

NO PLACE LIKE HOME

DELIVERING NEW HOMES FOR A MORE PROSPEROUS BRITAIN

OCTOBER 2016



Foreword

The longstanding housing crisis is one of the greatest challenges we face as a country and indicative of the increasing feeling that growth and prosperity have been felt by the few, not the many.

For people in communities across the UK, the prospect of owning your own home feels out of reach, leaving little choice but to rent often lower quality and less secure homes. The current system isn't working. A change is needed and businesses and government must drive this together. CBI members aren't just reading about our housing deficit in the newspapers on their way to work – they are seeing the impacts on the ground, with the lack of affordable housing acting as a major hurdle to attracting and retaining employees, with an impact on productivity across regions. Firms and families across the UK are, quite literally, paying the price of our housing shortage.

The political will to take action is there. The government has just recently announced a £5bn housing package to boost supply, and has reaffirmed its ambition to deliver 1 million new homes by 2020. This is warmly welcomed, and industry is up for the challenge.

So, with our aspiration clear, what we now need is a plan to achieve it. If we are going to more than double the number of homes built each year, we need a step-change – not just in delivery, but in mind-set. Business as usual isn't an option.

At the heart of this must be a change in the way we think about the types of homes that are needed and wanted and how we deliver them. We are a diverse nation with a rapidly changing demographic. We must move from a 'one size fits all' approach of houses to own and recognise the need for a variety of flexible places to live in vibrant communities. We need to deliver the right homes, for the right people, in the right places. Equally, we need to see more, and different types, of players in the market, more innovation and new partnerships to boost our supply base. Underpinning this must be a commitment to continual progress in tackling the persistent obstacles to supply – the three Ps of plots, planning and people.

For too long, solving the UK's housing crisis has been in the 'too hard to tackle' box. This will only change through a concerted and collaborative effort from both government and industry. Only through a shared vision, underpinned by a cooperative approach to delivery, will business and Government be able to supply the homes needed to drive growth and prosperity across the country. Now is the time to redouble efforts to make this change a reality and make the system work for everyone.



Josh Hardie

Deputy director-general, CBI



Executive Summary

Left unresolved, the UK's housing crisis will continue to be a drag on prosperity

The UK's enduring housing crisis is one of the biggest challenges we face as a country, with a growing number of people locked out of an increasingly unaffordable market, and feeling that the system isn't working. This is not just a social problem – it is a critical business issue too, with many firms reporting that a lack of affordable homes is undermining their ability to recruit and retain staff and hitting productivity.

A step change is needed, with ambition matched by a clear plan of action

It is clear that addressing the housing crisis is high on the political agenda, with the government setting a welcome ambition to deliver 1 million new homes by 2020, accompanied by several policy initiatives. Yet even with these efforts, it remains unclear how the government's goal will be met. Therefore, a step-change is needed, both in mind-set and delivery, where the solutions can be found through a series of targeted interventions which, together, can have a big impact. But to achieve this, we need a clear and credible plan which is strategic, integrated and joined-up.

We need diversity and innovation in the homes we build and how we build them

In devising its plan, the government must recognise that carrying on with business as usual is not an option. Delivering new homes at a much greater scale will require a new way of thinking, both in terms of the types of homes we deliver, and how we deliver them. Britain is a diverse nation, and we need to make sure we are building a range of different homes in the right places to suit different people's needs and aspirations and creating vibrant new communities not simply new units. Equally, we must encourage a diverse range of players and new entrants into the market in order to enhance building capacity, underpinned by greater innovation – already evident, for example, in areas like off-site manufacturing – which will be crucial in boosting supply.

At the same time, we must maintain momentum in tackling systemic barriers to delivery

Scaling up delivery requires getting the basics right, therefore a national housing plan should, in parallel, seek to address the perennial barriers that have been holding back the delivery of more homes – the availability of plots on which to develop, the planning system and the dearth of skilled people within the industry. While considerable progress has been made in tackling all three of these challenges in recent years, it is crucial that both government and business keep their feet on the accelerator in order to drive forward continual improvement.

Summary of recommendations

Delivering a step change through a clear plan of action

Recommendation 1: The Department for Communities and Local Government's forthcoming white paper should be strategic and evidence-based, integrated and joined-up across government.

Recommendation 2: The National Infrastructure Commission should include housing as a strand within its forthcoming National Infrastructure Assessment.

Encouraging diversity and innovation in the homes we build and how we build them

Develop the right homes for the right people

Recommendation 3: Government should recognise the importance of the Private Rented Sector and work with business to find the best mechanism to improve attractiveness and reduce risk in large-scale rent-to-build developments.

