their own plans. The whole system is very confusing and difficult. As for Tewkesbury's allocation, even if we accept the Cambridge assessment of 10,900 homes, we will not have that figure; we propose to have 18,800, even though we built only 7,500 in the previous 20 years. The situation is very confused.

I have mentioned that there are proposals to build on designated green-belt sites. If they are built on, it will bring the coalescence of Cheltenham and Gloucester nearer, but it was precisely to avoid that that the land in question was designated green belt in the first place, in line with the policy stated in the written ministerial statement that I read out. Surely that is not what this Conservative-led Government intend to happen?

As I have mentioned the Conservative party, may I say in the privacy of this room that our policies on planning are losing us many votes in many areas? I am sure that the leaders of my party do not intend that to happen. In some ways, I feel that the Government believe that recovery and growth in the economy can be kick-started by encouraging more house building. Perhaps that is why the Government are requiring such high numbers, rather than following assessments based on experience and fact.

**Mrs Anne Main (St Albans) (Con):** I will be brief, because so many hon. Members want to speak. There are huge numbers of readily accessible plans in the system that no one is building for, so just granting more plans will not kick-start the economy; it will just provide more land-banking for developers.

**Mr Robertson:** I entirely agree. I do not believe that it is for the Government to engineer a recovery in such a way. Surely the market will determine in which areas there will or will not be growth, so why not leave local councils to determine how many houses they need over any given period and to make their plans accordingly? The Minister may reply that that is indeed happening, but it is not. The three council areas I cover have all told me that they have to make plans for a high number of houses, because the Government will reject plans as unsound if they do not plan for such large numbers. If that is wrong, I want the Minister to say so. I will then go back to those councils and tell them that their view is wrong. I do not, however, believe that that is the case.

There is certainly a feeling that developers' ad hoc applications are granted too freely on appeal by the Secretary of State. I have examples of that in my area. Appeals have been granted that will allow the building of many houses at Bishop's Cleeve and Winchcombe, against the wishes of local people. On the face of it, those appeals were allowed because the council has been deemed to have an insufficient five-year land supply. What is that assessment based on? Is it based on the number of houses built in the past, on some arbitrary and undefined calculation, or on figures in the regional



spatial strategy? The strategy for the south-west was never signed off, and that whole policy has been scrapped in any case. Once again, this practice flies in the face of the localism concept that the Government are promoting.

Many hon. Members wish to speak, so I will summarise my main concerns. The Government's policy on the green belt is confused and contradictory, and we need clarification today. Exactly how do the Government assess how many houses will be needed in the future? Why are they following the predict-provide approach? Why are estimates for future housing need so high, and why are they so much higher than what was needed for the last 20 years? As a slight aside, much of the population growth in the past 20 years has been caused by immigration. Given that the Government are intent on reducing net immigration and claim to have done so already, how can housing need be predicted to increase? Why is the localism agenda being ignored? Why is pressure being put on local councils, causing them to build on green-belt land? All those questions are being asked in the council areas that I represent and, most importantly, by the constituents I represent, and they would all like answers.

Several hon. Members *rose*—

**Mr Dai Havard (in the Chair):** Order. I thank hon. Members who have indicated that they wish to speak. I have a long list of 15 Members. Given the time constraints, I appeal to you to plan on having seven minutes each. That will give everyone a fair chance to speak, and allow for a proper response from the Minister, as Members will want him to give a comprehensive reply.

1.48 pm

**Valerie Vaz (Walsall South) (Lab):** It is a pleasure to serve under your chairmanship, Mr Havard. I thank the hon. Members for Tewkesbury (Mr Robertson) and for St Albans (Mrs Main), and the right hon. Member for Arundel and South Downs (Nick Herbert) for calling the debate, which is very timely.

I declare an interest as a member of the National Trust—I am concerned about its announcement that the National Trust will allow fracking on its land, but perhaps it will consult its members—and in my previous life, I used to litigate on behalf of the Government on planning matters.

I want to focus on three main areas that have affected my constituency of Walsall South, which is an area of mixed housing, with 11 farms—planning and the green belt, land banking and permitted development.

The green belt was first proposed by Ebenezer Howard in 1898, in his book "Garden Cities of Tomorrow". Hon. Members may not know that as well as writing that book, his day job was as a transcriber for *Hansard* in Parliament, so who knows what the transcribers get up to in their spare time? In 1935, the metropolitan green belt was proposed by the Greater London regional planning committee, under the leadership of Herbert Morrison, one of whose relatives is in the other place. In 1947, under the main Town and Country Planning Act, councils outside London became able to control the use of, and to develop, undeveloped land. In 1955, the green-belt policy was established, requiring local authorities to set out the green belt in their area.

Like the hon. Member for Tewkesbury, I still find that there is a misconception about the nature of the green belt, what planning in the green belt is and what "very special circumstances" means. We have a national planning policy framework in place. In old money, which is what I am used to, it was called planning policy guidance. There were lists of criteria of what could and could not be built on the green belt. Either way, whether we use the old money or the new framework, the green belt should be protected, and it is not.

In Walsall South, we fought against development on the site of the Three Crowns pub. Against the planning officer's advice, permission was granted for 14 flats with three detached houses on the green belt. The development was clearly out of character for the area. Since then, nothing has happened, except for the development of a car wash. No building work has taken place. The only sign of creativity is graffiti on the building. Land and building have lain empty and unused for three years.

As we are debating this matter today, a decision will be made about the disused site of the Three Crowns school. It is green-belt land that was given to the community, so it is council land. Permission will be given—or perhaps not—for eight detached houses. Such development is not required in the area. Not only was the consultation carried out in the summer holidays when people were away, but the plans go beyond the footprint of the building.

There is need for housing in Darlaston, in another part of the constituency, and there is permission for 224 houses to be built on a former factory site. Permission was granted in 2007 and still the site remains derelict, without the sound of people coming in and out of their houses. The owners are a subsidiary of the Royal Bank of Scotland. The residents in the area say that they want housing, a community space and a place for young people. The owners, however, want a retail development on a site that is near the largest retail parks in the region; that is land banking at its worst.

My third area of contention is permitted development and its extension. We have the extraordinary situation in my constituency where a phone mast has been placed in a high street. The council rightly refused permission, but because it sent the rejection by second class post, the company was deemed not to have been given reliable and verifiable notice of the refusal. There was notice: Vodafone were informed of the result by phone and the refusal was on the council website. Residents will have to put up with this phone mast, as there has been no compromise from Vodafone. Indeed, Vodafone is planning to extend the height of the mast. There were many sites for the mast—I have been in discussions with Vodafone—but the company insists that it wants to keep it on the high street. It is an eyesore, and because of a simple mistake, my constituents are affected. Furthermore, with the new permitted development rights these phone masts can be extended up to 20 metres and widened by up to a third. The Phesay phone mast is on a pavement on the high street. Once again, other interests carry more weight than those of the people who have to live with the consequences of such decisions.

In conclusion, with cuts to local authority budgets, those with the skills to make coherent planning decisions are in short supply. Such people should be valued, as should the views of residents, with a tribunal attaching the appropriate weight to the views that are based on



[Valerie Vaz]

planning grounds, and not just on commercial interests. In that way, we will maintain the spirit of Octavia Hill and Beatrix Potter and balance the need for housing with a protection of the countryside preserved for future generations.

**Mr Dai Havard (in the Chair):** I thank you for your time consideration. I now call the co-sponsor of the debate, Mrs Anne Main.

1.54 pm

**Mrs Anne Main (St Albans) (Con):** St Albans is ringed by green-belt land and green fields. We have good schools, very low unemployment, good links to London and a beautiful historic city. We are an aspirational living destination as well as an area in which people have firm roots. Once they are there, they do not usually wish to move; they want to bring up their families there, and their families want to stay.

It is no wonder that developers have us in their sights. We are in the proximity of London and house prices are high. I hope that local need and modest growth are not being confused with the ramped-up desire to market our area, as I regularly see local developments being actively marketed in London in terms of relocating for quality of life. For local councils, therefore, the "predict and provide" is hard, as we are trying to satisfy the appetite of developers. We want to ensure that we support the local economy, businesses and the need for the sort of development that our area can handle. I want to focus on the economic balance of an area.

Locally, it is hard to find a significant number of large brownfield sites, so any development tends to be a sensitive issue. We must make hard choices and my authority is up for that. We are actively undertaking a green-belt review, but we wish to have minimal impact on our green belt and coalescence. The need for local decision making in the planning system will be a strong theme in the debate, and Members from different areas will have their own issues and views in that regard. I trust local elected representatives to act like grown-ups, to listen to residents, to recognise the need to build and develop, and to plan and provide for their local area. No one wants a no-build or silo mentality, and in St Albans we are certainly not averse to having cross-border authority co-operation.

I welcomed the fact that in June my right hon. Friend the Minister urged local councils to encourage co-operation. I urge him now to listen to neighbouring authorities, which are being frustrated by the current developer-led system. They may wish for something in their area, but it will not happen because something is being imposed in a neighbouring area.

A case in my area proves that point. Hertfordshire is furiously resisting a rail freight interchange on 300 acres of green belt, slap bang in the middle of villages, accessed off village roads and with no direct motorway access. It is at a commuter pinch point on the line—commuters are very important to the economy of St Albans, and we do not have blue collar workers—and all in all, the villagers are up in arms about the interchange, which certainly was not included in the local emerging development plan. We believe that it is the wrong site in

the wrong area and that it will have an injurious effect on our part of the countryside. Even the inspector in his first and second reports rejected the site, observing that

"there is not a large, available work force local to the Radlett site...The net result would inevitably be mass in-commuting, mostly by car, all of which is directly contrary to the Government's policy. The irony of this is almost painful. The Government promotes SRFIs in order to advance the cause of sustainability—"and the developer is promoting the proposed site—

"in a wholly unsustainable location."

If we are to take seriously the protection of the green belt, surely we should be looking at relinquishing parts of it only when we absolutely have to and we should relinquish only those bits that would be least injurious to us. The inspector also said that there is no dispute that we enjoy very low levels of unemployment

"and several of those who spoke at the inquiry advised me that employers in the area were already experiencing difficulties in recruiting workers."

He said that there would be no reason for that to change should we have this large commercial development on our green belt.

Members might be amazed to hear that only 15 miles north in a neighbouring authority—I know that we are supposed to co-operate with our neighbours—on exactly the same train line, well away from residential homes, unlike in my constituency where residents are directly backing on to this site, development is starting on a newly constructed motorway spur off the M1 costing £134 million. Also under development is a £2.5 million slow passing link, which would allow freight lorries to wait and heavy trains to let through the passenger services that are all part of the new £6 billion Thameslink commuter services. Moreover, there is a willing local work force who need the jobs.

I cannot say this strongly enough: the public will find that scenario completely puzzling. We are supposed to have a commitment to the green belt and to the policy of letting localism decide. We talk about having economic regeneration in areas that need it and about not over-heating the areas that do not need it. Here we have an area that waited to get the infrastructure in place. It now has it in place and the funding to facilitate it. The scheme is included in the local plan. The reason it wants it is to improve the economic regeneration of the whole area. In January, the site assessment was made in which the council said:

"Overall, it is considered that this site will be suitable for the development of a RFI and employment land and will make a significant contribution to the economic growth of the area."

In its own assessment, it said:

"It will contribute to the economic delivery of the area by providing much needed employment opportunity to complement the growth of north Luton and Houghton Regis."

This is where the public are puzzled; my hon. Friend the Member for Tewkesbury (Mr Robertson), who opened this debate, said exactly that. We must have a degree of sympathy and co-operation with areas that are near to us, and I really want that to happen, as people can imagine. However, I am puzzled why the Minister did not give this mutual gain and benefit to both areas. At the time of his minded-to decision—that is somewhat in the past, so I hope today he has a chance to reflect on it—he said that there was

"little substantive evidence...to indicate that...site"

was "preferable".



Perhaps today the Minister will reflect on those recent developments, which I believe are material planning considerations. First, Mid Bedfordshire has a firm commitment to this project; it has expressed the need for development. There is a massive motorway funding agreement now in place and going ahead. The rail infrastructure work has started; he can visit it and see it. It is in an area of green belt that is certainly not as sensitive as mine. What is more, I am not fighting an authority that is resisting it; we are looking at an authority that will welcome it with open arms.

My site will have 25 mph trains crossing a fast line. There will be an interruption to my commuter services, and those commuters are a part of the London economy. The St Albans economy is very much knowledge-based, and those workers support a lot of businesses in London. To have their fast Thameslink train commuter services interrupted by 25 mph freight trains will be a nightmare. I have written to the Secretary of State for Transport because we still do not have the pathings, and we still have not received the assurances we want.

I find it amazing that the planning process is still developer led. Developers pick the sites they want to build on and it seems they are delivering some Government aims, whether on housing totals or strategic rail freight. Surely we can start looking at this process in a more local fashion.

The latest jobs figures in St Albans, which are all part of the mix, confirm almost zero unemployment. Nothing alters; we are fortunate in St Albans. We have a blue collar worker deficit, and yet there are nearly 5,000 unemployed people in the Luton area, which is where the proposals show we would draw our work force from. Why are we still bussing—well, we are not using buses, but why are we allowing cars to circulate around our countryside to access inaccessible sites, when just up the road from us we have an area crying out for economic regeneration? The second inspector's report said:

"Employment has never been a major problem in this part of Hertfordshire. A project such as this ought to be directed towards a regeneration zone."

I agree with that.

Of course, a developer will always push his own site, whether it is for housing or—as in my case—for a major infrastructure project. Ironically, on a large infrastructure project such as this one, the developer is allowed to conduct his own alternative sites assessment and choose his own selective criteria by which to judge a site. So it is not surprising that—hey presto—you can demonstrate after all, Mr Havard, that after due consideration of everywhere else, your site is the best—not yours, Mr Havard, but the developer's.

Is there any consideration within the Minister's current thought processes about whether we can alter that situation? Why should the developer pick the criteria by which we will judge a site and then say, "Well, mine's the best"? If we listen to local decision makers, the answer is different, as I have just demonstrated, but not surprisingly in my case I have two different developers, so each one wants to say that their site is the best; the difference is that one local economy believes theirs is the best.

**Mr Dai Havard (in the Chair):** Can I ask you to—?

**Mrs Main:** I certainly can.

If we are to stand for anything, it is as a Government of empowerment and choice over planning and local decision making. That is what the residents expected when this Government came as a coalition. I cheered the abandonment of the regional planning targets. I sincerely hope that this Government will review its planning processes.

**Mr Dai Havard (in the Chair):** Thank you very much. Well, Ms Vaz gave us a little bit of extra time and as you, Mrs Main, are a co-sponsor of the motion, it was probably helpful that you had a little extra time. May I remind everyone please to give others the opportunity to speak?

2.3 pm

**Sir Bob Russell (Colchester) (LD):** Thank you, Mr Havard, for calling me to speak. I thank you, the Minister, and the shadow Minister—the hon. Member for City of Durham (Roberta Blackman-Woods)—for understanding that I am not able to be here for the wind-ups.

The Minister will have noticed that there are 23 Government Back-Bench MPs here today, and it may well be that, at the end of three hours of debate, he will not have too many supporters. That is because the reality and the rhetoric of the Localism Act 2011 sadly are not the same, and while the intentions were clearly there, the reality is not.

I will be very parochial and talk about my constituency, which is supposed to be the fastest-growing town in the east of England. The Minister will know from questions that I have put to him and to his predecessors that I will be site-specific. I ask him and his officials whether it is appropriate that they will shortly make a determination on a development of 1,600 homes, even though the section 106 agreement fails to deliver the funds for the two schools that are required. It is not me saying that but Essex education authority. It says that there is no money to build the schools. How on earth can approval be given, particularly as the development is contrary to Government policy, which is that brownfield land, where available, should go ahead of greenfield land?

This particular site, which I have dubbed the fields of west Mile End, is adjacent to a former psychiatric hospital site that is on the market and zoned for housing; it has been for several years. The sale could be scuppered at the 11th hour if the development on the farm land goes ahead, because even though Colchester is the fastest-growing town in the east of England, there must come a point when there are too many houses and there is a glut. We already have a glut of flats—the "Prescott" flats. The last Labour Government insisted that the future was flats. We have a glut of empty flats in my town. What we want is family housing.

Do hon. Members remember an advert from a few years ago about a beer that reached the parts that other beers did not reach? Well, we have a local developer called Mersea Homes that is able to reach land that has never been lined up for development before. For example, the fields of west Mile End have always been land without notation—white land. It was never going to be built on, and no developer had a chance there. All of a sudden, under the radar, the land was lined up for



[Sir Bob Russell]

development. The ward council did not know about it, or if it did—I am not sure what happened. It is the only part of my constituency with a community council—Myland community council—and it was late in the day when it found out what was going on.

This is a bad development, a bad plan, with 1,600 houses to be served by the longest cul-de-sac in Britain. All the cars will pour on to the already congested highway network around Colchester mainline station. Everybody knows it is wrong, and in a question that I put to the Department for Communities and Local Government, I said that developers and planners should be

“forced to live there for a minimum of five years”.—[*Official Report*, 4 February 2013; Vol. 558, c. 13W.]

They are creating problems for others to suffer that they will not suffer themselves, because they tend to live in big houses miles away; they do not have to put up with the consequences.

To the east of Colchester—this is why the hon. Members for Tewkesbury (Mr Robertson) and for St Albans (Mrs Main) are absolutely right—the next-door council, Tendring district council, wants to plonk houses on farm land that, astonishingly, nobody has ever thought should be built on, and on which, in 2010, Mersea Homes secured the best part of 800 acres. Having been lucky twice with farm land that had never been zoned for housing, Mersea Homes must know how to go about securing it. I will leave that hanging there.

Tendring district council has the North sea on one side. Clacton is 15 miles from Colchester, and the council is talking about a development of 3,000 houses adjacent to the borough boundary of Colchester. It will double the urban estates of Greenstead and Longridge Park. It will just be an urban sprawl going eastwards. The local authority—Tendring—should build its houses where its people want them. As for the idea that people living on this huge estate right up on the border of Colchester will look to Clacton—16 miles away, where they pay their council tax—rather than to Colchester, when many of the houses will be in sight of the town hall, that is not what the Localism Act 2011 was about.

What is worrying—I will end on this, Mr Havard—is that it is quite clear that this has all come in under the radar. Elected councillors in Colchester—virtually all of them—have not been engaged in the debate. Secrecy, or at least lack of involvement, is a serious issue here. There should be an inquiry into what the hell is going on.

**Mr Dai Havard (in the Chair):** Thank you. I have had a missive from Mr Turner. Although special pleading is not allowed, it is his birthday today. I cannot accede to the request that we all sing him “Happy Birthday”, but he indicated to me that he has a pressing engagement, so I call Mr Turner.

2.10 pm

**Mr Andrew Turner (Isle of Wight) (Con):** Thank you, Mr Havard. It is a pleasure to serve under your chairmanship. I congratulate my hon. Friends the Members for Tewkesbury (Mr Robertson), and for St Albans (Mrs Main), and my right hon. Friend the Member for

Arundel and South Downs (Nick Herbert), on securing this important debate on a issue that affects everybody in every constituency.

I have long been interested in planning and there are many points that I could raise, but I want to keep my remarks brief and will restrict them to an aberration in the planning rules. I shall also make an observation about local development plans.

The problem is that planning authorities can give themselves planning permission to develop sites that they own. I was a city councillor in Oxford for 17 years, until 1997, and during that time, on many occasions, the council gave itself planning permission, sometimes in preference to other applicants. I am certainly not suggesting that my colleagues at the time did anything wrong or even anything questionable. However, if people own a site and are responsible for giving themselves permission to develop it, it is hard to ensure that there is no appearance of impropriety. We all know that appearances are important. We need to make sure that people have faith in the planning system. I know that this issue troubles people across the country; indeed, a number of people have raised it with me on the Isle of Wight.

I am not sure what alternative procedure we could or should follow. Perhaps it would be appropriate for neighbouring authorities—if there are neighbouring authorities—or a totally separate body to take decisions about council-owned land, or in cases where the local authority would benefit in some way. I should be grateful if the Minister shared his thoughts on this issue and said whether he believes it to be a problem that the Government should address that a council may give planning permission for land that it owns, where it would benefit from doing so.

Local development plans were introduced in 2004, so they postdate my experience as a councillor. I do not claim to have any particular knowledge of or expertise about them. However, I know that writing them and getting them approved can be a long-drawn-out process. Although they replaced a system that was seen to be inflexible, the intention being that they could more easily be amended, having spoken to Bill Murphy, head of planning services at Isle of Wight council, I am not convinced that changes to the core strategy document can be made as quickly and easily as was envisaged when the plans were brought in. It seems to me that a Minister can change the rules much quicker than a local authority.

To provide an example of certain problems, on the Isle of Wight the core strategy document sets out that we should have 520 new dwellings every year. It is not a secret that I think that is far too many, but it was not a decision for me to make; it was made, quite properly, by an elected council. However, it is now clear that the existence of that target may make it more difficult for the Isle of Wight council effectively to oppose inappropriate developments, such as Pennyfeathers, a proposal to develop a 55-hectare greenfield site just outside Ryde. There are many problems with that proposal. Not least of them is that Monktonmead brook already floods. Also, there are a number of brownfield sites available in and around Ryde that should be developed before greenfield farm land. Putting between 800 and 1,400 additional houses on Pennyfeathers farm land is quite wrong. I sincerely hope that the council will find the grounds to reject this development; if it does, I will be pleased.



It should be much easier to amend the core strategy document to take account of changes, particularly political change. A Conservative council may be replaced by a Liberal council the following day. *[Interruption.]* Well, not a Liberal, but an independent one, perhaps. The council should be able to change the rules, because the people have voted. That also applies to changes in economic circumstances, changes in local authority control, changes in demographic trends, or even changes in response to proposals that are clearly against the wishes of local people, because if localism means anything, it must take account of what local people want. I shall not detain the Chamber any longer. I should like the Minister to make his views clear.

**Mr Dai Havard (in the Chair):** Happy birthday, Mr Turner!

2.15 pm

**Nick Herbert (Arundel and South Downs) (Con):** I congratulate my hon. Friend the Member for Tewkesbury (Mr Robertson) on securing this debate, which I am delighted to co-sponsor.

Two years ago, we passed the Localism Act 2011 and promised local people that they would be given a greater say over matters that they care about, including development. It was part of a deliberate programme of devolution of power to people and communities. Ministers promised, and continue to promise, that power will transfer to local people in accordance with our manifesto and the coalition agreement. I fear that, two years on, people's faith in that promise will be considerably undermined if we allow, by the back door, the re-entry of top-down decision making that effectively denies the localism that was promised.

Let us consider the first problem. Central to the Government's new planning policy was the principle of sustainable development. Paragraph 14 of the national policy framework states that this is the

"golden thread"

that should run through

"both plan-making and decision-taking."

There are two words in the phrase "sustainable development"; it is imperative that proper weight be attached to the first of them.

Many in communities in my constituency are concerned that inadequate consideration is given to the availability of infrastructure to support development proposals. We have congested roads, over-subscribed schools, serious flooding issues and countryside that is valued and in short supply. Half my constituency is protected landscape, forcing all development proposals into the other half that is not.

Under the new system, local authorities are required to make an assessment of housing need, but surely that cannot be the last word. If sustainable development means anything, local authorities must be free to decide how many houses can be built—not just how many are necessary—to match that need, otherwise we might as well return to the top-down targets. The Campaign to Protect Rural England's Sussex Countryside Trust, in my constituency, makes the point well:

"The figures generated by the Strategic Market Housing Assessment are an assessment of need without constraints. These figures cannot simply be passported into an emerging local plan without

an effective analysis of the limitation imposed by the supply of land for new development, historic underperformance of infrastructure or environmental constraints."

Are local authorities free to make such an assessment and, regardless of the housing need that they assess, then decide how many houses can be delivered sustainably in their area? Or is an assessment of need the last word? The Government are driving hard at the demand to provide more housing. The "sustainable" part of sustainable development, promised in the Localism Act, is being put in the second rank.

A second issue is whether there is proper assessment of the available infrastructure. That issue was raised by me and many of my hon. Friends during consideration of the Growth and Infrastructure Act 2013 in December 2012. I moved an amendment stating that infrastructure needs should be taken into account when drawing up local plans. I was grateful to the Minister for what he said in response:

"I will look at making sure that the guidance that is provided in a much reduced set of planning guidance is very clear about the need to plan positively and specifically for infrastructure that is required to support the development and to ensure that it is brought on stream in good time for that development."—*[Official Report, 17 December 2012; Vol. 555, c. 605.]*

That was a pledge that there will be very clear guidance on the need to plan positively for infrastructure, but when the guidance was published in beta form—it was a draft—on 28 August, I think I am right to say that there was no such reference to infrastructure. My second question to the Minister is whether he will in fact introduce that guidance on infrastructure, as he promised in the House last December.

Another key way in which faith in localism will be undermined is if we return to the bad old days of planning by appeal, and allow the Planning Inspectorate to overturn planning applications. That is happening time after time, and it is hugely undermining faith in localism in my constituency and elsewhere. It is undermining faith in the whole system that we have set up to encourage people to take responsible decisions on planning in their local area. That is not just my view. In a briefing today, the Local Government Association said that the Planning Inspectorate's

"apparent disregard for sites identified in emerging local plans not only undermines the principles of a plan led system and local determination set out in the NPPF, but also seriously undermines local communities' trust in the planning system. This results in resistance to further local development, general local resentment, and development that does not reflect the needs of local communities as set out in the draft published local plans."

In a letter to me on 6 August, the Minister said that "decision takers may give weight to relevant policies in emerging plans"—

that is, plans that have not yet been completed, which is important, because they are either district councils' plans, or emerging neighbourhood plans, in which people have put a great deal of effort into deciding where development should go. If those plans were given no weight, speculative applications would be allowed, and we would get a system that was not plan-led, but developer-led, which would effectively amount to a free-for-all on our countryside. However, when the guidance was published, it actually stated that

"arguments that an application is premature are unlikely to justify a refusal of planning permission other than in exceptional circumstances",



[Nick Herbert]

so will the Minister consider allowing more weight to be attached to emerging plans, so that an indication by local people of where they do, responsibly, want development, and also where they do not, is taken on board by the Planning Inspectorate? If that is not taken on board, again, we might as well return to the top-down system that we had before, which did not deliver the new housing that we needed, and we cannot justify promising to people that we are delivering localism.

I understand why the Government were concerned about the situation they inherited. There was a low level of housing starts, and we have to accommodate this country's housing need. There are important generational arguments about the lack of opportunity for young people and their ability to get their foot on the housing ladder, but allowing top-down targets to return through the back door—indeed, even encouraging them—will not deliver the additional housing that is needed. It will merely deliver a great deal of pain—pain politically, as people see that the promise of localism was not in fact real, and pain because such top-down targets will not help people to get their foot on the property ladder and will not have a significant effect in reducing property prices.

House building is growing at the fastest rate for 10 years. A more radical reform will be required if we are to seek to close the gap between incomes and rapidly rising house prices, but I urge the Government to keep faith in the localism that was promised in our manifesto and in the Act that we passed, and not to return to the bad old days of top-down targets and of allowing the Planning Inspectorate to override local decision making, which merely set up conflicts and delivered nothing, in terms of the housing that we needed.

**Mr Dai Havard (in the Chair):** We have now used the time won by Sir Bob and Mr Turner.

2.24 pm

**Sir Tony Baldry (Banbury) (Con):** I last raised concerns on planning and planning guidance in a debate I initiated in the House on 18 January, which can be found at *Official Report* column 1218. I will not repeat what I said in that debate, and I will put the full text of what I intend to say this afternoon on my website, [www.tonybaldry.co.uk](http://www.tonybaldry.co.uk).

In January, I expressed concerns that developers were making opportunist planning applications in the hope of securing planning permission before the adoption and introduction of a new local plan, and I also observed that if localism and neighbourhood planning were to have any meaning, local communities must have the opportunity and a reasonable period of time in which to draw up neighbourhood plans. I drew the House's attention to four specific planning applications in my constituency, all of which clearly ran counter to Cherwell district council's local plan.

Following that debate, the Secretary of State for Communities and Local Government decided to call in all four planning appeals. As a former Planning Minister, I am well aware of how rarely Ministers call in planning applications, so I assumed that the Secretary of State

had called in the applications because he wanted to give an indication on the weight that the Planning Inspectorate should give to draft and emerging local plans, a point raised by my right hon. Friend the Member for Arundel and South Downs (Nick Herbert).

I assumed that the Secretary of State would also want to give some indication on how the Planning Inspectorate should calculate the five-year housing supply and would take the opportunity to reinforce the Government's belief in localism and commitment to neighbourhood planning. In the event, the Secretary of State did give a clear indication on the weight that should be given to the draft local plan: absolutely no weight whatsoever, according to the decisions in all those appeals. By allowing all four appeals, the Secretary of State also made it clear that no weight or consideration should be given to localism or neighbourhood planning.

Given that those appeals all ran so clearly counter to the provisions in Cherwell district council's draft local plan, they not surprisingly provoked a good deal of anger from local residents, local councillors and indeed myself, and given that all the decisions were made by the Secretary of State, they not surprisingly attracted press coverage. In response to journalists' questions on why the appeals had been allowed, in one article the press spokesperson of the Department for Communities and Local Government observed that the appeals had been allowed because Cherwell had not made

"sufficient progress with their Local Plan".

I will examine that proposition. A draft local plan is not something that can be whistled up overnight on the back of an envelope; it requires consideration and full and proper consultation with local people and house builders. If the local planning authority gets the local plan wrong, it is liable to judicial review.

One of my many frustrations with the Secretary of State's decisions is that Cherwell, after careful, widespread and considered consultation, had managed to produce a draft local plan to which there is practically no opposition among local people. I would have understood the Secretary of State's decision to allow all four recent planning appeals if there was a scintilla of a suggestion that my constituents or Cherwell district council were in any way wanting to frustrate local housing development. The reality is quite the contrary.

Over the past 25 years, Banbury and Bicester have been two of the fastest growing towns in Oxfordshire and everyone accepts and recognises that Banbury and Bicester will continue to develop with new housing growth over the next 20 years. Indeed, I can only assume that Ministers in the Department for Communities and Local Government simply do not talk to each other. That may be a consequence of the fact that, unlike in my day, when Housing Ministers—as the Chief Whip, the right hon. Member for North West Hampshire (Sir George Young), who was here briefly, and I were—were also Planning Ministers, those roles now seem to have been separated.

If Planning Ministers had spoken to Housing Ministers, they would have learnt that Housing Ministers had made numerous visits to my constituency over the past couple of years to support and encourage the numerous housing initiatives in north Oxfordshire, including: one of only two eco-town projects left and being developed, which in due course will deliver approximately 5,000 houses;



probably the fastest turnaround to grant planning permission for new housing on a major Government surplus brownfield site on former Ministry of Defence land at Bicester, granting planning permission for 1,900 houses; and one of the largest, if not the largest, proposed self-build housing projects anywhere in the country. Indeed, the Minister's Department and the Homes and Communities Agency tell me that what we are proposing at Bicester will be the largest self-build scheme by a long way anywhere in the country and will deliver up to 1,900 houses. Cherwell district council is so keen to get house building going in north Oxfordshire that it has offered to buy the surplus MOD land from the Government, so that it can ensure that new house building takes place there as speedily as possible.

This very Monday, Cherwell district council agreed its local plan for submission to the Secretary of State at a meeting of the full council, which endorsed it with a unanimous vote. No responsible local authority could have produced a local plan more quickly. The agreed plan makes robust provision for housing until 2031 and envisages 16,750 new houses being built in Cherwell district during the survey period up to 2021. That is in a robust and deliverable local plan that has been adopted unanimously and without any significant local opposition. Moreover, the House might be interested to know that more than 50% of the planned houses are already being built or are subject to planning applications under active consideration by the district council. Cherwell not only has an agreed local plan, but is doing all that it can to deliver on the provisions of that plan.

The whole point of local plans, however, is to enable local councils and local communities to decide where new housing provision should go. Cherwell's local plan focuses development growth on the towns of Banbury and Bicester, while avoiding coalescence with villages by introducing new green buffers around the towns. That seems to be a wholly commendable policy aspiration on the part of district councillors.

One of the recent planning appeals decided by the Secretary of State, however, drove a complete coach and horses through that policy aspiration of developing green buffers, by allowing development in an area that the district council had allocated as a green buffer in the local plan. In effect, the Secretary of State has allowed a policy of first come, first served, with planning permission being given to whichever house builders or developers happen to get their planning applications in earliest. This is not plan-led development; this is not central planning policy—this is planning anarchy.

My hon. Friend the Minister will say that the Secretary of State, having granted planning permission, now has no locus on those decisions. In law, that is correct, although Cherwell district council is not surprisingly considering with leading counsel whether there are good grounds to take the Secretary of State to the High Court for judicial review of his decisions. Ministers may no longer be legally accountable for their decisions, but they are politically accountable.

Ministers say that one reason for allowing the appeals was because, at the time the planning applications were made, the district did not have adequate five-year housing supply. One of the main reasons why the district did not have adequate supply, however, was because, on a number of significant sites where developers had been granted planning permission, they had simply not started building

work. Local authorities and local people, having granted permission on significant sites, are not to blame if the house builders decide not to build until some time in the future, for whatever commercial reasons of their own.

From what the Secretary of State decided in the four appeals, it appears that the local plan will have no weight until it is actually adopted. It cannot be adopted, however, until after the process of examination in public. District councils such as Cherwell are in no way in control of when the Planning Inspectorate will undertake and complete the continuous improvement plan. Until then, we are all vulnerable to continuing opportunist planning applications by developers who strongly suspect that they will be allowed by the Planning Inspectorate or by the Secretary of State on appeal.

2.33 pm

**Martin Horwood (Cheltenham) (LD):** I apologise to you, Mr Havard, and to my neighbour, the hon. Member for Tewkesbury (Mr Robertson), for missing the opening speech. I congratulate the hon. Members who secured the debate, which is enormously important.

The issue is enormously important politically for both coalition parties, because we both made profound promises in opposition. The Conservative party's policy document, "Open Source Planning", states:

"Our emphasis on local control will allow local planning authorities to determine exactly how much development they want, of what kind and where"—

not how much an econometric model tells them they need, or how much demand has to be met, but how much development they want.

The Liberal Democrats produced a document called "Our Natural Heritage", which states that

"our quality of life is dependant on the quality of our environment. We will not only work to maintain and enhance it but will give people more access to and influence over it."

One of the ways in which we suggested doing that was a new designation, the local green space designation. I helped to author that policy, and I was proud when it made its way into the coalition agreement, and from there into the "Natural Environment White Paper" and then the national planning policy framework. As the Prime Minister said to the director of the National Trust, I think, it would be a tool that local people could use to protect not vast tracts of countryside, but those local spaces that were not necessarily the most beautiful or the most rich in great crested newts, but the ones valued by communities.

Instinctively, all of us know which those areas are—we can all think of that local area that people have been campaigning to protect, sometimes for decades, as in the case of Leckhampton in my constituency. I thought, "At last, we have a Government committed to localism, which I am proud to be part of and a supporter of"—Conservative colleagues were equally proud—and that the Government were actually going to deliver on such promises, rejecting the very unpopular, top-down regional spatial strategies that seemed to be imposing numbers from above. The regional spatial strategy in the south-west had 35,000 objections—but the situation around my constituency in Cheltenham is every bit as bad now.

In practice, we are facing the loss of vast areas of green fields. The local paper converted the amount into that popular measure of area, football pitches—about



[*Martin Horwood*]

2,000 football pitches of green fields are about to be lost, if the plan being formulated in the joint core strategy goes through. Almost everything in the plan is greenfield sites, and almost all those sites are in the green belt—there is a Kafkaesque process whereby the green belt boundary is redesignated, so that the bits taken out of the green belt can be built on, while claiming that the green belt is not being built on.

Equally badly, another area at Leckhampton had a sustainability assessment and a green belt review, which talked about its value in biodiversity, public access, the enjoyment that it brings, its rural character, and such things—all of which were recognised by inspectors in the past—but again that is included simply because the econometric model dictates a certain number. That number for around Cheltenham is at least 10,000 houses, which is a 20% increase in the size of the town. That is not sustainable.

As the right hon. Member for Arundel and South Downs (Nick Herbert) rightly said, it is as if the rest of the national planning policy framework, which we celebrated at the time of its second draft, did not really exist. There were elements that discussed balancing economic growth with environmental and social factors, and things such as the local green space designation to protect what people really cared about; among the core planning principles were meant to be respect for the environment and sustainability, and prioritisation of open spaces and, if possible, brownfield over greenfield development. In practice, however, at local level all of that appears to count for absolutely nothing. We are told that the objectively assessed housing need dictated by the econometric model must be observed absolutely—that the developers must get absolutely everything that they are demanding, because otherwise unelected inspectors will declare the whole plan unsound.

There is a nice coalition balance of local councillors in Gloucestershire. In the constituency of my neighbour the hon. Member for Tewkesbury and in Gloucester city, we have Conservative councillors who felt obliged to vote for the thing, while the Liberal Democrats very much enjoyed opposing them. In Cheltenham, it was rather the other way around—many Liberal Democrats and some Conservatives voted for it, while others voted against. The result was that councillors were put between a rock and a hard place. They were told that if they voted things down and did not move on at least to the next stage of consultation, the plan was likely to be declared unsound, it would all fall apart and we would end up with a developers' free-for-all.

I have to tell the Minister that local people see very little distinction between what is emerging from some local plans and a developers' free-for-all. Despite all our promises in opposition, despite the national planning policy framework and despite all the grand words in it about balancing environmental and economic factors and respecting open space and sustainability, we are in a position that is every bit as bad as the regional spatial strategies. That is simply not acceptable—

**Annette Brooke** (Mid Dorset and North Poole) (LD): Will my hon. Friend give way?

**Martin Horwood:** I suspect that I shall be out of time shortly, so I fear that I had better not.

I think we will end up in a situation that is just as bad as under the regional spatial strategies. I want to go back to my local councillors and constituents to say that the coalition Government have delivered on their promises, but I have to tell the Minister that that is not what is happening now.

2.39 pm

**Rebecca Harris** (Castle Point) (Con): Earlier speakers have said many of the things that I wanted to say, but possibly more elegantly.

I thank the Minister for declining a developer's appeal in my constituency. That was warmly received, but we are on notice that developers may keep pushing, and they will.

I think all hon. Members here greatly welcomed the abolition of the previous housing regime and everything in the new national planning policy, including abolition of the regional spatial strategy housing targets. However, I see all around, particularly in my area, that it is pretty much business as usual for planning departments, for the Planning Inspectorate and certainly for developers. Some key aspects of the current regime seem very similar to the old regime and are being interpreted and treated similarly—for example, the requirement to find the local need. It is not a target, but it must be established based on complicated methodology. Consultants in my area have come up with four or five different scenarios, all wildly different, about local housing need. It is supposed to be objective, but councillors will have to choose the figure that they believe is most likely to be accepted by the Planning Inspectorate. That does not strike me as wholly objective.

We must put together a local plan that specifies deliverable land over a certain number of years and then developable land. There must be objective evidence of whether it really is deliverable, and I understand that. We cannot have local councils saying they want to build all their houses on what is currently a lake because that would be a good way to get around having building done. In the world of planning, however, what is deliverable is entirely down to argument. The big unit developers may see the four or five attractive green fields that are left in a borough, and argue that they could put their bulldozers on there tomorrow, that the development would be in single ownership and that that would be a good deal with a percentage going to the farmer. No one could argue otherwise—it is clearly developable tomorrow.

What happened in practice over the last decade and during the previous Government's regime is that land was banked and there was not enough work done or pressure put on the little brownfield sites in multiple ownership, which is what we should be doing now. Those are the sites our communities would prefer to be developed, not the fields that they see and appreciate.

I urge the Minister to put as much pressure as he can on councils when interpreting and putting together their plans. In the national planning policy framework and the recent guidance, which I greatly welcome, it is clear that our councils have the power to do something about small sites, which may be in multiple ownership with some planning constraints. They can knock heads together and encourage local people to suggest such sites. That would save us from losing the fields that we



all love and appreciate. However, that is a big ask for a constrained planning department. Everyone is feeling the pinch at the moment, and the planning inspector is breathing down councils' necks to get the local plan completed. It is a lot more work and takes a lot more time, but it can be done. For example, if we want to build houses, we are much more likely to get small local sites up and running. If we told the local scrap metal dealer, who has gone bust because we have changed the law and he cannot take cash, that he could build five or six starter homes on his land tomorrow, he would not do what the big unit developers do and wait until the time is right or build only one or two homes because he does not want to flood the market; he would sell straight away and houses would be built there.

We should change what we are doing and target smaller and less popular sites that have local owners, who will use local builders and local estate agents. We would then have a much more popular local plan for residents, and we would not have the big household-name developers acquiring 600-unit sites where, if they got around to building houses on them, it would not be in the time frame we want, and would market them out of town and in London. Local estate agents would not get a look-in, and the houses would not go to local people.

That is the problem with the current planning regime, and we desperately need the Department to tell councils that it expects them to plan positively. Planning positively under the national planning policy framework does not mean more green-belt sites with many houses on them. It means they should find out where they want houses, and make that happen. We must get that message across, because it is in the national planning policy framework and it is good stuff, but out there on the ground it does not seem to be working.

I plead with the Minister to ensure that he directs councils to use their powers of compulsory purchase and to find owners of sites that people would like to be developed, instead of what happens at the moment with the big boys turning up, driving round the area, seeing the half a dozen local fields that everyone loves and appreciates, putting in a planning application, and arguing time and again that that is more deliverable.

**Mr Dai Havard (in the Chair):** We now move from south-east England to Mr Stuart Andrew who will give us a view from the north.

2.45 pm

**Stuart Andrew (Pudsey) (Con):** I welcome this debate and congratulate my hon. Friends on securing it. I have been interested in the subject for a long time, not just because I represent a heavily affected ward, but because I am a member of a plans panel on Leeds city council.

My constituency has seen many significant changes over the past 20 years. It was renowned for its cloth and woollen mills, and other industries, but as those industries declined, their sites became redundant and places such as Pudsey, Farsley and Guiseley saw those employment sites turned into residential areas. During the first decade of the this century, we were inundated with application after application to build even more houses, and consequently our roads are congested beyond belief at weekends and during weekdays and evenings. Our surgeries have more and more patients and our schools are so

busy that children living just across the road from their local school may struggle to get into them. Most of all, people were exasperated and frustrated that the planning system was something that happened to them, and that they had little say in it. Sometimes, even when the council said no and that enough was enough, an appeal was allowed. I cannot express strongly enough the anger and resentment that that created.

When the Government talked about planning reform, I thought "Hallelujah". Many of the changes have been welcome and in the right direction. Reducing the plethora of guidance and advice to a more manageable document is making life a lot less complex and the system more understandable. The ability to create neighbourhood forums to offer real engagement is hugely welcome.

I pay tribute to the Minister for taking time to visit so many constituencies around the country. I was pleased to welcome him to mine, where he heard the concerns of local councillors and others, and saw for himself the significant development that has taken place. That was appreciated. I have noticed that when hon. Members list a number of positives in this place, a "but" invariably follows, and here it comes. Despite the Government's work, a problem threatens the intentions of localism and people's trust that we will have a real bottom-up approach to planning.

Localism is about local communities deciding what, where and when development should take place. There has been a real appetite and interest in my constituency in being involved in the planning process. Groups such as Wharfedale and Airedale Review Development and Aireborough Civic Society have campaigned long and hard on the issue. In addition, residents have turned up in their hundreds at public meetings when these issues were discussed. Organisations such as Horsforth town council, Rawdon parish council and Aireborough Neighbourhood Forum have all worked incredibly hard to engage with the whole community, bringing residents, schools and businesses together to develop a vision of future development that is sustainable, realistic and seeks to preserve our natural surroundings.

I am talking not just about building houses but about creating places that people want to live in, work in and play in: real place-making. Something is jeopardising all that work, and is still seen by my constituents as a top-down major influence: the housing targets that we have heard so much about today. We all know that the original regional spatial strategy placed huge burdens on local authorities, but despite abolition of the RSS, little has changed with the targets. In my constituency, the core strategy of the city council is being examined. It includes a plan to build 74,000 homes over the next 14 years, and it arrived at that figure with a host of scenarios ranging from 27,500 to 92,000. That means that the council has gone for the high end because it believes that the Government expect it to be far more ambitious than can reliably be achieved. I, local councillors, and all the groups I have mentioned have argued, ever since the document came out in draft form, that the figures are far too high. Despite our logical arguments, the council has kept the target, fearing that the inspector will force it to go even higher. The problem is that the council is far too ambitious.

What is the consequence? The council then has to prove that it has the land to supply such high targets. Even with the existing permissions of 20,000 dwellings,



[Stuart Andrew]

there is still not enough land, so the council is now looking at greenfield and green belt, meaning that in my constituency up to 80% of all new homes will be built on green-belt or greenfield sites. The precious places that are the lungs of our communities, the natural barriers between the towns and villages, and the green borders between the cities of Leeds and Bradford, will all be gone. They are now all under threat and my constituents are clearly not happy. Even in the best of the boom years, we never managed to build so many houses, and developers want to go even higher, saying that the brownfield sites in the city centre are not viable. That is because they are lazy and do not want to be ambitious about creating places where people want to live in our city centres.

The other day, I asked my hon. Friend the Minister what happens if the inspector, in the process of looking at these figures, agrees to such a high amount. If it is approved, I fear that the brownfield sites in city centres will be abandoned, that the developers will cherry-pick the green belt, and that residents will be stuck between the Government saying that local councils can set high targets and the council saying that the Government expect high targets.

I know that the Minister will say that the target needs to be objectively assessed, but what happens if those figures are approved? Is there any appeal process for my constituents to present their case? They are doing so brilliantly at the hearing, but if we are saddled with those housing targets, our green belt will be ravaged, and future residents will not be able to do anything, because the period will already have been set in stone. Worst of all, however, it will send a message that some already believe: localism goes only so far, but not far enough where it matters.

**Mr Dai Havard (in the Chair):** In my spatial planning, we now move to Cheshire and Ms Fiona Bruce.

2.52 pm

**Fiona Bruce (Congleton) (Con):** I am here as a voice for my constituents, who feel grievously let down by the lack of clarity of the planning policy, practices and procedures of local and national Government. Only one thing is clear: despite more than 20 action groups representing thousands of people across my constituency, despite many public meetings, the most recent of which was held last night in Congleton town hall, despite my bringing successive leaders of Cheshire East council to meet Ministers for clarity on these issues, and despite countless letters having been sent to Ministers on behalf of constituents, we still have developer-led development in our area and unsustainable, unplanned development. It ignores town plans, places no weight on the emerging local plan and makes a mockery of localism.

The national planning policy framework, with its presumption of sustainable development, contains an inadequate definition of that—in fact, it is barely a definition at all—which certainly does not equate with my constituents' definition. Sustainability means there being enough schools, roads, medical centres and facilities for local people, and there simply will not be enough if the rate of development continues in our towns.

In Alsager alone, which is a town of some 5,500 houses, applications are in the pipeline for 3,000 dwellings. This is a town recently described by the chief planning officer of Cheshire East council as "currently unsustainable". In Sandbach, which is a town of 8,000, some 6,000 applications have been granted or are in the pipeline. Just last week, two consents for Sandbach were granted, in Abbeyfields and Congleton road. That makes the consents already granted for Sandbach sufficient to cover one third of its 20-year supply. And those are on greenfield sites. This is countryside. This is prime agricultural land. The mayor of Sandbach is in the Chamber today, having come directly from 10 Downing street, where he presented a petition objecting to the Government's policies.

There is then the unclear procedure surrounding the requirement for a five-year supply of housing. That is simply unjust. The primary reason for the two appeals granted last week was that Cheshire East apparently is unable to demonstrate a five-year housing supply, and yet the council told residents months ago that it had developed a robust strategic housing land availability assessment, which would satisfy requirements for a five-year housing supply.

Who is right—national Government, through the inspectorate, or local government? How was it that Cheshire East could say that it had demonstrated a five-year supply if clearly it had not? Is there no means by which such statements can be validated with central Government before they are made? Surely the only way cannot be for the strength of such a supply statement to be tested on appeal, because it adds insult to injury for thousands of pounds of local taxpayers' money to be spent on such appeals, when it could be spent on meeting local people's needs. There is so much confusion regarding the requirements that injustice is being introduced into our communities, particularly because there are other sites—brownfield and non-brownfield, including in Sandbach—that the local community have already said that they will accept for development.

That brings me to my next point. It is wholly wrong that people in the towns of Alsager, Congleton, Middlewich and Sandbach in my constituency were offered the opportunity and funding under the Government's neighbourhood plan front-runner schemes to develop neighbourhood plans, only to find that those town plans count for absolutely nothing, in terms of the Planning Inspectorate's decisions regarding appeals against developments.

The situation is also producing inconsistent decision making. Just last week, when two developers' applications were accepted for Sandbach, we had a refusal for a site at Sandbach road north in Alsager. That was despite the inspectorate acknowledging the lack of a demonstrable five-year supply of deliverable housing in Cheshire East, and apparently, according to my interpretation, giving weight to the draft Cheshire East local plan, which other decisions refused to do. It stated:

"It would seem wise in this part of the borough not to proceed with development which would go beyond the draft strategy at this stage."

The inspectorate also rejected the developer's appeal on the grounds that it is in open countryside, and that harm to it would be significant and demonstrable. But so it would be to Abbeyfields, Congleton road and Hind Heath in Sandbach, which have already been



granted. We really need clarity on these issues. How long should a local plan realistically take to develop? We pride ourselves in this country on clear and speedy delivery of justice. We say that justice delayed is justice denied. We talk about the rule of law. And yet, in planning, we could not have murkier, muddier waters. That is simply unfair.

Our local authority has been working for three years on a local plan. What has gone wrong? Why does the draft plan that was prepared last year, which was the subject of a six-week public consultation, now have to be radically altered and be the subject of a further public consultation, while all the time, developers rub their hands with glee and take advantage of that void? Will the Minister provide whatever assistance is required for Cheshire East council from a senior planning adviser to ensure that there are no further delays or confusion regarding what is required to get our local plan through? My constituents have had enough.

I also ask the Minister to ensure that we have clarity on our five-year housing supply numbers, and that a clear message is sent to the people of my constituency, as I have sought to provide for three years, giving them every and any necessary and available means of help to resolve those issues. My constituents simply cannot understand the situation. They feel angry, in despair, ignored, impotent as regards the plans for development of their own communities, and without any democratic recourse, as one has said to me, except the ballot box.

On behalf of the Under-Secretary of State for Education, my hon. Friend the Member for Crewe and Nantwich (Mr Timpson), I confirm that he, too, has been working tirelessly with planning action groups in his constituency, which is adjacent to mine, and also in Cheshire East. He recently arranged for the Planning Minister to speak to those groups so that they could hear the advice that the Department had for Cheshire East council on resolving the adoption of the local plan and housing supply. I would appreciate that advice and clarity being given today in the Minister's response.

**Mr Dai Havard (in the Chair):** Thank you. Mr Brady will take over from me shortly. I ask you to temper your enthusiasm with the pessimism of the intellect, and look more towards six minutes than seven for your future contributions. We now move back to the west midlands and Mr White.

2.59 pm

**Chris White (Warwick and Leamington) (Con):** It is a pleasure to follow my hon. Friend the Member for Congleton (Fiona Bruce), who gave a passionate speech. I also start by thanking my hon. Friends the Members for Tewkesbury (Mr Robertson) and for St Albans (Mrs Main) and my right hon. Friend the Member for Arundel and South Downs (Nick Herbert) for securing this important debate. As we can see from the speeches that we have heard so far from around the country, this is an issue that affects so many of our constituencies.

During the past two years, Warwick district council has been seeking to create a new local plan that will guide the development of our community for the next 18 years. That is a hugely important document, but it has been mired in controversy and opposition since it was put forward. That highlights some of the problems

in the current planning system. The local plan has been controversial because of the number of homes that have been proposed by the council, as well as their concentration and location. First, the scale of the proposed housing development is enormous. The local plan outlines the building, during the next 16 years, of more than 12,000 homes, in addition to the 6,000 that we built between 2001 and 2011. That would increase the number of dwellings in Warwick district by about 20% during the next two decades.

[Mr GRAHAM BRADY *in the Chair*]

The "Strategic Housing Land Availability Assessment" compiled by the council has indicated that the total capacity of the district is about 13,000 dwellings between 2014 and 2029, so the proposed local plan would use up 91.8% of the total capacity. Planning is something that we must consider over the long term. Once homes are built, we cannot turn back the clock to change the mistakes that we have made, so we must consider the long-term sustainability of our planning decisions as a whole. How can it be sustainable to build so many new homes and to use up so much capacity?

The concentration of development is also a deep concern and raises questions of fairness. The majority of the new properties will be in the area south of Warwick, Leamington and Whitnash, with 70% of the new homes being placed in that part of the district. That is despite the fact that there has been, and continues to be, a considerable amount of housing development in that part of the district and there are already concerns about the impact that the proposals will have on local infrastructure. I do not believe it is fair that such a concentration is allowed in that part of the district. Residents of those areas are rightly angry about the sacrifices that they are being asked to make in order to allow the development of so many new homes.

I shall take this opportunity to urge Warwick district council, once again, to pause the local plan process and start discussions with local residents so that we can build a consensus on creating a sustainable future for our community. During the process, in the lead-up to the preferred options being outlined by the district council, it was clear that residents did not want to have that number of homes and that they wanted development to take place primarily on brownfield land, rather than greenfield land as is proposed. That will have an impact on the wonderful Warwickshire countryside. Our area has a large percentage of green belt, and I do not believe that we should develop on green-belt land. However, that does not give the local authority an excuse to concentrate developments on non-protected greenfield sites. If our district was 95% green belt rather than 80%, would that mean that all development would be concentrated in the unprotected 5%? Surely it would make sense to adjust the scale and ambitions of the development, rather than to ram through such large developments, which take no account of this situation.

However, the views to which I have referred have not been consistently accepted by the council to date. As a result, public confidence in it has been damaged, and that will undermine future efforts by the council to undertake consultations on new developments or infrastructure. I appreciate that councils have an obligation to ensure that there is enough housing to meet demand in the future, but I also think that we need to ensure that



[Chris White]

that obligation is met in the right way. I do not believe that Warwick district council has so far acted in the right spirit during this planning process.

I believe that the Government have done the right thing through the Localism Act 2011 to try to ensure that communities have greater control over planning matters. However, we also need to ensure that the process is carried out in the right way, in empathy with such localism, that councils do not ride roughshod over the desires of local people, and that the principles of localism are delivered on the ground.

The best way forward would be for the Government to get each local authority to sign up to a national planning compact that outlines how councils are expected to carry out their consultations on planning matters; the role that local communities should have in co-producing proposals such as the local plan; and best practice in terms of planning processes that have been carried forward and that have brought communities with them. Having such a compact would ensure that each local authority was taking a long, hard look at how it was developing its local plan.

We must have a system whereby people feel that they have ownership of the planning process and whereby they can have confidence in the decisions that are reached. That will ensure that we create plans that have the support of residents, are in the long-term interests of our community, will address real housing needs and will almost certainly create local economies that grow and prosper.

3.5 pm

**Julian Sturdy** (York Outer) (Con): It is a pleasure to serve under your chairmanship, Mr Brady, and to speak in this very important debate. I congratulate my right hon. and hon. Friends on securing it. Like many other Members, I would like to highlight some of the concerns in my constituency.

York, like so many other towns and cities across the country, is surrounded by green-belt land, which is vital in preserving and enhancing its character and setting. It is as important to the identity of our great city as the Gothic minster, the Roman walls and the National Railway Museum. To my mind, it is an essential part of York's DNA.

However, the very fabric of what makes York such a great and beautiful city is under threat from the misguided plans of the local authority. The City of York council published its draft local plan in April of this year and, to the utter dismay of many of my constituents, the plan proposes to take 1,400 acres out of York's green belt and build 16,000 new homes on that land during the 15-year life of the plan. As if that was not enough to satisfy the council's appetite for green-belt land, a further 1,000 acres will be removed from the green belt and safeguarded for future development. Sadly, the plan does not stop there. The council has also proposed more than 80 additional Traveller and showpeople pitches, all in inappropriate locations, on green-belt land, in quiet rural communities such as Dunnington, Knapton and Huntington in my constituency.

The icing on the cake is that the council is also pursuing its plans to destroy the open countryside that surrounds our great city with 40

"areas of search for renewable electricity generation",

covering vast swathes of green-belt land in my constituency. It was, until recently, pursuing those sites as potential wind farms. However, due to the unsurprising lack of sufficient wind speed in the Vale of York—something that was obvious to most local people, but that the council and the local taxpayer-funded studies failed to pick up—I have now been given the impression from the council that it is considering solar farms on the sites as an alternative.

I am therefore speaking on behalf of my constituents in welcoming the recent announcements from the Minister of State, Department of Energy and Climate Change, my right hon. Friend the Member for Bexhill and Battle (Gregory Barker), about the Government's determination to crack down on inappropriately sited solar farms in the countryside by introducing the solar road map. I urge the City of York council to consider very carefully what the Minister has been saying on the matter and not to ignore the views of local residents.

Turning to the important issue of housing supply, I want to make it clear that, like many right hon. and hon. Members here today, I fully support the decision to scrap the rigid, top-down housing targets in the regional spatial strategies. The Government should be congratulated on doing that. However, three years on, there remains confusion among some local authorities about what housing targets are appropriate.

Some local authorities surrounding York are reducing their targets from the levels that they were at in the now redundant regional spatial strategy. Meanwhile, York, which is currently controlled by Labour, is proposing to increase its old housing targets by more than 40%. In doing so, the council is placing itself completely at odds with the guiding principle behind the modern planning framework—that development should always be sustainable.

York is an historic city in which the local infrastructure is already under strain. Adding tens of thousands of new homes will mean tens of thousands more cars on an already congested road network and thousands more pupils trying to gain entry to our excellent but already oversubscribed schools. That is not to mention the drainage and the strain on existing health care facilities.

With approximately two thirds of the council's overall housing projections to be allocated to York's established green belt, I am deeply concerned that the plan will push our already creaking local infrastructure to breaking point. The council has provided no guarantees that it will help secure the investment we need in our local infrastructure. It clearly believes the local plan will result in economic growth for York, but having investigated the issue, I fear that putting the cart before the horse and failing to guarantee the infrastructure investment York already needs will lead many of the city's leading employers to question in the long term whether York is still a suitable base for their businesses.

In its current form, the plan has the potential to end in disaster for York on the economic stage. That is why I entirely agree with my right hon. Friend the Member for Arundel and South Downs (Nick Herbert) that the requirement for infrastructure must be considered when granting planning consent—something that, to be frank, is blindingly obvious. I was reassured by the pledge from the former Minister of State at the Department, the right hon. Member for Tunbridge Wells (Greg Clark), that the requirement would form part of the planning



guidance. I hope, therefore, that the omission will be rectified, as York's future viability as a centre of commerce and enterprise could depend on it.

Local authorities that press ahead with unsustainable housing plans must be stopped and compelled to consider whether they have the necessary infrastructure in place; if not, they should change their plans accordingly. Equally, we must ensure that the important principles of sustainability and green-belt protection remain central to the national planning policy framework and that our local authorities understand that that is the case. Otherwise, I fear that the towns and cities we are proud to represent will change out of all recognition.

In summary, the tension between our local planning authorities and the planning inspector is twofold. Where councils produce reasonable, appropriate and sustainable local plans, we face the problem of planning inspectors overstepping the mark and making unreasonable demands. In areas such as York, however, we appear to face the opposite problem, because the local authorities propose to decimate our open countryside and change it out of all recognition. I therefore reiterate that it is vital that we have a strong and fair Planning Inspectorate to protect our communities and countryside from unsustainable development. That means that infrastructure must be at the heart of any considerations.

3.12 pm

**Harriett Baldwin** (West Worcestershire) (Con): I, too, congratulate my right hon. Friend the Member for Arundel and South Downs (Nick Herbert) and my hon. Friends the Members for Tewkesbury (Mr Robertson) and for St Albans (Mrs Main) on securing the debate.

The issue of planning also fills my postbag. I represent the thriving, beautiful constituency of West Worcestershire, which has one of the highest ratios in the west midlands of house prices to average earnings. It is also the birthplace of Elgar, and its countryside inspired much of his music.

Despite all the valid concerns colleagues have raised, I think we are in a much better place on planning than we were under the Stalinist diktats of the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown), and I agree with colleagues who have welcomed the abolition of the regional spatial strategy.

Shifting local planning decisions to councils, which makes so much democratic sense, has raised a range of issues. I particularly welcome the Government's introduction of neighbourhood planning. In the Malvern Hills district, the parishes of Kempsey, Clifton upon Teme, Leigh and Bransford, Alfrick and Lulsley, Martley, and Knightwick and Doddenham have all had their neighbourhood areas approved.

When we discuss planning, however, one thing that strikes me is that the beautiful villages we all love—in my area, I have the villages around Bredon Hill, the town of Pershore and the towns and villages of the Malvern Hills district—all grew up without our current planning regulations. Ironically, however, we would not be able to build those communities under today's planning rules. Their growth tended to be more organic and more bottom up; people built their own homes on their own land, which they had bought for that purpose. When the Victorians became concerned that Great Malvern was encroaching far too much on the Malvern hills,

they established the world's first conservation area by Act of Parliament in 1884. Since then, the hills have been owned for the common good by the Malvern Hills Conservators charity. That organic approach has worked well for this country for the thousands of years there have been settlements in Worcestershire and elsewhere. That is why I am so supportive of the recent changes to the planning system, which move us back in the direction of the village and the neighbourhood, while embodying the countryside protections pioneered by the Malvern Hills Conservators.

In south Worcestershire, we may be a bit further ahead on our local plan than other colleagues are on theirs. Our three local councils—Worcester City, Malvern Hills and Wychavon, which my hon. Friend the Minister visited recently—have been working in partnership for many years to develop an ambitious and sound local plan. After the 2010 election, they presciently commissioned expert projections of population growth and perhaps got a head start on some other council areas. Their evidence base is now more up to date and fresher than those in some other parts of the country.

All three local councils democratically agreed the plan last December. I can assure hon. Members that that was not without a great deal of controversy, but one factor that encouraged councillors to vote in favour of the plan was that it would allow them to be in control. The south Worcestershire development plan has much more up-to-date and adequate five-year land supply numbers and such ambitious plans for employment land that we are getting complaints from Birmingham councils.

When I say the plan was democratically agreed last December, people complain that a bit of whipping was involved. Well, I hate to tell my local councillors this, but Whips are often involved in democracy here in Westminster. However, despite the vote last December, it took a further five months to send the plan to the inspector for the examination in public and another few months for him to decide on his inspection plan and timetable. The inspection has just got under way, and I would not be surprised if it took the inspector well into 2014 before he recommends adoption.

I want this period of uncertainty to be over, so that we can move forward with the construction, growth and jobs embodied in the plan. A delay of 18 months to two years is too long, and it undermines the local democracy of the vote in December. As the Minister knows, I and the leader of the council in my area have written to him. I have also written to the local planning inspector urging him to respect the local plan unless there are actual factual inaccuracies in it. The inspector has written a helpful reply, assuring me that he will seek to complete his inspection as soon as possible, subject to the legal requirements on him. The Minister has also responded constructively.

Here is my wish list of four things I would like to ask the Minister for. First, as he finalises his latest national planning practice guidance, which will set out the exceptional circumstances in which a refusal may be justified on the grounds of prematurity, will he try to ensure that the democratically agreed plans that have emerged will get almost full weight in any decision making, allowing the fresh evidence base and the numbers in the plan to be used, unless the inspector sees actual errors of fact, rather than just a divergence of opinion?



[*Harriett Baldwin*]

Surely the future of the area should be entrusted to south Worcestershire councillors, rather than shaped by contesting opinions—they will only be opinions—from Birmingham and elsewhere?

Secondly, may I ask the Minister for his thoughts on how we as MPs can best support emerging neighbourhood plans? I love neighbourhood planning, which is an excellent way of giving power to local people and bringing back an organic approach to planning, reducing the need for vast swathes of land to be swallowed up by urban extensions. Thirdly, can we reassure villages that, once they have agreed their neighbourhood plan and won a vote on it in a referendum, it will take precedence over the local plan, even if that has been adopted?

Finally, what can the Minister say to the octogenarian farmer in my local area who lives in a draughty five-bedroom home and who wants nothing more than to build a bungalow in the field next door for the final years of his life? Under today's rules, such building is prohibited in open countryside. If there is a neighbourhood plan, will my farmer have any hope that he can build his bungalow?

Once again, I congratulate my right hon. and hon. Friends on securing the debate, and I thank you, Mr Brady, for allowing me to pass on the concerns of my constituents in the glorious area of West Worcestershire.

3.19 pm

**David Rutley (Macclesfield) (Con):** It is a pleasure to serve under your chairmanship, Mr Brady. I am grateful to the Backbench Business Committee for securing the debate, and I congratulate my hon. Friends the Members for Tewkesbury (Mr Robertson) and for St Albans (Mrs Main) and my right hon. Friend the Member for Arundel and South Downs (Nick Herbert) on making sure that we have a debate on such an important subject. The fact that there are so many of us here shows that there is a need for a debate, and I am sure that the Minister is taking copious notes.

As others have said, the debate is a critical one. It is about balance: getting the housing supply right—we have a growing population, so that is an important priority—and protecting the countryside at the same time. We need to provide more houses, but also to protect our natural assets—and they are assets. Our countryside helps to define our communities, making them distinctive. It provides agricultural land and draws in visitors, which boosts tourism in towns and villages. Those things are valuable assets and need to be protected. It is important to underline the point that the debate is not about quaint rural traditions threatening to block housing development; it is about economic effects on the macro-economy and on communities, businesses and residents. That is why it is important to make the right decisions.

In east Cheshire we understand that it is a critical matter to get the local plan in place. The move to become a unitary authority, and the time taken to integrate services previously provided by other local authorities, initially slowed progress, but we got back on track quickly and a huge amount of work has now been done to shape the plan. Successive rounds of public consultation have been undertaken, at pace. Like

my hon. Friend the Member for Congleton (Fiona Bruce) and the Under-Secretary of State for Education, my hon. Friend the Member for Crewe and Nantwich (Mr Timpson), I have attended many public meetings and met many community groups, so that I could understand their concerns better and help to shape and refine the plan.

I am pleased to say that the residents of Macclesfield are not shy about coming forward with their concerns. That is a good thing, and means that there has been rigorous and challenging debate. I commend those who have taken part in campaigns about south-west Macclesfield, Fence Avenue and Lark Hall, to name a few, for the way in which they engaged elected representatives and clearly expressed their views. I know that the final local plan will be much better for that. We recognise in Cheshire East, and in Macclesfield in particular, that the local plan urgently needs to be signed off to stop unwanted speculative housing developments, as my neighbour, my hon. Friend the Member for Congleton, so clearly articulated. At the moment they are a particular challenge in the south of the borough. In Congleton and Crewe work is going on tirelessly with Cheshire East council and residents to stop them, and I fully support that work.

We need to get the local plan set up, and are working hard, but we need the Minister's support and advice to get the right plan signed off. I am, like other hon. Members, grateful for the Minister's efforts to understand the issues on the ground better. I am pleased that he recently went to Cheshire to speak to residents. I am also pleased and grateful for his meetings with me and colleagues to hear about our concerns and challenges. As he knows, one key issue is defining what housing is required in our five-year housing supply. At the moment that is holding us back. As my hon. Friend the Member for Congleton pointed out, sites have been identified in our draft plan that can be developed. There is a difference of opinion between the councils and the inspector as to what the figure should be; that is what needs to be unblocked so we can move forward. I urge the Minister to use his good offices to help resolve the situation and clarify what the target should be, so that the plan can be concluded and unwanted, speculative house building can be stopped in the borough. That is a vital priority, as I think the Minister knows.

For all the hard work that has been done to shape the plan, there are other questions that urgently need an answer. Like many Macclesfield residents I understood that we were close to finalising the plan and that its focus was on housing developments to 2030. I think that the Minister may be a little surprised to know that I found out a few months ago that Cheshire East council officers were now under the impression that they had to work towards a planning horizon not of 2030—which by most people's standards is, I think, quite a long time horizon—but 2050. That has completely slowed down the process. How can we have a view and a sense of purpose in relation to a time horizon of not 17 but 37 years?

The new requirements have major implications, particularly for the northern part of the borough. In communities such as Macclesfield and Poynton, which I am proud to represent, the news led the council to highlight green-belt land as supposedly "safeguarded for development"—not to be confused with safeguarding



it from development, which is very different. The designation could be applied to large areas such as south-west Macclesfield, where up to 3,000 houses could be developed.

We have all worked hard to ensure that the green belt around Macclesfield and nearby communities is protected in the 2030 local plan. The green belt exists to protect the communities from urban sprawl from Manchester, and it is important for it to be kept that way. The Minister will understand the strong local concern—including mine—at the proposal to safeguard green belt “for development” to achieve housing targets for not 2030 but 2050. That situation is made even worse by the fact that there are no exceptional or compelling circumstances, which are a clear requirement in the national planning policy framework.

Will the Minister take this opportunity to set the record straight and tell the House whether showing how housing targets for 2050 will be achieved is a requirement for approval of a local plan? If it is not, will he also confirm that it will not be necessary to safeguard land for development, particularly in the green belt, beyond 2030? Macclesfield residents will be grateful for his views on those issues. They will affect green-belt areas that are vital to the fabric of the community, and will address the concerns of hundreds of residents who could become victims of a planning blight that I believe and hope is completely unnecessary.

3.26 pm

**Damian Hinds** (East Hampshire) (Con): It is a great pleasure to see you in the Chair, Mr Brady, and to follow my hon. Friend the Member for Macclesfield (David Rutley). I congratulate my hon. Friends the Members for Tewkesbury (Mr Robertson), and for St Albans (Mrs Main), and my right hon. Friend the Member for Arundel and South Downs (Nick Herbert), on securing this important debate, which is particularly important to residents of East Hampshire—especially, at present, residents of Four Marks, the parish of Medstead, Liphook, Alton, Petersfield and the area in and around Bordon and Whitehill. I want to focus on two aspects of the issue that my right hon. Friend the Member for Arundel and South Downs set out clearly and convincingly: the need for recognition of in-progress plans; and the insistence on accompanying infrastructure where permissions are granted.

Like those of many other areas, our plan was stopped in its tracks. In our case it was stopped at the stage of the joint core strategy between East Hampshire district council and the South Downs national park authority, and we now find ourselves in the void period that many hon. Members have spoken about, which can last a long time. The concern is that in that long time, until things are finalised, there is a risk—we already see the signs—of a flood of speculative applications.

I should say that East Hampshire district council is not anti-development, and nor am I. There is concern that the average first-time buyer in East Hampshire is 40 years old, and that the average home costs £321,000. We also recognise the need for market towns and villages to have vibrant, diverse communities. If we want to save what is left of our village pubs and shops, we need people to work in them, and our small primary schools need young families with children to go to them. The council also supports a substantial development on

former Ministry of Defence land at Whitehill and Bordon; my hon. Friend the Member for Banbury (Sir Tony Baldry) spoke about his area's eco-town, and this is ours. In the case of Bordon, the development will add 2,700 homes. East Hampshire also has a very ambitious self-set target for affordable homes.

In its interim housing statement, in this void period, East Hampshire reflects the revised strategic housing market assessment, or SHMA—I think I am the first speaker this afternoon to say that, although I know that my hon. Friend the Member for Congleton (Fiona Bruce) mentioned the SHLAA—the strategic housing land availability assessment. The SHMA called for between 500 and 650 homes per annum, and East Hampshire is working towards the figure of 582, which is of course in the top half of that range.

In some places, the speculative applications and pre-application interest shown already exceed the targets in the areas and villages concerned for the period until 2028, and in my constituency that is especially true in Four Marks, the parish of Medstead, Alton and Liphook. There has also been significant interest in Petersfield, where a neighbourhood plan is in development; we expect the referendum on that next year. I suggest to the Minister that where a council is making proactive efforts, once the number of houses called for in the interim housing statement—in our case—has been reached in a particular area, it ought to be possible to say, “No more.”

A complication is that part of my constituency is in a national park—the relatively newly formed South Downs national park—and other parts have special protection area status, which leaves people who are in neither feeling somewhat exposed. We need a balance of development and a balance of community throughout the area. I strongly suggest that the elected local council is best placed to determine how the balance should be struck, and the interim housing statement seems to be a good way to express that. In general, residents' concerns are twofold: first, they are concerned about the general scale of development and its implications for the character of an area; and secondly, they are concerned about the infrastructure deficit. Already, certain parts have seen significant infrastructure deficit. Four Marks has experienced a great deal of development, and needs commensurate infrastructure to ensure safety on the main road—the A31—sufficient primary places, and so on.

The approach is meant to be plan-led, so Ministers rightly say that the best thing that everybody can do is get on and make their plans. That is of course correct, but the plan process seems to take inordinate amount of time, from beginning to end, and there must be ways to accelerate elements of it. We must recognise that many councils are not at the end of the process and find themselves in this void period. A large proportion of plan submissions in the first year of the national planning policy framework were found to be not sound. I therefore join strongly in the calls to make it explicit that infrastructure requirements should be met if permission is to be granted, the calls for emerging plans to be recognised, and the calls to find ways to speed up the whole process.

I shall strike a slightly different tone on the overall need for housing. I recognise that we need housing—the Office for National Statistics figure is 232,000 homes per year—but what is not necessarily well understood is that that is not all, or even nearly all, about immigration. If we strip out future net migration, the projected



[Damian Hinds]

requirement is still 149,000: people are living longer; households are smaller, for all sorts of wider social reasons; kids live away at university and have a place at home; hardly anyone has a lodger anymore; and so on. There are lots of pressures, and they will not go away. The south-east will over-index on that pressure, and we must accommodate it but also mitigate it.

I encourage the Minister to work with councillors on how, on a relatively small scale in our local areas, we can do more about the conversion of redundant agricultural buildings; make granny flat conversions easier; work on empty properties, as my hon. Friend the Member for Tewkesbury said; and take up small-site opportunities, as my hon. Friend the Member for Castle Point (Rebecca Harris) said clearly. An interesting point in the Portas report was about the opportunity to concentrate town centres. That has the benefit of freeing-up space on the relative periphery for residential development. On a bigger scale, there are new towns, but perhaps the biggest opportunity of all is the one touched on by my hon. Friend the Member for Pudsey (Stuart Andrew): we should not only build higher-density, in-town living, but make it attractive. Some of the most sought after areas of the country are high-density, which proves that it can, in principle, be done. I see that I am out of time, Mr Brady, so I will stop there.

3.34 pm

**Andrew Bingham** (High Peak) (Con): I congratulate my hon. Friends on securing this debate. We can tell by the attendance today, and from our postbags, that the subject is of great importance to Members and our constituents. It follows on from a 30-minute debate held in Westminster Hall some time ago, in which, because of sheer weight of numbers, the time limit was very restrictive. Today we have been given double that limit—six minutes.

I spent 12 years on the local council, and planning exercised my residents more than anything else, and as an MP, I find a similar situation. The creation of the NPPF has simplified the planning laws, which had become complicated and burdensome. Like many others here today, I supported sending the power to rule on applications down to local authorities. As a councillor on the planning committee, I felt many times that we were rubber-stamping central Government policies on development. That was frustrating to me and my residents, because they believed, as I did when first elected, that the local authority was the sole arbiter on applications.

As previous speakers have said, I look forward to a brave new world under the new NPPF and local plans, where locally elected representatives make the decisions that impact so much on local people, but I, too, am concerned about recent events. My constituency, High Peak, is the most beautiful in the country, though I am biased. I am sure that others will disagree. As I said in the previous debate, there has been a proliferation of significant applications for development on greenfield sites. They have been refused by the local authority's planning committee on perfectly legitimate grounds. This is not a case of nimbysm at all. The decisions were met with great approval, and in some cases relief, by local residents, who felt that their views had been represented by the people for whom they had voted.

I want to be clear: the High Peak is a great place to live. I am lucky, as are my constituents. We know that many people would love to live in the High Peak. We are not of the mind that says, "We have our housing and we're going to pull the ladder up. We're all right, Jack." We acknowledge that there is a need for some housing. My constituents have young children and teenagers. There are people in their early 20s who want to stay and live in the High Peak. There is a housing need, which I touched on in my Adjournment debate last week on the challenges facing rural businesses. We need houses for people to live in, so that they can work in the High Peak. No one I have spoken to disputes that there is a need for housing. My constituents would accept development, provided it was proportionate.

Recent decisions by local councillors, who, I remind everyone, are elected by local people, have been overturned by the Planning Inspectorate, which is not. That flies in the face of everything that we believe about localism. I have spoken to many residents, who are seeing more applications coming forward, with the threat of ever larger developments. In my previous speech on the subject, I highlighted the area of Harpur Hill and the concerns of its residents' association. I will not repeat the statistics, because time is short and they are in *Hansard*, but as I said in my previous speech, the problems facing Harpur Hill are mirrored in other areas of my constituency. As the Minister knows, Chapel-en-le-Frith parish council now objects to every significant planning application, after several applications have already been given the nod. If all of them were built, the size of that small village, where I live, would increase significantly, beyond what many believe the infrastructure could cope with.

I could run through a list of applications in different parts of my constituency, but we are not at a planning meeting today. My constituents are asking questions about the applications and the method of approval. Are they powerless to prevent approvals? Can they at least ensure that there is some sense of proportion? Proportion is what they are asking for. I am sure that the Minister will respond that local plans should be drawn up, and planning policy should be defined in documents and properly evaluated. My local council has yet to produce its local plan; indeed, it has delayed its anticipated completion. In 2011, the controlling Labour group rejected proposals from the Conservative group to use some underspend to bring forward brownfield sites. It has now belatedly allocated some extra resources to that. Delaying the local plan has created a window of opportunity for developers. I could easily turn my contribution into a tirade against the Labour group and its management of the local authority. I have met the executive member to discuss the situation; he has his views and I have mine.

I want to deal with the harsh realities of the here and now. No local plan has been completed, and developers are submitting speculative applications time after time—applications that may have been refused in the past. They see from previous examples, which I highlighted today, that the Planning Inspectorate appears to be unmoved by local representations. I repeat that this is not nimbysm; my constituents and I are not against development. It is about proportion. A well-constructed local plan should bring in proportion, but at the moment the Planning Inspectorate does not listen to our views.



I am pleased that the Minister has agreed to visit the High Peak. I promise him a warm welcome in the hillsides. We can have an interesting day. There has been a dearth of houses built in the past few years, and that has created the shortage facing us today, but I am concerned that in our eagerness to deal with that, we are being too hasty, and will be left to repent at leisure. I have asked the Minister this question previously, and I will repeat it today: will he not seek to give more weight to emerging plans? I know that that may amount to making up for the shortcomings of the council, but I am looking to assist my constituents.

I am looking at the clock; time is short, and I could go on to several other issues. A consultation on the latitude in permitted development rights for agricultural buildings closed recently. The Peak District national park covers a large chunk of my constituency. I value that national park greatly, as I know the Minister does—he has gone on record on this. People are concerned about that proposal. There was also a consultation on catching up on housing deficits, and having to reduce them in the first two or three years. That will cause huge problems to local authorities if we are not careful.

I plead with the Minister: listen to what we have all said today. We are all on a common theme: we need houses. We know that under the previous Government, the numbers were woefully low, but let us get some proportion. The essence of localism is local decisions made by local people. That is not happening in the High Peak, and, from what we have heard today, it does not appear to be happening in other areas of the country. I would therefore like some assurance from the Minister that something can be done for my constituents. Harold Wilson once said to Hugh Scanlon,

“get your tanks off my lawn”;

the people of High Peak are saying to developers, “Get your bulldozers off our fields.”

I look forward to welcoming the Minister to High Peak. My residents are eager to see him. I hope that he will come soon. It is very cold and high where I live, and we will get a lot of snow soon, so I recommend that he comes as soon as possible.

**Mr Graham Brady (in the Chair):** Hon. Members have all been so disciplined in their time-keeping that we have lots of time for Front Benchers' responses. However, I am keen to reserve at least a couple of minutes at the end for the hon. Member for Tewkesbury (Mr Robertson) to respond, if he wishes.

3.41 pm

**Roberta Blackman-Woods (City of Durham) (Lab):** It is a pleasure to serve under your chairmanship again, Mr Brady. This debate is primarily for Back Benchers, so I had intended to keep my remarks fairly short. I think I should do that and give the Minister lots of time. I congratulate the hon. Members for Tewkesbury (Mr Robertson) and for St Albans (Mrs Main) and the right hon. Member for Arundel and South Downs (Nick Herbert) on securing a lively debate on what is clearly a serious issue, given the large number of Members present.

I hope that hon. Members will forgive me if I do not go through their contributions individually, because that would take up a great deal of time. They spoke

passionately about their own areas. There clearly is a major issue across the country. I was pleased that a number of their remarks were not based on just being anti-housing. There was a sound recognition that we need more housing, but concern was expressed about the sites that have been identified for building houses. I was pleased to see a commitment to plan-making and place-shaping, because they are an important part of the solution to some of the issues that have been raised today. Hon. Members also produced a wish list. I am probably going to add to that a little bit, but I hope not too much.

We know that we need more housing, including in rural areas. In order to secure a typical mortgage, a rural resident needs to earn £66,000. With the average rural income standing at just over £20,000, there clearly is a problem with affordability. That exists partly as a result of insufficient supply. The situation in rural areas is part of a wider problem. For decades, under successive Governments, house building has stayed low relative to demand. I will hold my hands up to say that the previous Labour Government did not see enough houses built, but neither did the previous Conservative Government. Private house building completions in England have been relatively static for more than 30 years, averaging about 130,000 per annum. That is below the peak average of 180,000 per annum in the 1960s, and well below potential.

**Mrs Main:** The hon. Lady just said that the number of houses being built has been low or static. What about the number of permissions? I have not seen anything that shows that the number of permissions has been low or static. It is just the amount of development that developers are prepared to get under way.

**Roberta Blackman-Woods:** The hon. Lady makes a valid point. We know that a number of sites with planning permission never end up being developed. The point I am trying to make is that we must look seriously at the housing numbers that we need, particularly as we have a shortage, partly because we were not building enough in the past.

