



HOUSE OF LORDS BUILT ENVIRONMENT COMMITTEE

Meeting the UK's Housing Demand Evidence by Smart Growth UK

August 2021

Summary

The evidence from Smart Growth UK questions whether “demand” is the basic issue and suggests that “need” is a more pressing one.

We strongly urge the Committee to dismiss calls for building 300,000 homes a year as it lacks any real foundation:-

- Proponents never say which part of the UK this refers to.
- Current household projections on which the target is based are well below this.
- MHCLG bases its targets on 2014 projections, despite the availability of 2016 and 2018 projections only because they're nearer the answer they want.
- Government targets ignore the breakdown in the household projections which show that two-thirds of growth is elderly person households and most of the rest are single people
- Numbers of young family households – the prime political target – are actually projected to shrink.
- The 300,000 figure lacks any real justification but has long had totemic status among politicians across the spectrum.
- The balance of tenures needed varies hugely across the country and local authorities are best placed to judge.
- Current policies are leading to various parts of the private rented sector swallowing larger proportions of the market housing supposed to meet young peoples' aspirations to buy.
- House building is hidebound by a preponderance of large builders and impatient investors.
- Central government needs to restore respect, resources and powers to our local planning system, not less.
- Permitted development rights should be reduced, not widened.
- Making better use of our scarce building land would involve imposing minimum densities, brownfield first and transit-oriented development.
- Regional policy would enable us to plan the right homes in the right places.

Introduction

This submission responds to the Committee's invitation to submit views about the housing needed in the UK. Smart Growth UK is an informal coalition of organisations and individuals interested in pursuing the internationally recognised Smart Growth approach to planning, transportation and community development in the UK. We were founded in 2007 by a group of national NGOs and have published policy papers and responded to inquiries, including four responses to last year's proposed planning reforms in England.

About Smart Growth

Smart Growth is an internationally recognised approach to planning, transportation and community development which promotes sustainable uses for our land, ways of moving people and goods around it and protection of our communities. It emphasises compact and accessible urban communities and avoids car-dependency. It seeks traditional ways of planning towns around local services, ease of walking and cycling and good public transport, especially rail-based. It looks for ways to rebuild our lost sense of community.

We have serious concerns about recent approaches to planning and believe many of the current proposals to reform it in England would make matters significantly worse. They would damage the environment, undermine our responses to the climate and biodiversity emergencies and fail to address current challenges in housing.

The Smart Growth approach of course accepts that we need to build homes but believes they should meet genuine need rather than the aspirations of the development industry. It aims to concentrate development in urban areas where possible. It prioritises appropriate densities (avoiding very low-density sprawl and very high-density town cramming) to use our scarce land efficiently. It prioritises development at transit-oriented locations and it believes house building should aim to meet actual needs, especially genuinely affordable housing. Smart Growth UK shares the Government's view that the economy needs to be rebalanced regionally but believes that achieving success in that aim would mean radical change in the location of our house building needs.

Demand or need?

Seven of the Committee's 11 questions refer to "housing demand". We think this seriously constrains the inquiry from the outset as the questions should refer to "housing need". The two are very different, although there has been a recent trend by the Government and building industry to conflate the two.

Housing demand suggests that everybody's need for housing is, in essence, a commercial transaction. But housing is more fundamental than that. Every single person should have the right to a decently maintained, heated and comfortable home at

least adequate to their own, and their household's, needs. Many of those in the greatest need lack a voice and are unable to demand housing, while those who speak for them are frequently ignored.

Our response will include the important issue of housing demand in response to your questions, but it is by no means the most fundamental issue.

Most of our responses will refer to England, as this is where the contentious issues and policies are currently being debated most intensely and where over 80% of the building is concentrated. But many of the issues also apply in Northern Ireland, Scotland and Wales.

Responses to questions

1. 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?

No comment.

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

Key information in assessing future UK housing need will be the results of the 2021 Census, but detailed results are not expected until 2022. So it would be unwise for the Government and the devolved administrations to push ahead with housing policies which are, essentially, based on 10-year old demographic information.