Recommendation 4: Government should give greater consideration to improving the attractiveness of specialist retirement homes to both developers and potential residents, for example through Stamp Duty exemptions and more joined-up thinking by Local Authorities.

Recommendation 5: Government should give greater flexibility to Housing Associations, both in terms of the tenures that they are able to deliver, and the ways in which they are able to evolve their business models. It should also increase capital spending on affordable housing, as well as the effective use of its balance sheet, for example through equity stakes or guarantees.

Support more players and innovation in the market

Recommendation 6: Government must roll out and promote its Home Building Fund, as well as use the British Business Bank to help SME housebuilders in accessing finance. It should also explore a proposition for SME housebuilders in relation to small site public sector land release.

Recommendation 7: Both government and industry should encourage collaboration and Joint Ventures between new entrants and existing players in the market, and further support innovation in the market, such as off-site manufacturing, through mechanisms like the Home Building Fund.

Maintaining momentum in tackling systemic barriers to delivery

Accelerate the delivery of a pipeline of land for development

Recommendation 8: Government must ensure a more coordinated process for the release of public sector land across government departments and Local Authorities, and explore the value of broadening the category of new homes that can be built on brownfield sites within the Green Belt.

Build on progress to achieve further efficiency in the planning process

Recommendation 9: Government must ensure better collaboration and partnerships at a local level to drive further efficiencies in the planning system, and look to make full use of the powers in the Housing and Planning Act to explore the benefits of introducing competition into the system through pilot schemes.

Tackle the skills shortage in the construction sector

Recommendation 10: Government and industry must work together to address skills shortages and knowledge gaps within the construction industry as part of the wider industrial strategy, and government must continue to engage with business when shaping the Apprenticeship Levy.



Left unresolved, the UK's housing crisis will continue to be a drag on prosperity

The UK's enduring housing crisis is one of the biggest challenges we face as a country, with a growing number of people locked out of an increasingly unaffordable market, and feeling that the system isn't working. This is not just a social problem – it is a critical business issue too, with many firms reporting that a lack of affordable homes is undermining their ability to recruit and retain staff and hitting productivity.

The social and economic case for action is clear, and business agrees that a change is necessary. With a new government in place with a mission to ensure Britain is a place which works for everyone, we now have an important opportunity to redouble efforts in order to make this change a reality.

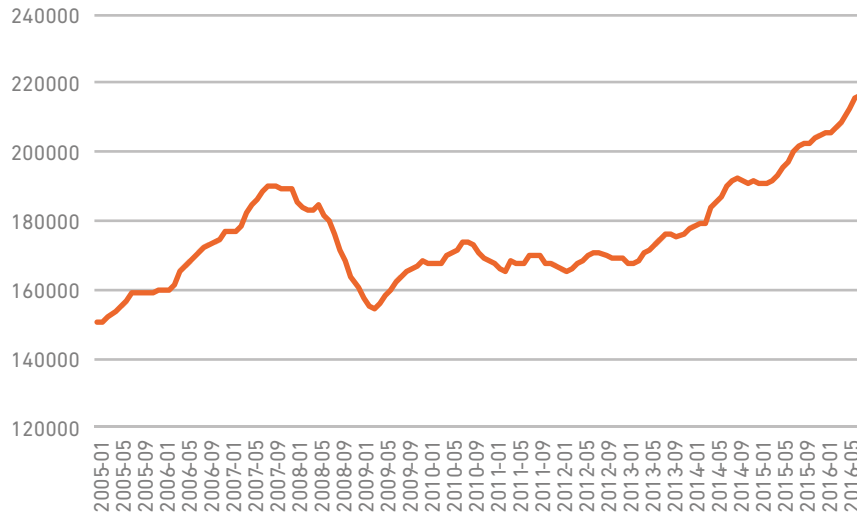
The UK's chronic housing shortage is one of the biggest challenges we face as a country

Over successive governments, housing has continued to climb the political agenda, matching growing concern among the electorate around a topic that is close to everyone's hearts. Indeed, according to Ipsos Mori's most recent Issues Index, anxiety over housing is at its highest level in more than forty years, coming 5th after immigration, the EU, the NHS and the economy¹.

