



## CABE response to the Callcutt Review

### Introduction

At a time when the housebuilding industry is changing fast and facing tough challenges in terms of both the volume and sustainability of new homes, CABE very much welcomes this review. Whilst we recognise the pressing need for an increased pace of house building, we have well-known concerns about the current quality of housing, neighbourhoods and places being produced – and the legacy this will leave for future generations.

CABE's submission is based on our extensive engagement with the housebuilding industry, which has recently included:

- Leading the **Building for Life** initiative with the Home Builders Federation.
- Publishing the **Housing Audit** – the first complete picture of housing design quality in England, assessing 293 schemes built in the last five years.
- **Urban design workshops** with teams of directors from eight of the top ten housebuilders.
- Offering expert practical advice through our **Enabling** service to the teams working in Housing Growth and Housing Market Renewal areas.
- Using our **Design Review** programme to assess strategic housing schemes across the country.

CABE's recommendations for the housebuilding industry focus on five main areas:

1. A shift in priority, concentrating on creating **value** rather than just controlling costs.
2. An urgent improvement in the level and quality of urban design **skills** within the industry.
3. An increased acknowledgement of the importance of **stewardship** of place, achieved through different business models that maintain developer commitment to a site.
4. Increased **competition** within the industry, including incentivising new entrants to the market.
5. A more effective and equal **partnership** approach between the public sector and the housebuilding industry.

### The Callcutt Review Questions

1. *What published or private sources of information are used by housebuilders, suppliers, analysts and others to determine current and future demand for*

*housing, in terms of volume, type, price and location, and over the near, medium and longer term?*

- There is little evidence of volume housebuilders undertaking serious research into the spatial planning of housing, community housing needs, energy efficiency or an overall service that would offer consumers the certainty of quality and appropriate guarantees. Research and development is far too often neglected, part of an overall industry imbalance where disproportionate resources are placed in land acquisition and sales and marketing teams, rather than innovation and design.
- We believe that a key step would be the publication of independently researched post-occupancy evaluation which would go well beyond the current practice of asking people if they are satisfied with their new home in terms of the occurrence of defects. CABE's experience is that structured analysis of the way in which homes and neighbourhoods work helps to provide data which leads to real learning about how to improve the product. This would not only help to create a culture change towards stewardship within the industry, but would also ensure that consumers' influence on the housing market – which is severely limited by the overriding factors of location and affordability – could be felt.

2. *Does the prevailing business model of the housebuilding industry constrain how it responds to demand? Is that model evolving or likely to evolve to meet changing patterns of demand? What would encourage a shift towards greater responsiveness?*

- Yes. There are currently two major barriers to change:
  - Firstly, a lack of information for customers, who need clarity and openness at the point of sale. Free markets require information and, at present, volume housebuilders don't provide it. For example, developers should provide the overall floor area of a property, not just the number of bedrooms. The emphasis on selling showhouse chic also needs to change to give greater emphasis to sustainability, the quality of the building and the quality of the wider neighbourhood. At the moment housebuilders market homes based on their broad location, price and unit features. These are obviously valid and necessary elements but sustainability, quality and the creation of a community which functions well should be important parts of the marketing mix.
  - Secondly, the current state of land supply protects the volume housebuilders from change. Competition is based around land holdings, not product – any competitive player has to have access to land. This won't be solved by the volume housebuilders and requires government intervention. Following the German method of taxing land banks where planning has been granted would help improve speed of delivery, whilst English Partnerships' commitment to the Building for Life Standard demonstrates a way in which public land can be used as a driver for improved design quality.

