



# Barker Review

*a decade on*

March 2014

## Introduction

The decade that has passed since Kate Barker conducted her Review of Housing Supply for the Government has seen a worsening in all indicators of housing affordability and the associated prospects for aspirational would-be homeowners. Despite the best efforts and intentions of successive ministers, the 10 years since the Review has ultimately been a lost decade in terms of addressing the shortcomings of the housing market. There can be no doubt that the housing crisis facing the country in 2014 is far greater than that discussed by Barker in 2004.

The Barker Review did have a major impact on the policy environment and framework for housing supply. In policy terms it was certainly the most significant report of the first decade of the new millennium, and probably the most significant review since the 1977 Housing Policy Green Paper, and it triggered a range of planning reforms and responses from the industry. However, its impact was undoubtedly overshadowed by the global financial chaos that followed in the years afterwards.

It is testament to the quality of Kate Barker's analysis and the soundness of her recommendations that almost 30 of the 36 recommendations were subsequently implemented by the Government or by industry, especially when considering that several recommendations not carried through by the Government that commissioned the review have subsequently been adopted – in some form – by the Government which came to power in 2010. Some other recommendations were soon after the publication of the report rendered irrelevant by changes to the structures or delivery mechanisms, such as the consistent reform of the English regional government system or the abolition of Public Service Agreements (PSAs).

The severe global recession that followed the implementation of these many reforms inevitably meant that they were extremely unlikely to bring about any sustained increase in house building rates. Indeed, the industry was near decimated by the recession that took hold in 2007-8. However, with what we know now, it is also very hard to see how the reforms of the 2004 system, even without the financial crisis, would alone have delivered the step-change in house building that was required in 2004 and is even more desperately needed in 2014.

One of the most valuable analyses conducted for the Barker Review was the consideration of affordability levels, the various possible objectives and the likely number of housing starts required to achieve each of these ambitions. These ranged from the government's plans at the time to reduce housing inflation to 2.4%, thereby merely reducing the rate at which households were being priced out, up to the most ambitious objective of 'improving the housing market'. A retrospective view of these targets and the actual level of housing supply delivered over the last decade, discussed below, paints a bleak picture. Whether it is because of the limits of the measures recommended and adopted, the impact of the economic turbulence that was to come or, most likely, a combination of the two factors with others thrown in, the crisis in housing supply has drastically worsened in the 10 years since Barker authored the Review of Housing Supply.

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 private housing starts per year. In 2014 we are now 1.45 million homes short of where we would have been had this been achieved, and the effect of this on housing affordability is nowadays the subject of daily

discussion, media reporting and concern for millions of mainly young people for whom the dream of home ownership is increasingly out of reach and for whom private renting is also very expensive. Even against the most modest of the objectives, the country is now 450,000 homes short of where it should be, with little prospect that the cumulative shortfall will be reduced any time soon. Meanwhile the middle of the three house price targets, to 'reduce the long-term trend' in house price inflation has been missed by just under a million homes and counting. To put this into stark context, that is the same number of homes in the Birmingham primary urban area (the City of Birmingham and surrounding local authority areas).

Barker's research was based on the fact that there would be around 179,000 households formed in each year in the years after 2004. The gravity of the situation today can be summed up by the latest projections of household formation which are now more than 40,000 households per year higher than the evidence used to inform her Review. By applying an equivalent proportional increase to the objectives set out in the Barker Review, we can now estimate that the most modest objective, that would merely see fewer households priced out each year, i.e. slowing down the rapid decline in affordability but not reversing it, would now require a sustained house building rate of 200,000 private housing starts per year. Meanwhile the target of 'improving the housing market' has never been further out of reach, likely requiring an average of 320,000 private housing starts per year.

For every year that these requirements are not matched by the granting of planning permissions and the laying of foundations, the country's affordability crisis deepens and prospects for future generations grow even gloomier.

Policy measures such as the Help to Buy Equity Loan, introduced in April 2013, have, in a very short space of time, proven to be incredibly powerful in boosting supply of new homes by ensuring that those households who would in the past have been able to obtain and service a mortgage are once again able to do so, but the longer term challenge is one of planning. As the economy recovers, some form of normality is restored and the country begins to seriously address the social and economic disaster that has quickly built up in this lost decade, the key challenge now is to address the long-term supply of permissioned land.

## Summary

### By 2004 the housing crisis was already building...

It is 10 years since the then Chancellor and Deputy Prime Minister commissioned the economist, Kate Barker, to conduct a review of housing supply and make recommendations to improve the functioning of the housing market

The review examined 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**; the then government's target aimed at slowing the rate at which households were being priced out of the market. Private house building would have had to increase to 160,000 starts per year in order to achieve this  
**1.8% per annum**; to reduce the long-term trend. Private house building would have had to increase to 200,000 starts per year in order to achieve this  
**1.1% per annum**; the EU average at the time, it was considered that achieving this would 'improve the housing market'. Private house building should increase to 260,000 starts per year in order to achieve this

### Failure to implement development-friendly policies and the impact of the financial crisis has resulted in a lost decade...

Even against the most modest of these housing targets, which was met once, in 2005/6, the average annual shortfall has been 45,000 homes

Measured against the objective of improving the housing market, the average number of starts over the decade has been 145,000 per year down on the target figure of 260,000

Measured against the middle of Barker's three price inflation targets, **the shortfall of homes over the decade now stands at an estimated 953,000 homes**. This is on top of a backlog that was already large (estimated at between 93,000 and 146,000) – and growing – in 2004.

To put this into perspective, this is equivalent to:

The number of homes in Birmingham and surrounding areas<sup>1</sup>

Half of the Social Housing Waiting List in 2012/13<sup>2</sup>

The number of households in Latvia<sup>3</sup>

Even if the number of starts rose to 210,000 per year 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

<sup>1</sup> *Cities Outlook 2014*, Centre for Cities data on housing stock, based on information from 2012 for 64 'Primary Urban Areas'. Figures for the Birmingham urban area drawn from data from the local authority areas of Birmingham, Wolverhampton, Solihull, Walsall and Dudley

<sup>2</sup> DCLG Live Table 600

<sup>3</sup> UN Demographics Yearbook

The building of 953,000 homes would require around 0.17% of the available land in England.<sup>4</sup> Approximately 10% of England is classified as urban, with 1.1% used for domestic buildings

A decade on we are 1.45 million homes short of where Kate Barker projected would have brought about an improved housing market.