The public's increasing concern should come as no surprise. While recent fears over a post-Brexit housing market crash have so far been unrealised², our structural and long-standing housing crisis remains – the UK is not producing enough homes to meet the population's needs. Demand for homes has continued to increase, while house building has been on a long-term downward trend since the 1970s, despite a recent uptick³. As such, we are continually failing to supply the 250,000 homes needed each year to satisfy demand⁴. Of course, this isn't just a London and South East problem – pressure can be seen up and down the country, with the East of England, West Midlands and Yorkshire & Humber also seeing significant shortfalls⁵.

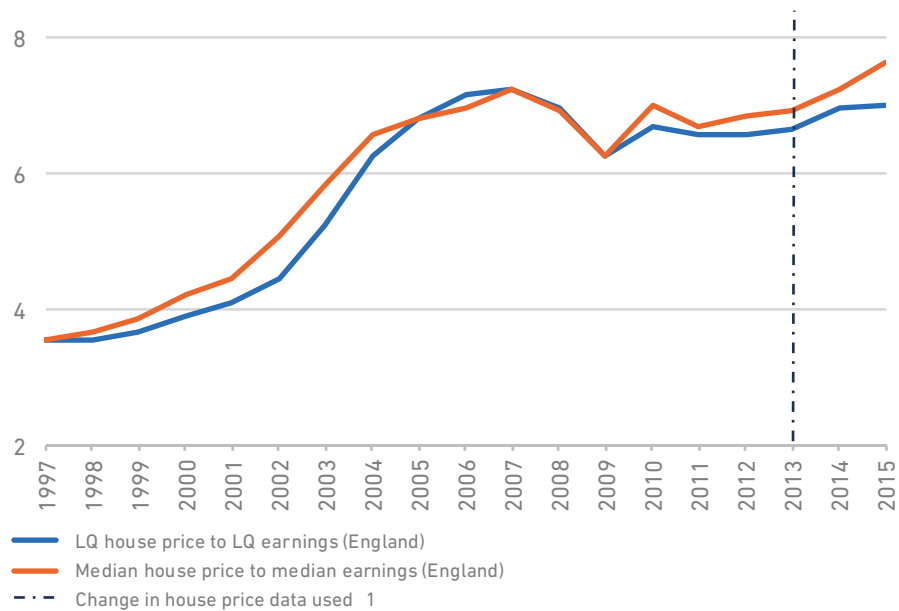
This has had a clear impact on affordability, with average house prices increasing by over 35% over the last 10 years (see **Exhibit 1**). While this has been felt most acutely in the capital, with average London prices increasing by almost 100% in the same time period, prices have risen across all regions⁶. At the same time, wage growth has been largely static leading to a doubling of the house price-to-earnings ratio since the 1990s (see **Exhibit 2**), leaving many people struggling to get onto or move up the housing ladder.

Exhibit 1 Average house price (UK), 2005 – 2016



Source: Land Registry

Exhibit 2 Ratio of lower quartile/median house price to lower quartile/median earnings (England)



Source: Department for Local Communities and Government

As well as a social priority, housing is a critical business issue

But it is not just the public that is anxious about housing – businesses are worried too. The macro-economic importance of a healthy housing market is well-understood, from impacts on labour market flexibility to consumer spending power; but increasingly, businesses are feeling the impacts of the UK's housing crisis on the ground. Many are reporting that a lack of affordable and high quality homes is hitting their ability to recruit and retain staff, with over two thirds of respondents to the CBI/CBRE London Business Survey citing this as a particular issue⁷. Digging deeper, accountancy firm, Deloitte, analysed why applicants to their London graduate scheme were falling, and found that prospective employees were discouraged from living in the capital because of high rental costs.


Housing shortages can also be seen to hit productivity. Analysis by the TUC put the average commute time in 2014 at 55 minutes, and noted that the number of commuters travelling for more than two hours every day has increased by 72% in the last decade – a trend that could be partly attributed to a lack of affordable homes near to people's places of work⁸. Not only is this costing people money – losing £770 million/year of discretionary spending according to the CBI's 2014 report⁹ – but it is costing valuable time, reducing the pool of talent accessible by firms and limiting the jobs available to individuals.

Urgent action is needed, and efforts must be redoubled

The social and economic case for tackling our housing shortage has long been clear, and the consequences of inaction are likely to grow as the pressures on the system intensify. With the UK's population set to increase by almost 10 million in the next 25 years, overtaking France by 2030, together with the country's shifting demographic and spatial trends, the status quo is clearly unsustainable¹⁰.

Furthermore, the nation's vote to leave the European Union could serve to reinforce the sense of urgency with which this significant challenge must be met. Having shone a light on the divisions within our society and left us facing an uncertain economic future, now more than ever, we must grasp the opportunity to get Britain building in order to drive economic growth and create a housing market that works for all parts of society and the country. With the new administration now settled into place, both government and business must join forces in redoubling efforts to make this vision a reality.



