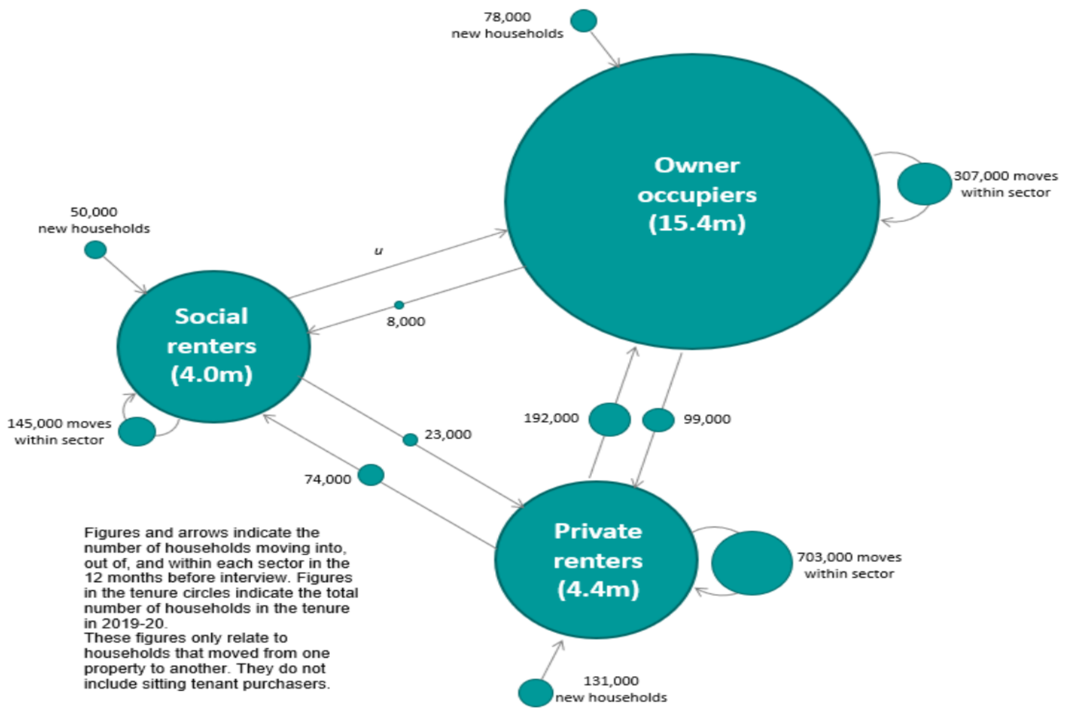
Ministry of Housing, Communities & Local Government (MHCLG) – Written evidence (UKH0042)

What is the current composition of the UK's housing sector? How is the sector structured in terms of private ownership, privately rented accommodation and social housing?

The majority of the housing stock in the UK is owner occupied. The size of the social and private rented sectors varies between nations, with the private rented sector more prevalent in England and Northern Ireland and the social rented sector more prevalent in Scotland and Wales.[1]

Data for England for 2019/20 show that of the 23.8m households in total, 64.6% were owner-occupiers; 19% were private renters; and 17% were social renters. The rate of owner-occupation peaked at 70.7% in 2005, declining to 62.6% in 2016 before rising slightly since then. Since 2013-14 there have been more outright owners than mortgagors and in 2019-20, 35% of households were outright owners while 30% were buying with a mortgage.[2]

The proportion of households privately renting doubled between 2003 and 2016 (from c.10 to c.20%), while the social rented sector over the same period has declined slightly as a proportion of households from c.18 to c.17%. The following chart gives an estimate of the movements between and within tenures for England for 2019/20.



[1] BRE Trust, The Housing Stock of The United Kingdom, 2020

[2] MHCLG, English Housing Survey, 2020

What social and demographic factors shape housing demand in the UK? What are the expected future trends in housing demand?

There are many components to housing demand, including the underlying demand for new homes and the demands placed on the existing stock such as their quality and energy performance. The Government's overarching objective is more, better quality, safer, greener and more affordable homes across the country.