**But the situation now is even worse...**

Barker's research was based on an annual household formation rate of 179,000 for the period to 2011, and while this was largely borne out, the ONS now provisionally projects that 221,000 households will form in each year between 2011 and 2021

Applying the same proportional increase to the objectives and targets examined by Barker in 2004 presents a very gloomy picture for housing affordability in the future

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, 200,000 private housing starts are now required each year – a figure last achieved in 1972-73.

'Improving the housing market', would now require 320,000 private housing starts per year over a sustained period, a figure achieved in England in only four years since World War II.

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<sup>4</sup> Based on average density of new development in 2011, *Land Use Change Statistics in England 2011*, DCLG (19 December 2013)

## Background to the review in 2004

The Barker Review of Housing Supply, authored by economist, Kate Barker, was published on 17<sup>th</sup> March 2004. It had been commissioned a year earlier by the then Chancellor, Gordon Brown, and Deputy Prime Minister, John Prescott. Barker was commissioned to examine the operation of the housing market and address land and planning issues that contribute to market volatility and a lack of supply. The immediate background was the failure of housing completions to rise in the 1990s in response to the improved economic and demographic conditions, so that by 2001 completions had fallen to their lowest peace-time level since 1924; even lower than the trough experienced during the early 1990s recession.

Specifically, the remit included:

*'issues affecting housing supply in the UK, including competition, the capacity and finance of the house building industry, new technology possible fiscal instruments, the interaction of these factors with the planning system, and sustainable development objectives'.<sup>5</sup>*

In her Foreword to the resulting report, written as an open letter to the then Chancellor of the Exchequer and Deputy Prime Minister, the report's author noted that 'housing provision is often controversial and provokes strong reactions'. Barker also warned that 'a weak supply of housing contributes to macroeconomic instability and hinders labour market flexibility, constraining economic growth.'

The report considered a range of prospective objectives for housing completions based around reducing the real house price trend to varying rates around 2% per annum and then proposed 36 recommendations, exploring the role of planning, infrastructure, utilities as well as public land and customer satisfaction with new build homes.

Kate Barker was under no illusions about the scale of the task and the range of actors needed to play their part:

*'Delivering an adequate supply of housing requires action by all players: Government; the housebuilding industry; social housing providers; communities and local authorities.'<sup>6</sup>*

<sup>5</sup> Budget Policy Note PN1: *Building a Britain of Economic Strength and Social Justice*, 9 April 2003

<sup>6</sup> Barker Review: Final Report, page 12

## Objectives and housing supply requirements

A better functioning housing market, it was argued, would require a reduction in the trend rate of real house price growth from the 2.7% that was seen in the 20 years before 2004.

Looking at 2002/3 and taking the gross 140,000 private sector starts in that year as a baseline, the Barker Review modelled three scenarios for reducing the trend rate in England, ranging from the pre-existing government plans for reducing the rate to 2.4% to (the then European average trend of) 1.1% in order to 'improve the housing market'.

Scenario	Real price trend	Additional private sector houses required p.a.	Average no. newly formed households priced into the market p.a.		Additional social sector houses required to 2011 p.a.
			2011	2021	
Government plans	2.4%	20,000	-5,000	-7,000	n/a
Reducing the long-term trend	1.8%	70,000	Nil	5,000	17,000
'Improving the housing market'	1.1%	120,000	5,000	15,000	21,000

(The Barker Review of Housing Supply)

Broadly, the three scenarios plotted by Barker range can be categorised as:

'Government plans': Slowing down the rate of increase in the affordability gap by increasing house building by 20,000 per annum on top of 2002-3 figures.

'Reducing the long-term trend': Halt the increase in the affordability gap and slowly make the market more affordable over a 20 year period by building an additional 70,000 homes per annum on top of 2002-3 figures.

'Improving the housing market': Begin the turnaround in affordability slippage within five years and make the market much more affordable over the long-term by building an additional 120,000 homes per annum on top of 2002-3 figures.

Achieving the desired improvement in the housing market would, it was asserted, require an additional 120,000 housing starts per year on top of the 140,000 in 2002/3, taking the annual total to 260,000. According to the Review's modelling, this scenario would see between 5,000 and 15,000 newly formed households priced into the market in each year between 2011 and 2021.

Even a more modest long-term reduction which would halt the deterioration in affordability levels and begin to price in newly formed households towards the end of the 2011-2021 period would have required 210,000 private sector housing starts per annum and 17,000 additional affordable homes per year.

### Assumptions

The modelling for the Barker Review was based on assumptions for household formation rates and household size projections that were available in 2004. The figures estimated that an annual net increase in households of 179,000 p.a. in each year between 2002 and 2011.