Private completions increased from 2003, with a steady improvement to 154,000 in 2007. However, they fell with the economic crash to 89,000 in 2012. In contrast, new affordable homes produced by local councils and housing associations, which averaged more than 130,000 per annum in the 1950s and '60s, have seen a steep downward trend since the 1970s. Production has averaged fewer than 30,000 per annum since the mid-1980s, falling to 13,000 in 2003. There has been some improvement since then, with new completions at 27,000 in 2009 and a similar number in 2012, due to the housing stimulus put in place by the previous Labour Government following the crash. However, the numbers produced are too low.

There is an ever-growing gap between supply and demand, which means that millions of hard-working people are increasingly priced out of buying their own home. Home ownership has declined from its peak in 2001—69%—to 64% in 2011. The average house price is now nine times larger than the average wage. The average low-to-middle income household would now have to save for 22 years to accumulate a deposit for the typical first home, compared with just three years in 1997. So-called second steppers are also being affected, with



[*Roberta Blackman-Woods*]

the average age for a second purchase rising to 41, despite 40% of families saying that their first home is too small for a growing family.

More than 1.1 million families with children, and 8 million people in all, are now part of what we are calling generation rent. They are paying private rents that are rising faster than wages and contributing towards a cost of living crisis. They face rip-off letting agent fees, instability and uncertainty as a result of short-term tenures, and sometimes poor standards and service. Many want to buy their own home but have little hope of being able to do so.

We must address the housing shortage. I absolutely agree with all the Members who have contributed this afternoon that development sites need to be identified by local communities, with a stronger emphasis on neighbourhood planning and putting consent at the heart of the planning system. I think that can be helped in a number of ways. I have often paid tribute to the Minister and his predecessors for introducing neighbourhood planning. We think that is probably the key in the medium and longer term to delivering the sorts of neighbourhood that we all want.

The issue is not just about housing. I think we will partly get consent when we stop referring only to housing numbers when talking about the issue. People want to see employment, proper infrastructure and leisure, and they want to keep their open spaces. The issue is about building communities, and we have to talk more about that.

We also need to do something about quality. I know from my constituency that people often get upset about the houses proposed, because they simply look awful: they are too small, or have various features not in keeping with the local neighbourhood. We need to get better at improving the quality of our housing stock. That is especially important in rural areas, national parks, areas of special scientific interest and so on. I am a bit concerned that the Growth and Infrastructure Act 2013 reduced some of the existing protections in areas of outstanding natural beauty and national parks. That is not a good thing; it is a step in the wrong direction. [*Interruption.*] I think that hon. Members might think that the clock is set for 4 o'clock, but we actually have until 4.30.

Will the Minister consider the Woodland Trust briefing sent to all of us about giving better protection to ancient woodlands and planting many more trees? Does he intend to monitor the relaxation of permitted development rights and use-class order changes to see what happens to the quality of buildings in rural areas as well as on our high streets? High streets are not part of this debate, but rural town centres would be relevant as well.

I am looking forward to hearing what the Minister has to say about the over-reliance on appeals that seems to have emerged as a result—probably a temporary one—of the national planning policy framework having been put in place before local plans were adopted. I am interested to know whether he has thought about that, or considered speeding up plan-making to reduce the reliance on decisions made by inspectors. Does he plan to strengthen the brownfield first policy, which the NPPF weakened, and does he intend to reform land

acquisition and assembly in accordance with some of the helpful suggestions made in this debate about opening up the land supply market for competition by a larger number of people?

**Mr Graham Brady (in the Chair):** The shadow Minister is quite right: it is possible, though not mandatory, for the debate to continue until 4.30.

3.52 pm

**The Parliamentary Under-Secretary of State for Communities and Local Government (Nick Boles):** It is a pleasure to serve under your chairmanship again, Mr Brady. In your other role as the chairman of the 1922 committee, I am sure that you are delighted to see so many of your flock here. I wish I could pretend that I thought so many of my hon. Friends were here because I am so popular in the party or because I am a compelling orator, but I recognise that the reason is the level of concern in the communities that they represent and the lack of comprehension in those communities about some of the decisions being made on nearby developments that matter to them. Those decisions seem to be visited on them from on high without explanation.

Many hon. Members have asked specific questions. I could probably take up all the time until the end of the debate just answering them, although I do not intend to do so. Instead, if it is acceptable to you, Mr Brady, and to my hon. Friends and other hon. Members, I will try to address all the issues and see whether I can answer specific questions in doing so. If, by the time we start edging towards the close of the debate, there are burning questions that I have missed answering, I will be happy to take interventions to answer them. However, I hope that I will be able to cover most of them.

I need not start by underlining the scale of the housing crisis faced by this country, the extent of the need for housing or the grief and hardship that the crisis is visiting on millions of our fellow citizens. My hon. Friend the Member for East Hampshire (Damian Hinds) described it eloquently when discussing the average age of the first-time buyer and the average house price in his constituency, and others have referred to the situation in their constituencies. The hon. Member for City of Durham (Roberta Blackman-Woods) set out clearly the roots of the crisis and the fact that Governments of all stripes share responsibility for it. I hope that we can take that as a premise that everybody agrees on.

**Mr Laurence Robertson:** The Minister used the word “crisis”, but that is not a situation that I recognise. I would be grateful if he went into it in a little more detail.

**Nick Boles:** I will just recap some of the figures mentioned by the hon. Member for City of Durham and others. In the past year, the percentage of first-time buyers in England who were able to buy a home without their parents' help fell to its lowest level ever, under one third. Two thirds of all first-time buyers in England last year required a subsidy from their parents. By definition, that means that they came from a relatively narrow social group—those from relatively well-off families. Until we introduced the Help to Buy policy, the opportunity to become a first-time buyer had been denied to a large number of our fellow citizens.



Another key fact also mentioned by the hon. Member for City of Durham is that the average age of first-time buyers has crept up and up, and is now nudging 40 in many parts of the country, although of course there are parts of the country where the crisis is not so acute. It is intense within the south-east and the south, but there are also pockets in parts of Yorkshire, and it is just as intense elsewhere, around certain big cities.

**Mrs Main** *rose—*

**Martin Horwood** *rose—*

**Nick Boles:** If I may finish, we also know that the size of the homes in which families are forced to live has fallen steadily for several decades. The number of overcrowded families has risen and the amount of space in which young people must grow up has fallen for several decades for a simple reason: our population has grown and we have not built enough houses to keep pace with it.

That growth in population has had two main sources. One, which is contentious in the House and elsewhere, is immigration, which was uncontrolled for a long time. We as a party rightly criticised that, and are now doing something to control it. However, it is important to remember that the majority—about two thirds—of the growth in population and in the number of households in the country has resulted not from immigration but from ageing. One way that I ask people to think about it is by considering how many people now are part of families in which four generations are alive. Quite a lot of them are. It used to be rare to have a great-grandparent or great-grandchild in a family; it is now common, because people are living longer, and they do not all want to live in the same house. I could go on, but I know that time is limited.

**Several hon. Members** *rose—*

**Nick Boles:** I would like not to take interventions on the argument, as I have heard the argument from hon. Members. I will take interventions later if I have not answered the specific questions raised.

**Martin Horwood:** Will the Minister give way on that point?

**Nick Boles:** No, I will not take interventions on the argument; I will take them on the specific questions asked. I have sat here for two hours listening to the arguments from the Opposition, and I would like a brief moment to develop my argument.

Housing need is intense. I accept that my hon. Friend the Member for Tewkesbury (Mr Robertson) does not share my view, but many hon. Members do, and there are a lot of statistics to prove it. How are we going to solve the problem? My hon. Friend, whom I congratulate on securing this debate, referred to the country having 700,000 empty homes, which, he said, should be a priority for meeting the intense need for housing. Although I agree with the sentiment, unfortunately his figure does not give a true picture. The figure of 700,000 homes captures every home that is empty right now, including every home that is between buyer and seller and every home in probate.

I will, therefore, give him the true figure for homes that have been empty for more than six months, which I think we can all agree is probably the right figure for an empty home that could meet somebody's housing need in the long term. That number is 260,000 for the whole of England. It has fallen by 41,000 since this Government came into office in 2010. We are spending a great deal of money, and we and local authorities are working hard, to bring those empty homes back into use. It is important to recognise that many—not all, by any means, but many—of those 260,000 are in parts of the country where demand for housing is not as strong as it once was, not in parts of the country where demand for housing is great. I do not believe that a Government can tell people to go and live somewhere with no jobs and no future, just because houses have been built there. Empty homes can make a contribution and are doing so under this Government, but in the scale of need explained so vividly by so many, they are a small contributor.

We need to move to the question of brownfield sites. If it were possible, everybody in this country would prefer every new house to be built on a brownfield site. We would all love not to develop a single scrap of greenfield land if we did not need to. Therefore, the question is whether there is enough brownfield land to do that. The Campaign to Protect Rural England often bandies about the statistic that 1.5 million homes could be built on the available brownfield land. I am afraid that that figure is not entirely a fair representation, because more than half of that brownfield land is already occupied for another use—for example, with a house or factory on it. In theory, it might make good sense to use it for converted housing, but the people currently occupying and using it for another purpose would, by and large, have a view on that: if they own or use the property, they will probably not want to give it up immediately, and if they did give it up, where would they be employed? Having taken all that out, a large number of the remaining brownfield sites are in places where demand for new housing is not so intense. In many areas of most intense demand, the number of brownfield sites that have not been developed is relatively small.

I reassure hon. Members that nearly 70% of new houses in 2010, the last year for which figures are available, were built on brownfield land. We are still building more houses on brownfield land than on greenfield land. We are approaching the point at which the number of brownfield sites that are in the right part of the country and are vacant and available for housing development is too small to supply more than a small, although significant proportion—nearly 70%, but not more—of our need.

Another subject raised here and elsewhere by many hon. Members, including my hon. Friend the Member for St Albans (Mrs Main), is the amount of land banking in the country. We all know individual examples of sites that have been bought and for which planning permission has been given, but on which development has not happened. The question we have to ask is: why has that happened, what is the scale of that problem and what contribution would fixing that problem make to solving our intense need?

We must first recognise that that is true of many sites because developers bought them before the financial crash, secured planning permission in anticipation of



[Nick Boles]

the economic environment pertaining at the time and, frankly, could not raise the money to build out the site or, even if they raised the money to do so, could not find people to buy the houses. Ultimately, developers are businesses. Certainly in my party, which so many hon. Members here represent, we believe that businesses need to be free to make investments and bring forward projects, but should be forced to complete such projects only if they have a reasonable prospect of getting their money back and perhaps gaining a small return. That problem grew during the recession not because of developers' greedy behaviour, but simply because they do not want to build houses if there is nobody to buy them.

That situation led to an expansion in the scale of land banking, but let me tell hon. Members about the current position, because it has been reduced by the recovery in house building. The latest estimate is that the total number of units of housing in land banks throughout England is 500,000, but only half of that is on sites where building has not begun. From our constituencies, we all know that most housing developments of a scale greater than a dozen houses are not built out in one year, but sometimes in three or five years, because it is natural to do so. If all the houses were built in one place in one year, it would result in a strange development in which half the houses were sitting empty. That is how the house building industry works, and unless any hon. Member in the Chamber wants to nationalise house building, we have to live with that system.

Only 250,000 units are on sites that have not been started. That is a significant number, but the point is that it covers the whole country, including some places where demand is not sufficient to pull through supply. The Labour party has proposed to confiscate that land from developers, but will such compulsion really solve our housing crisis or lead developers to build more places where we want those houses? I am sure that that might make a contribution, as empty homes may, but I do not believe that it could solve the problem on its own.

On the whole question of local plans and the process that local authorities are asked to go through in putting them together, the fundamental basis of the national planning policy framework, about which many hon. Friends and other hon. Members have been generous, is that local authorities are in control because they have put in place a local plan. Doing the work of producing a local plan puts the local council, as the representative of the community, in control. The local plan has a very simple concept that is very difficult to deliver, which is that the authority has to provide a five-year land supply of immediately developable and deliverable sites to meet its objectively assessed housing need.

I understand that there are concerns. My hon. Friend the Member for Cheltenham (Martin Horwood) referred to an econometric model, and other hon. Members have spoken about the various methodologies. It is not unreasonable, however, for the Government to tell an authority, which is representing the people and has a duty to serve them, "Work out what's needed, and make plans to provide it." That is what we do with schools. We do not tell local authorities, "You can provide as many school places as you feel like"; we say, "Provide as

many school places as are needed." We do not tell the NHS, "Provide as many GPs as you feel you can afford right now"; we say, "Work out how many GPs are needed." The same is true of housing sites: we tell local authorities, "Work out how many houses will be needed in your area over the next 15 years, and then make plans to provide them."

Stuart Andrew rose—

Martin Horwood rose—

Nick Boles: I am happy to give way to my hon. Friend the Member for Cheltenham.

Martin Horwood: My constituents in places such as Leckhampton and Hatherley do not understand this: the econometric model is based not so much on need as on demand, which in areas such as mine—and St Albans and many other constituencies—is practically insatiable, so we will still have high house prices that are unaffordable for many first-time buyers in places such as Cheltenham, because we have good schools and shops, as well as a good local environment and good employment levels. If such areas are simply consigned to endless development, we will lose something very precious to local people and to the environment.

The problem with the Minister's scenario is that the issue is not about trying to stop all development—nobody has said that—but about wanting local people to be able to make some difference and have some say. The economic model for the assessed housing need or demand—

Mr Graham Brady (in the Chair): Order. I remind the hon. Gentleman that interventions should be short.

Martin Horwood: Sorry, Mr Brady. The model or whatever dictates that number should not be a be-all and end-all that nobody can influence.

Nick Boles: I want to reassure my hon. Friend that the process is not based simply on a measure of demand. It is not a matter of sending out a survey to ask people whether they fancy living in West Worcestershire. That is not how it is done; it is done on projections of population, of the number of households in which ageing is taking place and of the historical record and, therefore, the likely future trend of inward migration. That is the definition. The immigration figures are based on the past record. They are not just plucked out of the air as the number of people in the whole world who would quite like to live in Cheltenham. The model is based on an understanding of the pressure of demand from people who actually want to come to Cheltenham. They might want to move to Cheltenham to be near a job, go to college, or be close to their mum who is growing old on her own in a flat.

Martin Horwood indicated dissent.

Nick Boles: My hon. Friend shakes his head. I am happy for him to go through the modelling that is the basis on which this is done. I simply say to him that if he added up all the projections of housing need of all the local plans in the country, he would find that it would add up to a figure that is too low to meet the overall population growth of England. It is not, therefore, the



case that there are these hugely inflated demand figures being put into local plans, which add up to something way in excess of what we need; they are too low to meet our universal needs as a nation. Somehow, somewhere, we are not overestimating the need.

**Stuart Andrew:** In 2001, the population of Leeds was 715,000, and in the census of 2011, it was 751,000, but the estimate of the Office for National Statistics said that it would be 788,000, which is 37,000 more than actually happened. If we go on the same figures, Leeds will yet again be overcompensating for a population increase that will not exist, but it will have to have the five-year land supply, and to do that, it will have to go into the green belt. How does my hon. Friend marry up that problem that we and our communities face?

**Nick Boles:** My hon. Friend makes a good argument, and he has made a good argument generally, which he will have every opportunity to make in the examination in public. He will be able to say why he thinks that the projections done by his local authority are way out of line with any realistic possibility and to challenge those projections. He will be able to require the local council to demonstrate to the inspector the reasons it needs to supply those numbers, which cannot be that it is ambitious or that it is going for growth. If it has no good arguments or good evidence, there will be every reason for him to say that it is a plan to meet not need but ambition and dreams, which is a great and lovely thing but not what plans are meant to do.

A great many of my hon. Friends are concerned because they see that, in the absence of a local plan that has been fully adopted after an examination in public by an inspector, many decisions are being made that local people are not content with and their local authorities have opposed. It will be of no reassurance to them, but it is interesting that there is not a single person who has spoken in this debate who is from an area that has a recently adopted local plan. There is a reason for that: once there is a recently adopted local plan, the authority is then in the driving seat. It may well have gone through a process, as my hon. Friends the Members for Cheltenham, for Tewkesbury and for West Worcestershire (Harriett Baldwin) have—*[Interruption.]* No, let me finish my sentence. It may well have gone through the process of putting together that plan, which would be painful because it requires someone to carry out the contentious job of identifying the sites. Once the plan is in place, that is the point at which local authority decisions—*[Interruption.]* I hear lots of rumblings. If I could just finish the argument, I promise to take some more interventions. At that point, the authority will find that appeals are not going against it. I accept that there is a certain amount of scepticism about the figures, but I am giving Members the facts. In 2012-13, the number of planning appeals in which the inspector backed the local council and rejected the appeal was 67%. In 2011-12, it was 68%, and so far this year it has been 67%. In two thirds of all appeals, the inspector is backing local decisions, because the council has made local plans that meet the requirements, so it can be trusted to make its decisions.

**Sir Tony Baldry:** The Minister knows that, for historic reasons, almost half of all local planning authorities in England do not have an up-to-date local plan. They

started to get that going with the introduction of the national planning policy framework. I suggest that most of them are doing so with all due speed, as is evidenced by my local authority, which adopted its local plan on Monday. My concern, and the concern of many Members, is that the Minister and the Government are not giving any protection or taking any notice whatever of emerging local plans. As a consequence, they are not giving any consideration to the efforts by local communities and local councillors to ensure that they have robust local plans.

**Nick Boles:** I thank my hon. Friend for that. I understand what he is saying. It is difficult and painful, especially in an area of high demand, to produce that local plan. Many local authorities have been making excellent progress, which is why the number of local plans has risen from about 30% when the national planning policy framework was passed to more than 50% now, and many more will be adopted over the next few months. The difficulty is that there are cases—I am afraid that some of those cases are represented in the Chamber—in which the local plan, despite what the local authority might have said, does not meet the requirements of the Localism Act 2011 and of the national planning policy framework, and does not provide a five-year land supply.

In some cases, that is because local authorities put too many eggs in one basket. They identify one big site to which they attach a lot of hope value, and which might make a fantastic development, but which, in reality, has no immediate prospect of being developed. It therefore cannot count as a site in a local plan. Sometimes, they make estimates that a site will build out over two years, when it clearly will not do so in less than five. It is not surprising, therefore, that the inspector sometimes says, "I'm sorry, but that is not a robust plan, because the sites you have identified will not deliver what you say they will deliver in the established time frame." Then he asks the local authority to go back and revise the plan. That is happening in many local authorities represented in this Chamber, and is causing some of the frustration.

**Harriett Baldwin:** What, in the Minister's view, is the appropriate time between a council democratically agreeing a local plan and the plan finally becoming set in stone, as there is a very protracted period of inspection by a scarce national supply of inspectors?

**Nick Boles:** In general—I cannot comment on any particular case—one would hope that that would happen in about nine months. If it could be six, that would be great. It certainly should not be more than 12. In some cases—I am not suggesting that it is happening in West Worcestershire—the inspector, rather than saying that the plan will not meet the requirements, says that the authority needs to do a bit more work on it and then suspends the plan. That can be a good thing, because we do not want to see a lot of good work thrown away because one part of the plan has not been properly completed. That is sometimes what causes it to be delayed beyond the time frame. If everything is in order, it should be done within six to nine months.

**Mrs Main rose—**



**Nick Boles:** There are many questions that I have not yet answered, and there are only so many minutes left. I want to come on to the point of prematurity that some Members have raised. There is a difficult balance to be struck. One extreme would be to say that it does not matter how early stage a local plan is; as soon as an authority has started on a local plan, the draft policies, which have not yet been examined, consulted on or tested, should determine decisions. That is at one end. I understand that no one is suggesting that it should be at that extreme end. At the other end, we say that no weight should be accorded to a plan until it has absolutely finished the process.

The balance that we have put out in the draft guidance is that once a local plan has been submitted for examination—not completed or passed—it should carry significant weight if there are no substantial unresolved objections to parts of it. A neighbourhood plan has to pass a referendum, which is a big moment at which it might fail, and it starts to acquire weight when it has been presented to the local authority for what is called the local authority publicity period. I accept that both those stages are towards the end of the process. However, the difficulty if we try to move them earlier in the process is that—I promise you—developers will go to court, they will seek the judge's interpretation and they will say, "This plan hasn't even been consulted on. It hasn't even been tested by examination. How can it be the basis for a decision, when in every other way this proposed development meets all of the policies in the national planning policy framework?" That is the argument that they will make, and indeed it is the argument they are making in cases right now.

Therefore, it is not simply in the gift of Ministers to move that decision point through guidance; we cannot do that. We have to put it at a point that the courts will find reasonable as an interpretation of the requirements for a plan to be sound and robust. We have set it where we have because we think that is the most reasonable position, but I am very happy to invite colleagues here in Westminster Hall today to meet my officials to discuss whether there is a way of finding another time frame that would stand up in court. However, I would simply share with them the view that the bar that would stand up in court is a very high one, and I have concluded that the position that we have outlined in the guidance is the one that will not only stand up in court but provide some protection for those plans that have reached an advanced stage of development.

**David Rutley:** Notwithstanding the point that the Minister is making, can he confirm that the planning horizon currently is to 2030 and any talk of moving to 2050 is for the birds, to use a technical term? Would he also use his good offices, given that there is good will—particularly in Cheshire East—to conclude local plans, to bring the requisite expertise to enable us to get over this hurdle as quickly as possible?

**Nick Boles:** I am very grateful to my hon. Friend for reminding me of two very important specific questions, to which it is a great pleasure—and a rare one—to be able to give an answer that I hope is satisfactory. The answer to the first question is that there is nothing in the Localism Act 2011, in the NPPF or in any aspect of Government planning policy that requires someone to

plan beyond 15 years. So, anybody who is suggesting that there is any requirement to safeguard land or wrap it up in wrapping paper and ribbons for the future development between 2030 and 2050 is getting it wrong. There is no reason for it and my hon. Friend can knock that suggestion straight back to wherever it came from.

Regarding help for authorities, I will make an offer to everyone here in Westminster Hall who has an authority that is having difficulty resolving the final objections to a plan that is still in draft form. It is that I am very happy to ask officials in my Department and—perhaps even more usefully—the recently retired chief inspector and another recently retired very senior inspector to meet those authorities to help them, in a sense, to understand what are the practical things they have to do to get the plan to a point where it can pass examination.

I fully understand that there is a frustration, namely that people cannot negotiate with an inspector, because an inspector is basically like a judge; it would be like someone negotiating with a judge in court as to whether they will be found guilty or not. The inspectors cannot negotiate, but that is why we have created a resource within the Department that is able to provide that practical support, and I am very happy to offer it to Cheshire East and to other boroughs where it would be necessary.

**Several hon. Members rose—**

**Nick Boles:** I will move on to the infrastructure point; I am happy to take more interventions after that. That is because my right hon. Friend the Member for Arundel and South Downs (Nick Herbert), who spoke so passionately and so persuasively, as he has done so many times before, on this subject, raised a particular point about a commitment to make a clearer reference to the need for infrastructure to be planned in planning guidance.

When my right hon. Friend raised that point with me before this debate, I was very concerned that I had failed to deliver on a commitment made on the Floor of the House, and that that was something I needed to correct. I will not suggest to him that it is impossible to improve on what we have done, but I would like to reassure him that my officials—being marvellous officials—put in something that addressed the concern that he raised and the commitment that I made; it just may not be something that he considers to be sufficient. I will quote from the new draft planning guidance, because it is important that we all understand it. It says:

"Local Plans set out a vision and a framework for the future development of the area, addressing needs and opportunities in relation to housing, the economy, community facilities and infrastructure".

That is the introductory phase. Then it says specifically:

"The Local Plan should aim to meet the objectively assessed...infrastructure needs of the area".

Then it says something even more specifically, which directly addresses the point of whether it is possible to ensure that a development only goes ahead once the necessary infrastructure has been put in place, and only after that necessary infrastructure has been put in place. We have made direct provision

"that a condition"—

that is, a planning condition—



"may be used to prohibit 'development authorised by the planning permission or other aspects linked to the planning permission...until a specified action has been taken (such as the provision of supporting infrastructure).'"

That is the element where we have attempted to make it clear that planning authorities can very reasonably say, "Yes, we'll pass this planning application, yes, we will consent, but it can only go ahead and be built out once that infrastructure has been put in place." I believe that the use of conditions is the right way to do it, as well as the plan making that makes the broader plans for infrastructure. However, I am very happy to invite my right hon. Friend to meet my officials and to come up with a better solution if one can be found that addresses his concerns.

**Nick Herbert:** I am grateful to my hon. Friend the Minister and I will have a look at the specific provisions that he says address the concern that we raised last December, and that he committed to bring forward; I thank him for that. Can he assure me that the proposals in the guidance in relation to infrastructure will enable a local authority, in drawing up a plan, to adjust the housing number that it sets, such that the number may be lower than the strategic housing market assessment provides, because of infrastructure considerations?

**Mr Graham Brady (in the Chair):** Before the Minister replies, I remind him that we only have three and a half minutes left, and I am keen to allow the Member responsible for securing the debate—the hon. Member for Tewkesbury (Mr Robertson)—to reply as well.

**Nick Boles:** If you will forgive me a very scrappy finish, Mr Brady, I will answer the question, and then I will sit down to allow my hon. Friend the Member for Tewkesbury to speak.

Very specifically, development must be sustainable, and sustainable in many ways. Infrastructure is one of the ways in which it needs to be sustainable. However—the however is quite important—to say that the current infrastructure is insufficient to support a level of development that otherwise would be "sustainable" in other senses of the word is not quite enough, because someone has to be able to say that it is incapable of being made sufficient to support that level of development; in other words, that the local authority either could not bring the financial resources together or could not physically and geographically make arrangements to make that development sustainable. Just to say, "The road is too narrow; we can't do anything more there," is not quite enough. To say, "The road is too narrow and can never be widened, because it's between two ancient forests that have the highest status," could be sufficient and that tends to be where the debates take place.

However, as I say, I am very happy to invite my right hon. Friend to meet officials to explore this issue further.

I will conclude. I am sorry if I have not answered everybody's questions.

4.27 pm

**Mr Laurence Robertson:** Thank you for calling me to speak, Mr Brady. It is a pleasure to serve under your chairmanship, and to have served under that of Mr Havard earlier.

I thank all the Members who have attended Westminster Hall today and contributed to this very lively debate. I thank the Minister for his attendance and his answers. I am not completely satisfied, as he would imagine, by some of the answers he has given, particularly about this so-called "housing crisis". He said that we are an ageing population. Of course we will age during the next 20 years, but we aged during the past 20 years as well, so I am not convinced that the projections should jump up so much because of that single factor. Of course, families go their own separate ways and people unfortunately have divorced, but again I am not aware that the projection will go up in the way that it would need to in order to justify the additional housing figures that are being talked about.

The Minister was perhaps talking about people being unable to buy houses, and ignoring the financial constraints. In my experience, it is not necessarily that the houses are not there. We went through a situation where some lenders were lending 125% of the house price, which had the effect of inflating those house prices. Now we have the opposite, where there is a very tight lending policy, and that is making it difficult for people to borrow. I accept the philosophy of price elasticity, of course—demand and supply—but there is more to it than that, so I am a little concerned that the Government are still clinging to the "housing crisis" phrase.

I will rattle through one or two final points. I am very much in favour of neighbourhood plans, of course, but they have to be in conformity with the local plan, so they are not actually that valuable.

My final point is the one raised by my right hon. Friend the Member for Arundel and South Downs (Nick Herbert) about infrastructure. Does that mean that numbers can be reduced? What about the green belt? What about flood risk areas? All these provide great difficulties, certainly in my constituency, to coming up with the sort of numbers that are being proposed by the Government—

**Mr Graham Brady (in the Chair):** Order.

4.30 pm

*Sitting adjourned without Question put (Standing Order No.10(13)).*

## Appendix JS4

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Building the Homes We Need (April 2014)







cutting through complexity

In partnership with

Shelter

# Building the homes we need

A PROGRAMME FOR  
THE 2015 GOVERNMENT

[kpmg.co.uk](http://kpmg.co.uk)

# ACKNOWLEDGEMENTS

This report is the result of a year-long joint project by KPMG in the UK and Shelter to contribute to the crucial national debate on the housing shortage. In October 2013 we published an interim report which summarised our findings from a series of roundtables in the West Midlands, and several other subsequent roundtable discussions.

We have now supplemented our findings from the West Midlands with expert input from the UK and abroad, and with a series of commissioned technical research reports led by Capital Economics, Europe Economics and IPPR, to develop a comprehensive package of solutions to the housing shortage.

**Report authors:** Pete Jefferys, Toby Lloyd, Andy Argyle, Joe Sarling, Jan Crosby, John Bibby.

**KPMG and Shelter project teams:** Steve Akehurst, Thomas McCarthy, Sorrelle Cooper, Marianne Fallon, Roger Harding, Liz Hickson, Arthur Hook, Ian Joynson, Markus Korner, Andrew Nolan, Campbell Robb, Lizzie Russell, Zoe Sheppard, Isabel Thompson and Clare Woodham.

We would also like to thank everybody who organised and participated in open and candid discussions at roundtables and other meetings, and all those who commented on draft versions of the report.

# Contents

<b>Foreword: An open letter to the Party Leaders</b>	<b>2</b>
<b>Executive summary</b>	<b>5</b>
<b>Part I: The housing shortage and its impacts</b>	<b>18</b>
- Current impacts of the housing shortage	22
- What will happen if we take no further action?	28
<b>Part II: England's broken supply system</b>	<b>32</b>
- The land supply system	32
- The house building sector	42
- Public investment	45
- Building local consensus	48
<b>Part III: The solutions</b>	<b>50</b>
- Land market reform	51
- A more diverse and resilient developer market	64
- Investment in affordable homes	72
- Strategic local leadership	82
<b>Part IV: A programme for government</b>	<b>90</b>
- The new housing principles our country needs	92
- The programme to kick start a long-term change	94
<b>Conclusion</b>	<b>102</b>
<b>Appendix 1: Summary of evidence</b>	<b>104</b>
<b>Appendix 2: Assumptions for KPMG/Shelter housing programme illustrations</b>	<b>106</b>

## Recommendations in this report

Area for reform	Policy recommendations	Vision
<b>Land Market</b>	1. Introduce "New Homes Zones"	<b>Our vision</b> is for a land supply system that is transparent, efficient and stable and most importantly provides much more land at lower prices
	2. Incentivise the use of stalled sites	
	3. Build new Garden Cities	
	4. Open up the land market with far more data	
<b>House building market</b>	5. Help local builders access finance	<b>Our vision</b> is for a house building sector with many more local builders and more innovative models of development such as custom build. We need the big players running at full throttle, but alone they won't be able to solve the housing shortage. We need to help local builders thrive once more and new builders join the market.
	6. Prioritise stable house prices to help SME builders	
	7. Provide land for custom build	
	8. Level the playing field for builders with national space standards	
<b>Affordable housing investment</b>	9. Boost public and private investment in affordable homes	<b>Our vision</b> is for an affordable housing sector that's well funded, has a variety of developers and produces high quality homes for a wide range of income groups, including social rented homes for those on low incomes and shared ownership homes for middle earners.
	10. Set up a National Housing Investment Bank and use public land in joint ventures	
	11. Raise borrowing caps on local authority building	
<b>Strategic local leadership</b>	12. Put housing at the heart of new City Deals	<b>Our vision</b> is for cities and towns which plan strategically: linking jobs, services, transport and homes. Local leadership will be vital to get us building the new places we need.
	13. Assess housing needs across local authority boundaries	
	14. Integrate major new infrastructure with new homes	
	15. Increase flexibility to make green belt swaps	

## Dear David Cameron, Nick Clegg and Ed Miliband,

*Everyone now accepts that we have a desperate housing shortage in England.*

**Each year we build 100,000 fewer homes than we need, adding to a shortage that has been growing for decades. What's more our current house building system seems incapable of delivering growth on the scale required. Growing demand means that without a step change in supply we will be locked into a spiral of increasing house prices and rents – making the current housing crisis worse.**

Despite modest efforts to improve supply over many years, there has been no comprehensive plan to get us rapidly building the homes the country needs. If the next government shies away from showing the strong leadership needed, having a home of your own to rent or buy affordably will become a distant dream for an increasing number of people in this country. Rents will rise and homelessness will increase. The economic recovery will be held back by high housing costs, an immobile workforce and unstable housing markets.

In short, the country needs a serious plan to transform housing supply. One that faces up to tough choices, but also sets a new tone for political generations to come – and all Parties need to sign up to it. Solving this problem will take leadership and vision from across the political spectrum at local and national level. All Parties share responsibility for the housing shortage, and all must commit to ending it.

KPMG and Shelter have put together a comprehensive, visionary programme for the next government to get the country building the homes it needs. Taking steps to lower the cost of land for development will reduce the profits made by some land owners, but allow better homes to be built and stimulate a new wave of SME builders who have been squeezed out of the market. Increasing investment to build genuinely affordable homes will mean tough fiscal choices, but reducing the cost of housing will also cut the welfare bill. Introducing new taxes on unused housing land and empty homes will be unpopular with some, but it will get development moving on stalled sites.

There are no easy solutions or silver bullets. Coherent and co-ordinated action is needed at each stage of the development process, to deliver a new vision in the way that housing is provided in England.

This report has been written through close collaboration between housing policy, financial and housing market experts in KPMG and Shelter. It draws on a wide range of expertise and new research to address the problems and propose solutions. We are confident that our programme will create the new generation of homes which are so desperately needed. We look forward to working with you to deliver it.



Marianne Fallon  
– UK Head of Corporate Affairs,  
**KPMG in the UK**



Campbell Robb  
– CEO,  
**Shelter**



# Executive Summary

## The housing shortage and its implications

### We need to build more homes in England.<sup>1</sup>

With rents and house prices rising, a great many are struggling and many more are worrying where their children and grandchildren will be able to live. Across England, a quarter of adults under the age of 35 are living in their childhood bedroom.<sup>2</sup>

If we do not take firm action to build more homes there will be very worrying consequences for our economy and society. The impacts will be felt in rising homelessness, stalled social mobility, declining pension saving and an ever rising benefit bill. High house prices and often unaffordable private rented housing is already impacting the country's competitiveness, particularly given that migration to the job market in London and the South East is increasing, but it is this market that has the highest housing costs.<sup>3</sup>

Changing demographics mean we need to build a minimum of 250,000 new homes per year in England to meet rising demand. Last year, we built just 110,000. But the housing shortage is not a new phenomenon: successive governments have failed to get us building at the rate we once did, and no party has yet presented a credible plan to fill that gap.

### The broken housing supply system

Over the last 40 years house prices have risen by 3% annually in real terms,<sup>4</sup> but this price signal has not produced a supply-side response. With every period of rapid house price growth supply has only responded slowly and then declined rapidly when house prices have fallen. Over a long period we can see that this has ratcheted down private market supply from cycle to cycle.

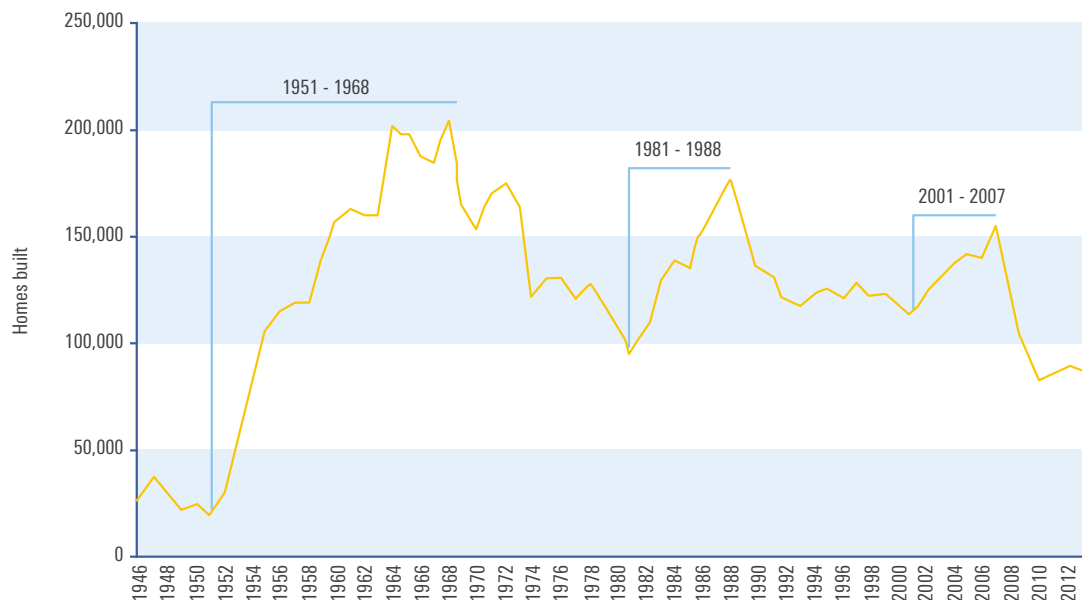
<sup>1</sup> Shelter in England has collaborated with KPMG on this report. Housing is a devolved issue for Scotland, Wales and Northern Ireland. Where possible, all figures in the report will be for England

<sup>2</sup> ONS, Young adults living with parents, 2013

<sup>3</sup> Home ownership has been falling in England since 2003 while house prices have risen faster than inflation or earnings over many decades. DCLG, English Housing Survey and Survey of English Housing (homeownership trends). Barker Review 2004 showed that real mean house price inflation was 3.3% in England over the three preceding decades. Housing as a concern for businesses is demonstrated by CBI/KPMG, London Business Survey, July 2013. Average house prices in London and in the South East are over £300,000 in both regions, the only regions in the UK to be above that level. ONS, House Price Index January 2014

<sup>4</sup> According to the Barker Review 2004, the long term trend of annual average real term house price growth is 3.3% in the UK

**Graph 1: Private sector house building, England 1946-2013**

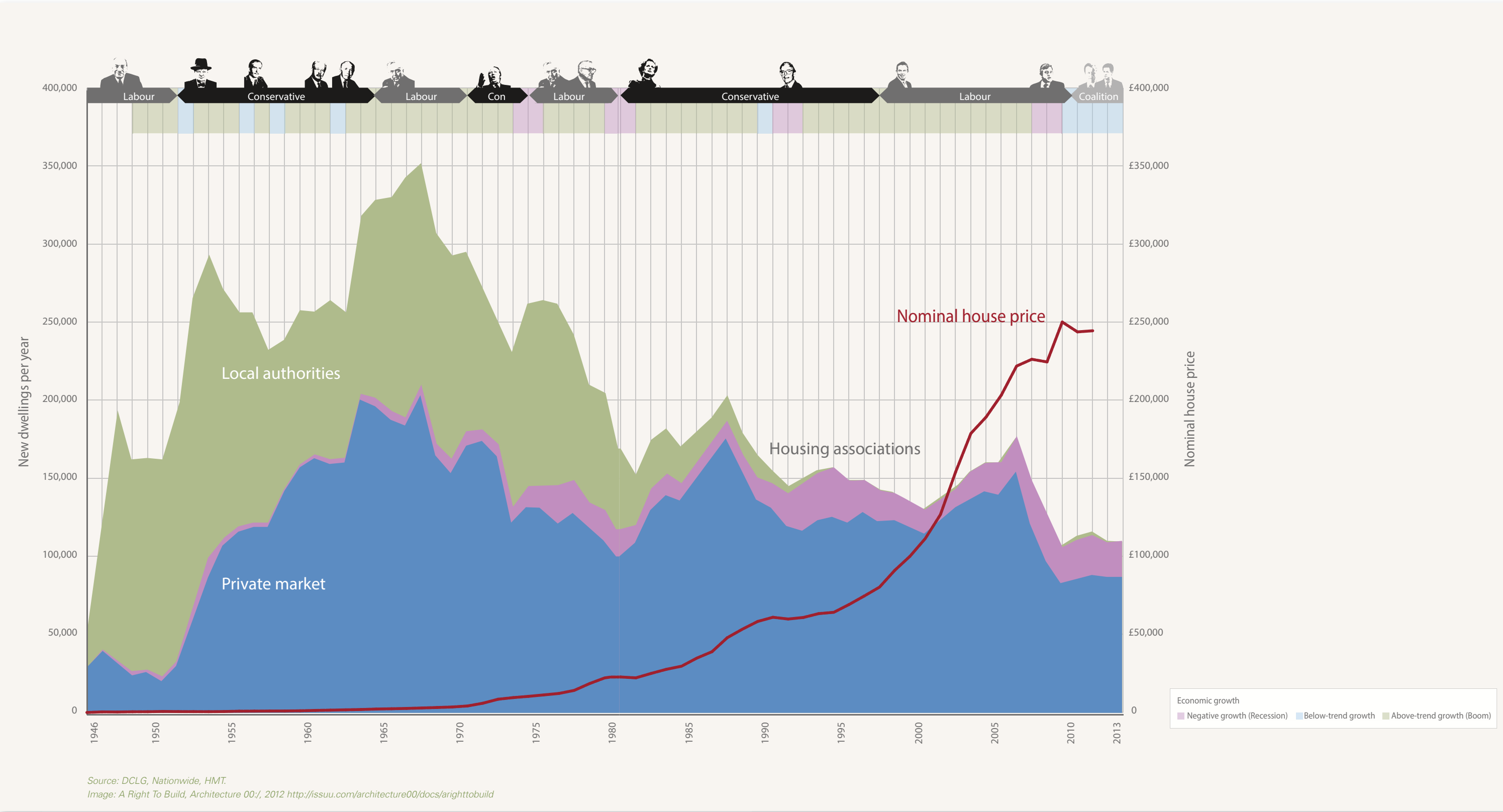


Source: DCLG

The reasons for this systemic failure are many and complex, because house building is a complex, time-consuming and expensive process. Crucially, it is one that takes place at the intersection between three markets: in land; construction; and home sales.

These interactions currently create a housing supply system that consistently delivers too few homes, of variable quality, at very high costs. In seeking to understand and reverse this dysfunctional pattern, our analysis identifies four main problem areas: the workings of the land market; the role of competition in the house building sector; investment in new affordable housing; and the difficulties in gaining local support for development.

House building since 1946



## The land market

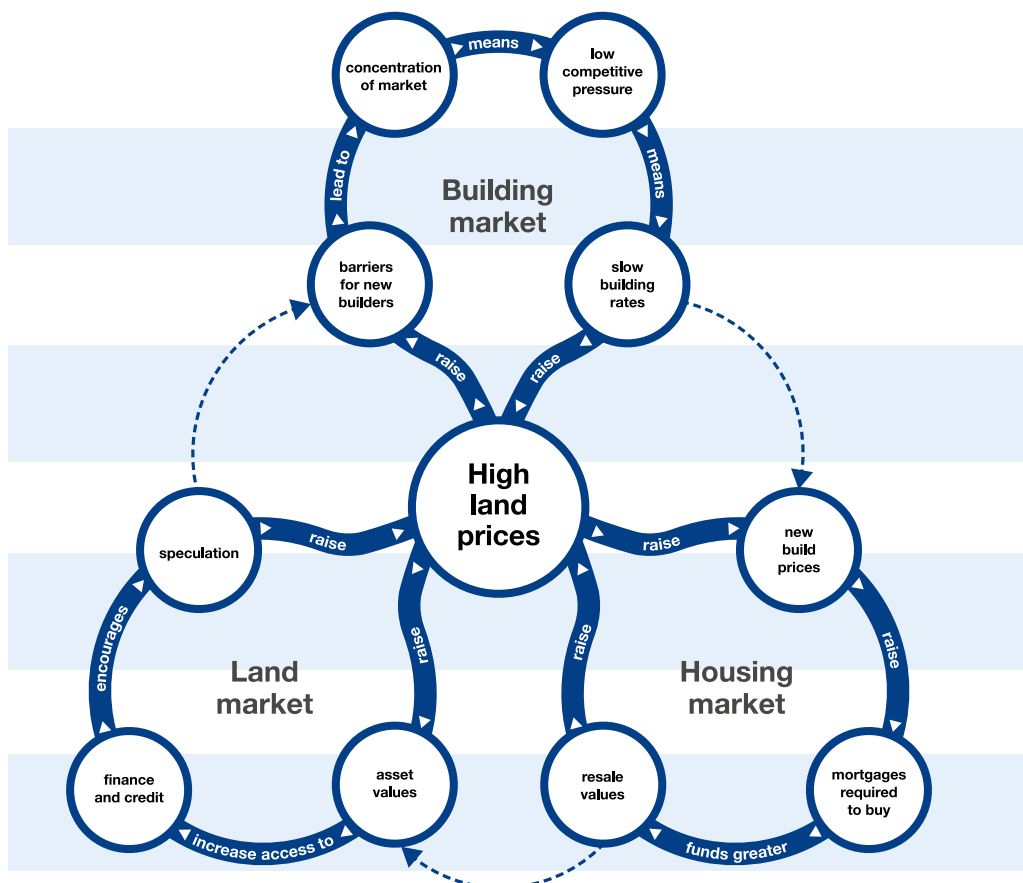
Land is the primary input into house building, but the unique features of the land market have been poorly understood. The primary consequence of the inherent scarcity and permanence of land, accentuated by the planning system and amplified by the financial system, is that land values tend to rise over time. The gain in value that planning permission delivers is generally very high, encouraging strategic land trading, rather than development and also resulting in the most profitable beneficiaries of residential development being the land owner – not the developers, the community or central or local government.

Developers must compete fiercely for scarce land, while remaining uncertain as to what planning permission they will be able to secure. The lack of transparency or published data on land market activity only serves to make this harder. The land market dysfunctions result in a 'land price trap' where development variety and quality is squeezed to increase the price paid to land owners to beat rival bidders. Price competition for land can systematically force down the quality and size of new homes.

Time lags between land purchase and home sales make development highly vulnerable to external shocks or local house price falls. The result is a vicious circle in which high land prices ensure housing output remains low and house prices high – which in turn sustain higher land prices.

### Graphic: How the markets in building, land and housing all feed into land prices

High land prices are at the centre of our dysfunctional housing supply system





### Competition that fails to benefit consumers

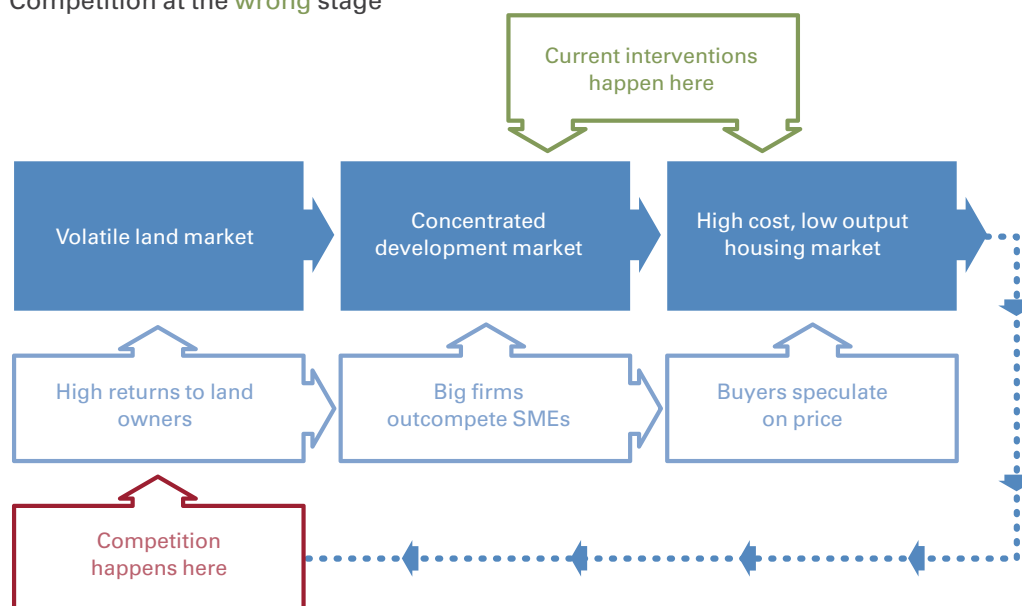
In a healthy market, competition will drive a better deal for consumers. But in house building, competition occurs at the wrong stage.

The rational business strategy to manage land market risks is to minimise build costs and maximise sale prices by releasing homes slowly. This strategy is only possible because there is little competitive pressure at the consumer end of the development process, which might otherwise push prices downward. Competition for expensive land makes it hard for small builders to enter the market or grow. SMEs also struggle to raise sufficient finance from increasingly risk averse banks, leading to ever greater concentration in the industry.

By 2012, 70% of homes in England were built by large house building firms, operating on very similar business models. When house prices soften, these firms tend to reduce output simultaneously, deepening the downturn. These market conditions also effectively exclude custom builders – who typically commission their own homes from local building firms – who in England contribute a far smaller proportion of housing supply than in almost all other countries.

### Graphic: Competition is for land, not quality or price for consumers

Competition at the **wrong** stage



## Declining investment in affordable homes

Housing supply has always been a mixed economy, and both public and non-profit sectors have critical roles to play. Since local authorities ceased to be significant builders in their own right, we have not built enough homes to satisfy demand in England. Housing associations now supply most of our affordable homes, but have never made up the gap. Despite some small recent steps to allow councils to build again, they remain constrained by caps on their borrowing which are unrelated to standard prudential borrowing rules.

Meanwhile, national government spending has been steadily switched from investing in new homes to subsidising housing costs via housing benefit. Central government now spends more than 20 times as much on housing benefit as on affordable house building grants. With more people now in expensive private rented homes than more affordable tenures, this pressure on the public finances may grow.<sup>5</sup>

Capital Economics' analysis is that "an increased budget for central government capital grant is the most straight forward, practical and efficient method for stimulating building."<sup>6</sup> Capital Economics recommend increasing investment in affordable housing by £3.4 billion per year as fiscally sustainable and commensurate with the recovery to date.<sup>7</sup>

## Not enough power locally

Planning, funding and winning popular support for new homes in these challenging conditions requires strong local leadership. It also requires the ability to co-ordinate plans and provide infrastructure across municipal boundaries. Unfortunately, England's city leaders have far less autonomy than those elsewhere in Europe or America, and England is now the only advanced economy to have no strategic planning for homes above the most local level.<sup>8</sup>

City and town leaders have few incentives or tools to build consensus, and infrastructure provision remains largely independent from housing. This means that support for new house building can all too easily wilt in the face of local opposition – particularly as, all too often, new homes are not matched with integrated social and transport infrastructure and can be densely planned with homogenous design without creating a sense of community. Local people need to know that new developments will work for both them and their children.

<sup>5</sup> DCLG English Housing Survey, 2012/13 – the number of households in the private rented sector is higher than the number of households in the social rented sector

<sup>6</sup> Capital Economics, Increasing Investment in affordable housing, 2014

<sup>7</sup> Ibid. Due to the mixed nature of this package of reforms and investment, the KPMG/Shelter programme can deliver more homes for substantially less spending than this

<sup>8</sup> JRF, International Review of Land Use and Planning Systems, 2013

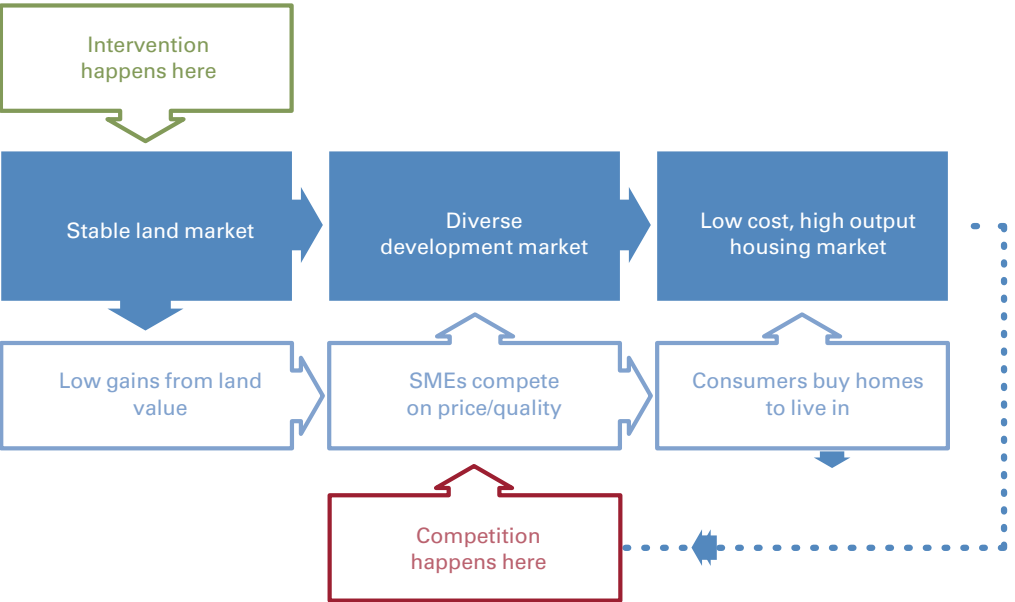
## A new vision of housing supply

We need a dramatic step-change in home building. We have to unpick the dysfunctions of the existing house building model, and create a viable and sustainable model for housing supply. One that does not rely on high house price inflation alone to increase

supply; one that can meet affordable housing need; one that creates attractive new places, not comparatively small homes without access to local services. We must reverse the model of a high cost, low output housing sector to a low cost, high output one.

### A development process that would benefit consumers

The **right** sort of competition



- **Our vision** is for a land supply system that is transparent, efficient and stable and most importantly provides enough land at lower prices. One in which the gains from development are channelled into supporting infrastructure and affordable housing, rather than into windfall land gains.
- **Our vision** is for a diverse, resilient house building sector, in which multiple builders with varied business models compete for customers on quality and price. We need large developers maintaining their delivery, but we also need to help local builders thrive once more, and to release the latent demand for custom build.
- **Our vision** is for a suitably funded affordable housing sector producing high quality homes for a wide range of income groups, including social rented homes for those on low incomes and shared ownership for middle earners.
- **Finally, our vision** is for cities and towns which can plan strategically for infrastructure, services and homes. Local leadership will be vital to unblocking stalled development, setting out positive local plans, and securing the support of local residents.

People on ordinary incomes should be able to buy or rent a high quality home at a price they can afford today, and have confidence they will be able to afford tomorrow.

If we can solve the dysfunctions at the heart of our housing supply system, we can create a market that builds enough homes,

at reasonable prices, without requiring endless public subsidy. This has already been achieved in comparable countries that have intervened to create more stable housing and land markets, and in doing so have transformed the quality and quantity of their housing stock. We can do so in England too.<sup>9</sup>

<sup>9</sup> Hall and Falk, Good Cities, Better Lives, Routledge 2013



## Recommendations

*Achieving this vision will require action across a range of issues. We propose a package of policies to address each major dysfunction:*

### **New powers to get more land in the right places into the hands of those who want to build high quality homes quickly:**

- Giving local authorities the power to designate New Homes Zones on strategic sites, which, like Enterprise Zones, would foster low cost development and growth.
- Unlocking stalled sites by providing infrastructure first, then levying Council Tax if the site remains undeveloped.
- Opening up the land market with far more data, creating a level playing field so that small builders can find sites more easily and quickly.
- Building up to five new Garden Cities, using land market models that capture land value to fund infrastructure and high quality development.

### **Policies to help expand the house building sector, so that it becomes more diverse and resilient to market shocks:**

- Helping small builders to access development finance, by switching some of the guarantees allocated for Help to Buy into a 'Help to Build' scheme.
- Taking steps to secure a healthy, stable housing market, following a government review of house prices and property taxes.<sup>10</sup> Medium sized builders are more vulnerable to a volatile market and need stability to thrive.
- Supporting people who want to commission 'custom built' homes from local builders. 20% of land from our interventions outlined above would be set aside for custom build – helping local builders to access land.
- Setting minimum national space standards for new homes so that developers of all sizes have a level playing field and encouraging the highest standards of environmental and design quality.

<sup>10</sup> We do not explore how house prices might be stabilised in detail in this report, but as our analysis argues it is very important to understand the link between the second hand sales market and construction

## Recommendations

### **A package of private and public investment to build many more genuinely affordable homes to rent and buy:**

- Increasing public and private investment in housing associations, so that they can build more homes and especially more low rent social homes. Investment by institutional investors should also be supported for private rented homes (e.g. through land market interventions) to relieve supply pressure.
- Introducing a new not-for-profit Housing Investment Bank funded by personal savings ISAs guaranteed by government to provide steady returns. The Investment Bank could provide low cost, long term loans to affordable home providers.
- Developing new models of public private partnerships to provide funding to accelerate regeneration.
- Gradually giving councils more scope to finance affordable housing provision and reform the rules governing their borrowing so that they meet international standards.

### **Devolving more powers and budgets to successful and growing cities, empowering them to lead smart development locally:**

- Putting housing at the centre of City Deals, devolving house building budgets to cities which want to grow, and incentivising councils to work together cross-boundary on long term housing plans.
- Cross boundary assessments of housing need and increased support for planning departments to make them faster and more effective.
- Integrating infrastructure and housing development much more closely, so that new transport links and homes are planned and developed together.
- Giving local authorities more flexibilities to swap small amounts of green belt land and incentivising them to trade sites across boundaries.

*Each of these policies is explored and set out in detail in Part III of this report.*

## Areas for further investigation

Although not explored in detail in this report, it will also be necessary to:

- Create the conditions to encourage institutional new private rented sector entrants to demonstrate a product that can give a genuine long term comparator to ownership.
- Facilitate capacity in the supply chain through: labour market expansion & training; innovation; and giving the sustainability of volume that creates the conditions for building materials providers to capacity build.
- Consider house building specifically for particular demographic needs, particularly housing for older people.<sup>11</sup>

## Programme for the next parliament

The complex interdependencies of the house building sector mean that piecemeal measures, or actions that address only one part of the system, are bound to fail. Clear and decisive interventions across the whole development process are required in order to secure the shift to a more effective and efficient model of house building.

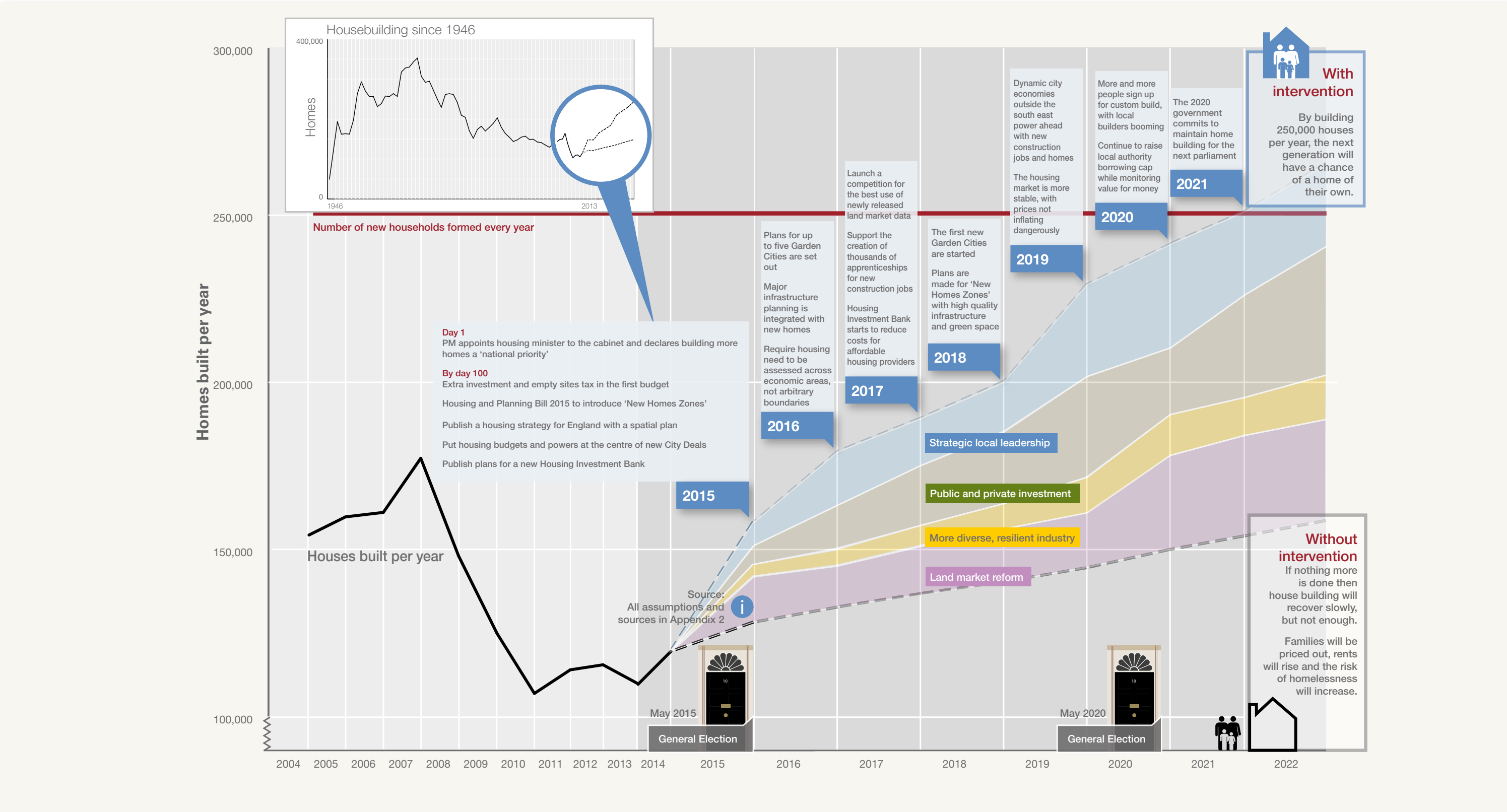
The measures in this ambitious but required package of reform are designed to be mutually supporting. The whole package should therefore be enacted in full and as swiftly as possible.

To achieve the scale of change needed in a politically feasible timeframe we have mapped out a programme for the next parliament, one that will raise output to 250,000 homes a year by 2021 and get the new house building system firmly established.

Whoever wins the next election, we would argue, must make this programme a leading priority for the next parliament.

<sup>11</sup> Shelter has looked at housing for older people in detail in Hughes, A Better Fit? Creating housing choices for an ageing population, 2012

KPMG and Shelter programme for the next government





# 1 The housing shortage and its impacts

## The housing shortage and its impacts

### England does not build enough homes

England's current house building rate is at less than half of what we need. Each year we fail to build enough homes, we add to the growing backlog of unmet need.

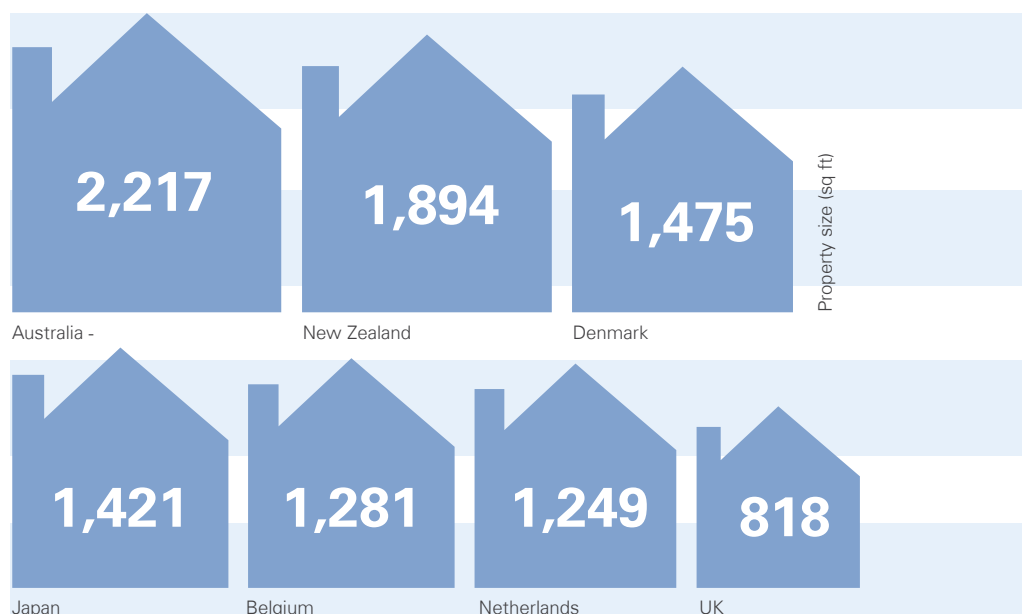
In 2013 just 109,660 new homes were built in England. Apart from 2010, this was the lowest annual level of home building since 1946, the year of recovery after the Second World War. But this homes deficit is not new. For decades, successive governments have failed to ensure the building of enough homes in all tenures.

Not only have we been building far fewer homes than we need, the homes we have built have been getting smaller.<sup>12</sup> Data on average floor-space for new builds is scarce, but industry estimates suggest that new homes in the UK are on average smaller than they used to be, smaller than they need to be, and smaller than those of our European neighbours and other countries worldwide.<sup>13</sup>

<sup>12</sup> RIBA, The Case for Space, 2011

<sup>13</sup> Housing Statistics in the European Union 2010. Data is for the UK only

**Graphic: Average new build home size (sq ft)**



Sources: various, collated by Demographia.com

### **We need to build 250,000 new high-quality homes every year just to stand still**

Each year, the total number of households who need a home in England grows by around 250,000.<sup>14</sup> Household growth is typically higher than population growth, as people are living in smaller family units. Total household growth is driven by the birth rate, net migration and changes in the existing population, such as longer life expectancy and the divorce rate.

While these trends may change (for example net migration has declined since 2010),<sup>15</sup> the overall picture is clearly of a growing number of households and an ageing population.<sup>16</sup> Recent projections suggest that the growth in housing need will come particularly from lone parent households and families with three or more children.<sup>17</sup>

<sup>14</sup> The government's latest projections are that household growth from 2011 to 2021 will be 221,000 households per year in England. Independent projections by the Centre for Housing and Planning Research, the TCPA and the National Housing and Planning Advice Unit estimate household growth is closer to 280,000 per year. Recent research by the RTPI suggested that the ONS figure could be an underestimate by up to 30% due to the impact of the recession and migration on household formation rates. RTPI, Planning for Housing in England: understanding recent changes in household formation rates, 2014

<sup>15</sup> ONS, Migration Statistics Quarterly Report, August 2013. Net migration (to the UK) in the year ending September 2010 was 255,000 individuals, while in the year ending September 2012 it was 153,000 individuals

<sup>16</sup> ONS, Summary UK Population expected to hit 70 million by mid 2027, 2011. The population of England is expected to grow by 10 million from 2010 to 2035

<sup>17</sup> Holmans and Whitehead, New and Novel Household Projections for England with a 2008 base, TCPA, 2011

Demand is not uniform across the country, with some areas experiencing much higher population growth.<sup>18</sup> Unsurprisingly, the highest levels of projected household growth over the next decade are in London and the South East, with high growth also expected in the South West and Yorkshire and Humber.<sup>19</sup>

Years of undersupply have also left a backlog of housing need, manifested in concealed households, rising overcrowding, homelessness and the rise in young adults living with their parents. The most recent estimates suggest the backlog may be as large as two million households.<sup>20</sup> To clear this, England would need to build well over 250,000 homes each year for many years, or change the distribution of the existing housing stock - or most likely both. Our target of 250,000 new homes per year is the bare minimum that we need – but it requires more than doubling current output.

### Changing dynamics of house building

The most obvious decline in house building has come from the withdrawal of local councils. In all but one of the 30 years from 1948 to 1978 local authorities were responsible for building more than 90,000 homes each year. This was a time of higher rates of demolition of existing stock, especially stock damaged during the war which needed to be replaced and the demolition of slum housing. However, by 1990, the number of homes built by councils had declined to under 15,000 and in 1999

it hit its lowest point at just 50.<sup>21</sup> Council building has been partly replaced by not-for-profit housing associations, but this has not been nearly enough to plug the gap left. From 1978 to 2013 housing associations delivered on average 18,800 new homes per year.<sup>22</sup>

More recently the numbers have fallen further following a 59% cut to the government's capital investment budget in 2010.<sup>23, 24</sup> To maximise the numbers built with less grant, the government has also changed the definition of affordable homes to include those let at rents of up to 80% of those in the private market.<sup>25</sup>

Since the decline of local authority house building the total number of homes built annually has become more and more dependent on the private house building industry. Unfortunately private sector output has also trended downward over recent decades.

Private house building in England has been through three major periods of expansion followed by contractions since the Second World War. Each growth period has been shorter than the previous one, and each has peaked at a lower point. The expansionary periods have been more dependent on high house price inflation, and after each crash the recovery has been slower. The result is that, for more than half the period, private house building has either been contracting or stagnant, and total output has ratcheted steadily down with each cycle.

<sup>18</sup> ONS, Household interim projections 2013

<sup>19</sup> Holmans and Whitehead, Ibid

<sup>20</sup> DCLG, Estimating Housing Need 2010. In 2010 DCLG estimated backlog housing need at 1.99 million households in 2009, falling gradually as a proportion of all households out to 2021.

<sup>21</sup> DCLG, Live Table 244

<sup>22</sup> DCLG, Ibid

<sup>23</sup> HM Treasury, Spending Review 2010. The definition of 'affordable' was changed in the Localism Act 2011 to include a new tenure product 'affordable rent' which is up to 80% of market rents. Therefore, the fall in the number of affordable homes built masks the fact that there has been a much sharper fall in the number of low social rent homes built since 2010

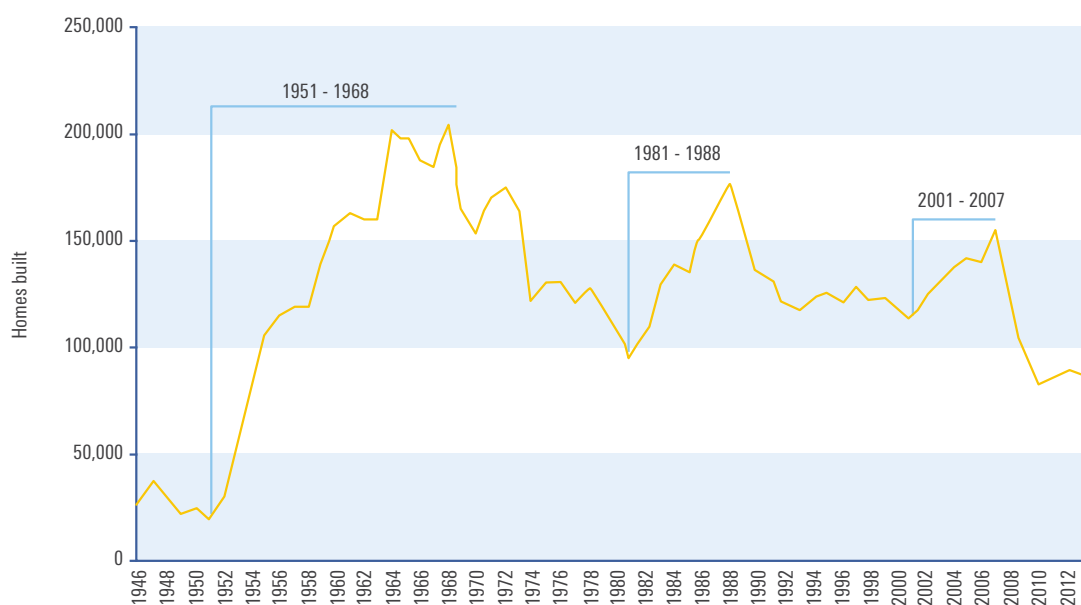
<sup>24</sup> DCLG, Affordable Housing Supply: April 2012 to March 2013, England, 2013

<sup>25</sup> Localism Act 2011

### Cycles in private house building

Expansion Period	Average increase in homes built per year <sup>26</sup>	Peak to peak change	Annual house price inflation over period
<b>1951 – 1968 (17 years)</b>	10,770	(203,320)	<b>5.5%</b>
<b>1981 – 1988 (7 years)</b>	11,017	(176,020) -13.4%	<b>11.8%</b>
<b>2001 – 2007 (6 years)</b>	6,560	(154,210) -12.3%	<b>10.8%</b>

Graph 2: Private sector house building, England 1946-2013



Sources: DCLG

The house building industry in England was particularly badly hit by the 2007-08 recession. The market capitalisation of major house builders plummeted, their revenues collapsed and many underwent severe financial stress.

Support from government, leniency from creditors and low interest rates meant that the major builders survived intact, indeed

their market share increased. Most are now seeing rapidly rising revenues, profits and stock prices, as the effects of economic recovery and the government's Help to Buy schemes start to be felt. Nonetheless, industry leaders recognise that the existing private house building sector alone cannot be expected to increase production dramatically.<sup>27</sup>

<sup>26</sup> DCLG, Live Table 244

<sup>27</sup> Major house builders were quoted in the Financial Times in September 2013 saying that increasing house building to 200,000 per year was not "physically possible". Builders Attack Ed Miliband's 'wild' plan for 200,000 new homes, FT 25 September 2013



## The current impacts of the housing shortage

The failure of the English housing system to deliver the number, quality and types of homes that the country needs is already having serious social impacts, the most obvious of which is that homeownership is now in decline after a century of growth.

### Spiralling prices and receding affordability

The failure of housing supply to meet demand inevitably increases house prices and rents – although the lack of building is not the sole cause.<sup>28</sup> Between 1971 and 2012 nominal property prices increased by 4,268%. Shelter research has shown that if food prices had risen at the same level an average weekly food shop would now cost over £450.

It is not only food prices that have been outstripped by house prices. If wage-growth had kept pace with house price inflation since 1997, **the average person would be earning £29,344 more a year.** This disparity between house price inflation and wage growth has led to a long-term reduction in the affordability of housing. In the 1950s the average house cost just over four times the average salary, but by the peak of the property boom in 2008 it had risen to over eight times the average salary.

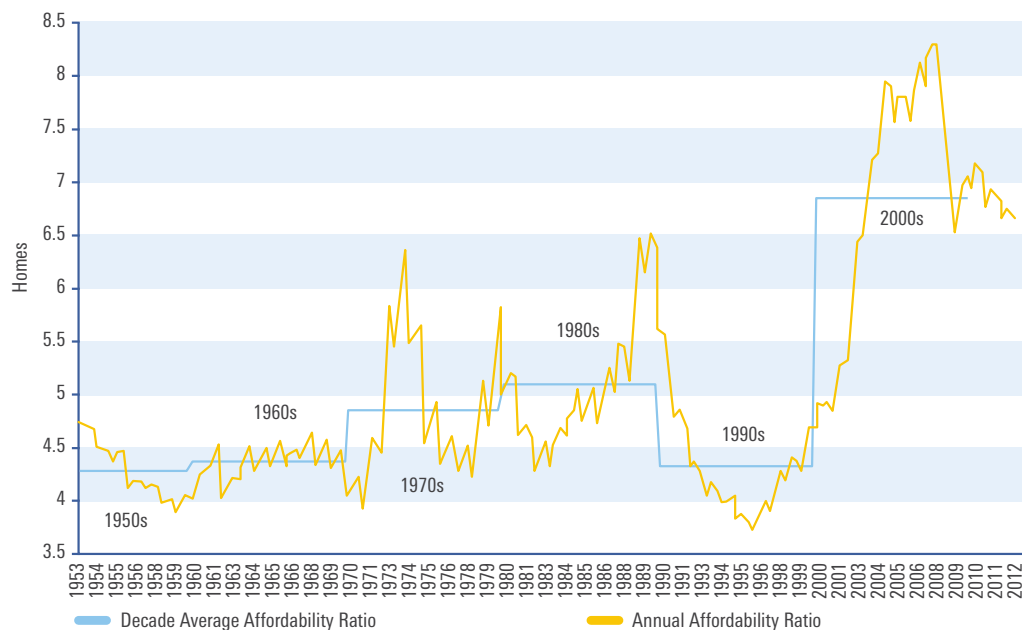
### Cost of common food items if they had tracked house price inflation since 1971 <sup>29</sup>

Item	2012 Price
<b>A chicken</b>	£51.33
<b>4-pint carton of milk</b>	£10.48
<b>6 bananas</b>	£8.49
<b>Average weekly expenditure on food for a family of four</b>	£454.55

<sup>28</sup> For example, rising house prices are also a function of changes to mortgage markets (such as higher loan to income ratios) and the rise of double income mortgages

<sup>29</sup> Shelter, Food for Thought, 2014

**Graph 3: Affordability ratio as a proportion of gross nominal salary 1953 - 2012<sup>30</sup>**



Sources: Nationwide

<sup>30</sup> Nationwide house prices and Lawrence H. Officer, 'What Were the UK Earnings and Prices Then?' Measuring Worth, 2012

It is often assumed that house price growth is popular. But high and rising house prices make it harder to work and save enough to achieve home ownership, so it is no surprise that in fact the majority of people do not want house prices to rise.<sup>31</sup> Two thirds of the public want house prices to fall or stay the same, compared to a quarter who want prices to rise. As homeownership is now in rapid decline, this trend is likely to continue.

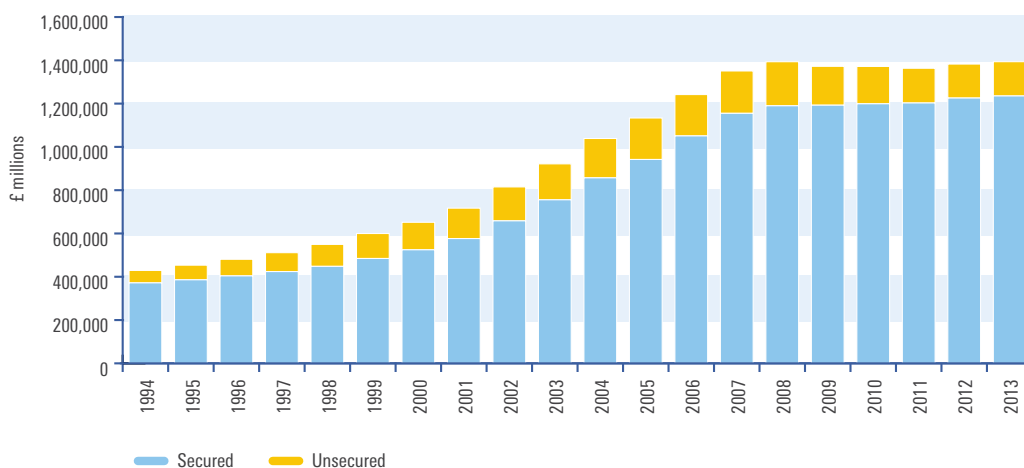
### High levels of personal debt and an increasing reliance on the 'Bank of Mum and Dad'

The increasing cost of buying a home has led to a growth in mortgage debt. From 1999 to 2007 the supply of secured lending to individuals grew by 271%.<sup>32</sup> National total personal debt levels now stand at £1.4 trillion or £53,000 per household, almost

double the levels of a decade earlier and well above total government debt.<sup>33</sup>

But house price inflation has not only driven an increase in the growth of formal credit from lenders. The housing market is now increasingly skewed towards those who are able to access financial support from their parents. In 2011, only a third (35%) of those who took out their first mortgage did so without any assistance, compared to 69% in 2005.<sup>35</sup> The 'Bank of Mum and Dad' is now a huge source of finance in the housing market, lending and gifting more than £2 billion per year to help struggling first time buyers, at an average of £17,000 per purchaser.<sup>36</sup> While this financial support has helped some people onto the housing ladder, the growing dependence on parental assistance to buy a home has worrying implications for social mobility.

Graph 4: UK household debt<sup>34</sup>



Sources: Bank of England, Council of Mortgage Lenders Secured and unsecured debt, not including lending to HAS

<sup>31</sup> YouGov poll for Shelter, total sample size was 4,500 adults. Fieldwork was undertaken 3-9 October 2013. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+). 65% said they would like to see 'house prices stay at their current level' or 'house prices go down'. 10% said that they don't know and 25% that they would like prices to rise

<sup>32</sup> Bank of England, Table LPQVTVQ, March 1999 to March 2007

<sup>33</sup> Based on data from Bank of England and Council of Mortgage Lenders. Bank of England table LPMBI2O

<sup>34</sup> Bank of England, Council of Mortgage Lenders

<sup>35</sup> CML, First Time Buyers and Assistance. Over this period much of the shift was due to higher deposits being required as a result of the banking crisis of 2007, however a return to pre-2007 lending ratios may be neither possible nor desirable

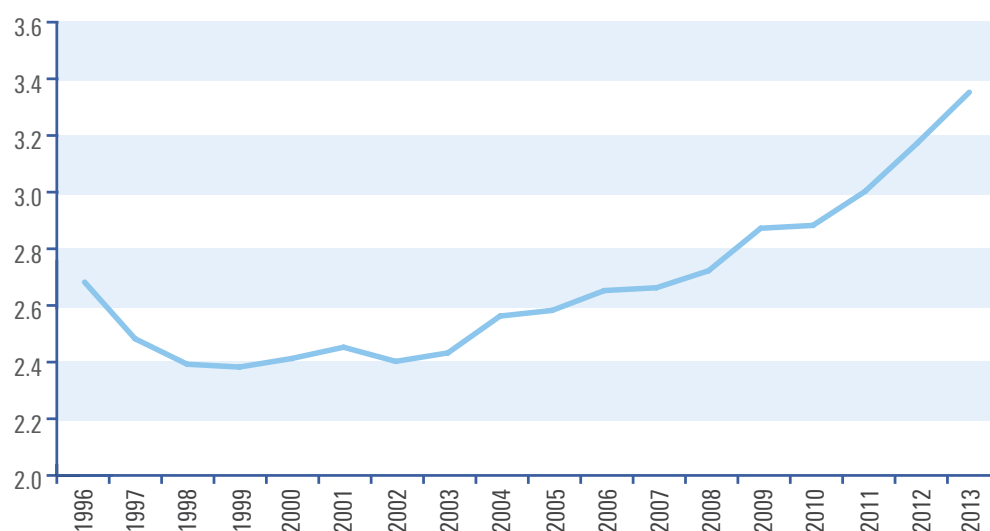
<sup>36</sup> NatCen, Support for First Time Buyers, 2013

## More young adults are living with their parents and fewer are able to buy

The increasing unaffordability of homes also means parents are being called upon to house their children later into adulthood. Since 1996 the UK has seen the number

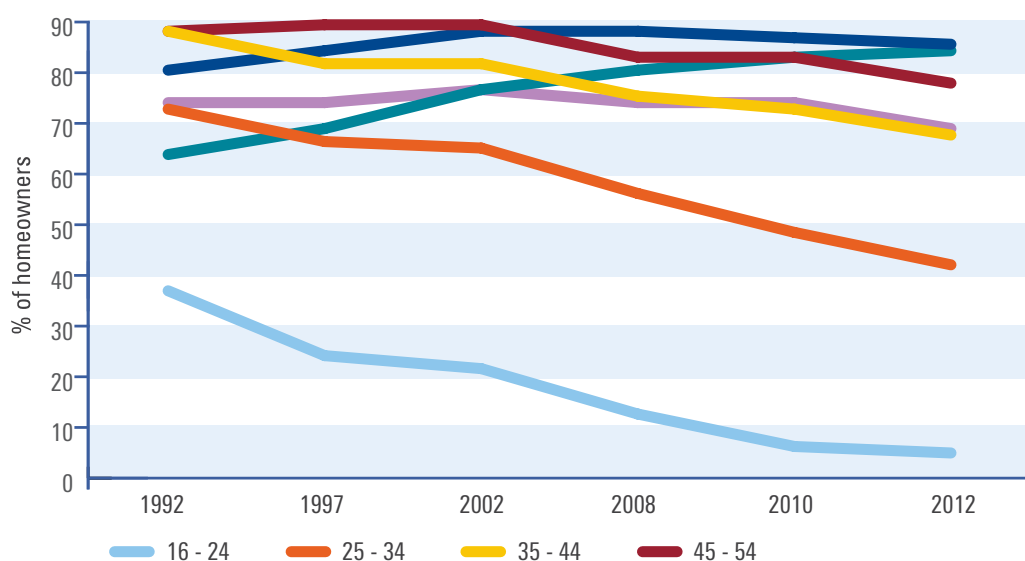
of 20-34 year olds living with their parents grow by 25%, to reach 3.35 million in 2013 – 72% of whom are in work.<sup>37</sup> This figure represents one in four young adults and is growing steadily.