Factors that affect the demand for new homes include changes in population and population structures, which translate into the rate of household formation; changes in income over time; lending patterns; as well as underlying preferences for housing in different locations and of different types, which in turn reflect patterns and ways of working amongst other things.

Regarding future trends, the Government considers short-term scenarios for the wider economy and the housing market from the OBR and external forecasters, where the effects of the pandemic are still feeding through, but prospects are good. The Government also considers medium and longer-term trends, such as the population and how it might change from the Office for National Statistic's population estimates and household formation projections.

We also conduct regular surveys, through the British Attitudes Survey and the department's own English Housing Survey, which look at household preferences for homes in different tenures and satisfaction with housing circumstances amongst other things. For example, when asked 87% of respondents said they would prefer to buy rather than rent a home[3], and overall, 90% of households said they are either very or fairly satisfied with their accommodation – ranging from 78% of social rented to 95% of owner-occupiers.

Does the Government's target of 300,000 new homes per year accurately reflect housing demand? Is this target achievable?

There is compelling evidence that increasing the responsiveness of housing supply will help to achieve better outcomes. The House of Lords Select Committee on Economic Affairs 'Building More Homes' (2016) report concluded that to meet future demand and the backlog from previous years of undersupply, at least 300,000 homes a year need to be built for the foreseeable future to address the sharp rise in house prices.

The Government has committed to deliver 1m new homes by the end of this Parliament and continue towards its target to increase building output to 300,000 homes a year. We are making strong progress: last year, around 244,000 homes were delivered – the highest level for over 30 years and the seventh consecutive year that net supply has increased.

We are continuing to drive up the supply of new homes by diversifying the market; simplifying the planning system; investing in affordable housing; increasing land supply for new homes by investing in infrastructure and making the best use of surplus public sector land.

[3] MHCLG, British Social Attitudes Survey – Housing Module, 2018

What is the balance of demand for new housing between homes for private ownership, privately rented homes, and social housing? How does this affect the type and tenure required of new homes?

Survey data can give us an indication of demand for different tenures. For example, through the English Housing Survey we know that 59% of private renters and 28% of social renters expect to buy their own home at some point in the future. We also know that 98% of owner occupiers, 70% of private renters and 80% of social renters are satisfied with their current tenure. Through the British Social Attitudes Survey, we know the majority of respondents aspire to buy (87%) rather than rent (12%). Finally, the 1.1m households on local authorities' housing waiting lists also provides some indication of the demand for social housing.

The National Planning Policy Framework expects 10% of housing on major housing sites to be for affordable home ownership, and our First Homes policy expects 25% of affordable housing to be First Homes. We also influence tenure through the Help to Buy scheme as well as the Affordable Homes Programme.

Local areas are best placed to understand the housing needs of different groups within their community. This is why the National Planning Policy Framework expects local planning authorities to assess the size, type and tenure of housing needed for different groups (this includes the need for social housing) in the community and reflect this in planning policies in local plans. Local planning authorities can secure the delivery of different tenures through Section 106 planning obligations.

What can be done to ensure there is a good balance of new homes where they are needed across the UK?

The Government strongly encourages more local authorities to redevelop old, tired brownfield land in towns and cities where homes are least affordable. The National Planning Policy Framework emphasises that local authorities should regenerate brownfield sites for housing in the first instance. This will regenerate land so people can own a home where they live, while protecting the countryside and environment. That is why, following consultation, the housing need formula was updated for the 20 most populated towns and cities. This prevents excessive pressure on our rural communities, supporting regeneration of brownfield sites in the first instance and uplifting a number of urban areas in the North and Midlands to support levelling-up.

The Government invested £500 million through the Brownfield Land Release Fund and Brownfield Housing Fund to councils and Mayoral Combined Authorities – helping local authorities to unlock brownfield land across different communities for housing.

We introduced First Homes sold to first-time buyers and key workers with a minimum discount of 30% from market value and councils can go further by setting 40% or 50% discounts for areas with greater need. Through First Homes, this Government is committed to opening up the dream of home ownership to even more people.

Is the construction sector able to deliver the UK's housing demand? What barriers are facing the sector?