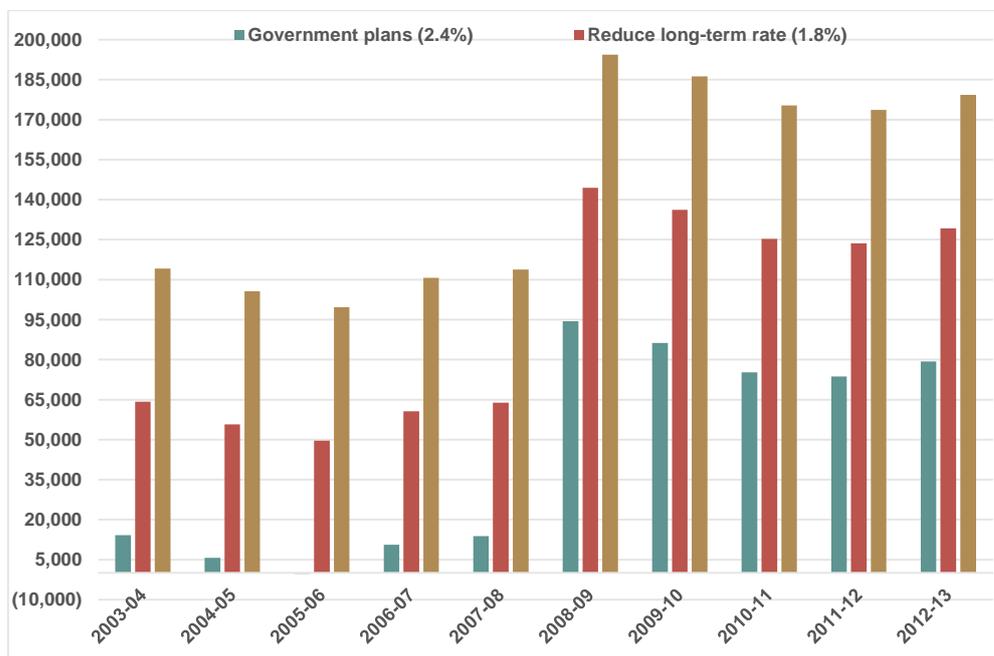
According to the Office for National Statistics (ONS) these estimates were broadly borne out by the formation rate recognised at the 2011 Census, though it is impossible to accurately measure the impact that housing undersupply in the years up to 2007, and the financial crisis and resulting tightening of the mortgage market in more recent years has had on actual household formation.

Recent figures from the ONS show that the number of people aged 20-34 living with their parents has increase by 790,000, to 3.35 million since the publication of the Barker Review, greatly accelerating a trend that had been in existence before 2004 but to nowhere near the same level. Indeed, since the beginning of the credit crunch the average annual increase in young adults residing with their parents has been 3.9% per annum compared with 1.4% per annum in the six years up to 2007.<sup>7</sup> In addition the rate of home ownership has fallen very sharply amongst households, and especially among those aged under 35.

## House building rates since 2004

As we have seen, the Barker Review's central objective was to provide recommendations on interventions and reforms with the aim of achieving between 210,000 and 260,000 new homes per year to 2021. In the 10 years since 2003, the lower target of 160,000 private starts per year has been achieved on just one occasion (2005-06). Even in 2005-06, the number of starts was 50,000 short of 'reducing the long-term trend' in real house price inflation and 100,000 short of the number required to improve the housing market, as defined by Kate Barker.

## Shortfall of housing starts against model scenarios, 2003-2013 (England)



The chart above shows the annual gap between actual private housing starts and the projections targeted by Barker under each of the three scenarios. On

<sup>7</sup> <http://www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2013/sty-young-adults.html>

average, over the decade and taking in both economically vibrant and depressed periods, the shortfall in the required number of starts compared with actual starts was:

- 45,000 homes per year short of the objective of slowing the rate at which housing was becoming unaffordable
- 95,000 homes per year short of the objective of halting the long-term trend and slowly making the market more affordable
- 145,000 homes per year short of the objective of improving the housing market

The failure to achieve the required build rate has been exacerbated by the recession which led to a single year fall of more than 55% in the number of private housing starts as mortgage finance seized up and confidence plummeted. By 2013 the cumulative shortfall against the level of output estimated to reduce the long-term real house price growth to between 1.1% and 1.8% had reached between 950,000 and 1.45 million, roughly four to seven years of the required supply. The table below illustrates this. Even the most modest objective of the

Year	Starts	Shortfall against Barker's modelled scenarios					
		Government plans to reduce to 2.4% trend (160,000 starts)		Reduce long-term rate (1.8% trend) (210,000 starts)		Improve the housing market (1.1% trend) (260,000 starts)	
		Annual	Cumulative	Annual	Cumulative	Annual	Cumulative
2003-04	145,800	14,200	14,200	64,200	64,200	114,200	114,200
2004-05	154,310	5,690	19,890	55,690	119,890	105,690	219,890
2005-06	160,320	(320)	19,570	49,680	169,570	99,680	319,570
2006-07	149,350	10,650	30,220	60,650	230,220	110,650	430,220
2007-08	146,160	13,840	44,060	63,840	294,060	113,840	544,060
2008-09	65,560	94,440	138,500	144,440	438,500	194,440	738,500
2009-10	73,770	86,230	224,730	136,230	574,730	186,230	924,730
2010-11	84,710	75,290	300,020	125,290	700,020	175,290	1,100,020
2011-12	86,350	73,650	373,670	123,650	823,670	173,650	1,273,670
2012-13	80,710	79,290	452,960	129,290	952,960	179,290	1,452,960

three – effectively to slow the rate of increase in affordability gap – was achieved just once, while the best that has been achieved against the target of actively improving the market saw a shortfall of 100,000 homes.

A decade on therefore from publication of a major government-commissioned report to address the pre-existing housing shortage, the country is now around half a million more homes short of where the pre-existing plans had projected we would be at prior to the Review taking place. Set against the objective of improving the housing market, the shortfall in the number of new homes over the 2004-2014 period represents the combined housing stock of Manchester, Liverpool and Bristol combined<sup>8</sup>, or of the number of households in the Republic of Ireland.<sup>9</sup>

<sup>8</sup> *Cities Outlook 2014*, Centre for Cities data on housing stock, based on information from 2012

<sup>9</sup> *Private households by Household Type, Measurement, Country and Year*, UNECE Statistical Division 2011

Even against the middle of Barker's three target scenarios, the country is now 953,000 homes short of a housing stock required to reduce the long-term rate of house price inflation and price households back into the market. This is the same number of homes as can be found in Birmingham and its surrounding area.

The 10 years that have passed since the Barker Review was published have seen the crisis intensify; in practice, despite the best of intentions, it has clearly proved a lost decade. The table below shows the extent to which the country has fallen behind in correcting market and regulatory failure in the housing market. Should supply factors be addressed to such an extent that 160,000 private starts could be achieved, in order to address the cumulative shortfall, 2.8 years' worth of supply would be needed overnight to address the backlog and effectively start again at the 'square one' that Barker began from. Even if this rose to 210,000, an additional 2.2 years' worth of the same supply would be necessary to reinstate the kind of conditions seen in 2004.