**Graph 5: Adults aged 20-34 living with their parents**<sup>38</sup>



Source: Labour Force Survey, Office for National Statistics

**Graph 6: Home ownership rates, by age group (%)**<sup>39</sup>



Source: UK Housing Review analysis of Labour Force Survey

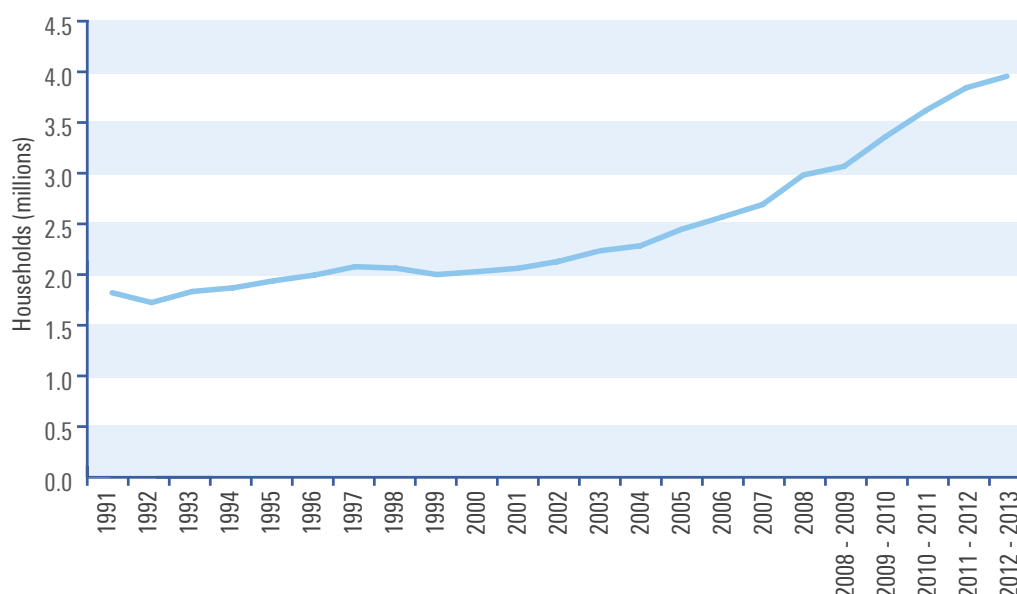
<sup>37</sup> ONS, Young adults living with parents, 2013

<sup>38</sup> Y-axis arbitrary. Labour Force Survey, Office for National Statistics – figure is for the UK

<sup>39</sup> UK housing review analysis of Labour Force Survey



**Graph 7: Total growth in number of households in the private rented sector<sup>40</sup>**



Source: DCLG, English Housing Survey

### More people are privately renting

Declining homeownership has also driven a surge in the levels of private renting.<sup>41</sup> In the decade to 2011 the number of households headed by someone under 35 privately renting increased from 1.1 million to 1.9 million. But these young adults are now only a small part of the private rented sector: there are now more than nine million people (in four million households) now living in private rented accommodation in England.

The private rented sector now accounts for 18% of all households<sup>42</sup> and is increasingly the only option for families; the number of households with dependent children who rent privately has more than doubled in the five years to 2012/13.<sup>43</sup>

The dramatic shift in tenure has significant impacts on both affordability and security. Private renting is the most expensive tenure, both in cash terms and as a proportion of income taken by housing

costs.<sup>44</sup> Consequently, more families renting privately means more families spending a greater proportion of their income on housing costs – increasing the squeeze on their overall family budget, and reducing their ability to save for a deposit.

Designed to primarily cater for the young and mobile, the private rented sector is far less stable than other tenures and has the highest turnover rates. Private renters losing their tenancy is now the leading cause of homelessness<sup>45</sup> and despite the fact that a greater proportion of people still own than rent, in 2013 the number of possession claims within the private rented sector overtook those for mortgagees.<sup>46</sup> The lack of affordable social housing means that local authorities are increasingly using the private rented sector to house people that they have a statutory duty to help under homelessness legislation, which risks a cycle of homelessness and insecure private renting.

<sup>40</sup> English Housing Survey / Survey of English Housing (pre 2008-09)

<sup>41</sup> Financial Times, Young People Lose Out as UK's Housing Wealth Gap Widens  
<http://www.ft.com/cms/s/0/8d6f2b4e-94bf-11e3-af71-00144feab7de.html#axzz2tbAtYlyi>

<sup>42</sup> Department for Communities and Local Government (2013) English Housing Survey: Headline Report 2012/13

<sup>43</sup> DCLG, English Housing Survey Live Table FT1241 (S117), 2012/13

<sup>44</sup> DCLG, English Housing Survey Household Report, 2011/12

<sup>45</sup> DCLG Live Table 774

<sup>46</sup> Mortgage and Landlord Possession Statistics, October-December 2013

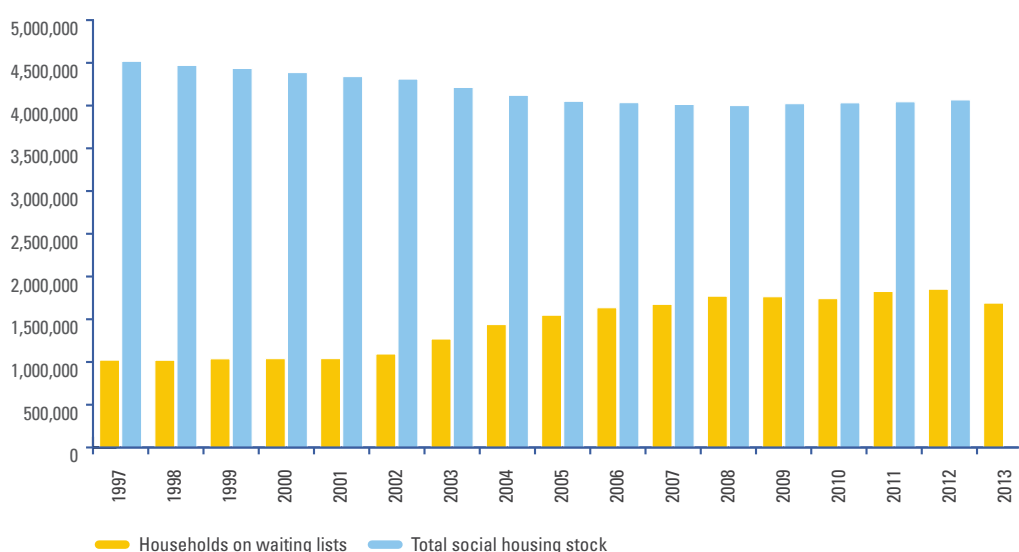
## Housing waiting lists have got longer and the housing benefit bill has ballooned

As private housing has become less affordable the number of people in need of affordable housing has grown. The failure of successive governments to deliver new social housing while existing units were sold off under the right to buy has pushed waiting lists upward, although recent changes to the rules on who can apply have led to a slight decline in total numbers on official waiting lists.<sup>47</sup>

The lack of social housing has led to an increasing reliance on the comparatively-

expensive private rented sector to provide housing for those who cannot afford their own home, which has inflated the annual housing benefit bill. Although the rise in unemployment caused by the 2007/08 recession did increase the housing benefit bill, the shift from social to private rents remains the largest driver of the rise in housing benefit expenditure.<sup>49</sup> This long term trend has seen the amount spent on housing benefit double in twenty years, from £12 billion in 1992-93 to over £24 billion in 2012/13 in real terms, despite recent falls in the rate of unemployment.<sup>50</sup>

**Graph 8: Social housing waiting lists and stock<sup>48</sup>**



Sources: DCLG Live tables 600 and 104

<sup>47</sup> Housing Strategy Statistical Appendix Data 2010, Communities and Local Government, 2010. DCLG Live Table 600

<sup>48</sup> DCLG Live Table 600 and 104

<sup>49</sup> Shelter, Bricks or Benefits, 2013

<sup>50</sup> DWP, Benefit Expenditure and Caseload tables 2013. ONS, Labour Market Statistics February 2014

## What will happen if we take no further action?

One of the options for our politicians is to treat the housing shortage with 'more of the same'. This would mean a continuation of piecemeal efforts to stimulate housing supply, combined with a focus on stoking housing demand with finance products. This has been the approach to housing supply of successive governments for decades.<sup>51</sup>

More of the same means that we will never build as many homes as we need just to keep up with our growing and ageing population, let alone address the backlog of housing need. It also means that the quality of our new homes, their size and their affordability are very unlikely to improve for the next generation compared to the previous.

### More people will be priced out of a home of their own

If nothing is done to increase the supply of homes, house prices will almost certainly continue to rise faster than wages, pricing yet more people out of home ownership. The Office for Budget Responsibility (OBR) currently expects house prices to rise faster than average wages across the UK for the period 2014 -2016,<sup>52</sup> while Oxford Economics suggest that house prices will rise 35% by 2020 and Savills forecast prices will rise 25% by 2018.<sup>53</sup>

Forecasts suggest that without significant intervention home ownership will continue to fall, led by a decline in mortgaged home ownership among younger age groups.<sup>54</sup> This is likely even with the intervention of schemes such as the Help to Buy equity loan, which is targeted at first time buyers. The Help to Buy equity loan scheme provides £3.5 billion of subsidy and is expected to help up to 74,000 households in three years, not nearly enough to reverse the trend of declining home ownership.<sup>55</sup> There is also a risk that the scheme will contribute to increasing house prices, especially in the new build sector, making it harder for new households to afford a home over the medium term.

<sup>51</sup> SMF, The Politics of Housing, 2013

<sup>52</sup> OBR, Economic and Fiscal Outlook, December 2013

<sup>53</sup> NHF, Home Truths, 2013 and Savills, Residential Property Focus Q4 2013, October 2013

<sup>54</sup> CCHPR, Trends in Tenure, Shelter and Resolution Foundation 2011

<sup>55</sup> [Help to Buy Equity Loan, gov.uk](http://www.help-tobuy.gov.uk)

### Home ownership will be determined by inheritance, not hard work

The trend towards less affordable housing will mean that the increasing reliance on 'The Bank of Mum and Dad' will continue. Over time it will become ever more likely that home ownership will become determined by inherited wealth, rather than hard work and careful saving, leading to a deepening social divide between those with access to equity and those without. Already it is estimated that a third of purchases of homes in 2013 in England and Wales were by cash buyers rather than those leveraging a salary with a mortgage.<sup>56</sup>

### More adults will have to live with their parents, and more families will be stuck renting

With house prices out of reach and rents relative to incomes stubbornly high in many parts of England, it is likely that the trend towards young adults staying in their childhood bedroom will continue.<sup>57</sup> Attempts to reduce the growing housing benefit bill (see below) are also likely to accelerate this trend.

As house prices climb further out of reach and with affordable housing in short supply, the private rented sector will also continue to grow. Increasing demand will make securing and affording a private rented sector home increasingly difficult, meaning that renters as well as first time buyers will increasingly find themselves priced out.<sup>58</sup> Without substantial changes in the way the private rented sector operates, this will serve to widen the social divide between families living in insecure rented accommodation and those with the security of ownership or a social tenancy.

<sup>56</sup> Hamptons International Research, Focus Cash Buyers, 2013

<sup>57</sup> Shelter, The Rent Trap, 2013

<sup>58</sup> Crisis, Homelessness Monitor, 2013



### Homelessness is likely to rise

Short term tenancies and high market rents also make the private rented sector precarious for many renters. Evicting private tenants is relatively easy, so increased demand pressure may increase the risk of homelessness and deter tenants from challenging landlords. Likewise the shortage of suitable accommodation will make households less likely to challenge poor conditions, driving down standards.

With more people unable to find any accommodation at a price they can afford the number of hidden and statutory homeless households will increase. Nonetheless, the official statistics may underplay the extent of housing need because of changes to the ways local authorities can respond to homeless households seeking help, and the pressure to reduce the numbers of people accepted as homeless.

### Pension saving will fall and pensioner poverty increase

Recent research by the Strategic Society Centre has shown that being a private renter is the single largest correlating factor with someone choosing not to save for a pension, despite being eligible to do so.<sup>59</sup> This is particularly important as we move towards an opt-out workplace pension system, which will allow those eligible to choose not to save. Growing numbers of private renters are a clear risk to the government's preferred pension policy.

These trends make it likely that a large group of private renters with high housing costs will reach retirement age without any financial assets (homes or pensions). This is not just a problem for the distant future. Already, almost half of all privately renting households are headed by someone over the age of 35, and more than a million are headed by someone over the age of 45.<sup>60</sup>

### Housing benefit spend will grow and put pressure on the total welfare bill

If we don't build enough homes, the numbers who cannot afford to keep a roof over their head will grow and the bill for housing benefit needed to support them will increase. The government currently forecasts that spending on housing benefit will rise from £24 billion in 2013/14 to over £26 billion in 2018/19 in real terms.<sup>61</sup>

Without an increase in spending on affordable housing, the growing call on housing benefit and the introduction of a cap on the total welfare bill from 2015 will create difficult policy choices for government. A number of proposals for how to limit spending on housing benefit have already been mooted, including removing entitlement for under 25s. How much any of these measures would save without significant consequences for those impacted by the cuts, however, is uncertain.

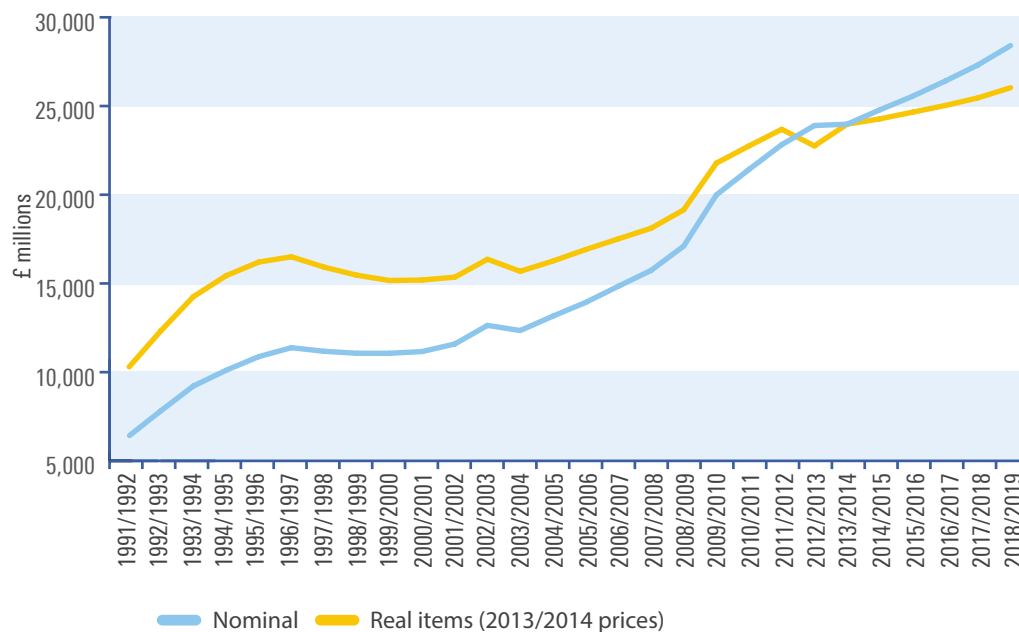
<sup>59</sup> Bryan and Lloyd, Who saves for retirement 2: Eligible non savers, Strategic Society Centre

<sup>60</sup> DCLG, English Housing Survey, 2012/13

<sup>61</sup> Autumn Statement 2013, Table 1b: Expenditure by benefit, £ million, real terms (2013/14 prices)



**Graph 9: Housing benefit expenditure nominal and real (including forecast) <sup>62</sup>**



Source: DWP, Benefit Expenditure and Caseload Tables 2013

<sup>62</sup> DWP, Benefit Expenditure and Caseload Tables 2013

# 2 England's broken supply system

England's house building system is broken. Over the last forty years, the price of the product it makes has risen by 3% annually in real terms.<sup>63</sup> In any properly functioning market, this sort of price signal would lead to a supply-side response. But our private house building market has gone in the opposite direction, ratcheting down supply after each recession and delivering the housing shortage that England faces today. There is no individual problem in the housing supply system which is causing this outcome, but a number of self-sustaining and self-reinforcing problems that must all be addressed if the housing shortage is to be rectified. Shelter and KPMG have identified four main problem areas lying behind this dysfunction in the housing supply system:

- the land supply system
- the house building sector
- investment in affordable housing
- building local consensus

In the next section, we propose the ways to fix these problem areas.

## Problem: The land supply system

Land is the primary input into house building, and is traded freely in the market with the only restriction that transactions must be recorded at the Land Registry. But the land market is like no other. A finite supply, long time lags, information asymmetries, and extremely high and volatile prices create large risks, incentivising speculation and distorting the behaviour of all the participants in the market.<sup>64</sup> The price of development land is based on the sales value of the homes that can be built on it. But unlike any other market, the price that new homes will fetch is determined by the market in existing homes. Land differs from all other raw materials in this regard: for example, the price of steel to build new cars is not dependent on the price of second hand cars. Understanding its particular characteristics is central to our analysis of the failure to build enough homes.

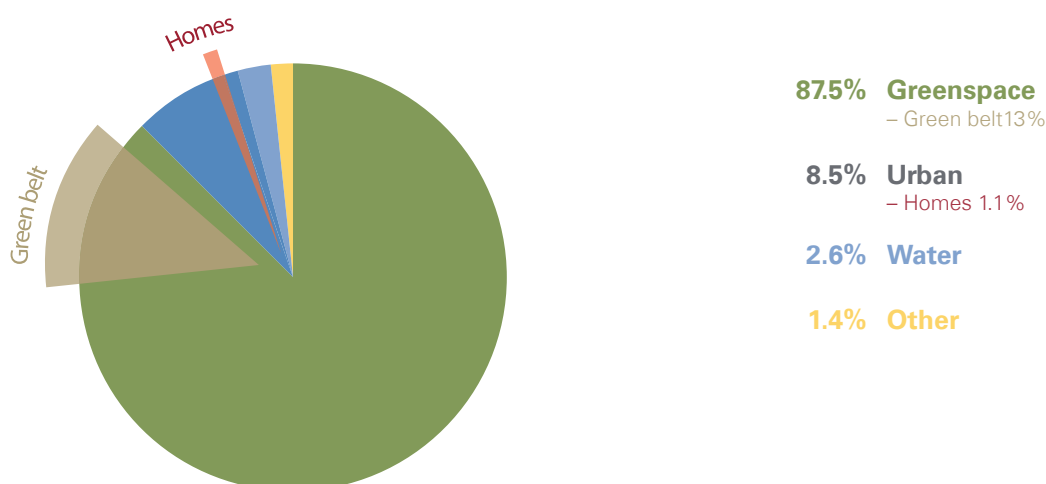
<sup>63</sup> According to the Barker Review 2004, annual average (mean) real terms house price growth is 3.3% in the UK (1971 – 2001). This is much higher than the European average 1.1%

<sup>64</sup> FTI, Understanding Supply Constraints in the Housing Market, 2012

## Peculiarities of the land market

Land is unique among the primary factors of economic production because it is naturally scarce. The total amount of land does not change (barring small amounts of coastal erosion and reclamation), and the right locations for development are even more limited in number, and so tend to be very valuable. Land is inherently scarce in the economic sense - which is not to say that there is not enough land for new homes. The major part of England is undeveloped: just 10% of land is classed as 'urban' and only 1% has domestic buildings built on it.<sup>65</sup> Rather, inherent scarcity makes the land market operate differently from other markets. Naturally limited supply, concentrated land ownership and a restrictive planning system means that the normal economics of supply and demand fail to operate, as higher demand for land does not translate into an equal supply side response.<sup>66</sup>

**Graphic: Land use in England, including green belt and homes**



Source: Generalised Land Use Database, 2005; Green Belt (Parliamentary Note, Green Belt 2014).

While soil richness or mineral resources can be depleted, the locational value of a site is essentially permanent. Being inherently both scarce and permanent, land holds value over the long term, making it a desirable asset class for those with capital to store. It also makes landed property ideal collateral for loans, encouraging the financial sector to allocate credit to buyers and owners of land.<sup>67</sup> Leveraged investment makes the land market (and the home ownership market) even more prone to volatility, which increases the opportunities and incentives to speculate on future land price rises.

The land market is also unusually opaque. Land prices are difficult to obtain, and harder to benchmark against anything else. Despite compulsory registration, the ownership of land is not always clear in practice and private 'option agreements' between land owners and developers mean that much of the potential development land is tied up in private agreements hidden from competitors, local residents and public authorities. It is very difficult for developers to know how much a piece of land is really worth, as its value depends on a whole host of contingent variables, not least the planning system and future house prices. This uncertainty makes development a risky business.

<sup>65</sup> Defra, Natural Ecosystems Assessment, 2011

<sup>66</sup> FTI, Understanding Supply Constraints in the Housing Market, Shelter 2012

<sup>67</sup> Where does money come from? Tony Greenham, Josh Ryan-Collins, NEF, 2012



## RESIDUAL LAND VALUATION

Every site is different, and the value of it depends on what planning permission can be achieved, and what market conditions will prevail when development is completed. In conditions of such uncertainty, how does a developer know what to pay for land? Those in the development and property industries have to estimate the 'correct' price for a piece of land using what is known as the 'residual land value' methodology.

### Graphic: Land prices are set through competition to squeeze other costs



At its simplest, this method works backwards from the end of the development process. The developer starts with the number of homes they expect to fit on the site, and what they expect to sell them for to give a total scheme value. They then subtract how much it will cost to build them and their own profit. The remainder is the 'residual land value' – the price they can offer the landowner. Several developers are likely to make offers, based on the same method but with varying assumptions, and the landowner can accept the offer of whoever pays the most for land. Once this is paid, the landowner has no further risk – but the developer carrying a whole series of risks, such as planning delays, construction problems, interest rate changes and, most importantly, house price variation. The residual land value model of bringing land into the system, means that high density development with the lowest possible affordable housing and infrastructure provision is systematically prioritised, with windfall gains for land owners.

Finally, the land market is subject to a unique form of regulation. While land ownership is mainly private, and transactions occur in a free market, the right to develop land is publically controlled via the planning system. As the value of land depends almost entirely on what it can be used for (see table below), the planning system is a major driver of the motivations and activities of all the economic participants involved in development.<sup>68</sup> 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>69</sup> The land-use planning system

is also subject to intense, localised political pressures, as planning decisions are typically taken by elected local councillors, which serves to increase the uncertainty faced by developers.

But although the planning system institutionalises the scarcity of land, and provides a political mechanism for allocating its use, planning is not in itself responsible for land being scarce. It is the other way around: all modern societies have some sort of land use planning system because land is inherently a scarce resource.

**Table: The value of land is dependent on its use**<sup>70</sup>

Area	Residential land value (£/Ha)	Industrial land value (£/Ha)	Agricultural arable land value (£/Ha)
<b>East</b>	2,900,000 (Cambridge)	740,000 (Cambridge)	16,055 (Cambridgeshire)
<b>East Midlands</b>	1,200,000 (Nottingham)	500,000 (Nottingham)	16,055 (Derbyshire)
<b>London Outer</b>	4,037,500 (Croydon)	2,000,000 (Croydon)	19,760 (Kent)
<b>North East</b>	1,300,000 (Newcastle)	225,000 (Newcastle)	14,254 (Northumberland)
<b>North West</b>	1,500,000 (Liverpool)	450,000 (Liverpool)	N/A
<b>South East</b>	4,000,000 (Oxford)	1,000,000 (Oxford)	19,760 (Oxfordshire)
<b>South West</b>	2,200,000 (Bristol)	850,000 (Bristol)	17,290 (Wiltshire)
<b>West Midlands</b>	1,200,000 (Birmingham)	650,000 (Birmingham)	18,525 (Shropshire)

<sup>68</sup> Examples are given in Leunig, Community Land Auctions: working towards implementation, Centre Forum 2011. In Oxford, the difference per plot between industrial and residential land use is £75,000

<sup>69</sup> Hall, Good Cities, Better Lives, 2013

<sup>70</sup> Valuation Office Agency, 2010. Data has not been collected since 2011. Data taken from three reports: The Agricultural Land and Property Market, The Industrial Land Market and the Residential Building Land Market

## Consequences of the unique nature of the land market

The primary consequence of the inherent scarcity and permanence of land, accentuated by the planning system and amplified by the financial system, is that land values tend to rise over time, as they absorb the gains from economic growth.<sup>71</sup> Crudely, most of the value created by development accrues to land owners. In practice land values do not capture all the gains of economic growth, but even a cursory glance at the housing market will confirm that land markets successfully capture much of the financial gains from public investment in, for example, new train stations or better schools, and translate these into higher property prices.<sup>72</sup>

On top of the long term tendency to rise, land prices are driven by short run expectations of house price growth which is highly volatile and determined by a large number of factors, most of which are external to house building,

such as interest rates.<sup>73</sup> The land market amplifies this volatility as speculators and builders bid for a finite supply of development land based on expectations of future house price growth, meaning that land prices are even more prone to rising rapidly in booms and falling heavily in busts.<sup>74</sup>

The high gains to be made from land trading or the granting of planning permission create strong incentives for entry into the land market by intermediaries and speculators. Land owners, or speculators who acquire cheap land and promote it through the planning system, can demand extremely high prices from developers desperate for shovel ready sites – extracting value that could otherwise support build quality, affordable housing, and developer margins. Speculation is not restricted to private market firms: public bodies can have exactly the same incentives to hold land out of the market as values rise. In the Netherlands local authorities have recently run into fiscal difficulties after speculating in the land market.<sup>75</sup>

<sup>71</sup> IPPR, *We Must Fix It*, 2011 shows data on rising land values through the house price cycle

<sup>72</sup> Why aren't we building enough homes? Toby Lloyd, in *Green Conservatism*, Green Alliance 2013

<sup>73</sup> Other factors are credit market conditions and consumer sentiment. A developed list can be found in *Shelter*, *At any cost?* 2013

<sup>74</sup> IPPR, *Forever Blowing Bubbles: Housing's Role in the UK Economy*, 2011

<sup>75</sup> Author conversation with KPMG in the Netherlands

## LAND BANKING

There has been much debate around whether 'land banking' by house builders is a problem – and even whether it occurs at all. Given the time it takes to get sites through the planning system and built out, retaining a stock of land with permission can be an appropriate business strategy for managing pipelines and smoothing out the peaks and troughs in resource allocation. Various studies have argued that the amount of permissioned land held by developers is not excessive, for example, in 2008 the OFT found that these 'current land banks' amounted to only just over three years of land supply.<sup>76</sup>

But developers also hold 'strategic land banks' – sites without planning permission that they may wish to promote one day. These sites are more likely to be green field, and are often held under option – meaning that they are not recorded as being in the developer's ownership at all, and that there is no public record of where or how large such strategic land banks are. The OFT estimated that 82% of developers' land was in strategic land banks. These may present barriers to effective market operation – but as there is no public record of options agreements it is difficult to assess if this is a problem.<sup>77</sup> We believe that the incentives to get strategic land through planning are very high given the value uplift that it drives, so expect any issues to be more at the strategic and local planning level, with a lack of visibility over land control and intent meaning that it is less 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. More worryingly, much developable land seems to be held out of production in the hands of owners who do not intend to develop it, but seek to make speculative profits from land trading. There is evidence that since the financial crisis hit, a growing proportion of developable land has come to be held by non-development firms. A Greater London Authority (GLA) study found that 45% of sites with planning permission in London were owned by non-developers.<sup>78</sup>

So while 'land banking', narrowly defined, is not the primary problem, the rational motivations and business strategies of the owners of developable land can contribute to many of the dysfunctions of our housing supply system. Getting more developable land into the hands of those with the incentive and the ability to build rapidly must be a key objective of housing supply reform.

High land prices, the lack of market transparency, and the growth of non-developers speculating on future price gains all make it difficult for new developers to enter the house building market. The absence of any serious competitive threat to the existing business model of land acquisition helps to explain why house building has become increasingly concentrated in recent decades, and why historically the industry has proved relatively slow to innovate.

Lack of transparency makes it more difficult for local authorities to understand and operate effectively within their local development market. Not knowing who really controls which sites reduces their ability to plan strategically, particularly when identifying their five year land supply, while lack of clear market price data weakens their hand in negotiating Section 106 agreements with developers.

<sup>76</sup> Office for Fair Trading [OFT] (2008) Homebuilding in the UK: A market study, London: OFT

<sup>77</sup> For an explanation of how house builders operate land banks see Shelter, Solutions for the Housing Shortage, 2013

<sup>78</sup> Molior, Barriers to Housing Delivery, GLA, 2012



## Impact on the business model of developers and house builders

Because house building starts with land, all of these land market issues feed through to the development process and fundamentally shape developers' behaviour and business models.

Developers must guess the future sales price of homes many months or years in advance of a sale in order to determine how much to pay for land. This creates the land price trap: whoever bids most optimistically – either betting on higher house prices or lower build costs will win the site. This ratchets up the target price at which builders must sell homes to make their profit margins, forces down the quality and size of new build homes, and puts downward pressure on affordable housing obligations.

The land price trap also means that development tends to be close to the margin of viability – and hence vulnerable to any shock. Falls in house prices leave land owners and developers with assets which cannot be developed at a sufficient margin over the price paid for them. Developers then have

a choice between selling at a lower margin, or even at a loss, or waiting for prices to regain the level previously expected. In recent cycles, the evidence is that market participants choose the latter strategy wherever possible.<sup>79</sup> This means that even a small fall in house prices can cause house building to collapse, as developers wait for margins to recover. Such 'stalled sites' may or may not be entirely uneconomic to develop under current conditions – it may simply be that their owners have calculated that better returns can be made by delaying development. The impact on land values is even more accentuated. Selling the land to someone else, therefore, is more likely to crystallise a loss. These calculations are driven as much by the investment strategies of the owners and the specific financing arrangements of the site, as by general development market conditions.

House price volatility and time lags means that developers are exposed to risk on their balance sheets throughout the development process, making them risk averse.

<sup>79</sup> See discussion of major developers' annual reports in Solutions for the Housing Shortage, Ibid

## Impact of the land market on housing supply

The surest way to reduce risk is to minimise the chances of localised over supply under cutting sales prices by limiting the number of homes built. A developers' rule of thumb is that a show flat in a new scheme will result in around one sale per week – meaning that it is unwise to complete more than 50 units per year on any one site. Building out at a rate to sustain sales prices is a rational, even inevitable, response to the high land costs and volatile housing market that make development so risky.

The combined effect of these interrelated features of the land market is that market participants compete fiercely for scarce land, pushing up the price and delivering windfall gains for landowners. This means 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 feed back to sustain higher land prices.

## Is major planning reform necessary?

Demand for homes has grown steadily stronger but the amount of new land made available for homes via the planning system has been falling for decades.

Land-use planning is clearly central to the supply of land into the market, so it not surprising that many commentators have identified major reform of the planning system as a silver bullet to solve the housing shortage.<sup>80</sup>

Broadly, proposals for systemic planning reform fall into three groups:

- (i) liberalising planning by relaxing restrictions on land use (such as green belts and SSSIs) and reducing the obligations on developers.
- (ii) changing the way land use planning is conducted to reduce the role of 'top-down planning' and increase community involvement.
- (iii) moving to a less discretionary, more plan led system.

In practice, planning is a complex system and each of these approaches may have merits in particular circumstances. For example, in this report KPMG and Shelter endorse more flexibility for councils in setting their green belt boundaries and a more strategic planning system. The Coalition government has already introduced significant reforms to the planning system, including scrapping Regional Spatial Strategies, simplifying planning principles into a 50 page National Planning Policy Framework and devolving many powers to a local or neighbourhood level. These reforms can be seen as a combination of the second group, while others like the renegotiation of Section 106 agreements under the Growth and Infrastructure Act 2013 are clearly in the first category.

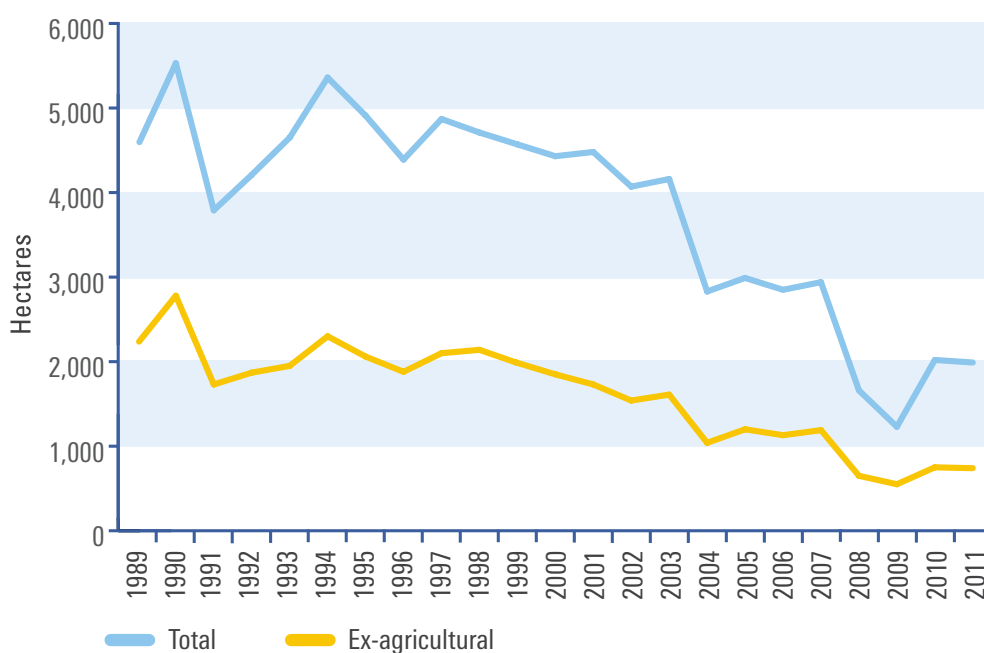
<sup>80</sup> See Leunig, Community Land Auctions, Moving Towards Implementation, 2011 or Morton, Why Aren't We Building Enough Attractive Homes? 2012

But despite these changes – or even partly because of them – house building remains well below peak levels, prompting calls from some quarters for further substantial reform. Some have gone as far as to argue that planning is the entire source of housing undersupply.<sup>81</sup>

We think that there are better options than wholesale planning reform, which could help achieve increased housing supply at lower overall cost. The downsides to further major planning reform are likely to be:

**1. Planning reform is extremely tough politically.** The Coalition government's planning reforms faced strong opposition from conservation groups and rural local authorities. Further planning liberalisation would face equally tough opposition and may not be politically possible, especially if it involves major changes to green belt policies. Recent polling has shown that planning reform is one of the least popular options to tackle the housing shortage with voters.<sup>82</sup>

**Graph 10: Land use change to residential<sup>83</sup>**



Source: DCLG

<sup>81</sup> Abundance of land, shortage of housing, Kristian Niemietz, IEA 10 Apr 2012

<sup>82</sup> **Opinium 2014**, 1,972 online interviews. Support for planning reform (39%), support for a "mansion tax" (65%), support for "use it or lose it" powers for land-banking (70%), support for mortgage guarantees (58%), support for direct funding of homes for sale (57%), support for new tax rules to reduce foreign investment (58%).

<sup>83</sup> DCLG, Live Table 226. There is no data for 1999 and so it is presented as an average of 1998 and 2000. Data excludes land with previous use as residential

## 2. Major planning reform could lead to a drop in output for several years.

Initial evidence suggest that the Coalition government's planning reforms led to a drop in housing output in the short run. This is not surprising, as when new rules come into force it creates uncertainty and takes time for actors to adapt to the new system.<sup>84</sup> Another major planning reform now is likely to slow development even further, and seriously undermine investor and developer confidence in the long term predictability of the system.

## 3. Planning reform without market reform may not increase housing supply.

The land market and house building market both have significant structural flaws, as argued in this report. Changing planning rules – for example reducing the obligations on developers to fund infrastructure or affordable housing – may prompt short run increases in developer margins and hence build out rates, but risk entrenching the current dysfunctional model and further undermining public support for development in the medium term.

The recommendations we advocate in this report do include planning reforms within the current National Planning Policy Framework, but on balance we think that using the planning system alone to try and solve the housing shortage would be ineffective and politically unachievable.

The planning system is far from perfect, but it does not follow that sweeping planning liberalisation would be a silver bullet for the housing shortage. The Coalition has already enacted extensive planning reforms which are only now bedding in. It would be more productive to allow the new system to establish itself and improve it where needed, rather than fundamentally re-design planning at this stage in the economic cycle.

### THE IMPACT ON THE GROUND

In the KPMG and Shelter study into the West Midlands housing market it was clear that dysfunctions in the land market are the major problem holding back house building. Private developers reported that land was their biggest cost and risk but that 'land banking' by builders had declined since the recession.

The risks associated with land in the West Midlands were particularly tied up with the sort of land being used for development. Higher risks with brownfield or other 'contaminated' land meant that developers would want to prioritise green-field land where possible – but that this was harder to push through the planning system.

Local authorities also saw land supply as a significant barrier to house building. Some felt 'hemmed in' by land use constraints and they acknowledged that not enough development land had been identified to meet future need.

House building is a complex and risky business, shaped by market forces, regulation and industry practice. As land is the indispensable primary input into house building, it is unsurprising that many of the systemic failings

of housing supply have the origins in the land market. At the very least, it is time that public policy shifted its attention from the later stages of the house building process to the early phases which shape so much of what follows.

<sup>84</sup> Hephher, National Planning Policy Framework: One Year On, Savills 2013



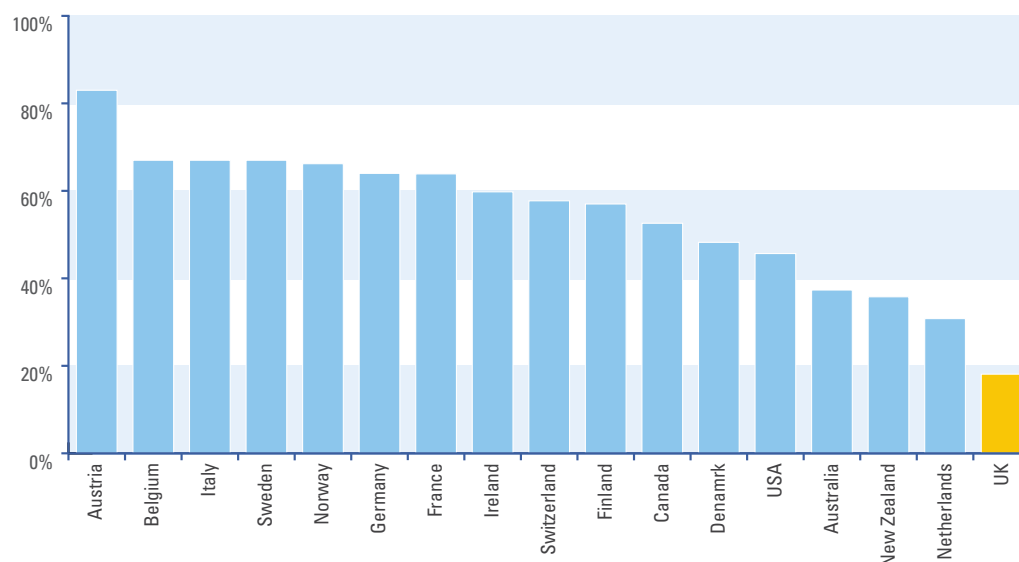
## Problem: The house building sector

Even if the dysfunctions of the land market are improved, the building industry as it is currently constituted would not be able to build as many homes as we need in the near future, with some major house builders doubtful that the sector could currently build 200,000 homes per year, let alone 250,000.<sup>85</sup> This doubt is supported by evidence and experience, with the average annual output of private house builders since 1950 at just below 130,000 per year and showing a clear trend of decline.<sup>86</sup> Driving this lack of capacity within the house building sector is the small number of people commissioning building work, the small number of firms delivering it and the lack of available skilled labour to do the work.

### A small and shrinking number of people commissioning house building

Compared to our European neighbours, England is over-reliant on a small number of large developers to commission new house building. In much of the rest of Europe – and in other comparable countries – large developers commission a smaller proportion of new homes, with significant numbers commissioned or procured directly by the individuals and families who go on to live in them. For example, in Austria 80% of homes are procured in this way, in Sweden 63% and in France and Germany around 60%. In the UK only around 10% of new homes are self-commissioned, self-procured or self-built – and the number is falling.<sup>87</sup>

**Graph 11: Proportion of homes self-commissioned, self-procured or built in comparable countries**



Source: based on a historic study by the University of Sussex

This illustrative graph, widely used to demonstrate the negligibility of the proportion of self-built homes in the UK relative to other countries (the Housing Strategy for England, National Self Build Association (NaSBA)) is based on a historic study by the University of Sussex. While no such wide-ranging comparison has been gathered since and is therefore reproduced here, narrower comparisons such as van der Heijden, Dol and Oxley (2011) and Housing Statistics in the EU 2010 show levels of self-building in the UK as being low by international comparison. The figure for the UK – although not a national statistic – is corroborated by regular domestic market research based upon official statistics from HMRC (Homebuilding & Renovating Market Research, 2013).

<sup>85</sup> Major house builders were quoted in the Financial Times in September 2013 saying that increasing house building to 200,000 per year was not “physically possible”. Builders Attack Ed Miliband’s ‘wild’ plan for 200,000 new homes, FT 25 September 2013

<sup>86</sup> DCLG, Live Table 244

<sup>87</sup> NaSBA, Custom build as a volume house building solution, 2008

The lack of diversity in the people commissioning new homes and reliance on a small number of key players makes production by the industry more vulnerable to market shocks and price volatility, with a knock on impact for builders.<sup>88</sup> In contrast, people who commission their own homes are less likely to bring building to a stop when the process has begun in response to short-term market shocks, as they are not wholly dependent on future sales prices and are, instead, more affected by building delays.<sup>89</sup> As such, a larger proportion of people commissioning their own homes could help to smooth the peaks and troughs of overall supply and reduce the business risks faced by smaller builders.

In this way, scaling up self-commissioning, self-provision or custom build homes could be a useful part of increasing the diversity and strength of those commissioning homes. As a cautionary note, however, if the 'custom build' brand is adopted in the English housing system in a way that does not fundamentally increase the number of commissioners of new house building, such as through part-customisation (i.e. developers offering consumers the opportunity to choose the layout of their kitchen), then it is not likely to make such a contribution.

## Fewer and fewer house builders

Just as the number of people commissioning homes in England is relatively small, the private house building market has become increasingly concentrated over the last fifty years. In the early 1960s the top ten house builders contributed only 8 or 9% of total production; by the peak of the last boom in 2006 they were responsible for almost half of all homes built.<sup>90</sup> Since the recession the number of builders producing fewer than 30 units per year has declined by half while the number of medium sized builders has shrunk 60%.<sup>91</sup>

The trend towards industry concentration is even greater in the areas where homes are needed the most. In London, just 23 firms were responsible for 70% of all homes built in the year to June 2012. Housing has gone from a diverse local industry to a national scale 'too big to fail' model.<sup>92</sup>

The concentration of the house builder market does not mean that any firms are acting irrationally or in an anti-competitive way. On the contrary, the large house building firms are currently acting rationally to maximise profit. Certainly, performance measures suggests that the major developers are operating a successful business model.<sup>93</sup> Private companies do not exist to build the socially optimum or economically essential number of homes; as the Calcutt Review noted: *"Housebuilders are not in the business of serving the public interest, except incidentally. Their primary concern is to deliver profits for their investors"*.<sup>94</sup>

<sup>88</sup> The DCLG's *The Credit Crunch and Regeneration: Impact and Implications* describes how, for example, one national developer 'effectively pulled their south east operations' following the credit crunch

<sup>89</sup> Molior, *Barriers to Housing Delivery*, GLA, 2012

<sup>90</sup> OFT, *Housebuilding Market Study, 2008 and the Calcutt Review*

<sup>91</sup> *Solutions for the Housing Shortage*, 2011

<sup>92</sup> Parvin and Saxby, *A Right to Build*, 2011

<sup>93</sup> Persimmon plc experienced an increase in pre-tax profits of 49% on a 16% increase in sale completions for the year to December 31 2013 while Bovis Homes Group plc experienced an increase in pre-tax profits of 48% on an increase in sale completions of 19%. *Annual Reports 2013*

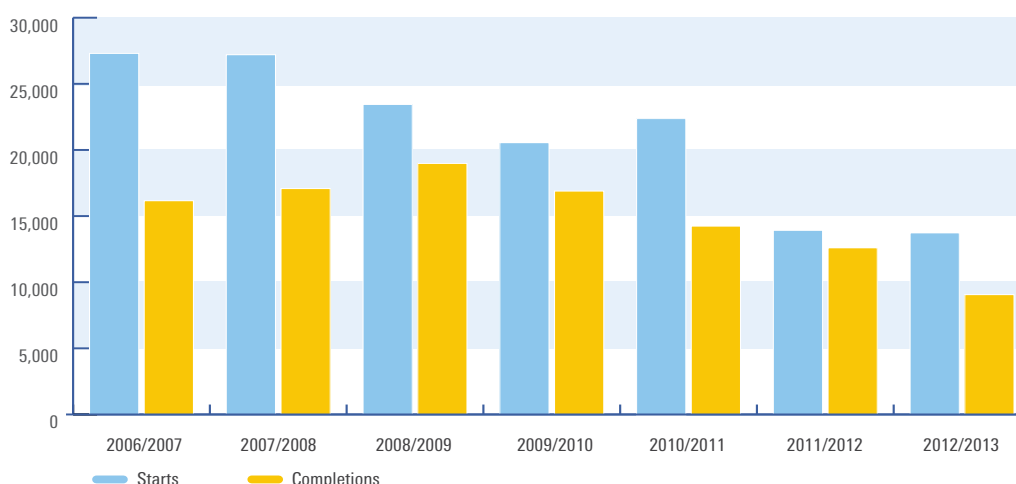
<sup>94</sup> CLG, the Calcutt Review, 2007

## Insufficient skilled labour

In response to calls to increase production, major house builders have identified a lack of readily available skilled construction workers as a significant barrier to meeting the country's needs.<sup>95</sup> Compounding this existing lack of capacity is the limited prospect for future growth, with experienced construction workers forecast to leave the industry and employers scaling back training for new entrants. According to the Construction Industry Training Board 400,000 construction workers are expected to retire from the industry in the next decade, while 60% of house builders have already significantly cut training budgets and 49% have no plans to invest in new training.<sup>96</sup> Mirroring this, the number of people starting construction, planning and built environment apprenticeships has halved since 2006/07 with fewer than 10,000 people completing a construction apprenticeship in 2012/13.<sup>97</sup>

Tracking the exact contribution that migrant labour has made to filling England's construction skills shortage is difficult due to employment practices within the industry.<sup>98</sup> However, official statistics show that over 35,000 migrant construction workers were formally registered as working in the UK from the EU's A8 accession states in 2004-2008 alone.<sup>99, 100</sup> Given domestic constraints, it seems clear that migration from within the EU will continue to contribute to the supply of skills within the English construction industry. It is unclear, however, what effect the policy pressure since 2010 to reduce net migration may have on the capacity of the industry to respond to a call to considerably increase new house building when combined with the absence of domestic skills growth from apprenticeships.

**Graph 12: Construction apprenticeships starts and completions**



Source: Skills Funding Agency, BIS 2014

<sup>95</sup> HBF, Home Building Skills Report, 2013

<sup>96</sup> CITB website, 'UK construction industry facing skills timebomb', August 2013

<sup>97</sup> Skills Funding Agency data on sector specific apprenticeship starts and completions

<sup>98</sup> The Joseph Rowntree Foundation found that 58% of construction workers were self-employed and a further quarter working on an expired visa. <http://www.jrf.org.uk/system/files/1617-migrants-low-wage-employment.pdf>

<sup>99</sup> Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia

<sup>100</sup> UKBA, Accession Monitoring Report, May 2004-March 2009, A8 Countries

## Problem: Public investment

The two problem areas so far identified in England's housing supply system are associated with markets, which are failing to deliver the socially optimal number of homes. But house building has always been a mixed economy, and the public sector remains a critical part of the system. So our third problem area is a decline in political priority for new affordable home building.

### A shift in public spending from bricks to benefits

Some degree of public spending on housing will always be necessary to avoid socially unacceptable living conditions and homelessness for those least able to pay. This has been accepted in practice by every UK government since the First World War. What form that public spending takes is a governmental choice. Successive governments since the late 1970s have decided to follow the logic of subsidising individuals rather than buildings, by switching public spending from investment in new homes to support for housing costs.<sup>101</sup> Over the last 35 years central government funding<sup>102</sup> for affordable home building has declined, with a partial and temporary reversal in the late 2000s.<sup>103</sup> At the same time housing benefit expenditure has risen rapidly.<sup>104</sup>

While this shift in spending was designed to improve the targeting of subsidies and unlock efficiencies by increasing the role of the private sector<sup>105</sup>, it did not lead to an increase in new private sector supply.

The reduction in supply-side spending by central government has placed affordable housing providers under pressure to borrow against their existing assets and future rents in order to build more homes, exposing them to greater financial risk. Shelter and KPMG's research found that declining grant funding has in some cases made housing associations much more cautious in planning for new development in line with this increased exposure (see box), reinforcing the suppressing effect that the reduction in subsidy has had on new supply.

Affordable housing providers have also been incentivised to change the nature of the homes that they produce so that they deliver relatively higher levels of output per pound of subsidy within a smaller envelope. This has meant shifting towards building homes which are more expensive for consumers: the current 2015-18 funding prospectus prioritises the 'affordable rent' model which allows providers to charge up to 80% of local market rents.

<sup>101</sup> Lord Heseltine in SMF, The Politics of Housing, 2013

<sup>102</sup> Spending on new affordable homes by government is set within multi-year spending programmes run by the Homes and Communities Agency (HCA). The programmes provide up-front grant funding for housing associations who bid for a share of the pot, with funding allocated against a set of criteria such as number of homes built. The cost of building a home is split between this grant funding and borrowing by the Housing Association against future expected rents

<sup>103</sup> SMF, The Politics of Housing, 2013

<sup>104</sup> While a large part of the shift in recent years can be explained by the 2007/08 recession and subsequent capital investment cuts to house building, the shift in public spending from bricks to benefits has been going on for decades, Shelter, Bricks or Benefits? 2013

<sup>105</sup> SMF, The Politics of Housing, 2013



## THE IMPACT ON THE GROUND

KPMG and Shelter's investigation into housing supply in the West Midlands found that affordable house builders are pessimistic about the number of genuinely affordable homes that can be delivered in a low public investment environment. Cuts to both grant funding and to welfare, as well as uncertainty about future budgets, mean that their primary future funding streams are at risk. Consequently they are conservative in planning for more homes.<sup>106</sup>

Equally the shift towards funding programmes which rely on higher levels of borrowing and lower levels of grant funding<sup>107</sup> for house building increases the debt and risk for housing associations. In the West Midlands, there was a concern about how sustainable this trend would be given that the limits of borrowing would be reached and some housing associations may run out of 'headroom' to borrow. There is an ongoing debate about the total headroom of housing associations across England, but undoubtedly borrowing capacity will reach limits at the current low level of grant funding, unless housing associations switch their stock towards homes which are much less affordable for renters themselves.

### A failure to recognise housing as a part of national infrastructure that is critical for growth

Even in the current straitened financial circumstances, there is cross-party consensus that investment in national infrastructure by both private and public sectors is essential for future growth, particularly during the economic recovery. The current National Infrastructure Plan includes £100 billion of planned public investment in infrastructure projects as varied as a new high-speed rail line, a new Thames sewer, new offshore wind farms and the extension of superfast broadband and smart meters for energy use. The £100 billion from the public purse has also been used to generate further private capital, bringing the total value of the plan to £375 billion.

HM Treasury justifies this investment spending, even at a time of other cuts, because "infrastructure equips a country for future economic growth, and is often a pre-requisite for economic expansion to occur."<sup>108</sup>

It not only "creates the need for additional material to be produced and services to be employed, leading to job creation across the relevant parts of the supply chain" in the short-term, but also "allow[ing] the economy to function more efficiently" in the long-term.<sup>109</sup> Importantly the quality of transport and social infrastructure in an area has a direct impact on house and land prices.

Housing is not currently recognised formally as a national infrastructure asset, despite being vitally linked to other forms of infrastructure, and despite being a particularly effective route to economic growth. For every £1 spent on housing construction it is estimated that a further £2.09 of economic output is generated and 56p returns to the Exchequer of which 36p is direct savings in tax and benefits.<sup>110</sup>

<sup>106</sup> KPMG and Shelter, *Homes for the Next Generation: Lessons from the West Midlands*, 2013

<sup>107</sup> The current 2011 – 2015 Affordable Homes Programme (AHP) provides around £22,000 grant per home whereas the previous 2008 – 2011 National Affordable Housing Programme (NAHP) provided around £60,000 grant funding per home. HCA website and UK Housing Review 2011, York University Table 2.4.1

<sup>108</sup> National Infrastructure Plan 2013, HM Treasury

<sup>109</sup> Ibid

<sup>110</sup> FTI Consulting *Investment in Housing and Its Contribution to Economic Growth*, October 2011

A lack of widely available affordable housing is not only socially undesirable but also restricts labour mobility,<sup>111</sup> raises the wage bill for businesses (potentially contributing to inflation during boom years) and increases the drag that high housing costs place on household consumer spending. Historically low interest rates, set at 0.5% since 2009, make the UK's economic recovery further exposed to already high housing costs should rates rise. In short, the role of housing supply in the economic health of the nation has been under appreciated.

#### **Local councils' role shifted from strategy to mitigation**

In addition to cuts to central grant funding, investment in new affordable homes has been constrained by restrictions set by government on the borrowing capacity of councils, effectively preventing them from strategically responding to housing need

through funding new building. While these restrictions on borrowing have been partially eroded through reform of local authorities' Housing Revenue Accounts,<sup>112</sup> the borrowing caps and accounting rules faced by councils in England remain much more restrictive than in comparable European countries.<sup>113</sup>

Instead of playing a direct strategic role in shaping local housing supply, local authorities have been pushed towards cross-subsidising affordable housing through Section 106 agreements, a planning tool designed for the mitigation of the negative impacts of new development. This has made the role of local authorities almost entirely dependent on new private development, effectively precluding the production of new affordable homes in periods or areas of low private development. It also makes affordable housing provision reliant on development gain, which in turn depends on rising house prices. The use of Section 106 to provide affordable housing, then, is predicated on worsening affordability in the market.

<sup>111</sup> For example, FTI research for Shelter in 2011 found that almost half (44%) of businesses in London regarded house prices as a constraint to business expansion in the city

<sup>112</sup> In the 2013 Autumn Statement

<sup>113</sup> Perry, Treating Council Housing Fairly, National Federation of Arm's-Length Management Organisations, 2013

## Problem: Building local consensus

Local authorities and city leaders in England have far less autonomy from central government than in Europe or North America. There is a particular gap in strategic leadership across local authority boundaries, with England now the only advanced economy to have no strategic planning for homes beyond local level.<sup>114</sup> City leaders have few incentives, budgets or tools to build consensus in order to deliver the required level of building, either in the market or affordable sectors. As well as promoting an arbitrary inward focus, this lack of strong consensus means that general support for new house building can all too easily wilt in the face of site-specific opposition.

### Incentives and rewards to develop are not strong enough

In principle, facilitating new housing supply is one of the few areas in which local authorities can exert direct influence. Even while councils' responsibility for other areas of policy, such as education and policing, have reduced, they have retained primary responsibility for land use planning. There is therefore a mismatch between the ability to align transport and social infrastructure provision with housing provision, which can create imbalanced supply and demand. However, political cycles that are far shorter than development timescales, combined with limited rewards and incentives can drive politicians and leaders to take a very cautious approach to development that can prioritise the preference of current residents over the longer term needs of the community and the economy. Perversely, housing shortages push up house prices, which can increase homeowners' desire to preserve asset values and hence their resistance to new homes, worsening the shortage.

When city and local authority leaders make the case for jobs growth or even transport there are clear political and financial rewards. However, making the case to build enough homes is much harder, with major political risks and few immediate economic rewards. In aggregate, this builds up a pattern of low house building and growing housing pressure. The government's 'New Homes Bonus' tries to address this flaw, but assessment by the National Audit Office (NAO) suggests that it is simply rewarding current behaviour rather than incentivising behaviour change.<sup>115</sup>

### Local boundaries don't reflect economies

While current local authority boundaries are not entirely arbitrarily chosen they do not reflect the functional economic area in which they are located. People live, work, commute and seek services and leisure across a collection of authorities in their area. However, strict centralised departmental budgets are allocated to individual local authorities. 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.

There is limited scope to pool resources, funding and powers across these boundaries. This means that even though spending on, for example, housing in one authority, infrastructure in another and employment in a third would benefit the region as a whole, spending may be fractured across boundaries between uncoordinated councils. If local authorities could capture more of the returns of their spending across a functional economic or "travel to work" area, it may incentivise those areas usually resistant to a certain type of development to coordinate.

<sup>114</sup> JRF, International Review of Land Use and Planning Systems, 2013

<sup>115</sup> NAO, The New Homes Bonus, March 2013

### There is no real pressure to co-operate across boundaries

Not only is there limited opportunity to coordinate between and direct funding across authority boundaries, the pressure for councils even to cooperate is limited. With the abolition of the Regional Development Agencies and the Regional Spatial Strategies, the 'Duty to Co-operate' was introduced for neighbouring local authorities within the National Planning Policy Framework. The Duty states: *"Public bodies have a duty to co-operate on planning issues that cross administrative boundaries... Local planning authorities should work collaboratively with other bodies to ensure that strategic priorities across local boundaries are properly co-ordinated and clearly reflected in individual local plans."*<sup>116</sup>

Evidence on the Duty as a replacement to regional strategic planning is not comprehensive, but there is an emerging view that as currently constituted it is not strong enough to ensure sufficient strategic housing growth:

- A study within 'Housing and Planning 2013' undertaken by Building Product reported that out of 16 Heads of Planning interviewed 15 were of the opinion that the Duty alone would not address contentious cross boundary matters. The greatest tensions were found to be between constrained urban authorities and their adjacent rural neighbours.<sup>117</sup>
- The number of homes planned had dropped by 6.1% one year after the Regional Spatial Strategies were introduced with larger falls in South East local authorities.<sup>118</sup>
- A study of the Bristol city region found that "[in the Bristol city region] the new system has clearly allowed local authorities to significantly scale back proposed levels of development." And: "Whilst the constituent local authorities in the region have set up a variety of voluntary partnership arrangements, these have been seen as falling well short of collaboration at the city region level."<sup>119</sup>

## THE IMPACT ON THE GROUND

KPMG and Shelter found in the West Midlands that the Duty to Cooperate was not regarded as a strong tool to ensure sufficient housing growth across the City region. Those we spoke to emphasised the need for joined up assessments of housing need and plans for cross-boundary growth, based upon economic or travel to work areas.

<sup>116</sup> National Planning Policy Framework

<sup>117</sup> Hopher, National Planning Policy Framework (NPPF): one year on, Savills 2013

<sup>118</sup> Hopher, National Planning Policy Framework (NPPF): one year on, Savills 2013

<sup>119</sup> Boddy and Hickman, The demise of strategic planning? The impact of the abolition of the Regional Spatial Strategy in a growth region, TPR 84 (6) 2013



# 3 The Solutions

## A new vision of housing supply

We need a new vision for home building in England.

One that does not rely on high house price inflation alone to increase supply; one that is responsive to affordable housing need and can meet it; and one that creates attractive new places, not relatively small homes without access to local services. We must reverse the model of a high cost, low output housing sector to a low cost, high output one.

**Our vision** is for a land supply system that is transparent, efficient and stable and most importantly provides much more land at lower prices. Supply of land should match demand by economic catchment area to result in more house price stability.

**Our vision** is for a house building sector with many more local builders and more innovative models of development such as custom build. We need the big players running at full throttle, but alone they won't be able to solve the housing shortage. We need to help local builders thrive once more and new builders to join the market.

**Our vision** is for an affordable housing sector that's suitably funded, has a variety of developers and produces high quality homes for a wide range of income groups, including social rented homes for those on low incomes and shared ownership homes for middle earners. This will mean increasing the burden on public finances in the short term, but there will be substantial long term savings from housing benefit.<sup>120</sup> Without some additional investment, our programme cannot deliver the 250,000 homes per year needed to meet minimum need.

**Finally, our vision** is for cities and towns which plan strategically: linking jobs; services; transport; and homes. Local leadership will be vital to get us building the new places we need. Local leaders can't win support for new homes without people knowing that infrastructure and services will be able to cope.

<sup>120</sup> Building lower rent homes reduces the housing benefit bill by reducing the cost of home building borne by rents. DCLG estimated that over a 30 year period using a higher rent model (such as Affordable Rent) rather than lower rent (such as Social Rent) would result in increased housing benefit costs with a net present value of £1.4 billion, or £17,500 per home. Shelter, Solutions for the Housing Shortage, 2013

People on ordinary incomes should be able to buy or rent a home at a price they can afford today, and have confidence they will be able to afford tomorrow. That simple goal necessitates a housing supply system that delivers the number of homes we need.

If we can solve the dysfunctions at the heart of our housing supply system, we can create a market that builds enough homes, at reasonable prices. Nothing less will do. The good news is that this has already been achieved in comparable countries that have intervened to create more stable housing and land markets, and in doing so have transformed the quality and quantity of their housing stock.<sup>121</sup> We can do so in England too.

## Solutions: reforming the land market

**Our vision** is for a land supply system that is transparent, efficient and stable, and most importantly provides much more land at lower prices.

### 1. New Homes Zones – mixed-use, high quality developments

The current land use planning system in England is largely reactive, rather than proactive. Local authorities identify their required five year land supply by issuing a call for sites from private and public sector land holders, and then plan on the basis of the sites brought forward.

In many other countries, planning takes a much more proactive role in shaping the pattern of development. We need to introduce a pro-active planning tool to get sites moving quickly in the right places, in such a way that makes best use of both the private and public sectors.

#### THE VINEX PROGRAMME

The Dutch government's VINEX programme, which started in the 1990s and lasted over 15 years, took an 'active land' approach to the development of 90 urban extensions.<sup>122</sup> Operating under a national spatial framework that identified towns for growth, local authorities formed development corporations, often as joint venture partnerships with private investors or developers. These corporations took the lead on assembling new sites, while central government and a municipal bank provided funding to make land purchases and decontaminate brownfield land. The basic principle was that by acquiring land at or close to its existing use value (typically agricultural value) the development corporation could use the value uplift resulting from planning permission to fund the necessary infrastructure such as roads, schools and flood defences. The development corporation would then prepare the master plan for the area before selling plots to developers and custom builders.

<sup>121</sup> Hall and Falk, *Good Cities, Better Lives*, Routledge 2013. Case studies are presented in this report

<sup>122</sup> JRF, *International Review of Land Supply and Planning Systems*, 2013

Although local authorities had the power to acquire land compulsorily, under the VINEX programme most of the land acquisition deals were made voluntarily, as the land owners knew that they were likely to achieve a higher price rather than holding out and facing compulsory purchase.<sup>123</sup> The model was extremely successful in the densely populated country, increasing the Netherlands' housing stock by over 7% over the lifetime of the scheme.<sup>124</sup> One down-side, however, was that in becoming major land market participants themselves and buying up sites, local authorities sometimes found themselves competing with other speculative land buyers and were exposed to price falls during the financial crisis of 2007/08.

Proactive land assembly models are also widely used in Germany, via 'land pooling' which incentivises land owners to put their land into a collective vehicle, and in some parts of the United States. In England, public-led land assembly for housing typically occurs only when multiple public agencies own adjacent sites (e.g. MOD and Homes and Community Agency (HCA)). Use of compulsory purchase to assemble private land does happen, but it is usually for infrastructure schemes, rather than for housing.<sup>125</sup>

There is an opportunity to take the best of these international and domestic examples while learning from some of the difficulties encountered. The core objectives of a more proactive approach to land assembly should be to capture the gains from development for the benefit of the community by acquiring land at close to existing use value, and to harness competitive forces to delivering better quality and lower prices for consumers. This means shifting the focus of market competition in the development process away from land acquisition and on to the construction phase, by shifting the focus of public intervention onto the land market and away from development.

### New Homes Zones

We propose that planning authorities (whether local authorities, cross-boundary authorities, the GLA or other) be given the power to designate New Homes Zones. These would be areas appropriate for development of significant numbers of new homes but short of new major settlements like Garden Cities (e.g. more than 200 units and less than 5,000 units). Designation should be predicated on the provision of high quality, well serviced, mixed tenure developments, offering attractive homes affordable to the local community on all incomes. The hugely successful redevelopment of the port area of Hamburg from 1999 onwards is based on a similar model (see page 55).

New Homes Zones would also bear some resemblance to Enterprise Zones in England. Enterprise Zones are specific areas within Local Enterprise Partnership (LEP) boundaries that offer incentives to businesses such as reduced tax rates. A New Homes Zone could offer similar incentives, so long as the land value uplift generated is used to improve the scheme, as well as compensate land owners, and to provide value for the local community. For example, by capturing land value to pay for infrastructure directly the requirement on developers to pay Community Infrastructure Levy and S106 could be removed.

<sup>123</sup> Author conversation with KPMG in the Netherlands

<sup>124</sup> Hall, Good Cities, Better Lives, 2013

<sup>125</sup> For example, the Olympic Park used land assembly and compulsory purchase under the Olympic Delivery Authority. Planning Resource, 'We planned the Olympics', June 2012

The Mayor of London has already indicated that he would like to set up "Housing Zones", but has not yet published details on how this would work.<sup>126</sup> This sort of intervention would be most appropriate and effective for high land value areas such as around London and the South East, which have the biggest difference between residential and non-residential land values.

Our proposed approach is to clearly separate the process of development into three phases: the planning designation of a New Homes Zone and land assembly; master planning and infrastructure provision; and the construction and sale of new homes. By clearly identifying these distinct functions many of the inefficiencies in the development process identified in this report can be avoided, including ever-rising land prices and the uncertainties caused by reactive planning and residual land pricing.<sup>127</sup>

**The first stage** is for an authority in an area of housing need to identify sites which may be suitable for a New Homes Zone. The authority would need to look at their local area strategically, considering the best sites for jobs, growth and connectivity. The authority should then designate one or more strategic 'New Homes Zones', which would form an additional part of their local plan. The designation of a site as a New Homes Zone would signal to the market that (1) development will happen on this site (2) there will be no taxes on the site for developers (such as Community Infrastructure Levy or S106), (3) the land will be brought into the system closer to existing use value than residential value.<sup>128</sup>

The authority would establish a public-private development partnership for the New Homes Zone, which would take ownership of the land and deliver the scheme through its lifetime. Landowners would be able to invest their assets in exchange for shares in the partnership, or sell the land to it. Public agencies and private investors, including pension funds and local individuals, would be able to invest capital and take a long term return on their investment.

As an incentive to encourage landowners to invest in the development partnership or sell land to it, the authority will make the credible threat of buying the site at existing use value plus a compensation after a defined period of time using improved compulsory acquisition powers. In the event that compulsory acquisition is used as a last resort, agricultural land owners will receive full current use value for their land plus an additional 100% existing use value as compensation. For owners of land already developed, the acquisition will be on the basis of 120% of existing use value. The aim is to use the credible threat of compulsory purchase to incentivise landowners to invest their assets at reasonable prices, and take a long term interest in the success of the development.

<sup>126</sup> GLA, Draft London Housing Strategy, 2013

<sup>127</sup> The development model outlined was developed by KPMG and Shelter for an entry to the Wolfson Economics Prize 2014, for delivering a new Garden City, which will be published shortly

<sup>128</sup> Existing use value for the land is required to allow the development to capture more of the 'land value uplift' from planning permission than under the existing model



**The second stage** is for a competition to be held for the right to join the partnership as the promoter – the day-to-day manager of the development partnership that will lead the development of the Zone. The promoter would invest seed capital and acquire a stake in the land-owning development partnership, but would not control it. Potential promoters would submit bids to the planning authority setting out their long term vision for the Zone and their plan for delivering it. The criteria for judging bids would be informed by national guidelines, existing local plans & needs assessments, and input from Local Neighbourhood Forums. Broadly, the criteria should prioritise aspects of quality, affordability and delivery such as:

- Green space.
- Affordable housing provision and tenure mix.
- Clean up costs for brownfield sites.
- Quality of homes and their size.
- Provision of custom build plots.
- Community compensation.
- Fair compensation for land owners.
- Sales price of plots.
- Speed of development.
- Transport links and service improvements.
- Mix of residential, commercial, leisure and other uses.

Holding an open competition between rival promoters will force them to compete on the quality of the offer for consumers and local communities, rather than solely on achieving the highest land price to offer the land owners. Bids to be the promoter of a New Homes Zone could come from a wide range of different organisations acting either alone or in partnership: private developers; local businesses; public agencies; housing

associations; or community groups. Opening up the competition to a wide range of organisations would encourage innovation.

Once selected, the promoter will lead the process of master planning and submitting a planning application, on the basis of their winning proposal for the scheme. Once outline planning has been granted, the partnership would raise the necessary grants, equity investment and loan finance to provide infrastructure and landscaping, such as public parks.

**In the third stage** of the New Homes Zone process, the partnership would divide the site into multiple serviced plots with outline permission, and invite bids for building them out within agreed time frames. Bids for construction would be judged on quality. With planning risk removed and infrastructure in place, bidding builders would only need to carry construction and sales risks, potentially reducing their required margins as a result, and enabling them to sell homes at lower prices and so build out at a faster rate. Providing smaller, de-risked plots would open up opportunities to local building firms, housing associations, new entrants, and custom builders, all of which would increase the overall build out rate and support the growth of a healthy and diverse local development sector.

New Homes Zones would be an addition to the land supply planning system that would give planning authorities a stronger hand in their local land market, to the benefit of those who need an affordable home. A likely additional benefit of New Homes Zones is that they would dis-incentivise speculation in the land market, as market participants would know that paying over the odds for land without planning permission could lead to losses if the land is included in a New Homes Zone.

## CASE STUDY: HAMBURG'S 'HAFENCITY'<sup>129</sup>

In May 1997, Hamburg's Mayor presented a vision for a major growth area for the city, 'HafenCity', which comprised an area of 157 hectares with mixed residential, employment and cultural uses based around the inner city port district, much of which had fallen into disuse.

In 1999 a competition to develop the master-plan for the site was launched, with a Dutch-German planning company winning the rights. The master plan fixed the major elements that would govern the development process: spatial planning; flood defences; public parks & green spaces; the tenure mix for the site; and sites of employment. The plan also specified how the development would happen (west to east) allowing for simpler procedures and faster build out rates. The development company with overall responsibility for implementing the master plan (owned by the Municipality in this case) provided basic infrastructure – such as heating systems – upfront.

Within the fixed template of the master plan, the development company then set out strict rules and procedures for the development of each stage of the project. Those who develop sub-sections of the scheme compete for development rights on the basis of quality as well as cost. Prospective developers must articulate their brief, provide architectural plans and gain approval from the development company based upon fixed criteria set down from the master plan. Housing sites are advertised with a fixed bid price, so that developers cannot speculate on future house price growth.

HafenCity has seen the introduction of a new developer type: the joint building venture. In HafenCity co-operatives of future residents purchase plots and procure the design and construction of custom built homes, facilitated by the development company.

Not only is HafenCity providing many new homes, it is also providing high quality homes. Hamburg has an average of 323 square feet living space per person, with apartments costing roughly half as much as in London's Docklands. A study of the new residents in HafenCity found that they were of all ages, including singles, families, older couples and retired people – the study concluded that the social and age mix had given the residents a sense of place and community in a remarkably short time.

<sup>129</sup> An in-depth exploration of HafenCity and other European exemplars of development can be found in Hall and Falk, *Good Cities, Better Lives*, 2013

## Recommendation

Planning authorities should be given the power to designate New Homes Zones and run a competition for the right to develop the site as part of revisions to the National Planning Policy Framework. New Homes Zones would capture development gain within the scheme to fund infrastructure and affordable homes and escape the land price trap.

The developer – which would be a public/private joint venture – would lead land assembly, master planning and infrastructure provision, and sell serviced

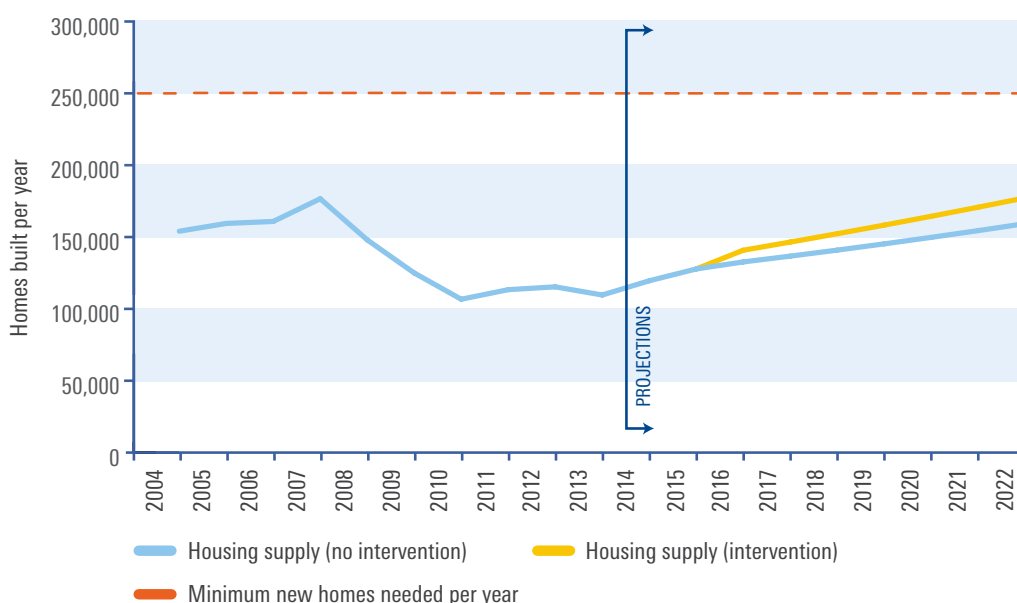
plots to small builders and custom builders to construct the homes, within a set timeframe, as well as provide plots for custom builders. As an incentive to ensure that deals are reached between land owners and developers on New Homes Zones, local authorities will need a more effective compulsory purchase power as a credible threat. In the rare event of a compulsory purchase order (CPO), landowners should receive compensation at existing use value plus 100% for agricultural land or 20% for developed land.

## Impact on housing supply

We have made only modest assumptions about the immediate impact of New Homes Zones on housing supply, as most early designations are likely to be of land already identified within the existing planning system. If 10% of local authorities (such as city authorities in high land value areas) use the new powers each year to start developing fairly large sites of around

500 units over two years, then New Homes Zones would generate over 8,000 additional units per year. But the real impact would be felt over the longer term, as uptake by local authorities increases and the new development model initiated by the Zones begins to transform the housing supply system.

Graph 13: Impact of New Homes Zones<sup>130</sup>



Source: KPMG/Shelter illustration

<sup>130</sup> KPMG/Shelter illustration – see Appendix 2 for assumptions

## 2. Incentivise the use of empty sites and empty homes

As discussed in Part II, developers require current land banks to plan ahead and ensure that they will have adequate sites to fulfil their business plans. However, in a volatile housing market development schemes can easily become 'unviable' and stall if falling house prices mean developers cannot make their required margin. There is suggestion that intermediary companies are acquiring, trading and holding sites with planning, thus potentially delaying the build out of consented schemes.<sup>131</sup>

Brownfield sites in urban locations may be particularly prone to stalling. This is partly due to the additional and uncertain costs of remediation, which can erode developer margins, but may also be due to the fact that such sites are obvious candidates for development, making them targets for speculators and more likely to succumb to the land price trap. These stalled sites can be particularly frustrating for local people and planning authorities due to their high visibility and tendency to block local regeneration efforts.

In 2013, the Local Government Association (LGA) estimated there were 380,000 units with planning permission yet to be completed, of which 152,000 had not started.<sup>132</sup> In January 2014 the Planning Minister told the House of Commons that there were 55,800 units on sites with planning permission that are classed as 'on hold or shelved'. There are 202,900 units with planning permission that are 'progressing towards a start'.<sup>133</sup>

In response to the problem of stalled sites the Chancellor launched a £474 million Local Infrastructure Fund, which was extended in 2013 to a £1 billion fund to provide infrastructure for large stalled sites up to 2020.<sup>134</sup> The HCA expects this to unlock 250,000 homes over six years, not all of which will be from existing stalled sites.<sup>135</sup> The government has also provided continued funding for ATLAS (Advisory Team for Large Applications), a team based in the Homes and Communities Agency tasked with providing support for getting major schemes through the planning process.

There are a plethora of schemes across several departments which exist to boost local growth, housing and infrastructure.

<sup>131</sup> Molior, Barriers to Housing Delivery, GLA, 2012

<sup>132</sup> LGA Press Release August 2013

<sup>133</sup> Hansard, 16 Jan 2014: Column 611W The Minister's figures include all kinds of housing units, whereas the LGAs exclude certain types of housing and permissions more than three years old. Both are drawn from Glenigan data

<sup>134</sup> HMT, Local Infrastructure Fund, 2013, Autumn Statement 2013

<sup>135</sup> Local Infrastructure Fund, HCA website



Scheme	Administrator	Size (total)	What it does
<b>Get Britain Building</b>	DCLG	<i>£570 million</i>	Equity loans and guarantees for developers who can't access finance
<b>New Homes Bonus</b>	DCLG	<i>£2.2 billion</i>	Incentive fund for councils with higher rates of house building based on Council Tax receipts
<b>European Structural and Investment Funds Growth Programme for England</b>	BIS	<i>Not specified</i>	Innovation, skills, SMEs, social inclusion and low carbon
<b>Local Growth Fund</b>	BIS	<i>£2 billion (inc £400 million from NHB)</i>	Supports growth priorities
<b>Business Bank</b>	BIS	<i>Support up to £10 billion lending</i>	Brings together government support for small business growth
<b>Growing Places Fund</b>	DfT and DCLG	<i>£500 million</i>	Establishing revolving infrastructure funds
<b>Regional Growth Fund</b>	BIS	<i>£3.2 billion</i>	Supporting job creation with loans to businesses

Consolidating and devolving these funds was a key recommendation of Lord Heseltine's 2013 review *No Stone Unturned: in pursuit of growth*.<sup>136</sup> While there has been some progress towards this goal the 2015 government could go further by consolidating and devolving £250 million from these funding pots to expand the Local Infrastructure Fund, to fund infrastructure to unblock stalled sites. Recent evidence from the National Audit Office suggests that the £3.2 billion Regional Growth Fund is still largely unspent.<sup>137</sup>

Equally, the tax system could be used more proactively to incentivise the use of stalled brownfield sites and empty homes. Currently, there are no tax levers available to local authorities to encourage the development of stalled sites. Modelling by Europe Economics for Shelter has shown that taxing permissioned sites with the equivalent of the Council Tax that would be paid if the homes were built would increase the speed at which such sites were built out. This could act as a significant

spur toward development for the owners of the remaining stalled sites in the system, especially when combined with the carrot of more infrastructure funding.<sup>138</sup> Together with greater transparency of the land market – as outlined above – local councils could even target this tax on non-builder owners of land. In London it is estimated that up to 45% of all stalled sites are owned by non-building firms.<sup>139</sup>

Finally, the Coalition government has already acted to increase councils' ability to levy higher taxes on empty homes to incentivise bringing them back into use. In 2013, the rules were changed so that councils could charge up to 150% of Council Tax on homes empty for more than two years. However many councils are not yet using these powers to their full potential. Giving councils greater discretion to charge even higher rates of Council Tax on long term empty homes (of which there are around 280,000 in England)<sup>140</sup> and strongly encouraging them to do so could further incentivise their re-use.

<sup>136</sup> Lord Heseltine, *No Stone Unturned*, BIS, 2013

<sup>137</sup> NAO, *Progress Report on the Regional Growth Fund*, 2014

<sup>138</sup> Europe Economics, *Ibid*

<sup>139</sup> GLA, *Barrier to Housing Delivery*, Molior 2012

<sup>140</sup> Housing Strategy Statistical Appendix 2010

## Recommendation

The government should increase the funding for infrastructure for stalled sites by rationalising existing local growth and infrastructure funding pots, and devolving budgets to local leaders where appropriate. In addition, local authorities should be given the power to levy Council Tax on stalled sites with planning permission after a given period if no progress has been made on the site.