The UK's decision to leave the European Union has only increased the urgency to tackle the housing shortage 



A step-change is needed, with ambition matched by a clear plan of action

It is clear that addressing the housing crisis is high on the political agenda, with the government setting a welcome ambition to deliver 1 million new homes by 2020, accompanied by several policy initiatives. Yet even with these efforts, it remains unclear how we will meet the government's goal by 2020.

Therefore, a step-change is needed, both in mind-set and delivery, where the solutions can be found through a series of targeted interventions which, together, can have a big impact. But to achieve this, we need a clear and credible plan which is strategic, integrated and joined-up.

The government's ambition is welcome, but a step change in delivery will be needed to meet it

It is clear that the political will to tackle the housing crisis is there, with the government's ambition to deliver 1 million new homes by 2020 a welcome signal of intent. This has been accompanied by a range of initiatives, from Help to Buy, starting under the coalition government, to the extension of Right to Buy and more recently the combined Home Building Fund. While some of these schemes have raised questions about unintended consequences, the government's efforts have had some effect, with 2014/15 seeing the highest upturn in house building since the recession¹¹.

However, even with these efforts, much more must be done to meet the goal¹². We need to see a dramatic boost to the supply of new homes, which will require a step change both in mind-set and delivery.



*A step change is needed in mind set
and delivery on house building*

A clear and credible plan is needed to deliver the homes we need as part of our future infrastructure

Business believes that the solutions to the UK's housing crisis can be found through a series of targeted interventions – whether fine-tuning a policy or simplifying a process – which, together, can allow all players to fulfil their potential and create a real impact.

However, to ensure these actions can deliver a result significantly greater than the sum of its parts, careful coordination is required, driven by a clear and credible plan. Business welcomes the Department for Communities and local Government's intention to produce a housing white paper. This should be:

- **Strategic and evidence-based:** The plan must be based on a clear assessment of long-term need, taking account of the recently published National Needs Assessment, and fully aligned with the work of the National Infrastructure Commission, which should include housing as a key strand in its forthcoming National Infrastructure Assessment¹³.
- **Integrated:** It is crucial that the plan takes an integrated approach, particularly in linking up housing needs with local and regional infrastructure needs and public services, critical to building communities where people want to live, driving regional growth and boosting productivity. It should also seek to take a holistic approach, for example in linking housing plans with future policies around household energy efficiency. In this way, consideration can be given not just to the affordability of buying a property, but the affordability of running it over the longer-term.
- **Joined-up:** While overall accountability for the plan should lie with the Secretary of State for Communities and Local Government, it must be well joined-up and coordinated from a governance and delivery perspective. A shared vision is needed not only across government departments but between central government and Local Authorities, as well as other relevant bodies and delivery agents.

DELIVERING A STEP CHANGE THROUGH A CLEAR PLAN OF ACTION

1. DCLG's forthcoming housing white paper should be strategic and evidence-based, integrated and joined-up across government.

2. The National Infrastructure Commission should include housing as a strand within its forthcoming National Infrastructure Assessment.

We need diversity and innovation in the homes we build and how we build them

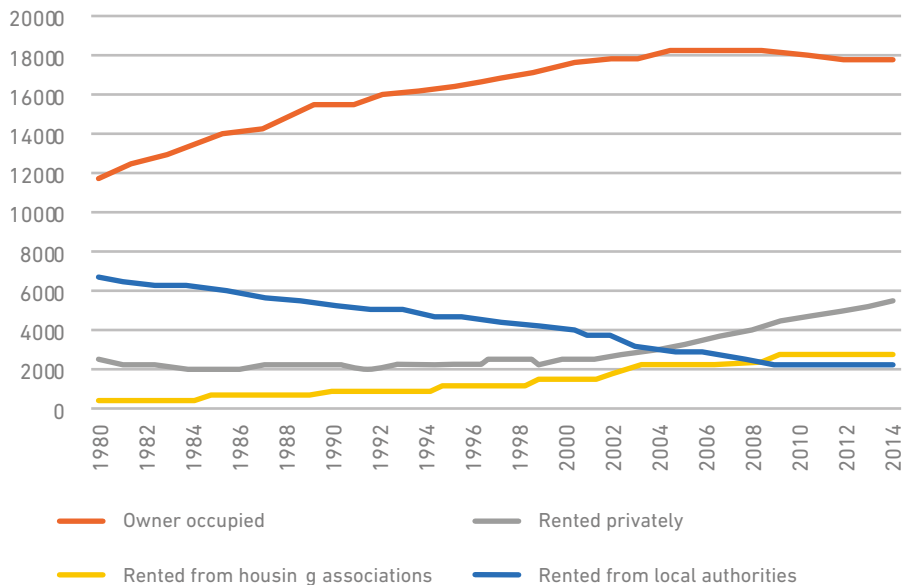
In devising its plan, the government must recognise that carrying on with business as usual is not an option. Delivering new homes at a much greater scale will require a new way of thinking, both in terms of the types of homes we deliver, and how we deliver them.