Scenario	Cumulative shortfall	Years of supply at given annual build rates (total private homes p.a.)			
		80,000 starts (2012-13)	160,000 starts	210,000 starts	260,000 starts
Government plans	453,000	5.7	2.8	2.2	1.7
Reduce long-term rate	953,000	11.9	6.0	4.5	3.7
'Improve the market'	1,453,000	18.2	9.1	6.9	5.6

## Recent research on household formation and its impact on Barker's suggested objectives

Official statistics released in April 2013 projected an increase in household formation of 221,000 households per year between 2011 and 2021.<sup>10</sup>

This represents a 42,000 increase on the annual household formation rates experienced in the decade 2001-2011, a 23.5% rise. If accurate, the decade 2011-21 will see the biggest increase in household numbers of any decade since. The table below applies this increased demand to the house building rates put forward by Barker to provide an estimate of the housing starts required to meet the three objectives offered in her report.

	Required housing starts	
	2004 estimate	2013 estimate
Government's plans: slowing the increase in affordability gap	160,000	200,000
Reducing the long-term trend in house price inflation	210,000	260,000
Improving the housing market	260,000	320,000

<sup>10</sup>

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/190229/Stats\\_Release\\_2011FINALDRAFTv3.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/190229/Stats_Release_2011FINALDRAFTv3.pdf)

The cumulative shortfall in housing starts and completions over the last decade and the interconnected demographic pressures mean that each of the objectives discussed in Barker's final report would require a substantial increase in housing output compared with what was suggested in 2004.

The 2004 target figure for this objective was 260,000 – this is now the same amount that would be estimated to be required in each year in order to achieve the less ambitious objective of 'reducing the long-term trend in house price growth'.

Indeed, even the most modest objective discussed in the 2004; reducing trend house price inflation to 2.4% p.a. could now require 200,000 private starts in each year over a sustained period, a level of overall house building only achieved once in the last 35 years – way back in 1972-73.

## Annex A - Barker Review recommendations

Kate Barker made 36 recommendations to Government, regional and local bodies and the house building industry. Not all were taken forward and many others have since been overtaken by broader reforms such as the abolition of regional government and regional planning.

**Recommendation 1:** Government should establish a market affordability goal. This goal should be incorporated into the PSA framework to reflect housing as a national priority.

**Status:** Introduced in full by 2008

Public Service Agreements (PSAs) were introduced by the previous Labour Government with departments set targets according to their own policy objectives. In 2008 the framework was reformed to introduce 30 cross-governmental PSAs underpinned by 'Departmental Strategic Objectives'.

By the time that PSAs were abolished by the Coalition Government, a PSA had been introduced aimed at increasing housing supply:

*PSA 20: Increase long term housing supply and affordability*

In autumn 2009, the government had assessed performance against this target as demonstrating 'strong progress'.

**Recommendation 2:** Local authorities should use their powers to charge more for second homes to improve efficiency of the use of stock

**Status:** Introduced in part in 2004 and in full in 2013

In 2003 Council Tax rules previously meant that second homes and long-term vacant properties qualified for a discount of 50%. The then Government then gave local authorities the discretion to reduce the discount to as low as 10%.

The current government has since given authorities the power to charge second home owners full rate Council Tax. This measure, introduced as part of the wide-ranging Local Government Finance Act 2012, came into effect in April 2013.

**Recommendation 3:** Further research should be undertaken to improve the evidence base for housing policies, for example on the relationship between housing, economic growth and deprivation at a micro level.

**Status:** Introduced in full in 2006.

The National Housing and Planning Advice Unit (NHPAU) was established in 2006 with the aim of advising the government on the impact on affordability of planned housing provision, and it produced a range of valuable research reports. The NHPAU was abolished in June 2010. We have no comparable source of research and evidence.

The Spatial Economics Research Centre (SERC), based at the London School of Economics (LSE), was established in 2008 and brings together researchers from across the country to extend understanding as to why some regions, cities and communities prosper while others do not. A major strand of the Centre's work is on housing and land markets. The centre is funded through grants from the Economic and Social Research Council, Department for Business, Innovation and Skills (BIS), the Welsh Assembly Government and (between 2008 and 2011) the Department for Communities and Local

Government. SERC's work has, in recent times, focused considerably on housing costs and price volatility and how supply constraints contribute to these factors.

**Recommendation 4:** Government should establish a review of the housing market to report in no more than three years' time. The purpose of this review would be:

- to measure Government's progress in implementing the recommendations set out in this Report; and
- to assess progress towards achieving a more flexible housing market and to identify any further obstacles.

**Status:** Not introduced

In its official response the Government reported that it would 'continue to monitor progress in achieving a more flexible housing market'. No formal review took place.

**Recommendation 5:** Each region, through the Regional Planning Body, should set its own target to improve market affordability.

**Status:** Not formally introduced; Government Office Regions abolished in 2011; Local Plans, introduced through the National Planning Policy Framework in 2012, are required to 'take account of... affordability'

**Recommendation 6:** The Regional Planning Bodies and Regional Housing Boards should be merged to create single bodies responsible for managing regional housing markets, delivering the region's affordability target and advising on distributing resources for social housing. These Regional Planning and Housing Bodies (RPHBs) would continue to be responsible for the Regional Spatial Strategy (RSS) and the integration of housing with other regional functions.

**Status:** Regional Planning Bodies and Regional Housing Boards were merged in 2006 and abolished in 2011

**Recommendation 7:** Government should set out technical guidance, accompanying a revised Planning Policy Guidance 3 (Housing), on determining the scale and allocation of housing provision at the regional level to ensure that methodologies reflect a full consideration of the economic, social and environmental costs and benefits of housing at the regional and local level.

**Status:** Introduced in 2006

The National Housing and Planning Advice Unit (NHPAU) was established in 2006 and asked to develop a single methodology. The NHPAU was abolished in June 2010 and regional planning was abolished in 2011.