3. *What are the alternatives to the prevailing business model? What are the constraints on the development of those alternative models, and what advantages might accrue from the development of other models?*
- If the current housebuilding industry wants to survive and prosper in an era of intensified global competition and particularly climate change, it has to adapt. Most crucially, there has to be a change in approach, moving from a focus on minimising cost to a more positive attitude towards creating value. Alternative development models already have some exponents – Urban Splash, First Base and Igloo, for example – that demonstrate that good design need not mean smaller profits. Housebuilders should be competing on quality and efficiency, rather than the current inflation-based business model.
  - Recent CABE research has also confirmed the link between well-designed neighbourhoods and an uplift in property values. Using the Building for Life winners as case studies, the research found that, on average, homes in award-winning schemes benefited from an 8% increase in value. Certain schemes, such as Butts Green in Warrington (a 13% uplift) and Ingress Park in Kent (a 23% uplift) achieved even larger increases.
4. *To what extent is the housebuilding industry exposed to competitive pressures? Are there barriers to competition, including to new entrants? If so, what might be done to reduce or remove these barriers?*
- The current oligopolistic model – heightened by the recent spate of mergers – is not, we believe, the best way to ensure the quantity and quality of homes required. There is a need for increased competition within the industry and incentivising new entrants to the market must be a consideration. Domination by a few large players could be countered by opening up the market to overseas' developers, particularly the alternative business model of European companies, to help stimulate change in the British market. The self-commissioning market could also be incentivised more, but any alternative must address the issue of land supply.
5. *To what extent is the volume and responsiveness of housebuilding constrained by limits in the supply of capital (including land), labour, skills or materials? Is this likely to change as a result of sustainability or other constraints? What steps might be taken to mitigate any effects?*
- The question of whether or not land supply is constraining housing supply requires independent verification. The housebuilders argue that the release of land by the planning system is too limited and too slow. However, several of the majors appear to own or have options on significant land banks, with significant areas where planning permission has already been granted. An open book verification of the claim that there is a shortage of developable land would be welcome. If it is true that land banks are significant then the Government might like to consider fiscal measures to provide incentives for land release. Housebuilders should be making their money from high quality development, not

from watching the capital value of unused assets appreciate. Whether the effect is the result of the planning system, land banking or both, it is clear that a lack of competition and the limit on land supply means that neither volume nor quality will emerge through competition alone. As a funder put it recently at a CABA seminar, the Government must continue to regulate to achieve quality because it's not a major outcome of what the market, as currently structured, can deliver.

- Studies by the Office of Government Commerce suggest that the labour market should not be a significant constraint on construction prior to 2012, although there are expected to be skills shortages in key areas such as competent clienting to produce high quality development and mechanical and electrical engineering. However, the price of skilled labour appears to be rising so the industry needs to avoid complacency and invest in the development of human resources. We do expect a significant problem in the supply of more sustainable materials to meet the zero carbon challenge. Again, the industry must take responsibility for pushing ahead with research and the specification of materials in sufficient volume to make changes in the market for materials.

6. *What constitutes good quality in housebuilding? To what extent is the housebuilding industry, as currently structured, well adapted to deliver well designed, good quality homes? What steps might be taken to improve quality?*

- The Building for Life criteria<sup>1</sup> are now established as the national standard for design quality in new housing – promoting housing that is functional, attractive, and sustainable. Led by CABA and the HBF, the criteria offer 20 easy to understand questions – based on *By Design* – and emphasising the importance of place making and sustainable design. We would strongly recommend that planning consent be refused for any scheme not meeting the Building for Life Silver Standard – which has been adopted by English Partnerships, Transform South Yorkshire and Southampton City Council, amongst others – tying in with PPS1 and PPS3's commitment to design quality. In addition, planning incentives should be offered for quality as well as quantity. For example, the Housing and Planning Delivery Grant must be tied not just to the number and speed of completions, but to quality too.
- Using the Building for Life criteria as an assessment tool, CABA's national Housing Audit<sup>2</sup> reveals disturbing evidence of the quality of new housing. 82% of schemes assessed failed to measure up on design quality, while nearly a third were considered so poor they should not have received planning permission. The Audit uncovered specific weaknesses in the urban design of most schemes, including place making, layout and public realm – with highway design a particular difficulty. Standard house types should not be a problem – Britain has been well served by the Victorian terrace, for example – but the current types utilised by the volume housebuilders are neither robust nor flexible and, as the Audit shows, are further exposed by poor layouts.

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<sup>1</sup> The criteria is outlined in detail in the guide *Delivering Great Places to Live* (CABA and HBF, 2005; updated 2007)

<sup>2</sup> *Housing audit: assessing the design quality of new housing in the East Midlands, West Midlands and the South West* (CABA, 2007)