Britain is a diverse nation, and we need to make sure we are building a range of different homes to suit different people's needs and aspirations, in places that they want to live. Equally, we must encourage a diverse range of players into the market, supporting each to fulfil their role in tackling the challenge. At the heart of this must be greater innovation – whether forging new partnerships or exploring new practices – which could further boost building capacity.

We must encourage the development of the right homes for the right people

When it comes to housing tenure, it is clear that one size doesn't fit all. Indeed, **Exhibit 3** paints an interesting picture of how the types of homes the British public occupy have evolved over the past two and a half decades, showing the huge rise and recent dip in home-ownership over the years, alongside a steady decline in council house rental and an evident increase in privately rented accommodation since the early 2000s. With a diverse population and a rapidly changing demographic, it is important that we are not just providing more homes, but meeting demand through more of the right homes, to suit different people's needs both now and in the future.

Exhibit 3 Dwelling stock by tenure, UK, 1980 to 2014



Source: ONS

Home-ownership will remain an aspiration for many, but is not the only answer

To date, the government's housing initiatives have been largely focused on home-ownership, particularly for first time buyers, who were doubly hit by high property prices and tighter credit conditions following the financial crisis. With deposits having increased five-fold since the late 1990s¹⁴, schemes like the Help to Buy equity loan and mortgage guarantee have certainly been helpful in enabling first time buyers to get a foothold onto the housing ladder, with over 100,000 purchasing their first home as a result of the scheme. However, while there is great value in giving those who aspire to buy their own home the opportunity to do so, it is important that government is also encouraging a wide range of new housing tenures to be delivered that will be of benefit for all.

A more attractive investment proposition is needed to support 'generation rent'

The Private Rented Sector (PRS) is one such area which deserves greater attention. With the average age of first time buyers pushing the late thirties, it is no surprise that the proportion of people aged 20-39 living in privately rented accommodation has surged from 20% in 2000 to 50% today. And 'generation rent' is set to grow further still, reaching an estimated 7.2 million households by 2025¹⁵.

As noted in the CBI's 2014 report, *Solid Foundations*¹⁶, building good quality private rented accommodation at scale can play an important role in meeting this growing demand, and also presents an excellent opportunity for institutional investors who are seeking long-term, stable revenue streams. However, despite increasing interest among investors in the UK's PRS market, a number of barriers remain, including a lack of understanding of the sector by Local Authorities, concerns over the adequacy of yields and the capacity to provide large-scale investment opportunities.

More recently, the increase in Stamp Duty Land Tax (SDLT) for second homes and buy-to-let properties has added an extra up-front cost, reducing the appeal to investors further and deterring landlords, 86% of whom have no plans to increase their rental portfolio this year, according to the Royal Institute for Chartered Surveyors¹⁷.

The government should therefore recognise the importance of the PRS in tackling our housing deficit and continue to work with business to find the best mechanism to improve attractiveness and reduce risk in large-scale build-to-rent developments. In addition to addressing long-standing barriers, this should include an assessment of the SDLT surcharge as part of a wider review of the UK's land and residential property taxes.

Greater consideration should be given to 'empty nesters'

While home ownership among the younger generation has plummeted, it is topping 80% among those aged 65-74¹⁸, which presents a different set of challenges for housing availability. It is highly likely that these home owners are now 'empty nesters', having seen their children leave the family home, meaning that a vast number of properties across the country are potentially being underutilised. Indeed, it has been estimated that if just half the number of older people that are interested in downsizing did so, it could free up 3.5 million family-sized homes¹⁹.

As such, greater consideration should be given to helping older people who are keen to move to smaller properties, such as specialist retirement homes and developments, which currently make up only 3% of the supply pipeline in the UK²⁰. For example, these types of homes could be made more attractive to both developers and potential residents, through incentives such as Stamp Duty exemptions, as well as more joined-up thinking by local authorities, where retirement developments often fall into a grey area.