**Recommendation 8:** Government should set out guidance on the composition of Regional Planning and Housing Bodies.

**Status:** Not introduced. Government Office Regions were abolished in 2011

**Recommendation 9:** Local plans should be more realistic in their initial allocation of land, and more flexible at bringing forward additional land for development. When allocating land sufficient to meet their targets for additional dwellings, local authorities should allow for the proportion of sites that prove undevelopable, often as a result of site-specific problems. In drawing up their plans, local authorities should identify their own historic shortfall and allocate an equivalent amount of land to fill this implementation gap.

**Status:** Introduced in 2006

Planning Policy Statement 3 (PPS 3), published in 2006, instructed local authorities to establish a five year supply of land for residential development in accordance with the needs of the area. This was underpinned by a Departmental Strategic Objective for 90% of authorities to have a five year land supply by 2011. A survey in 2010 found that just over 60% of councils had identified a five year supply.

The National Planning Policy Framework, published in 2012, superseded previous planning guidance and policy statements. It said that local authorities should identify and update annually a 'supply of specific deliverable sites' for five years' worth of housing supply with an additional 5% buffer. In local authority areas in which there has been a record of persistent under-delivery of housing, planning authorities should increase the buffer to 20% 'to provide a realistic prospect of achieving the planned supply'.<sup>11</sup>

**Recommendation 10:** Planning guidance should be amended to advise regional and local planning authorities on assessing the value of land to society. This would enable planners to take account of the relative values that society places on different types of land use when allocating land in local development frameworks, recognising the inevitable difficulties with interpretation of this data. The general principle of containing urban sprawl through greenbelt designation should be preserved. However, planning authorities should show greater flexibility in using their existing powers to change greenbelt designations where this would avoid perverse environmental impacts elsewhere. Any change in the designation of greenbelt land should require a strong evidence base, taking full account of the value that society attaches to different types of land use in an area.

**Status:** Introduced in 2006

Planning Policy Statement 3 (PPS 3) highlighted how Sustainability Appraisals could prove effective in considering the economic, social and environmental costs and benefits of development options. The NPPF reiterated that changes to Green Belt boundaries should be the result of transparent a transparent review of a Local Plan and only be altered in 'exceptional circumstances'.

**Recommendation 11:** Housing developments differ in their nature. It is not appropriate to apply the same development control process to all developments. The Government should introduce two additional routes for developers to choose between, when applying for planning permission:

- Outline only route – applicants would put forward an outline application which contained more detail than is currently required. Local councillors would grant outline permission, but the granting of outline permission would mark the end of both the formal consultation process and of councillors' involvement. Any outstanding issues or reserved matters would be dealt with by planning officers.
- Design code route – applicants would put forward a proposal for development supported by a design code. Local councillors would satisfy themselves that the code had been drawn up in accordance with planning guidance on both design and community consultation and, if so, would adopt a Local Development Order (LDO) to cover the identified site. This would automatically waive the need for permission to be granted. Planning officers would then monitor to ensure that the conditions set out in the code were met.

<sup>11</sup> *National Planning Policy Framework*, Paragraph 47

**Status:** Not formally introduced

Whilst some Local Planning Authorities trialled design code led development and results were generally good with swifter approval processes, such practice is by no means widespread.

**Recommendation 12:** Government should take a rigorous approach to revising PPG3. Future revisions should be grounded in an evidence base and should be subject to scrutiny from a panel of housing and planning stakeholders, including the development industry. Restrictions on development should have an identifiable and evidenced benefit that outweighs their costs.

**Status:** Adopted

PPS3 was published in 2006, subsequently replaced by the NPPF in 2012. The first draft of the NPPF was produced with the input of a practitioners group which included developers and planning professionals.

The NPPF's presumption in favour of sustainable development addresses the need to evidence and identify any restrictions on development.

**Recommendation 13:** Government should allow Regional Spatial Strategies to deviate from PPG 3 where there is clear evidence to support a different approach within the region. While the agreement of the Secretary of State should be essential, it should only be possible for Government to reject an application to deviate on the grounds that the evidence is not strong enough.

**Status:** Introduced in 2006 through PPS3, regional planning abolished in 2011.

**Recommendation 14:** PPG3 should be revised to require local planning authorities to be realistic in considering whether sites are available, suitable and viable. Any site which is not available, suitable and viable should be disregarded for the purposes of the sequential test.

**Status:** Introduced in 2006 through PPS3. These principles were strengthened as part of the NPPF.

**Recommendation 15:** Government should assess whether consideration of appeals levels in the distribution of Planning Delivery Grant could help correct the potential perverse incentive for local planning authorities to reject planning applications in order to meet their performance targets. In future, the PDG should take greater account of outcomes, as well as processes.

**Status:** Introduced in 2005; the grant was replaced in 2008 by the joint Housing and Planning Delivery Grant in 2008 and in 2011 by the New Homes Bonus

In 2005 the Government introduced a measure of abatement into the PDG for authorities whose performance on defending appeals was poor. It was replaced in 2007/8 by the Housing and Planning Delivery Grant (HPDG) which introduced an element of performance-related grant for net housing additions.

In 2011 the new Coalition Government replaced HPDG with the New Homes Bonus which, it was argued, is more simple and transparent. The effectiveness of New Homes Bonus as a pro-development incentive is currently being evaluated by DCLG. In the 2013 Autumn Statement Treasury proposed withholding NHB from sites won on appeal.

**Recommendation 16:** In order to allow local planning authorities to focus on key development decisions, resources need to be released or strengthened. This could be achieved in a number of ways:

- a) Government should review the scope to increase the range of permitted development rights for householder applications, whereby certain types of development are allowed to proceed without planning permission.
- b) In the meantime, local authorities should bear in mind their power to vary these rights, once the Planning Bill has become law, through establishing Local Development Orders.
- c) Government should also consider increasing planning fees if additional resources are necessary.
- d) When dealing with large-scale developments, local planning authorities should follow existing best practice and form dedicated project teams, bringing together key public sector stakeholders.
- e) Where it is not practicable for authorities to develop the capacity necessary to manage large-scale developments, they should have access to additional planning and legal expertise or resources. This could be achieved through the Planning Advisory Service developing a team of 'trouble-shooters'.