Current assessments of housing "demand" and need are based on household projections although in England, at any rate, these have been increasingly misused to impose a wholly politically derived 300,000 target for net new homes each year. No doubt many commentators will have pointed out to the Committee that MHCLG continues to use the 2014¹ projections of household numbers despite the availability of (lower) projections published in 2016² and 2018³.

At this point it's worth quoting the wise words of the Office for National Statistics in its most recent bulletin on household projections.

"Household projections are not a prediction or forecast of how many houses should be built in the future," it says. "Instead, they show how many additional households would form if assumptions based on previous demographic trends in population growth and

household formation were to be realised. Projections do not factor in the effect of the coronavirus (COVID-19) or attempt to predict the impact of political circumstances.”

Which projections is the Government using? Although new housing projections for England have been issued in 2016 and 2018, the Government explicitly continues to base its building targets on the 2014 figures which showed higher numbers (albeit well below the Government’s target).

A justification of sorts for using out-of-date projections was offered in the *Government Response to the Local Housing Need Proposals in “Changes to the Current Planning System”* consultation⁴ published in April 2021.

“The Government has carefully considered whether to use the 2018-based household projections and has concluded that, due to the substantial change in the distribution of housing need that would arise as a result, in the interests of stability for local planning and for local communities, it will continue to expect only the use of the 2014-based projections.” it said.

The phrase “distribution of housing need” is a strange one. Need arises where people need homes, not where house builders find it most profitable to build homes. Stability for local planning and communities is achieved by a rigorous assessment of what is actually needed and a careful balance of economic, environmental and social factors. The desire of the Government to maximize building of larger market homes at car-dependent greenfield locations achieves the complete opposite and this must be one of the most blatant examples of irresponsible governance in recent times.

So should we use the 2018 projections? Even though the most recent ONS household projections may be significantly lower than those used by the Government to justify its house-building ambitions, they may still be too high.

In November 2020, a Coventry-based group raised concerns about the population projections and mid-year population estimates for the city between 2011 and 2031. These had fed through to inflated household population projections and proposals for 40,000 homes on green belt designated land that once formed part of the Forest of Arden.

The concerns led to an examination⁵ by the Office for Statistics Regulation. This concluded that, although the ONS methodology to produce population estimates and projections is fit for purpose, this was not always the case at sub-national level. “We found that in some smaller cities that had a large student population, the population estimates did appear to be inconsistent with, and potentially higher than, local evidence suggests,” concluded the OSR. “ONS’s population estimates team recognises that areas with high population churn are harder to estimate and it has introduced a number of methodological changes.” The OSR said that the changes had not yet fully addressed the over-estimation and the ONS needed to investigate the root and scale of the problem

and communicate its findings publicly. It said internal migration within England continues to be hard to assess and it made a string of recommendations on improving the ONS household projections.