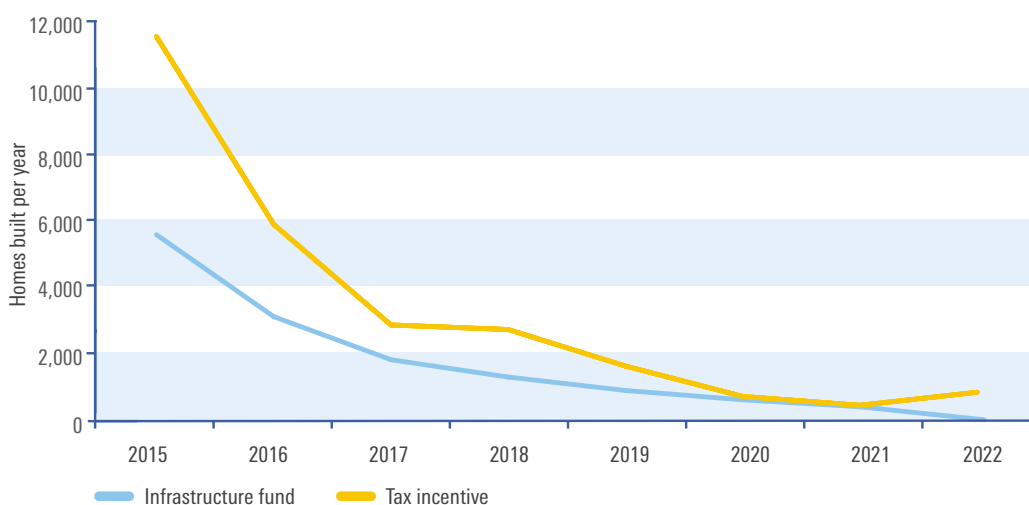
Finally, the incentives for local authorities to get empty homes back into use could be strengthened, with authorities able to levy Council Taxes at higher rates on long term empty properties. Government should strongly encourage local authorities to use these tax powers to get empty homes into use. These higher rates could then also be applied to stalled sites, if they remain neglected for years on end.

## Impact on housing supply

To illustrate the sort of impact that this policy could have on housing supply, we have constructed a basic model based upon analysis by Europe Economics.<sup>141</sup> We have assumed that there are 55,800 stalled units with planning permission in England as per the government's 2013 figure, and that extra infrastructure investment of £250 million could unblock around 13,500 units over seven years.<sup>142</sup> For the development tax, Europe Economics modelled the impact that this

would have on developers' business models and their incentives to bring sites forward. The policy would have a disproportionately 'front-loaded' impact as developers on the margins of viability decide it would be more profitable to build out. We have not provided an estimate for the impact of increasing Council Tax rates on empty homes, as the level set for Council Tax would be discretionary for local authorities.

**Graph 14: Impact of infrastructure incentive and stalled site tax<sup>143</sup>**



Source: KPMG/Shelter illustration

<sup>141</sup> Europe Economics, How to Increase Competition, Diversity and Resilience in the House building Market? 2014

<sup>142</sup> See Appendix 2 for full assumptions

<sup>143</sup> KPMG and Shelter modelling based on Europe Economics Ibid. Full assumptions at Appendix 2

### 3. Open up the land market with far more data

The land market could be far more transparent to development actors, local people and public authorities alike. More readily available data would improve decision making and hence overall market efficiency, and would increase the ability of authorities to intervene intelligently if required. Data on land prices, ownership and options agreements, and how they link to planning history, are particularly important to anyone seeking to make the land market function more effectively.

A sensible package of reforms to open up the land and housing markets would include appropriate public bodies (such as the Valuation Office Agency (VOA), MOD, NHS, Land Registry, Office for National Statistics (ONS) and local authorities) collecting and publishing data on:

- Land prices by site and by hectare in a format that could easily be used by non-experts.<sup>144</sup>
- Land ownership in a format that could be mapped. This would make it easier for land assembly to take place as currently it can be difficult for planning bodies to understand the geography of land ownership.
- Planning permissions granted in a form that can be mapped, with date of permission granted, what the permission is for, i.e. number of units, and status of the development.
- New housing units granted planning permission by floor space. This would make it easier to assess trends in the size of new build homes, and hence to measure value properly.
- Ownership of new build, by type of owner and nationality. This would make it much easier to assess across England who is buying new build homes and how they are buying them.
- Data on the local private rented sector (PRS) for local authorities. Central government data that reveals which properties are rented privately should be released and made easy to access and track.

#### Recommendation

The government should require all appropriate public bodies to collect and make available all possible data on land price, transactions, ownership and options agreements, in standardised data and spatial formats that can be readily combined with planning information. Data on new build homes should also

be collected and released, covering floor space, ownership, nationality of purchasers and initial tenure. The government should hold a competition to encourage entrepreneurs to use this data to make the land market more transparent, for example by designing apps.

<sup>144</sup> At a minimum this could include re-introducing the VOA's Land Price data that was scrapped in 2011

## 4. Build new Garden Cities in high demand areas

The New Towns and Garden Cities of the 19th and 20th centuries were major achievements for housing supply in England, leading to the construction of hundreds of thousands of new homes as well as businesses, green spaces and community infrastructure.

More than 1.4 million people now live in the postwar New Towns like Stevenage and Milton Keynes.<sup>145</sup> These were driven by central government, with public development corporations buying land at existing use value and providing infrastructure. Garden Cities were built earlier, as private or co-operative enterprises based on a philosophy of healthy living, high quality lifestyles and wellbeing. A Garden City was originally defined as: “a town designed for industry and healthy living; of a size that makes possible a full measure of social life, but not larger; surrounded by a permanent belt of rural land; the whole of the land being in public ownership or held in trust for the community.”<sup>146</sup>

We believe that the scale of the housing shortage makes a new Garden City programme an essential part of the solution. New settlements cannot be expected to meet all the demand for new homes, but they can make a substantial contribution to total supply, and act as beacons and catalysts in the drive to project house building into a new era. Projects on the scale of new Garden Cities would create opportunities to trial new technologies and increase skills, and give new builders the chance to enter the market and scale up.

Garden Cities in the 21<sup>st</sup> century do not need to take any one particular governance structure, delivery or ownership model. Indeed, the Wolfson Economics Prize 2014, which will be awarded to the best model for delivering a new Garden City, should ensure that policy makers are given a broad sweep of options to consider. However, any model for a new Garden City will need to tackle a number of common problems:

- Acquiring land in ways that offer land owners reasonable compensation, while ensuring that sufficient development gain is captured to support the development.
- Reducing the impact of development on existing communities, and building consent among local residents and local authorities. This was a particular challenge for the last government's Eco Towns programme.
- Ensuring a balanced mix of tenures and that enough homes are bought for occupation rather than investment to make the development a sustainable community.
- Ensuring that there are mechanisms to continue the economic development and growth of the town after the initial development phase is complete.

In the 2014 budget, the Chancellor announced that a development corporation-led Garden City would be started in Ebbsfleet in Kent, backed up with planning powers and government investment in infrastructure. This was followed by a prospectus for new Garden Cities published by the government in April 2014 which set out principles for garden city development, including capturing land value for community benefit. We believe that there is scope for further new settlements in the South East using a development corporation or public – private partnership model.

<sup>145</sup> Transferable Lessons from the New Towns, ODPM, 2006

<sup>146</sup> Garden Cities and Town Planning Association from 1919, quoted in TCPA, Creating Garden Cities and suburbs today, 2013



## A MODEL FOR A 21<sup>ST</sup> CENTURY GARDEN CITY

The Wolfson Economics Prize 2014 will provide many different delivery models and visions for new Garden Cities. The key challenges are to secure the land at reasonable prices, so that development gain can fund the infrastructure required, and to win the consent of local people. Letchworth, the original Garden City, achieved the first aim through philanthropic donation of the land. The postwar New Towns did it via an Act of Parliament, which gave development corporations the right to compulsorily purchase land at existing (agricultural) use value. Neither had to appease local communities.

One alternative approach is to incentivise land owners on sites suitable for new Garden Cities to invest their assets voluntarily. A public and private joint venture partnership could offer landowners 125% of the existing use value of their land, plus shares in the partnership, plus a buy back option if the land is not put to use within ten years. The landowners would have one year to negotiate and accept before the land would be bought at existing use value via a CPO by the local authority. As a result of pooling land and taking shares, landowners have no incentive to promote their individual land holdings ahead of others. The shares in the partnership could deliver upside returns for landowners over time, through the positive impact of regeneration on value, although the details of how this would work would need to be established.

Local residents could also be offered opportunities to invest in the partnership, giving them a chance to share in the long term economic growth of the Garden City, and incentivising them to support its success rather than oppose development.

### Recommendation

The 2015 government should consult on and propose sites for up to five new Garden Cities of around 30,000 dwellings of all tenures each in high demand areas, taking account of the ideas generated

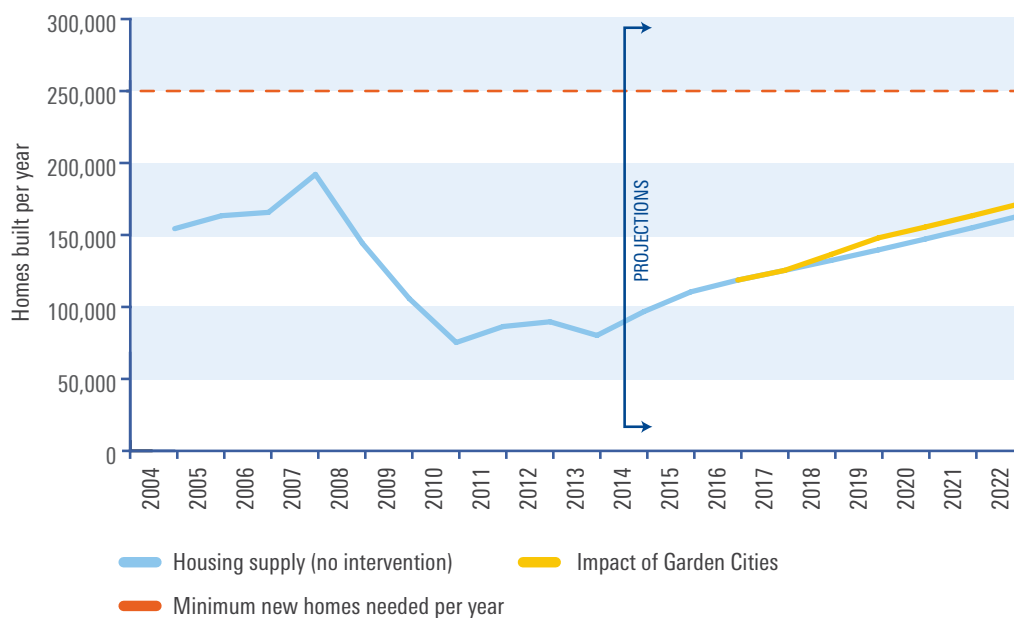
by the 2014 Wolfson Economics Prize. Planning and consultation on the programme should begin immediately, and construction should start within the lifetime of the 2015 parliament.

### Impact on housing supply

Due to the long lead in times required to plan and consult on entire new settlements, Garden Cities are unlikely to contribute substantially to new housing supply within the lifetime of the 2015 parliament, but they should be an important legacy of the next government, much as the New Towns programme was.

We have assumed that five new Garden Cities of 30,000 units each are started within the 2015 parliament and that each has a development period of 15 years. The first additional homes should start to come on stream by the end of the parliament, adding around 5,000 homes to total output per year.

**Graph 15: Impact of new Garden Cities programme**



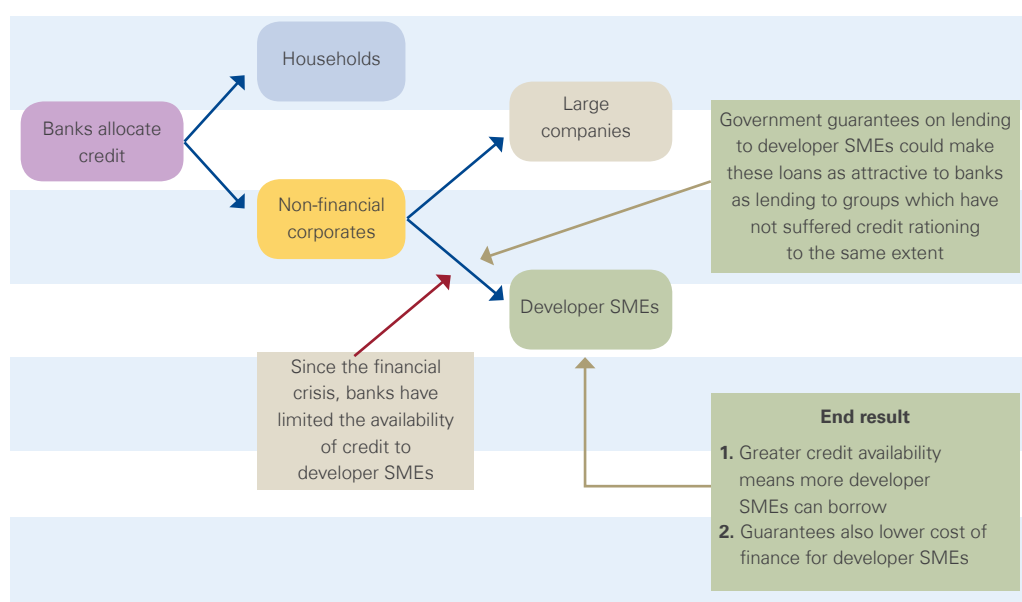
Source: KPMG/Shelter illustration

## Solutions: a more diverse and resilient house building sector

**Our vision** is for a house building sector with many more local builders and more innovative models of development such as custom build. We need the big players running at full throttle, but alone they won't be able to solve the housing shortage. We need to help local builders thrive once more.

### 5. Help small building firms access development finance

A major concern expressed by small and medium sized developers is the difficulty in accessing development finance. Credit rationing to SMEs in the development sector is reported to have become a major barrier to market entry and growth, particularly since the credit crunch and subsequent recession. One way to help small firms to access the credit they need to grow would be to provide government guarantees for bank lending.<sup>147</sup>



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>147</sup> For a full discussion of this option see Capital Economics, Increasing Investment in affordable housing, 2014

This proposal is a mirror of the Help to Buy: Mortgage Guarantee scheme already in place, and therefore could be funded from the contingent liabilities already allocated for that scheme. Addressing the imbalance in credit allocation between SME firms and other borrowers would enable them to re-access credit markets and expand their activity. The biggest impact would be on the percentage of loan to value (LTV) that they could achieve, which has halved for SMEs since the downturn. Most can now only access senior lending once the SME's equity has been put into the scheme upfront. With a 70% LTV, the average LTV through the life of the loan is approximately 35%. A 70% LTV revolver would give double the lending power. It would also reduce the cost of funding – improving the viability of schemes. There is unlikely to be an impact on the funding costs of credit allocation for larger firms, who will still be able to access development finance as at present.

In the 2014 budget, the Chancellor announced a £500 million loan fund for SME builders called the Builders' Finance Fund, with the aim of unlocking 15,000 units from 2015. There would be no debt cost to the Treasury for this scheme unless firms defaulted on their loans, just as with the Help to Buy scheme.

#### Recommendation

The 2015 government should switch a proportion of the Help to Buy: Mortgage Guarantee contingent liabilities into a new 'Help to Build' scheme to guarantee lending to small and medium sized house builders. The aim should be to restore credit allocation to SMEs to pre-financial crisis ratios which Capital Economics estimate will cost £40 million.

### Impact on housing supply

Capital Economics estimate that reducing SME builders' funding costs and restoring their credit allocation to pre-2007 ratios would support the development of an extra 3,000 homes per year - some 15,000 extra homes over the course of the parliament.

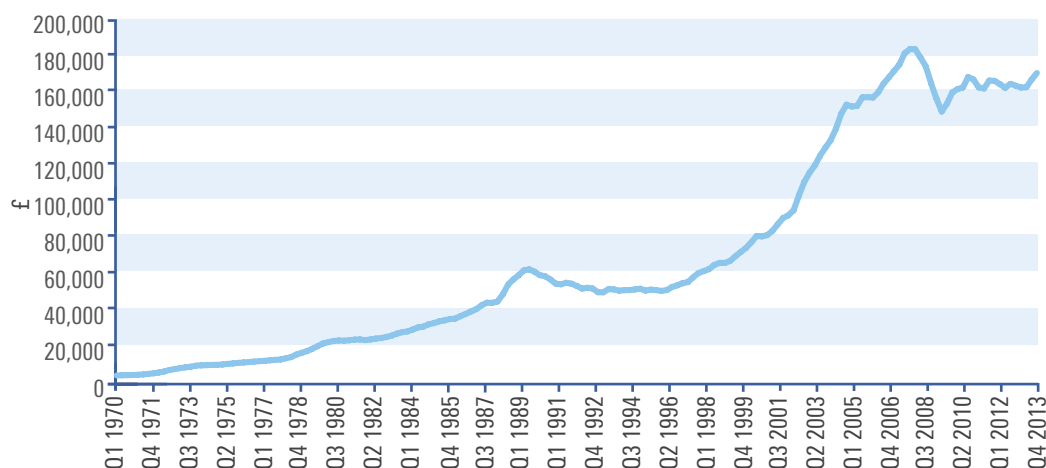
## 6. Stabilise the housing market

This report is focused on the supply-side measures needed to transform England's house building performance. But we recognise that the house building sector is highly dependent on the housing market, which is predominantly a market in existing, second hand homes, shaped mainly by demand factors. Matching supply and demand in economic catchment areas on a timely basis is key to maintaining stable house prices.

Increasing the supply of homes will help stabilise house prices. But this causal relationship works the other way too, as house price volatility acts as a major constraint on housing supply.



**Graph 16: Nominal house prices (Nationwide)**



Source: Nationwide

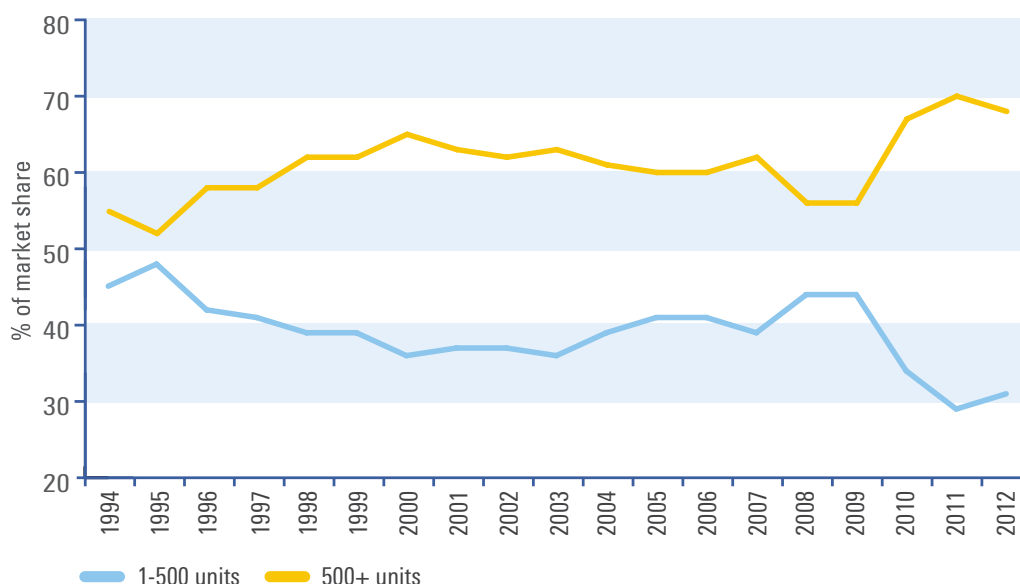
As discussed previously, one of the biggest sources of risk in house building is the time it takes between starting on site and selling completed units. If house prices fall after a site has been paid for, the developer's margin falls and the scheme runs the risk of being deemed unviable and stalling. House price volatility is amplified in the land market, so relatively small house price movements cause major booms and busts in the land market. All this means that developers face very real risks of overpaying for land during market upswings.

The UK housing market has experienced repeated booms and busts since the early 1970s, making it both difficult and costly for developers to effectively price in market risk when buying sites. The financial crash in 2008 not only triggered a rapid price crash, it also initiated a period of unpredictable price volatility as different policies were enacted to respond to the recession. With house price inflation bouncing around, market calls become even harder to make, and business planning inevitably suffers.

Volatile prices also have a secondary effect on the development industry. Large swings in prices – like land price booms or house price crashes – will hit all businesses, but larger developers have a greater chance of riding out difficult times, thanks to their larger portfolios, asset bases and access to credit. This is a luxury that small and medium sized developers don't have. When the downturn and subsequent drop in prices comes, SMEs are most likely to go bust. Following each of the last two house price crashes, larger developers have increased their proportion of total housing starts as SMEs have declined.<sup>148</sup>

<sup>148</sup> Data from NHBC – in both the FTI and Europe Economics reports for Shelter

**Graph 17: Size of market share by size of house building firm**



Source: National House-Building Council

These market risks are well understood, making banks increasingly reluctant to lend to smaller developers – especially when their overall capital allocation to house building is being scaled back.

Intervention to control house prices is highly complex and we do not discuss in detail the measures that may be required, however any discussion of house building must recognise the symbiotic relationship between construction and second hand house sales and prices.

### Recommendation

The 2015 government should launch an immediate review, led by the Bank of England, on the impact of house price volatility on the economy and the policies that would be required to stabilise prices relative to incomes over the long

term.<sup>149</sup> The government should also launch an immediate review of property taxation, both to consider potential extra revenue for the affordable house building programme but also in the context of economic and housing market stability.

### Impact on housing supply

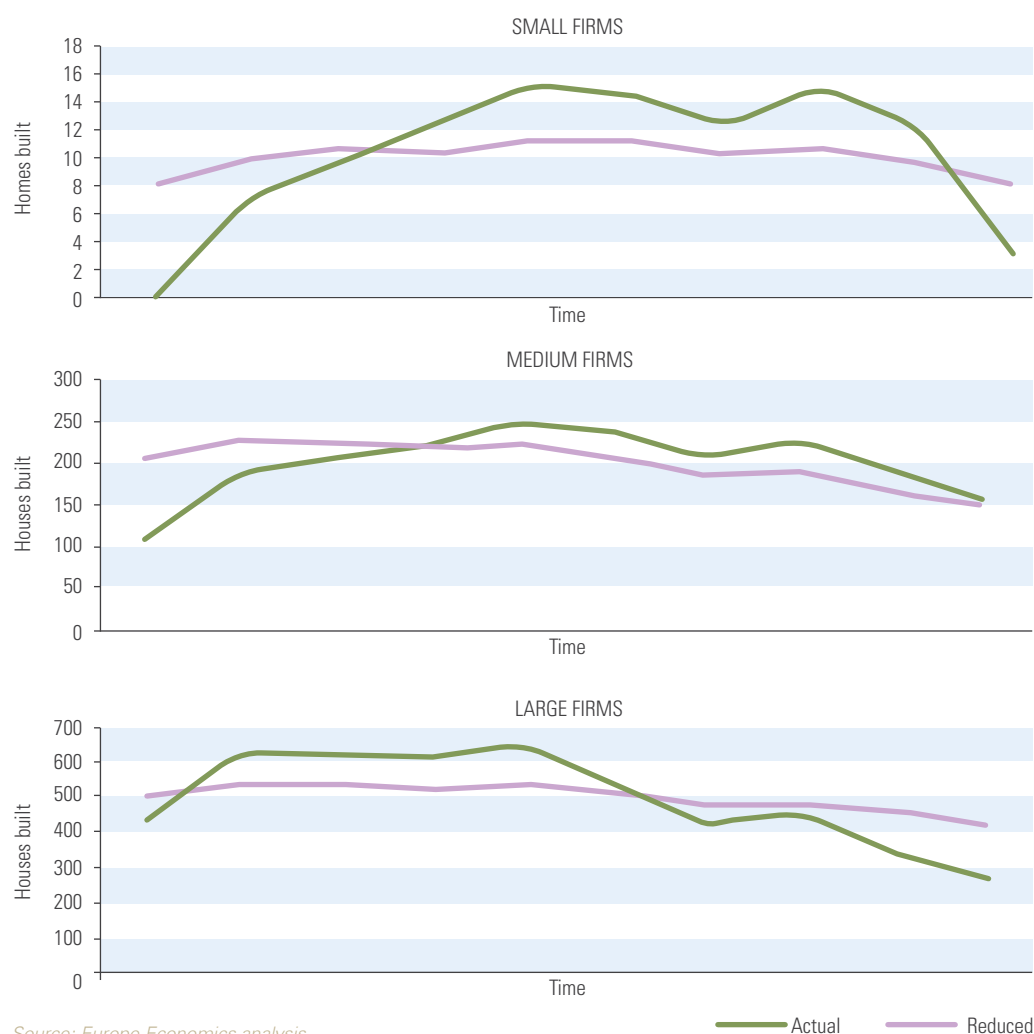
In order to show how greater price stability in the market could bring a change to the construction patterns of firms, a simple, theoretical model was constructed.<sup>150</sup> The model looks at house builders of different sizes and suggests a build profile over time which would allow them to maximise their profits, subject to many variables such

as the cost of purchasing land, the cost of construction and the cost of finance, constraints on the number of houses that can be built in a year, and the total size of a site. The model also incorporates a 'cost of waiting' variable - i.e. holding land without building houses on it – to suggest optimal construction timescales.

<sup>149</sup> Some such measures are discussed in Europe Economics, How to increase Competition, Diversity and Resilience in the house builder market, 2014

<sup>150</sup> Europe Economics for Shelter – How to increase competition, diversity and resilience into the housebuilding market – February 2014

**Graph 18: How might house builders change their build out profile in response to reduced house price volatility?**



Reducing house price volatility reduces the risk in the development process for builders of all sizes so the developer can operate at lower margins with greater confidence about the price at which they can sell.

**One effect of reduced volatility is to smooth the optimal build out profile.<sup>151</sup>** The charts above illustrate that firms of all sizes would potentially build a greater number of properties in the earlier years under the reduced volatility scenario. In proportional terms, this modelled

effect is particularly large for small and medium firms, whereas the absolute impact would obviously be larger for medium and large firms. The modelling implies that fewer houses would be built in the later years, but this is due to constrained totals in the model. In reality we would expect higher output in earlier years to foster greater confidence in the sector, which should result in sites being acquired and a greater number of homes being built in the medium term and long term.

<sup>151</sup> Europe Economics for Shelter – How to increase competition, diversity and resilience into the housebuilding market – February 2014

## 7. Provide sites for small developers and custom builders<sup>152</sup>

Although fewer than 10% of new homes in England are currently custom built, six million people in the UK are actively interested in building their own homes.<sup>153</sup> But the benefits of growing the custom build sector extend beyond meeting people's individual aspirations. Making custom build a more mainstream means of delivering homes would be beneficial for the whole housing supply system, not just to those who want to build them:

- **Custom build delivers higher quality homes.** Because custom builders intend to live in their homes once they have been built, their homes tend to be larger and more energy efficient, and be built to higher quality specifications.<sup>154</sup>

- **Custom builders can deliver homes more quickly and are more resilient to market shocks.** Where volume house builders working across large sites must limit completions to preserve their margins, a large number of custom builders working on the same site can deliver their own homes in parallel, meaning that overall output can be increased. Similarly, where volume house builders dramatically reduce building when markets fall due to lower sale values, custom builders' incentives are typically not determined by short-term sale values.<sup>155</sup>

In 2008 the number of custom build completions actually increased, while total housing supply fell by 17% from 2007/08 to 2008/09.<sup>156</sup>

- **Custom build delivers more diverse housing types.** The enhanced customisation offered through custom build adds diversity and flexibility to local housing stocks. Not only does greater diversity of design add to the character of a locality and reduce the risk of bland, uniform housing, but it also means internal spaces designed to meet different needs and tastes.

- **Custom build could help build support for new homes.** If more local people have an active stake in releasing land for development, and can see that it is going to produce homes built by and for local people, it should help create constituencies of support for development and reduce local political pressure to deny planning permission.

All political parties have stated their support for custom builders and recognised the central role that custom build should play in a solution to the housing shortage. The Coalition government made a commitment in 2011 to doubling the level of custom build in a decade and backed this commitment with a package of measures to boost custom building, which was followed in late 2013 with a second package. Despite these efforts, however, the numbers of custom build completions have fallen since 2008.<sup>157</sup>

In order to bring about the custom building revolution that all political parties want the next government should set a clear commitment to increasing the proportion of new homes delivered through custom build to an appropriate amount (say 20%) by 2020. This would still be a lower proportion than is found in comparable countries.

<sup>152</sup> We use the term 'custom build' to cover the full range of models for individual and collectively self-organised housing provision. The term 'self build' is often used interchangeably, but more properly applies to only those projects where the residents actively work on the construction themselves. 'Custom build' includes projects where the resident hires professional teams to act on their behalf

<sup>153</sup> Polling for National Self Build Association (NaSBA) by Ipsos MORI, March 2013

<sup>154</sup> Parvin, A Right to Build, 2011

<sup>155</sup> Parvin, A Right to Build, 2011

<sup>156</sup> UK Self Build Market Report, Home-building and Renovating and DCLG Live Table 209

<sup>157</sup> UK Self Build Market Report, Home-building and Renovating



The greatest barrier that custom builders must overcome is finding a suitable plot of land on which to build.<sup>158</sup> A commitment to increase the proportion of self-built new builds will, therefore, require strong support to increase access to serviced and permissioned land.<sup>159</sup> As a minimum this should mean that 20% of all land in new Garden Cities and New Homes Zones should be dedicated to custom build, divided into suitable plots and advertised publicly.

Suitable sites can often be best identified by communities themselves, so the Community Right to Bid should be extended to land that could be used for custom build. The Community Right to Bid currently allows communities to nominate buildings and land with cultural, recreational or sporting value in order to place a moratorium on their sale (in the event of their sale) so that the community has the chance to raise money to bid for them. The extension of the Right to sites suitable for custom build would allow communities to prioritise it as a means of housing delivery for their area.

The next government should also take steps to ensure that the latent demand for custom build is mobilised by encouraging and supporting people to take up the opportunity. To meet the expansion in available suitable plots, aspiring custom builders should be empowered through a charter of rights. These should include the Right to Register an interest in building your own home with your local authority, to have the opportunity to access suitable plots that have been made available in Garden Cities and New Homes Zones in the area, and to get official advice on how to find a plot and get building. Mortgages for custom build should also be made easier to access – perhaps through a specific allocation of Help to Buy support through the new Housing Investment Bank (see page 75).

### Recommendation

The 2015 government should make custom build a mainstream means of delivering homes in England by reserving 20% of all new serviced and permissioned plots as part of all new Garden Cities and New Homes Zones (with some scope for flexibility according to local circumstance), and the extension of community rights

under the Community Right to Bid. People who want to custom build should be empowered to do so, through official advice, advertising of available sites, availability of mortgage/development finance and a new Right to Register interest.

<sup>158</sup> NaSBA, 2013

<sup>159</sup> That is, sites with access to infrastructure and utilities and outline planning permission

## 8. Level the playing field on space and design standards

Our focus in this report is on the economics and politics of overall housing supply, rather than design considerations. But the two are not entirely separable, as aspects of design – particularly the size of new homes – have a direct impact on the viability of development. Space standards, aesthetic quality and environmental performance of homes also influence local people's willingness to support new development.<sup>160</sup>

England is one of the only advanced countries to not have an established set of minimum space standards for new homes, so it is not surprising that we also build some of the smallest new homes in the developed world. In recent years, growth in development has been in city centre flats, often without outdoor space and with very small inside space. Other countries, including those with higher population densities such as Holland, manage to build larger homes which are also more affordable.

The design and quality of homes matters not just to the families who live in them, but also to those who are impacted by new development. Clear and robust space standards for new homes can make a real difference to local attitudes to development:

- Twice as many people would support land in their area being used for homes if the homes were built to minimum space standards.
- Even those who do not think that their local area needs homes at all are more likely to support the development of larger homes than the development of smaller ones.

While the majority of our recommendations are locally led, we think that an exception should be made for minimum space standards which should be enshrined within national Building Regulations. Clear national rules on the minimum size for new homes in all tenures will allow developers to plan effectively on a level playing field, giving them confidence that rival bidders for sites will not be able to offer the land owner a higher price by squeezing a higher number of smaller homes onto the site. New rules should be introduced with sensible lead-in times to avoid undermining the viability of existing schemes and ensure that costs are passed through to land prices.

### Recommendation

A new government should set minimum space standards for the 21<sup>st</sup> century in Building Regulations, with sensible

lead-in times. A new government should encourage excellence in design and environmental standards.

<sup>160</sup> Survey carried out by YouGov plc for Shelter. Total sample size was 4005 adults. Fieldwork was undertaken between 25- 28 March 2013. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

## Solutions: Investment in affordable homes

**Our vision** is for an affordable housing sector that's well funded, has a variety of developers and produces high quality homes for a wide range of income groups, including social rented homes for those on low incomes and shared ownership homes for middle earners.

### 9. Prioritise capital investment in affordable housing and link it more closely to infrastructure

The 2015 government will have to make tough choices on public spending and investment, but within whatever spending envelope is set building more homes must be prioritised. Housing investment boosts economic growth, creates thousands of jobs in construction and the supply chain, and the returns to the Treasury from extra tax generated are substantial.<sup>161</sup>

- Every £1 spent on construction generates a further £2.09 of economic output, higher than the return to most other sectors from investment including advanced manufacturing and finance.
- For every £1 spent 92p stays in the UK.
- For every £1 invested by government, 56p returns to the Exchequer of which 36p is direct savings in tax and benefits.<sup>162</sup>

House building is vitally linked to infrastructure provision, and should be considered a form of nationally significant infrastructure in its own right. We therefore recommend that the Treasury looks closely at how housing investment can be better linked in to the National Infrastructure Plan. The current National Infrastructure Plan has a pipeline of over £375 billion of public and private investment in transport, energy and other sectors.<sup>163</sup> This dwarfs committed future investment in affordable housing.

The Coalition government has allocated a £2.9 billion extension to the Affordable Homes Programme for the Comprehensive Spending Review (CSR) period 2015/16 to 2017/18.<sup>164</sup> This represents a cut from the 2011 – 2015 CSR, which in itself was 60% smaller than average annual spending in 2008 – 2011.<sup>165</sup> Further cuts to public investment after 2015 are simply not sustainable if we are to maintain any prospect of building enough homes. To achieve the level of building required to meet need, it will take up front additional investment from government. However, over time the pressure on investment will decrease as reforms to the land market increase private developer market output.

Direct public investment in new homes has several functions. Most simply, HCA grants subsidise the building of affordable homes, primarily by housing associations. Despite recent changes to the grant funding regime, the channels for translating public spending into construction activity and new affordable homes are well established. Increased spending here could have an immediate impact on the ground.

<sup>161</sup> FTI Consulting, Housing and its contribution to economic growth, 2011

<sup>162</sup> UK Contractors Group (2011) Construction in the UK Economy: The Benefits of Investment, London: UK Contractors Group

<sup>163</sup> HM Government, National Infrastructure Plan 2013

<sup>164</sup> HCA, Affordable Homes Programme 2015-2018, 2014

<sup>165</sup> HCA, National Affordable Housing Programme and Affordable Homes Programme

Extra investment would increase the number of homes built, but it would also change the type of affordable homes subsidised. Under the currently planned 2015-2018 prospectus for funding housing associations, investment in new homes will only be available for homes let at 80% of market rents or for shared ownership. These homes are simply not affordable to those on low incomes in many parts of the country. Reducing grant funding by raising rents is already proving a false economy, and will only increase the housing benefit bill further.<sup>166</sup>

Thirdly, as most housing schemes are – rightly – mixed tenure, affordable housing grants also help boost house building activity more generally. Capital Economics' analysis is that *"an increased budget for central government capital grant is the most straight forward, practical and efficient method for stimulating building."* They estimate that the government can borrow and spend an additional £3.4 billion per year on affordable housing over the next parliament. Our proposal in this programme is for just £1.22 billion per year extra public investment – and we have identified potential revenue sources.<sup>167</sup>

Public investment can also serve as a powerful lever to enact reform and change incentives in the industry. The aim of the reform programme in this report is to initiate a paradigm shift in housing supply, and many of the measures designed to support that shift have little or no direct costs associated

with them. But the experience of recent years demonstrates that institutional reform can only achieve so much, especially in the short term: kick-starting the transformative housing programme outlined in this report will require additional spending, especially in the early years, while other reforms are bedding in.

Finally, public spending can leverage investment from private sources too. Our vision of a more stable market is one that will be attractive to institutional investors who need secure assets with predictable returns to match pension liabilities. Specifically, land market interventions such as Garden Cities and New Homes Zones will lower the input cost of land, increasing the yields from privately rented and affordable rented homes to levels that are attractive to institutional investors.<sup>168</sup>

The total investment package we recommend is an additional £12.1 billion of public and private investment over the next parliament (to bring total investment in affordable housing over the parliament to £15 billion), of which we would expect half to come from new private investment. Direct grant funding by government would therefore need to be increased by £6.1 billion over the course of the parliament, or £1.22 billion per year. This mix of funding represents better value for money over a 30 year period than the current mix of tenures, mostly due to saving that would be made on the housing benefit bill.<sup>169</sup>

<sup>166</sup> The government estimated that the introduction of Affordable Rent led to an increase in future housing benefit payments of £482 million. Impact Assessment for Affordable Rent, 2011

<sup>167</sup> Capital Economics, Increasing investment in affordable housing, 2014

<sup>168</sup> There is clear demand for such opportunities. Legal & General have plans for £15 billion investment in housing and other capital projects over the next ten years

<sup>169</sup> NAO, Financial Viability of the Social Housing Sector, 2012



The £6.1 billion extra public grant funding could be funded in several ways, but the main choices for a 2015 government are:

1. Fund capital investment programme through increased revenue (tax) and/or shifting spending from other programmes.
2. Fund capital investment by bringing forward future investment programmes, meaning that capital investment would be cut after 2020.
3. Fund capital investment by increasing prudential government borrowing.
4. Capture increases in the value of land created by infrastructure investment and re-invest these into housing (as with development corporations).

We do not recommend a particular course of action on direct capital investment funding for the 2015 government, as it will be up to the government to set their priorities in the first budget.

However we note that:

- i The OBR's projection for Stamp Duty Land Tax is that the Treasury will receive £12.5 billion in 2015/16 compared to £8.9 billion in 2013/14 (a £3.6 billion per annum increase). The increase from the March 2013 forecast to the December 2013 forecast alone was £3.2 billion for 2015/16.<sup>170</sup> This substantial extra revenue more than covers the extra house building spending we recommend.
- ii HMRC estimate that private landlords are evading at least £550 million of tax on rental income per year, roughly half the amount that we recommend investing in new affordable homes.<sup>171</sup>
- iii The NAO has cast doubt on the value for money of the New Homes Bonus which costs £2.2 billion per year.<sup>172</sup> Further evidence of its impact is required, but it may be that some of this budget could be diverted to house building.

### Recommendation

The 2015-2018 Affordable Homes Programme should be boosted, extended to 2020 and its terms changed to prioritise a more mixed balance of tenures, including genuinely affordable homes to rent. Increasing public investment in housing associations over

the lifetime of the parliament by £1.22 billion per year and bringing in additional private investment through land market interventions would lead to the delivery of over 250,000 new affordable homes, including half at low (social) rents and a quarter for shared ownership.<sup>173</sup>

<sup>170</sup> OBR, Economic and Fiscal Outlook 2013

<sup>171</sup> HMRC official quoted in Guardian, March 2014

<sup>172</sup> NAO, The New Homes Bonus, 2013

<sup>173</sup> Shelter, Solutions for the Housing Shortage, 2013

## 10. Develop new ways to finance house building

The post 2015 spending envelope will be tightly drawn, no matter which party or parties are in power. We need to find new ways to boost investment in affordable housing, which will be more resilient to future pressures on public spending. The options below would increase investment in affordable housing without contributing to government debt.

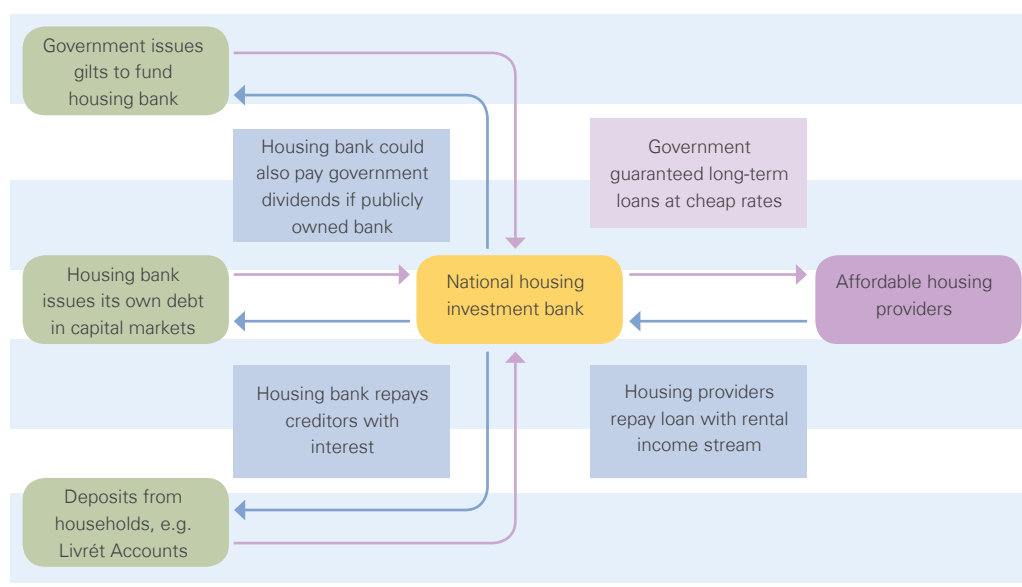
### Creating a Housing and Infrastructure Investment Bank, funded from Housing ISAs

We propose that a national Housing and Infrastructure Investment Bank be set up as a public corporation, to lend to the providers of affordable housing.<sup>174</sup> This idea is not new - the Dutch *Bank Nederlandse Gemeenten* (or BNG) is a well-established, specialised lender serving local and regional authorities as well as housing, utilities, healthcare, welfare and educational institutions. This business model provides the basis of how a dedicated bank could work in the United Kingdom.

Ownership of BNG is restricted to the Dutch public sector: the Dutch State's shareholding

is 50% with the remainder held by Dutch local authorities and one water board. Being a specialist lender to the public sector helps to minimise the costs of providing social services to the public. In 2012 the effective interest rate for the funding of BNG through debt securities was 1.7% and the effective interest rate on lending extended by BNG was 3.6%.

A similar structure could be set up in the United Kingdom, with ownership of the bank exclusively in the hands of the government, shared with local authorities or as a not-for-profit vehicle. The bank would need to raise finance so that it could extend loans to housing associations and other providers of new affordable housing. This could come from issuing bonds to the capital markets, as is the case with BNG, and the bank could also use special savings accounts (Housing ISAs) to raise finance from retail deposits, as in the French *Livrét A* scheme. The Bank could be a new institution, or part of an existing or planned institution such as the Green Investment Bank, British Investment Bank or Homes and Communities Agency (HCA).



<sup>174</sup> The proposal for a National Housing Investment Bank and Special Purpose Vehicles are explored in more depth in Capital Economics, *Increasing investment in affordable housing*, 2014

Housing ISAs could be guaranteed by government to provide steady tax free returns to depositors, with the funds aggregated and lent out as low cost long term loans to affordable housing providers.

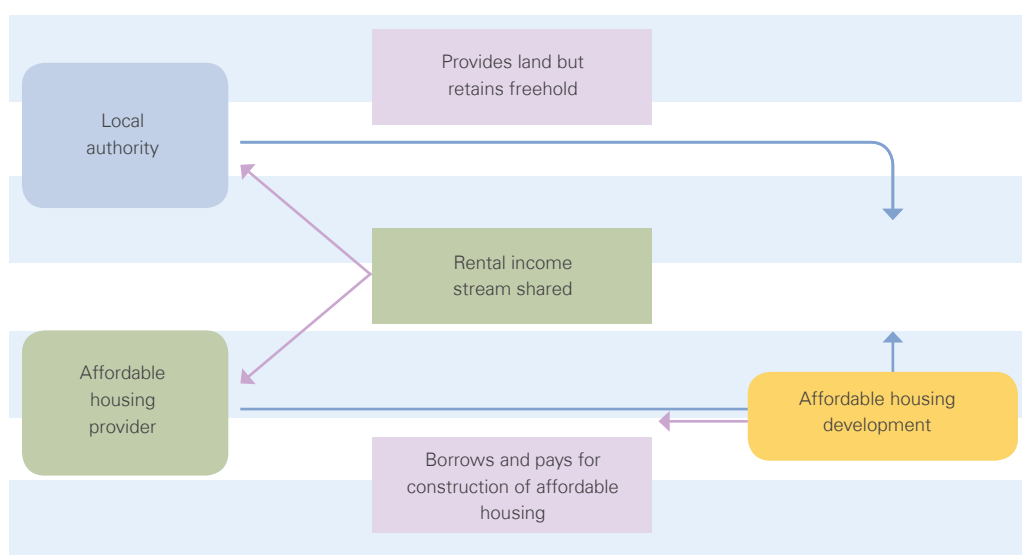
### Joint ventures: deploy publicly owned land

A joint venture model of local authorities leasing land to affordable house builders, or even institutional investors, while retaining the freehold could provide good value for money to the public purse. By some estimates, local authorities own up to 20% of the land suitable for building new homes but are constrained from building council homes on the land by their debt caps (see page 78).<sup>175</sup> Local authorities could put in the land while housing associations or other investors provide finance, addressing both the cost of land problem and debt constraints on the public purse.

This sort of joint venture model has been used successfully already. A mixed tenure housing scheme led by Grainger plc was completed in Kensington and Chelsea while Birmingham Municipal Housing Trust adopts a similar approach with a range of developers.<sup>176</sup> In Birmingham the trust owns the plot of land for development and it remains under the ownership of the trust until after the sale of the home is complete.

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

**Graphic: Illustrative public sector land lease model (Capital Economics)**



<sup>175</sup> Andy Hull, (Institute for Public Policy Research) in written evidence to: Communities and Local Government Committee, Financing of new housing supply: Eleventh Report of Session 2010-12 (The Stationary Office, London), 2012

<sup>176</sup> For further details see Capital Economics, Ibid

avoid this problem, government should look at ways in which local authorities could have flexibilities to dispose of its freehold should the authority need or wish to do so, during the lifetime of the lease.

One barrier for housing associations in delivering this type of housing would be that they may run into their own loan covenants when borrowing to build homes on leased

land. To avoid this constraint, joint ventures could attract private investment – especially from long term institutional investors such as pension funds. Legal & General are developing a model which could work well with this particular sort of joint venture, which involves funding the construction of homes and then leasing them to a housing association or council to manage.

### Recommendation

Direct public investment will be needed to kick-start house building but with public finances under pressure we also need to develop new ways of paying for homes which don't inflate house prices, or damage government fiscal credibility. We recommend that the 2015 government

sets up a Housing and Infrastructure Investment Bank – similar to the model used in the Netherlands. Finally, a third option is to encourage the use of public sector land in joint venture deals with institutional investors and/or housing associations.

## LONG TERM INVESTMENT IN THE PRIVATE RENTED SECTOR (PRS)

The options outlined in this programme are designed to increase the supply of all tenures, particularly affordable housing tenures such as social rent and shared ownership. However, there are ongoing opportunities to also leverage private investment into the private rented sector (PRS).

The government's Montague Review in 2012 identified barriers to PRS investment, particularly the problem that the price of sites for new rented housing are driven by prices in the for sale market. This means that developers wishing to buy land for rented housing are in competition with developers in the sales market and cannot compete.<sup>177</sup>

One barrier to long term investment in the PRS, is the difficulty of securing finance for homes with longer term tenancies. The government's PRS taskforce should look into making it easier for small scale landlords to access project finance on the basis of secure five year tenancies.<sup>178</sup>

Land market interventions identified in this report could offer opportunities to expand long term institutional investment in the PRS, if covenants are put on sites acquired at a lower cost, requiring the homes to remain available for rent for a set number of years. This would mean that developers would no longer be competing with the private sale market. A quid pro quo for developers and investors in this instance would be that properties should be let with the option of long term family friendly tenancies such as Shelter's Stable Rental Contract.<sup>179</sup>

<sup>177</sup> HM Government, Montague Review, 2012

<sup>178</sup> Shelter, A better deal, 2012

<sup>179</sup> Shelter, A better deal, 2012



## 11. Increase the borrowing capacity of local authorities

The major group of housing developers to have fallen out of England's supply system over the past few decades are local authorities. Reviving these 'sleeping giants' of house building must be part of a balanced programme to increase supply, but any policy intervention must acknowledge the varying levels of capacity and appetite for development among councils.

Local councils have planning powers and often own significant land assets with which they could build new homes: the missing element is finance. In 2012, changes were made to the £28 billion Housing Revenue Accounts (HRA) through which 171 local authorities manage their retained housing stock.<sup>180</sup> The reforms gave greater financial autonomy to local authorities by allowing them to borrow against future revenue streams (the rent from their social homes). Any extra borrowing secured this way is added to Public Sector Net Debt (PSND) which means that the Treasury strictly limits additional borrowing, no matter what the financial position of local authorities.

Tight artificial borrowing caps for local authorities were therefore set which allow a certain amount of headroom for authorities to borrow and invest should they wish, but not to their full prudential limits.<sup>181</sup> This headroom is unevenly distributed between local authorities, with some having almost no scope to expand borrowing.<sup>182</sup> In late 2013, the Treasury announced an extension of the borrowing cap on the HRA of £300 million, of which £150 million would be allocated in 2015/16 and a further £150 million in 2016/17.<sup>183</sup> Current headroom within the

existing borrowing caps is around £2.8 billion with which councils plan to build 4,000 new homes per year.<sup>184</sup>

There are several options for policy makers for further reform to increase building by local authorities:

- Allow local authorities to 'pool' their headroom, thus freeing up borrowing capacity within current HRA caps. This is likely to have a limited impact on supply, as authorities will want to retain some headroom individually.
- Raise borrowing caps incrementally, for example by indexing them to inflation. Again the impact would be limited, especially with inflation targeted at 2%.
- Continue to raise the borrowing cap, as with the 2013 Autumn Statement. This could have a much larger impact depending on the scale and how the borrowing is accounted for. Some recent estimates have suggested that an extra £7 billion of borrowing capacity would easily fit within councils' established prudential borrowing limits.<sup>185</sup> This is the equivalent of 12,000 extra homes per year.

<sup>180</sup> The reform of Housing Revenue Account, Commons Library Standard Note

<sup>181</sup> Prudential borrowing for capital investments is regulated by the Chartered Institute of Public Finance and Accountancy Prudential Code, which was introduced in 2003. This states that local authorities should only borrow when the debt repayments are affordable. Capital Economics, *Increasing Investment in affordable housing*, 2014

<sup>182</sup> National Federation of ALMOs, *Treating Council Housing Fairly*, 2013

<sup>183</sup> HM Government, *Autumn Statement 2013*

<sup>184</sup> Perry, *Let's get building: The case for local authority investment in rented homes to help drive economic growth*, National Federation of ALMOs 2012

<sup>185</sup> Perry, *Let's get building: The case for local authority investment in rented homes to help drive economic growth*, National Federation of ALMOs 2012

Giving greater flexibility to local authorities to borrow within prudential limits would increase their borrowing, but this does not have to increase the more politically sensitive measures of national public debt. The UK is unique in Europe in classifying a very wide range of bodies within the definition of 'public sector' used to measure public debt. Not only is direct central and local government spending counted within the definition used, but so are 'public corporations'. Other EU countries and most other OECD countries split out certain types of public corporation borrowing from general government expenditure when reporting public debt.<sup>186</sup> In practical terms, the UK's accounting

rules mean that grant funding for housing associations, local councils and ALMOs<sup>187</sup> all count towards total public current debt (PSND), as does local council and ALMO borrowing within their HRA, but housing association borrowing does not.

This is despite the fact that for local authorities, housing associations and ALMOs the cost of their borrowing is serviced by their ring fenced housing revenue, not by taxes or other public funds. The government should review the UK's accounting practices against those of other countries.

#### Recommendation

Gradually raise the cap on councils' HRA borrowing towards the local authority prudential borrowing levels, extending the government's recent reforms. Capital Economics estimate that at a cost of £1.4 billion per year to local authority HRA

budgets, local authorities could build 9,800 new homes per year. There is a case to reform accounting rules to be in line with OECD norms so that these debts do not count against total public debt.

<sup>186</sup> Perry, Treating Council Housing Fairly, National Federation of ALMOs, 2013

<sup>187</sup> Arm's Length Management Organisation

## Total impact of capital investment programme

To quantify the impact of the total capital investment programme that we recommend, we have analysed:

- How much investment is required per unit of different affordable housing tenures.
- How quickly the housing association and local authority sectors could reasonably be expected to grow to accommodate the extra investment.

In keeping with our analysis of the industry and the land market, there is real risk that much of the value of increased levels of investment would go into inflating land prices. It is therefore essential to combine additional investment capacity with the land market reforms outlined previously.

**Table: Impact of the capital investment programme on public finances**

Policy	Extra investment	Adds to public debt? <sup>188</sup>
<b>Boost the Affordable Homes Programme (public)</b>	£1.22 billion per annum <sup>189</sup>	<i>Yes. We have identified measures that could fund it.</i>
<b>Housing Investment Bank funded by savings ISAs</b>	£1.05 billion per annum <sup>190</sup>	<i>No. It can be a not-for-profit vehicle.</i>
<b>Help to Build guarantees for small builders</b>	£40 million <sup>191</sup>	<i>No. Contingent liabilities only.</i>
<b>Raising local authority borrowing cap</b>	£1.4 billion per annum <sup>192</sup>	<i>Yes. Under the current rules for classifying the debt of local authorities, but we recommend adopting standard international rules under which local authority capital borrowing would not count towards total public debt.</i>

<sup>188</sup> Here defined as gross general government debt. Analysis of the impact on general government debt and public sector net debt in Capital Economics, Ibid

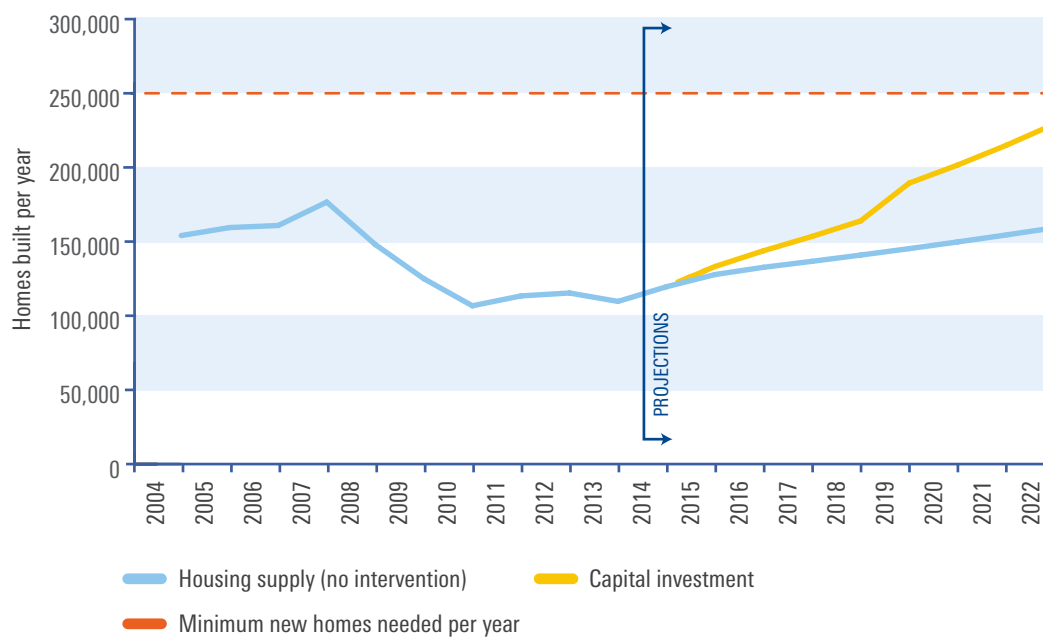
<sup>189</sup> This recommendation is to contribute towards the £12 billion public and private investment package required to build 250,000 genuinely affordable homes over the course of the next parliament. Without this investment, house building will not meet required levels within that timeframe

<sup>190</sup> Calculation is from Capital Economics, Ibid

<sup>191</sup> Capital Economics, Ibid

<sup>192</sup> Capital Economics, Ibid

Graph 19: Total impact of capital investment programme<sup>193</sup>



Source: KPMG/Shelter illustration

<sup>193</sup> Full assumptions at Appendix 2

## Solutions: Strategic Local Leadership

**Our vision** is for cities and towns which plan strategically, linking: jobs; services; transport; and homes. Local leadership will be vital to get us building the new places we need. Local leaders can't win support for new homes without people knowing that infrastructure and services will be able to cope.

### 12. Plan at a city region level

England is one of the most centralised countries in the world – and one of the few to lack a standard metropolitan tier of governance, outside of London.<sup>194</sup> Decades of centralisation have meant that few powers, budgets and responsibilities are really controlled at a local level, despite some recent changes under the localism agenda. The incentives for local authorities to find local solutions need to be stronger, as do the mechanisms for ensuring effective cross boundary collaboration. England's cities are the engines of its economy and the natural places to lead housing growth. We need to empower them to take a strong strategic leadership role in planning, funding and delivering that growth.

Housing development depends upon good transport infrastructure to get people to jobs and services. This relationship also works the other way around, as new infrastructure that local people want can be rendered viable by opening up sites for new homes. Opportunities for new homes need to be properly considered as part of infrastructure planning and funding – which requires consistency across local and sub-regional planning and budgeting processes.<sup>195</sup>

City Deals, under which central government hands powers and budgets to local authorities in return for them taking on greater responsibility to stimulate economic growth, could be a very useful innovation in reviving the strategic leadership role of our urban centres. By devolving funding streams they give local

leaders greater power and responsibility to drive change – and explicitly recognise the national economic and fiscal benefits of investing in city growth.<sup>196</sup> The last round of City Deals focused largely on jobs and skills, with a little on transport. While these factors are vital for local economies, the government should also incentivise local authorities to work together on larger infrastructure and housing projects by making them central in future City Deal negotiations.

One option would be to devolve Home and Community Agency budgets and responsibilities to key cities that want to grow, as has already happened in London. This would increase their ability to shape their own places and economies – with the quid pro quo of better cross-boundary planning for homes and much stronger co-operation with neighbouring authorities. The funds that LEPs can bid for could also be ringfenced for housing and infrastructure.

This proposal is about more than just extra funding: it is also about joining up strategic planning and delivery at the right geographic level. Functional economic areas are almost always driven by a city's location in its wider city-region, so the powers and budgets to solve local issues need to be located at the city-regional level. Clearer and stronger leadership will have wider impacts on the local economy by boosting efficiency, market confidence, local accountability and borrowing ability, to name a few.

<sup>194</sup> Paun, A. et al - Centralised Power and Decentralised Politics in the Devolved UK (UCL) [http://www.ucl.ac.uk/spp/people/robert-hazell/centralised\\_power\\_Sept08.pdf](http://www.ucl.ac.uk/spp/people/robert-hazell/centralised_power_Sept08.pdf)

<sup>195</sup> Sarling, J. and Blyth, R. - Delivering Large Scale Housing – 2013 (Royal Town Planning Institute: London)

<sup>196</sup> Unlocking growth in cities, Deputy Prime Minister's Office, HM Treasury, DCLG, 2011



Lessons from abroad suggest that decentralisation can be a power tool to trigger urban growth and regeneration. In the late 1960s, the French government promoted the importance of the Communauté Urbaine, a device to give greater powers to the provincial cities outside of Paris. Mayoral

leadership and powerful city-regional federations have secured transport and housing investment on a scale that has kept many cities in competition with Paris. A similar story can be seen in Germany and also the USA, which both have more powerful city leaders.<sup>197</sup>

## Impact on housing supply

Modelling the full impacts of properly integrated city-regional planning is beyond the scope of this report, as each city-region will require its own plan and each City Deal will be different. For the purposes of this report we have looked at the central government funding pot open to bids from LEPs, which is worth £2 billion each year for five years.<sup>198</sup> We propose allocating 20 per cent of this pot to housing and infrastructure, ensuring that LEP bids bring infrastructure and housing together with other funding streams and plans. This would supply an annual budget of £400 million. In order to estimate how many houses this could help unlock, we need to know how much local authorities would raise from new development in order to fund the necessary infrastructure on a site. Charges on grant of planning permission now take the form of the Community Infrastructure Levy, for which each local planning authority sets its own

schedule of charges.<sup>199</sup> CIL can be charged for most categories of planning application, not just strategic development, so CIL rates vary widely and may not reflect the full cost of the infrastructure required for strategic sites. To estimate the impact of extra infrastructure investment we have therefore used a proxy for total scheme infrastructure costs, based on plans for development in Cambridge. Our proxy is £55,000 per unit for infrastructure.<sup>200</sup>

Using this benchmark tariff of £55,000 per dwelling and a total allocated pot of £400 million, we estimate that over 7,000 homes could be unlocked through this funding stream each year. In practice we would expect smarter integration of infrastructure and housing funding across functional economic areas to reap greater benefits and unlock key strategic development.

<sup>197</sup> Hall and Falk, *Ibid*; Institute for Government, *What can elected Mayors do for our cities?* 2012

<sup>198</sup> <http://www.insidermedia.com/insider/midlands/93106-2bn-lep-funding-pot-pays-lip-service-devolution-business-leaders>

<sup>199</sup> For the latest CIL schedules, see <http://www.planningresource.co.uk/article/1121218/cil-watch-whos-charging-what>

<sup>200</sup> Falk, *Beyond Ecotowns: the economic issues*, 2008

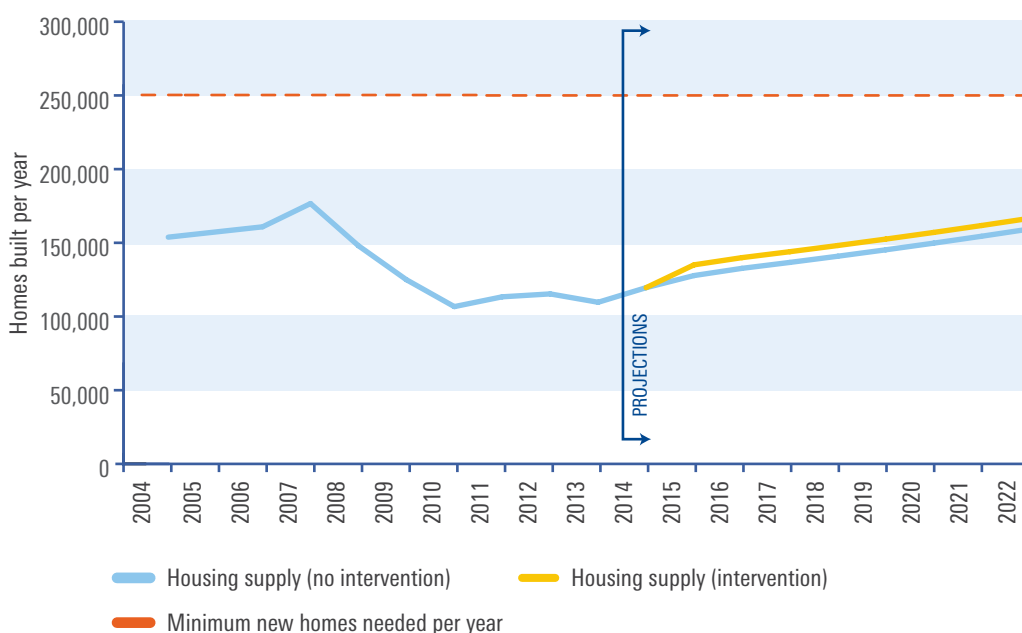
### 13. Assess housing needs across functional economic areas

Effective local leadership requires clear plans that are rooted in a strong evidence base. The National Planning Policy Framework states that planning authorities should “use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area”.

The evidence base on housing need must be developed through a Strategic Housing Market Assessment, which the National Planning Policy Framework (NPPF) states local planning authorities should use “to assess their full housing needs, working with neighbouring authorities when housing markets cross administrative boundaries.”

The National Planning Practice Guidance published in late 2013 went further, stating that “needs should be assessed in relation to the relevant functional area: either a housing market area, a functional economic area... or an area of ‘trade draw’ in relation to main town centre uses”.<sup>201</sup> The Guidance defines a housing market area as “a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work”. Finally, the Guidance states that, in assessing local housing need, authorities must take account of “market signals, such as levels and changes in rental values, and differentials between land values in different uses.”

**Graph 20: Impact of ring-fencing 20% of LEP funding for housing and infrastructure**



<sup>201</sup> DCLG, National Planning Practice Guidance, 2013

Despite this clear requirement, in practice housing needs are not being assessed consistently or objectively across functional economic areas. The Duty to Cooperate is open to interpretation in regard to assessing housing need, and there is already substantial evidence that this new system has led to housing targets being revised downward, contrary to objective housing need.<sup>202</sup> There is also strong anecdotal evidence that some local authorities are watering down the methodological framework behind Strategic Housing Market Assessments (SHMA) to achieve lower numbers of assessed need.<sup>203</sup>

LEPs are already co-ordinating needs assessments cross-boundaries in some areas and could be one way to ensure that a cross-boundary approach is always taken. Currently, planning guidance and the NPPF require them to be consulted on the SHMA. There is a legitimate concern about the fact that LEPs are not democratically elected and so we would not propose devolving new powers or budgets to them. However, the co-ordination and commissioning of an objective SHMA could be an addition to their duties.

#### Recommendation

To ensure that housing need is robustly assessed across functional economic areas, LEPs should be encouraged to deliver Strategic Housing Market Assessments on behalf of local authorities within an economic region

alongside their current role for promoting economic development. This would also serve the secondary purpose of making housing more central to the strategies of LEPs.

### Impact on housing supply

Assessing housing needs robustly will not in itself build more homes. However, recent changes to the planning system have resulted in 270,000 fewer homes being planned for than under the previous regime.<sup>204</sup> We therefore assume that more robust

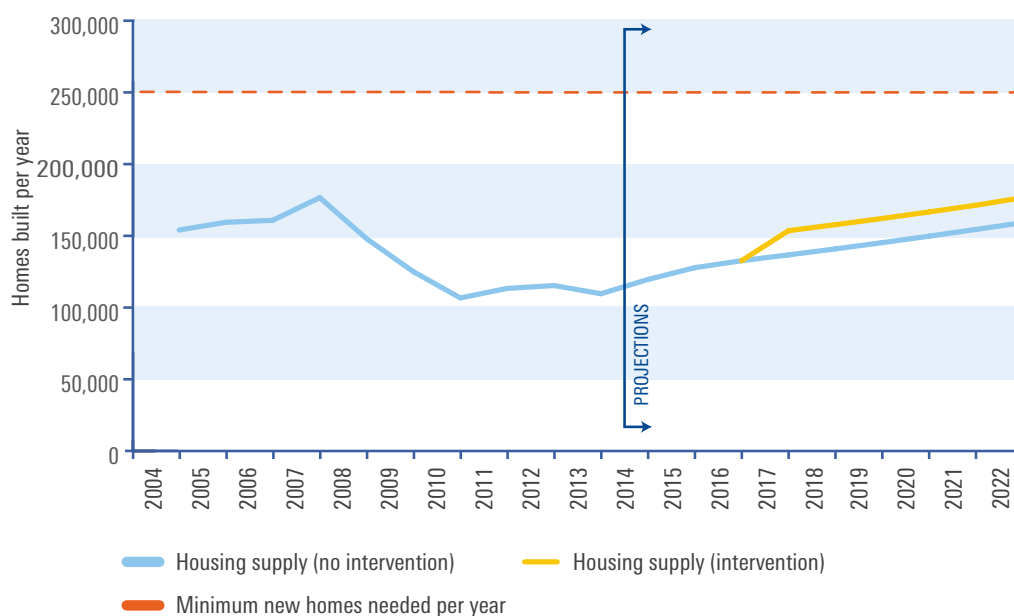
assessments of housing needs, co-ordinated across borough boundaries, would return planned numbers of new homes to the level achieved under regional spatial strategies over 16 years, or 16,800 additional units per year.

<sup>202</sup> Hephher, National Planning Policy Framework (NPPF): one year on, Savills 2013; Boddy and Hickman, The demise of strategic planning? The impact of the abolition of the Regional Spatial Strategy in a growth region, TPR 84 (6) 2013

<sup>203</sup> Conversations with report authors housing sector representatives across England

<sup>204</sup> Analysis by Tetlow King showed that in 2012 local authorities were planning for 270,000 fewer homes than in 2010 (**Policy Exchange funded research**). Savills found in 2013 that there had been a 6.1% fall in planned dwelling from regional strategies to local plans

**Graph 21: Impact of returning to strategic housing targets on housing supply**



Source: KPMG/Shelter illustration

## 14. Integrate major infrastructure and new large housing sites

The government's long term infrastructure plan commits £100 billion of capital investment to energy, transport and other critical national infrastructure over the next parliament.<sup>205</sup> This plan does not include housing, which means we could miss the strategic opportunity to plan new homes – or whole new settlements – alongside improved infrastructure. Settlements of around 1,500 units could be planned for the long term alongside major transport investments like Crossrail, HS2, electrification of the West Coast line and any new airport capacity.

To make the most of these opportunities we need mechanisms to deliver new homes which are reliable and robust enough to deliver in the timescales set by infrastructure projects, and which can benefit from the uplift in land values created. The main process required currently would be planning permission under the Town and Country Planning Act 1990, which for a development of this scale is likely to take a considerable amount of time in its own right,

even before other necessary consents are also considered.

An obvious candidate would be the Nationally Significant Infrastructure Projects (NSIP) procedure. This planning-led consent regime was initially enacted to deal with nationally significant transport, energy and waste infrastructure projects. It has since been extended to include business and commercial projects – but does not cover housing schemes.

A developer of an NSIP must apply for a Development Consent Order (DCO) which authorises its construction. The application is considered by an examining authority appointed by the Planning Inspectorate, the independent planning appeals body, which then reports to and makes a recommendation to the Secretary of State with responsibility for the relevant sector. The Secretary of State then makes the final decision whether to grant or refuse permission.

<sup>205</sup> HM Government, National Infrastructure Plan, 2013

The NSIP regime represents a more streamlined approach to the consenting process because it requires a decision within one year of the application being made. It provides a 'one stop shop' for consent as it allows for a range of other regulatory consents to be obtained alongside the DCO as part of the same consent process.

Extending the NSIP regime to include major residential developments would maximise the benefits from transport investment by allowing new homes to be integrated into infrastructure plans.

The existing NSIP regime includes rigorous processes of consultation and there is a clear emphasis on local engagement and consultation built into the statutory framework and throughout the guidance. To empower local leaders however, additional requirements should be built into the NSIP process for large scale housing applications to have the backing of the local authority. This would not only have the effect of reinforcing local democratic involvement but would also result in a pooling of resources, expertise and skills from the private and public sectors.

#### Recommendation

The 2015 government should amend the Planning Act 2008 so that residential schemes linked to new transport infrastructure can be included as a

category of Nationally Significant Infrastructure Projects, with the backing of the local planning authority.

### ■ ■ ■ Impact on housing supply

Integrating major new infrastructure and housing development would build additional homes alongside major infrastructure projects. There are currently around 100 NSIPs

in progress.<sup>206</sup> We assume that there will be five opportunities per year to link housing sites to these projects, with a build out rate of 250 units per project per year.

<sup>206</sup> Author conversation with major law firm which represents NSIP clients.



## 15. Increase green belt flexibility

The green belt is an important constraint on urban sprawl in England, but it also has the effect of reducing the responsiveness of house building to rising house prices. The extent of the green belt is very large, covering around 13% of land in England, compared to 10% of land which is 'urban' (mostly parks, rivers and gardens), and just 2% which is actually built upon. The green belt is not only large, it has also grown rapidly, doubling in size from 1979 to 2011.<sup>207</sup>

Green belt land is often portrayed as having intrinsic qualities of beauty or public amenity value. But there is no test of aesthetic or environmental quality that land must pass to receive green belt designation. The green belt is rather a tool to preserve and improve the quality of urban areas, something it has been very effective at doing over the past decades.<sup>208</sup>

One impact of having a tightly drawn green belt around England's major urban areas is that some cities in high demand areas grow beyond their green belt. London and the South East for example, is assessed by some urban geographers to be a mega-city region of some 18 million people and 50 major settlements many of which are miles beyond the city's green belt.<sup>209</sup> People commute across London's green belt from as far away as Bath, Brighton and beyond. In Cambridge over 40,000 commuter journeys per day are made over the city's green belt.<sup>210</sup> Other countries manage green belts by revising them periodically, so that they serve the purpose of supporting sustainable growth, rather than acting as complete blocks on all development.

Some limited green belt swaps of brownfield land are already being encouraged by the government, although the NPPF is not clear on planning authorities' ability to swap green belt land.<sup>211</sup>

### Recommendation

The 2015 government should clarify and extend the use of green belt swaps and green belt reviews so that local authorities have a stronger set of tools to manage their local green belts. These should make it easier for local authorities to swap small amounts of agricultural land out of the green belt, if there is a strong case for new homes, and replace it by

giving land green belt status elsewhere. The onus of any new policy should be that land swapped in to the green belt should be of higher aesthetic or natural value than land swapped out. The government should also consider including specific incentives for trading green belt designation between authorities in new City Deals.<sup>212</sup>

<sup>207</sup> Green Belt, Commons Library Standard Note, January 2014; Defra, Natural Ecosystems Assessment, 2011

<sup>208</sup> The NPPF describes five purposes for the green belt: to check unrestricted sprawl; to prevent the merger of towns; to assist in safeguarding the countryside; to preserve the character of towns; and to assist in urban regeneration by encouraging the recycling of derelict land

<sup>209</sup> Hall, Good Cities, Better Lives (Routledge 2013)

<sup>210</sup> Cambridge Futures

<sup>211</sup> Shelter, Solutions for the Housing Shortage, 2013

<sup>212</sup> Options on cross boundary land use will be explored in more detail in a forthcoming IPPR and Shelter paper

Alongside allowing greater flexibility for councils in reviewing green belts and swapping land in and out, it will be necessary to prevent price speculation on land that may gain planning permission. Speculation in anticipation of a green belt review threatens to extract value and undermine the viability of high quality development. One solution would be to link green belt swaps to rural exception sites. These are sites located on the edge of existing rural settlements that are unlikely to gain planning permission for housing, but which are treated as exceptions as long as they provide affordable housing to local people in

rural communities. While they deliver a small proportion of total housing output, exception sites are responsible for more than half of government grant funded affordable housing in communities of 3,000 homes or less. If green belt swaps are made on the edge of small rural communities, rural exception site policies could ensure that such sites provide homes that are affordable and accessible to local families.

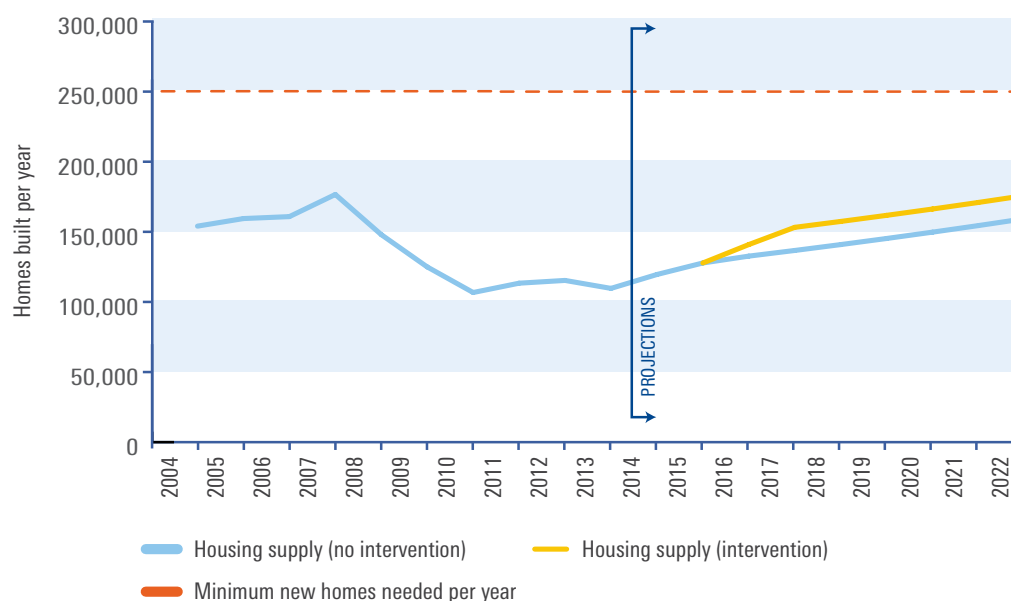
An alternative way to prevent speculative price pressure working against housing objectives would be to combine green belt swaps with New Homes Zones, as proposed in this report.

## Impact on housing supply

If only 0.5% of current green belt land is swapped in this way over a 15 year period, and all the resulting sites were built out at average village densities, it would provide over 16,000 additional homes each year for that

15 year period (see Appendix 2). In our overall illustrative modelling we assume that green belt swaps are combined with New Homes Zones to avoid double counting.

**Graph 22: Impact of green belt swaps alone on housing supply**



Source: KPMG/Shelter illustration

- Foreword
- Executive summary
- Part I: The housing shortage and its impacts
- Part II: England's broken supply system
- Part III: The solutions
- Part IV: A programme for government**
- Conclusion
- Appendices





# Housing programme for

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# HM GOVERNMENT

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## 2015-2020

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# 4 A programme for government

## The new housing principles our country needs

The housing shortage is one of the major strategic weaknesses that our country faces. The shortage is holding back our economy, hurting businesses and pricing people out of a stable home of their own. It has been caused by decades of building too few homes.

HM Government 2015-2020 will learn from the mistakes of the past and reverse the decades-long trend towards fewer homes and higher prices.



## Objectives for the 2015-2020 Housing Programme

### **We will get the country building homes that people want to live in.**

Homes will be attractive, large enough for families and well-connected to jobs and local services. Where new homes are situated will reflect local demand and building will focus on where the shortage is most acute.

..... ■ .....

### **We will get the country building homes that people can afford to live in.**

People of all incomes will be able to buy or rent a home at a price they can afford. This will mean building a mix of tenures, including social, shared-ownership and owner occupied homes.

..... ■ .....

### **We will get the country building homes in communities that will last.**

Homes will genuinely integrate into and extend existing communities, or form entirely new communities capable of sustaining themselves. Public and private green spaces will be prioritised and environmental factors, such as flood risk, will be taken into account.

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### **We will ensure that house prices remain stable.**

The housing market will not be allowed to distort or destabilise our economy again. People will have the confidence that their children will be able to afford a decent home in the future.

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### **We will work with both the public and the private sector.**

Land owners, banks and developers will be able to make a profit from the housing market, but cannot expect to extract disproportionate value from development that the nation needs.

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### **We will usher in a new era of strategic local leadership.**

Local leaders will have the powers and the confidence to set out positive visions for the future of their areas, and the resources to implement them.

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### **Our government will set the standard for future generations of political leaders.**

The numbers of homes built over the course of our government will dramatically increase. In the process we will transform our housing supply system into an effective engine of economic growth that will meet the needs of our people now and for the next generation.

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## Our programme to kick-start a long-term change

To put our principles into action, HM government 2015-2020 will deliver an ambitious programme of change.

### ON DAY ONE

#### Explicitly state our commitment to new housing

We will announce that one of the defining missions of our new government will be to tackle the desperate housing shortage, commit to the transformative principles that our country needs, and announce a five year programme to kick-start a long-term change.

#### Promote housing to the Cabinet

We will promote housing back to the top table of government for the first time since 1970, to confirm house building as a top political priority within our administration.

### WITHIN 50 DAYS

We will set out our full agenda and get serious momentum behind our priorities through the following measures:

#### Put new housing at the heart of a post-election Budget

In an emergency budget following the election we will:

- Launch a rapid review to rationalise the many funding streams that local authorities and LEPs currently draw on for local growth, homes and infrastructure. The emphasis will be on increasing access to investment to unblock stalled sites with infrastructure investment.
- Start setting up a Housing & Infrastructure Bank to reduce housing association borrowing costs and help fund initial land purchases by development corporations and joint ventures. The Bank will be partly funded by tax-free housing ISAs.

- To incentivise building, introduce new tax powers for local authorities to levy Council Tax on sites with planning permission if homes have not been built within a set timeframe.

- Increase the powers of local authorities to tax empty homes, by building on the Coalition's reforms. We will aim to reduce long term empty homes to below 1% of the private housing stock in England.<sup>213</sup>

- Double the size of the Affordable Homes Programme per year (to £2.2 billion), extend it to 2020 and change its terms to prioritise lower rent tenures.

- Extend local authorities' borrowing caps for those which have HRAs by £1 billion, building on the £300 million extension in 2013.

- Provide government guarantees to incentivise banks to lend to small builders, using resources from existing contingent liabilities in the Help to Buy scheme.

Together these measures will signal to the market that our government's policy will focus on boosting housing supply and will target stable house prices.

## ■ WITHIN 100 DAYS

We will embed the reprioritisation through initiating the following legislative and regulatory change:

### Introduce a new Housing and Planning Bill 2015

In landmark new legislation we will:

- Give local planning authorities the power to create New Home Zones – strategic growth areas with no development taxation and a competition to gain development rights.

- Require the Valuation Office Agency to start publishing land price data at an appropriate spatial level and the Land Registry to collect and publish data on option agreements for land. Data on land ownership will be made freely available and more easily accessible for both public and market participants alike.

<sup>213</sup> There are around 288,000 long term (more than six months) privately owned empty homes in England. This represents around 1.6% of the stock. Shelter, Taking Stock, 2011

- Extend powers for local authorities to swap low value agricultural or marginal land out of green belt land, adding equivalent areas to the green belt elsewhere. This will be linked to mechanisms such as rural exception sites which can limit destructive speculation on land price.<sup>214</sup>

- Extend the Nationally Significant Infrastructure Projects planning process to enable new housing sites to be combined with major infrastructure schemes, such as new rail or road links, with the approval of local planning authorities.

- Strengthen the ability of local authorities and other bodies (such as development corporations) to buy land at existing use value plus a premium (e.g. 125%) and streamline the process. An independent, fast, land tribunal will decide the appropriate price and whether the purchase meets all statutory requirements, modelled on the Dutch and US compulsory acquisition processes.

## Publish a new Housing Strategy for England

Our new housing strategy for England will contain:

- **A spatial plan which allows local leadership.** This will set out how housing policies can be tailored by local leaders to London, core-cities, buoyant towns, rural villages and low-demand markets. There will not be a one size fits all approach.