- The need for more and better-trained urban design professionals – not just product designers – within the industry is now critical. This skills shortage, and the relative lack of power of housebuilders' design and technical staff compared with their sales and marketing and land acquisition teams, needs to be rectified as a matter of urgency. This imbalance reflects the fact that the industry model is not geared towards adding value, but rather towards cost limitation. The challenge of producing zero-carbon homes means additional skills will be needed.
- The skills shortage within housebuilders is worsened by the business models of architectural practices. Architects could potentially play a much more significant role if they engaged with the volume housebuilders on the basis of adding value rather than simply charging fees. In effect, this would mean architects helping developers to gain planning permission and then being rewarded for the value uplift afterwards. There is a wider question to examine about how the architectural profession approaches residential schemes, not least now that housing is often excluded from the syllabus of architectural schools.
- The Audit also reveals the acute regional differences in design quality. In the Midlands, over half of schemes were considered to be poor, compared with less than a quarter in the south. In addition, only four out of the 22 Building for Life Gold Standard winners in the last five years have come from outside the south. This reflects the huge variation in the performance of regional housebuilding teams, where there are often difficulties with recruitment of high calibre staff, whilst exacerbating the correlation between poor design and less desirable areas.
- Design quality could be significantly improved if the current design and planning tools available, such as design codes or masterplanning, were fully utilised. Furthermore, design review panels are a proven, cost-effective way to improve the quality of development and offer an opportunity for developers and Local Authorities to work together at an early stage to plan the creation of well-designed and sustainable neighbourhoods. Since its creation in 2001, 376 separate boroughs, counties and unitary authorities have used CABE's national design review panel: 81% of them found the advice useful, and over 80% altered their design in the light of CABE's comments. We would expect the use of regional design review panels to grow in the future.
- Where good design and sustainable neighbourhoods have been achieved, the Housing Audit case studies indicate that it is usually other development partners – and very rarely the housebuilder – who actually took the initiative. Six of the top ten housebuilders have now appointed a design champion, offering a public commitment to good design – what does this say about those major companies who have still to do so? The culture change within the industry is too little and too slow, particularly given the scale and the pace of the necessary building programme.

7. *To what extent is sustainability, in any sense, a factor in the choices made either by housebuilders, suppliers and other providers, or by housebuyers? What impact is being achieved by the Code for Sustainable Homes and the agenda set out in the Government's consultation document "Building a Greener Future: Towards Zero Carbon Development"?*
- Consumer preferences in the housing market contain many contradictions. Homebuyers make decisions based on a series of trade-offs rather than a clear list of neatly prioritised criteria. Consumers are very sceptical about the information provided to them by developers – a 2004 CABA survey of 900 homebuyers found only 3% considered housebuilders as very trustworthy sources of information when choosing a new home. However, CABA research<sup>3</sup> has also demonstrated that people value a sense of place, character and good layout very highly.
  - The recent Housing Audit also revealed how the public values design. A higher proportion of residents in good schemes were very satisfied with their neighbourhood (50% in good schemes, compared to 27% in poor/average schemes). Furthermore, residents in good schemes tended to acknowledge more strongly factors delivered by good design – such as road layout, public space, and build quality. By contrast, residents living in poor or average developments valued general factors – such as location or quietness – rather than anything related to design.
  - It is particularly important to note that consumers value sustainability in a much wider sense than simply energy efficiency. A 2006 CABA/MORI survey asking residents to rank the most important aspects they wanted from a housing development found that access to local services and facilities and provision of public open space were ranked higher than more specific "environmental" considerations.
  - It must be ensured that the technical demands placed on housebuilders in the Code for Sustainable Homes are not met at the expense of good urban design, particularly landscaping and the public realm. Design and sustainability are two sides of the same coin, and the sustainability agenda must embrace wider concepts of longevity and liveability to create the sorts of attractive neighbourhoods that are truly sustainable in the environmental, social and economic sense. The volume housebuilders are well-placed to meet the sustainability challenge because of their scales of production. But sustainability must be built in at the design stage – when value can really be added – rather than on site.
  - Whilst CABA welcomes the consultation document *Building a Greener Future: Towards Zero Carbon Development*, the final document must commit to an upfront investment in the knowledge, skills, tools and methodologies for those responsible for delivering and enforcing PPS1 and the Code for Sustainable Homes. We also believe that there needs to be a process for the measurement, monitoring and review of projects, creating a common language and framework

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<sup>3</sup> *What it's like to live there: the views of residents on the design of new housing* (CABA, 2005)

for benchmarking to inform future developments. This should include post-completion and post-occupancy research and evaluation.

8. *There is a clear public interest in the operation of a free market, in securing an adequate supply of new homes, and in sustainability. How, and how far, does the housebuilding industry respond to considerations of public interest? What public policy instruments are available to influence the performance of the industry, and how effective are they?*
- There is clearly a need for a much more effective and less adversarial approach to partnerships between the public sector and the housebuilding industry. Where this doesn't take place, and where Local Authorities refuse the partnership, the possibility of enforcing the introduction of other delivery vehicles – such as development corporations – should be maintained. This would help focus Local Authorities' attempts to think strategically about development.
  - Housebuilders must also undertake a much more proactive and long-term approach to the stewardship of place. The RSL model – as well as that utilised by commercial developers – demonstrates how an ongoing commitment to a site can be hugely beneficial to residents and the wider community. New models of part-ownership could also help to maintain value in sites

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