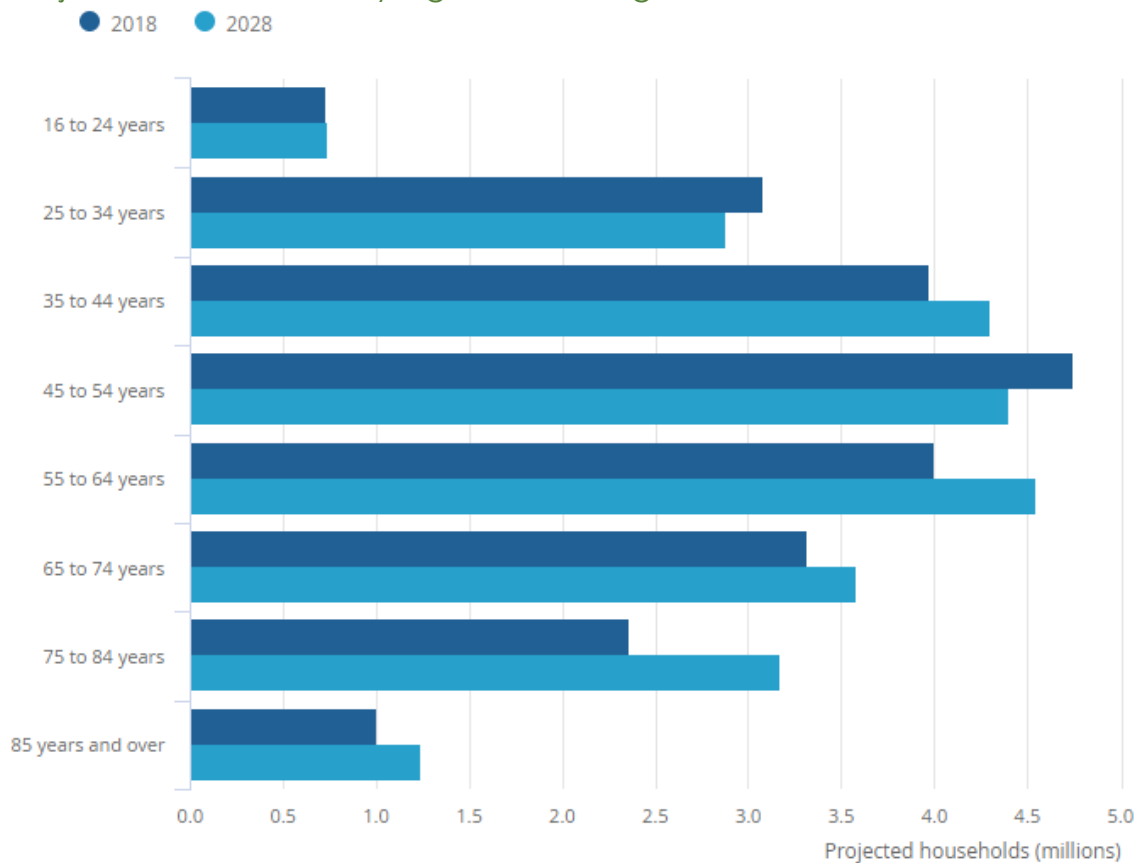
Instead of just how many, should we also ask what sorts of households are projected to form? The 2018 ONS household projections for England show that, not only is the projected rise less than MHCLG would like to underpin its politically derived house building target, they show plainly that the type of homes we are building are inappropriate.

Here again it is worth quoting the ONS bulletin: “There continues to be much variation across age groups, regions and household types,” it says. “We project the majority of household growth over the next 10 years will be because of an increase in older households without dependent children, particularly those where the household reference person is aged 75 years and over. This shows the potential impact of an ageing population on future household formation.”

This goes to the heart of the failure to plan for the homes we need.

On the type of households projected to form, the 2018 projections tell the same story as the 2016 and 2014 projections and they’re quite unequivocal: “Overall growth is driven by an increase in the number of older households”.

Projected households by Age of HRP, England 2018 and 2028



Source: Office for National Statistics

“The number of households where the HRP [household reference person] is aged 75 to 84 years is projected to increase by 34.5%, reaching almost 3.2 million by 2028,” say the 2018 projections. “Households with HRPs aged 85 years and over are also projected to increase markedly over the same period, growing by 24.1%. Overall, households with an HRP aged 75 years or over account for 64.2% of the total growth in households between 2018 and 2028.”

On the other hand, households with an HRP aged 25-34 years, the supposed target of the Government’s drive to build greenfield housing to help aspiring young home owners, is actually projected to *fall* by 6.5% over this decade.

While the building drive is underpinned by claims to be building “family homes”, the number of households with children is almost static, but the number of households with just one person is projected to grow by 10.1% and childless homes with two or more adults by 8.8% over the decade.

Essentially, we are building the wrong sort of homes. Nowhere in Government planning policy is there any serious recognition that we need to be making bigger provision for housing the elderly. Although housing techniques for different stages of old age are now developed, we are not planning to accommodate them. This has clear origins in politicians’ desire to attract younger voters while older voters are assumed to be more set in their voting patterns.

House building needs to be aimed at providing homes for the elderly and, to a lesser extent, for younger single people. Yet absence of density and house size standards has meant most building is detached or semi-detached “family homes” at remote car-dependent locations or, to a lesser extent, small overcrowded flats.