- **A tenure mix plan.** Housing need will be objectively assessed and met locally. Independent assessment of metrics such as house price to income ratios, rent levels, household growth and un-met housing need will be commissioned by LEPs to give local leaders a clear steer on the housing needed.

- **A plan to stabilise the housing market.** Working with the Bank of England and the Treasury the strategy will set out policies to ensure that house prices are stabilised, taking into account the divergent position of local markets across the country.

- **A plan to ensure construction skills shortages can be met with new apprenticeships and that the industry has the stability for investment in the supply chain.**

<sup>214</sup> Shelter, Solutions for the Housing Shortage, 2013

## Include housing in a devolution settlement for England

Building on the Heseltine Review we will provide a clear agenda for greater city autonomy, including housing as a core part of our devolution agenda.<sup>215</sup> We will:

- Use renewed City Deals with the 'core cities' to promote a housing and growth agenda. In particular, we will look at devolving Homes and Communities Agency budgets and powers to successful city-regions, if they can prove that they will provide long term, cross-boundary strategic leadership on housing and infrastructure growth.
- Offer local authorities the chance to sponsor New Garden Cities as equity partners in development corporations, with the promise that they will gain from the land value uplift of sites in the short term, and make long term revenue from their equity stake.

## Launch a review to set clear space and quality standards for new homes

We will task an independent review set clear space and quality standards, to create a level playing field for developers and ensure that the homes we build are homes that people want to live in, and are suitable for changing needs and demographics.

<sup>215</sup> Lord Heseltine, No Stone Unturned, BIS, 2013



## ■ WITHIN ONE YEAR

We will have made serious progress on house building and established a clear direction of travel. Legislative change will have been enacted and early spending decisions taken. We will see an uplift in completions, especially in the affordable sector which can respond rapidly to investment.<sup>216</sup> Further action will be needed however to lock-in the growth in home building. We will:

### Publish plans for new Garden Cities

Taking account of the Wolfson Economics Prize and initial interest from local authorities, we will publish plans for five new Garden Cities, towns or urban extensions to be started within the life-time of the parliament. This will build on the plan for a new Garden City already announced for Ebbsfleet in Kent. We will draw on lessons from the postwar New Towns programme, earlier Garden Cities, and successful international examples.

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### Link homes and major infrastructure more closely

We will update the National Infrastructure Plan, amending its objectives on transport and energy infrastructure to include new homes. Extending the Nationally Significant Infrastructure Projects (NSIP) process to cover large residential developments linked to new major infrastructure will make it easier to plan on this basis.

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### Require housing needs to be assessed across economic areas

We will create a defined statutory role for LEPs in commissioning objective, cross-boundary needs assessments to give planning authorities much better data on what new homes are needed where.

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### Launch an independent review of property taxation

Property taxes could be an important lever for stabilising housing markets and realigning developer incentives, and could provide revenue sources for house building. An independent review will provide evidence and recommendations to the new government.

<sup>216</sup> In 2008, the £8 billion National Affordable Housing Programme was introduced which saw output by housing associations grow more than 25% over the subsequent two years

## ■ WITHINTWOYEARS

We will have consolidated our new vision for housing supply and enacted many of the reforms necessary to realise it. We will see:

- More investment flowing into affordable housing with housing associations increasing the number of homes they start building, including homes for shared ownership.
- Local authority home building increasing as those constrained by borrowing caps – especially in London and the South East – access the finance they need to build on their own land.
- Private builders either starting stalled sites or selling them to those who will build. More and more small builders accessing new sites and getting building.

To continue to drive the change that the country needs we will:

### **Consult on the plans for the first new Garden City, town or urban extension**

We will learn from the failure of the 'Eco-Towns' initiative under the 2005-2010 government and build consensus for the homes we need.

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### **Test whether the changes implemented are increasing or decreasing councils' five year land supply and the number of sites with planning permission**

We will follow an approach that is responsive to success and adapts quickly when measures are not working. Comprehensive testing and monitoring of the programme will be essential.

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### **Continue to work with small and medium sized builders to overcome the barriers they face**

Small builders will play an absolutely essential role in increasing the level of house building. We will take the necessary steps to get the investment that small and medium-size enterprises need to turn building skills and entrepreneurial endeavour into new homes.

## Monitor the supply chain, the cost of raw materials and labour to ensure that industry is able to gear up to the expansion in home building

A significant upturn in the level of house building will require a significant upturn in the number of skilled builders that our country produces. It will be necessary to invest in skills for the many thousands more who could be employed in construction, architecture, planning and many other industries to take full advantage of the economic opportunities and make it possible.

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## Launch a competition for the best use of published land and housing market data to improve the effectiveness of the private land market

The 2015 - 2020 government will see an effective housing market free from market-failures as being central to increasing supply. This will mean more competition between suppliers and house builders, not less. We will use the effective influence of government to bring greater transparency to housing markets.

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## Continue to raise the borrowing cap on local authorities with Housing Revenue Accounts if they prove to be able to deliver affordable homes at scale

In budgets through 2016 - 2020, the government should continue raising local authority borrowing caps towards prudential borrowing levels. This should not impact on measures of public sector net debt, as the government should bring accounting into line with international practice.

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## ■ BY THE END OF THE 2015-2020 GOVERNMENT

By the final years of the next parliament, we will target a major increase in house building with the number of homes built per year heading over 200,000 for the first time in decades.

We will secure a step-change in house building for the long-term by:

### **Starting the first new Garden Cities, towns or urban extensions**

Before the end of the 2015 – 2020 government we will begin building work on the first new Garden Cities, towns or urban extensions.

..... □ .....

### **Quickly growing the custom build sector by giving as much scope to local authorities and others as possible to innovate on different models to make land available**

We will unlock the huge potential that currently exists for people to build and commission their own homes, further increasing quality and creating spaces that are genuinely tailored to them.

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### **Ensuring that local authorities are using stronger compulsory purchase, tax and land assembly powers to bring more land into the market at an affordable price**

We will work with landowners to get the country building, but where there is no movement we will not shy away from taking the strong measures that the country needs. As such, we will empower councils to use a variety of tools to free-up suitable land for building.

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### **Raising the local authority borrowing cap further if councils prove they can deliver homes at scale and value for money for the tax-payer**

Many local authorities are desperate to build new homes to find homes for people on their housing waiting lists. Where councils are able to demonstrate their capacity to deliver those homes they will be empowered to do so.

..... □ .....



# Conclusion

People on ordinary incomes should be able to buy or rent a home at a price they can afford today, and have confidence they will be able to afford tomorrow. That simple goal necessitates a housing supply sector that delivers the number and type of homes we need.

If we can solve the dysfunctions at the heart of our house building system, we can create a market that builds enough homes, at reasonable prices. Nothing less will do. The good news is that this has already been achieved in comparable countries that have intervened to create more stable housing and land markets, and in doing so have transformed the quality and quantity of their housing stock.<sup>217</sup>

**We can do so in England too.**

<sup>217</sup> Hall and Falk, Good Cities, Better Lives, Routledge 2013



# A Summary of evidence

KPMG and Shelter have worked together on the analysis and solutions for this report for over a year, building on the evidence set out in several prior reports as well as new evidence and analysis. Below are listed some of the main pieces of evidence feeding into our analysis.

## Appendix 1: Summary of new research

### West Midlands Evidence Report

*KPMG and Shelter, Homes for the Next Generation: Lessons from the West Midlands, 2013*

KPMG and Shelter conducted a series of joint round-tables in the West Midlands in 2013 to speak with all players in the housing supply system about why not enough had been built over recent years and what interventions they felt could increase housing supply. We spoke with local authorities, small and large house builders, housing associations and the LEPs in three round-tables, with a final round-table bringing all parties together. This was followed up by a series of meetings with other stakeholders in the West Midlands led by KPMG.

The evidence from these round-tables suggested that the dysfunctional land market, falling investment and the lack of a strategic vision across all parties were the main factors, which informed our analysis in this report. Participants did not think that development finance or the planning system were the most significant barriers, although they did think that the planning system was far too slow.

### The house building industry

*Europe Economics, How to Increase Competition, Diversity and Resilience in the House Builder Market, 2014*

Declining competition and resilience to economic shocks in the house building industry was identified as a major barrier to expanding housing output in KPMG and Shelter's West Midlands analysis. Europe Economics were commissioned to look in greater depth at why the house building industry was increasingly dominated by a few major players and test different policy interventions designed to increase the diversity of firms in the market and their resilience through the market cycle.

Their analysis found that the single most important intervention to boost competition and resilience long term was to stabilise the house price cycle to reduce volatility. However, they found that a range of interventions could have a net positive impact on supply by improving competition, diversity and resilience of the sector:

Policy		Impact	Impact timescale
1	<b>Introduction of diversity of supplier guidelines or rules in procurement policy for the HCA</b>	Would increase diversity and choice within the sector, resulting in a more responsive supply in the longer term.	<i>Medium- to long-term.</i>
2	<b>Assembly of sites owned by the public sector to create a property portfolio for local authority pension funds</b>	Around 24,000 units over ten years if the model used in the Housing Investment Fund by Manchester City Council is rolled out nationally.	<i>Short-term.</i>
3	<b>Introduction of a stronger principle of avoiding the creation of house price cycles through policy</b>	Faster, early build-out rates which may have lasting effects as reduced house price volatility improves responsiveness of supply.	<i>Short-, medium- and long-term.</i>
4	<b>Creation of a special administration regime for 'zombie house builders' whereby the Crown reasserts its fundamental ownership of the land if a house builder becomes financially distressed (e.g. insolvent)</b>	Up to 36,000 units over three years on the basis that the downturn is advanced. Future downturns would be well served as distressed land is made available, allowing for a more responsive supply.	<i>Long-term.</i>
5	<b>Introduction of the relevant change of use taxation as soon as planning permission is granted</b>	Faster, early build-out rates as a result of the increased cost of holding undeveloped land.	<i>Short-term.</i>
6	<b>Government ensures that capital requirements reflect systemic risks associated with house building</b>	Potential to increase build-out rates, as finance becomes more readily available, reducing a key barrier to growth and allowing a more responsive supply.	<i>Short- to Medium-term.</i>

## Long-term investment in affordable housing

### *Capital Economics, 2014*

Shelter commissioned Capital Economics to develop and stress-test a number of investment options for affordable housing which could be used to help attract the extra £12 billion of public and private investment in affordable housing that is needed for this programme.

Capital Economics looked at:

- An affordable Housing and Infrastructure Investment Bank
- Savings products (such as Housing ISAs) to provide ongoing funding for such a bank
- Special Purpose Vehicles for housing associations
- Increasing local authority borrowing caps
- Tax increment financing
- Public sector land lease
- Guarantees for SME builders

Capital Economics ran a stress-testing workshop with senior figures from lenders, house builders and other industry players in February 2014.

## Land market interventions

### *IPPR and Shelter, for publication 2014*

Shelter have partnered with the think-tank the Institute for Public Policy Research (IPPR) to understand how local land markets could release more development land.

In particular, the two organisations have looked in detail at the land markets in dynamic cities with particularly acute housing affordability problems i.e. York, Bristol, Oxford/Bicester and Cambridge. Shelter and IPPR interviewed senior figures in the planning and leadership teams of the relevant local authorities to understand the local context and stress-test ideas for land market interventions.

The detailed findings will be published in a separate report, but initial findings have fed into the analysis for the joint KPMG and Shelter report.

# A Assumptions and methodology of the policy illustrations

## Appendix 2: Assumptions and methodology of the policy illustrations

In this report, KPMG and Shelter present some illustrations of what may happen to housing supply with no intervention and what might happen if the interventions that we recommend are put into action.

These illustrations are simple and based on a set of assumptions set out below. The housing supply system is extremely complex and linked into the performance of the wider economy. We have not attempted to provide a fully robust forecast for housing supply out to 2020 and beyond, rather what we have done is shown broadly the scale of impact we would expect from the individual policy interventions and the programme as a whole, all things being equal.

### 1. No change base-line scenario

Our scenario for future housing supply with no intervention is based on the following assumptions:

- For private building of homes for sale we have assumed 7.7% annual growth for 2014 and 2015 and then 3.85% from 2016 onwards. This is based on historic completions data for the 50 years before the 2007 slump. Private market housing grew on average 7.7% in periods of expansion, but more than half the years over that 50 year period private market house building either contracted or stagnated.<sup>218</sup>
- Housing associations continue with the same level of annual output of affordable homes as for the five year period since the recession in 2007. While the government has ambitious plans for housing association delivery<sup>219</sup>, the budget for affordable home building 2015 – 2018 is smaller than for 2011 – 2015 and there is no confirmed budget post 2018.
- In 2013 local authorities built just over 800 affordable homes in England. We project that without intervention local authorities will expand to 3,000 units per year by 2017 due to extra financial autonomy from HRA reform and current expansion plans.<sup>220</sup>
- The base line for all data is 2013 annual data on completions by tenure (Live Table 244).

<sup>218</sup> DCLG, Live Table 244 Completions Private Enterprise and Shelter calculations

<sup>219</sup> HCA, Prospectus 2015-18 AHP Programme, 2014

<sup>220</sup> Perry, Let's Get Building, LGA 2012

## ■ 2. KPMG and Shelter programme (total)

Our scenario for the KPMG and Shelter programme is based on an aggregate of the individual policy interventions, with units that may be double counted removed.

- The total output from land market interventions has been deflated by one third, to account for units which are funded through the investment package but may be built on land brought forward by land market interventions.
- The impact of New Homes Zones is taken out of the total figure entirely, as it is quite possible that local authorities would combine this policy with green belt swaps.
- The coloured bands for each of the four 'themes' (strategic local leadership; diverse and resilient industry; public and private investment; and land market reform) are highly illustrative. We have grouped together the total output from the policies that fit under the four categories and subtracted the units deflated from the total as set out above. We have taken 20% of the land market intervention total and grouped that into 'diverse and resilient industry' as we expect 20% of the plots from major land interventions to be used for custom build, which will help provide plots for local builders.
- Assumptions for each individual policy intervention are listed below. Not all interventions could be quantified and so are not included either as a quantum or as a multiplier. The 'total' scenario may therefore be an underestimate of what the programme could deliver.

### 3. Investment package

#### Assumptions:

- To understand how many new affordable homes could be built from extra investment we need assumptions on how many units can be built for an amount of spending (units per £ spent) and also an assumption about how quickly affordable house builders could expand their production to meet the extra level of investment (absorption rate).
- Units per £ spent. We model an additional £12 billion of capital investment for affordable home builders for the period 2015 – 2020. This is on top of the already allocated £3 billion for 2015 – 2018. The additional investment would be capable of delivering over 200,000 new homes on the assumption that half are social rent, a quarter are intermediate rent and a quarter are shared ownership. We assume half of this additional investment is extra grant investment from central government and half is direct investment from private institutional or other investment. Shelter and Legal & General have estimated that two major institutional investors could fund 5,000 new affordable units each per year, but that this would rely on new land market innovations (such as New Homes Zones or local authority land joint ventures). We model the private investment as having the same supply impact as public grant.
- Absorption rate. To model how quickly the extra investment could be absorbed we assume that grant funded affordable house builders are able to expand their total output by a maximum of 19% for three years and then by 13% for the following five years. In 2008/09 following the introduction of the £8.5 billion National Affordable Housing Programme (NAHP) the number of affordable homes built by housing associations increased by 19%. We assume 13% growth for the following years so that the programme delivers the 200,000 additional affordable homes we are funding through public and private investment. Our assumption is that expansion is fast, but with additional investment and land market interventions affordable home builders will have a lot of support.
- To calculate the number of additional affordable homes built by local authorities we assume that the caps on Housing Revenue Accounts are raised progressively through the parliament until they are in total £7 billion higher than current (2014) levels. We assume that it takes eight years to make full use of the caps with local authority output rising from 2,600 units in 2015 to 9,600 in 2022.
- Capital Economics calculate that a new National Housing Investment Bank could increase the supply of new affordable and market homes by 7,400 per year from 2019 onwards (if it is set up in 2015). Their calculation is based on a 100bp cut in the cost of funds to housing associations and the impact this would have on their own development and ability to buy S106 properties from private developers.
- Capital Economics calculate that more use of joint ventures on local authority land could increase the supply of new affordable and market homes by 6,800 homes per year from 2018 onwards based on 2005 – 2013 average build rates and the assumption that removing the input cost of land would increase the ability of housing associations to borrow and build, all things being equal.



#### 4. Stalled sites and build out rates: Infrastructure boost and development tax

##### Assumptions:

- It is difficult to calculate what impact extra infrastructure investment would have on stalled sites, as each site is different. We have therefore used a proxy to calculate what impact our proposed £250 million infrastructure pot would have across the 55,800 stalled units in England.
- We use the Milton Keynes Development Tariff as a proxy. The Development Tariff is a charge to land owners within the urban development area to pay for the additional infrastructure requirements created by building new homes. The Tariff is £18,500 per unit which (unlike the Community Infrastructure Levy) gives us a stable figure from which to calculate the impact of a national infrastructure fund. We assume that a subsidy of £18,500 per unit would be enough to ensure viability of a proportion of units that are currently stalled.
- £250 million of infrastructure subsidy would unlock 13,500 units if we take the Milton Keynes figure above. To deliver those 13,500 units we assume that a higher proportion are unlocked in year one (8% of stalled units) with declining marginal impact each year out to year seven (2% of stalled units). This is because those sites closest to viability would be started first with declining impact per site over time.
- In addition to the infrastructure subsidy we have proposed a 'change of use' taxation across all sites in order to speed up build out rates (stalled or otherwise). The taxation would apply after a reasonable period of time to incentivise build out and would be based on the Council Tax that would be generated if the homes were built and occupied.
- Europe Economics constructed a model to determine what impact the tax would have on the build profiles of different sizes of house builder. The table below shows a hypothetical 2,000 unit site being built out over ten years by a medium sized house builder. With no tax, the build out rate starts slow and remains steady across ten years. With the tax, build out speeds up and is concentrated towards the start of the ten year period.
- Using Europe Economics calculations for medium sized house builders in conjunction with infrastructure spending across England's 55,800 units on stalled sites, we calculate that an additional 26,400 units would be built across the seven years modelled from 2015.

##### Medium House-Builder –Hypothetical 2,000 unit site

Year	Units built – no tax	Units built – with tax	% difference
<b>1</b>	109	134	23
<b>2</b>	187	218	17
<b>3</b>	208	230	10
<b>4</b>	222	247	11
<b>5</b>	250	269	8
<b>6</b>	239	247	4
<b>7</b>	208	213	2
<b>8</b>	226	236	5
<b>9</b>	193	197	2
<b>10</b>	158	9	-94

## 5. New Garden Cities

### Assumptions:

- We assume that a new government will build five new Garden Cities of a similar size to Welwyn and Letchworth. We assume 30,000 units at full completion.
- The build out rate will be 1,000 units per year on each new site. Milton Keynes which started building in the late 1960s is now a town with over 100,000 dwellings, showing that this build out rate is achievable.
- We assume that the first two sites will start in 2018 at the earliest, due to the period of design and consultation.

## 6. New Homes Zones

### Assumptions:

- We assume that the average size of a New Homes Zone will be 500 units. This is a conservative assumption and many could be larger. The North West Cambridge Development which is the type and scale of development we envisage is for 3,000 new homes.
- We very conservatively assume that just 10% of local authorities in England will use New Homes Zones each year, rising by 2% per year to hit 22% by 2022. In the Dutch VINEX programme, from which this policy takes much of its inspiration, total Dutch housing stock was increased by 7.6% with ninety urban extension schemes as well as inner city developments.<sup>221</sup>
- The build out rate will be 250 units per year. The build out rate planned for the North West Cambridge Development averages 230 per year for 13 years.<sup>222</sup>

## 7. Green belt swaps

### Assumptions:

- 0.5% of England's 1,639,540 hectares of green belt land will be swapped over a period of 15 years. We have assumed a small amount of land is swapped in this way as any local decisions on green belt land will require public consultation. City of York Council has recently proposed to develop 1.8% of green belt land over 15 years suggesting our assumption is moderate.
- Development will happen at village density of 30 units per h.a.
- It will take one year to implement the legislation to allow more green belt swaps (start date assumed to be 2016).

## 8. Nationally Significant Infrastructure Projects

### Assumptions:

- There are currently 100 NSIPs in progress since the process was introduced in 2008/09, we estimate that five opportunities to link medium housing sites to major new infrastructure will be identified per year in England.
- The build out rate will be 250 units per year per project as with New Homes Zones.
- We assume 500 units per project.
- Construction assumed to start in 2017 due to passing legislative changes and identifying appropriate sites.

<sup>221</sup> Hall and Falk, Good Cities, Better Lives, 2014

<sup>222</sup> North West Cambridge Planning Application, Phasing and Implementation

## 9. LEPs to co-ordinate cross-boundary needs assessments

Assumptions:

- When regional spatial plans were scrapped, there was a net loss of 270,000 planned units in England.<sup>223</sup>
- We assume that over a 16 year period, strategic SHMAs commissioned by LEPs move us back towards a more strategic overview of housing need within functional market areas and therefore back to the RSS level. 16 years is the time period considered in the cited Tetlow King study for the development of the 270,000 planned units.
- This is the equivalent of an extra 16,800 planned units in England per year.

## 10. Help to Build

Assumptions:

- Capital Economics estimate that a minimum of £40 million guarantees are needed to return commercial lending to SMEs to pre-recession levels. This may be higher depending on the risk appetite of lenders. Capital Economics estimate that this will deliver 3,000 extra units per year.

## 11. Expanded City Deals

Assumptions:

- It is very difficult to estimate what impact extra infrastructure spending will have on house building. We assume the total scheme cost of infrastructure works is £55,000 per unit based on a proxy. We use plans for development in Cambridge as our proxy for total scheme infrastructure costs.<sup>224</sup>
- The annual pot available to LEPs for local growth is £2 billion. We assume that 20% of this is earmarked for unlocking homes and infrastructure.
- This will deliver 7,000 extra new homes per year.

<sup>223</sup> Tetlow King and Policy Exchange, 2012

<sup>224</sup> Falk, Beyond Ecotowns: the economic issues, 2008

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This Report has been prepared by KPMG and by Shelter, on terms agreed by KPMG with Shelter, to encourage public debate about the housing shortage in England and action by politicians. Recognising that Shelter is a charity performing a public service, KPMG has not charged any fee for involvement in preparation of this Report. This Report is not designed to provide advice to any of the various parties interested in the topic of housing or the housing shortage in England. Solutions are proposed to facilitate consideration and debate. KPMG and Shelter have not made any preferences for party political considerations and have taken an objective and impartial approach. This Report is not suitable to be used or relied on by any party wishing to acquire rights or assert any claims against KPMG or Shelter for any purpose or in any context. Any party choosing to use or rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, each of KPMG and Shelter does not assume any responsibility and will not accept any liability in respect of this Report to any reader.

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## Appendix JS5

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Former Secretary of State for Housing, Communities and Local  
Government Speech on the Housing Market  
(16 November 2017)



1. Home (<https://www.gov.uk/>)

Speech

# Sajid Javid's speech on the housing market

**From:** Department for Communities and Local Government  
(<https://www.gov.uk/government/organisations/department-for-communities-and-local-government>)  
and The Rt Hon Sajid Javid MP (<https://www.gov.uk/government/people/sajid-javid>)

**Published:** 16 November 2017

**Delivered on:** 16 November 2017 (Transcript of the speech, exactly as it was delivered)

Secretary of State's speech on the housing market.



Thank you, and good morning everyone.

Half an hour ago, the official figures were published (<https://www.gov.uk/government/statistics/housing-supply-net-additional-dwellings-england-2016-to-2017>) showing that the number of new homes in England increased by more than 217,000 last year.

That represents the highest level of net additions since the depths of the recession, and it's the first time in almost a decade that the 200,000 milestone has been reached.

Yesterday, the Housing Minister Alok Sharma, he signed the papers that will allow housing associations to be reclassified as private sector organisations.

Freed from the shackles of public sector bureaucracy, associations will be able to concentrate on their core, crucial mission – building homes.

Later this morning, the Prime Minister will be in north London meeting with families living in new, high-quality social housing.

They're just some of the families to benefit from last year's 27% rise in the number of new affordable homes.

And they'll soon be joined by many more thanks to the £9 billion that we're investing in affordable housing.

Now, all that is just the tip of the iceberg.

Because this is a government that is getting things done.

A government of deeds, not words.

We've doubled the housing budget to deliver a million more homes, including hundreds of thousands of affordable ones.

We have reformed planning rules, leading to record levels of planning permissions being granted.

We have fought bureaucratic inertia and vested interests and we have freed up unprecedented levels of public sector land.

We're providing hundreds of millions of pounds of finance for small and innovative builders to accelerate construction speeds.

And tens of thousands of derelict homes are being brought back into use...

The list goes on and on.

So yes, we've done a lot.

Yet it is painfully obvious that there remains much, much more to be done.

217,000 net additions means 217,000 more people or families with a roof over their heads.

217,000 places where people can put down roots and build their life.

But fixing the broken housing market will require a much larger effort.

The figures that have been released today show that we have started turning things around.

But they are only a small step in the right direction.

What we need now is a giant leap.

You wouldn't know it if you listened to some people.

Even today, I still hear from those who say that there isn't a problem with housing in this country.

That we don't need to build more.

That affordability is only a problem for Millennials that spend too much on nights out and smashed avocados.

It's nonsense.

The people who tell me this – usually baby boomers who have long-since paid off their own mortgage – they are living in a different world.

They're not facing up to the reality of modern daily life and have no understanding of the modern market.

The statistics are well-worn but they do bear repeating.

Nationwide, the average house price is now 8 times the average income.

The average age of a first-time buyer is now 32.

People in their early 30s are half as likely as their parents were to own their home.

A third of all men in their 30s are still living with their parents – a stat that will send a shiver down the spine of all mums and dads everywhere!

Where once it would have taken an average couple 3 years to save for a deposit – 3 years – it will now take a quarter of a century. Assuming, of course, they can afford to save at all.

And last year, the average first-time buyer in London needed a deposit – a deposit – of more than £90,000.  
£90,000!

That's a lot of avocados.

Now, like some kind of noxious oil slick, the effects of our broken housing market are spreading slowly but steadily through all our communities and all demographics.

And if we fail to take decisive action, the impact will be not just be felt by those who are directly touched by it.

And that's because your home is so much more than just the roof over your head.

It's not the backdrop to your life, it's a fundamental part of it – and of society too.

Our home is supposed to be our anchor, our little patch of certainty in an uncertain world.

And once you have that certainty, that stability, then you can start to put down roots.

Start making friends.

Become part of your community.

You can begin to play your role in those Burkean "little platoons" that have long been at the heart of much political thinking, for 2 centuries or more.

So our homes are engines of society, and they're also engines of social progress.

In purely fiscal terms, yes, but in so many other ways.

A safe place where children can do their homework, spend time with their parents.

It's much, much harder to get on life if you're constantly forced to move from school to school, from place to place because your parents can not afford the rent.

And homes are the rocks on which families and communities are built.

If, like me, you believe in the importance of a strong, stable family unit, if you got into politics to help protect it, then you must also accept that homes should be made available.

You simply must.

[Political content removed] At the heart of British life – is the idea that if you work hard you are free to enjoy the rewards.

It's an idea that has been articulated by countless politicians over many generations.

But it's an idea that is fundamentally undermined by our broken housing market.

Because working hard no longer guarantees rewards.

There is no guarantee that you will be able to afford a place of your own, to buy your own home, build your own life, pass something on to your children.

With wages swallowed up by spiralling rents, there's not even a guarantee that you'll be free to spend your money on what you choose.

Opportunity is increasingly limited not by your own talents but by your ability to make a withdrawal from the Bank of Mum and Dad.

The generation crying out for help with housing is not over-entitled.

They don't want the world handed to them on a plate.

They want simple fairness, moral justice, the opportunity to play by the same rules enjoyed by those who came before them.

Without affordable, secure, safe housing we risk creating a rootless generation, drifting from one short-term tenancy to the next, never staying long enough to play a real role in their community.

We risk creating a generation who, in maybe 40 or 50 years, reaches retirement with no property to call their own, and pension pots that have not been filled because so much of their income has gone on rent.

A generation that, without any capital of its own, becomes resentful of capitalism and capitalists.

And we risk creating a generation that turns its back on the politicians who failed them.

A generation that believes we don't care.

[Political content removed]

We must fix the broken housing market, and we must fix it now.

Tomorrow will be too late.

February's white paper (<https://www.gov.uk/government/publications/fixing-our-broken-housing-market>), that set out our broad vision for doing so.

It described the scale of the challenge and the need for action on many fronts.

Since then we've been putting it into action, laying the foundations for hundreds of thousands of new homes.

But I'm about as far from complacent as it's possible to get.

So I'm not about to let myself – or anyone – think that the battle is already won.

I'm going to keep on pushing for much more change, keep on seeking answers to the questions that need to be asked.

Can and should central government take a bigger, more active role in building homes?

Our vision for Garden Villages and Garden Towns have been well received by planners and residents alike.

But should we now be more bold, taking the concept to the next level and creating larger Garden Cities?

How can we get more land into the system, freeing up more sites on which to build?

Despite what some claim, our green and pleasant land not about to turn concrete grey.

Twice a day, more of Britain gets covered by the incoming tide than is currently covered by buildings.

England is the most developed part of the UK, yet less than 10% of its land is urban.

Building the homes that we need does not mean ruining vast tracts of beautiful countryside. It doesn't mean that at all.

It just means working with local communities to make sensible, informed decisions about what needs to be built and where – and finding the right sites on which to do so.

Many of those sites are already part of the urban landscape.

Bristol was quick to sign up to the pilot scheme that we set up for a Brownfield Register.

As a result, another 248 sites have been identified right across this city.

And none of them require the loss of a single piece of greenfield land.

But whether in cities or the countryside, the key to unlocking new sites is infrastructure.

The right infrastructure can make private development viable.

It can make new communities places where people actually want to live.

And it can make development acceptable and attractive to existing communities.

Tomorrow, the National Infrastructure Commission will publish its report on the opportunities on offer if we open up the Cambridge-Milton Keynes-Oxford corridor.

I'm very much looking forward to what Lord Adonis has to say.

That's because infrastructure has to be at the heart of any major development. And as Secretary of State I will make sure make sure that it is.

Too many commentators seem to think we have to choose one solution and stick with it, whether that's planning reform, it's infrastructure, it's training or it's investment.

That couldn't be further from the truth.

There are many, many faults in our housing market, dating back many, many years.

If you only fix one, yes you'll make some progress, sure enough.

But this is a big problem and we have to think big.

We can't allow ourselves to be pulled into one silo or another, and I don't intend to let that happen.

So there is much that central government can do.

But, acting alone, we won't be able to do anything.



Fixing the broken market requires action on many fronts, and from many actors.

That's why we're here today.

I never need an excuse to come back to Bristol, the city where I grew up, my home town.

Being here this morning means I can visit my mum's in time for lunch!

She makes the best lamb samosas this side of Lahore!

But this city – and the site we're on today, Temple Meads Quarter – is also a great example of how different agencies and different groups of people can work together to deliver the homes we need.

When I was a kid, the Temple Meads area was a picture of decline – neglected, run-down, under-used.

The sorting office building had stood empty and increasingly derelict since 1997.

Today, the whole area is being reborn as a new urban hub, a modern and sustainable place to work, to learn, to play and to live.

Appropriately enough, the list of business tenants includes HAB, the innovative housing start-up co-founded by Kevin McCloud.

They're just down the road at Temple Studios.

We're building homes for businesses, so that businesses can build homes for us!

The transformation of Temple Meads has many parents, but at its core is a local authority that's pro-development and a government agency – the Homes and Communities Agency – that's willing to use all of the powers at its disposal.

Now you couple that with a Local Enterprise Partnership that's serious about building, a combined authority that's committed to delivering the right infrastructure, can-do attitude from the superb West of England Mayor Tim Bowles, and a private sector that's ready to meet the challenge... The results, they speak for themselves.

This kind of collaboration brings results, and I want to see these kind of results replicated right across the country.

And that means a huge range of different groups working together to tackle the many faces of the housing challenge.

For starters, I want the Homes and Communities Agency to be less cautious, to be more aggressive, and to be more muscular.

To take its foot off the brake and use all the tools we've created for it.

The agency is taking that approach here at Temple Meads, and the results are clear for us to see.

Now it's time to repeat that success right across the country.

The private sector developers must also play their part, building more homes more quickly.

They're great at securing planning permissions – but people can't live in planning permissions.

The government is actively removing barriers to build-out.

As the white paper said, we're tackling unnecessary delays caused by planning conditions.

We're making the process of dealing with protected species less painful.

And we're committed to tackling the skills shortage and boosting the construction workforce.

We're giving the industry the support that it needs, and I expect the industry to respond by getting shovels in the ground.

That's why the white paper also set out plans to increase transparency and accountability, so everyone can see if a developer is dragging its feet.

Now, I've been very clear about the need for an end to unjustifiable land banking.

But the sector should remember that it's not just government that wants to see this happen.

It's a time of national shortage, and in this kind of time British people will not look kindly on anyone who hoards land and speculates on its value, rather than freeing it up for the homes our children and grandchildren need.

Then there are the housing associations.

I've talked before about my admiration for the work they do.

They kept on building throughout the recession.

They're on course to deliver 65,000 new homes a year by next year.

And many of those homes will go to be people who would otherwise be simply unable to afford them.

Housing associations are run like big businesses – after all, they have assets worth about £140 billion.

But they deliver an incredible social good, providing good quality homes for millions of people right across the country.

They have such an important role to play in getting homes built, which is why this government has not hesitated to give them the resources they need to succeed.

Just in the past month or so we've given them certainty over rental income and increased by £2 billion the fund from which they can bid for cash to build homes for social rent.

And today, as I said at the start of this speech, we're reclassifying housing associations, taking them out of the public sector and off the government's balance sheet.

I know it sounds like a piece of bureaucratic box-ticking.

But the results will be far-reaching.

Freed from the distractions of the public sector, housing associations will be able to concentrate on developing innovative ways of doing their business, which is what matters most: building more homes.

Finally there is the most important cog in the housing and planning machine, local government.

Some councils – most in fact – are doing very well.

Where that's the case, where councils are showing real drive and ambition, the government will back them every step of the way, including with the kind of housing deal we're negotiating here in the West of England.

And in the areas where supply and demand are most badly mismatched, where most homes are unaffordable to most people, I want to give local authorities the tools they need to build more – and that includes financial help.

I want to help local authorities because most of them deserve that help.

They're recognising their responsibilities and they're stepping up to meet them.

But too many still leave much to be desired.

It's more than 13 years since our existing local plan process was first introduced, letting England's 338 planning authorities set out how and where they expect to meet their residents' needs for new homes.

Yet, incredibly, more than 70 still haven't managed to get a plan adopted.

Of these, 15 are showing particular cause for concern.

Deadlines have been missed, promises have been broken, progress has been unacceptably slow.

No plan means no certainty for local people.

It means piecemeal speculative development with no strategic direction, building on sites simply because they are there rather than because homes are needed on them.

It means no coherent effort to invest in infrastructure.

It means developers building the homes they want to sell rather than the homes communities actually need.

And so on.

It's very simple: unplanned development will not fix our broken housing market.

It will most likely make things worse.

I do believe in localism above all else, which is why I've been willing to tolerate those who took their time to get the process moving.

What mattered most was that they got there in the end.

But today is the day that my patience has run out.

Those 15 authorities have left me with no choice but to start the formal process of intervention that we set out in the white paper.

By failing to plan, they have failed the people they are meant to serve.

The people of this country who are crying out for good quality, well-planned housing in the right places, supported by the right infrastructure.

They deserve better, and by stepping in now I'm doing all I can to ensure that they receive it.

To the other authorities who are lagging behind, don't think for one minute that you've got away with it.

That you can ignore agreed deadlines or refuse to co-operate with your neighbours.

Get your plan written.

Get your plan adopted.

I've shown today that I will take action if this doesn't happen.

I will not hesitate to do so again.

I've talked a lot today about housing supply.

After all, building more is the single biggest challenge that we face.

But this government's housing policy goes way beyond that.

Our homes and our lives are completely intertwined, which is why we're determined to make the housing market work better at every stage of your life.

We're building more houses so that you don't have to spend your childhood crammed into the kind of overcrowded accommodation I grew up in.

We're making the rental market fairer, more transparent and more affordable, so that when the time is right and you can leave home you can get a place of your own without being ripped off.

We're introducing longer tenancies, so you can plan ahead, put down roots, and you can start saving for that deposit.

We're creating a supply of affordable, appropriate homes for first-time buyers so that, when you're ready, you can get a foot on the housing ladder in the same way your parents did.

And we're helping you take the step up to buy your own home by putting billions of pounds into schemes like Help to Buy.

We're tackling rogue managing agents who hit leaseholders and tenants with unfair charges.

And we've launched a crackdown on abuse of leasehold so that desperate young buyers don't get stuck with a costly, unsellable asset.

We're reforming the whole process of buying and selling homes, so that as your family grows and your needs change you can move up the property ladder with the minimum of stress and expense.

We're making sure that developers offer a proper supply of suitable smaller homes so that you downsize once you get older.

And we're encouraging the construction of more sheltered and supported housing, so that the right kind of homes are there for you in your old age.

Faced with the crisis of the Second World War, Churchill demanded "action this day" so the country could rise to the challenge.

And, faced with an unprecedented housing crisis, that's what you're going to get from this government.

Real action, day after day, week after week, to give this country a housing market that works for everyone.

In next week's Budget you'll see just how seriously we take this challenge, just how hard we're willing to fight to get Britain building.

But, as I've said, central government can only do so much.

If we're going to fix our broken housing market, if we're going to repair the damage that's being done to our society and communities, if we're going to make good on our promise to the next generation then, just like in Churchill's day, we all have a role to play.

We all have to roll up our sleeves and get to work.

Most important of all, we all have to ask ourselves what kind of country we want this to be.

Do we want this to be a nation where people who work hard can afford a place of their own?

Where strong families are raised in stable, close-knit communities?

Where ordinary working people can save for retirement and pass something on to their children?

I know I do.

That's why I'm totally committed to building more of the right homes in the right places at the right prices.

So is the Prime Minister.

So is the Chancellor.

So is this government.

It's a national crisis and it's one we're ready to meet.

The question is, are you ready to join us?

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From: Department for Communities and Local Government

(<https://www.gov.uk/government/organisations/department-for-communities-and-local-government>) The Rt Hon Sajid Javid MP (<https://www.gov.uk/government/people/sajid-javid>)



## Appendix JS6

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BBC Housing Briefing (February 2020)



# **BBC Briefing: Housing**



“The strength of a nation derives  
from the integrity of the home”

Confucius

# Index

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1. The UK's Housing Crisis	04
2. Britain's Housing Heritage	11
3. Homelessness	29
4. A Home of Your Own	45
5. Social Housing	75
6. Private Housebuilding	89
7. Private Rental Sector	113
8. Closing the Housing Gap	131
9. How Can Government Deliver?	145
10. The Parties' Housing Proposals	168
Conclusion	178
Glossary	181



## Part 1/10

# The UK's Housing Crisis

The UK is experiencing what many describe as a housing crisis. Millions of households are living in sub-standard or overcrowded conditions. Many are on local council waiting lists. Some individuals are sleeping rough. House prices and rentals are becoming unaffordable for many. Today's young are living at home for longer, and some are struggling to buy a home.

At the same time, we are building fewer homes than in many periods in the past.

What can be done to resolve Britain's housing crisis? BBC Briefing assesses the evidence and the options.



# There are 320,000 homeless people in the UK

## The scale of homelessness in the UK

- Homelessness affects 140,000 families, including an estimated 120,000 adults and 200,000 children
- The number of people sleeping rough – more than 5,000 - has almost tripled since 2010
- Most homeless people are not living on the street but in temporary accommodation or shelters, or are sleeping on friends' sofas
- In England, 85,000 households are in temporary accommodation, such as short-term private rentals; temporary social housing stock; and B&Bs and hostels - with an additional 10,000 on the waiting list for such accommodation
- The rate of homelessness is significantly greater in Northern Ireland than in the rest of the UK



Source: [Office for National Statistics \(ONS\)](#), [Shelter](#), [Crisis BBC News Reality Check](#) - "How many people sleep rough in England and how are they counted?"

# More than one million UK households are on council-housing waiting lists

## Waiting lists

- In April 2018, there were 1.11 million households on English local authority waiting lists, down from a peak of just over 1.8 million in 2012
- These are low-income households who are eligible for accommodation provided by councils or in homes managed by housing associations – sometimes (but not always) not-for-profit bodies, which are subsidised and regulated by the relevant government
- However, the stock of social housing has declined substantially in recent decades

Note: There are some limitations with waiting lists as a measure of need. Some people register in more than one place; local criteria vary; there may be some double-counting; and some people stay on the list even if their needs have been met elsewhere



1960s flats in Leeds

# More than four million people in the UK live in sub-standard or inappropriate accommodation

## Categories of sub-standard housing

- **“Non-decent”**: A home is defined as “non-decent” when it is not in a reasonable state of repair, does not have reasonably modern facilities and services, or has ineffective insulation or heating
  - According to the English Housing Survey, 4.3 million households in England were living in “non-decent” homes in 2018 - about one-sixth of all households
- **Unfit for human habitation**: Housing charity Shelter estimates that around one million homes in England, affecting 2.5 million people, are unfit for human habitation
  - These are homes that under a government rating system pose “a serious and immediate risk to a person’s health and safety”. This can include structural weakness, dampness, pest infestations, or fire hazards
- **Overcrowding**: On average, an annual 788,000 of the 23 million households in England were estimated to be overcrowded in the period between 2016 and 2019
- **“Inappropriate” housing**: This category includes council tenants housed, for example, in unsuitable converted office blocks, or elderly residents in homes that do not meet, for example, their mobility needs. Research by Heriot-Watt University found that 326,000 households in Great Britain lived in such conditions

# Many households would like their own homes but cannot afford either to buy or rent

## The 'hidden households'

- People who cannot afford to own or rent – the so-called hidden households – include:
  - young adults who are still living at home with their parents
    - 27% of 20-34-year-olds are still at home
    - this category of 20-34-year-olds increased by one million between 1999 and 2019
  - couples living with other family, such as in-laws
  - couples who have divorced but are forced to keep living together because they cannot afford to live apart
  - young adults sharing with groups of other young adults
  - families sharing a dwelling with other families (multiple occupancy)
- In 2018 the average age of a first-time-buyer was 30 – only a slight increase on 40 years ago partly because poorer people, who are unlikely to get on the property ladder, are not reflected in the figures
- The problem of hidden households is largely driven by unaffordable housing: house prices relative to income have nearly doubled since 1978
- Rent prices are high compared with incomes in most regions of England

# There are significant variations in the price of housing and rentals across the UK

## Determinants of regional variations

- Both property and rental prices are much higher in London and south-east England than in other parts of the UK
  - As a result, young Londoners seeking to own their first home are at a significant disadvantage compared with first-time buyers elsewhere in the UK
- Population density and local economic performance are critical to determining property prices: urban prices are generally higher, though there are big variations between towns and cities
  - Edinburgh's property prices, for example, are significantly higher than Glasgow's - reflecting the different economic conditions in the two cities
  - Similarly, property prices in Manchester are higher than in nearby Liverpool



Woman looking at properties in an estate agent's window









## Part 2/10

### **Britain's Housing Heritage**

How have history, innovation and government intervention affected the nature and ownership of the UK's housing stock?

And how do we compare with other European countries?



“A man's house is his castle”

The Institutes of the Lawes of  
England, Sir Edward Coke, 1628

# Industrial change had a profound impact on the development of Britain's cities and housing stock

## Long-term trends and their effects on housing needs

- Pre-1800: The Industrial Revolution
  - Millions left rural areas and moved into towns and cities
- 1800-1900: The Victorian Transformation
  - Rising earnings and better health led to a population explosion: from 11 million in 1800 to 37 million in 1900
  - However, population growth soon outstripped housing supply: the result was overcrowded tenements and slums in many of our major cities
  - In the late 1800s, a new burgeoning middle class looked for ways of escaping from crowded urban centres, and began moving to leafy outer-city areas - "the suburbs"



Wentworth Street, Whitechapel, 1870s



LS Lowry's 'Going to Work'

# Crowded urban conditions encouraged social reformers to campaign for green spaces and better housing for the urban poor

## Octavia Hill

- Octavia Hill was a campaigning social reformer in the late 19th and early 20th Century
- She was a driving force behind the idea that people in cities needed access to green spaces
- She helped to save Hampstead Heath and Parliament Fields in north London from being built on, and to preserve them for the enjoyment of Londoners
- She was one of the three founding members in 1895 of the National Trust, a body set up to preserve places of historic interest or outstanding beauty for the British public
- Octavia Hill was also a champion of social housing for the urban poor
- She started a number of housing projects for the London poor and spawned similar projects by others, both in the UK and abroad

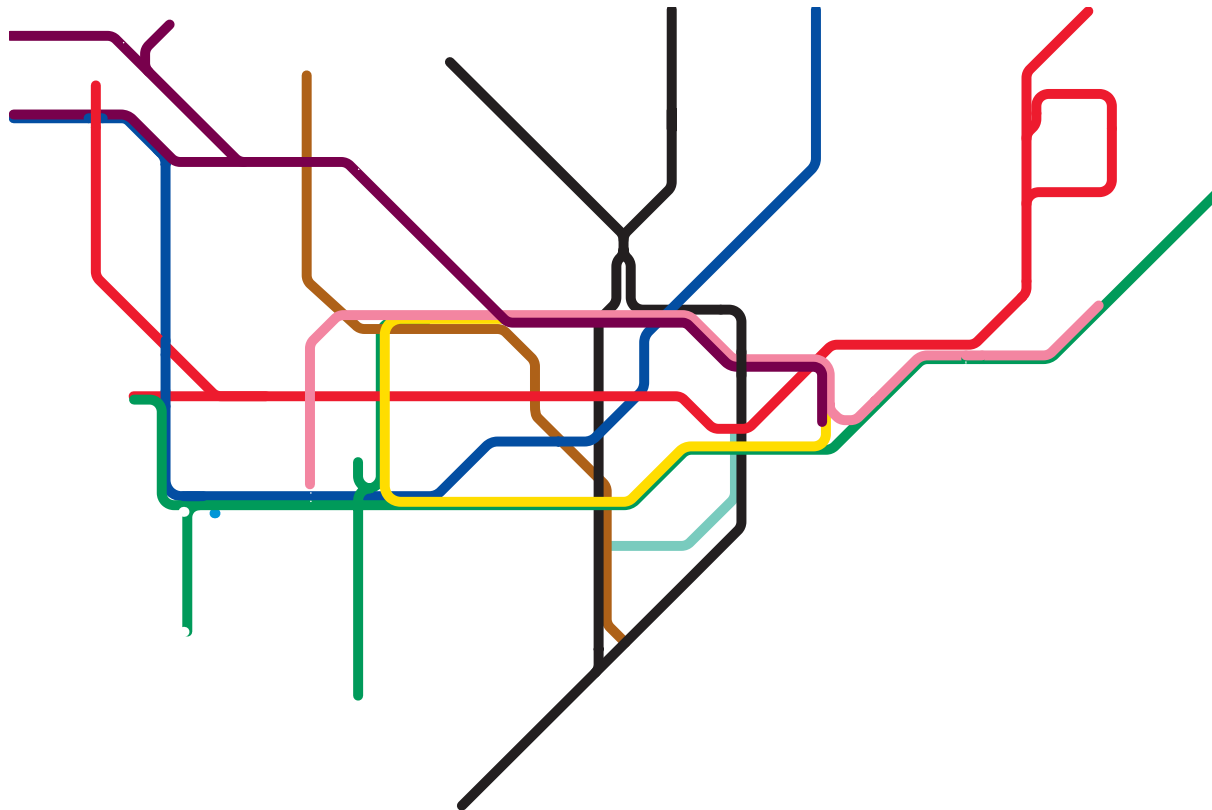


Octavia Hill painted by John Singer Sargent, 1898












# Rapid expansion of London's Tube network in the second half of the 19th Century powered suburban growth in south-east England

The London Underground in 1906



London's Tube network

- The evolution of the London Underground system closely mirrors the development of outer-London suburbs in the late 19th and early 20th Centuries
- |   |                                |
|---|--------------------------------|
|    | Metropolitan <b>1863</b>       |
|    | Hammersmith & City <b>1864</b> |
|    | District <b>1868</b>           |
|    | Circle <b>1871</b>             |
|    | Northern <b>1890</b>           |
|    | Waterloo & City <b>1898</b>    |
|  | Central <b>1900</b>            |
|  | Bakerloo <b>1906</b>           |
|  | Piccadilly <b>1906</b>         |
- Overground rail networks had a similar impact in South London and in other UK cities

# Rising affluence in the 20th Century created demand for new kinds of housing

## The rise of suburbia and the new “garden cities”

- The 20th Century saw a huge expansion of new housing in the suburbs in response to middle-class aspirations
- The advocacy of town planner Sir Ebenezer Howard, who started the garden-city movement, led to new “garden suburbs” being built. Letchworth, in 1903, was the world’s first “garden city”
  - A home with its own garden was a key attraction
  - Letchworth boasted the UK’s first roundabout (1909)
- A housing brochure from the 1920s proclaimed:  
“It's the trees, the fairy dingles, and a hundred and one things in which dame nature's fingers have lingered long in setting out this beautiful array of wooden slope, trout stream, meadow and hill top sites”



The garden city of Letchworth

# Other UK cities responded to the challenges of industrialisation in a range of ways

## Suburban developments



### Bournville

- Bournville is a model village, on the south side of Birmingham
- The Cadbury brothers built the tree-lined village for workers at their chocolate factory when it expanded on to a green field site
- The village had railway links to Birmingham and schools and sports facilities



### Helensburgh

- The coastal town of Helensburgh, 30 miles from Glasgow, developed rapidly in the late 19th and early 20th Centuries as a suburban escape from the slums of the city
- Hill House in the town (pictured above), designed by architect Charles Rennie Mackintosh, is famous for its art deco interior

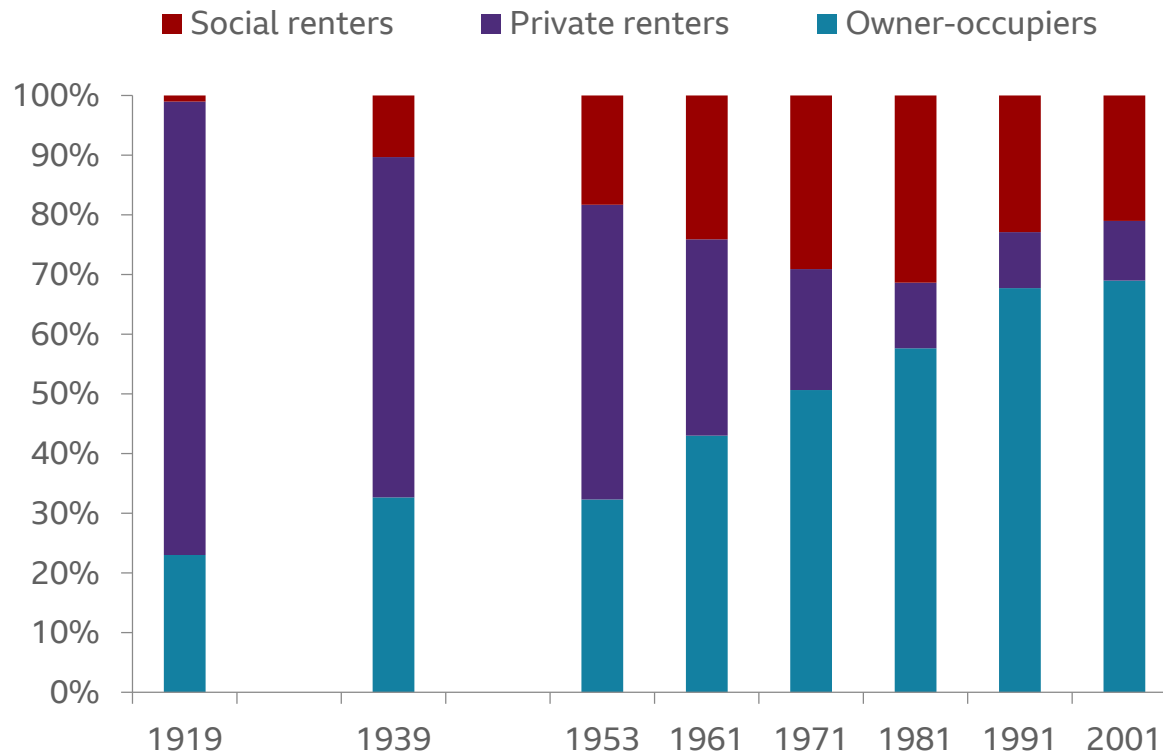


### Didsbury

- The leafy suburb of Didsbury developed once it was connected in 1880 by the Midland Railway Line to Manchester, as part of the Victorians' expansion of the city
- Didsbury includes the 21-acre Fletcher Moss botanical gardens

# Home ownership in England and Wales rose throughout the 20th Century

Proportion of households by tenure, England and Wales, 1918 to 2001



Increases in owner occupation

- Home ownership rose consistently throughout the 20th Century
- In 1918, only 23% of British people owned their own home: most people not owning a home lived in private rented accommodation
- During the 1930s, the suburbs mushroomed - with an average of 300,000 new homes built every year
- By the end of the 20th Century, home ownership had risen to almost 70%, and private rental had fallen to around 10%
- The decline of private renting over the 20th Century was the result of the increased availability of mortgage-financed owner occupation and the rise of social housing



# The development of a pioneering British institution – the building society – helped fuel 20<sup>th</sup>-Century home ownership

## The evolution of the building society

- The building society is a British institution. Similar bodies evolved in other countries but the UK institution led the way
- A building society is an organisation owned by members who contribute their savings and who can borrow from the collective pool. It is thus known as a mutual society
- The first building societies in the UK started in Birmingham in the 18th Century; hundreds sprang up over time until virtually every British town and city had its own
- Building societies specialised in providing long-term mortgages to its members, and thus enabled millions of British people to buy their own home
- From 1989 onwards building societies were allowed to demutualise, which meant they could become normal limited companies, like banks
- Most have now demutualised, closed down or been absorbed
- In January 2020 there were 43 building societies in operation. Nationwide Building Society remains the largest building society in the world, with more than 15 million members



Building societies are a common sight on Britain's High Streets

Source: [Nationwide](#), [Building Societies Association](#)



# In the first half of the 20th Century, social housing evolved to provide for those unable to afford private accommodation

## The rise of social housing

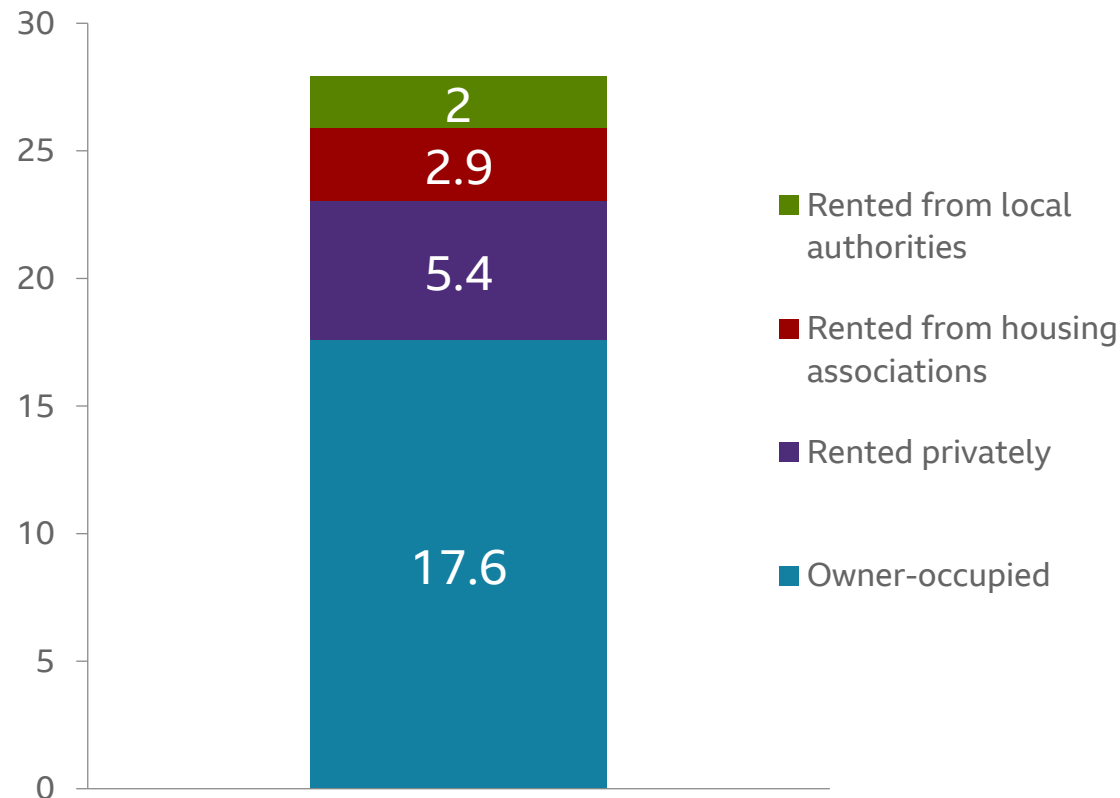
- In the late 19th Century, the housing needs of the urban poor were met mainly by philanthropists, charities and the Church
- From 1919, the government, began to build homes for soldiers returning from World War One. This was popularly referred to as “Homes Fit for Heroes”
- This development marked the effective beginning of council housing, aimed at providing homes for those who could not afford private rentals or to buy their own
- Extensive slum clearance in the 1930s made way for more council house building - half a million council homes by 1933
- The provision of council housing was further extended after World War Two when bomb-damaged properties had to be replaced and further slum clearances were undertaken: 1.5 million council homes were built in the decade from 1945
- Modernisation of high-rise building techniques allowed more people to be housed in flats
- Council housebuilding peaked under the Conservatives in 1953, when 220,000 new social homes were built



Housing estate in Poplar, east London

# Most homes are now owner-occupied and little more than a third rented

Number of dwellings by tenure, millions (2017)



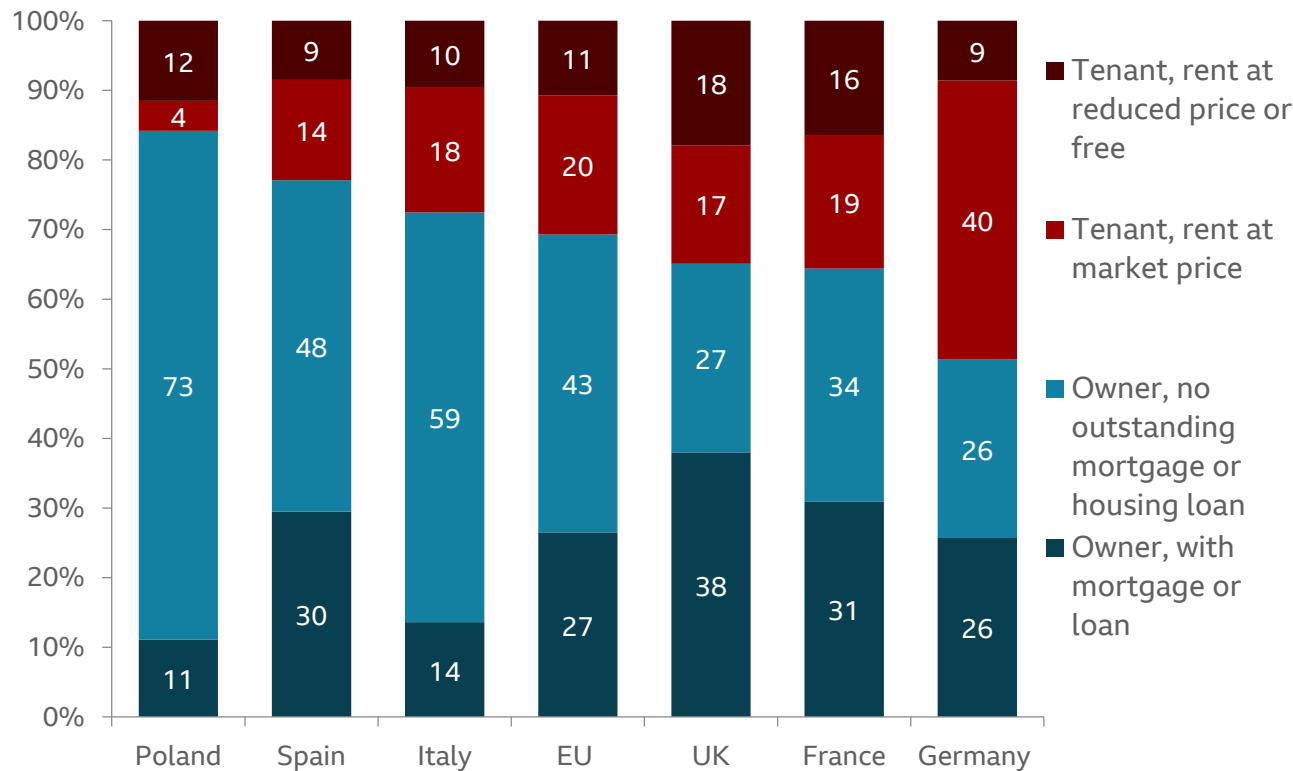
Source: [UK Government \(Gov.uk\)](https://www.gov.uk)

Dwellings by tenure

- The majority of homes in Great Britain, almost two-thirds, are owner-occupied
- The remainder are rented, with ownership split between the public and the private sectors. The private sector is now almost twice the size of the public sector
- A small number of dwellings - 56,000 - are other public sector homes, including nursing homes and army barracks

# The level of home ownership in the UK is close to the average for the EU

Population distribution by tenure status 2016

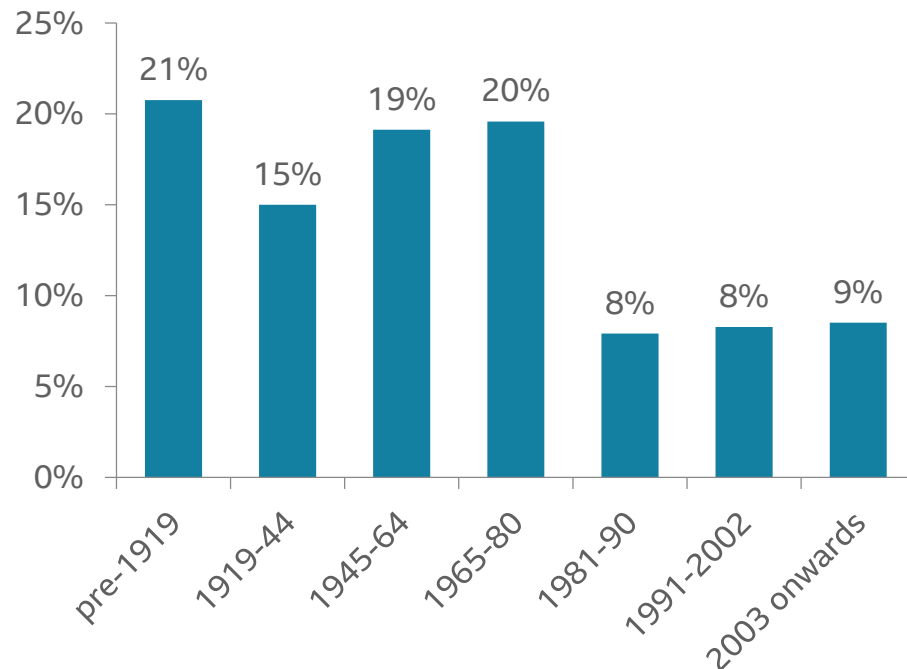


## EU patterns of home ownership

- Many EU countries have higher owner occupancy than the UK because of lower property prices, and in some cases because of relatively undeveloped rental markets
- The UK has a higher-than-average proportion of owners who bought their properties with a mortgage or loan
- The home ownership rate in France is virtually the same as the UK's.
- Germany's is lower, but because of differences in tenure status, private renters have similar levels of security to social tenants in the UK

# The UK's housing stock is the oldest in Europe

When were England's homes built?



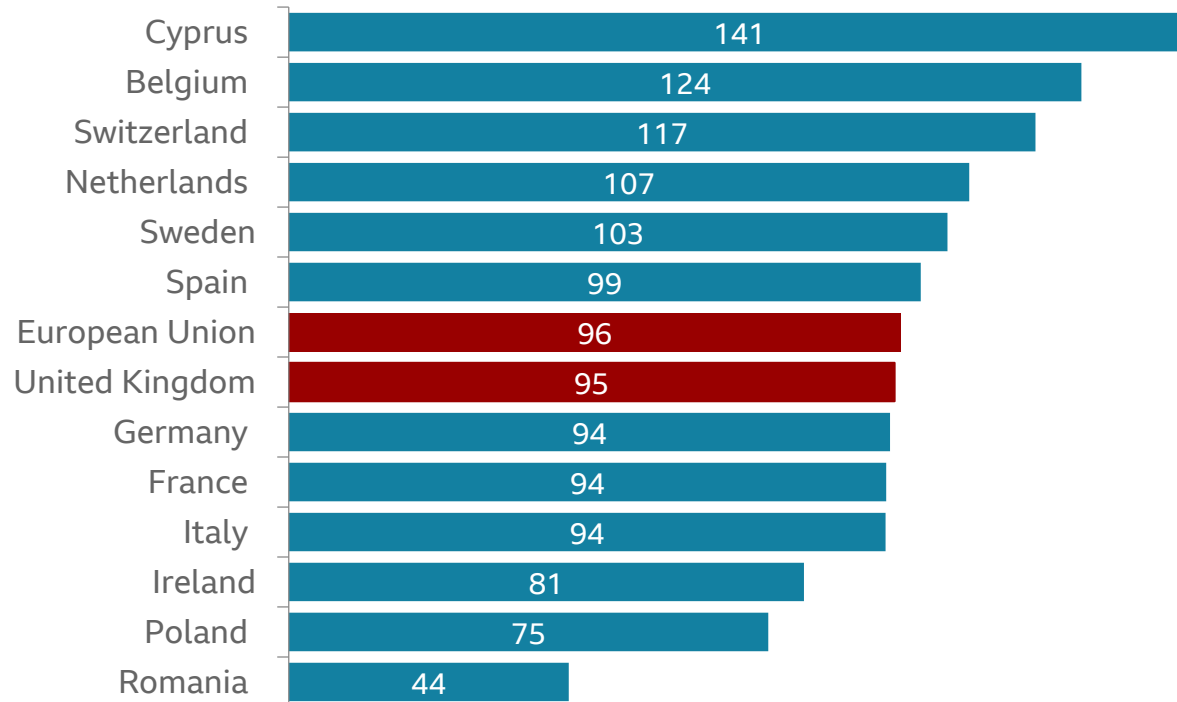
Age characteristics of the housing stock across the UK

- Compared with other European countries, the UK:
  - has the largest proportion of homes built before 1970
  - and the second-highest proportion built before 1919
- Northern Ireland has the newest housing stock of the four nations:
  - only 10% of its dwellings were built before 1919, compared with 21% in England and Scotland, and 26% in Wales
- Older housing stock is more likely to:
  - cause health hazards
  - have higher maintenance costs
  - be less energy-efficient, leading to higher energy bills for occupants and more environmental damage

Source: [Eurostat](#), [Welsh Housing Conditions Survey](#), [Scottish Housing Survey](#), [English Housing Survey](#), [Northern Ireland housing conditions survey](#)

# The size of UK homes is close to the European average

Average dwelling sizes in selected European countries, sq m



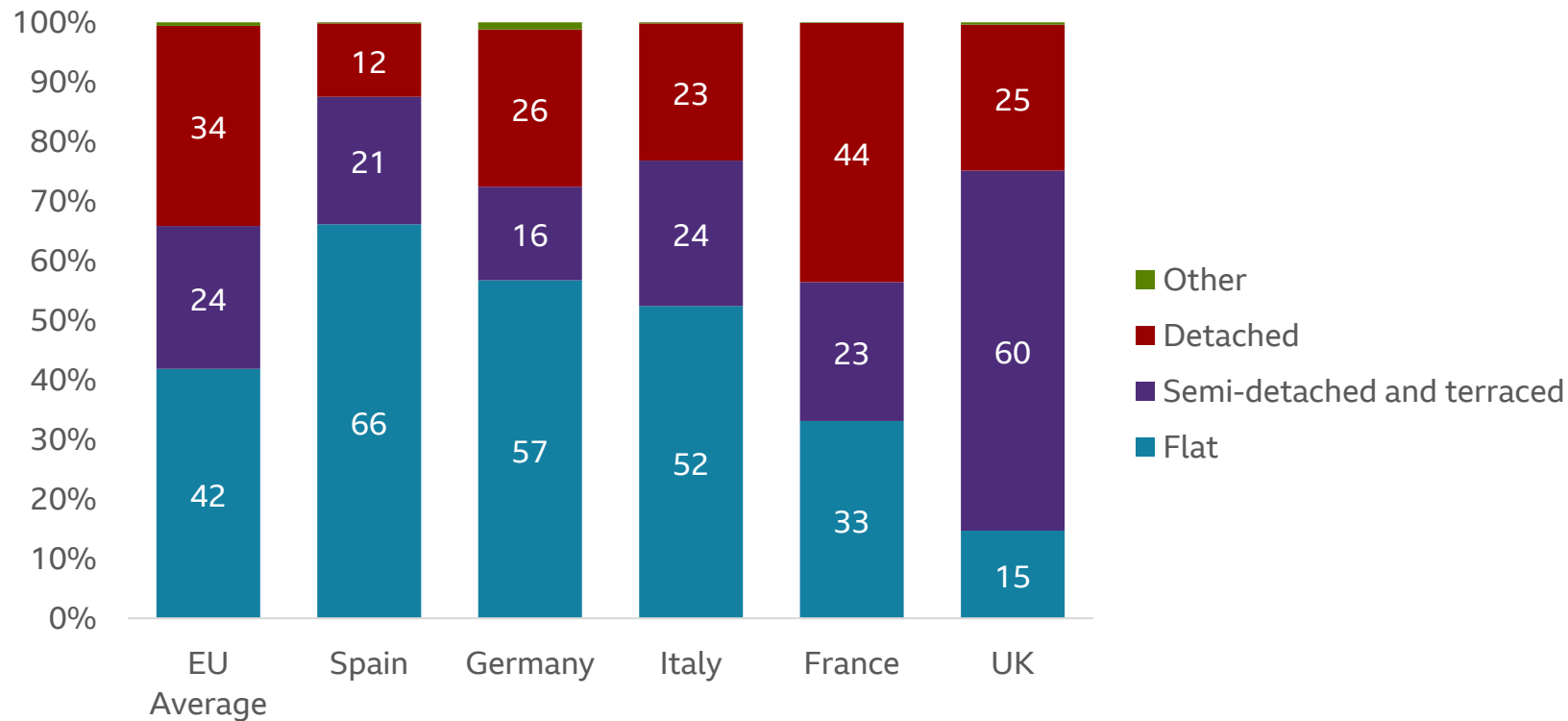
Average dwelling size

- The larger European countries (Germany, France, Italy and Spain, along with the UK) all have similar sizes of dwelling
- The Eastern European countries have significantly smaller homes
- Romania's homes are less than half the size of the European average



# Semi-detached and terraced houses are the staple of the UK housing stock

Population distribution by type of dwelling, 2017



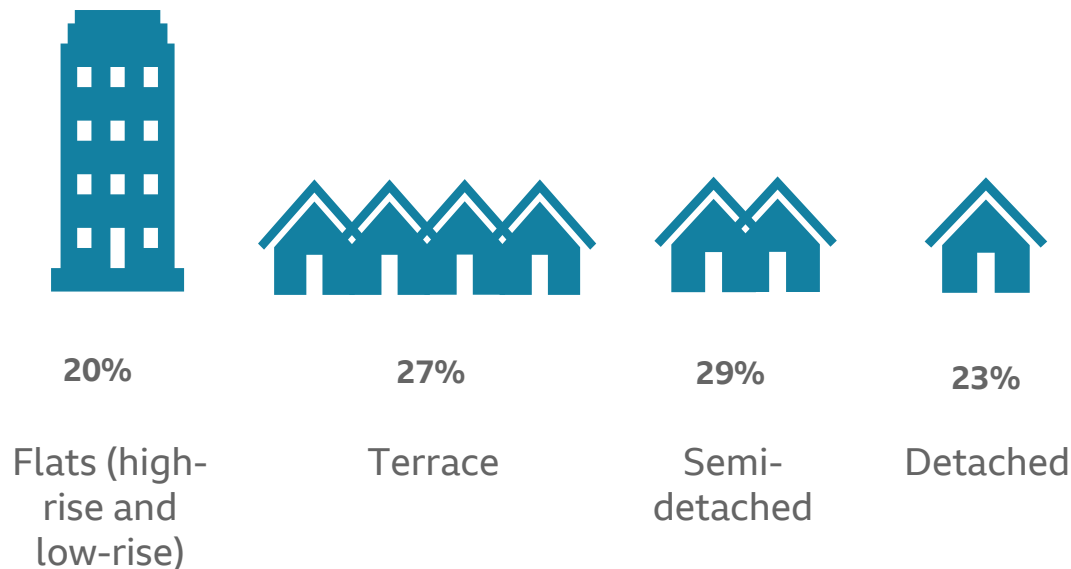
Types of dwelling by country

- The UK has a far larger proportion of semi-detached and terraced housing than the EU average
- The UK is one of only three countries in Europe where more than half of residents are living in a semi-detached or terraced house - the others being the Netherlands and Ireland



# The UK has a very low proportion of flats compared with other European countries

UK housing stock by type, 2017



The number of flats

- Houses account for 80% of the UK's housing stock and flats just 20%
- 42% of EU citizens lived in flats in 2016 - more than double the percentage in the UK
- Scotland has the highest proportion of flats in the UK, with 36%
  - This is largely due to the prominence of tenements in Scotland, which make up 23% of the housing stock

## Summary

### **Britain's Housing Heritage**

The Industrial Revolution helped drive the development of Britain's cities and towns. Poor living conditions prompted slum clearance and encouraged governments to build social housing. The spread of the railway network boosted more suburban living. The arrival of the building society led to high levels of home ownership.

Britain's legacy in the 21st Century is the oldest housing stock in Europe, and by far the largest proportion of people in Europe living in houses as opposed to flats.









## Part 3/10

### **Homelessness**

How many families, children and lone individuals in the UK have no home of their own and are living in temporary accommodation or sleeping rough? And why?



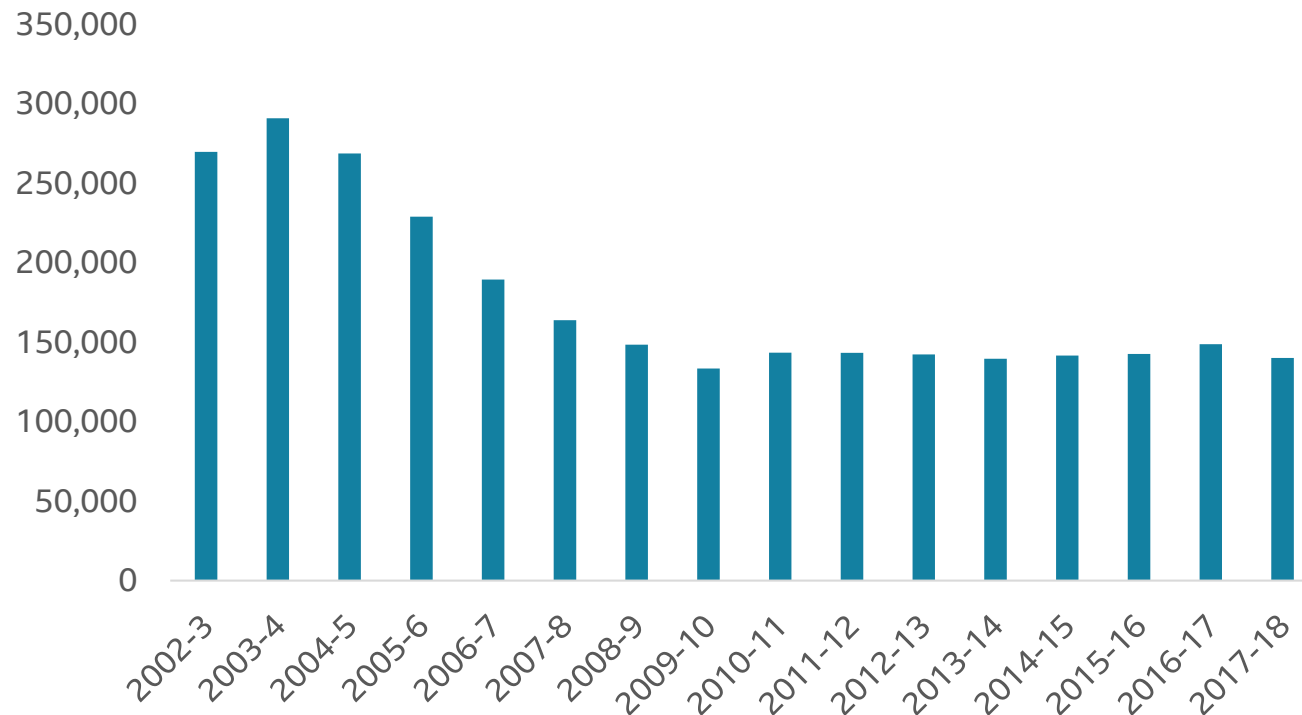


“This Christmas as many as 25,000 young people will be at risk of homelessness. And remember this: behind that appalling statistic is a human being not much older than many of our children and grandchildren who is alone, frightened and confronted with impossible choices. The scale of youth homelessness...is shameful.”

Prince William, 2016

# There are 140,000 families officially deemed homeless in the UK

Number of officially homeless households, UK, 2002-2018



Source: [Shelter](#), [UK Government \(Gov.uk\)](#), [Gov.scot](#), [Gov.wales](#)

## Homelessness

- Homelessness peaked in 2003-04 at 291,000 households but reduced rapidly in the following five years
- The main reasons for this rapid reduction were:
  - an improving economic environment
  - high expenditure from the Labour government on helping people back to independent living
- Since the financial crisis of 2008, homelessness has remained fairly constant at an average of around 140,000 households, representing some 320,000 people
- This figure does not include types of homelessness that are not officially recorded, such as people sofa surfing with friends

# Homelessness is not confined to people living on the streets

## UK housing charity Shelter's definition of homelessness

- Staying with friends or family
- Staying in a hostel, night shelter or B&B
- Squatting (because there is no legal right to stay)
- At risk of violence or abuse in the home
- Living in poor conditions that affect health
- Living apart from family because there is no place to live together



# Many homeless families in the UK are living in temporary accommodation



Mary Smith

- Mary Smith lives in temporary accommodation in Watford with her three sons
- She struggled to hold on to her job in a shoe shop because of her housing situation
- "We've lived in three different places in two years, and it's been really tough on the children."