Specialist retirement homes could be made more attractive to both developers and potential residents, through incentives such as Stamp Duty exemptions ””



More flexibility could increase the delivery of affordable homes

With over 1 million people on the waiting list for council homes, it is clear that the demand for affordable housing is high, yet, like many other tenures, the development of new affordable homes has been on the decline. Housing Associations represent an important piece of the housing puzzle, and have the will and capabilities to boost supply in this part of the market going forward, yet to fulfil this potential, the right conditions must be in place.

Firstly, a period of policy stability is needed following the considerable change brought forward over the last year in the form of the extension of the Right to Buy scheme to Housing Association tenants and the introduction of a 1% reduction in social housing rent, both of which have profound implications for Housing Associations' revenue streams, and thus their ability to invest in new homes. In light of this, Housing Associations could be afforded greater flexibility in their operations, both in terms of the tenures that they are able to deliver within the government's investment programme, and the ways in which they are able to evolve their business models to engage in more commercial partnerships, while remaining a low-risk proposition for investors.

Finally, further consideration could be given to increasing government capital spending on affordable housing, which has been on a downward trend in recent years, as well as the effective use of its balance sheet, for example through equity stakes or guarantees.

DEVELOP THE RIGHT HOMES FOR THE RIGHT PEOPLE

3. Government should recognise the importance of the Private Rented Sector and work with business to find the best mechanism to improve attractiveness and reduce risk in large-scale rent-to-build developments.

4. Government should give greater consideration to improving the attractiveness of specialist retirement homes to both developers and potential residents, for example through Stamp Duty exemptions and more joined-up thinking by Local Authorities.

5. Government should give greater flexibility to Housing Associations, both in terms of the tenures that they are able to deliver, and the ways in which they are able to evolve their business models. It should also further consider increasing capital spending on affordable housing, as well as the effective use of its balance sheet, for example through equity stakes or guarantees.

More market players, together with innovative partnerships and practices, can further boost capacity

In addition to greater diversity in the types of homes being built, it is important that both small and emerging players in the market are supported in stepping up their contribution to tackling our housing shortage. Crucial to this will be capitalising on, and driving forward, the innovations that are already taking place in the market. This includes building on the excellent progress being made in developing new partnerships among different players, as well as new building practices, both of which could further add to our supply-base.

SMEs should be supported to fulfil their potential

Small and medium-sized house builders are one such group which has the ability to play a greater role in scaling up our housing supply. Having been hard hit by the last recession, low-volume housebuilders (those who build fewer than 500 units) currently build only 26% of new homes in the UK, compared with two thirds of new homes in the late 80s²¹. This indicates that the potential to step up delivery is there, however considerable barriers remain.

One specific challenge facing SME house builders is access to finance, with research this year by the Federation of Master Builders revealing that half of these firms see this as one of the biggest obstacles to growth²². The government's newly combined and increased Home Building Fund will provide a welcome source of development finance to those that need it, and business looks forward to seeing this rolled out. In addition, organisations such as the British Business Bank can play an important role in tackling this issue, for example in encouraging greater use of the Enterprise Finance Guarantee in the property sector.

Another perennial issue is finding viable plots on which to build. While a challenge for all developers, it was felt more markedly by SMEs when combined with the difficulties in accessing development finance. The following section looks at exploring a range of options to release public sector land, such as leasing or through Joint Ventures; taking this one step further, government and industry should work together to look at a specific proposition for SME housebuilders in relation to small site public sector land release.

New entrants can add further diversity through collaborative efforts

While supporting existing players to expand, government must also encourage the range of new players that are already making strides into the housing market – from hedge funds, to construction contractors and employers – to grow. While various players' motivations will vary, the common barriers they face are largely in managing high levels of risk and understanding a complex market, both of which can potentially be addressed through collaborating with an existing market participant.

An example of such a Joint Venture can be seen with National Grid, who partnered with Berkeley Homes to create the 'Saint William' Joint Venture, which has the potential to provide over 7,000 homes in eight boroughs across Greater London over the next 14 years²³. Kier Living, part of Kier Group plc, has shown similar initiative in leading the New Communities Partnership with a view to delivering much-needed mixed-tenure housing (see **case study 1**). Further partnerships right across the market should be encouraged in order to increase the breadth and depth of those that are able to step up their delivery of new homes.