**Status**

- a) Permitted development rights were increased in 2008 through an amendment to the Town and Country Planning Act 1990. A further major expansion of householders rights took place in 2013.
  - b) The Planning and Compulsory Purchase Act 2004 which took effect from 2006 included provisions on Local Development Orders
  - c) Planning fees were increased by an average of 39% in 2005. Fees have increased several times since then including a one-off average annual increase of 15% in 2011/12. In 2010 the Government consulted on local fee setting but decided against taking this measure forward
  - d) In 2008 the Government published guidance on Planning Performance Agreements in conjunction with the Advisory Team on Large Applications (ATLAS)
  - e) ATLAS was created as an arm of the Planning Advisory Service using additional funding to English Partnerships
- More generally, local planning authorities are seriously under-resourced and house builders encounter protracted delays as a result. No measures are currently in place to boost LPA resources or manpower.

**Recommendation 17:** Central government funding settlements for local authorities should be made more forward looking. The Government should include in its calculations of Formula Spending Shares a variable to reflect expected housing growth in an area, drawing on housing targets set by the reformed regional planning process.

**Status:** Introduced in 2005

In July 2005 the Government announced that the move to three year settlements would include the use of projections of changes in populations and the council tax base

**Recommendation 18:** Building on the broadly positive response to its Local Authority Business Growth Incentive proposal, the Government should consider ways of incentivising local authorities to meet housing growth targets. One way would be to disregard, for a period of possibly up to three years, some or all of the council tax receipts generated by new housing from the calculation of a local authority's grant allocation. This additional revenue should not be ring-fenced.

**Status:** Introduced in part in 2011

In its formal response to the Barker Review recommendations the then Government cited the Planning Delivery Grant as the means of achieving a strong incentive for housing growth. In 2011, the Coalition Government replaced the reformed PDG with the New

Homes Bonus which provided a payment to local authorities for each net addition to the local housing stock based on the national average Council Tax bill.

**Recommendation 19:** All Government Departments and agencies should assess the demands implied by the Government's housing targets in their spatial planning and funding decisions. Departments' contributions to meeting ODPM's housing targets should be recognised within their own priorities, including Public Service Agreements.

**Status:** Not introduced

In the 10 years since the Barker Review there have been numerous announcements and targets have been set for releasing the surplus public sector land that is owned by Whitehall departments. Looking beyond surplus land, a lack of integration across Whitehall has hampered the delivery of sites all over the country. In particular, the failure to provide necessary infrastructure improvements has held back development in many cases.

**Recommendation 20:** To minimise delays to development, infrastructure providers, such as the Highways Agency and water companies, should be involved from an early stage in developing both the regional spatial strategy and the local development plan.

**Status:** Introduced in 2005

The Highways Agency (HA) became a major statutory consultee in the development of Regional Spatial Strategies. Under the new regime, the HA must report to the DCLG on its performance in responding to planning applications. In its most recent report the HA reported that 99.6% of responses were within 21 days of receiving the application. At the Autumn Statement in December 2013, the Government announced that it would consult on proposals 'to reduce the number of applications where unnecessary statutory consultations occur and pilot a single point of contact for cases where conflicting advice is provided by key statutory consultees.'<sup>12</sup>

**Recommendation 21:** English Partnerships (EP) should have a lead role in delivering development through partnering with public and private sector bodies in assembling complex sites, masterplanning, remediating land and developing supporting infrastructure. At the same time, Government should provide greater certainty as to the principles by which EP would, or would not, intervene, so as to avoid crowding out private sector activity, or stunting the development of new markets. Devolved administrations may wish to assess the roles of their own housing and regeneration agencies in the context of this Review's recommendations.

**Status:** Introduced

English Partnerships took on a more strategic role in bringing forward development on surplus public sector land and brownfield prior to its merger with the Housing Corporation and functions of the Department for Communities and Local Government in 2008. The new unified housing and regeneration agency, the Homes and Communities Agency (HCA) became operational in December 2008 and has gradually adopted a larger role in the assembly and disposal of public sector land. It is now responsible for disposal of almost all central government departments' surplus land.

<sup>12</sup> *Autumn Statement 2013*, page 103

**Recommendation 22:** A Community Infrastructure Fund (CIF) of £100-200 million should be established within ODPM. Regions should be encouraged to submit bids for support towards the up-front costs of medium-sized utilities and transport infrastructure schemes, which would bring forward otherwise unviable development. Bids for support towards gap funding schemes, such as the ringmaster approach for transport infrastructure, should be particularly welcome. In these instances, Government should seek to operate clawback mechanisms where this is practicable.

**Status:** Introduced in 2005

The Government announced at the 2004 Spending Review that a new £200 million Community Infrastructure Fund would become operational in 2005. Two rounds of funding were made before the new Government established a Local Infrastructure Fund at the Autumn Statement 2012. Initially worth £474 million, the Chancellor increased the Government's commitment at the 2013 Autumn Statement to extend the initiative to £1bn aimed at unlocking 250,000 homes over six years.

The Community Infrastructure Levy, introduced in 2011, gave local authorities the power to levy a charge on new developments in their area in order to raise money for infrastructure funding.

**Recommendation 23:** Central and regional government should be more strategic in its use of area-based special purpose vehicles to deliver housing development. Where problems of land acquisition, servicing and infrastructure provision are identified through the regional planning process, Government should engage with English Partnerships to identify the most appropriate vehicle for delivering development. Greater use should be made of both UDCs and New Towns, taking advantage of their ability to deliver both additional housing and the infrastructure necessary to support it.

New guidance on the circumstances to which different vehicles are most suited, and on using compulsory purchase powers, should be included in the proposed delivering development toolkit.

**Status:** Not formally adopted.

Since the Barker Review was published two active Urban Development Corporations (UDCs) have concluded their activities in Thurrock and in London Thames Gateway (covering 'London Riverside' and Lower Lea Valley). West Northamptonshire UDC is due to be wound down in April 2014. The London Legacy Development Corporation, is a Mayoral Development Corporation for the Olympic Park in Stratford set up using new powers bestowed upon the Mayor in the Localism Act 2011.