Carly Stutter and her children

- Carly Stutter, 30, from Croydon, has been living in hostels and B&Bs for more than two years with three children aged six, 10 and 11
- Miss Stutter shares a bed with Archie, her six-year-old son, and says she turns everything off and lies in the dark at about 8.30pm so the children can sleep
- They left their privately rented home after the landlord put up the rent from £1,200 to £1,500 a month, which Miss Stutter could not afford

# More than 200,000 children in England are officially deemed to be homeless

## Child homelessness

In August 2019, the children's commissioner for England said more than 210,000 children in England were estimated to be homeless:

- 120,000 are deemed officially homeless, and are living in temporary accommodation
- 90,000 are “sofa-surfing” with family or friends
- Of the 120,000 children in temporary accommodation in 2017:
  - 51,000 had been in the accommodation for more than six months
  - 6,000 had been living in temporary accommodation for more than a year

Source: [Children's Commissioner](#)

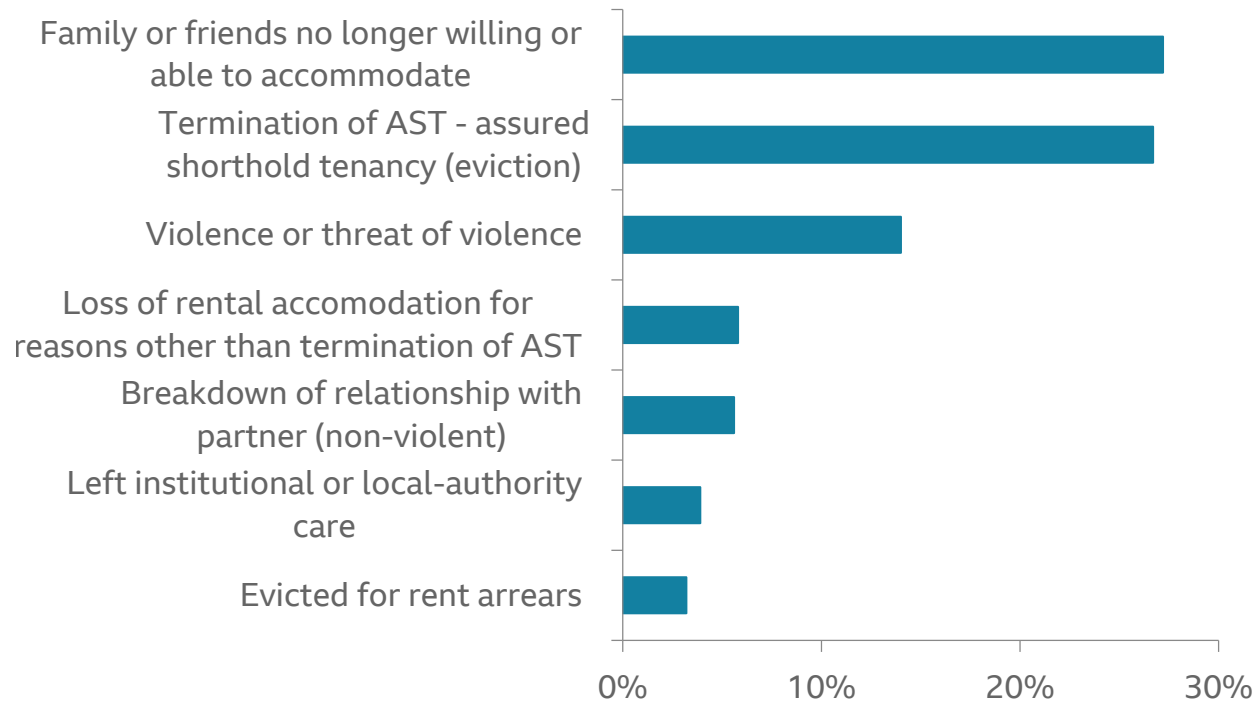


Bristol, Cardiff and London are among the cities where shipping containers are used to house homeless people, including families with children



# There are many causes of homelessness

Reasons for homelessness (%), England  
Q3 2017- Q1 2018

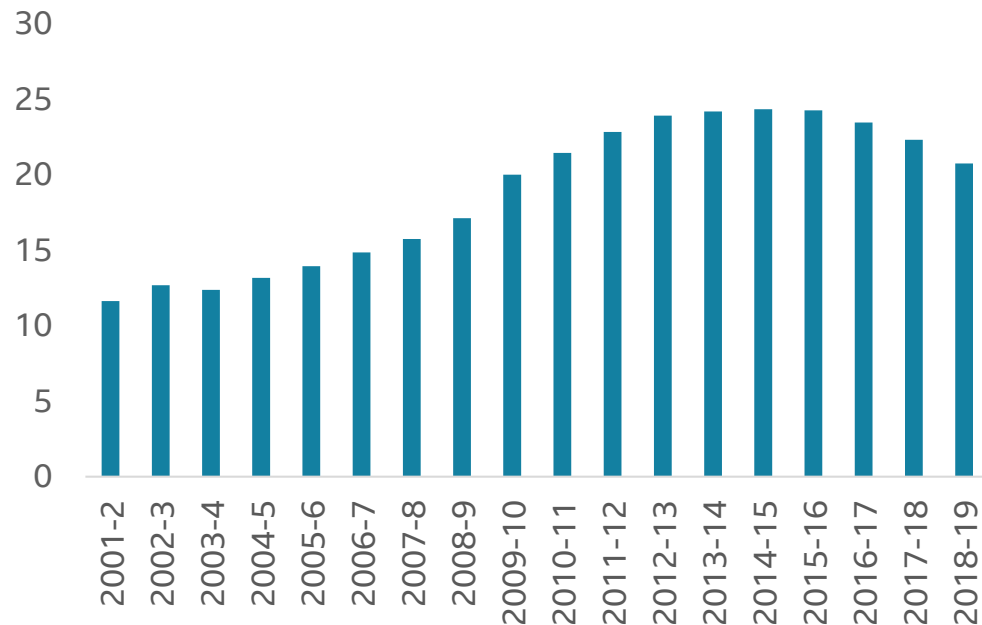


The causes of homelessness

- The most immediate causes of homelessness are:
  - being asked to leave by friends or family
  - domestic violence or breakups
  - being evicted by a landlord
  - leaving prison or other institutions with no home to go to
- Common reasons for eviction by a landlord are:
  - lease violation
  - rent arrears
  - property damage
- In all these situations, inability to pay, mental health and drug or alcohol addiction can be contributory factors

# Continuing homelessness since the financial crisis may in part be due to changes in public policy

Housing benefit expenditure totals for countries and regions of Great Britain (£bn)



Some of the public policy shifts since 2008

- Since 2013, after three decades of growth, housing benefit has been flat or falling. Reductions or delays in benefit payments may contribute to evictions and rent arrears
- Councils, affected by public spending cuts, have also reduced investment in activities relating to homelessness - from nearly £3bn in 2008 to just over £2bn in 2017
- Due to Right to Buy and low levels of social housebuilding, the number of social homes currently available is very low
  - The proportion of the available homes that are allocated to the homeless is also now slightly lower (23%) than it was before the 2008 recession (26%)
  - As a result, 18,000 fewer social homes were provided to the homeless in 2017-18 than 10 years previously

# Homelessness is far higher in London than in the rest of England

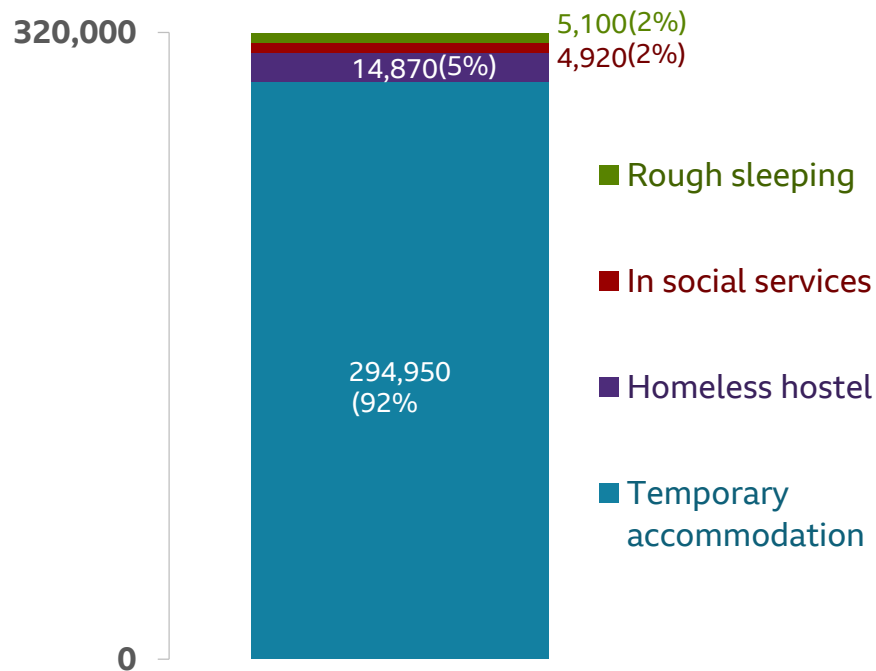
Region	Homelessness rate
London	1 in 53
West Midlands	1 in 246
East	1 in 306
South East	1 in 307
South West	1 in 522
East Midlands	1 in 655
North West	1 in 681
Yorkshire and the Humber	1 in 962
North East	1 in 1163

## Homelessness around the UK

- In London as a whole, the rate of homelessness is one in 53 people, high compared with the next highest regional rate, of one in 246 in the West Midlands
- According to Crisis, a national charity for homeless people, Newham in east London is the worst area for homelessness in the UK: an estimated one in 24 people are homeless
- In some other major cities such as Newcastle (one in 1,168) and Leeds (one in 8,794) the homeless rates are significantly lower
- Although direct comparisons are difficult, estimates suggest that homelessness is worst in Northern Ireland, with around one in 40 individuals identified as officially homeless by the Northern Ireland Housing Executive

# Of the 320,000 homeless people in the UK, just over 5,000 are rough-sleepers

Composition of the official homeless population, UK

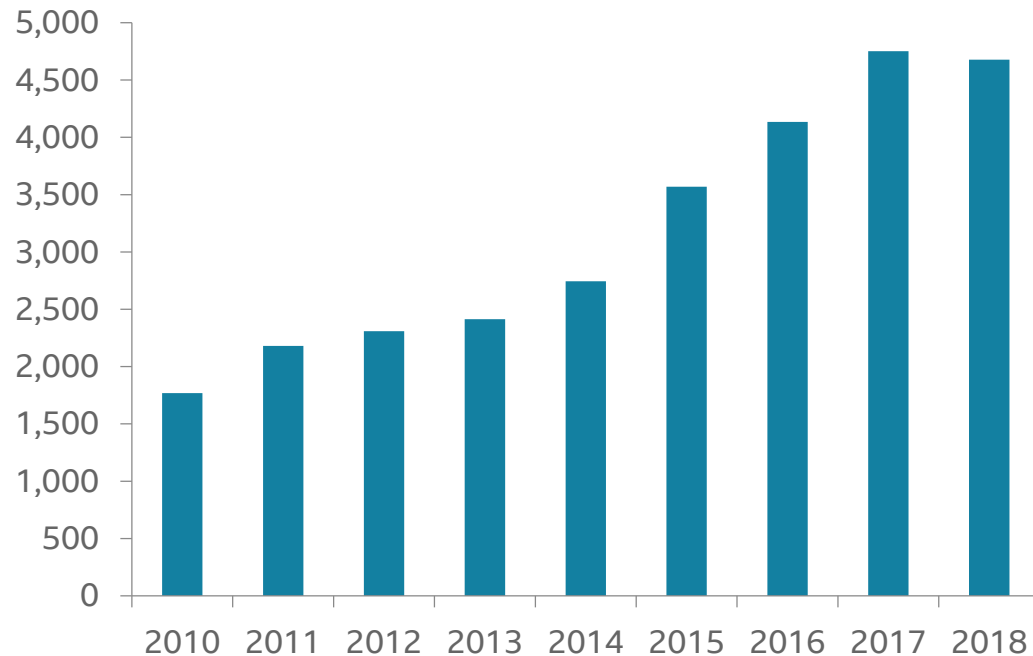


Rough sleeping

- 92% of all homeless people are housed in temporary accommodation, around 5% in homeless hostels and the remainder are in social-services accommodation or sleeping rough
- Official homeless statistics do not include those who are sofa surfing
- Rough-sleeping is defined by the government as “people sleeping, or bedded down, in the open air; people in buildings or other places not designed for habitation”
- There are many possible causes of rough-sleeping, including family conflict, mental-health problems, financial difficulties and substance misuse
  - These issues sometimes mean rough-sleepers cannot obtain access to temporary accommodation
  - Foreign nationals and asylum seekers sleeping rough may not be eligible for public funds and facilities, thus exacerbating their problems

# The number of rough-sleepers in England and Wales has more than doubled since 2010

Number of people sleeping rough,  
snapshot,  
England and Wales



Rough-sleeping trends

- The number of rough-sleepers recorded in official figures in England and Wales in 2018 was more than 2.5 times larger than in 2010
- Rough-sleeping has levelled off in the last two years
  - with official estimates recording a 2% decrease nationally,
  - and a 19% reduction in those areas targeted by the Rough Sleeping Initiative, between 2017 and 2018
- These figures estimate the number of rough-sleepers on a particular night, and therefore do not necessarily illustrate the full scale of rough-sleeping
- For example, more detailed research by the Combined Homelessness and Information Network found that there were 8,655 people sleeping rough in 2018 in London alone

Source: [Office for National Statistics \(ONS\)](#), [Combined Homelessness and Information Network \(CHAIN\)](#)



# People end up sleeping rough for different reasons



Samantha Bird

- Samantha, 30, has been sleeping on the streets of Birmingham for two years
- She grew up in foster care and has been sectioned for mental-health issues
- Ms Bird said life on the streets was dangerous
- "A friend of mine was asleep and he got kicked in the face. People go, 'Look at her, she's a druggie, she's an alcoholic'. We're not all like that"



Anthony

- Anthony was living on the streets of Lincoln in 2019 - the second time he had been homeless that year
- "It's down to drugs and coming out of jail. I got out of prison five weeks ago"
- Anthony was sleeping in the doorway of House of Fraser with other homeless people
- "I get woken up about 7am by the staff at House of Fraser, pack my stuff, get breakfast, get my meth and go and sit under a bridge all day"



Dirk Holding

- Dirk, 51, has slept rough most of his life and spent four months living in a sewer in Brighton in 2019
- He ran away from children's homes as a teenager and became addicted to prescription drugs
- He got clean in prison but on release was housed with drug addicts – so left and slept rough
- "There's stabbings and there's fights and there's abuse and there's a lot of horrible things happen when you're homeless"

Source: [BBC News - Rough sleeping stories, December 2019](#), [BBC News - Homelessness in the UK](#)

# Finland is the only EU country to have seen a substantial reduction in homelessness

## Finland's Housing First policy

- Finland's Housing First initiative is aimed particularly at rough sleepers: in Helsinki, there used to be thousands of people sleeping rough in the streets, whereas today there are virtually none
- The Finnish government has been operating Housing First since 2007. Under the policy, homeless people are provided with their own permanent accommodation with no questions asked or rules imposed
  - For example, people with addictions can continue to drink or to take drugs in the accommodation provided
  - They are also given mentoring and constant human support



Thomas Salmi

Thomas Salmi, 24, was an alcoholic. He became homeless at 18 and lived on the streets of Helsinki for three years, often in sub-zero temperatures. Recently, he has been living in his own apartment under the Housing First policy. Thomas now drinks only at weekends

Source: [BBC News - The city with no homeless on the streets, January 2019](#), [BBC News - Homelessness](#)

# Pilot projects based on the Finnish Housing First approach are being trialled around the UK

## UK Housing First pilot schemes

- UK Housing First pilots - based on the Finnish model of providing rough sleepers with accommodation without any preconditions attached - were first tried in Glasgow and Camden, north London, in 2010
- In 2018 the government provided £28m for three Housing First pilots in Greater Manchester, Liverpool and the West Midlands
- In London there are small-scale Housing First programmes running in 11 boroughs; In Scotland five cities are trialling Housing First schemes
- The success of the schemes is still being assessed but international evidence from other Housing First pilots suggests they are having similar beneficial results to schemes in Finland
- Nevertheless, any success is conditional
  - “There’s a lot of cheerleading around Housing First but not a lot of examination of it,” says Tony Cain, policy manager at the Association of Local Authority Chief Housing Officers. “It requires a co-ordinated and consistent high-level support response. If there’s a concern at the moment, it’s that the support is not there.”



Jeff Aulton and Martyn Matthews

Jeff Aulton (left), 48, was a heroin addict who lived rough on the streets of Walsall. In 2018 he was one of the first people to benefit from the town's Housing First scheme. He is now clean and has made his flat his own

Martyn Matthews, 33, was a drug addict sleeping rough, until Jeff offered him a home and helped him kick his habit

“I can’t thank him enough,” says Martyn

Source: [The Sunday Times, Inside Housing, London Assembly Publications](#) - "Housing First: a solution to chronic homelessness?", 2019,

## Summary

### Homelessness

The scale of homelessness in the UK reduced significantly after 2003 but has been at a constant level in recent years, as housing benefit has remained flat or fallen; as less social housing has been available, and as there has been a substantial drop in local-authority investment in services for the homeless.

Currently, 140,000 families - including 200,000 children - live in temporary accommodation - or live in hostels or B&Bs. An estimated 5,000-8,000 individuals sleep rough - figures which have risen substantially in the past decade.









## Part 4/10

### **A Home of Your Own**

Why is it becoming harder to afford a home of your own?

And what is the impact?

# BBC Briefing - Housing

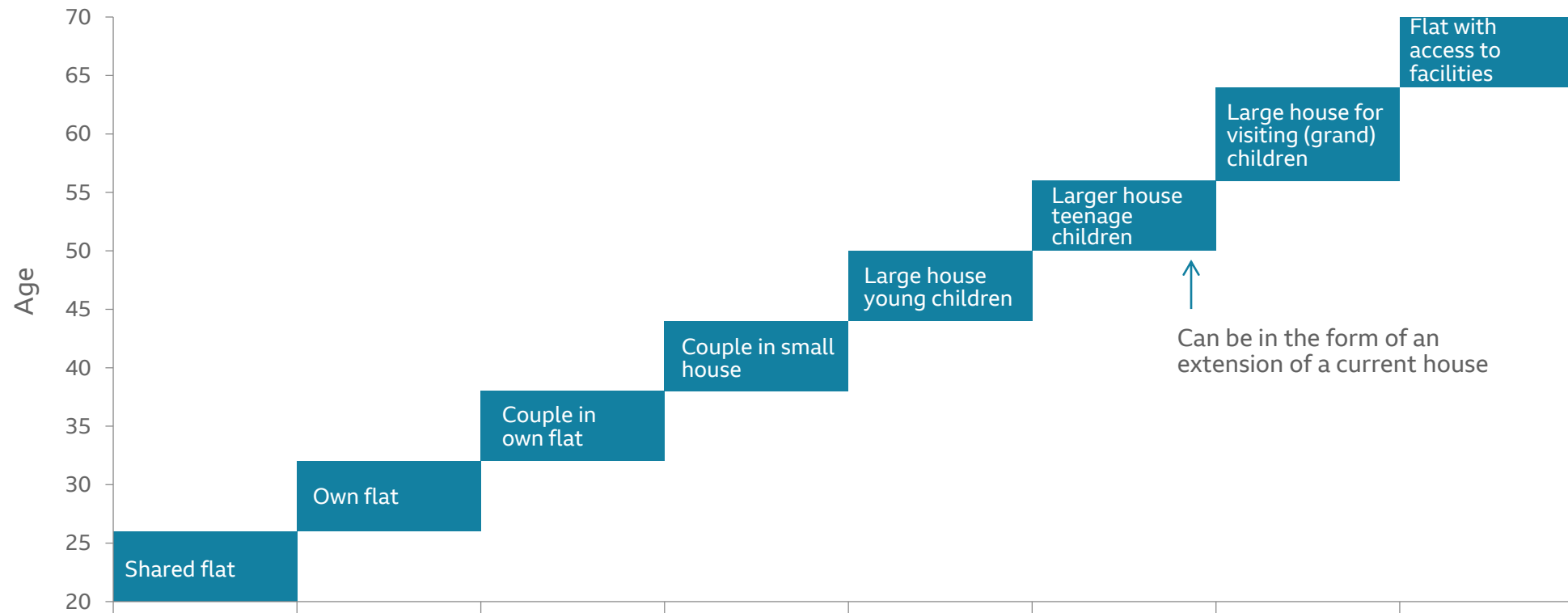


“Be it ever so humble, there's no place like home  
A charm from the skies seems to hallow us there  
Which seek thro' the world, is ne'er met elsewhere  
Home! Home!  
Sweet, sweet home!  
There's no place like home!”

John Howard Payne / Sir Henry Bishop, popular song, 1823

# The 'housing ladder' is a popular term to describe the aspiration to progress through different levels of housing at each life stage

Charting the housing ladder



# An enduring factor in driving property ownership has been its value as an investment

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“The wise young man or wage earner of today invests his money in real estate.”

Andrew Carnegie, Scottish business leader and philanthropist, 1835-1919

“Buy land, they're not making it anymore.”

Mark Twain, author, 1835-1910

# Buying property in the UK has generally been more financially beneficial than renting

## The relative advantages and disadvantages of buying and renting

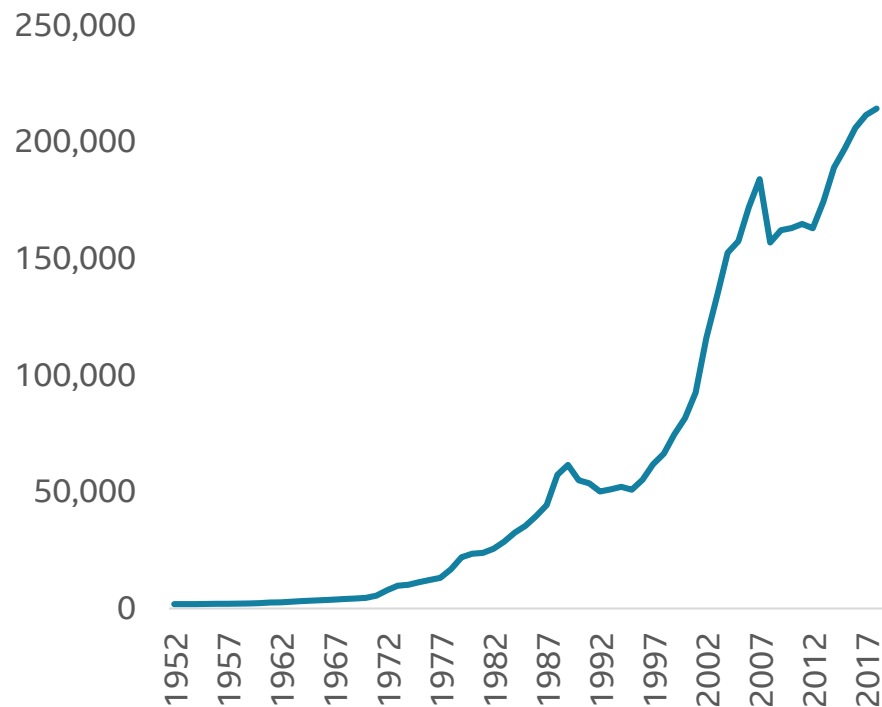
- The rental costs of a given property are 30-50% higher than buying the same property over, say, a 10-year period
- Those renting a property pay 3.5% - 4% of its value each year, but end up with no asset, and tend to pay more in rent as the value of the property increases
- Those buying the same property with a deposit and a 90% mortgage end up paying 3-4% of the value of the property per year in interest and repayments, plus maintenance costs, but end up with an asset and therefore benefit from any increase in the value of the property
- Ownership of one's own property is also a hedge against future housing requirements (particularly in retirement)
- If interest rates are low and property prices are rising, buying is a more beneficial option than renting – though property prices can fall, and periodically do
- The financial benefits of home ownership have also been encouraged in the 20th Century by government policies such as credit-market deregulation and tax relief on mortgage interest (until 2000)





# Rising house prices have enhanced the appeal of home-ownership over the past half-century

UK average (nominal) house prices (£),  
1952-2018



House prices and income

- House prices have risen in the UK over the last half-century, though there are marked regional differences, and there have also been significant periods of flat or negative growth
- UK house prices have grown faster than incomes: between 1997 and 2017 house prices rose 260% on average, while average income grew only 70%
- In 1968 the average UK house price was £3,600; in 2019 it was £229,000. If grocery prices had increased at the same rate as house prices, a four-pint carton of milk would cost £10.45 today and a chicken £51.18
- Rising house prices have a two-fold effect:
  - people want to buy before prices rise even higher
  - property is likely to be a good long-term investment
- Home-ownership as an investment has been less volatile than the stock market and produced slightly higher returns
- Property now represents over a third of personal wealth in the UK

# Differences in tenancy laws may explain why home-ownership is more popular in the UK than in some parts of Europe



## Comparisons between the UK and Germany

- Owner-occupation in the UK accounts for 65% of the housing market; in Germany it is 52%
- In the 20 years to 2017, UK house prices grew 259%, and German house prices rose by 27% on average
- Renting in Germany offers greater security of tenure
  - in the UK, tenancy contracts tend to be 12 months; in Germany they can be indefinite
  - the average tenancy length in the UK is two-and-a-half years; in Germany it is 11 years
- German rent control legislation and taxation are much stricter than in the UK
- Scotland has tightened renters' security of tenure significantly since 2018, while the landlord right to 'no fault evictions' is being removed in England and Wales, where a number of other changes are underway

Source: [RenKap](#)

# The UK's love affair with home-ownership is mirrored in today's popular culture



## Property programmes

- The number of property and interior design programmes on television reflect an audience appetite for this topic
- There are currently around 40 different property programmes on UK television
- Channel 4 had 12 regular such programmes in 2016 alone
- Its flagship Grand Designs has run to more than 200 episodes over 20 seasons



## Property magazines

- There are more than 100 property and interior-design magazines in circulation in the UK
- Good Housekeeping – a general-interest publication featuring many different aspects of keeping home – was read by more than two million individuals in Great Britain in 2018



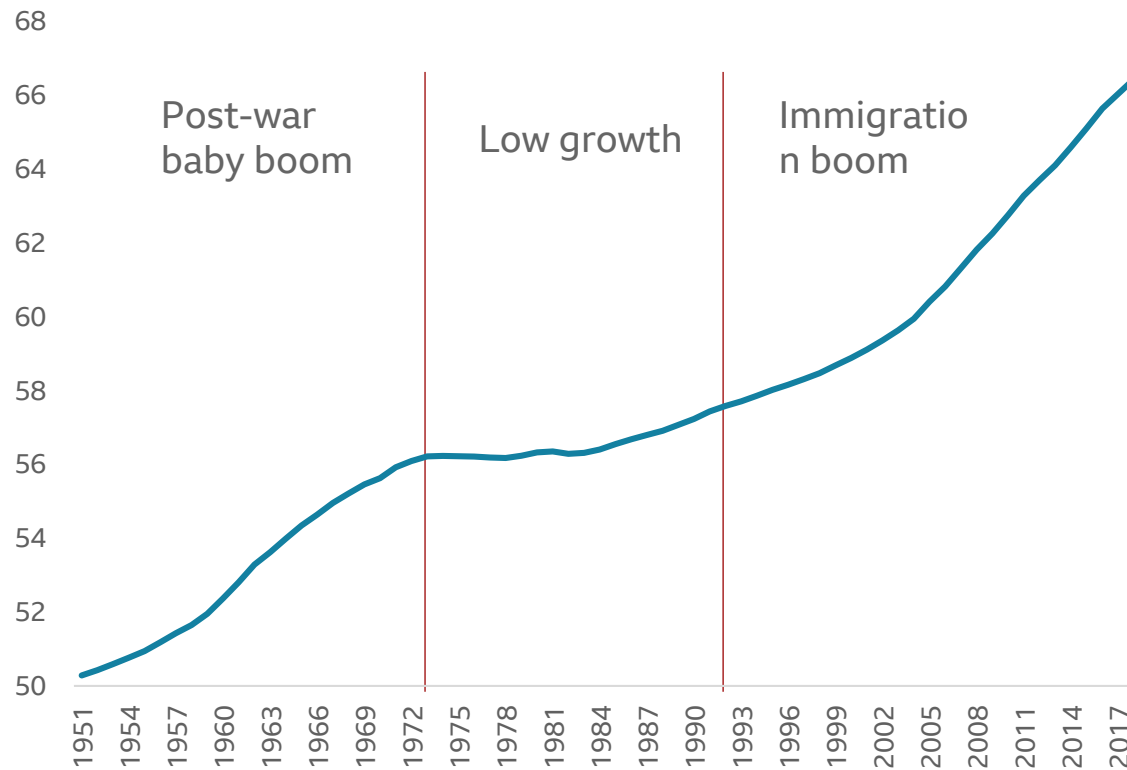
## The British love of gardens

- Garden design has been part of British tradition for centuries, with designers like Capability Brown and Gertrude Jekyll as famous as architects
- The National Trust, which maintains historic homes and gardens for public enjoyment, now has more than five million members
- In 2018, historic properties and houses in the UK received 180 million visits – five times more than the total attendance at league football matches for 2017

Source: [New Statesman](#), [Independent](#), [ABC \(UK media industry data analysis provider and auditor\)](#)

# Rapid population growth has been a key factor in driving recent demand for housing

UK population 1952-2018



UK Population Growth

- Between 2006 and 2016 the UK population increased by 8% - the fastest 10-year growth for a century
- 60% of UK population growth since 2000 has been due to net migration (including descendants of migrants)
- Population growth has been much faster in urban and suburban areas than in rural areas
- The UK's population growth is projected to slow down, but is nevertheless expected to reach nearly 70 million by 2028, fuelling further housing demand

# Changing household patterns have led to increased housing demand

Categories of UK households (millions)

	1999	2009	2019
Married / civil partnership couples households	12.4	12.3	12.8
Single-adult households	6.7	7.4	8.1
Single-parent households	2.5	2.9	2.9
Co-habiting couple households	1.9	2.7	3.5

Effects of social change

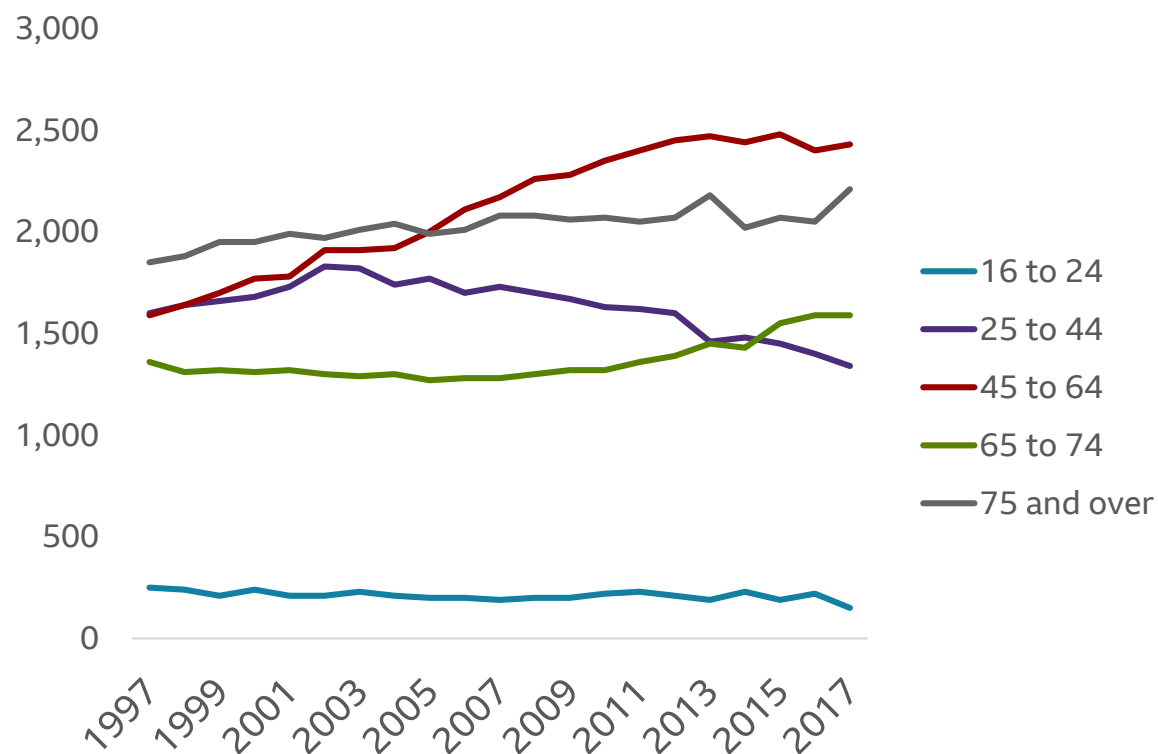
- There has been a significant increase in the number of households composed of single adults and couples without children over the last 20 years
- The increase in single-adult households has been driven not only by people living longer, but also by the growth in the number of single men aged 45-64 living alone. This may be explained by their having divorced, and their wives and children retaining the family home
- The effect of these long-term demographic changes has been to increase the number of households by 3.3 million in 20 years, and thus in the process to increase demand for housing
- However, other social trends, such as the increase in the number of young adults living with their parents and the increase in multi-family households, has meant the average household size has remained at about 2.4 over the last 20 years

Source: [Office for National Statistics \(ONS\)](#)



# People living longer puts additional pressure on the housing stock

People living alone by age (thousands), UK, 1997 - 2017

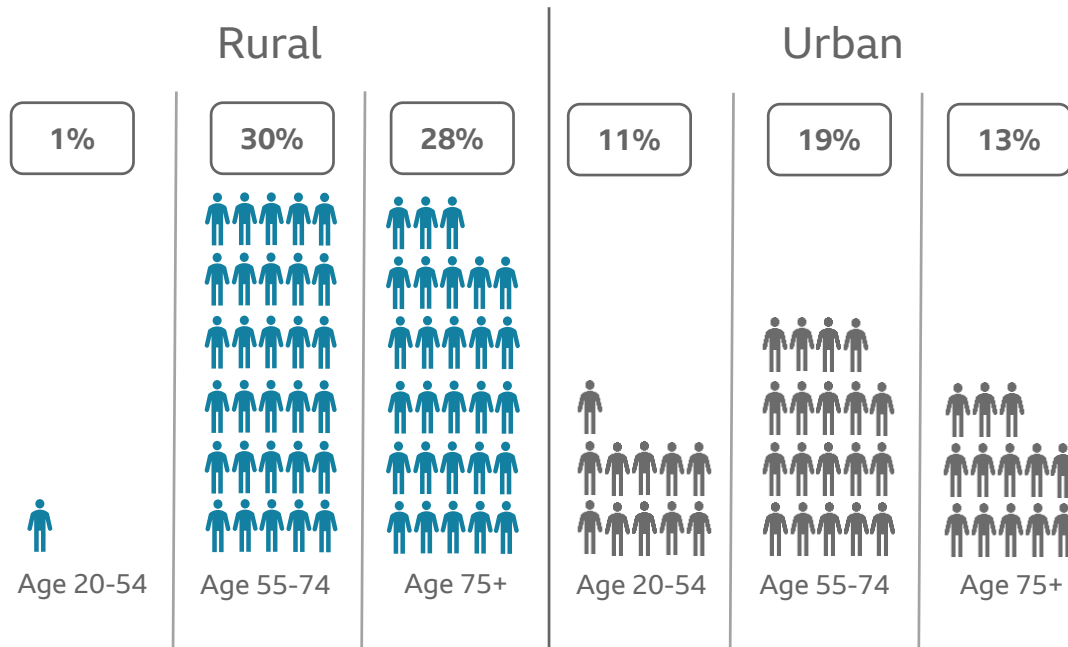


The ageing UK population

- People are living longer: the proportion of the UK population aged 75 and over is projected to increase from 8% to 13% over the next 25 years
- Many older people are likely, at some point, to be living alone
- Based on the current shortfall in specialist housing and population projections, information service Housing LIN estimates a shortfall of 400,000 units of specialist housing for older people by 2035
- Specialist housing allows elderly people to enjoy independence and privacy, but also to access on-site support and shared facilities

# The demand for housing for older people living in country areas has been growing rapidly

## Growth in urban and rural populations, England 2001 - 2015



## The demographic divide

- The Resolution Foundation has described a process of “demographic divergence” in which the average age in rural populations is rising - and urban populations are becoming younger
- The fastest-growing population groups overall are rural 55-74s, and rural people over 75
- The average age in rural areas is 45 (and rising), compared with 39 for urban areas
- The ageing rural population increases demand for properties that are suitable for older people - be it specialist housing, lifetime or care homes, or adapted homes
- The move of younger people to urban areas is a significant driver behind the increase in urban house and rental prices, which in turn increases unaffordability for that age group

# Many older people live in housing that is unsuitable for their specific needs

## Requirements for housing older people

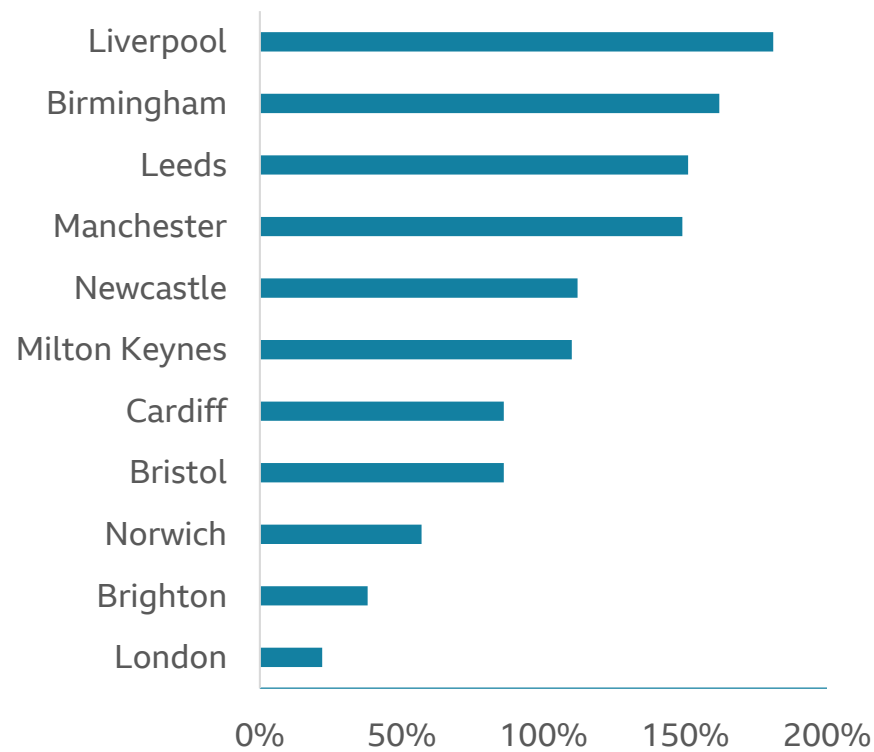
- Older people have specific needs: for example, accommodation free from hazards to prevent falls, or that is wheelchair-accessible, or that is single-storey, to improve mobility
- Older people tend to feel the cold and need housing that is easy to heat and well-insulated. “Fuel poverty” is defined as where an unacceptably high proportion of income needs to be spent on heating. The 2017 annual fuel-poverty statistics show that since 2013 the proportion of households aged 75 and over in fuel poverty has been increasing
- The proportion of those aged 65 and over in the UK was 18% in 2016, and is expected to rise steadily - yet only 7% of existing homes in the UK currently meet basic accessibility requirements for the elderly
- The number of people aged 85 and over will more than double in the UK in the next 25 years, with forecasts suggesting that nearly 90% of local authorities are each likely to require at least 1,000 additional specialist dwellings by 2035



Source: [New Policy Institute \(NPI\) - Market Assessment of Housing Options for Older People, 2012](#), [UK Parliament](#)

# More people now want to live in city centres

## Population growth in city centres (2002-2015)



## Reasons for increased urban population

- Many UK city centres' populations have doubled in the last 20 years
- Twenty years ago, city centres were seen as unattractive places to live, with high crime rates, poor schools and unattractive housing stock
  - Since then educational opportunities have improved:
    - Programmes such as Teach First, the London Challenge (a successful initiative to raise school standards), and the introduction of independent academies and free schools have encouraged families with children
    - There has been a big rise in the number of young adults attending urban universities
  - Immigration is also a factor: new arrivals tend to settle first in urban areas
- The trend towards city living is most pronounced in the north of England and Midlands, including the cities of Birmingham, Manchester, Sheffield and Leeds
- The move towards city living increases housing pressure and raises both house and rental prices

Source: [BBC News - The UK's rapid return to city centre living, June 2018](#), [Centre for Cities](#)

# Liverpool has the UK's fastest-growing city centre

## Liverpool city centre

- Liverpool's city centre population almost doubled between 2002 and 2015
- The growth has been largely fuelled by the young (the city's student population alone tripled between 2001 and 2011)
- Economic, cultural and social regeneration have increased Liverpool's appeal
  - Liverpool City of Culture in 2008 was accompanied by a large increase in spending on the arts. The regenerated Albert Docks has major museums and the largest group of listed Grade I buildings in the UK
  - Liverpool now has one of the UK's top shopping complexes (Liverpool One), as well as fashionable restaurants, bars and clubs
  - Liverpool Football Club and Beatles attractions bring investment into the city, as well as visitors from all over the world
  - With its modernised container handling, Liverpool is the UK's fourth-busiest port



Liverpool's refurbished Albert Dock



# Buy to Let mortgages have increased competition for home owners

## The evolution of Buy to Let

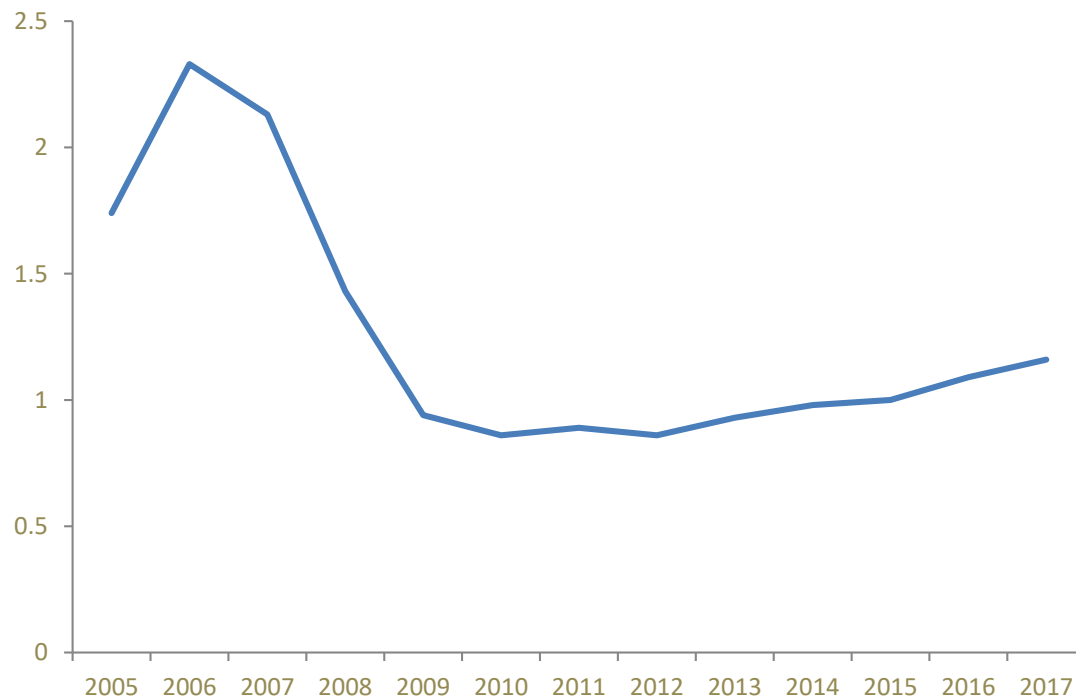
- The 1988 Housing Act introduced assured shorthold tenancies, which limited tenants' rights to remain in rental properties
- This change gave property investors more confidence to acquire such properties and encouraged lending institutions to introduce Buy to Let mortgages from 1996 onwards
- This, in effect, allowed investors to apply for mortgages on residential properties (often second or more properties), specifically for the purpose of letting them out
- Between 2000 and 2015, the tax regime was more favourable to Buy to Let owners than owner occupiers
- Buy to Let was an important driver of housing demand in the late 1990s and early 2000s
- Many economists believe that these mortgages caused the housing market to overheat in the run-up to 2008

## Restrictions on Buy to Let

- In 2015, the coalition Chancellor, George Osborne, dampened demand by introducing restrictions on Buy to Let mortgages:
  - tax relief on finance costs was reduced
  - various allowances for landlords were reduced
  - a 3% additional surcharge was imposed on stamp duty on Buy to Let purchases
  - an accelerated payment schedule for capital-gains tax was introduced
- The financial regulatory authorities also introduced stricter affordability criteria for potential investors
- As a result of these interventions, the number of Buy to Let mortgages has fallen markedly. In 2011 they accounted for 19% of homes purchased in Great Britain. By February 2019 Buy to Let purchases had declined to 11%

# The 2008 financial crisis led to a marked fall in lending for home-ownership

Number of UK mortgage sales by year, including remortgaging (millions)



Fall in mortgage lending after 2008

- The 2008 global financial crash was triggered in large part (especially in the US) by the low cost of borrowing, which allowed many households to take on mortgages they could not afford, contributing to high levels of debt and to unsustainable house prices
- In the immediate aftermath of 2008, credit restrictions were tightened and mortgage lending plummeted
- In the past decade, mortgage lending has risen very slowly, and is still less than half the level it reached in 2006
- More people today own their property outright (without a mortgage) than own it with a mortgage

# The 2008 financial crisis has created a two-tier market for home-ownership

## Changes in lending conditions since 2008

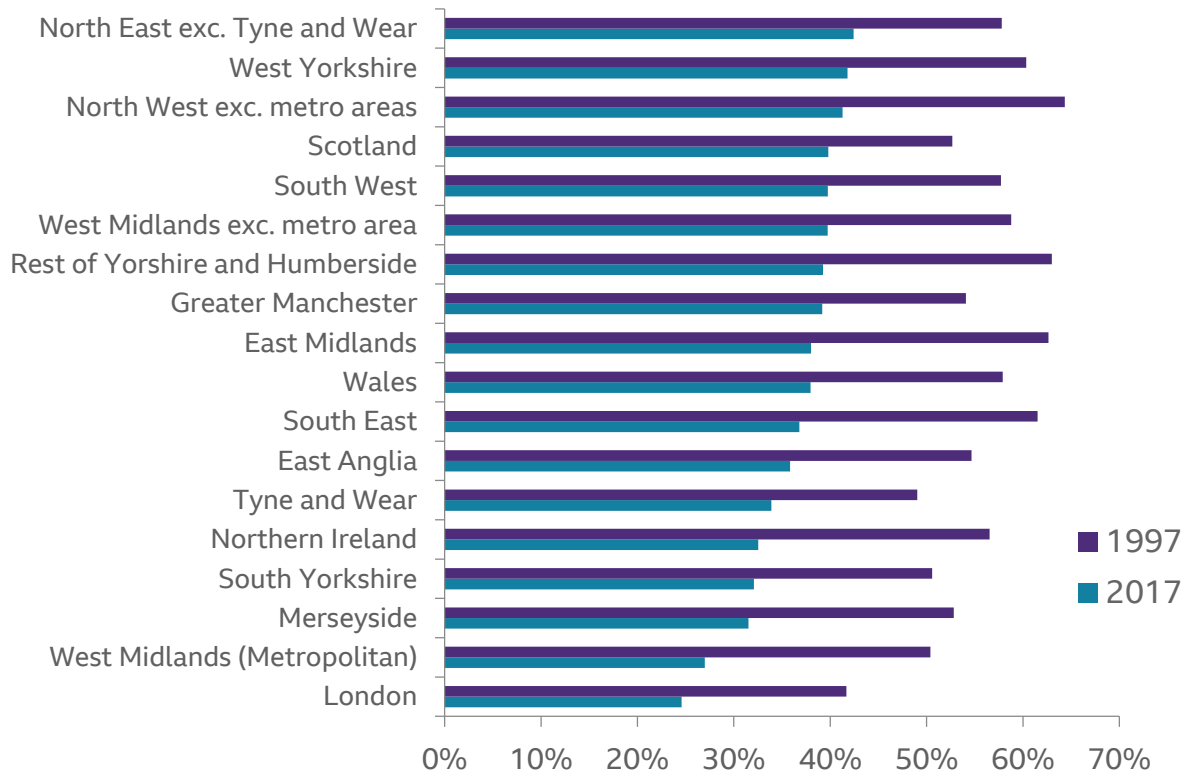
- After the 2007-8 crisis, lending conditions became much stricter
- Before 2008, financial institutions had been prepared in some circumstances to lend 95%, or even 100%, of the purchase price of a property to a borrower, which meant that the borrower had to find only a 5% deposit or none at all
- After 2008, lending institutions generally required higher deposits – typically a minimum of 10%, but sometimes as high as 25% - as well as imposing stricter affordability checks
- In the last few years, some 95% mortgages have become available again, albeit at higher interest rates

## The effect on first time buyers

- Historically low interest rates since 2009 mean those with existing assets or wealth can access the housing market because the higher deposit requirements are not a barrier and because – with interest rates low - the cost of repaying a mortgage will be favourable
- But those without existing assets – generally younger people - are less able than previously to pay a high deposit and to step on to the housing ladder
- These new financial circumstances have been a key factor in the low home-ownership rates among young people compared with previous generations

# Today's young adults are far less likely to own their own home than previous generations

## Home-ownership rates of 25-34-year-olds



## Home-ownership rates and the young

- Over the past 20 years, home-ownership rates have fallen dramatically across all regions
- The fall is particularly stark in metropolitan areas, but also in Northern Ireland
- Research by the Resolution Foundation suggests that one in three millennials – people born between 1981 and 2000 – will remain in private renting beyond retirement

Source: [Institute for Fiscal Studies \(IFS\) Green Budget 2018](#), [Resolution Foundation](#)



# Young adults are increasingly living at home with their parents

## Young people living with their parents

	1996	2019
20-25-year-olds living with parents (millions)	1.9	2.4
% of all 20-25-year-olds living with their parents	41%	48%

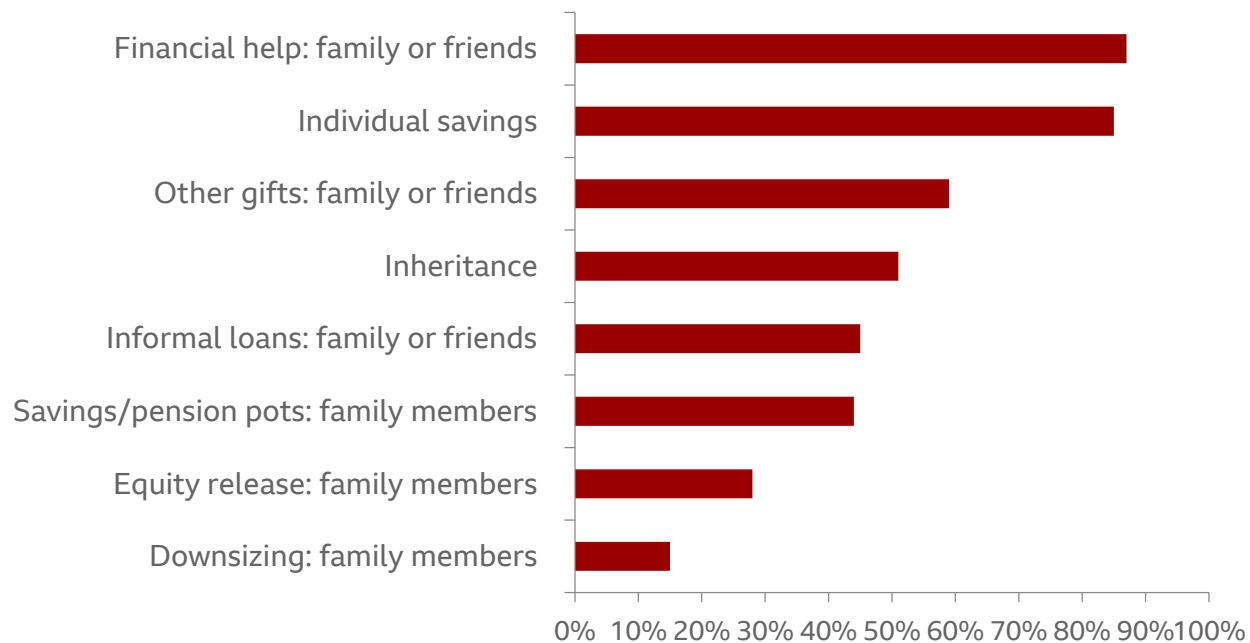
## Increase in young adults remaining at home

- Over the past two decades, there has been a marked increase in the number of young adults living at home with their parents
- There are now 500,000 more people aged between 20 and 25 living at home with their parents than in 1996
- This is largely either because they cannot afford to rent independently or because they cannot afford the deposit and mortgage payments to buy their own home
- Unaffordability has a consequence in the labour markets as young professionals may be less willing or able to move to new jobs
- The cost of housing in different areas can also affect mobility, while areas of relatively high home-ownership may also have more unemployment because of the reluctance – or inability - of owner-occupiers to uproot



# Family members are increasingly helping first-time buyers to raise a mortgage

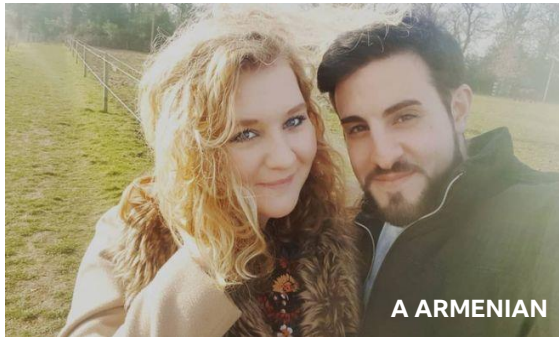
## What are the main sources of deposits for first-time buyers?



## Deposit finance for first-time buyers

- The Building Societies Association reports that 59% of potential first-time buyers now expect their parents or other family members to support them in some way
- More than one-third of first-time buyers in England used a gift from family or friends for at least some of their deposit
- The “Bank of Mum and Dad” is now regarded as one of the top 10 housing lenders in the UK
- According to Legal and General, family support underpinned 27% of all house purchases in 2018
- L&G calculates that family gifts and loans totalled £5.7bn in 2018

# Many young people now live with parents or in multi-occupancy households



Siân Webb and Andre Armenian

- Owning their own home feels like a distant dream for Andre Armenian, 29, and his fiancée, Siân Webb, 28, who save more of their wages by living 35 miles apart in their parents' houses - he in St Albans, Hertfordshire, she in Romford, Essex
- "Renting is astronomical. If we did that, it would be a decade before we could buy a home," says Andre
- "The path ahead of us is very daunting. We are laden with student debts, our incomes are not particularly high, our commuting costs are high, and house prices are becoming more and more disproportionate to incomes."



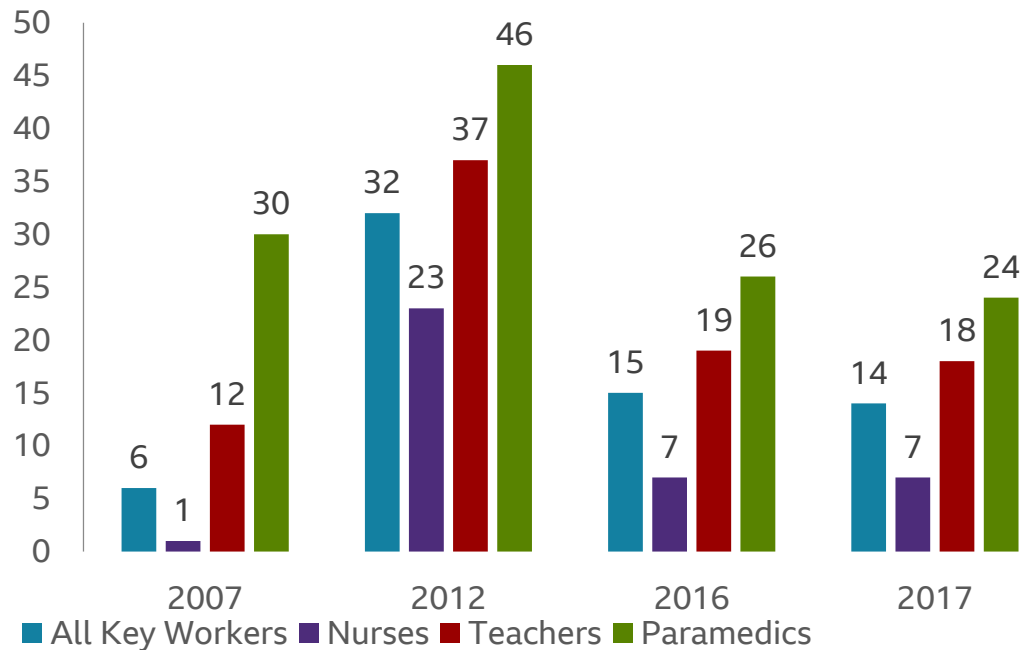
The Cotter family

- Trainee chef Dan Cotter, 18, lives with his mother, her partner, Dan's sister, niece and uncle in a specially converted home in the Kent seaside town of Margate
- The Cotters previously lived in three separate homes around the town, but moving in together has allowed them to save on rental costs
- The extended family, who has lived together for a year, have had their rental extended for a further 12 months. But they hope it will be their home for many years to come

Source: [BBC News - Housing ladder: 'We live apart to save more money to buy a home', November 2019](#), [BBC News - Three generations under one roof to beat the housing crisis, October 2019](#)

# In many UK towns, key workers can no longer afford to buy their own home

Proportion of UK towns that are affordable for key workers %



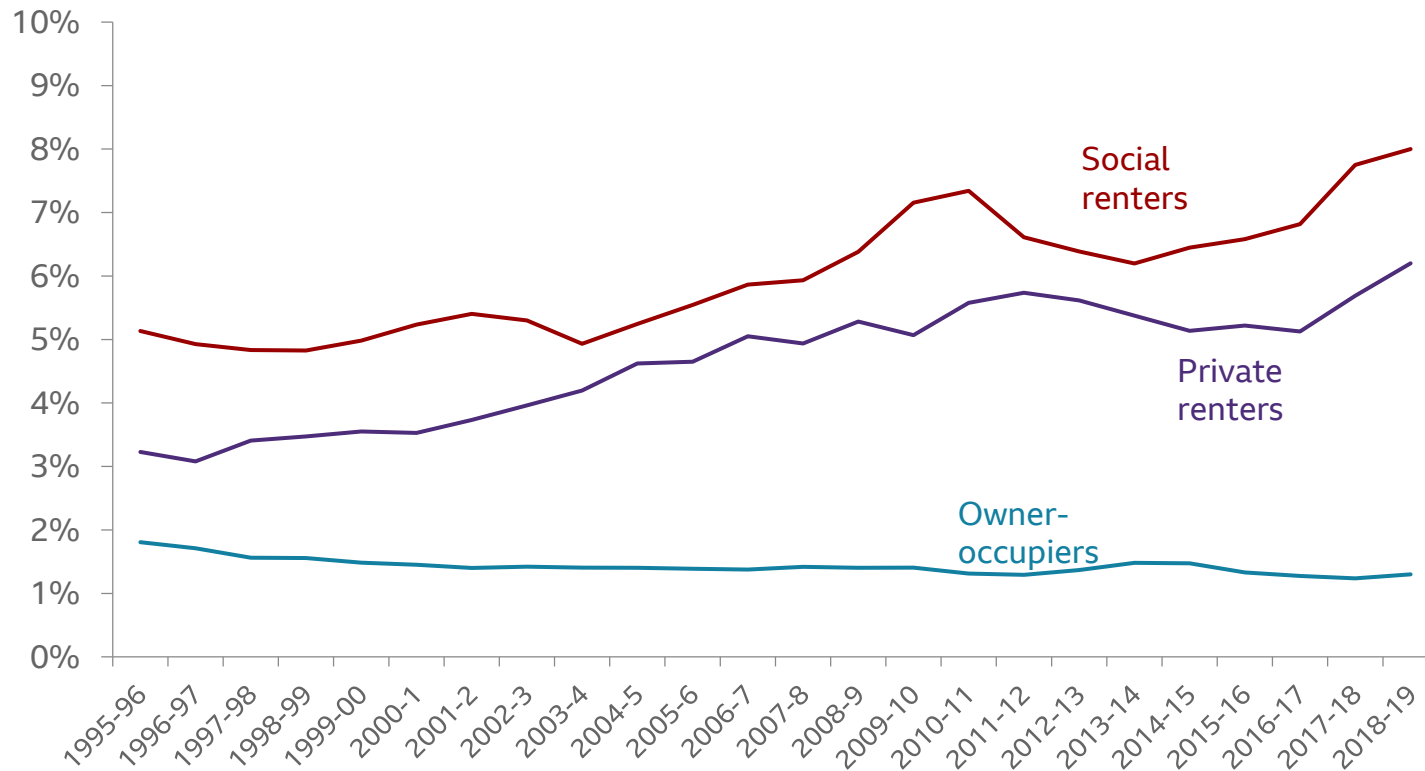
Affordability for key workers

- Only 14% of UK towns are currently considered affordable for key workers to buy their own homes
- The position was more positive in 2012, soon after the financial crisis, when house prices were relatively low
- From 2016-2019, house prices have risen and wages for key workers have been frozen, which has led to a decline in affordability
- The situation is particularly difficult for nurses: only 7% of UK towns are currently considered affordable for nursing staff

Source: [Halifax Key Worker Housing Review, 2017](#)

# Inability to buy or rent a home of their own forces many people to live in overcrowded accommodation

Proportion of households in overcrowded conditions, by tenure



Scale of overcrowding

- 788,000 of the estimated 23.5 million households in England were officially classified as overcrowded in the period 2016 to 2019
- Overcrowding disproportionately affects people in rental properties, especially in social housing:
  - 8% of social rented households were overcrowded in 2018-19
  - Over 6% of private rented households were overcrowded in 2018-19

# Financial and rental problems can fuel overcrowding



Overcrowding in Wembley



Overcrowding in Harrow

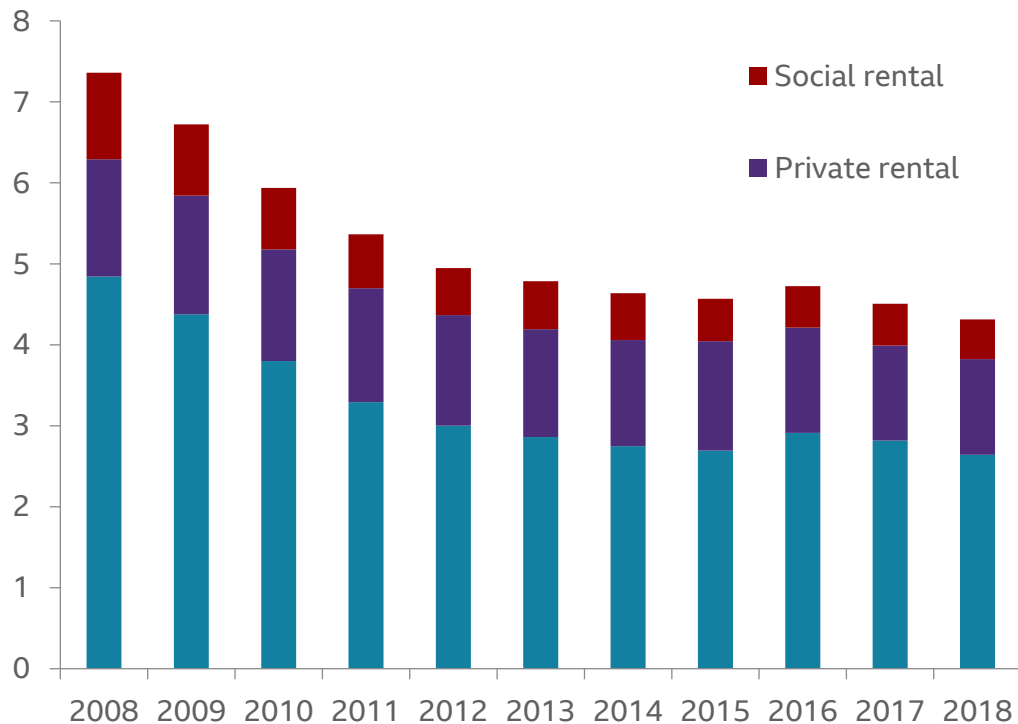
- The Housing Act 1985 lays down official criteria on what constitutes illegal overcrowding
- In 2016, council officials discovered twenty-six bunk beds in a four-bedroom house in Wembley, north London
- Residents were charged £50-£60 a week each in rent, equating to around £80,000 a year for the landlord
- One of the residents said he felt he was left with no choice but to live there as his job as a carer for the elderly paid so little
- In nearby Harrow, a similar raid found another four-bedroom property housing 13 people, mainly immigrants from Hungary
- The tenants claimed their landlord gave them just two weeks' notice to leave their previous property
- The tenants said they had no choice but to live there. "This is the cheapest place I can find a room," one of the residents said

Source: [BBC London News video - Dangerous overcrowding in London homes, 2016](#)



# A significant number of people in England are living in ‘non-decent’ homes

Number of ‘non-decent’ homes in England (millions)  
2008 to 2018



## Sub-standard housing in England

- The government defines a household as “non-decent” when it is not in a reasonable state of repair; does not have reasonably modern facilities and services, or has ineffective insulation or heating
- 4.3 million households, comprising nearly a fifth of England’s housing stock, were deemed “non-decent” in 2018
- The Decent Homes Programme, introduced by the UK government in 2001, was largely responsible for the steady improvement in social-housing standards, although this initiative ended in 2015
- In 2018, 25% of the private rental stock, 17% of owner-occupied dwellings and 12% of the social rental stock were deemed “non-decent”

Source: [English Housing Survey](#), [UK Government \(Gov.uk\)](#)

# Summary of the main social changes affecting UK housing demand

Main social drivers of increased housing demand	Impact on housing demand
Population growth	<ul style="list-style-type: none"><li>• Rapid population growth over the last two decades and a forecast of continuing population growth puts pressure on demand for housing</li></ul>
People living longer	<ul style="list-style-type: none"><li>• The proportion of the population aged 75 and over has been increasing and is projected to rise further over the next 25 years, also increasing housing demand</li></ul>
Changing social patterns of marriage, co-habitation and divorce	<ul style="list-style-type: none"><li>• Significant long-term changes in relationship patterns have led to a rapid growth in the number of households and to increased housing demand</li></ul>
Changing patterns of location	<ul style="list-style-type: none"><li>• Many more young people have been moving to city centres – which puts pressure on urban accommodation; and older people are moving to the countryside, increasing pressure for suitable housing there</li></ul>
Popular culture	<ul style="list-style-type: none"><li>• Extensive coverage in the print and broadcast media of home-ownership and related activities, such as gardening, have increased demand for a home of one's own or for moving up the housing market</li></ul>

Source: [Office for National Statistics \(ONS\)](#)

# Summary of the main structural and economic factors affecting UK housing demand

Structural and economic factors	Impact on housing demand
Rising incomes	<ul style="list-style-type: none"> <li>As real incomes rise, people are more likely to be able to obtain and to service a first or a larger mortgage</li> </ul>
Buying better than renting	<ul style="list-style-type: none"> <li>Investing in buying property is seen as beneficial because it is regarded as economically more advantageous over time than renting</li> </ul>
Property as a long-term investment	<ul style="list-style-type: none"> <li>The long-term increase in house prices means property is regarded as a safe investment</li> </ul>
Financial factors	<ul style="list-style-type: none"> <li>Financial factors – such as interest rates, mortgage conditions and tax regimes (eg capital gains exemptions on primary residences) – can have a marked effect on housing demand, either increasing or reducing it</li> </ul>
Government intervention	<ul style="list-style-type: none"> <li>Government programmes can have far-reaching effects on housing demand, evidenced by the long-term consequences of, for example, Right to Buy and legislative changes, which encouraged Buy to Let mortgages</li> </ul>
A shortage of social housing	<ul style="list-style-type: none"> <li>The halving of social housing over the past 40 years has led to more than a million people on the social-housing waiting list, a key indicator of unsatisfied demand in the housing market</li> </ul>
Unsatisfactory housing conditions	<ul style="list-style-type: none"> <li>The combination of people living in overcrowded and “non-decent” accommodation also exerts pressure on the housing market, whether by requiring rehousing, refurbishing or replacement through demolition</li> </ul>

Source: [English Housing Survey](#), [Family Resources Survey](#)

## Summary

### **A Home of Your Own**

There is a strong cultural aspiration in the UK to live in, and ideally to own, a home of your own. But demand is outstripping supply. That is partly because of rising incomes in the recent past and rapid rises in population caused by people living longer, and by net migration. Household growth has accelerated, driven by changing social patterns. Preferences are changing: more young people want to live in cities, more older people in the country, driving local demand.

Today's young, if not mortgaged by the Bank of Mum and Dad, are likely still to be living with their Mum and Dad. Key workers find accommodation near their place of work unaffordable. Unsatisfied demand is trapping substantial numbers in overcrowded or non-decent housing.









## Part 5/10

### **Social Housing**

For those unable to buy or easily to rent a suitable home of their own, how much social housing is available?

How many families and individuals are on the waiting lists for social housing?

How much new social housing is being built?



“Oh, my old man's a dustman  
He wears a dustman's hat  
He wears cor-blimey trousers  
And he lives in a council flat.”

Lonnie Donegan, top recording artist  
of the pre-Beatles era, 1960

# The availability of local government council housing has reduced radically over the last 40 years

## Providing housing for the less well-off

- The provision of social housing, which began in the late 19th century, took off in earnest after World War One and then expanded through succeeding decades, reaching a peak in the late 1960s
- By then, problems had begun to emerge: the cost of council housing to the nation's finances was high, and many council estates were becoming run-down and vandalised, with high crime levels
- In the 1980s Prime Minister Margaret Thatcher radically changed the policy towards social housing. The Housing Act of 1980:
  - allowed council homes to be sold to tenants at a discount under the “Right to Buy” policy
  - initiated a process of transferring homes from council ownership to housing associations, which were independent charities
  - provided housing benefit payments rather than actual housing, which had the effect of transferring the supply of subsidised housing provision to private landlords and housing associations
- The transfer of social housing stock from councils to housing associations accelerated under the Blair government
- The housing benefit bill has grown consistently ever since, reaching £22bn in 2017-18

# Social housing consists of homes owned both by housing associations and by local authorities

## The social housing role of local authorities

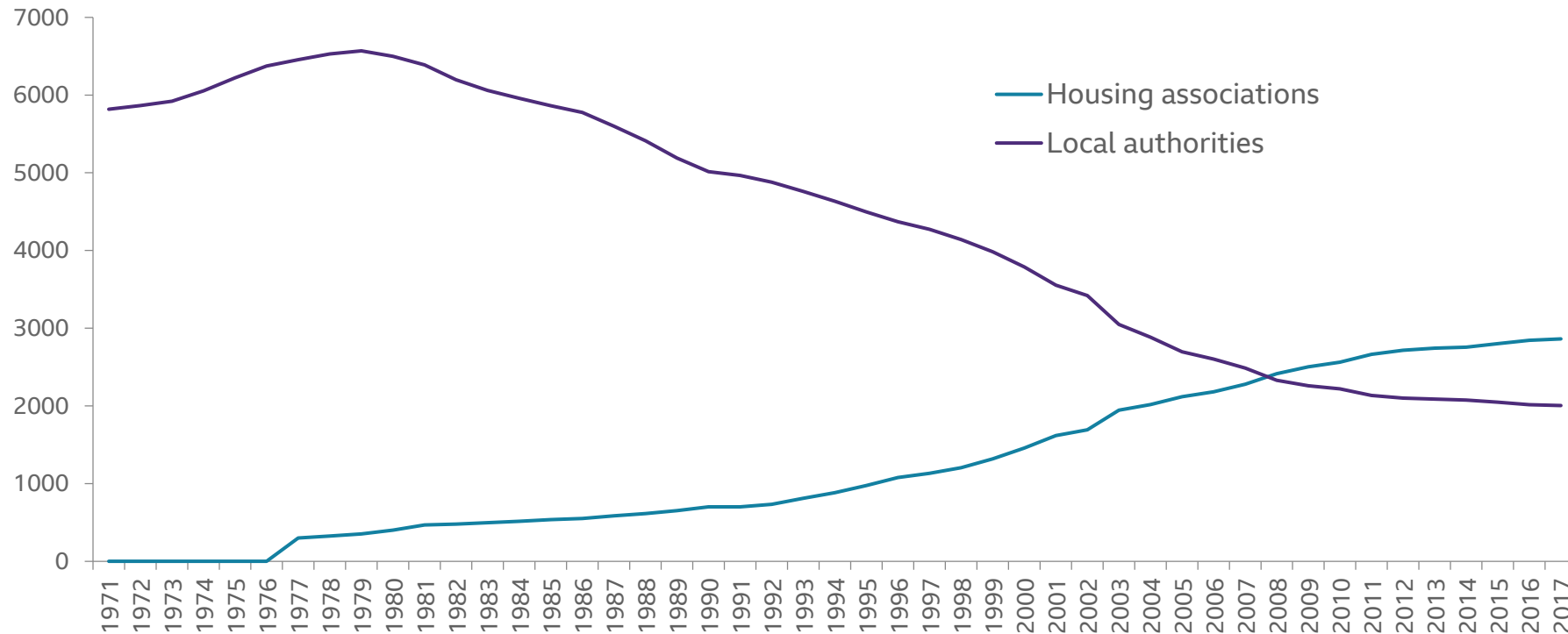
- Local authorities are required to have an allocation scheme that details how their social housing accommodation is allocated, provides accommodation for those who are homeless and aids those at risk of homelessness
- There is no legal obligation for local authorities to build more social housing
- Those in need of social housing apply for a place on the local authority register and are allocated priority according to housing need
- People can apply directly to housing associations, but many associations have arrangements to use the same register as local authorities
- Since 1988 there has been a large-scale transfer of ownership of council housing away from local authorities to housing associations

## The role of housing associations

- Housing associations are mostly non-profit organisations, originally formed by private individuals concerned about local housing provision. Generally, board members are volunteers but some are now paid
- Housing associations fund their social housebuilding in a number of ways:
  - directly from central government grants
  - by borrowing commercially from banks and through bond issues
  - through rental income paid directly by their tenants (who pay below market rents), 60% of whom rely or partially rely on housing benefit or universal credit
  - by building dwellings for the private sector for profit and re-investing the proceeds in social housing

# Since the late 1970s the responsibility for social housing has been shifting from local councils to housing associations

Social housing stock by owner, UK (thousands)

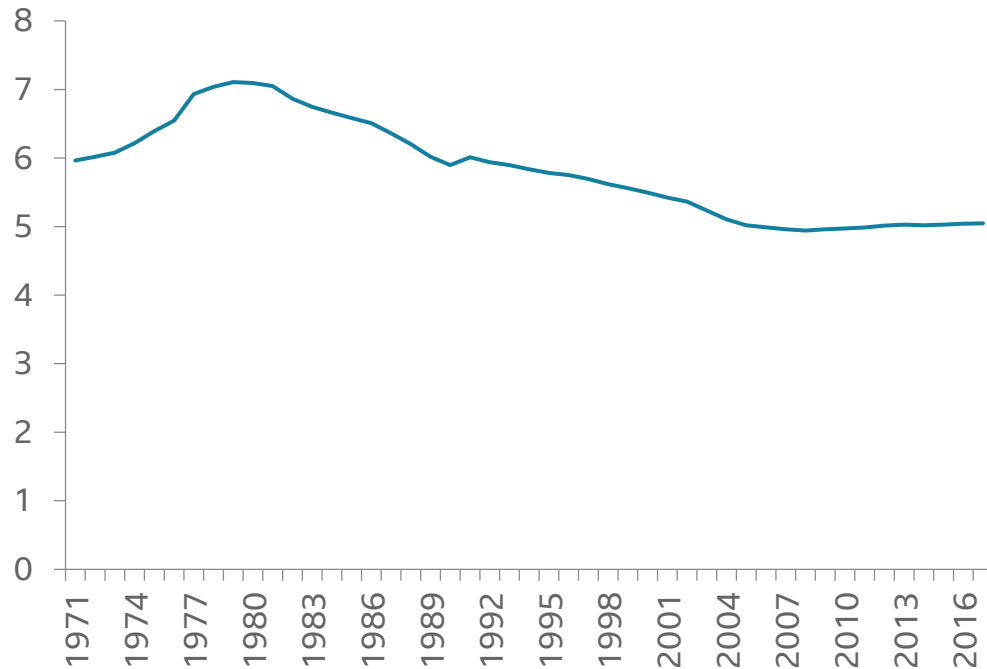


Source: [UK Government \(Gov.uk\)](https://www.gov.uk)



# The total stock of social housing has declined markedly over the past 40 years

Total social housing stock, UK 1971-2017, (millions)



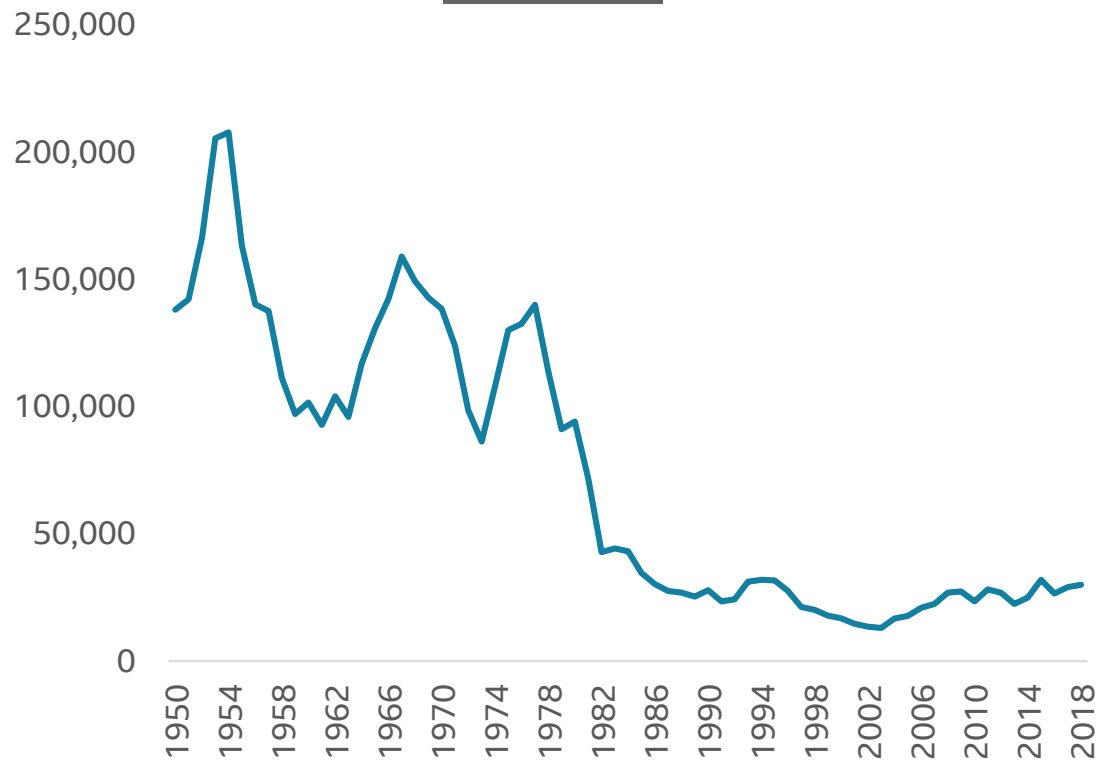
The decline in social housing

- As a direct result of Margaret Thatcher's "Right to Buy" scheme, 1.9 million households living in social housing bought their home
- This was a fulfilment of Mrs Thatcher's dream of creating a "property-owning democracy"
- Over the same period, there was a massive drop in new social-housing builds from the 1977 peak of more than 140,000 in a single year
- In 2018-19 only 37,800 new units of social housing were built in England
  - Housing associations funded 12,700 new dwellings
  - Local authorities paid for 5,100
  - The private sector funded 20,000 new social dwellings as a result of obligations placed on it under the planning system

**Overall the stock of social housing has declined over 40 years by two million homes**

# The fall in new housebuilding since the 1970s has been mainly driven by a radical reduction in social housebuilding

Annual completions by social housebuilders, England  
1950-2018

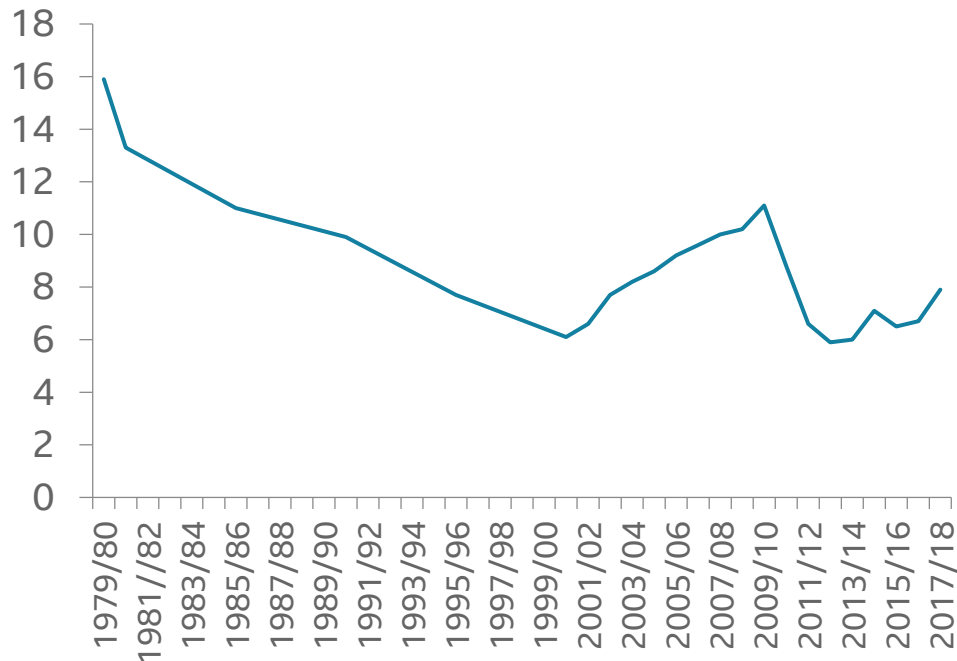


The decline in social housing

- Fifty years ago the number of new houses built each year in England was split almost exactly between the social and the private sector
- In 2018 the social sector built less than 20% of all new housing
- In the 1950s new social-sector build peaked at 200,000 dwellings in a single year, although many new buildings were simply replacing demolitions, so the net addition to the housing stock was lower than 200,000
- In 2003-04 only 13,000 new homes were built by local councils or housing associations
- This century the average has been 23,000 new dwellings per year, 11% of its 1954 peak

# Since 1980 government investment in social housing has halved

Total government investment in social housing, United Kingdom (2017-18 prices), £bn



Source: [UK Housing Review 2019, Inside Housing](#)

## The decline of government funding

- Less than 5% of government housing spending was allocated to social housing in 2016-17, down from 82% in 1975-76
- From the 1970s the amount local authorities could borrow to fund new homes was restricted
- Initially local authorities were able to use receipts from Right to Buy sales to build new homes; but the proportion of receipts allowed to be used was reduced throughout the 1980s, and from 1990 councils were allowed to use only 25% of their proceeds to fund new building
- More than 95% of government housing expenditure is now devoted to housing benefit and to mortgage interest support
- As a result, local authorities and housing associations are building fewer new homes than in the past
- Housing associations have maintained higher levels of building than local councils due to their ability to borrow privately: 70% of housing association expenditure was funded through private finance in 2017-18

# A lack of social housing is leading to long council house waiting lists

## Council housing lists

- In Newham, east London, there is a waiting list of more than 25,000 households for fewer than 600 homes available for social rent – in effect 44 households are waiting for every available home
- Most areas outside London are not experiencing such acute problems
- In 2017, just 39% of households on the social housing waiting list in the north-east of England reported waiting for more than three months, compared with 72% in London (most households waiting less than three months in London will be high-priority cases)



Freddy Emmanuel (pictured) has been on Newham's social housing waiting list for 18 years. He has sofa-surfed, stayed in hostels and experienced homelessness. For a while he slept rough under a tree on Portobello Road

"I feel I should be helped by the council," says Freddy, who had to "start all over again" in 2000 when a relationship broke up. "My family has been in this borough for a long time. This is my neighbourhood."