Case study 1: Kier Living, building homes through new innovative partnerships

Kier Living, part of the Kier Group plc, a leading property, residential, construction and services group, is leading the way with its *New Communities Partnerships* by demonstrating the value of collaboration in delivering more affordable homes.

The *New Communities Partnership* has been formed by Kier Living, Cheyne Social Property Impact Fund and The Housing Growth Partnership, a joint venture between the Homes & Communities Agency and Lloyds Banking Group, to create a combined £1bn to facilitate the development of around 10,000 new homes in the UK over the next five years, many of which will be sold or rented at affordable levels. This partnership is unique in that it works closely with public sector organisations to determine the appropriate mix of tenure for their site, which include rental homes and homes for sale.

Providing public sector organisations with potential scope to derive a revenue income from their land, whilst developing in a socially responsible way will not only impact the housing market but will also offer local apprenticeships, wider employment and economic benefits for communities. The collective expertise of the partners spans the lifecycle of home-building, offering an end-to-end development solution that includes procurement, funding, site assembly, construction, sales, management and maintenance.



Innovative practices can further disrupt the market, supporting delivery and cost reduction

As well as innovative partnerships, more innovative practices are needed to support further avenues of delivery. Off-site manufacture is one such development which is already taking place in the market, as demonstrated by the 550,000 sq ft manufacturing facility in Yorkshire commissioned by Legal & General Homes (see **case study 2**). This presents the opportunity to overcome some of the underlying challenges in the sector as pointed out in the recently published *'Farmer Review of the UK Construction Labour Model'*²⁵, ensuring faster production and higher certainty of delivery, and should be further encouraged by government, for example, through mechanisms such as the Home Building Fund.

Case study 2: Legal & General Homes, disrupting the housing market through off-site manufacturing

In 2016, Legal & General launched a business to deliver precision-engineered homes more cheaply and quickly through the largest modular homes construction factory in the world, already open in Selby, Yorkshire. The modular manufacturing process uses cross-laminated timber (CLT) and can be used to build most building types, including traditional family homes, apartment blocks up to twenty storeys, elderly accommodation, hotels or even student apartments.

Using CLT building processes is no longer seen as unconventional and the technology has been proven right across Europe. In Austria, Germany, Scandinavia, as well as in Japan, use of CLT is part of the mainstream and off-site manufacture of housing is increasingly commonplace. Through this approach, time spent building on site will be reduced by more than 70% compared to traditional techniques, manufacturing sections in advance and delivering them to the site to be installed with minimal on-site works beyond foundations. By using CLT and automated technology to remove shrinkage, cracking, wet trades, plaster jointing and nailing, the typical defects in modern houses can be 'designed out' with lower repair costs as the building settles.

SUPPORT MORE PLAYERS AND INNOVATION IN THE MARKET

6. Government must roll out and promote its Home Building Fund, as well as use the British Business Bank to help SME housebuilders in accessing finance. It should also explore a proposition for SME housebuilders in relation to small site public sector land release.

7. Both government and industry should encourage collaboration and Joint Ventures between new entrants and existing players in the market, and further support innovation in the market, such as off-site manufacturing, through mechanisms like the Home Building Fund.



At the same time, we must maintain momentum in tackling systemic barriers to delivery

Scaling up delivery requires us to have the right foundations, therefore a national housing plan should seek to address the perennial barriers that have been holding back the delivery of more homes – the availability of plots to develop on, the planning system and the dearth of skilled people within the industry. While considerable progress has been made in tackling all three of these challenges in recent years, it is crucial that both government and business keep their feet on the accelerator in order to drive forward continual improvement.

Plots: Accelerate the delivery of a pipeline of land for development

Less than 10% of land across England is developed, with only a small proportion of that figure dedicated to housing²⁴, yet house builders, both large and small, continue to report that finding land to build on is a struggle. A particular challenge is developing a pipeline of brownfield land in urban areas to accommodate the on-going expansion of our cities – at trend which is set to continue in the future, with almost 90% of the population set to reside in urban areas by 2040²⁶.

One way to increase the pipeline of land is to release unused public sector land to developers – an action which has the support of the government, following its commitment to sell land for more than 160,000 homes by 2020. However, progress to date has been slow. A recent report by the National Audit Office highlighted this, revealing that land released in the first ten months of the government's programme amounted to only 5-8% of this target²⁷. The government should therefore look to speed up releases through a more coordinated process across departments and Local Authorities, which can bring more land to market. This should be delivered in more innovative ways, using the proposed Accelerated Construction initiative to explore leasing arrangements or Joint Ventures between Local Authorities and developers or new entrants.