We need urgently to reform planning policy to build the type of homes we need, and to stop getting hung up on overall targets.

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

The number 300,000 has acquired almost mystical status among politicians though it has no basis in actual housing need (let alone “demand”) and should be treated with great suspicion. Anecdotal evidence from multiple sources suggests that, in private meetings, ministers have been reticent to the point of embarrassment about its justification.

300,000 where? The first obvious weakness is that those who cite it as a target are remarkably coy about where the target applies to. Is it England? Or England and Wales? Or Great Britain? Or the whole UK? With over 30,000 homes a year being built (in

normal years) in Northern Ireland, Scotland and Wales, the figures are significantly different, but failure to specify is useful wriggle room for politicians.

Another odd thing about the 300,000 target is that it is loved by both Conservative and Labour politicians. On 21 July 2021, Commons Housing, Communities & Local Government Committee chair Clive Betts told an interviewer from Civic Voice⁶ that: “We support the target of 300,000 homes. There is hardly anyone who now doesn’t believe that is the number we need to build. But it’s not doable without 100,000 being from councils and housing associations.”

In reality, there is far from unanimity about the 300,000 figure, whatever geographic area it’s applied to (something Mr Betts didn’t explain).

Why did we get hung up on “300,000”? The 300,000 figure has a long political history and achieved its totemic status as long ago as 1951. After World War II, there was a serious housing shortage caused by bombing, lack of building through the years of conflict and austerity and the post-war baby boom. Despite continuing post-war shortages of materials, the Conservatives responded to a back-bencher’s floor speech at their 1950 party conference by including a pledge to build 300,000 homes a year (across the UK) in their manifesto for the 1951 election. It helped them to win.

Housing minister Harold Macmillan set about the task with energy, with 240,000 homes built in 1951-2, 301,000 in 1952-3 and 340,000 the following year. But, as critics of current ministerial adherence to the 300,000 target rightly point out, it was only achieved by building very high numbers of council houses. For most of the next 20 years, more than 100,000 council homes were built every year in England, only tailing off during the economic problems of the 1970s and disappearing during the 1980s. Housing associations, which were supposed to fill the social housing gap, never received the funding to achieve those sorts of building numbers.

However, its readoption is of recent origin. Dame Kate Barker’s Review of Housing Supply in 2004 hazarded suggestions that to reduce the then house price trend from 2.7% to 1.8% would require an additional 70,000 homes to be built each year, and to 1.1% would need 120,000. This would have meant 204,000/y to 254,000/y but she then added an additional social housing target of between 17,000/y and 23,000/y, making her range 221,000/y to 277,000/y. Her review of planning in 2006 projected household numbers growing either at 209,000/y until 2026 or 221,500/y from 2011-21. Although these numbers were higher than hitherto, the Government of the day responded with a 200,000/y house building target.

Despite the planning reforms of the early 2010s, the Government was reluctant to set new targets. But in a September 2015 interview⁷, housing minister Brandon Lewis suggested that success would mean building “something like” a million new homes by the end of “this Parliament” (i.e. 2020) and a Government statement in March 2016 promised to deliver one million homes by 2020. It was unclear whether this meant

200,000/y or 250,000/y. No evidence was provided to support the one million figure anyway, beyond it being a round, memorable number.

The 300,000 figure appears to have emerged from a Lords Economic Affairs Committee report⁸ entitled *Building More Homes* in July 2016. This admitted that the million-home target was not based on robust analysis, but substituted one of its own which argued that local authorities and housing associations should be incentivised to make a greater contribution. Ministers told the Committee the “very ambitious” one million target was based on household formation statistics – “the primary, but not the only, way to measure the need or demand for housing”.

However, the exchequer secretary to the Treasury told the peers that: “the modelling suggests that in order to keep the house prices to earnings ratio constant, somewhere between 250,000 and 300,000 homes per year need to be built”. The Committee responded with criticism of the Government’s break-down of its one million figure and of the failure to say how many each housing sector should produce.

But it responded also to the Treasury’s 250,000-300,000/y modelling figure with a claim that: “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.”