As described in the Farmer Review, the housebuilding industry in the UK faces a number of challenges, including market consolidation, domination of traditional manufacturing methods, a predicted labour shortage, and low levels of productivity compared with the rest of the economy.[4]

Government has developed housing policy objectives to drive change in this sector and help address generational housing policy challenges and considers that increasing the use of modern methods of construction (MMC) can contribute to achieving these. MMC provides for a substantially reduced on-site construction phase and can reduce overall delivery times for new homes; can improve sector productivity; improve resilience by broadening the labour pool; and, at scale, can deliver homes more cheaply than traditional construction. To support the sector, the central focus of our MMC strategy is a demand-led stimulus programme, including the Affordable Housing Programme (2021-26) target that 25% of new homes delivered by Strategic Partnership will use MMC.

SMEs also have a vital role in building the homes this country needs. However, we know they face difficulties accessing finance, finding sufficient land and navigating the planning system. We are taking action to address these, including £2.2bn of new loan finance to support small and medium housebuilders announced at Spending Review. The Planning Bill will also help SMEs by making the planning system much easier, less costly, and quicker to navigate.

The Government has published its proposals for reform of the planning system. How can the planning system be shaped to meet housing demand?

What role should permitted development rights play in this?

In recent years we have introduced a range of national permitted development rights which support housing delivery. These include rights which allow change of use of commercial buildings to residential use, and rights which allow existing commercial and residential buildings to extend upwards by two additional storeys to create new homes and extra living space. We have also introduced a new permitted development right to allow vacant commercial, industrial and residential blocks to be demolished and replaced with new residential units.

Such rights help make the best use of previously developed sites and encourage gentle densification, while avoiding the need to build on greenfield land. Homes developed under permitted development rights are largely windfall housing that may otherwise not have been developed through the full planning application process. As such they are making an important contribution to housing delivery, with 72,000 new homes delivered under such rights in the five years to March 2020.

[4] CLC, The Farmer Review of the UK Construction Labour Model, 2016

How might changes to Section 106 agreements shape the provision of social housing?

The Government's White Paper, 'Planning for the Future', proposes that the new 'Infrastructure Levy' will amalgamate section 106 planning obligations and the Community Infrastructure Levy. The proposed Infrastructure Levy will be simpler, more transparent, and more consistent in delivering more of the infrastructure and affordable housing that existing and new communities require. It will be set in a way which delivers at least as much - if not more - onsite affordable housing than at present.

The consultation on 'Planning for the Future' closed on 29 October. We are analysing the consultation feedback thoroughly and holding meetings with industry and local authority representatives to understand the impacts of our proposals. We will respond formally in due course.

How should communities be engaged in the planning process?

Our planning reforms aim to create a system with effective local engagement at its heart, with community views central to decisions about the location and design of development through the preparation of local plans and design codes, and by continuing to require consultation on the details of development proposals as they come forward.

Our reforms will give communities a greater voice from the start of the planning process. By making planning much more straightforward and accessible, local people will be able to influence the plan and have their say on the location and standard of new development. We also want to see more democratic accountability, with communities having a more meaningful say on the development schemes which affect them, not less.

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

What can be done to improve the quality of new homes? How can the design and aesthetics of new homes be improved?

The revised National Planning Policy Framework will help ensure the planning system creates more attractive homes and neighbourhoods, making beauty and placemaking a strategic theme, setting an expectation that local authorities will produce their own design codes.

The new National Model Design Code provides a checklist of design principles to consider for new developments and the requirements that address wellbeing and environmental impact. An Office for Place has been established within MHCLG, which will pioneer design and beauty within the planning system. This year, it will be piloting the National Model Design Code with communities across England.

The Building Safety Bill will also provide a new framework to ensure greater accountability for building safety and ensure residents of high-rise building have a stronger voice. For example, all homeowners will have 15 years to claim compensation for substandard construction work and building owners will be required to manage safety risks, with clear lines of responsibility for safety during design, construction, completion and occupation of high-rise buildings.