In advance of the 2014 Budget, the Chancellor, George Osborne, announced that the Government will establish a UDC to overcome the barriers to development in the planned 'Ebbsfleet Garden City'.

The Planning and Compulsory Purchase Act 2004 provided clarification on the use of compulsory purchase powers and the Planning Act 2008 was further intended to speed up the planning process for major infrastructure projects.

**Recommendation 24:** Section 106 should be reformed to increase the certainty surrounding the process and to reduce negotiation costs for both local authorities and developers. If the Government accepts the recommendations outlined in Chapter 4 concerning the capture of development gains:

- Section 106 should be 'scaled back' to the aim of direct impact mitigation and should not allow local authorities to extract development gain over and above this, except as indicated below. ODPM should issue guidance, or new legislation, to this end.
- Section 106 should retain its current affordable and/or social housing requirements as set out in Circular 6/98, and other specific regional guidance.
- Local authorities should receive a direct share of the development gain generated by the Planning-gain Supplement in their area, to compensate for a reduced Section 106. Local authorities should be free to spend this money as they see fit. This share should at least broadly equal estimates of the amount local authorities are currently able to extract from Section 106 agreements.

If the Government decides to maintain the current fiscal framework as it is, then it should press ahead with the Section 106 reforms, on which it has recently consulted, that aim to introduce an optional planning charge in place of a negotiated agreement. However, this would be second best and leaves open the possibility of prolonged and costly Section 106 negotiations for large developments.

**Status:** Introduced in a form in 2011

At the end of 2005 the Government consulted on the introduction of a Planning Gain Supplement as recommended by Barker. The Planning Gain Supplement (Preparations) Act 2007 allowed for preliminary preparations but the lack of widespread support, the industry's inability to design a workable PGS, and the worsening economic environment meant that PGS was not implemented.

By October 2007 the Government announced that it now favoured a levy on development to secure contributions from developers. The Community Infrastructure Levy (CIL) was legislated for through the Planning Act 2008. This was followed by implementing regulations in April 2010. Its future was thrown into doubt as the Conservatives, the lead partner in the new Coalition Government had previously stated that it would scrap CIL. By November 2010 the new Government indicated that it would press ahead with a reformed CIL. CIL was therefore finally confirmed in law at the passage of the Localism Act 2011.

**Recommendation 25:** Government should consider the extension of the contaminated land tax credit and grant scheme to land that has lain derelict for a certain period of time. This should be done on the basis that extra public money levered into the market through such a scheme would encourage genuine new investment in brownfield remediation, and not simply subsidise development that would take place in any case.

**Status:** Not introduced

The Government consulted on an extension of the tax credit but announced at the Budget 2006 that extending it to long-term derelict land was not possible to do in a cost effective way. The Treasury instead reiterated its commitment to redeveloping brownfield land.

**Recommendation 26:** Government should use tax measures to extract some of the windfall gain that accrues to landowners from the sale of their land for residential development. Government should impose a Planning-gain Supplement on the granting of planning permission so that landowner development gains form a larger part of the benefits of development.

**Status:** Not introduced

This was considered as part of the consideration of the introduction of a Planning Gain Supplement that was not taken forward after 2007.

**Recommendation 27:** The provision of social housing should be increased. At least 17,000 additional houses are required each year compared with current provision to keep up with demographic trends. Addressing the backlog of housing need would raise this to 23,000 per annum (assuming substitution from sub-market to market housing, as market affordability improves). Based upon current costs of provision, additional investment building up to £1.2 to £1.6 billion per annum would be needed to support this expansion, not all of which will be from Government.

**Status:** Adopted

Government expenditure on affordable housing increased during the period 2004-2009. The Coalition Government introduced a new Affordable Rent product in 2011 and the majority of the latest Affordable Housing Programme is available through this product. The 2015-18 programme aims to increase the supply of new affordable homes in England by making a contribution to the delivery of 165,000 in the three year period through investment of £1.7 billion.

**Recommendation 28:** Government should continue to explore the scope to achieve both greater RSL efficiency and higher funding through debt finance, to increase the level of housing through the most cost effective means.

Various reforms to housing association financing have taken place over the last decade. In recent years, following the reduction in public grant available and the drying up of traditional long-term bank finance, Registered Providers have increasingly explored options such as retail bonds. Places for People was the first to launch such a bond in 2012 with its 10 year inflation linked bond. In October 2013, the housing association A2Dominion followed suit.

**Recommendation 29:** Government should explore moving to an alternative scheme to Right to Buy and Right to Acquire, which is provided at lower cost and enables greater recycling of revenues to increase the social housing stock.

**Status:** Introduced in part in 2012

The current government introduced an increase in Right to Buy discounts for council tenants in 2012. This increased the discount cap to £75,000, accompanied by a new measure to ensure that each home sold is replaced by another new home for affordable rent.

**Recommendation 30:** Government should deliver its proposals to promote greater interaction between institutional investors and the residential property market, through the introduction of tax transparent property investment vehicles.

**Status:** Introduced in part

Over the last 10 years successive governments have considered the potential of institutional investment in the private rented sector. A discussion paper on the creation of Real Estate Investment Trusts (REITs) was published in 2005. The most recent and significant contribution to this debate was Sir Adrian Montague's report in August 2012. *The Review of the Barriers to Institutional Investment in Private Rented Homes* made a series of recommendations. This led to the 2012 Autumn Statement announcement of £200m equity finance for the building of private-sector rented housing, subsequently increased to £1bn because of the level of interest. The Treasury also announced a £10bn loan guarantee fund for Affordable Housing and private rented housing.

**Recommendation 31:** Planning Policy Guidance 3 (Housing) should require local planning authorities to have regard to the impact on competition when allocating sites in their Local Development Frameworks. For example, if there is a choice between allocating a number of small sites or a single large site for development, competition considerations would favour a larger number of smaller sites.