Yet the term “housing crisis” was not defined, nor was there any critique of the belief that building numbers are the main, or even the only, causal factor in the house price to earnings ratio. In fact there are a vast number of factors, many of which have nothing to do with housing stock, which affect this ratio. The effects of the 2008 economic crash should have shown that clearly. And a major and growing factor is the growth of both build-to-rent and buy-to-rent, both of which are taking an ever-greater share of the market homes sector, notably among new builds.

We believe the 300,000/y figure is a wholly artificial construct. Its proponents cannot even say which parts of the UK it refers to and why either highly variable household projection figures or the house price to earnings ratio should be the principal determinant of housing targets. We understand why a target might be needed for construction of socially rented housing and housing for specialist sectors like students, but we remain unclear why a target is needed for market house building, other than political imperatives or the commercial interests of land owners and developers which have nothing to do with need.

4. 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?

The balance of need between tenures varies enormously from place to place and should be a matter for elected local authorities who have local knowledge to decide, rather than being imposed centrally.

However, it would be worth giving consideration to issues within the private rented sector which are skewing the whole housing sector and preventing younger adults from buying their own homes – a key Government policy.

In summary only, these are:-

- The growth of build-to let
- The growth of buy-to-rent
- Buy-to-leave
- AirBnB and other forms of short-term letting designed to evade controls
- Second homes in some areas

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

We urgently need a national spatial and economic strategy and strong regional, local and neighbourhood planning for all four UK home countries. Such strategies and systems are all either wholly absent or too weak to impose the changes we need.

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

The house building sector is hidebound by a preponderance of large builders and impatient investors who demand levels of return which militate against both the numbers of houses needed and building the right types of home in the right places. Increasing the proportion provided by the socially rented sector would supply both builders and investors with the certainty they say they need, even if they had to accept slightly smaller returns.

7. 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?
- How might changes to Section 106 agreements shape the provision of social housing?
- How should communities be engaged in the planning process?

Reform of the planning system should be done with great care and claims by commercial interests in the property and building industries that the planning system hinders them from building the homes the country actually needs should be dismissed for the self-interest they plainly are. We need stronger controls, not the weaker ones proposed in the white paper for England.

Our housing needs, the threats posed by climate change and biodiversity emergencies and the need to ensure food security mean we must give much greater protection to our abused and scarce land and soils. Undeveloped land provides a range of ecosystem services – production of food, water and timber, rainfall infiltration, drainage, flood prevention, biodiversity, carbon sequestration, outdoor leisure etc., together with all the intangibles that countryside gives to our well-being. We need to find ways of meeting our housing needs without squandering any more of this precious legacy.

Doing this will necessitate strengthening the planning system, not letting house builders, land owners and their apologists loose to break it up.

Permitted development rights have already produced many woefully bad domestic conversions of office and retail buildings and it is quite plain that what is needed to produce a quality built environment and to protect our town centres' vitality and economy is a well-resourced and adequately powered planning system. This is not to say that office buildings can never be converted to residential, but a system needs to be in place to secure quality homes are the result and the employment needs of areas, which may expand in the future, are protected.

Whatever arrangement is made for planning gain, it is clear that the benefits ought to go to local needs for housing, infrastructure, environment etc.. For far too long, Government policy has been to protect developers' financial interests rather than ensuring their responsibilities are met.

And whatever methods are used to ensure communities are both engaged – and respected – in the planning process, ways must be found that give them a voice which is not only heard but reflected in decision making. A genuine system of third-party right of appeal is long overdue.

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

UK housing stock is often poorly insulated, heated by high-carbon technologies and occupied by people in fuel-poverty. We need real long-term Government support for addressing these issues.

9. 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?

One of the (many) areas of complaint from the house building industry when they don't get everything they want as simply and as profitably as possible is "delays in planning". Never mind that development imposes enormous challenges on our environment, our economy and our society, the key demand is that builders (and the property industry that supports them) get what they want in the fastest possible time.

The increasing difficulties in providing a comprehensive planning regime to protect our environment and to optimise development as a result of years of central government attacks on both the powers and the funding of local planning authorities should be a matter of national concern, including for legislators. Instead, the industry presses for even more erosion of the planning regime, ever more "certainty" (of profit stream) and ever less protection for our environment.