The bill includes the New Homes Ombudsman, to strengthen redress, help to improve the new build home quality and resolve complaints from homebuyers about developers. Developers will be required to become members of the ombudsman scheme. The Bill includes provision for a developers' code of practice about the standards of conduct and quality of work expected of members of the ombudsman scheme.

Moreover, the Future Homes Standard will mean that the homes this country needs will be fit for the future, better for the environment and affordable for consumers to heat, with low carbon heating and very high fabric standards.

Is the workforce equipped with the professional, digital and other skills required to meet housing demand, for example in the construction, planning and design sectors? What can be done to overcome skills shortages?

The Government is keen to ensure ongoing two-way engagement with the construction sector to understand how we can improve productivity, identify skills shortages, and make best use of the opportunities to create skilled jobs.

The sector will need to take the lead in identifying the skills it needs and in training the workforce it wants - to support this Government has introduced new financial incentives for employers to hire apprentices and £111million for traineeships. There is a cross-Government programme to address the construction skills challenge, including the new Construction T Levels launched in September 2020, and we are progressing a joint initiative between BEIS and DfE to address labour market demand in the sector.

In addition, we want to ensure that local authority planning departments have the right support and design expertise to produce local design codes. The Office for Place will begin work to support local authorities to drive up design standards. This year it will be piloting the National Model Design Code with communities across England.

The first phase is underway as we test the application of the National Model Design Code with 14 local authorities. We are now seeking expressions of interest from additional local authorities and neighbourhood planning groups who want to work with us to develop an exemplar process for developing design codes which others can draw upon in developing their own design codes.

How does the Government interact with Local Authorities to deliver more homes? How can this relationship be improved?

Government has given local authorities a range of tools to enable them to deliver housing, including more freedom in how they can spend the money they receive from Right to Buy sales on replacement homes, and abolishing the Housing Revenue Account borrowing cap. In May, Homes England, the Arm's Length Body of the department responsible for delivering housing in England (excluding Greater London), also launched its Local Government Capacity Centre of Excellence, providing councils with practical support to build their skills and capacity.

Local authorities are key partners of Homes England in our drive to build up housing supply. Homes England works directly with local authorities and other delivery partners to support their housing objectives. For example, Homes England administers £7.4 billion of the £11.5 billion Affordable Homes Programme, supporting housing associations, local authorities and other providers to deliver new affordable housing.

Homes England will be working with the most ambitious places through the Strategic Place Partnerships model. This will offer them the tools and resources to help achieve Government's housing priorities, consider development on a larger strategic scale, and potential to leverage further private sector investment.

The New Homes Bonus also provides an incentive for local authorities to encourage housing growth in their areas. Earlier this year, we published a consultation on the future of the Bonus, seeking views from the sector on how it can be improved and how to focus the Bonus where homes are needed most. The consultation closed in April, and we will be announcing next steps shortly.

What are the main opportunities and areas of innovation for meeting the UK's housing demand?

New technology and innovation have improved productivity, quality and choice across a range of sectors and the Government sees this as a key opportunity for housing.

By embracing MMC and taking advantage of new technologies, housebuilders can deliver good quality new-build homes more quickly, with the potential to deliver more energy efficient homes to buyers, improve site efficiencies and reduce waste. We are providing support for the sector through a range of programmes, including the Housing Delivery and Diversification Fund (2021-2025) and at Budget we also announced that MHCLG will establish an MMC Taskforce, backed by £10million of funding, to accelerate delivery of MMC homes in England.

Through the digital planning reforms, important datasets that underpin the planning system will be standardised and made openly available. This will allow the private sector, such as the PropTech sector, to create innovative digital tools and services for property developers to use (e.g., site identification tools). Developers will be able to more efficiently identify sites suitable for development and have a better understanding of what site constraints exist on that land, through the data needed being more readily available.

Government also sees opportunities to help meet housing demand through the provision of innovative guarantee schemes, which allow housing developers and investors to access debt capital more cheaply than would otherwise be available to them in the private market. Through the £1bn ENABLE Build guarantee scheme, delivered through the British Business Bank, we are increasing the availability of debt finance to SME housebuilders.

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