Source: [BBC News - More than a million on social housing waiting lists, June 2018](#), [English Housing Survey](#)

# Families on social housing waiting lists are accommodated in different ways



The Coombes Family

- The Coombes family were evicted from their home in Cornwall with just eight weeks' notice, as the landlord wanted his property back
- Since then they have been moved by their local authority 13 times
- Mr Coombes: "They say, 'We'll give you a house' and then the next day they say, 'No, we won't'"



The Burns family

- The Burns family were evicted from their privately rented flat because of flood damage
- Since then they have rented rooms in 12 different hotels using housing benefit and money from relatives
- The local government ombudsman said that the family had found private lets but lost the properties because the council took too long to consider their requests for help to pay the deposit

Source: [BBC News - Homeless family in Cornwall rehoused 13 times in 18 weeks, November 2018](#), [BBC News - Homeless family lived in Bristol hotel for three years, April 2018](#), [BBC News - Homelessness in the UK](#)



# Nearly half a million families live in unsuitable accommodation while they wait for social housing

## Social housing shortages

- In 2017-18 there were 494,000 households in England classified as being in key vulnerable categories awaiting social housing:
  - those in unsanitary or overcrowded accommodation
  - the homeless
  - the disabled
  - those owed a duty of care by a local authority
  - those needing to move locality to avoid hardship
- A shortage of council housing has led some local authorities to use former office blocks to house families



Terminus House in Harlow, Essex, is one of hundreds of office blocks in England that have been turned into temporary accommodation

Residents complain that it is unsuitable because of rising crime levels and lack of safety, especially for families with children

# In recent times there has been renewed concern over social-housing provision

## Comments on social housing policy

“There's a growing consensus about what must be done. To paraphrase Bill Clinton, it's about building more homes, stupid. Not just open-market housing, but social homes, shared equity and shared ownership”

Yvette Cooper, Minister of State for Housing and Planning, 2007

“One of them [David Cameron or George Osborne] – I honestly can't remember whom – said, ‘I don't understand why you keep going on about the need for more social housing – it just creates Labour voters’”

Nick Clegg, Deputy Prime Minister, 2010-15

“When I did a deal with the Treasury to sell the council houses [Right to Buy], 75% of the receipts were to go into new social housing. But when I went to be defence secretary, the Treasury renegotiated the terms and the supply of social housing was seriously reduced, the consequences of which lived on, much to be deplored”

Michael Heseltine, 2019 (Secretary of State for the Environment, 1979-83 and 1990-92)

“The private sector is not able to provide housing that is both affordable and meets the needs of households. And this is why Shelter will continue to call for more social housing to meet this need”

Shelter 2018

## Summary

# Social Housing

The stock of local government council housing is around one-third of the level it was 40 years ago, and the growth in the provision of social housing by housing associations has not made up the difference. In all, there are two million fewer social housing units than there were in 1979.

In 2018-19, councils in England built only 5,100 units of social housing. In total, fewer than 40,000 units of social housing of all kinds were built that year, around one-quarter of the number achieved in 1977.

About a million households in the UK are on waiting lists for the limited amount of available social housing - often living in temporary, overcrowded or insanitary accommodation.









## Part 6/10

### **Private Housebuilding**

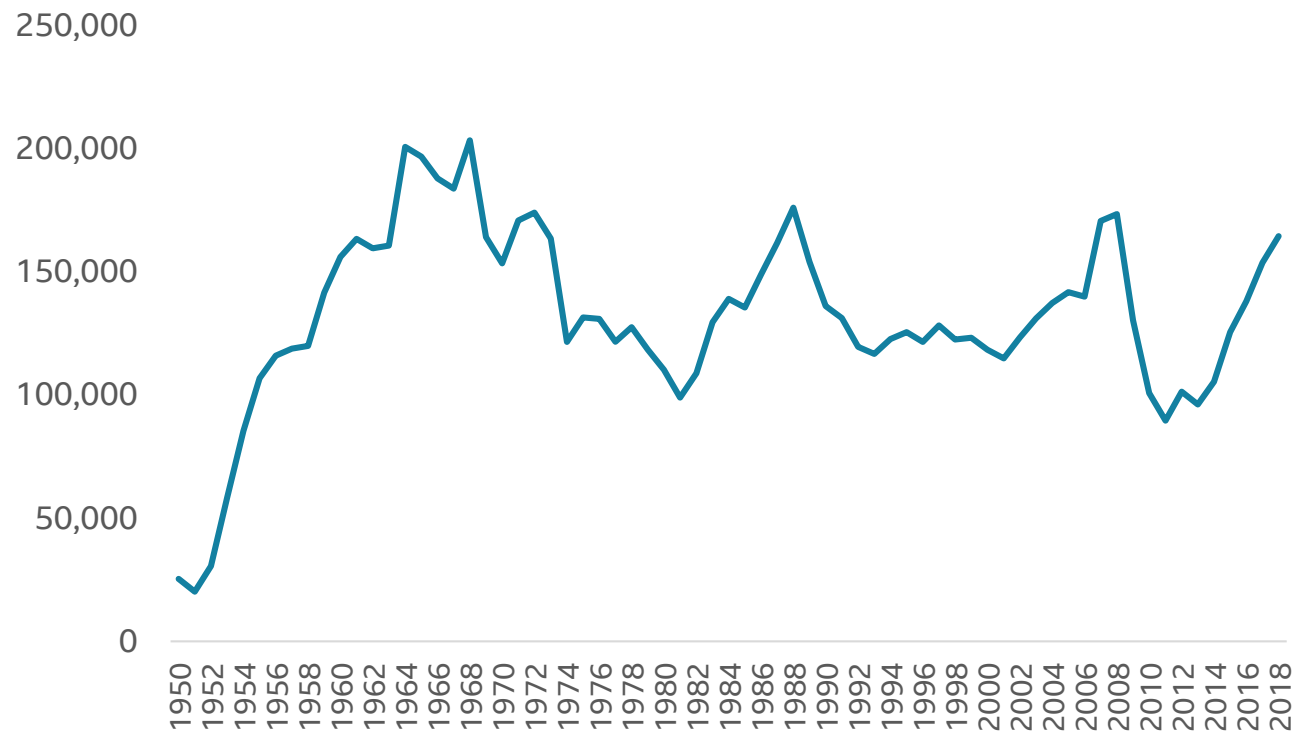
Is the private sector in the UK building sufficient homes for our needs, including sufficiently affordable homes?

And if not, why not?



# Private-sector building rates have failed to compensate for the decline in new social housing

Annual private housing completions, England 1950-2018



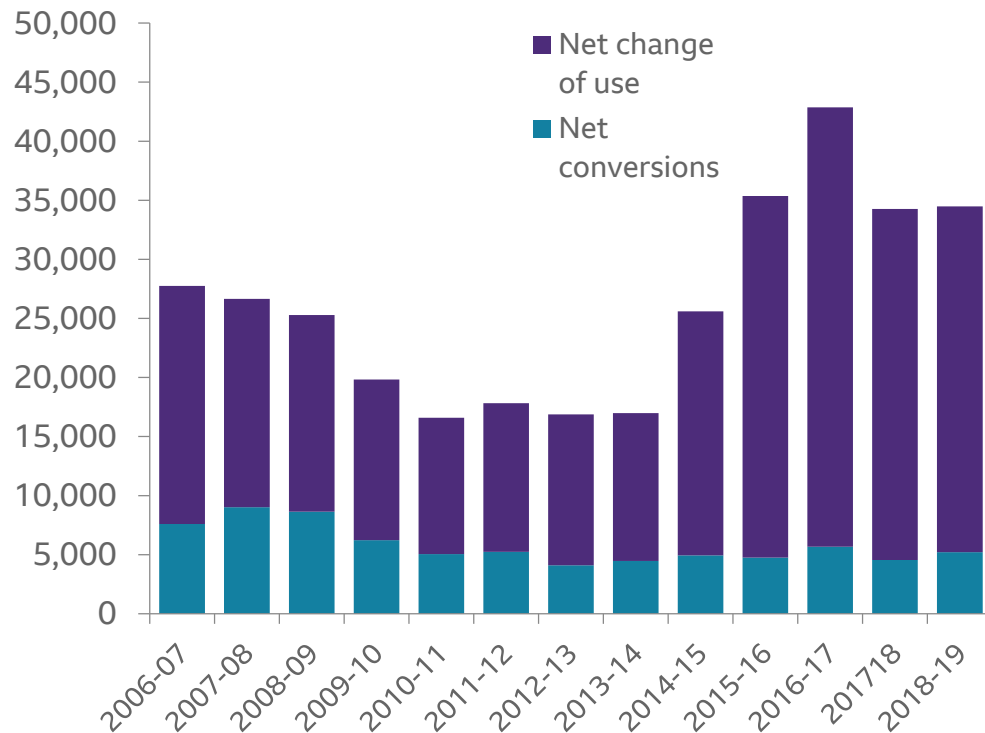
Private-sector housing completions

- While social-housing development has fallen dramatically over recent decades, private housebuilding has not increased to pick up the shortfall
- In 2018 the number of private completions was 164,000 compared with 200,000 in 1964
- Whereas the decline in social housing was fairly steady, private housebuilding rates have been more volatile, with substantial reductions following recessions in the late 1980s and 2008
- Over the past decade, an average of 175,000 social and private homes have been completed, substantially fewer than the average of 285,000 in the 1950s

Source: [UK Government – live table of permanent dwellings completed](#), [UK Government – net additional dwellings](#)

# Property conversions and changes of use added 34,000 homes to the housing stock in 2018-19

## Conversions and change of use, England 2006-2018



## Conversions and change of use

- When a house is changed into flats, or vice versa, this is defined as a conversion
- When commercial, industrial or agricultural buildings are changed into houses and flats, this is referred to as change of use. These new dwellings could be owner-occupied or rented
- When developers build more than 10 new homes, they are often obliged to ensure that a certain proportion is affordable
- Change-of-use properties are often not subject to the affordability or dwelling-size obligations that new builds are
- These changes have had a major effect on the affordability of living in particular areas: for example, in Stevenage residential conversions from office space accounted for 73% of new homes during 2016-17

# Main reasons given for the private sector not meeting the scale and nature of housing demand

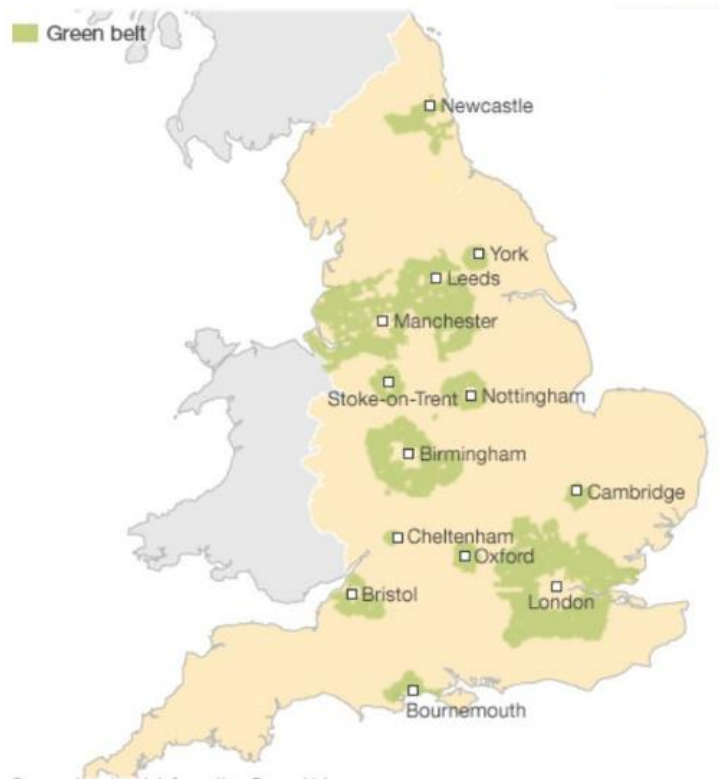
## Constraints on private-sector building

- Limited availability of development land
- Fewer demolitions restricting development opportunities
- Fewer government-enabled projects of scale than in the past
- Developers limiting the number of new builds to maintain price levels
- Planning delay
- Reduced demand resulting from tightened credit restrictions for house-buyers
- The rapid decline of the small builder
- The shortage of skilled construction labour
- Lack of innovation in UK construction techniques



# Green belts contribute to restrictions on building homes where people want to live and work

## Protected green belt land in England

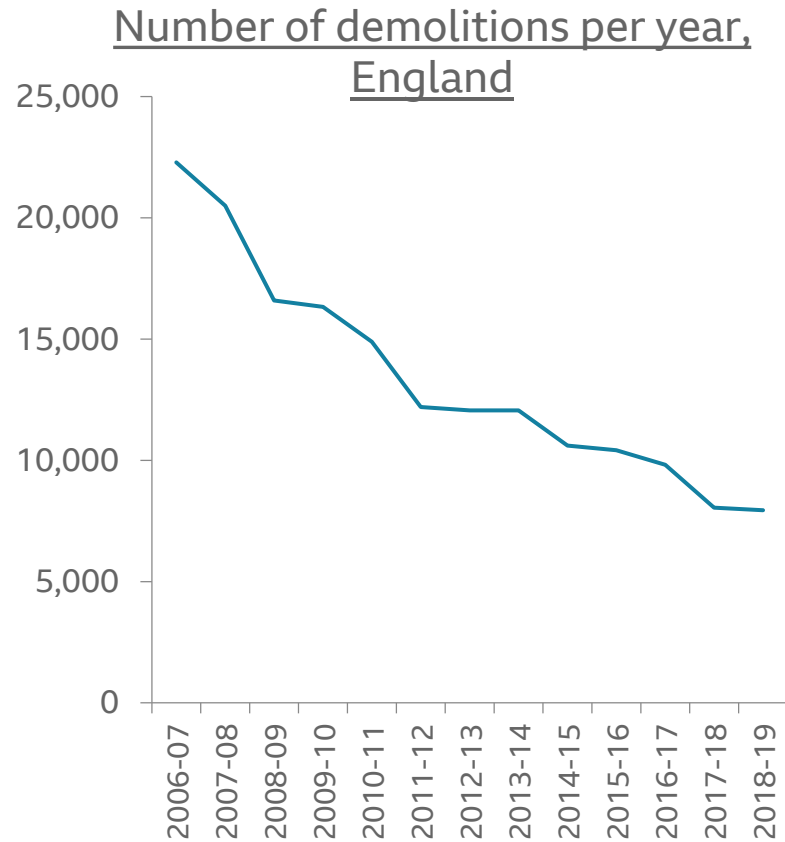


## Difficulties with accessing new land

- The green belt is designed to maintain the character of the countryside, to restrict inappropriate development and to prevent urban sprawl
- There are more than 1.6 million hectares of land in England designated as green belt, 13% of England's total land area
- Northern Ireland has 30 green belts, accounting for approximately 16% of its total area. Scotland has 10, accounting for 2.5% of its total area. Wales has no green belts
- Green belts surround urban areas, such as Greater London, Edinburgh, Greater Glasgow, Merseyside and Manchester, and thus limit the land availability in areas where people might want to live or commute from
- The National Policy Framework states that green-belt land can be developed only in “exceptional circumstances”. These include:
  - the proportionate extension or replacement of a building
  - limited infilling of villages
  - limited affordable housing

Source: [Table P120A, Barney Stringer \(2013\)](#)

# The rate of demolition - both to free up land and to improve the housing stock in England - has declined rapidly



## Demolitions

- Demolition does not necessarily lead to replacement homes being built, as it may not be economically viable to rebuild in areas where demand is low
- Demolitions can, however, potentially improve UK housing in a number of ways:
  - Demolishing dwellings that are unfit for habitation and replacing them with good-quality housing would improve the quality of the housing stock, the oldest in Europe
  - Freeing up land through demolition can increase the number of homes, if the new housing is denser than its predecessor
  - Demolition provides the opportunity to build houses that better fit contemporary needs or advances in technology:
    - the path to net-zero carbon emissions would be eased by electrically (rather than gas) heated and better-insulated homes, for instance
    - a high demolition rate in Japan, for example, enables the housing stock to adapt to building-code revisions designed to improve earthquake resilience
- At current demolition rates, almost half the current stock of homes in England will be standing in 1,000 years' time

Source: [National House Building Council \(NHBC\) Foundation, UK Government - net supply of housing table](#)



# Slum clearances throughout the 20th Century eradicated unsuitable housing

## 20<sup>th</sup>-Century slum clearances

- Between 1965 and 1985, 740,000 dwellings were demolished as part of slum clearances in England and Wales
- Both private and public stock were demolished, and private owners were compensated for their lost property
- 80,000 dwellings in Greater London were demolished; 55,000 in Manchester; and 40,000 in Birmingham
- These slum clearances enhanced the quality of the UK's housing stock
  - The Housing Conditions Survey in 1967 recorded 1,830,000 unfit houses in England and Wales
  - By 1986, 900,000 unfit houses were recorded in England
  - 90,000 unfit dwellings were recorded in a separate Welsh survey in 1981



Demolitions in Brixton, south London, 1973

Source: [The incidence of slum clearance in England and Wales 1955-85, Jim Yelling \(CUP 2000\)](#)

# Japan has achieved a high housebuilding rate by demolishing a large number of houses

## Housebuilding in Japan

- Japan has a strong preference for new builds, which make up 80% of sales. In the UK they account for 10% of total housing sales
- According to brokerage firm Nomura, the value of the average Japanese home will fall to zero within 22 years (but it will retain its land value)
- As a result, homes are more regularly demolished and rebuilt in Japan. This increases the churn of buildings and the building rate because:
  - more land is available to build on due to the high number of demolitions
  - new dwellings do not need to last as long, increasing the speed of building, with entire neighbourhoods sometimes being built in the same factory (eg Midorigaoka)
- In 2018, there were 942,000 housing starts across Japan, compared with 194,000 in the UK
- However, Japanese new builds are largely replacing demolished properties so the overall, or net, additions to the total housing stock represent a smaller percentage increase than in the UK



Up to five times more new homes a year have been built in Tokyo than in London since 2003

# Large-scale housing projects, both in the UK and overseas, have historically led to rapid transformations in the housing stock

## Ambitious transformations in the housing stock

- Large developments have previously been used in the UK and abroad to address housing shortages and overcrowding in cities:
  - The new-towns programme, designed to relocate those whose housing had been destroyed by bombing in World War Two, led to the creation of 32 new towns in Britain
  - Milton Keynes was established in 1967 to ease the housing shortages in London
- Factory-assembled housing was used to address the UK shortage after World War Two, was used to build entire neighbourhoods in Japan in the 1960s, and has recently been used to construct skyscrapers in China in 57 days

# The post-war new-towns programme led to the creation and expansion of 32 new towns in Britain

## The new-towns programme

- The new-towns programme, introduced in 1946, was designed to rehouse those who had lost their homes during World War Two
- A new-town development corporation was created for each town, which had powers to purchase land compulsorily at agricultural prices and to create a comprehensive plan for the town
- Crawley, Livingston, Newtown, Northampton and Ipswich were all built or extended under the new-towns programme
- The development of the towns was funded through central government and self-financing. As the land was bought at agricultural prices, the development corporations were able to benefit from the uplift in land values
- Today the post-war new towns are home to more than a million people



The new town of Cumbernauld was built to solve chronic shortages of housing in post-war Glasgow

Source: Rethinking the economics of land and housing, Ryan-Collins/Lloyd/Macfarlane (2017), "The Treasury as Developer-Capitalist? British New Town Building in the 1950s," *Journal of Economic History* 50, no. 4, December, pp. 903-24, Carol E Heim



# In 1967 Milton Keynes was founded to create a substantial increase in UK housing

## The "new town" of Milton Keynes

- Milton Keynes was born with an Act of Parliament in 1967 which approved the building of a new community of 250,000 people covering 22,000 acres (8,900 hectares) of Buckinghamshire farmland and villages
- Built to ease the housing shortages in an overcrowded London, its founding principles were for an "attractive" town that enshrined "opportunity and freedom of choice"
- Milton Keynes is now the third-fastest-growing city in the UK, with a population of 270,000, and is a thriving community with its own football team and arts centres
- Milton Keynes was the last new town to be built. Changes in the law meant landowners were entitled to much greater compensation for compulsory purchase of their land, making it financially unviable to build new towns



The Hub shopping and entertainment complex in Milton Keynes



# Miasteczko Wilanów in Poland was founded in 2004 and now houses 40,000 people

## Urban planning in Poland

- Miasteczko Wilanów is one of the biggest residential projects in Europe. Its population has grown by 225% in the last decade
- Built on what used to be empty fields on the outskirts of Warsaw, the project began in 2002 and within two years the first residents were moving in
- As well as apartments, Wilanów offers its inhabitants a developed local infrastructure, including shops, restaurants, service points, schools, offices and entertainment facilities
- “I’ve been living in Miasteczko Wilanów since 2005. I was seduced by the architectural and urban concept, which became reality; modern, clean, safe and open area full of restaurants, shops, schools. I like the social mix and diversity of the area. It’s mostly occupied by young families and professionals,” says local resident Maciek Sandecki



Maciek Sandecki is a resident of Miasteczko Wilanów in Poland

# Planning for the development of 14 new garden villages is under way across England

## The garden-villages programme

- In 2017 Theresa May's Conservative government announced plans to support the development of 14 garden villages across England which would provide up to 48,000 new homes
- Local authorities would take the lead in laying out the development plans but the majority of the construction would be put out to private-sector tenders
- The government pledged up to £6m to assist these new developments
- The government specified that the new garden villages should be built to a high standard, be attractive and well-designed, and be built as a response to meeting local housing needs - especially for first-time buyers
- The plans are currently going through an extensive planning process, which gives local communities an opportunity to be consulted and to ensure the villages meet local needs
- They are less ambitious in scale than similar projects in the post-war era

Source: [BBC News - Garden villages](#)



# China has developed innovative techniques for rapid construction

## China's innovative building techniques

- In April 2015, a Chinese construction company built a 57-storey skyscraper in just 19 working days
- Broad Sustainable Building, which specialises in prefabricated construction, prepared 90% of the structure in a factory before assembling the remaining 10% on site
- The owner, Zhang Yue, has ambitions to construct the tallest building in the world, standing 838m tall, in just 90 days, using similar techniques
- There are questions about the longevity of China's new builds: Qiu Baoxing, the former vice-minister of China's Housing & Urban-Rural Development ministry, estimated that new buildings going up in China today will stand for only 25-to-30 years before being demolished



Changsha in Hunan Province, China

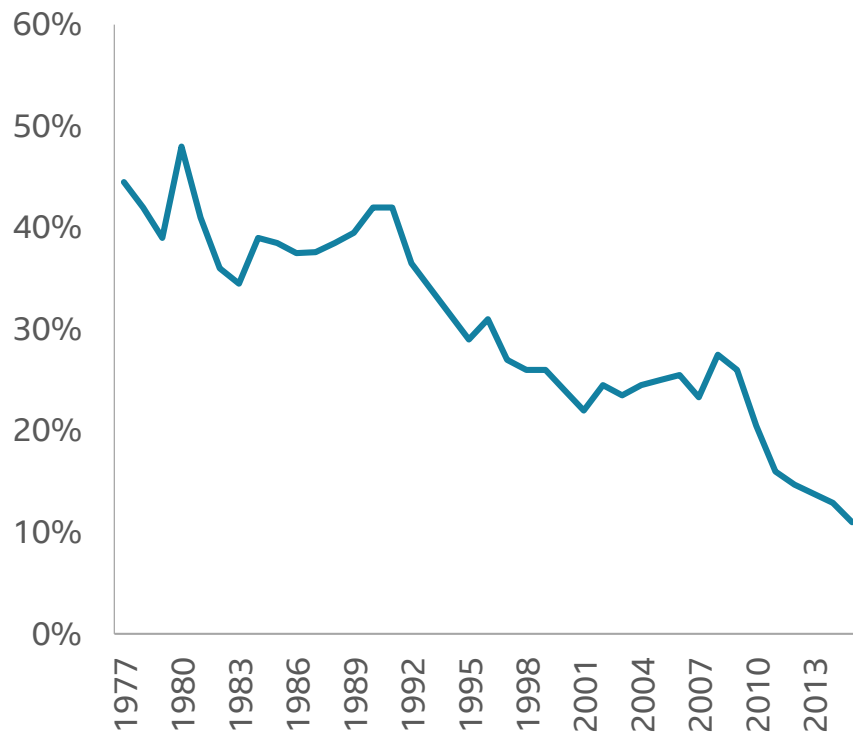
# The planning process for building new homes in the UK is subject to increasing delay

## The planning process

- Broad planning policy is laid down by central government, or the devolved governments, but administration of the planning process is mostly handled by local government
- If there are no delays and appeals, a planning application for building can be approved within 13 weeks
- For more complex applications, local authorities can agree to deadline extensions. In 2012-13, there were 107 time extensions in England, which had increased to 5,500 in 2017-18 - making up more than two-thirds of all applications
- The planning process can require consultation with a number of different parties. For example:
  - Public consultation: planning authorities are required to undertake a formal public consultation. Any individual - as well as community groups or specific interest groups - can respond to a consultation
  - Statutory consultation: planning law prescribes circumstances where local planning authorities are required to consult specific bodies prior to application - eg Greater London Authority, local flood authority
- Cuts have limited local authority resources for planning. Between 2010 and 2018 there was a 38% drop, in real terms, in planning expenditure
- More complex developments – involving a number of bodies and appeals - can take up to three years to win approval
- Appeals delay the process further: since 2013 the time for the Planning Inspectorate to rule on an appeal has risen from 30 weeks to 38 weeks

# Over the last 40 years, there has been a steady decline in private housebuilding by smaller firms

Percentage of new homes built by SMEs  
(1-100 units), UK, 1977-2015



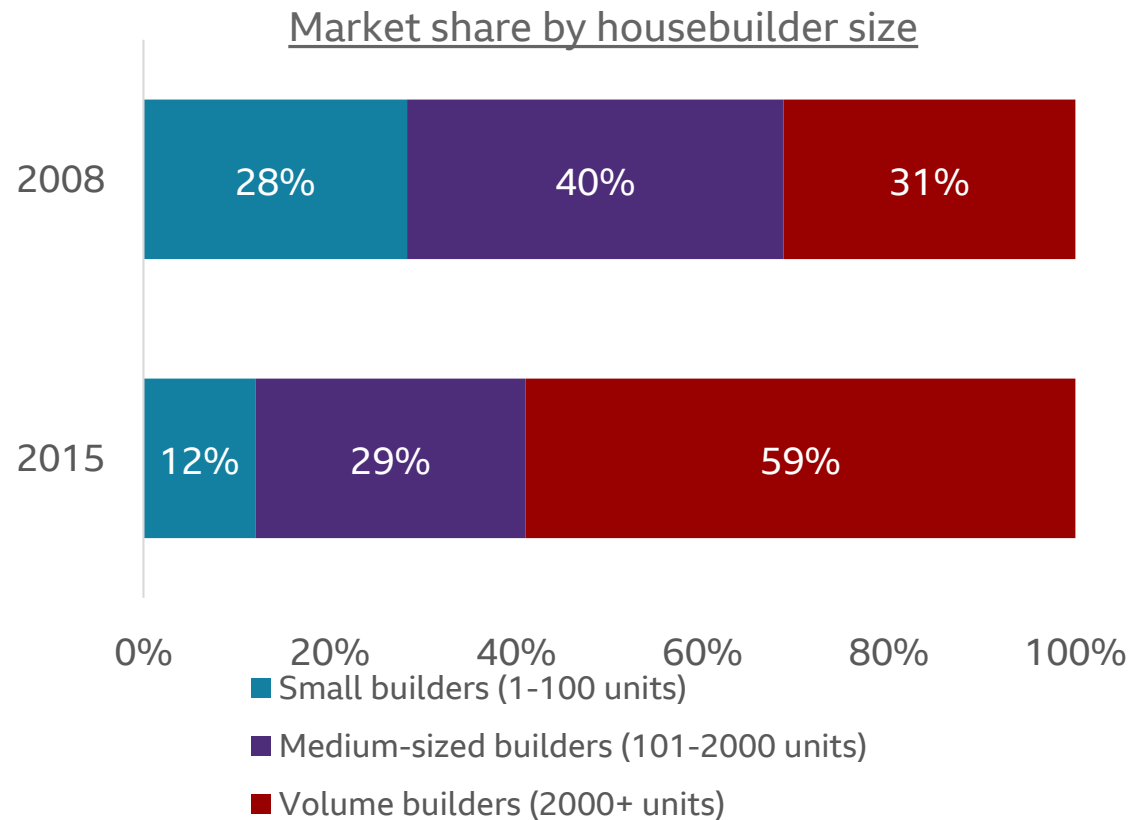
Source: [Home Builders Federation \(HBF\)](#)

## The decline of the small builder

- In 1987, there were more than 11,000 firms registered with the NHBC that built fewer than 1,000 homes a year. In 2017, there were fewer than 2,000 small builders
- In 1980 SMEs (in the construction industry this refers to companies that build fewer than 1,000 dwellings per year) delivered half of all UK housing. In 2015 they built fewer than one in eight new dwellings
- The National House Building Council found that the planning process and limited availability of land were their biggest business challenges
- There are significant up-front costs in submitting planning applications without any certainty of success. While larger firms can mitigate their risk across numerous sites, small firms can be seriously hampered by delays or rejections
- The Home Builders Federation estimated that returning to the same number of SMEs as operated in 2007 would help boost the housing supply by 25,000 homes a year
- Smaller builders are also more likely to offer options such as custom-build housing and to build on smaller plots that would be economically unviable for larger builders



# Since the financial crisis the largest developers have begun to dominate the building sector



The emergence of the house-building giants

- In 1960, the 10 biggest UK housebuilders built 9% of all new homes
- In 2015, the top 10 developers accounted for 47% of all new-builds, while housebuilders developing more than 100 units per year accounted for 88% of the home-building market
- In 2019, the top 10 largest volume housebuilders constructed more than 90,000 homes

# The growth of larger firms is in part attributable to changes in the size of development sites

## The size of development land plots

- Under the National Planning Policy Framework of 2012, local authorities, which draw up housing development plans for their areas, have tended to issue development permits for larger sites than previously. The average permitted housing scheme has increased in size by 17% in less than a decade. It is often easier to deal with the impact of a single large site on the local population
- These larger sites are more expensive to build on and represent substantial risk, putting them out of reach of many smaller builders and favouring the bigger developers
- The market for development land is also fiercely competitive, with larger firms more able to pay high prices for land and to recover costs through economies of scale on larger developments or use option agreements to control land many years before it reaches planning
- Encouraging building on smaller sites would enable smaller housebuilders to develop land that is economically unviable for larger housebuilders, thereby increasing the build rate and closing the housing gap
- There have also been suggestions that the big developers are guilty of “land-banking”: hoarding building land without actually developing it in order to profit over time from rising prices. A 2018 government review rejected this, though, and concluded that developers build only at a rate that will not undermine average prices. If they were to build too many homes too quickly, they would risk undermining the market
- Housing charity Shelter draws attention to what it calls “strategic land-banking” - land that may not be owned by builders but is controlled by them through legal options for potential development. Shelter is concerned that this practice may stifle competition but the industry denies this

# Germany has been successful in retaining smaller builders

## The German house-building model

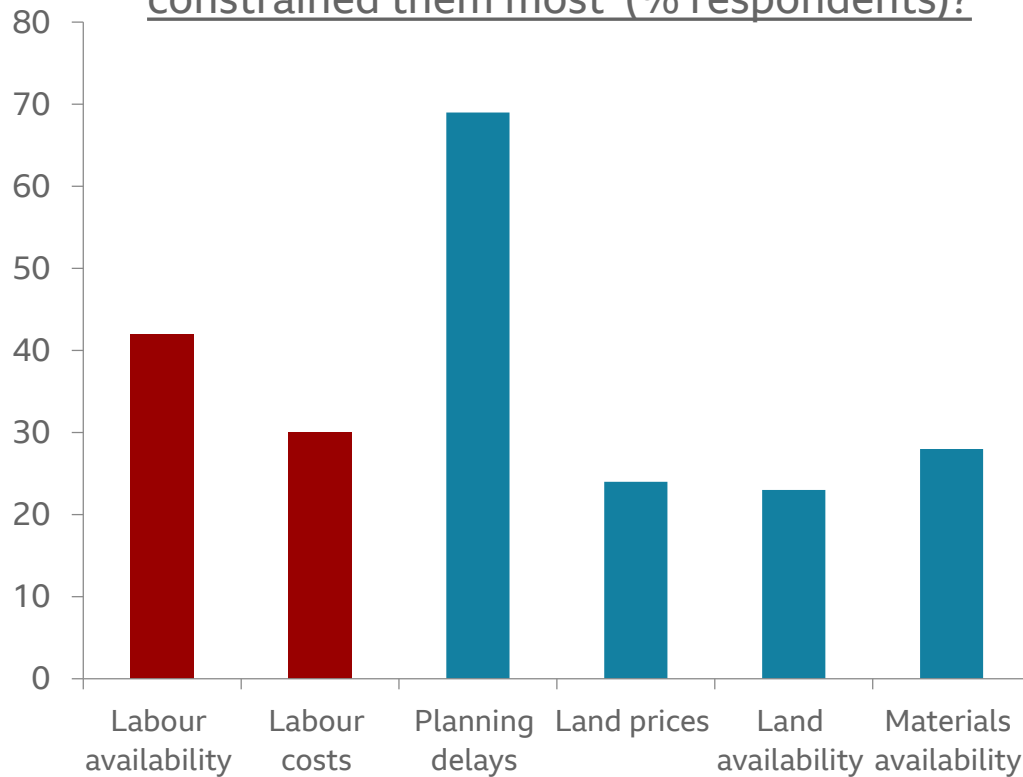
- Developers can be prevented from “hoarding” land if they do not intend to build on it
- Custom-built housing is more widespread, which represents less risk for smaller firms as the home is, in effect, sold before it is built
- Smaller builders tend to rely on finance from local or co-operative banks rather than major institutions, and achieve credit more easily
- Public authorities take a clear lead in shaping large-scale development and infrastructure plans. This reduces uncertainty and speculation, and builders have greater certainty about whether a planning application will be accepted
- The planning process is also more streamlined, which lowers costs for smaller builders



Nuremberg in Bavaria, Germany

# A shortage of skilled labour is a significant constraint for housebuilders

In 2018, what did housebuilders say constrained them most (% respondents)?



## Skilled labour and housing supply

- In 2018, 42% of housebuilders saw labour availability as a major constraint to increasing housing completions
- In October 2015, recruitment firm Randstad said one million more construction workers would be required by 2020 if the government were to meet its target of building 300,000 homes a year
- Barratt Developments, which built 17,500 homes in 2017-18, said in its annual report: “Skilled workers leaving the construction industry during the financial crisis, alongside an ageing workforce, has led to a significant skills shortage”
- Persimmon, one of the UK’s biggest housebuilders, points out that increasing the supply of trade skills will be essential if the industry is to increase the volume of new homes built
- New methods of construction could improve productivity but the benefits have not yet materialised

Source: [Randstad](#), [Barrett](#), [Persimmon](#), [Home Builders Federation \(HBF\)](#)

# Changing credit conditions have also reduced the incentive for developers to build new housing

Monthly interest rate for a two-year (75% loan-to-value)  
fixed rate mortgage, 2000-2018



The loan-to-value (LTV) ratio is the difference between the value of the mortgage you take out and the value of the property as a whole, expressed as a percentage

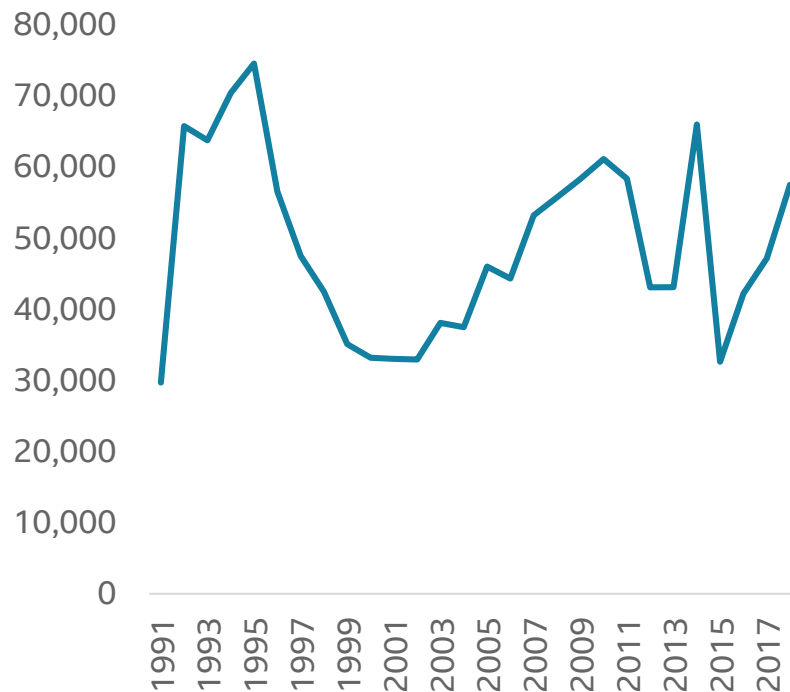
The impact of credit conditions

- Since the financial crisis in 2008, interest rates have dropped, fuelling a boom in house prices
- At the same time there has been a tightening of credit conditions by banks, and of mortgage regulation by government – increasing the size of the initial deposit required from the buyer
- Since 1990 the average real deposit needed for a first-time buyer has increased from an average of £14,800 to £33,000 (2018 prices)
- Buyers without a large deposit or a strong credit history now struggle to obtain a mortgage, constraining the level of demand for housing and reducing the incentive for developers to build – although this has been offset by an increase in demand as a result of government schemes like the Help to Buy equity loan scheme



# Supplying 'affordable housing' is a particular challenge for the private sector

Affordable homes provided annually,  
England, 1990-2018



Source: [UK Government \(Gov.uk\)](#), [Shelter](#)

Meeting the demand for 'affordable housing'

- Developers are less inclined to build affordable homes, such as social housing, as they recoup lower profit margins than if they were to build a high-end home
- Local authorities can insist on affordable homes being built on their sites as a precondition of granting planning permission: affordable homes quotas usually require that between 30% and 50% of new developments are affordable for lower-income groups
- These homes will usually be sold or given to a local council or housing association to allocate and manage
- Some of these properties encourage first-time buyers on to the housing ladder by allowing them to purchase the property at a discount, often at 20% of the market value, or by offering affordable rents at least 20% cheaper than market rents
- However, many developers now use "viability assessments" to negotiate down this quota, arguing that the quotas would seriously impair their profit margins
- In 2017, Shelter showed that the use of these assessments in 11 local authorities had contributed to 79% fewer affordable homes being built in England than if housebuilders had been obliged to meet the affordable-housing quotas
- As a result, the number of new affordable homes available in England has fluctuated either side of 50,000 dwellings per year, and has not risen to meet sustained demand

## Summary

### Private Housebuilding

The scale of private housebuilding in the UK is not compensating for the fall in social housebuilding, nor is it keeping pace with overall demand. And lower-priced affordable homes are being built at the rate of only 50,000 a year.

There is an accumulation of causes: the supply of land is limited and there are few demolitions to free up land; planning processes are prolonged and uncertain; skilled labour is in short supply; small builders are in rapid decline, and no major new towns have been created in recent decades.





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Part 7/10

## **Private Rental Sector**

How large is the private rental sector?  
And what is fuelling its growth?



# BBC Briefing - Housing

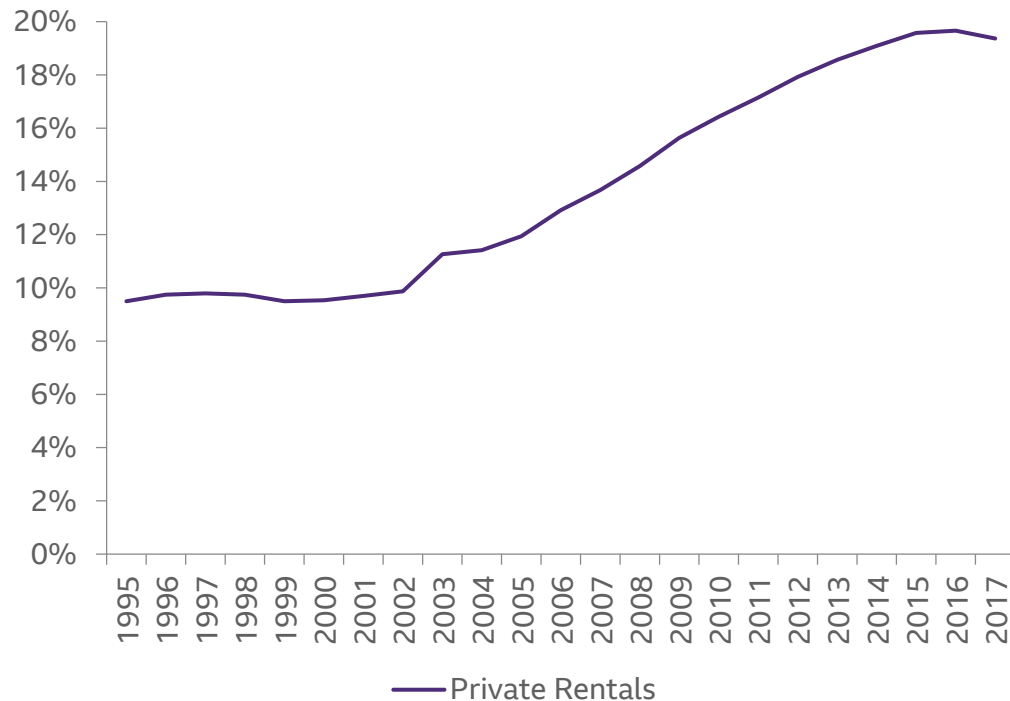
“Ideally, the worst type of slum landlord is a fat wicked man, preferably a bishop, who is drawing an immense income from extortionate rents. Actually, it is a poor old woman who has invested her life's savings in three slum houses, inhabits one of them and tries to live on the rent of the other two - never, in consequence, having any money for repairs”

George Orwell, The Road to Wigan Pier, 1937



# The proportion of households living in the private rented sector has doubled in the past 20 years

Proportion of households in the private rental sector, UK, 1995-2017



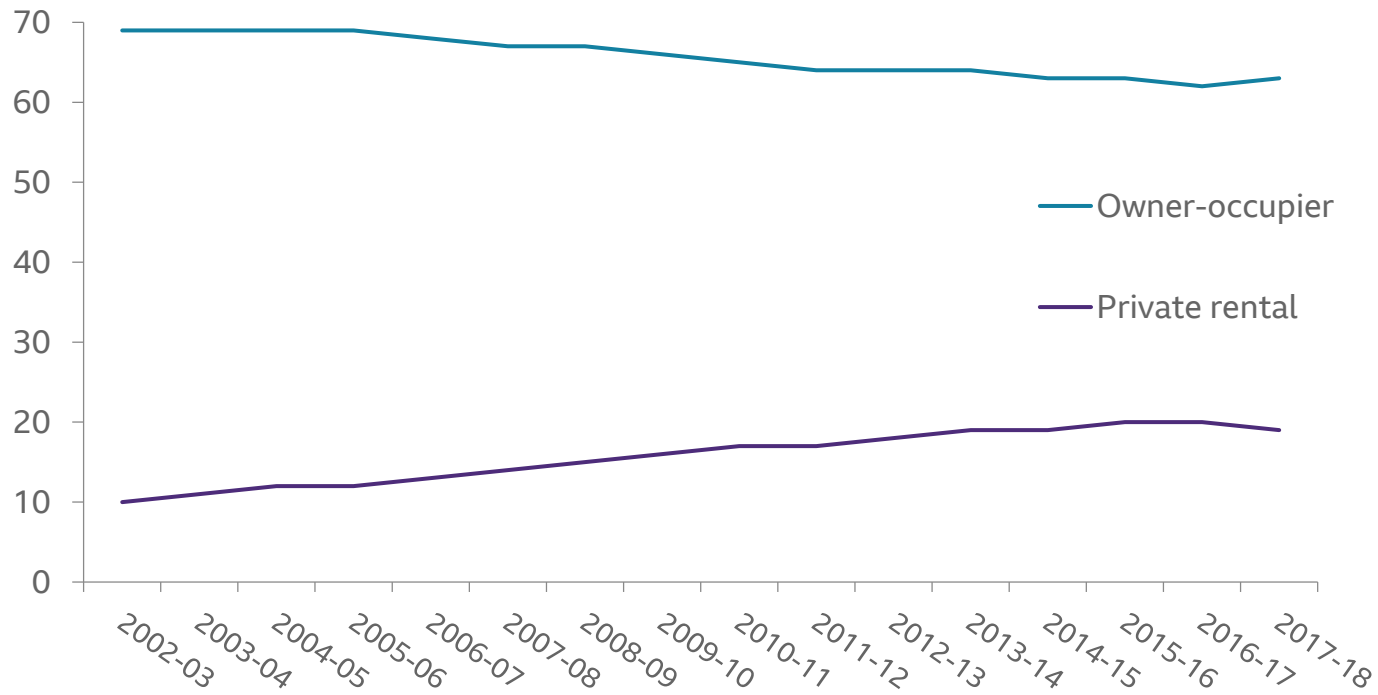
The growth of the private rented sector

- The legal reforms of the 1980s, which improved the position of landlords, paved the way for private rented sector growth
- There were 2.8 million households in the private rental sector in 2007; by 2017 the number had risen to 4.5 million
- Fewer available social homes mean that people who would have lived in a home provided by the council or a housing association are now renting from a private landlord
- Some people who bought their council houses rent them out
- Housing benefit increased between 1982 and the 2011 Budget, and helped fund growth in the private rented sector
- Would-be homeowners without a sufficient deposit, or with an impaired credit history, are also a significant component of the private rented sector

Source: [UK Government \(Gov.uk\)](#), [Office for Budget Responsibility \(OBR\)](#)

# The private rental sector has grown as the home-ownership rate has fallen

UK private housing tenures, 2002-03 – 2017-18, (%)



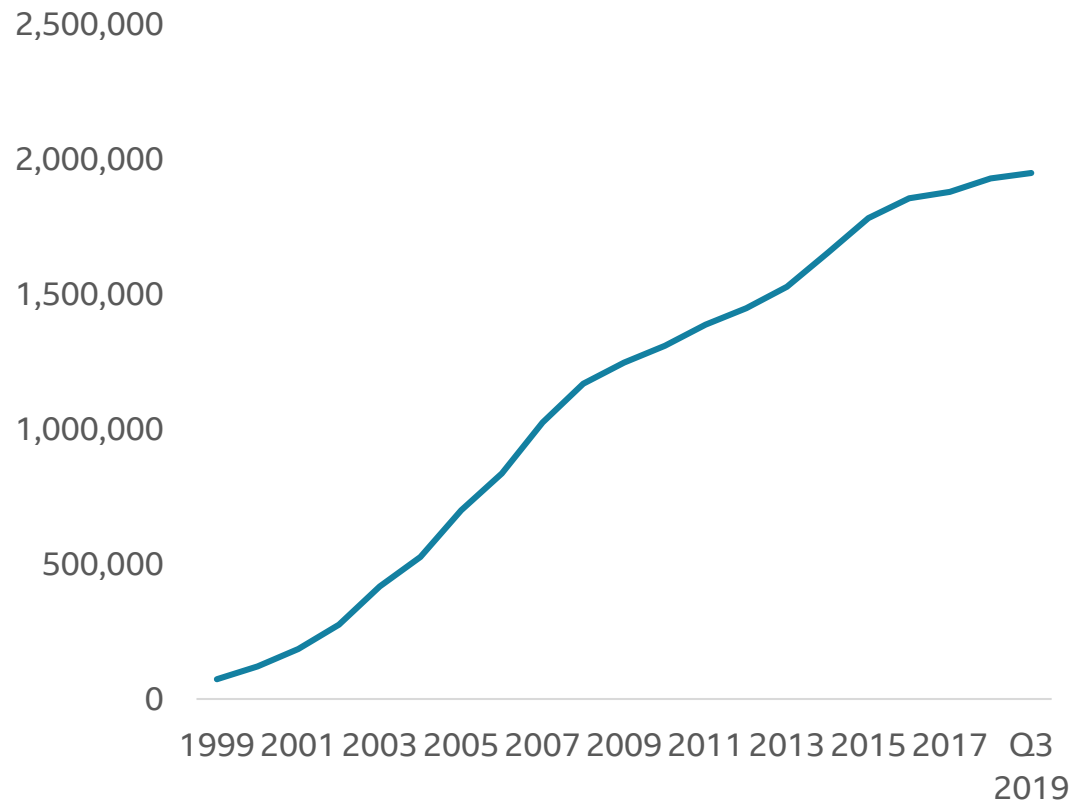
## Home ownership and the private rental sector

- The proportion of people who own their own home fell by six percentage points between 2002-03 and 2017-18
- The rate of UK home ownership had been rising steadily throughout the 20th Century and reached a peak of 69% in 2002-03, before falling back after the 2008 financial crisis
- As the rate of home ownership fell, the number of households in the private rental sector rose

Source: [Family Resources Survey 2017-18](#), [Office for National Statistics \(ONS\)](#)

# Buy to Let mortgages have helped increase investment in the private rental sector

Total outstanding Buy to Let mortgages



Source: [UK Finance](#)

## Buy to Let Mortgages and Assured Shorthold Tenancies

- The Assured Shorthold Tenancy (AST) was introduced in the Housing Act 1988, giving landlords more control over their property by allowing them to terminate the tenancy with reasonable notice
- This reform ushered in the era of Buy to Let mortgages, which allowed investors to apply for mortgages on residential properties specifically for the purpose of letting them out
- In recent years, the number of new Buy to Let mortgages approved each year has been declining, along with the proportion of homes that are bought by landlords
- Buy to Let has enabled the private rental sector to grow but it has also raised house prices and reduced prospects for first-time buyers

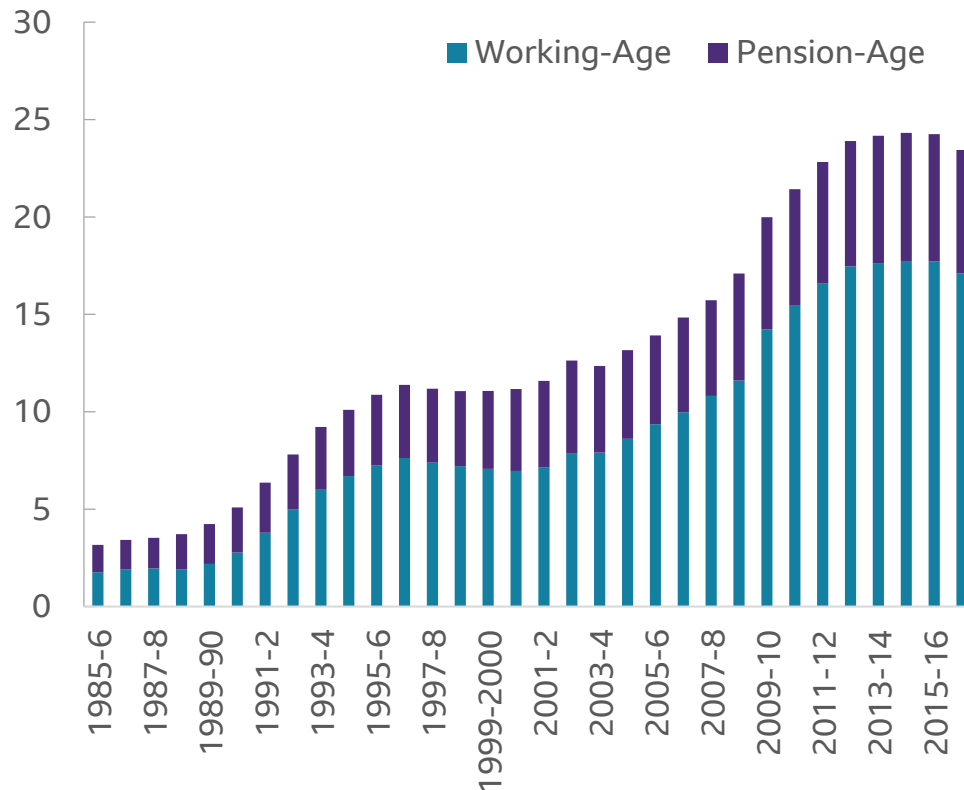
# Rents were controlled in the past but now landlords are free to set their level

## History of rent controls

- The Increase of Rent and Mortgage Interest (War Restrictions) Act 1915 limited rents to their August 1914 levels
- This measure was introduced to prevent landlords from profiteering during the war years when housing was in high demand
- Rent controls continued to apply in various forms until January 1989
  - The Rent Act 1957 relaxed rent controls somewhat by basing them on gross property values
  - The Rent Act 1965 introduced regulated tenancies with “fair rents” set by independent rent officers
  - Housing Act 1988 deregulated rents on new private-sector lettings after 15 January 1989
- The introduction of rent controls coincided with a reduction in the private rental sector, which fell from 90% of the housing stock in 1915 to 10% by 1991
- What caused the decline in the private rented sector after 1920 is disputed. Peter Kemp, housing policy professor at the University of Oxford, maintains that rent control was seen as one factor that discouraged landlords from renting out properties. Others say the rise of alternatives, such as social housing and easier access to home-ownership, helped phase it out

# Housing benefit grew rapidly in the 1980s and helped fund private-sector rents

Housing benefit over time, UK, (£bn)



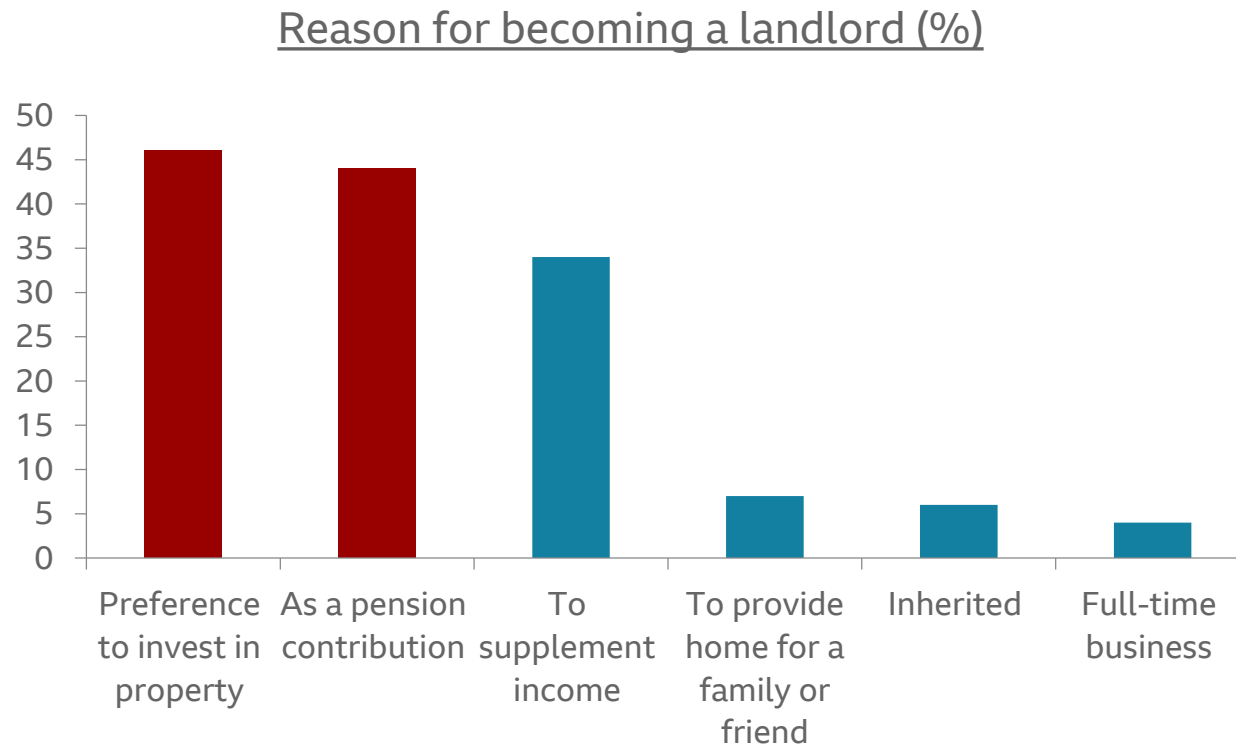
The evolution of housing benefit

- In the 1980s, Margaret Thatcher's Conservative government reduced social housing stock by 1.9 million through the Right to Buy scheme
- The housing needs of the less well-off were met through the granting of housing benefit and the freedom to spend it as private tenants
- Right to Buy led to growth in the private rental sector:
  - A shortage of social housing has pushed many people on lower incomes into private rental accommodation
  - The Commons Communities and Local Government select committee says that around 40% of ex-council homes bought under Right to Buy are rented out by private landlords

Source: [Office for Budget Responsibility \(OBR\) forecasts - Welfare spending housing benefit](#)



# People most commonly become landlords to contribute to their pension or because property is preferable to other investments

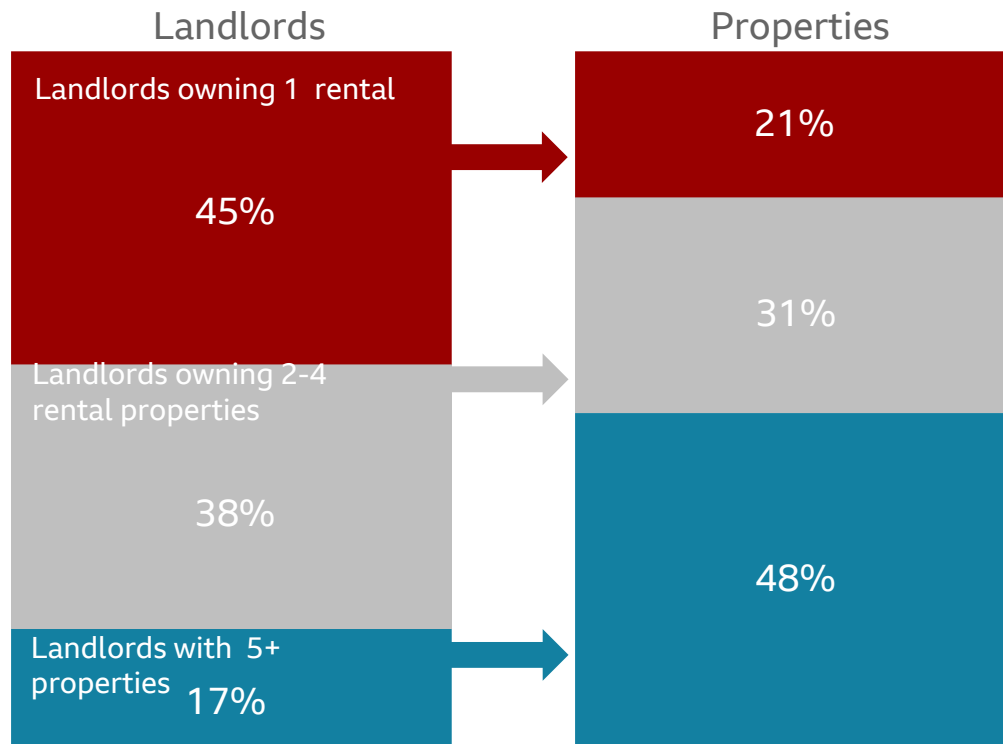


## Property as an investment

- Landlords earn on average £15,000 per year before tax
- On average, landlords' income from rent makes up 42% of their total gross income
- In a period of low interest rates, landlords receive a higher return on property than from some other forms of investment

# Nearly half of all landlords let only one property

## The distribution of landlords and properties, England



## The concentration of landlords

- There are an estimated 1.5 million private landlords in England
- Almost half of all tenants have landlords owning five or more properties
- But nearly half of all landlords let only one property

# The private rental sector has the highest proportion of 'non-decent' homes

Percentage of housing which is 'non-decent' by tenure (England), 2018

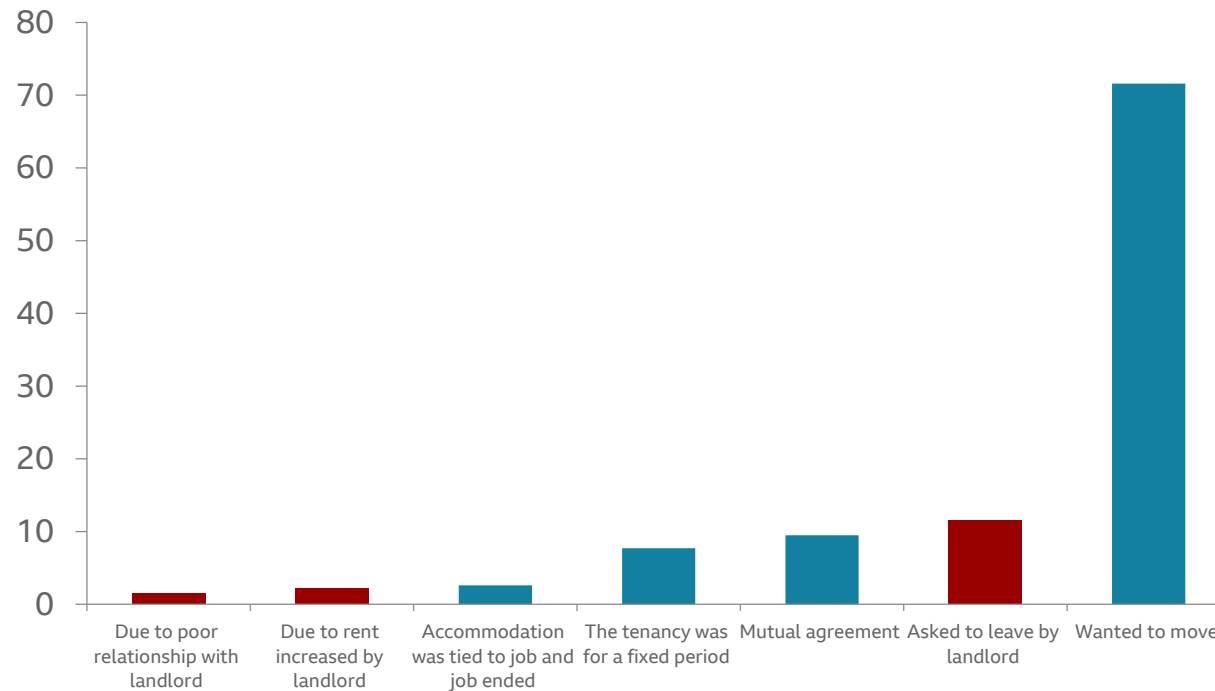


Housing conditions in the private rental sector

- Around one quarter of private rental tenants experience “non decent” - or poor - housing conditions or facilities and services
- The private rental sector has the highest incidence of dampness and serious disrepair
- 14% of private rental dwellings contain some kind of hazard, such as electrical faults, lack of smoke alarms or risk of falling
- 6% of privately rented dwellings are overcrowded, significantly higher than in the owner-occupier sector, but fewer than in the social rented sector

# Most tenants leave private rentals because they want to

Main reasons why the last tenancy ended, 2017-2018, England, (%)



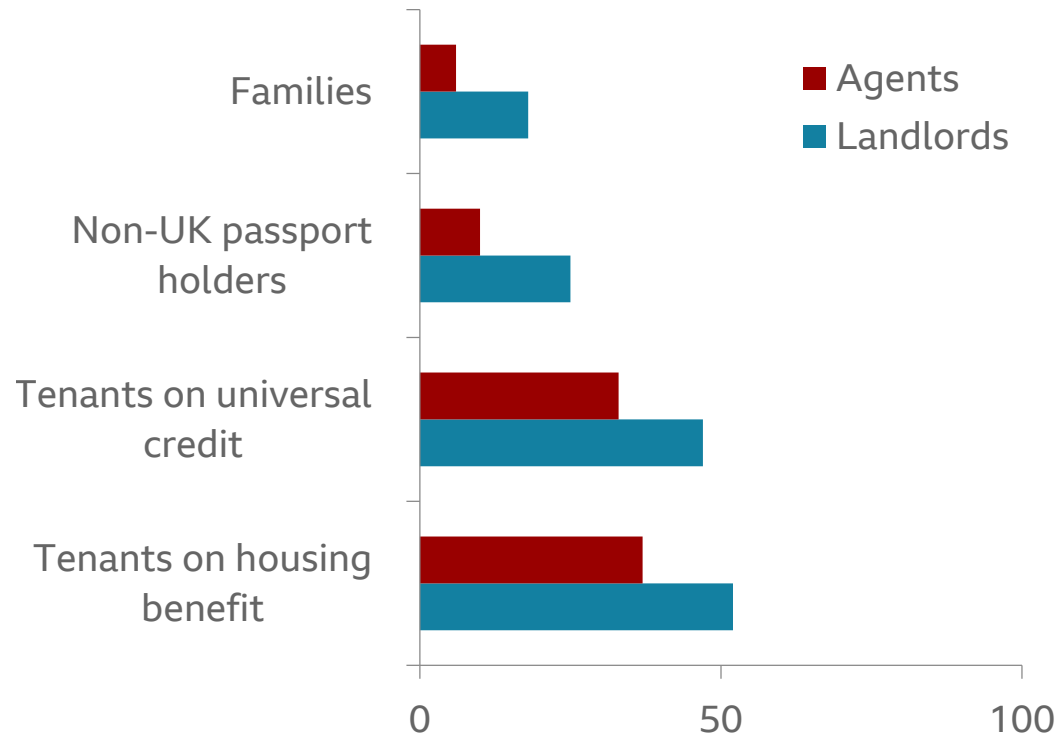
The flexibility of renting

- The advantage of privately renting for many is that it allows you to relocate or change where or with whom you are living without being tied to a mortgage
- 11% of tenants who do not expect to buy favour the flexibility of renting, whilst 10% would not want the inflexibility of buying
- However, renters report lower life satisfaction than owner-occupiers and social renters
- The vast majority of tenancies end because the tenant wants to move out
- However, many tenants are at risk of homelessness if given notice
- The English Private Landlord Survey estimates that 1.3 million tenants in England would regard their notice period as too short to enable them to find a new place to live

Source: [The English Private Landlord Survey 2018](#), [English Housing Survey - Private rented sector 2017-18](#)

# Landlords are less willing to let to those on benefits, to non-UK passport holders and to families

Proportion of landlords/agents unwilling to let to certain groups, England



Landlords' letting preferences

- The most commonly reported reason given by landlords for not letting to those on benefits was the risk of delayed payments, or the risk that the benefits would not be enough to cover the rent
- Most often landlords were not prepared to let to families because their property was not suitable or because of the greater risk of damage to the property



# Sudden evictions and poor property maintenance are among regular complaints about some landlords

## Lack of security for tenants

- Alicia Powell, 24, complained about a damp patch on the ceiling in the north London flat she rented with her boyfriend
- After nothing was done, she said she would report the matter to the local council
- She was then served with a section 21 eviction notice
- Section 21 notices allow landlords to evict tenants at the end of a tenancy with two months' notice and without a reason. They are already banned in Scotland
- A recent survey of students suggests almost a third have gone without heating or running water in their rented properties
- One student in Portsmouth reported that on the day she moved in, there was no front door on the property and there was no heating for two months



Alicia Powell and her boyfriend

# Some landlords face challenges in dealing with difficult tenants

## Difficulties faced by landlords

- Una Walsh is a property owner, based in Leeds, and rents out 20 properties
- She has had to serve three section 21 notices in the last five years. All were for rent arrears, and the notices were served after she received professional and legal advice. She said they were used as a "desperate last resort"
- Her properties are mostly three-bedroom family homes and she says the evictions allow her to re-let the properties swiftly to families who need them
- "My ethos [is] local houses for a local person. If they grow up in the neighbourhood, they are settled here," the 57-year-old says
- David Smith, policy director at the Residential Landlords Association, says: "While no landlords should ever abuse the system, it is only right and fair that they can repossess properties swiftly and with certainty in legitimate circumstances."



Leeds-based landlady Una Walsh says evictions have allowed her to re-let properties quickly to families with greater needs

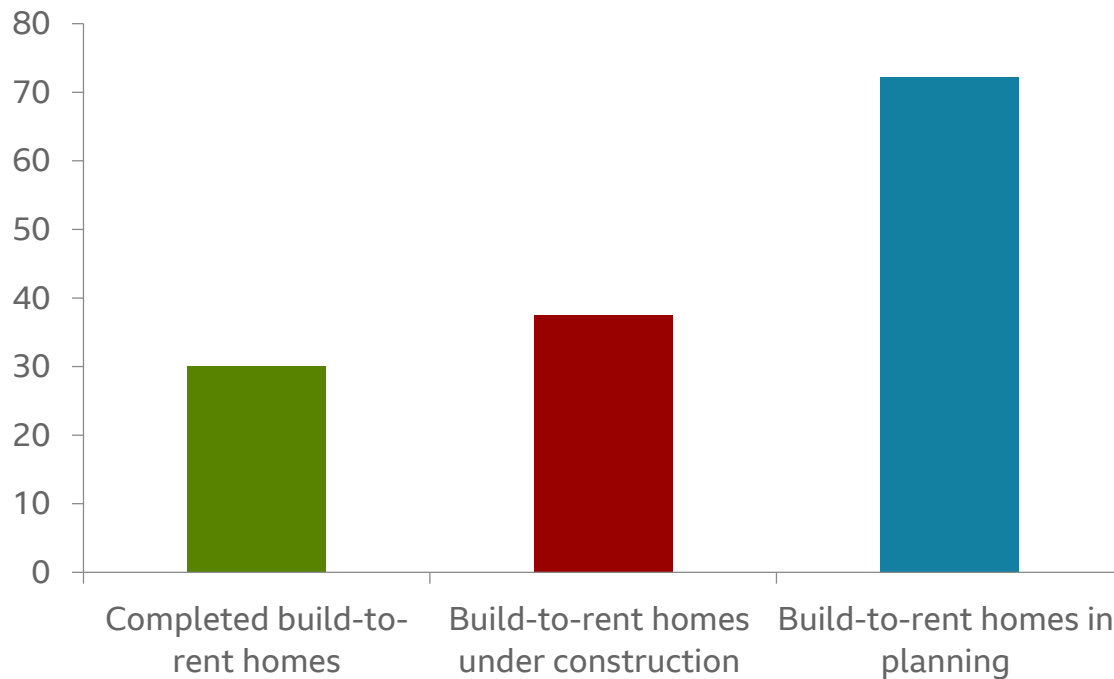
# There are incentives for private landlords to improve conditions in rented properties

## Incentives for landlords

- The Department for Work and Pensions can make rental payments directly to landlords on behalf of tenants who are deemed to be at risk of being unable to meet payments (in Northern Ireland this happens by default). This decreases the prevalence of evictions for those who have failed to pay their rent, and also encourages landlords to let to tenants with poor payment histories. In Wales, councils are required to find housing for people who are intentionally homeless.
- Landlords can also claim an amount tax relief on the cost of repairing and maintaining their properties
- Many local authorities now operate schemes to improve the standards of local rental by offering accreditation to landlords. By joining an official scheme, landlords receive benefits, including discounts on licence fees and tenant referrals from the council. Some councils also offer training and legal advice to accredited landlords. Landlords in Wales and multi-occupancy landlords in Northern Ireland must be licenced
- The Smart Export Guarantee (SEG) scheme, which was introduced in January 2020, is a new way for landlords to earn money from energy suppliers for putting power back into the National Grid from renewable-energy technologies they install at their let properties

# Building to rent at scale is a recent development in the rental market

Number of build-to-rent homes (2019),  
thousands, England



The growth of build-to-rent properties

- Building properties for the rental market and not to sell – known as “build to rent” - has increased sharply over the last five years
- The average size of a completed scheme is 133 units (2019) but this is forecast to rise in the next few years to an average of 240 units
- Half of all completed build-to-rent homes have been located in London; and in 2019, estate agents Savills forecast that the number of units being built across the regions will soon surpass those in the capital
- Building to rent may increase the current housing stock but so far there is little evidence it improves affordability
- Build-to-rent may also attract more professional landlords, who are concerned about their reputations

## Summary

### Private Rental Sector

The private rental sector has doubled over the last 20 years - to 4.5 million households - as levels of social housing and home ownership have fallen, and as housing benefit has helped fund private rents.

Private landlords have been drawn to the sector by the end of rent controls and the Buy to Let mortgage. Some invest to enhance their pensions and others to capitalise on their investment returns.

Private tenants can end up in poorly maintained dwellings, while landlords may face rent arrears. The private rental sector contains the highest proportion of “non-decent” homes.







## Part 8/10

### **Closing the Housing Gap**

How large is the current housing gap - the difference between the stock of dwellings we have and what would be needed for everyone to have a decent home?

And how will that gap grow in the future?



# BBC Briefing - Housing

“The main thing I found when I came into that job - and this is something Theresa [May] felt very strongly about as well - is that we had got into this weird argument where some people were saying the answer is private housing and some were saying build more affordable housing. The answer is both. Building more of every kind of housing is what is needed”.

Gavin Barwell, Minister for Housing 2016-17, Downing Street Chief of Staff 2017-19, speaking in 2020



# Closing the housing gap depends on a number of factors

## The UK's housing gap

To close the housing gap for everyone to have a decent home, we would need:

- to build enough dwellings that:
  - are affordable for young people who want to take their first step on the housing ladder
  - meet the needs of a growing population
  - cater for new demographic trends eg people marrying later or living longer
  - are in locations where people want to live and work
- to ensure the rental sector:
  - provides decent well-maintained homes
  - is not overcrowded
- sufficient social housing for:
  - homeless people
  - people who cannot afford to buy a home or pay a market rent

\*Some housing experts point out there are about one million unoccupied homes in the UK but this is usually because they are in the wrong place, derelict or sub-standard, belong to absentee owners, or are awaiting sale

# The latest studies suggest the UK has a housing supply gap of approximately 1.2 million homes

## Housing target estimates

Date	Study	Recommendation	Estimated existing housing gap (millions)
2019	Heriot-Watt study	Argues that closing the housing gap will require 69,000 more homes per year over the next 15 years for England than current population growth and household formation projections suggest (*). Scaling up for the UK, this produces an estimate for the existing housing supply gap of around 1.2 million	1.2 (BBC Briefing estimate)
2016	Redfern study	Suggested the UK needed 1 million new homes	1.0
2014	KPMG/ Shelter study	Argued that 100,000 fewer homes than needed were being built every year. Over 15 years, this would have suggested a gap of around 1.5 million dwellings	1.5
2004	Barker review	Saw the problem through the prism of house price inflation, a key issue at the time. Recommended an increase in the rate of building of between 70,000 and 120,000 private homes and 17,000 to 23,000 social homes per year. In 2004, assuming a 15-year time horizon, these estimates implied what would have been a housing supply gap back then of around 1.3 to 2.1 million	1.3 - 2.1 (BBC Briefing estimate)

Source: (\*) [Heriot-Watt](#) Additional suppressed household formation p.63, [Redfern](#) [KPMG](#) [The Barker Review](#)



# Estimating the size of the housing supply gap is complex

## Methodology for estimating the housing supply gap

- A meaningful measure of the number of extra homes needed to close the housing gap is important for public policy-making
- This is complicated because many of the answers to the questions involved rely on judgement instead of available facts
- Very few housing experts have provided a figure for the current gap
- Most studies suggest an annual building target. But nobody believes the gap can be filled in one year. So the numbers need to be multiplied over a reasonable time horizon to extrapolate an idea of the **total** supply backlog. In this way, they are a proxy measure of what people believe is the **current** backlog
- The most recent study takes 15 years as a reasonable time horizon, and we have used this as a broadly accepted target
- This BBC Briefing suggests that there is a housing supply gap of around 1.2 million new homes at the moment. This figure is based on averages of the three of the most recent studies

Source: (\*) [Heriot-Watt](#) "Additional suppressed household formation" p.63), [Redfern](#) [KPMG](#) [The Barker Review](#)

# In 2018-19, 275,000 new dwellings were added to the housing stock

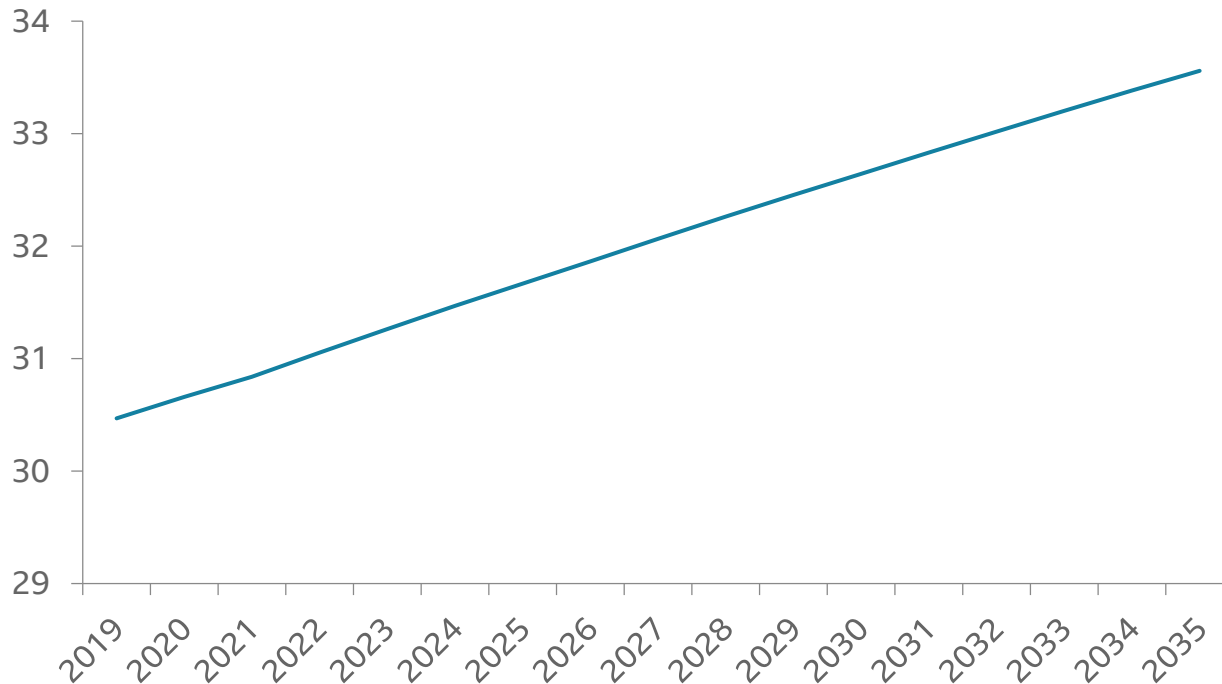
New dwellings created UK 2018-19

Dwellings	Number
Dwellings built (both social and private)	249,000
Conversions and change of use	36,000
Minus demolitions	-10,000
Net new dwellings	275,000

Source: [UK Government \(Gov.uk\)](#), [Gov.scot](#), [Stats Wales \(Gov.wales\)](#), [Northern Ireland Department of Finance \(finance-ni.gov.uk\)](#)

# Demand for homes will continue to grow over the next 15 years

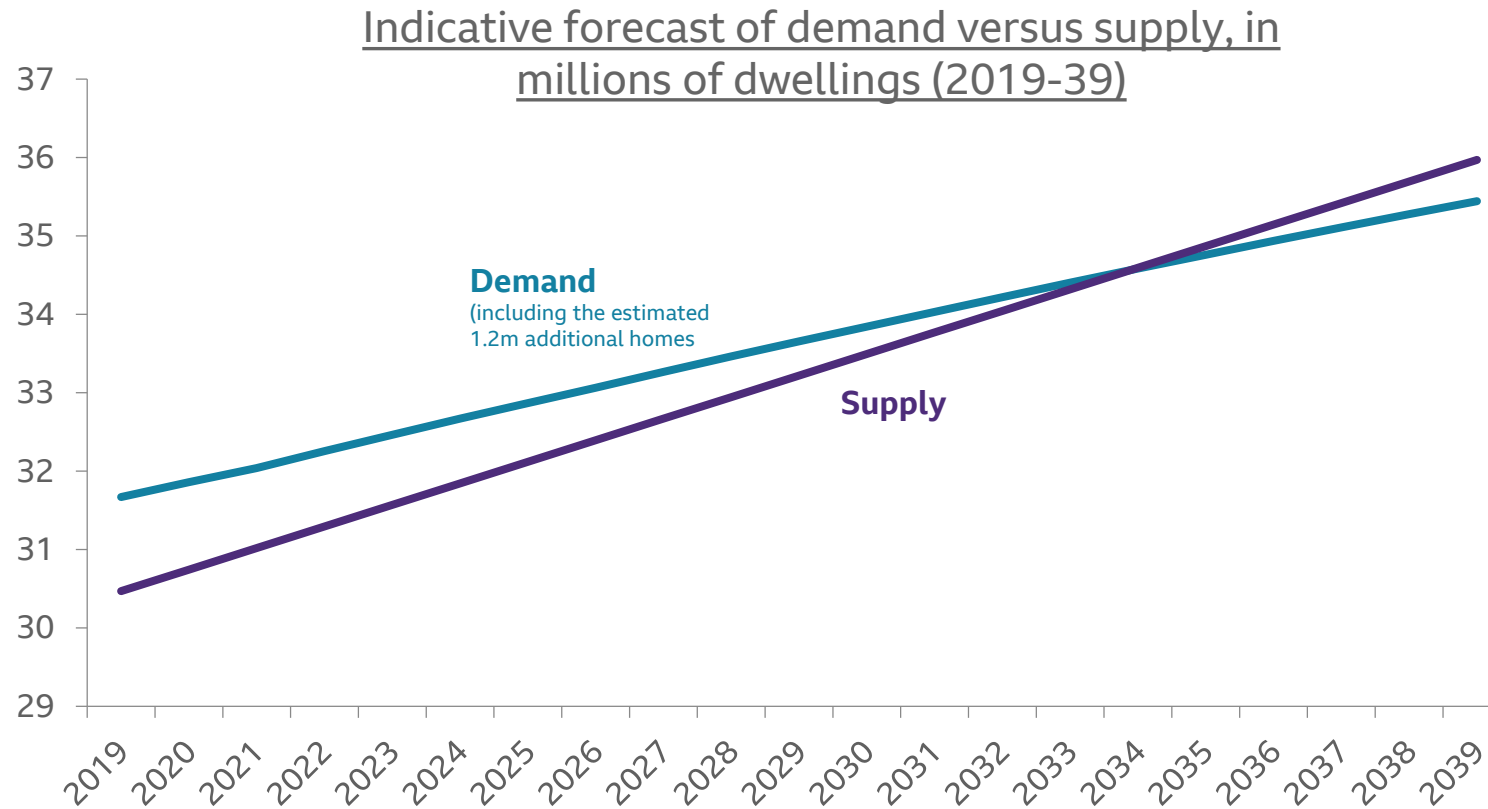
Indicative projection of future demand  
(millions of dwellings) (2019-35)



The forecasting method

- As the graph shows, there are currently almost 30.5 million homes in the UK
- Household projections from the Office for National Statistics (ONS), along with an allowance for second homes, have been used to project future demand
- The latest projection is more conservative than previous government ones
- Household growth over the next 15 years is forecast to generate an additional demand of around 2.9 million dwellings by 2035
- This means around four million extra homes will be needed by 2035

# Creating 275,000 new dwellings a year may not, by itself, be enough to close the housing supply gap by 2035



## Closing the housing supply gap by 2035

- If the annual rate of new additions remained at 275,000, in theory you could plug the shortfall by 2035
- But the BBC Briefing estimated current housing supply gap can only be an estimate because:
  - projecting future population growth is hard
  - the private sector may not keep building at its current rate, and
  - there is no evidence that the extra supply would meet every housing need or substantially improve house price affordability

# Will there be sufficient affordable homes?

## Affordable housebuilding

- The building rate is increasing, but only a small proportion of new dwellings are affordable (that is, housing subsidised by government or its agencies for people who cannot afford market rates). Despite 240,000 net additions in England in 2018-19, only 37,800 affordable homes were built
- It is more profitable for private housebuilders to construct higher-end properties than affordable homes
- Analysis by Shelter showed 79% fewer affordable homes were being built in England, with developers able to negotiate their way out of requirements under the planning system to meet affordability housing quotas
- If current trends continue there may be insufficient affordable homes

## Housing benefit and universal credit

- Current levels of housing benefit have been frozen since 2016, while rents have continued to rise
- Shelter found that the average renting household on full benefits was £113-a-month short of being able to meet its rent commitment
- However, if the current building rate continues, supply in the private rental sector may increase, and so help reduce rents in some areas



# Will there be fewer homeless people?

## Homelessness and rough sleeping

- Social housing shortages mean councils are struggling to house people in need of temporary accommodation
- According to Crisis, 18,000 fewer social lets were made to homeless households in 2017-18 than in 2007-08, despite the substantial rise in statutory homelessness over that decade
- Given the current building rate of social housing, some experts say homelessness will continue to be a problem
- Under the status quo in relation to private renting, homelessness may continue to be a significant issue: Crisis argues the increase in annual homelessness between 2009-10 and 2017-18 was due to the rising number made homeless from the private rental sector
- Rough sleeping presents unique challenges, and it is as yet unclear whether the government's new programme will eradicate the problem

# Will there be a reduction in the extent of ‘non-decent’ housing?

## ‘Non-decent’ housing

- The government defines a home as “non-decent” when it is not in a reasonable state of repair, has no reasonably modern facilities and services, or has ineffective insulation or heating
- There are 1.8 million “non-decent” dwellings built before 1919 in England compared with 88,000 built after 1980, according to the English Housing Survey
- The current rate of building is therefore likely to reduce the proportion of housing that is “non-decent”, provided building standards are maintained
- If demolition levels remain low, much of the “non-decent” housing stock is likely to remain
- As yet, measures to encourage renovation of these dwellings appear insufficient to eradicate the problem

# Will there be a reduction in overcrowding?

## Overcrowding

- Overcrowding is primarily a problem in the private and social rental sectors
  - Social housing is the smallest sector in England but has the highest number of overcrowded dwellings (320,000)
  - There are 280,000 overcrowded households in the private rental sector
- Many people on social housing waiting lists are living with family or friends in overcrowded rental accommodation: at the current social-housing build rate, this problem may persist
- Overcrowding is also linked to unaffordability, with households living in accommodation that is too small due to cost constraints. There are unlikely to be enough affordable homes if the current mix of new build persists. The current housing benefit freeze has left many struggling to pay rents
- More than half of owner-occupied households are under-occupied. Overcrowding may be eased by encouraging more efficient household distribution - for example, by using the tax system to incentivise older people in large houses to move to smaller ones - although this may be impractical to achieve in sufficient volumes

## Summary

# Closing the Housing Gap

Recent estimates suggest that about 1.2 million extra homes are needed for everyone in the UK to be able to live in a decent home. However, if current population and household growth trends continue, we would need a further 2.9 million dwellings - taking us to approximately four million additional new homes required by 2035.