In what is Europe's most densely populated country, with an environment already strained by two-and-a-half centuries of industrial development and a century of low-density, car-dependent urban sprawl, this is especially dangerous at a time of climate change and biodiversity emergencies. Our heavily indebted country also needs to import more than a third of its food from an increasingly populous and politically unstable planet. Yet the building industry's main target is its freedom to build on our precious and shrinking farmland, not for homes to meet need, but because squandering it for low-density development is most profitable.

What is needed is more resources for local planning departments, not fewer powers.

10. How does the Government interact with local authorities to deliver more homes? How can this relationship be improved?

The relationship between central and local government in England over planning has become a toxic one. Central government has been willing to join in criticism of local government's role in planning as a way of weakening the planning system and preparing the way for reforms which weaken it further, such as last year's white paper. This, coupled with the slow destruction of local planning departments by funding cuts has left councils having to choose between endless conflict with a government which has all the power and usually wins, or accepting its diktats (including local "growth deals") and yielding to pointless and unsustainable house building targets based on the commercial imperatives of house builders.

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

We very urgently need to get away from basing planning for new housing on raw number targets and work out the best forms of development to meet (a) our needs and (b) demand, once need is met.

There are several areas where a radical rethink would help us meet both need and demand.

Housing densities: Everyone agrees that building land is at a premium in England, but we squander land recklessly.

England is Europe's most densely populated major country, yet for 100 years we have built our homes at Europe's lowest density. In the 1990s, attempts were made to raise the dismally low density standards which have been the default since the Great War under the influence of Edwardian idealists and because house builders find that most profitable. Yet the Government abolished even the very low 30 dwellings per hectare net (dph) standard in 2010, apparently for political reasons.

Georgian, Victorian and Edwardian builders routinely built homes with amenity space at densities in the 60-100dph range. Such homes have become increasingly popular and the areas where they predominate targets for gentrification. Builders hate this because the ultra-low density (<30dph) housing planning policy encourages is most profitable. But, as we have seen in the above analysis of household projections, they offer little or nothing for meeting our genuinely changing needs.

Even within Government there are now calls for "gentle density", but no ideas for defining that or implementing it.

We need to restore a range of residential densities the great majority of which would be much higher than the dismally low densities of current English building.

Transit-oriented development: An important factor in housing affordability that's completely ignored in English planning policy is household transport costs. The greenfield sprawl policies now being pursued militate against affordability by increasing the length of journeys to work, retail, education, healthcare etc.. We urgently need to ensure that new housing is served by high-frequency public transport networks (rail-based where possible) and that public transport fares, currently some of the highest in Europe, are reduced.

Recent work in America⁹ has highlighted this issue, even in cities where public transport use is relatively low, as is the case in several UK cities.

Significant housing developments not served by high-frequency public transport should be refused.

Regional policy: As noted in the prime minister’s July “levelling-up” speech, regional economic disparities in England have reached crisis levels, with inequality between northern and southern England worse than between east and west Germany after the fall of the Berlin Wall.

This puts intense demand for housing on some areas in southern and eastern England while areas in the Midlands and north which urgently need growth and could accommodate it more sustainably are left to wither. An obvious example is the so-called “Oxford-Cambridge Arc” which is intended to further overheat some badly overheated locales in the five counties north-west of London.

Economic overheating causes housing shortages in some areas and wastes housing assets in others. It is a key factor in both demand and need.

References

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- ⁴ *Government Response to the Local Housing Need Proposals in “Changes to the Current Planning System”* [London: Ministry of Housing, Communities & Local Government, April 2021] [Government response to the local housing need proposals in “Changes to the current planning system” - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/94444/government-response-to-the-local-housing-need-proposals-in-changes-to-the-current-planning-system)
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- ⁶ Clive Betts: Interview with Civic Voice <https://vimeo.com/577142801>
- ⁷ Brandon Lewis: Interview with the BBC [‘Million’ new homes aim declared by minister Brandon Lewis - BBC News](https://www.bbc.com/news/health-577142801)
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