When granting planning permission on large sites, local planning authorities should discuss build out rates. To encourage faster build-out, planning authorities should use their discretion in setting time limits on planning permissions and seek to agree an expected build out rate, as a condition of planning permission. If the rate of build-out has not increased appreciably by 2007, subject to conditions in the housing market, Government should review all available policy options to address this issue.

**Status:** Not introduced

**Recommendation 32:** The housebuilding industry must demonstrate increased levels of customer satisfaction:

- The House Builders Federation should develop a strategy to increase the proportion of house buyers who would recommend their housebuilder from 46 per cent to at least 75 per cent by 2007. Over the same period, levels of customer satisfaction with service quality should rise from 65 per cent to at least 85 per cent.
- The House Builders Federation should develop a code of conduct by the end of 2004 for new house sales in full compliance with the framework provided by the Office of Fair Trading's Consumer Codes Approval Scheme. The code of conduct should require fair contracts complying with the Unfair Terms in Consumer Contracts Regulations 1999.

If progress is unsatisfactory, or if customer satisfaction levels do not rise substantially in the next three years, the Office of Fair Trading should conduct a wide-ranging review of whether the market for new housing is working well for consumers.

**Status:** Introduced in full in 2006

The Home Builders Federation introduced a Customer Satisfaction Survey in 2005 and the first results were published in 2006. The survey is undertaken by NHBC and has subsequently been extended to cover the whole industry, not just HBF members. Industry results are published annually, as are customer satisfaction Star Ratings for HBF member companies. Since its inception the Customer Satisfaction Survey has shown year on year improvements in customer satisfaction rates, so that in the latest results (covering 2012-13), 90% of home buyers said they would recommend their home builder to a friend and the same proportion were satisfied with the overall quality of their home.

The industry developed a Code of Conduct which was formally introduced in 1<sup>st</sup> April 2010.

Although the industry introduced a customer satisfaction survey and Code of Conduct, the OFT carried out a market study of the home building industry. The final report was published in 2008.

**Recommendation 33:** The House Builders Federation, in conjunction with NHBC, ConstructionSkills and other interested parties, should develop a strategy to address barriers to modern methods of construction. This strategy should be developed to fit alongside existing initiatives, working closely with Government to identify further measures that can be taken. A range of approaches should be explored, in particular actions by industry, and changes to NHBC policy and practice, as well as representations to Government on areas such as changes to building regulations.

**Status:** HBF led a project to follow up on this Recommendation, involving all the key parties. It produced a report which analysed the issues and concluded in essence that the barriers to greater uptake first and foremost stemmed from the lack of a sufficient assured

volume of housing supply (largely due to planning-related constraints) which meant that the potential economies and scale of MMC could not be achieved in practice. There were also recommendations on a range of other issues, including skills.

**Recommendation 34:** CITB-ConstructionSkills and the House Builders Federation should work together to develop a strategy for substantially increasing the take-up of apprenticeships from the current level of three apprentices per 100 workers, to bring the UK to the levels of leading international comparators, such as the Netherlands and Germany. The development of this strategy should also explore whether the appropriate number and range of courses exist, and whether housebuilders are investing sufficiently in their own workforce training, as well as addressing the skills needed for modern methods of construction. In the short term, Government should consider increasing support for skills in the construction sector, alongside any increases in the training levy. If skills constraints are not adequately addressed by March 2007, Government should conduct a review of the effectiveness and impact of CITB-ConstructionSkills in the housebuilding industry.

**Status:** Introduced in part but affected by the recession

HBF investigated these issues in the months after the Barker Review and commissioned Professor Michael Ball to report on whether the house building industry would have the capability to expand its skilled workforce to meet the objective of building more than 200,000 homes per year. Professor Ball's report, *The Labour Needs of Extra Housing Output*, published in 2005, estimated that each new dwelling creates 1.5 direct house building jobs, meaning that an output level of 250,000 homes per year would require a workforce of 375,000

HBF launched several initiatives with its Major Home Builders Group to run new apprenticeship pilots and adopted the Qualifying the Workforce (QtW) Initiative, amongst others. The QtW scheme has proven very successful and is still in operation.

Apprenticeship schemes and employment in the industry generally were very badly affected by the recession but the turnaround over the 12 months means that the industry is looking once again to rapidly expand its workforce and HBF is currently working with partners and members on the development of a new skills strategy

**Recommendation 35:** The industry should work together with CABI to agree a code of best practice in the external design of new houses. Where planners and housebuilders disagree on specific design issues, they should seek arbitration, possibly through CABI, to resolve these matters.

**Status:** Introduced between 2003 and 2007

HBF worked with CABI and Design for Homes to develop the Building for Life Guide (now the Building for Life 12 Guide)<sup>13</sup> as an industry standard, endorsed by government, for well-designed homes and neighbourhoods. Its focus is much wider than on external design of individual dwellings, covering transport links and connections with existing neighbourhoods, way-finding and amenity space as well as character and context. Building for Life 12 demonstrates the favoured approach of an industry-owned means of promoting good urban design.

The genesis of Building for Life predates the Barker Review but the recommendations in 2004 led to an acceleration in adopting its principles and Building for Life was used as the basis for the first national audit of housing design quality during the period 2004 to 2007. It is now the accepted standard for central government, many local authorities and housing associations.

<sup>13</sup> <http://www.designcouncil.org.uk/knowledge-resources/building-life-12>

**Recommendation 36:** The House Builders Federation, in consultation with its members, should draw up a best practice guide for voluntary compensation schemes to directly compensate those immediately affected by the transitional effects associated with development. This might include cash payments to individual households.

**Status:** Not introduced

Industry and government were cautious about implementing and the recommendation was not therefore taken forward. In January 2013 the Government announced that local communities would directly receive between 15 and 25% of CIL revenues collected by local authorities. In a proposal put forward in the National Infrastructure Plan in December 2013, the Government said it would develop a pilot that sees a share of the “development benefits” passed directly to individual households.



## About HBF

The Home Builders Federation (HBF) is the representative body of the home building industry in England and Wales. The HBF's members account for around 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from multi-national, household names through regionally based businesses to small local companies.

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home building  
industry”*