If we were to continue at the current rate of annual new additions, we would get there - but only by 2035.

However, on current trends it is not clear that we are on course to create a future mix of dwellings that would meet every kind of housing need - whether to improve affordability, end overcrowding, eradicate “non-decent” housing, or provide housing diversity.





**WHITEHALL**  
**SW1**  
CITY OF WESTMINSTER

**DOWNING STREET**  
**SW1**  
CITY OF WESTMINSTER





Part 9/10

## **How Can Government Deliver?**

What levers does government have to close the housing gap?

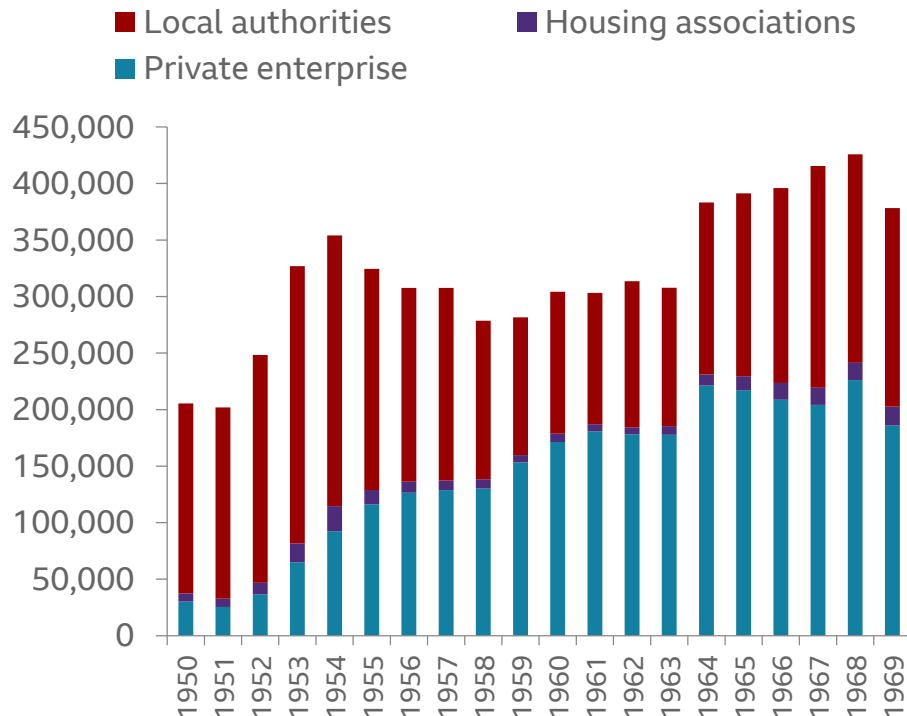


“Over the last 50 or 60 years, Western governments have intervened to try to improve the social and economic life of their countries on a scale unimaginable to previous generations. Yet social and economic problems persist. Policies fail.”

Paul Ormerod, *Why Most Things Fail: Evolution, Extinction and Economics*, 2005

# The post-war era saw the successful delivery of ambitious housebuilding targets, mainly through new social housing

Housing completions by housebuilder tenure,  
UK (1950-1969)



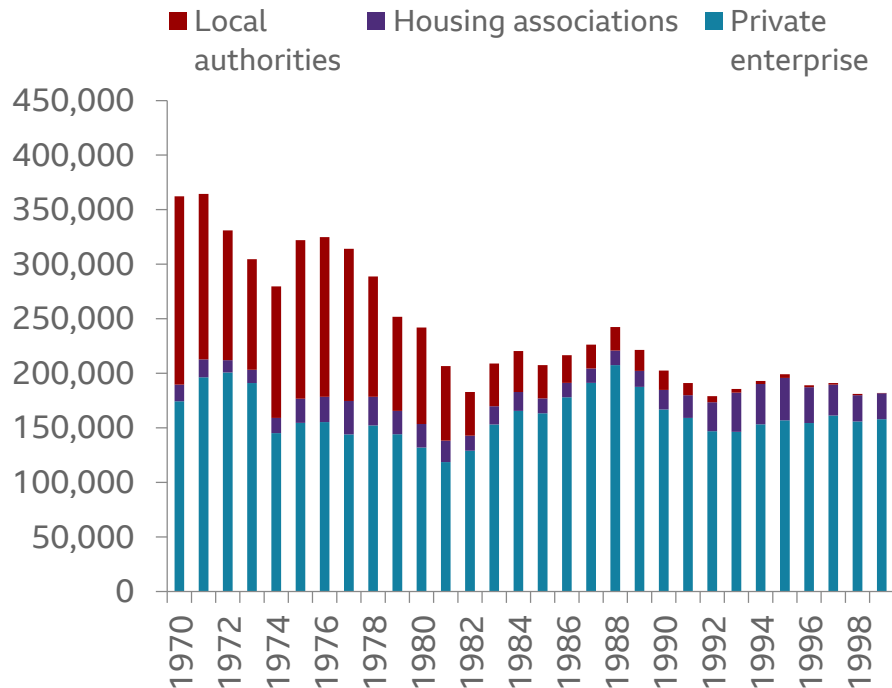
Government promises from 1945-1969

- The need to restore the housing stock after World War Two meant that housing policy was, as the 1951 Conservative manifesto put it, “a priority second only to national defence”
- In the 1950s and 1960s, the acceleration of slum clearance and higher home ownership rates were constantly promised and delivered
- More than 800,000 houses were demolished or classed as unfit for habitation, while owner-occupation rose from 33% in 1945 to 44% in 1961
- These years saw increasingly ambitious housebuilding targets:
  - "at least 350,000" under the Tories in 1955
  - 400,000 was considered a "reasonable target" by Labour in 1964
  - both parties promised 500,000 per year ahead of the 1966 election
  - The latter target was not reached, but housebuilding still reached record levels, peaking at more than 420,000 in 1968 (with social housing contributing 47% of homes in that year)

Source: [Cambridge Centre for Housing, Planning & Research](#), [Conservative Manifesto 1951](#), [1955](#) and [1966](#), [Labour Manifesto 1964](#), [1966](#)

# The years following 1970 saw fewer explicit housebuilding targets, and a decline in housebuilding

Housing completions by tenure, UK  
(1970-1999)



Government promises from 1970-1999

- The 30 years leading up to the 21st Century saw a shift of focus away from housebuilding towards other goals
- Government promises revolved around issues such as supporting first-time buyers, fair deals for tenants and increasing ownership, the latter of which was ensured through Mrs Thatcher's Right to Buy, introduced in 1979
- Between 1979 and 1992, the number of homeowners rose by more than four million, due in large part to Right to Buy
- The government also pledged to accelerate the transfer of local authority homes to housing associations in the late 1980s, and more than 1.3 million homes were transferred in the following 20 years
- Right to Buy, and a lack of clear housebuilding targets, coincided with a steady decline in housebuilding in the 1990s (1.9 million homes were added to the housing stock, fewer than half the number in the 1960s)

Source: [Joseph Rowntree Foundation](#), [Conservative Manifesto 1987](#), [1992](#)

# From the turn of this century, governments have found it harder to meet their targets

## Government delivery against housing policy in England

Year	Government Measure	What it promised	Was it delivered?
1950s and 1960s	Social housebuilding programmes	Targets of up to 500,000 homes per year	Yes, generally the targets were met
1980	Right to Buy	It allowed people who owned council homes to buy them at reduced prices, aiming substantially to increase the number of people owning their own home	Yes, the number of home owners increased by four million from 1979 to 1992
2000	Decent Homes Programme	Everybody should live in a decent home by 2010	No, 750,000 people lived in “non-decent” accommodation in 2010
2005 - 2019	Various targets for housebuilding and net additions	200,000-300,000 homes built per year in England	Generally these targets were missed

Source: [UK Government \(Gov.uk\) - social housebuilding table 244](#), [UK Government \(Gov.uk\) - live table 120](#), [English Housing Survey - stock tables](#),



# A number of levers are available to government and public bodies to address the housing gap

## Potential Policy Levers

<b>Increasing Supply</b>	Building more social homes	Improving incentives for local councils and housing associations to build more homes	Offering tax breaks and subsidies for private developers to build more homes	Relaxing planning constraints	Releasing publicly owned land	Easing regulation and enforcement, and boosting public investment
<b>Increasing Demand</b>	Reducing interest rates	Relaxing conditions on mortgages	Continuing or extending the Help to Buy scheme	Promoting shared ownership, part-buy or other novel tenures	Increasing housing benefit	
<b>Containing Demand</b>	Reducing interest rates can also push up prices	Restricting second home ownership	Clamping down on ownership by overseas buyers	Some forms of taxation may contain demand (eg capital gains tax)		
<b>Promoting market efficiency</b>	Decreasing stamp duty (replaced by Land Transaction Tax in Wales)	Simplifying the buying process				



# No one body controls all the levers necessary to address housing issues

## The powers of a housing minister

“Housing is a particularly difficult issue because policy responsibility is split between a number of different departments...MHCLG doesn't have all of the policy levers within its area and it's actually very difficult to get all of the people into one room to decide something.”

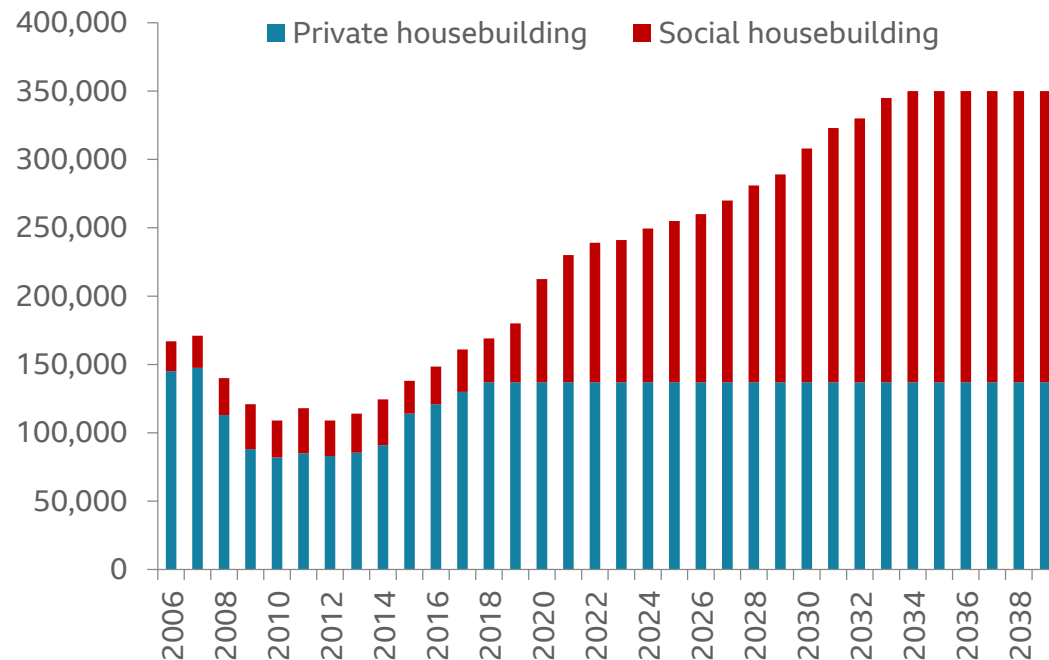
Lord Barwell, Minister for Housing 2016-17, speaking in 2020

## Division of responsibilities

- Taxation, housing policy and funding - determined by Westminster or the devolved governments
- Building and managing homes - local government (or the Northern Ireland Housing Executive) and housing associations
- Planning process and administering of housing benefit – mostly local government
- Setting interest rate - Bank of England
- Laying down conditions on mortgages - Financial Conduct Authority
- Building homes for public and private sectors for sale and rent - private housebuilders
- These bodies are democratically, statutorily or legally independent of one another, with different aims and obligations, and cannot easily act in concert to achieve housing goals

# One way for government to increase housing supply would be to fund local authorities to build more social homes

## A proposal for social housebuilding by Shelter, England



\*Note that the figures 2006-2018 are actual social housebuilding completions, the figures from 2019 onwards are Shelter's proposals

Source: [Shelter, A Labour Party Green Paper - 'Housing for the Many', 2018](#)

## Increasing social housing

- Building affordable housing directly would reduce the supply shortage for low-income households
- This could be carried out by local government, housing associations or central government
- A 2019 review by housing charity Shelter estimates that building an additional three million social homes in the next 20 years would cost £214bn
- Building social housing would be likely to reduce demand for private rentals, which would provide a housing benefit saving, but would present problems for private landlords
- The extent to which more public housing would lower house prices is unclear since the connection between the public and private housing sector is not direct or automatic



# Social housebuilding could be increased by offering incentives to housing associations and local authorities

## Incentivising an increase in social housebuilding

- Local authority borrowing caps have been identified as a constraint on social housebuilding. The Office for Budget Responsibility estimated that lifting these caps could lead to the completion of 20,000 new units by 2023-24
- In 2017, the UK government announced that councils in areas in need of affordable housing would be able to bid for increased borrowing from 2019-20. This came into force in England and Wales in 2019
- Government can also facilitate an increase in social housing by providing more finance for local authorities and housing associations
- Allowing councils to keep the receipts from sales through Right to Buy and relaxing rules about how these are reinvested could also increase social housebuilding
- The Chartered Institute of Housing argues that the government should also support alternative social housebuilding models by redistributing existing housing funding towards more affordable housing options and suspending Right to Buy
- Right to Buy was abolished in Wales in 2019 and in Scotland in 2016. A separate scheme currently exists in Northern Ireland, although planned legislation may alter this

# Subsidies and tax breaks could be used by government to incentivise private developers to build more homes

## Fiscal levers available to increase housing supply

- By subsidising property developers, the government could indirectly increase the housebuilding rate and help to address supply shortages and improve affordability
- Government can also directly fund specific types of housebuilders to improve supply, although not all schemes have been effective. For example, the Home Building Fund, introduced in 2017, subsidises small and community builders and companies specialising in property regeneration. The aim was to increase the building of new homes by allowing small and medium-sized developers to compete more effectively with larger developers
- In 2017, housing associations were reclassified as private organisations, which gives them more freedom to borrow. Then Communities Secretary, Sajid Javid, stated that this would create a “more stable investment environment”, “laying the foundations” for thousands of new homes in the social housing sector
- Tax breaks could be effective in providing incentives but are not commonly used in the UK



# Relaxing planning constraints could also increase supply and improve affordability

## Reforming the planning process

- The Strategic Land Group, a body that assists land owners in navigating the planning process, argues that the planning system is responsible for some 35% of the price of a UK house
- A 2016 study co-authored by Christian Hilber, Associate Professor of Economic Geography at the London School of Economics, argued that regulatory constraints accounted for a significant part of the increase in real house prices from 1974 and 2008. It made the case that tight planning constraints limit developable land, especially in more populous areas, thus constraining housing supply
- The same study suggested that if the most regulated region of England (the South East) had the same regime as the least regulated, (the North East), its house prices would have been between 25% lower in 2008 and 30% in 2015. This is because the planning constraints tend to be tightest in highly urbanised areas where price effects are also amplified, particularly during boom times
- In England, there have been attempts to increase the number of builds, via financial incentives to local authorities in return for their approval of housing development plans. The New Homes Bonus began in 2011, and promised to match the council tax raised on each new house for six years

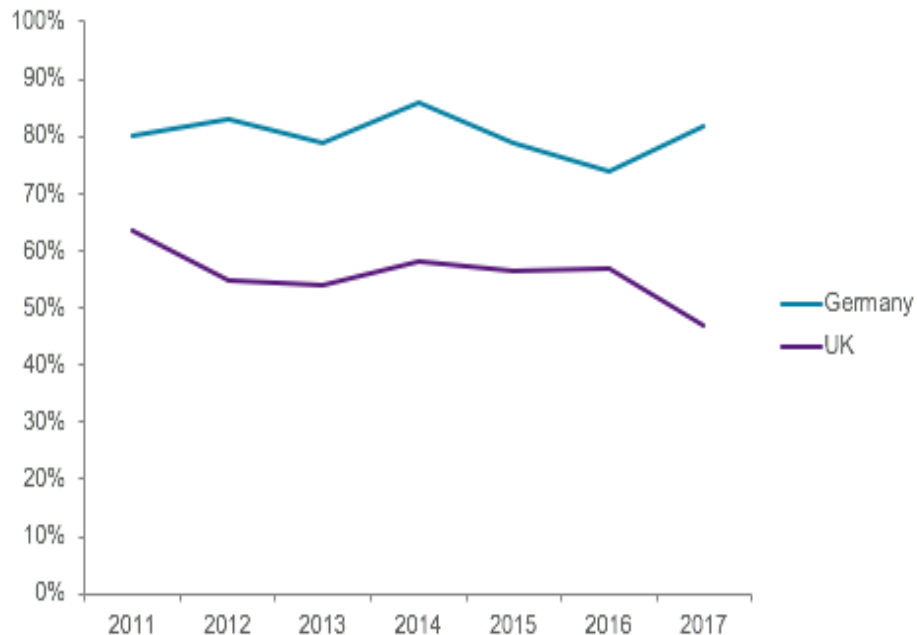
# Regulating the development of private land could help increase housing supply

## Regulating the use of private land

- To ensure that property developers do not engage in “land-banking” and fail to convert planning permissions into housing, there are a number of potential control measures. Barton Willmore, a leading planning agency, has suggested that planning authorities should:
  - examine an applicant’s track record in previous applications when considering a new one
  - make a judicious assessment of how likely a site is to be developed
  - cancel a planning permission if it is not acted upon within a specified time period or shorten the time period for developers to act on the permission
  - impose higher council taxes for those engaging in “land-banking” to discourage the activity
- To be effective, developers should not be able to sell on land with planning permission, though this might be difficult to enforce
- As established economic rules do not always apply to land, the government could also manage the land market more pro-actively through compulsory-purchase powers and a system of tax and finance that targets specific supply objectives

# A more streamlined planning system in Germany has contributed to high build rates

Housing completions as a proportion of planning permissions



Housebuilding in Germany and the UK compared

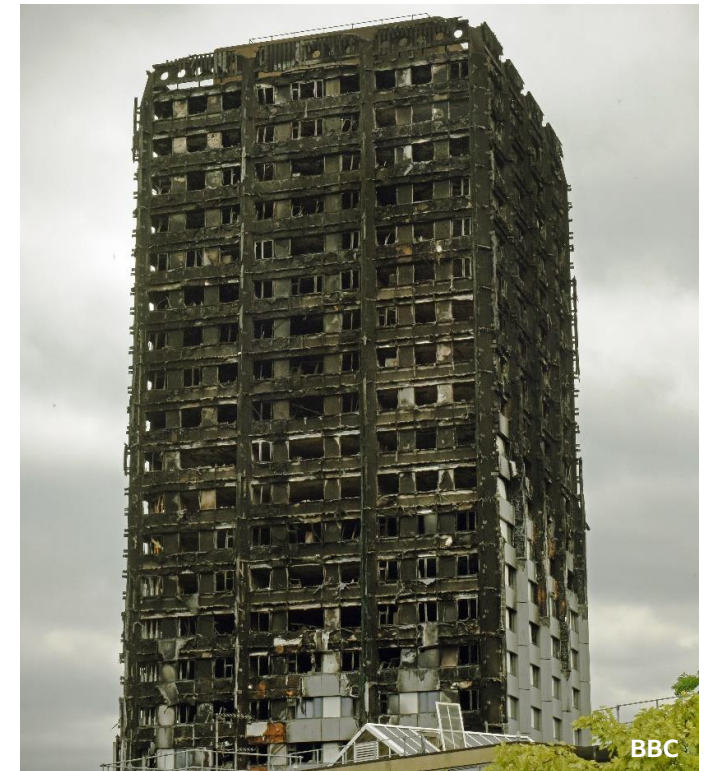
- Since 1951, 30 million new homes have been built across Germany, compared with 16 million in the UK. This higher rate partly reflects the need to rebuild after World War Two and extensive rebuilding in East Germany after reunification
- In Germany local authorities are active in acquiring land and making it available for development, and they are able to provide for increased housing supply by selling land cheaply
- In 2018-19 German completions approached 300,000 a year (for a population of 83 million), as against the UK's 250,000 (for a population of 66.4 million). The British system allows for considerably more negotiation after plans have been made, which increases uncertainty, causes delays and increases costs
- Property developers in Germany are far more diversified and varied than in the UK, with a greater proportion of small and medium-sized builders. This encourages competition, which in turn helps to control prices, and to meet housing demand

Source: [National Housing and Planning Advice Unit \(NHPAU\)](#), [Deloitte](#), [Deutsche Bank](#)

# The quality of UK homes could be raised by enhanced regulation, enforcement and direct investment by government

## Household improvement in the UK

- Better central funding can improve the standard of existing homes, and better regulation can maintain decent standards in the first place
- Between 2011 and 2016, £12m was made available to local authorities for rogue landlord enforcement, resulting in the inspection of more than 70,000 properties and more than 5,000 landlords facing further action or prosecution for breaking the law
- In the year after the 2017 Grenfell Tower fire, London councils spent nearly £100m on safety measures for social housing, resulting in significantly improved facilities, including thousands of new fire doors and sprinkler systems
- In 2000, the Decent Homes Programme was introduced to improve the regulation of standards in council and private housing occupied by vulnerable people - requiring local authorities to modify or replace their existing housing stock where necessary

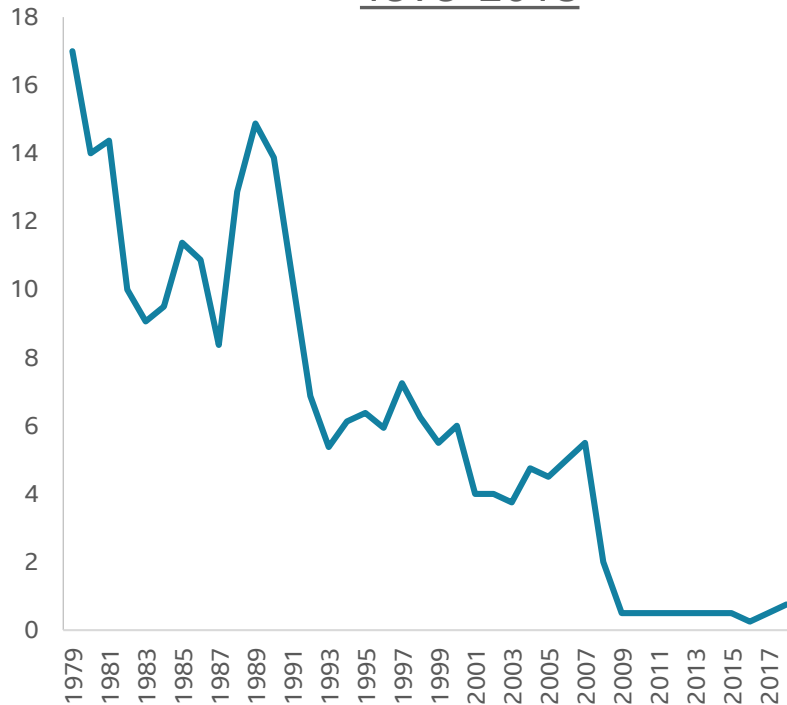


Grenfell Tower in London, two weeks after a fire engulfed the building in June 2017, killing 72 people

Source: [Department for Communities and Local Government](#)

# Interest rates influence demand significantly but current arrangements deny government the option of varying them

Inflation-adjusted mortgage rates,  
1979-2018



Source: [Bank of England](https://www.bankofengland.co.uk/interest-rates/mortgage-rates)

The role of interest rates in the housing market

- The overall cost of a house for an owner-occupier consists of the house price and, if they need to borrow, the mortgage rate
- Mortgage rates are determined by interest rates in the financial markets, strongly influenced by the Bank of England base rate. Mortgage rates are typically a bit higher
- Interest-rate changes thus have an important effect on the UK property market because of the large proportion of people who buy with a mortgage
- Government used to have direct influence over the Bank of England's interest rate levels. But the 1997 Labour government devolved operational independence to the Bank
- Interest rates affect every aspect of a national economy – including the level of inflation - so the state of demand in the property market is only one factor the Bank of England can consider
- Interest rates have been at historically low levels ever since the 2008 banking crisis, and there is no evidence they are likely to change in the foreseeable future
- At present, therefore, although interest-rate policy is in theory a useful lever for affecting housing demand, current conditions limit its use



# The UK government's Help to Buy scheme has supported nearly 40% of all new-build property sales since its introduction

## Aims of the scheme

- Help to Buy was introduced in April 2013 with two principal aims:
  - To help young, first-time buyers to obtain mortgages for new-build properties, though the scheme is not by any means confined to them
  - To increase the rate of housebuilding in the UK
- In the first five years of Help to Buy (2013-18), housing completions in the private sector increased by 60%
- Over the same period, 38% of all new-build property sales were supported by Help to Buy
- Taking into account those who could not have afforded to buy without the scheme, Help to Buy supported 78,000 sales between June 2015 and March 2017
- The UK government expects the Help to Buy scheme to support around 352,000 property purchases by March 2021, via loans totalling about £22bn in cash terms
- Wales has its own Help To Buy and Homebuy schemes

## Increasing demand

- How the scheme works:
  - Buyers receive a loan of up to 20% (40% in London since February 2016) of the value of an eligible new-build property. This loan is interest-free for five years
  - Buyers put up a 5% deposit
  - This enables buyers to purchase a new-build property with a mortgage of 75% of the value of the property
- The loan thus reduces the size of the deposit needed to buy a newly built house
- The loan also reduces the interest payments on a mortgage since buyers are able to borrow less and do not pay interest on the government loan for five years

# Young people can be helped on to the property ladder through shared ownership or part-buy schemes

## Shared ownership and part-buy options

- Shared-ownership schemes are a government initiative administered through private developers or through housing associations. In England, if a household earns £80,000 a year or less, it is able to buy a share (between 25% and 75%) of what is generally a new home – or occasionally one they already live in - and pay rent on the rest
- This allows individuals who cannot yet afford to buy a home outright the opportunity to own and live in their own property
- There are now more than 200,000 shared-ownership properties in the UK following the creation of the scheme in 2009, helping first-time buyers to step on to the property ladder
- There are perceived disadvantages in part-buy options:
  - In many cases, residents will be liable for 100% of service charges, which can result in total payments that are higher than would have been incurred renting privately
  - In addition, increasing shares in the property can be a long, problematic and expensive process because of legal expenses and valuation and mortgage fees
  - There are some concerns about whether a part-share can be a realistic first step on the housing ladder given that it may be hard for people to jump from part-owning to buying a larger property outright

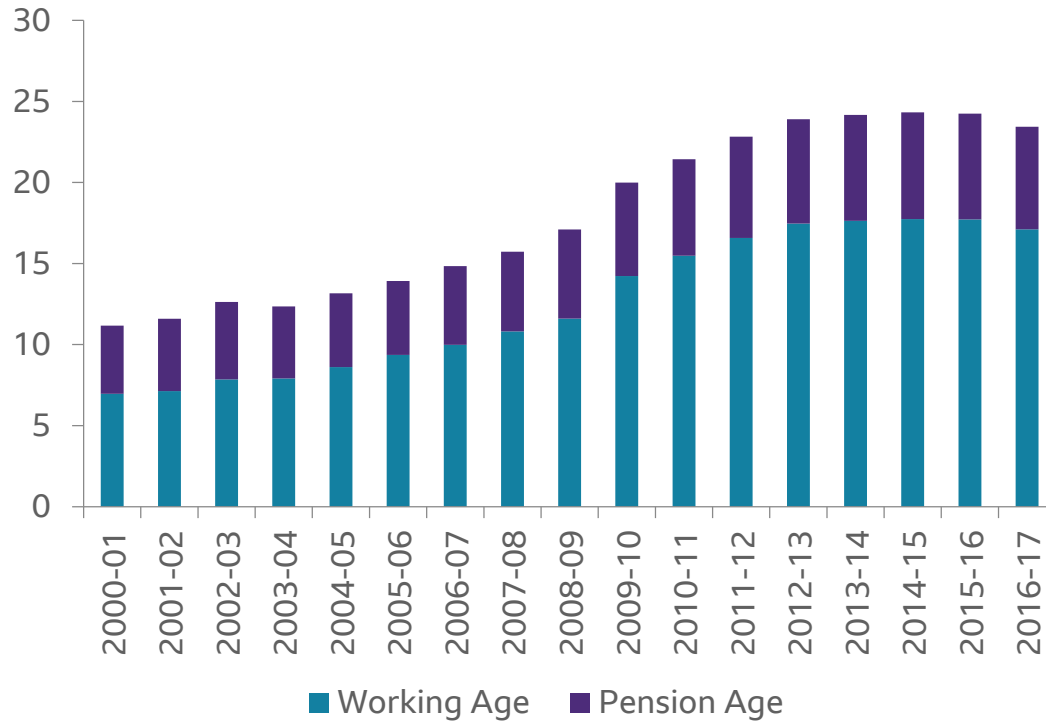
# More housing stock would become available if second-home and foreign ownership of property were disincentivised

## Curbing additional property purchase and foreign buyers

- One in 12 (4.1 million) adults in the Great Britain owns an additional home, while four in 10 adults own no property at all: additional home ownership rises to one in six for the 55-64 age bracket
- This includes 1.4 million adults who own at least one property used as a second home
- It is estimated that in 2016, 18% of new-build homes sold in the UK were bought by overseas investors. In many cases these homes lie vacant and serve only as an appreciating asset
- The Conservatives, Labour and the Liberal Democrats have all argued for measures to reduce overseas ownership
- In 2018 the government announced that it would introduce a 1% stamp duty surcharge on foreign buyers of properties in England. The government elected in 2019 has said it will raise this to 3%
- Labour and the Liberal Democrats have proposed a levy or additional stamp duty on those in England buying second homes
- Initiatives in New Zealand and the Canadian city of Vancouver have banned non-residents from buying existing homes in an attempt to prevent the domestic market from overheating, and have seen immediate falls in house prices – though the longer-term consequences are as yet unproven

# Those in the rental sector with affordability problems could be helped by an increase in housing benefit

Annual spending on housing benefit (£bn)



The effects of benefit alterations

- The government spends £23bn a year on housing benefit. Spending on this one benefit has doubled since the early 2000s
- Shelter found that those on full benefits are having to find an average of £113 a month to meet a shortfall between their housing benefit payments and their rent
- London renters on full benefits faced the widest rent gap in cash terms, needing to find an average of £212 a month, followed by £140 in the east of England and £138 in the south-east of England
- Housing benefit levels have been frozen since 2016, which has partly fuelled an average 8% widening in the rent gap nationally between 2015 and 2018
- Increasing housing benefit might help to solve unaffordability in the private and social renting sector

# Lowering stamp duty could allow the housing market to function more effectively

## The effects of altering stamp duty

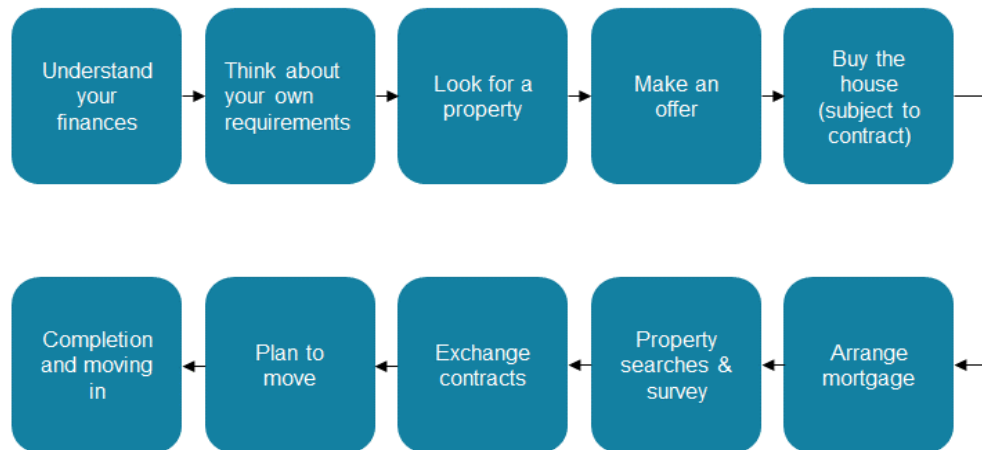
- Stamp duty (or in Wales, Land Transaction Tax) is levied on the purchase of land and properties over a certain threshold: it raises about £9bn a year for the public purse
- By increasing the effective cost of house purchases, stamp duty tends to decrease people's willingness to buy and sell, and is an important lever to stimulate or dampen housing demand and therefore housebuilding
- The government-funded Economic and Social Research Council (ESRC) estimates that an increase of two percentage points in stamp duty reduces household mobility by almost 40%
- Analysis by Savills suggests that stamp duty reforms would provide a boost to the housing market but would jeopardise substantial tax revenues
- The Mirrlees review for the Institute of Fiscal Studies highlights that stamp duty decreases the incentive for household units to move, discouraging households from moving to dwellings that better fit their needs and thus discouraging better housing distribution. Others believe the removal of stamp duty may not make much difference, because the saved cost would be capitalised into house prices anyway
- The House of Lords Economic Affairs Select Committee found that a higher stamp duty was discouraging those who wish to downsize

Source: [Economic and Social Research Council \(ESRC\) - Stamp duty impact on the housing market](#), [Savills](#), [House of Lords Paper 20](#), [Mirrlees Review](#)



# Increasing the simplicity of the house-buying process could result in a more fluid housing market

## A typical house-buying process in the UK



## Complexities in the house-buying process

- Buying or selling a house in the UK is a complicated process
- Prospective homeowners now need an average seven months to purchase a property, which discourages many people from buying in the first place, according to recent research
- A 2017 government study found that 69% of sellers and 62% of buyers experienced delays during a property sale
- The purchase can break down at any stage in the process. In the UK, the ability to make counter-offers means that this can even occur after a property has officially been taken off the market (although before contracts have been exchanged)
- Increasing the ease of this process and providing more security for potential buyers could stimulate a greater number of transactions.
- A Bank of England NMG Survey found that the cost of moving (stamp duty, estate agent and solicitor fees) was the second-biggest barrier to moving (after not being able to find a suitable property)

## Summary

### **How Can Government Deliver?**

Previous governments – particularly in the post-war period – devised and delivered on ambitious new-build targets. More recently, they have struggled to meet their targets.

In the last four decades, direct government powers to increase housing supply – an undertaking which costs potentially hundreds of billions of pounds - have given way to more private sector responsibility. There have also been calls for better regulation, to maintain and improve the quality and overall standard of UK homes in the first place.

All of this has been happening as public awareness about housing affordability has been growing.







Part 10/10

## **The Parties' Housing Proposals**

How do our politicians propose to close the housing gap?

# Top housing priorities of the Conservative, Labour and Liberal Democrat parties at the 2019 general election

## Conservatives

- Build a million homes in the next five years in England, aiming for 300,000 new houses a year by the mid-2020s
- Introduce a new fixed-rate mortgage requiring only a 5% deposit for first-time buyers
- Overseas buyers purchasing property in England to pay 3% more in stamp duty than residents
- Abolish no-fault evictions (evictions on short notice without a good reason) in the private rental sector and introduce a lifetime deposit which moves with the tenant

## Labour

- £75bn for 150,000 new social homes in England each year by 2024
- Cap rent increases and abolish no-fault evictions
- End rough sleeping within five years
- Abolish Right to Buy and give councils money and power to buy back former council houses
- Set up a new English Sovereign Land Trust, with powers to buy public land more cheaply for affordable housing

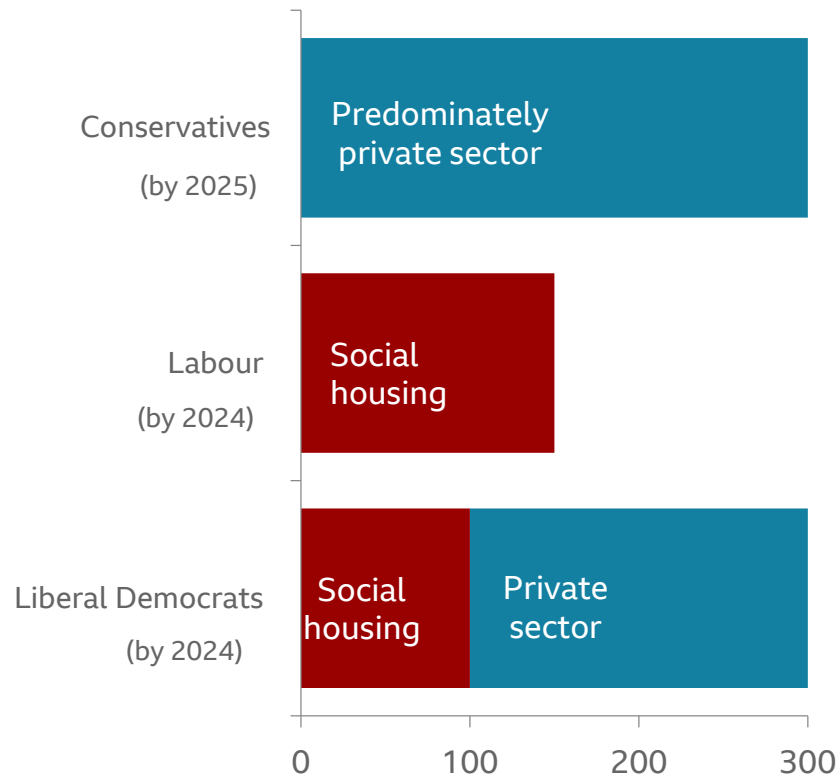
## Liberal Democrats

- 300,000 new homes a year in England by 2024, including 100,000 for social rent
- Allow local authorities to increase council tax by up to 500% for second homes
- End rough sleeping within five years
- Help young people enter the rental market with deposit loans for all first-time renters under 30



# The parties' policies for housebuilding in the 2019 general election

Housebuilding pledges, annual rate (thousands)



## Conservatives

- The Conservatives embraced a target of building one million new homes over the course of the Parliament, reaching a rate of 300,000 homes per year in the mid-2020s
- While social housebuilding will continue under a Conservative government they have set no targets

## Labour

- Labour promised to reach an annual building rate of 100,000 council houses and 50,000 affordable homes by 2024
- Labour did not have any targets on overall housebuilding levels, though private housebuilding would continue to add to the housing stock under a Labour government

## Liberal Democrats

- The Liberal Democrats aimed to ensure that total housebuilding increases to 300,000 each year, with social housing making up 100,000 of these

# The sale of social housing was a key area of contention in the 2019 election

## Conservatives

- The Conservatives saw the Right to Buy your council house as a key way of improving people's lives through home ownership, by giving them access to greater security and wealth, as well as a bigger stake in the local community
- They said they would remain committed to Right to Buy for all council tenants and to a voluntary scheme for housing associations (which can choose to comply with Right to Buy without selling housing stock)

## Labour

- Labour saw increasing local and central government control of the housing stock as vital for guaranteeing the provision of affordable housing, and it promised to end Right to Buy
- At present, “affordable housing” – which developers are often required to provide – can be charged to social-housing buyers or tenants at up to 80% of the commercial market rent. Labour backed the idea of re-defining affordable housing, linking it to purchasers' or tenants' incomes instead of house prices – something the West Midlands region introduced in February 2020

## Liberal Democrats

- The Liberal Democrats proposed a Rent to Own model for social housing, whereby rent payments give tenants an increasing stake in their council home and the ability to own it outright after 30 years
- Believing Right to Buy has depleted the social housing stock, the party pledged to devolve control of it to local councils

# The parties proposed a range of measures to increase home ownership

## Conservatives

- Introduce a new fixed-rate mortgage requiring only a 5% deposit for first time buyers
- Enable councils to use developers' contributions via the planning process to discount homes by a third for local people who cannot otherwise afford to buy in the area where they live now. (Developers have to pay towards local development of infrastructure under the current planning system)
- Extend the Help to Buy scheme to 2023
- Bring in a stamp duty surcharge to deter non-UK resident buyers
- In February 2020, the government announced it would consult on plans to make some newly built homes available at a 30% discount for local first-time buyers

## Labour

- Reform Help to Buy to focus on first-time buyers and introduce an income limit
- Build more low-cost homes reserved for first-time buyers, with prices linked to local incomes
- Introduce a levy on overseas companies buying housing
- Introduce measures to give local people first option on new homes built in their area

## Liberal Democrats

- Allow local authorities to increase council tax by up to 500% where properties are being bought as second homes
- Introduce a stamp duty surcharge on overseas residents buying second homes

# Policies on homelessness reflected strong cross-party commitment to end rough sleeping within five years

## Conservatives

- Expand “successful pilots” such as the Rough Sleeping Initiative and Housing First
- Fund these initiatives from the surcharge on non-UK resident buyers
- End no-fault “section 21” evictions, which former Housing Secretary James Brokenshire highlighted as one of the biggest causes of homelessness
- Renew the Affordable Homes Programme (which provides a range of measures to help prevent people becoming homeless), along with fully enforcing the Homelessness Reduction Act

## Labour

- Introduce a national plan for rough sleeping driven by a task force led by the prime minister
- Raise housing benefit in line with the bottom 30% of local rents, and earmark an additional £1bn a year for councils' homelessness services
- Upgrade hostels and make 8,000 additional homes available for people with a history of rough sleeping
- Harness the levy on second homes used as holiday homes to help deal with the homelessness crisis
- Repeal the Vagrancy Act so that rough sleeping is no longer criminalised

## Liberal Democrats

- Introduce a “somewhere safe to stay” legal duty on local councils to ensure that everyone who is at risk of sleeping rough is provided with emergency accommodation and a needs assessment
- Ensure sufficient financial resources for local authorities to deliver the Homelessness Reduction Act
- Legislate for longer-term tenancies and introduce limits on annual rent rises, partly to prevent homelessness
- Repeal the Vagrancy Act so that rough sleeping is de-criminalised
- Exempt homeless people and those at risk of homelessness from the Shared Accommodation Rate

# There was broad consensus among the parties on improving the security of tenants in the private rented sector

## Private rented sector

- Labour and the Conservatives both pledged to end no-fault evictions (evictions on short notice without providing an adequate reason), while the Liberal Democrats promised to promote longer tenancies, of three years or more
- The Conservatives also promised to strengthen the rights of possession for landlords
- Labour favoured regulating rents by capping them in line with inflation. Local government would have further powers to cap these rents in cities. The Liberal Democrats also promised to regulate rent increases from year to year in the middle of long-term tenancies
- Labour proposed getting rid of the requirement that landlords check potential tenants' immigration status, and outlawing discrimination against tenants receiving housing benefit
- The Liberal Democrats promised to improve access to the private rental market through a Help to Rent scheme that would provide government-backed deposit loans for all first-time renters under 30



# Improving energy efficiency in homes was a policy objective for all parties at the 2019 general election

## Policy goals on energy efficiency

- The Conservatives pledged to encourage the construction of energy-efficient homes. They have pledged £6.3bn for environmental upgrades to homes, such as grants for improving boilers and insulation
- Labour proposed a new zero-carbon homes standard for all homes and promised to upgrade almost all UK homes to the highest energy standard by 2030
- The Liberal Democrats said they would require all new homes and non-domestic buildings to be built to a zero-carbon standard by 2021 (where energy used is matched by what is generated on site), rising to a more ambitious standard (Passivhaus) by 2025
- Passivhaus is an international energy performance standard. The core focus of Passivhaus is to dramatically reduce the requirement for space heating and cooling in dwellings, whilst creating high indoor comfort levels
- The Liberal Democrats were also aiming to reduce emissions from buildings, by providing retrofits for low-income homes, piloting a new subsidised Energy-Saving Homes scheme and setting stamp duty levels according to a property's energy rating

# Top housing policy priorities of the parties in Wales, Scotland and Northern Ireland (1)

## Welsh Labour

- Welsh Labour, which runs the Welsh government, aims to build an extra 114,000 affordable or council homes by 2040
- Provide local authorities with more loans to help bring more empty properties back into use
- Support more compulsory purchase orders, and the resources for councils to use them to greater effect, as part of an effort to take action against anyone who runs properties down

## Plaid Cymru

- Introduce a new tax credit for people paying more than 30% of their income on private rent and utilities
- Create a “national housing company” which will borrow against rents to build a new generation of public rental housing in Wales
- Set a target of achieving 20,000 new homes over five years
- Adopt a “housing first” philosophy to provide homes for the homeless without preconditions - as implemented in Finland
- Introduce reforms to ensure developments are more collaborative and involve communities earlier in the process
- Support local authorities wishing to build new council housing

## Welsh Conservative Party

- Bring in a new deal for renters, including abolishing “no fault” evictions and requiring a lifetime deposit that moves with the tenant
- Scrap the Land Transaction Tax in Wales for all first-time buyers, up to the value of £250,000
- Reintroduce a reformed Right to Buy scheme that requires receipts to be invested in new social housing and protects new build social homes from sale for at least 10 years
- Extend Help To Buy to properties needing renovation
- Committing to end rough sleeping in Wales by 2026, and appointing a Homelessness Tsar
- Aim to build 100,000 new homes over a decade, including 40,000 social homes

Source: [2019 Welsh Labour Manifesto](#), [2019 Plaid Cymru Manifesto](#), [2019 Welsh Conservatives Manifesto](#),

# Top housing priorities of the parties in Wales, Scotland and Northern Ireland (2)

## Scottish National Party (SNP)

- The party forms the devolved Scottish Government, with responsibility for housing policy in Scotland
- During the current Scottish parliament, the SNP has pledged to deliver at least 50,000 new affordable homes, including 35,000 council or housing association homes
- Right to Buy was ended in Scotland in 2016, with some 15,000 homes exempted from sale
- The Scottish government has increased investment in the Housing First scheme to £6.5m to reduce homelessness. Part of a £32.5m programme
- Local authorities were given power in 2016 legislation to cap rent for sitting tenants in areas where rent is rising too quickly and forcing tenants into undue hardship

## Scottish Conservatives

- Building 100,000 new homes over the next Parliament - half to be affordable housing
- Investing in secure, clean, affordable energy
- Ensuring no-one lives in hard-to-heat homes
- Reintroduce Right to Buy in Scotland

## Democratic Unionist Party (DUP)

- Committed to more investment in new social and affordable housing and better quality of private sector homes
- Target of at least 2,000 new social homes a year
- Wants extra powers for the NI Housing Executive to tackle empty homes
- Has supported “living over the shops” schemes to help town centres function as places to live and shop

## Sinn Féin

- Controls the Northern Ireland Communities Department responsible for housing policy
- Wants the NI Housing Executive to return to more homebuilding to address rising homelessness and housing stress
- Private developments should include social and affordable housing
- “Positive Return” concept to capture needs of developers while recognising social value of developments



# **BBC** Briefing: Housing

## In Conclusion

Britain's housing crisis has been brewing for decades.

Demand for housing in the UK has intensified as the population and the number of households have grown. But there are two million fewer social houses and flats for people on low incomes than 40 years ago, and new social housing is being built at a quarter of the rate. New builds in the private sector are also low by historical standards. Only 50,000 affordable homes are now being built each year. This shortage of private and social housing has accelerated the growth of the private rental sector, which has doubled in size over 20 years.

Some 320,000 people - including 200,000 children - are homeless. Rough sleeping has doubled in a decade. Almost 800,000 households live in overcrowded conditions. Britain has the oldest housing stock in Europe, and demolition rates are low. There are in excess of four million homes categorised as “non-decent”, largely in the private rental sector.

Home ownership, which grew to two-thirds of all homes during the 20th Century, has recently declined. A widening wealth gap, helped by liberalised credit markets, has contributed to house-price inflation and the growth of private renting. Younger generations - who struggle to buy – are prolonging living with their parents. Key workers cannot afford to live near their place of work.

The size of the housing supply gap now - the number of dwellings needed to provide everyone with a decent home - is estimated to be about 1.2 million; and demand is forecast to grow, as the population and the number of households multiply. If current building rates are maintained, the existing housing gap could theoretically be eradicated, but only by 2035.

The obstacles that the housebuilding industry faces – ranging from low demolition rates, planning delays and market volatility to lack of large-scale projects and land – are all combining to make continuing growth a key challenge.

Overcrowding, sub-standard dwellings and homelessness will be impossible to eliminate, as long as the balance of private rental properties, social housing and private homes remains poor.

How the UK will manage and meet the housing needs of the whole population - thereby ending Britain's chronic housing crisis – has become one of the big public debates of this generation.





## Glossary A-B

Term	Definition
Assured shorthold tenancy	The legal contract for most short-term tenancies. It enables the landlord to evict the tenant after the initial fixed period of the tenancy (usually six months) without a legal reason
Affordability	Affordable means a household should spend no more than a third of its (post tax and benefits) income on housing costs
Affordable housing	Property at 80% of the market value (or lower) or with rents at least 20% cheaper than market rents
Bedroom standard	A standard number of bedrooms is officially specified for each household according to its age/sex/marital status composition and the relationship of its members to one another. A separate bedroom is allowed for each married or cohabiting couple, any other person aged 21 or over, each pair of adolescents aged 10-20 of the same sex, and each pair of children under 10. Any unpaired person aged 10-20 is notionally paired, if possible, with a child under 10 of the same sex, or, if that is not possible, he or she is counted as requiring a separate bedroom, as is any unpaired child under 10
Building society	A financial organisation owned by its members as a mutual organisation. It pays interest on investments by its members and lends capital for the purchase or improvement of houses
Build to rent	Private rented residential property, which is designed and built for rent instead of for sale. The properties are typically owned by institutional investors
Buy to Let mortgage	A legal agreement by which a bank or building society lends money at interest in order for the borrower to buy a property for the express purpose of letting it out

# Glossary C-H

Term	Definition
Capital gains tax	A capital gains tax (CGT) is a tax on the profit realised on the sale of certain assets. The most common capital gains are realised from the sale of stocks, bonds, precious metals, and property
Council housing	Housing built by local authorities for those who meet the qualifications for government housing assistance and usually provided at a non-commercial rent. It can also refer to the obligation by a local authority to house qualifying families, though not necessarily in council-built housing
Decent home	A home in a reasonable state of repair, with reasonably modern facilities and services, a reasonable degree of thermal comfort, and meeting the statutory minimum standard for housing, which in England is set out in the Housing Health and Safety Rating System
Dwelling	A self-contained unit of accommodation. Self-containment is where all the rooms (including kitchen, bathroom and toilet) in a household's accommodation are behind a single door which only that household can use
Fuel poverty	A household is considered to be fuel poor if they have required fuel costs that are above the national median level and were they to spend that amount, they would be left with a residual income below the official poverty line
Help to Buy: equity loan scheme	A loan from the government which you can combine with a deposit and a mortgage to buy a new-build property. Depending on where you live, the government will lend you between 15% and 40% of the property price
Hidden households	People or groups of people that want to move out of shared accommodation but are unable due to affordability problems or lack of suitable housing. These include: house sharers, adults living with their parents and people living with an ex-partner

# Glossary H

Term	Definition
Home Building Fund	A subsidy provided by central government to encourage housebuilding and property regeneration by small and medium sized developers
Homeless	Homelessness means not having a home. You are homeless if you have nowhere to stay and are living on the streets, but you can also be homeless if you are: staying with family and friends, squatting, staying in a hostel or B&B, or at risk of violence or abuse in your home
Housing association	Housing associations are non-profit organisations, originally formed by private individuals concerned about local housing provision. Board members are generally volunteers but some are paid
Household	One person or a group of people (not necessarily related) who have the accommodation as their only or main residence, and share cooking facilities and share a living room or sitting room or dining area
Housing benefit	A benefit that is administered by local authorities which is designed to assist people who rent their homes and have difficulty meeting their housing costs
Housing First	A housing policy that moves rough sleepers from the streets or shelters straight into independent housing. This is in contrast to other programmes whereby rough sleepers have to deal with other issues that may have contributed to their episode of rough sleeping (eg addiction) before being granted independent housing
Housing stock	The total number of dwellings in a particular country or region

## Glossary L-O

Term	Definition
Landlord	An individual or company that lets a property out to tenants in exchange for rent
Local authority	An elected organisation responsible for providing a range of vital services for people and businesses
Loan to value (LTV) ratio	The ratio between the value of the mortgage you take out and the value of the property as a whole, expressed as a percentage
Mortgage	A legal agreement by which a bank or building society lends money at interest in order for the borrower to buy a property. The bank has a right to repossess the property in the event of non-payment of the debt
Net additional dwellings	The number of dwellings added to the housing stock; this comprises the number of new housebuilding completions plus any gains or losses through conversions, changes of use and demolitions
Nominal prices	Prices that have not been adjusted for inflation
“Non-decent” home	The UK government defines a household as “non-decent” when it is not in a reasonable state of repair, does not have reasonably modern facilities and services, or has ineffective insulation or heating
Overcrowding	The English Housing Survey defines a household as overcrowded if it has fewer bedrooms available than the notional number needed according to the bedroom standard definition (see entry for bedroom standard)
Owner-occupiers	Households in accommodation which they either own outright, are buying with a mortgage or as part of a shared ownership scheme



## Glossary P-S

Term	Definition
Passivhaus	An international energy performance standard. The core focus of Passivhaus is to dramatically reduce the requirement for space heating and cooling, whilst also creating excellent indoor comfort levels
Planning permission	Permission to build dwellings on a specific area, obtained by applying to local councils
Private renters	All tenants who are renting from private individuals or companies at market rates. It also includes people living rent-free (for example, people living in a flat belonging to a relative)
Right to Buy	A scheme giving secure tenants in a local authority home the opportunity to buy their home at a discount
Rough sleeping	Someone who sleeps or beds down in the open air (such as on the streets, or in doorways, parks or bus shelters), or somewhere not designed for habitation (such as barns, sheds, car parks, cars, derelict boats or stations)
Rent control	Legal regulations that prevent private landlords from raising rent above a certain level
Resolution Foundation	The Resolution Foundation is an independent think-tank focused on improving the living standards for those on low to middle incomes
Section 106 agreement	A legal agreement which ensures that developers contribute towards the infrastructure that is required to make a development acceptable in planning terms. Contributions may be either financial or in kind and may be used to deliver affordable housing
SMEs	Small and Medium Enterprises, in this document, means construction companies that build fewer than 1,000 dwellings per year

## Glossary S-U

Term	Definition
Stamp duty	A tax, paid by the buyer, levied on the purchase of land and properties over a certain threshold
Statutory homelessness	To be legally defined as homeless you must either lack a secure place in which you are entitled to live or not reasonably be able to stay
Social housing	Housing provided by local authorities or housing associations
Social renters	All tenants who are renting from local authorities and housing associations at below market rates
Temporary accommodation	Accommodation given to households who are homeless or at risk of homelessness as a temporary arrangement until they can be allocated social housing or find alternative permanent accommodation
Tenure	A term defining the conditions under which a home is occupied, whether it is owned or rented, and if rented, who the landlord is and on what financial and legal terms the let is agreed
Under-occupation	Households are said to be under-occupying their property if they have 2 or more bedrooms more than the notional number needed according to the bedroom standard definition
Universal credit	This is a single, means-tested working-age benefit; paid to people whether in work or not. Over time it will replace: child tax credit, housing benefit, income-related employment and support allowance, income-based jobseeker's allowance, income support and working tax credit

## Appendix JS7

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Speech by Secretary of State for Housing, Communities and  
Local Government to the Chartered Institute for Housing  
(September 2020)



[Skip to main content](#)

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[Menu](#)

- [Departments](#)
- [Worldwide](#)
- [How government works](#)
- [Get involved](#)
- [Consultations](#)
- [Statistics](#)
- [News and communications](#)

[Coronavirus \(COVID-19\)](#) Guidance and support

1. [Home](#)
2. [Coronavirus \(COVID-19\)](#)
3. [Housing and accommodation during coronavirus](#)

Speech

# Robert Jenrick's speech to Chartered Institute of Housing (CIH) 2020

The Secretary of State's speech to the CIH virtual event Housing 2020.

Published 11 September 2020

From:

[Ministry of Housing, Communities & Local Government](#) and [The Rt Hon Robert Jenrick MP](#)

Delivered on:

10 September 2020 (Transcript of the speech, exactly as it was delivered)



## Introduction

Hello there. It's a pleasure to be joining you today.

It's fair to say that 2020 is a year that few of us will forget.

Through the storms we have weathered, I think we have learned a lot – not least reminding ourselves of the absolutely central role that our homes and communities play in our health and general wellbeing.

For many, the chance to spend more time with the people they love and getting to know their neighbourhoods has been a real ray of hope in a difficult period.

But for those less fortunate - stuck in poor, cramped accommodation, with few shops or parks and open spaces nearby,

struggling to pay the rent or who, worst of all, have no home of their own at all - the pandemic has unquestionably been one of the darkest periods.

They deserve better.

That's why – as we recover from the pandemic – we are absolutely determined to build back better and to deliver the homes we need with a comprehensive plan for a brighter future.

Your work - in local authorities and housing associations – is fundamental to helping us achieve these ambitions.

And I'm immensely grateful for all your efforts.

Like you, I want to see Britain emerging a stronger, better country from the pandemic. That we beat the pandemic and we move forward with confidence and optimism, learning lessons from the experience that we've been through as a country, as we have in previous times of great adversity.

That means, just as we did in those periods, like during and after the First and Second World War, it means building homes at scale and at pace, and helping more people – more of the hard-working families and prospective first-time buyers across the country - onto the housing ladder.

I know that this is, and I hope you share this, one of the defining challenges of our generation. We must act to ensure the young and future generations that will follow will have the same opportunities, the same security, the same stake in society as those who came before them.

We're making progress.

Last year we built over 241,000 homes – more new homes than at any time in the last 30 years – taking the total delivered, since 2010 to 1.5 million.

The proportion of young homeowners increased after declining for more than a decade.

But lost months this year due to the pandemic will set us back significantly. As may the economic harm to come – the scale of which we don't yet know. But the market has proven more resilient and robust than many would have predicted, helped in part by cut in stamp duty at the Budget at the beginning of summer. But there's a great deal of uncertainty and there's a lot more for us to do.

More broadly, looking to the horizon beyond the immediate challenges presented by Covid and the economic disruption that we find ourselves in today.

There's still a great deal more to do to help those trapped paying high rents who are struggling to save for a deposit to enjoy homeownership or even to enjoy the security and the dignity that comes with a secure home of their own, whether that be owned or rented.

Affordability remains a very big issue across the board.

## **Affordable Homes Programme (AHP) announcement**

That's why, earlier this week, I was delighted to announce details of the £12 billion Affordable Homes Programme.

This includes a new £11.5 billion Programme - the highest single funding commitment to affordable housing in a decade.

Now, we all know the economic outlook is uncertain and that the pandemic has caused huge disruption to your development plans, as it has more broadly.



Mindful of this, the new Programme aims to deliver up to 180,000 affordable homes over five years from 2021 to 2026 – the first from next year - right across the country.

These include homes for Social Rent, more than in the previous programme - underlining our commitment to the most vulnerable in our society.

And they include, most notably, significant extra support for home ownership at a price that people on modest incomes can actually afford.

Around half of the homes delivered will be available to own, with the rest available for discounted rent, including 10% for supported housing – to help those with physical or mental health challenges.

As part of this new approach, we're making home ownership more accessible and flexible, with the vast majority of the homes available through the new model of Shared Ownership.

Under this model, I have lowered the initial stake from 25% to 10%, and reduced the minimum staircasing requirements to 1%, or as low as £1000, which will make it easier for people to get onto and climb the housing ladder.

I have also introduced a 10-year “repair-free” period during which the shared owner will not have to pay repairs or maintenance costs.

These much-needed changes will help bridge the gap between renting and home ownership and build on the introduction of the Right to Shared Ownership – our new scheme which will give many housing association tenants the opportunity, in time, to buy a stake in their home using the new model for Shared Ownership.

So with the accompanying funding guidance having just been published by Homes England, I encourage you to read it, consider it, and start preparing your bids and above all, to think big. At times like this, we need you – we need you to get building.

Taken together, these measures will benefit families across the country, with almost £7.5 billion of the investment to be delivered outside London – over £2 billion more than under the previous Programme – but still offering the Greater London Authority and the Mayor of London £4 billion to get building in London as well.

We are doing this because we as a government were elected with a commitment to levelling up and ensuring that opportunities are available to people across the country.

## **First Homes**

For the stake in society that we want to offer to people to be meaningful, it's vital that we offer our children the ability to put down roots in the places they grew up, and that we allow people who are key workers in those communities to get on the housing ladder. If we've learned anything from the last few months, it is the absolute importance of those key workers – whether they be teachers, nurses, junior doctors, police and fire, veterans in the armed forces and others.

The simple truth is that too many will continue to get priced out of their own areas where they live and work and want to put down roots, unless we take action – and that's precisely what we're doing through what I think could be our life-changing initiative – the First Homes policy.

Under this scheme, local first-time buyers can buy homes at a discount of at least 30% in their local communities, with councils able to put key workers at the front of the queue.

The discount could save them as much as £100,000 on the price of an average newly built property in England. And where the costs of property are highest, the discounts could be as much as 50%.

Furthermore, the discount will apply to the new home forever so buyers and the community will continue to benefit every time the property is sold for generations to come, not merely enriching one generation.

We're keen for people to benefit as soon as possible but we want to make sure that we get the details right, so we've confirmed plans to accelerate the roll out of First Homes with a 1,500 home pilot, funded by the new Affordable Homes Programme, with more details to follow very soon.

To keep up the momentum on delivery, we will set an expectation that 25% of the affordable homes delivered through developer contributions will be First Homes.

All of which adds up to more young people, more families and more key workers being able to have the opportunity to own a home of their own.

## **Modern Methods of Construction**

But whether we're aiming to help more people onto the housing ladder, people who are renting or, crucially, who are homeless or sleeping rough, we will only succeed if we build more homes.

And that's what we're setting out to do, and you play an absolutely crucial role in our plans.

As a result of the bold steps we've taken - like lifting the HRA cap and providing longer-term rent stability – there's never been a better or more important time to build at any point. When there's been an economic disruption or recession, housing and development has played a crucial role in our economic recovery, and councils and housing associations in particular have led the charge.

This central role that you could play was reinforced this week by the announcement of my colleague, Lord Agnew, that we're putting £30 million into helping councils create thousands of new homes and jobs by unlocking surplus land for development. Authorities will be able to bid for £20 million for remediation works and infrastructure through the Land Release Fund, which focuses on small sites and SME builders, with £10 million available via the One Public Estate programme to support the earliest stages of development.

I urge you to seize this, and the many other opportunities now at hand, to help your communities recover from the pandemic by delivering not just more homes, but more beautiful, more sustainable, better quality homes in all parts of the country.

Homes that are delivered more quickly, harnessing the latest technology and innovation as well. That's why we're making Modern Methods of Construction central to the delivery of the new Affordable Homes Programme, with new measures to help the providers build a pipeline of supply and boost the market.

We've set a minimum target for the use of MMC in the programme and we're going to review that target annually with a view to increasing it if market conditions allow. We want the UK to be a leader in MMC, driving new jobs, better skills, as well as faster delivery of homes, and those homes, in turn, being better quality and more energy efficient, with all of the benefits of society and social justice that comes with that.

## **Planning reforms**

Homes that are built in the places people want to live – near jobs, near good public transport, near green spaces and beautiful spaces for people to enjoy, and other amenities.

I am confident that the landmark planning reforms that the Prime Minister and I set out at the beginning of the summer – and which the Housing Minister spoke about in more detail to you just a few days ago – will help us deliver this and – contrary to the somewhat knee-jerk reaction of some – even more affordable homes.

To that end, we're proposing to replace the current system of planning obligations and the Community Infrastructure Levy with a nationally-set value-based flat rate charge on development under the new system.

These changes will give local authorities greater powers to determine how developer contributions are used, will ensure that developers do contribute and cut out those lengthy and at times demoralising debates about viability and in the end how much developers can actually contribute.

And through the new 'Infrastructure Levy' we will raise more revenue than now by capturing a greater share of the land value uplift – an explicit decision and commitment that this government has made.

And why are we doing that? We're doing it to deliver more infrastructure and more affordable housing than ever before.

And we want to work with the sector to iron out the details, to get those 'I's dotted and 'T's crossed, so that we can make sure this actually works for you and we deliver on that commitment.

And we want to ensure as well that in doing this, in designing this simpler system, that as much, if not more, onsite affordable housing is delivered as present, because we want mixed communities – we want vibrant places where people of different incomes and different ages and different backgrounds can live together as one. That, in the end, is the definition of a community.

So, in all, issues around affordability are higher than ever on our agenda – as are those relating to safety, which has to be of paramount concern as well.

## **Building safety / Social Housing White Paper**

It is absolutely essential that people are safe and they feel safe in their homes.

And I want to thank all of you very sincerely for keeping up on the momentum on vital building safety works during these times.

Yes, works were paused at the beginning of the pandemic, but they've come back and we now need to focus very hard this Autumn on ensuring that dangerous cladding in particular is removed from the remaining buildings where it needs to be, and that workers are on site on each and every one of those buildings as quickly as possible.

We've made an extra £1 billion available, thanks to the Chancellor's support in the Budget, to make buildings safe and are introducing the biggest change to building safety in a generation through the Building Safety Bill, which is now being scrutinised by parliament and will be brought forward for debate and legislation very soon.

Residents and their voices are quite rightly at the heart of these reforms – which is also true of the Social Housing White Paper, which I am committed to taking forward this year.

We made the decision to pause it during the pandemic because we wanted it to achieve the prominence that it truly deserves, and that tenants in social housing have the opportunity to hear and understand quite how significant this paper and the new changes that it will bring forward could be for them.

This Paper will set out measures to further empower tenants and boost the supply and quality of social housing, with greater redress and better more meaningful regulation of the sector.

Everyone deserves to be treated with dignity and respect regardless of where they live, and regardless of the terms on which they live there – whether you're a homeowner, whether that's freehold or leasehold, whether you're a tenant with a housing association or local council – you deserve respect, and we want to ensure, in the limited cases where that isn't happening, that things change, and they change forever.

## **Rough sleeping**

That's why, because we're concerned to ensure that housing of a good standard is available to everyone, and that everybody is treated with dignity and respect, particularly the most vulnerable in society, through our response to

Covid-19, we've focused so hard on supporting those sleeping rough and other vulnerable groups.

Thanks to a strong effort between central and local government, I'm proud that we've helped almost 15,000 vulnerable people into safer accommodation – thereby protecting hundreds, if not thousands of lives.

Any life lost is a tragedy, but the statistics that the Office of National Statistics compiled earlier this summer did show that the record of this country is the best, or amongst the best, of any country in the world for protecting the lives of those who were sleeping rough at the beginning of the pandemic.

That was a precious silver lining in the otherwise dark cloud of the pandemic. It's one that takes us significantly further towards our ambition of ending rough sleeping. For the first time in my lifetime, by and large we know where rough sleepers are, we know who they are, we know what other challenges we face, because rough sleeping is as much a crisis of mental health and addiction as it is of housing.

I'm determined to ensure that as few people as possible from that cohort return to life on the streets and, with that in mind, with the support of the Prime Minister and the Chancellor, we've secured longer-term funding for accommodation – 3,300 homes this year, many more to follow in the years ahead.

These homes, and those to come later form a £400 million next steps accommodation programme which I hope will establish a new national asset.

A set of move on accommodation specifically targeted at those who have been sleeping rough, tracked - so we can ensure that it ensured and doesn't get whittled away by circumstance – and monitored – so we can see the progress or otherwise that we're making towards turning peoples' lives around and tackling rough sleeping.

This is inspired by the original work done in the early 1990s by my then predecessor George Young and by many charities that are still going strong today, to create the programme then, the Clearing House, in what I hope will be a lasting memorial to the challenges of the pandemic, helping us to support people in their hour of need for many, many, years to come. We've received applications for this and we want to work with you now to deliver those homes at pace.

We've also provided significant additional funding for rough sleeping in addition to the other schemes that we announced earlier this year and in the spending review.

We have the funding in place for this financial year, and it's very significant. The challenge now is to recapture the zeal and the vision and the collegiality that we had at the beginning of the pandemic and work together as central and local government, as housing associations, as charities and indeed anyone who cares about tackling rough sleeping, to ensure that we put in place the programmes and the homes.

And we work so that this autumn and winter we continue to protect those individuals who we did through the Everyone In programme and others who flow onto the streets as a result of the challenges we now face, and that we make this autumn and winter one in which far fewer people are sleeping rough on the streets that were last winter, and certainly more than would be had we not created this effort at the beginning of the pandemic.

And I need your help and support to do that, and you have my absolute commitment that this is something that I am determined to work with you on and achieve.

## **Environmental standards / Accessibility consultation**

As well as building more homes, I want to see us building greener, more beautiful homes that create sustainable places for which we can all be proud to hand on to the next generation.

This is, again, one of the main aims of our planning reforms, and an element of them that I am particularly committed to and home will be a legacy of this government to future generations – the creation of a planning system fit for the 21st century, genuinely centred on the principles of good design and place-making and a more harmonious relationship

between the built and natural environments.

This means a “fast track for beauty”. It means mandating tree-lined streets. It means design codes created by local communities – not just at local authority level, but at neighbourhood or even street level as well. It means taking inspiration from the fantastic work of the Building Better, Building Beautiful Commission – a golden thread I think you can see throughout Planning for the Future.

The UK is the first major economy in the world to pass a net zero emissions target into law and our Future Homes Standard will help to meet this.

From 2025 all new homes will be expected to have at least 75% lower carbon emissions and be zero carbon ready without the need for expensive retrofitting – representing real action to protect our environment and tackle climate change. If we can realistically go further, faster, I will certainly champion that within government and seek to achieve it with your support and encouragement.

Furthermore, more green homes must also be more accessible homes to meet the needs of an ageing population.

That’s why I was pleased to launch a consultation this week which I would draw your attention to on raising accessibility standards for all new homes – an important step in taking the National Strategy for Disabled People forward and ensuring everyone can play a full role in the life of this country, and that homes can truly be fit for your whole life.

## Conclusion

Because whether you’re determined to live independently for longer or just starting out, raising a family or want to move for a better job and better opportunities, this government must be behind you – and it is.

And behind all of you, in councils and housing associations - to get Britain building and not just help realise so many individual hopes and dreams, but power our economic and social recovery as well, as beat the pandemic and move forward with renewed hope and confidence about the future.

We’re on track to achieve this:

- building more homes – more affordable homes,
- getting more people onto the housing ladder,
- putting beauty, quality, the environment at the heart of a faster, simpler, more predictable planning system,
- driving jobs and growth and skills through a more diverse, more competitive housing industry, not just in the hands of big developers or volume housebuilders but in the hands of small and medium sized builders and entrepreneurs in all parts of the country
- building where affordability is most challenging, such as London and the South East, but also levelling up and renewing and regenerating our great towns and cities as well.

This is what it means to level up. That’s what it means to unite our country.

And with your help, that’s what we will deliver.

Thank you.

Published 11 September 2020

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## Appendix JS8

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Home Truths South West (September 2020)





# Home Truths

## The housing crisis in the South West

Created in September 2020

### Solving the housing crisis

Housing associations are united by a single purpose – to ensure everyone in the country can live in a quality home that they can afford.

We meet shifting housing needs by building more homes, by providing extra support when it's needed and by innovating to tackle the challenges people face.

We generate income which doesn't go to shareholders so we can reinvest all our profits in homes and communities. That's what we have always done; it's what we will always do.

If you share our sense of purpose, we want to work with you. If you want to end the housing crisis, you need to work with us.

	South West	England
Unemployment rate in 2018/19	3%	4.1%
Percent of Housing Benefit claimants in employment in 2018/19	18.4%	20.7%
Mean annual earnings in 2018/19	£26,946	£30,170
Mean monthly private sector rents in 2018/19	£784	£858
Ratio of house prices to incomes in 2018/19	11	10

South West	Long term empty homes in 2018 <sup>1</sup>	Average (mean) house prices in 2018/19 <sup>2</sup>	Percent of Housing Benefit claimants in employment in 2018/19 <sup>3</sup>	Income required for 80% mortgage in 2018/19 <sup>4</sup>	Ratio of house prices to incomes in 2018/19 <sup>5</sup>	Mean annual earnings in 2018/19 <sup>6</sup>	Mean monthly private sector rents in 2018/19 <sup>7</sup>	Second homes in 2018 <sup>8</sup>	Shortfall in new homes (cumulative 5 years) <sup>9</sup>	Total housing association affordable homes in 2018/19 <sup>10</sup>	Unemployment rate in 2018/19 <sup>11</sup>
<b>England</b>	<b>216,186</b>	<b>£303,006</b>	<b>20.7%</b>	<b>£69,259</b>	<b>10</b>	<b>£30,170</b>	<b>£858</b>	<b>252,630</b>	<b>482,905</b>	<b>2,753,583</b>	<b>4.1%</b>
<b>South West</b>	<b>19,148</b>	<b>£290,735</b>	<b>18.4%</b>	<b>£66,454</b>	<b>11</b>	<b>£26,946</b>	<b>£784</b>	<b>46,444</b>	<b>21,597</b>	<b>261,214</b>	<b>3%</b>
Bath and North East Somerset UA	605	£400,871	16.8%	£91,628	14	£29,260	£1,288	812	0	12,208	2.6%
Bournemouth UA	998	£283,757	20.8%	£64,859	0	£0	£848	5,213	2,700	4,058	0%
Bristol, City of UA	775	£311,120	19.6%	£71,113	11	£29,130	£1,070	2,355	5,892	14,118	3.8%
Cornwall UA	2,742	£262,749	19.4%	£60,057	11	£23,176	£693	14,015	2,911	24,269	2.7%
Isles of Scilly UA	9	£361,240	0%	£82,569	15	£23,800	£808	101	0	61	0%
North Somerset UA	216	£296,078	15.9%	£67,675	10	£29,115	£774	421	3,384	9,439	2.8%
Plymouth UA	715	£197,848	14.7%	£45,222	8	£24,903	£569	870	0	23,829	4.5%
Poole UA	514	£373,580	21.6%	£85,390	0	£0	£872	0	2,069	3,300	0%
South Gloucestershire UA	508	£296,482	23.1%	£67,767	11	£27,253	£977	99	0	13,584	3.1%
Swindon UA	484	£249,366	12.8%	£56,998	9	£29,422	£698	188	3,041	6,384	3.7%
Torbay UA	1,303	£220,267	18.2%	£50,347	10	£23,197	£624	1,541	737	6,041	3.6%
Wiltshire UA	1,640	£310,264	18.8%	£70,918	11	£28,028	£812	1,560	0	27,498	2.8%
Devon	2,384	£290,510	19.1%	£66,402	12	£24,934	£762	11,561	208	31,790	2.5%
East Devon	377	£319,569	22.1%	£73,044	12	£26,666	£728	2,476	0	3,116	1.9%
Exeter	400	£278,331	18.6%	£63,618	11	£26,374	£976	541	331	4,933	3.1%
Mid Devon	113	£264,928	12.9%	£60,555	10	£25,709	£675	232	208	1,699	2.5%
North Devon	600	£261,109	17.1%	£59,682	12	£21,741	£635	1,666	153	5,021	2.1%
South Hams	194	£367,604	20.8%	£84,024	16	£23,369	£786	3,730	0	5,079	2%
Teignbridge	338	£278,116	20.9%	£63,569	11	£24,939	£712	1,390	0	6,332	2.2%
Torridge	264	£239,243	16.7%	£54,684	10	£24,268	£607	992	240	3,000	2.1%
West Devon	98	£279,309	21.4%	£63,842	11	£24,461	£660	534	662	2,610	2.3%
Dorset	1,391	£327,837	19.5%	£74,934	0	£0	£821	1,969	1,798	24,826	2.4%
Christchurch	134	£373,129	18.3%	£85,287	0	£0	£924	1,969	610	2,732	0%
East Dorset	222	£388,730	21.1%	£88,853	0	£0	£943	0	710	3,409	0%
North Dorset	226	£295,303	18.6%	£67,498	0	£0	£785	0	17	4,530	0%
Purbeck	168	£342,399	23.4%	£78,263	0	£0	£825	0	0	2,617	0%
West Dorset	389	£328,238	18.5%	£75,026	0	£0	£821	0	587	7,084	0%
Weymouth and Portland	252	£243,145	18.8%	£55,576	0	£0	£670	0	0	4,454	0%
Gloucestershire	2,815	£304,865	18%	£69,683	11	£28,532	£767	3,888	1,555	31,748	1.9%
Cheltenham	416	£332,953	17.6%	£76,104	10	£32,583	£808	942	1,670	2,817	2.8%
Cotswold	481	£422,957	18%	£96,676	14	£30,753	£939	1,714	0	6,867	2.6%
Forest of Dean	424	£253,885	15.7%	£58,031	9	£27,986	£630	313	0	5,287	2.8%
Gloucester	650	£211,127	19.2%	£48,258	8	£25,412	£661	176	814	8,747	3.2%
Stroud	611	£311,074	15.9%	£71,103	11	£27,284	£739	520	371	2,117	2.3%
Tewkesbury	233	£303,598	21.4%	£69,394	11	£27,498	£744	223	0	5,913	2.6%
Somerset	2,049	£262,228	15.3%	£59,938	10	£26,234	£669	1,851	0	28,061	3.1%
Mendip	480	£305,952	15.7%	£69,932	11	£27,711	£711	357	0	6,914	3.6%
Sedgemoor	236	£240,821	14.7%	£55,045	9	£26,874	£649	705	215	3,522	3.6%
South Somerset	657	£252,861	16.4%	£57,797	10	£25,615	£655	789	378	11,723	2.7%
Taunton Deane	453	£253,057	14.5%	£57,842	0	£0	£681	0	0	3,378	0%
West Somerset	223	£275,594	14%	£62,993	0	£0	£660	0	6	2,524	0%



1. MHCLG - Table 615 Vacant Dwellings by LA district. Date range: Oct 2004-Oct 2018. Next update Apr 2020.
2. ONS - HPSSA Dataset 12a. Date range: 95/96-18/19. Next update: Sept 2020. PLEASE NOTE: DATES ARE FINANCIAL YEAR (2018=2018/19).
3. Calculated from DWP - Stat-Xplore. Date range: 08/09-18/19. Next update: Aug 2020. PLEASE NOTE: DATES ARE FINANCIAL YEAR (2018=2018/19).
4. National Housing Federation analysis. Date range 95/96-18/19. Next update: Sept 2020. PLEASE NOTE: DATES ARE FINANCIAL YEAR (2018=2018/19).
5. National Housing Federation analysis. Date range 01/02-18/19. Next update: Oct 2020. PLEASE NOTE: DATES ARE FINANCIAL YEAR (2018=2018/19).
6. ONS - ASHE Table 8. Date range: 01/02-18/19. Next update: Oct 2020. PLEASE NOTE: DATES ARE FINANCIAL YEAR (2018=2018/19).
7. Valuation Office Agency - Private Rental Market. Date range: 10/11-18/19. Next update: Nov 2020. PLEASE NOTE: DATES ARE FINANCIAL YEAR (2018=2018/19).
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9. National Housing Federation analysis, based on TCPA 'New estimates of housing requirements in England 2012-2037'.
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