Another area for further action is enabling development on brownfield sites within Green Belt areas. The government has already taken steps to loosen the somewhat outdated policies around where we build by allowing Starter Homes to be built on appropriate small-scale sites in these areas, and should explore the value in extending this to a broader category of new homes.

Planning: Build on progress made to achieve further efficiency

Once a perpetual source of frustration, the planning system has gone through welcome reform over the years, which should serve as a starting point for continual improvement. The National Planning Policy Framework (NPPF) is bedding in, and business remains supportive of its pro-growth principles. This has been further strengthened by the measures in the recently legislated Housing and Planning Act, such as mandating Local Plans and ensuring planning permission in principle for housing-led developments, which promise to further speed up the pace of development.

However, while progress has been steady, there is still further to go in terms of making the system more efficient and streamlined. In particular, developers remain concerned about Local Authorities' ability to deliver on these improvements due to skills and resourcing constraints, as well as the lack of cooperation across boundaries and strategic planning across economic areas. It is important that national ambitions are matched by local delivery, through better collaboration and partnerships between developers and Local Planning Authorities, as well as between Local Authorities whilst ensuring all plans are in coordination with infrastructure planning. Furthermore, the government should make full use of the powers in the new legislation to explore the benefits of introducing competition into the planning system through pilot schemes.

People: Work together to tackle skills shortages in construction

A skilled and diverse workforce will be crucial to delivering the step-change in new homes that is needed, however this remains an area of ongoing concern among the construction industry, which was largely hollowed out during the recession. The CBI's 2016 Education and Skills Survey shows that there is an increased demand for low, intermediate and advanced skills within the sector, yet confidence among the industry hit a new low this year – a balance of -74% – with regard to their ability to access high-skilled employees in the future. This is further reflected in the September 2016 Construction Market Survey conducted by RICS, with 59% of respondents experiencing shortages in bricklayers and quantitative surveyors²⁸.

One area of industry focus is around boosting the number of apprentices in the sector, which is of great importance to ensure that a sufficient pipeline of talent and skills is being developed, particularly as significant numbers within the current workforce reach retirement. However, the government's proposed Apprenticeship Levy presents a significant challenge to construction firms, which already pay a specific sector training levy through the Construction Industry Training Board. While firms are passionately committed to driving up apprenticeships in the sector, with programmes such as the 'Home Building Skills Partnership' driven by the HBF, they are concerned that, as currently designed, the levy could have serious unintended consequences, by putting quantity above the right outcome. The goal should be to provide the high quality training that delivers the skills needed by businesses and individuals. As such, it is important that the government takes sufficient time to work with industry as the system continues to take shape to ensure the levy works for everyone. In particular, getting an effective transfer mechanism, so firms can spend the levy in their supply chain, would have particular benefits within the construction sector.

More broadly, construction should be maintained as one of the key sector focuses within the government's refreshed Industrial Strategy. Government and industry must continue to work together to tackle the skills shortage in the sector as a core tenet of this partnership. This means greater investment in the skills of British workers and ensuring that companies can recruit the people and skills that they need from outside the UK. It is not an either/or choice – both are needed.

TACKLING SYSTEMIC BARRIERS TO DELIVERY

8. Government must ensure a more coordinated process for the release of public sector land across government departments and Local Authorities, and explore the value of broadening the category of new homes that can be built on brownfield sites within the Green Belt.

9. Government must ensure better collaboration and partnerships at a local level to drive further efficiencies in the planning system, and look to make full use of the powers in the Housing and Planning Act to explore the benefits of introducing competition into the system through pilot schemes.

10. Government and industry must work together to address skills shortages and knowledge gaps within the construction industry as part of the wider industrial strategy, and government must continue to engage with business when shaping the Apprenticeship Levy.

References

- 1 Economist/Ipsos Mori Issues Index, August 2016
- 2 RICS UK Residential Market Survey, August 2016
- 3 NHBC New Home Statistics Annual Review 2015
- 4 Shelter/KPMG <http://thehomesweneed.org.uk/>
- 5 House of Commons Library, Housing need and demand (England), June 2014
- 6 <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/april2016>
- 7 CBI/CBRE London Business Survey, September 2016
- 8 TUC press release, November 2015, <https://www.tuc.org.uk/workplace-issues/work-life-balance/number-commuters-spending-more-two-hours-travelling-and-work-72>
- 9 CBI, Housing Britain: Building Homes for Growth, 2014
- 10 Office for National Statistics population projections, 2014-based statistical bulletin
- 11 NHBC New Home Statistics Annual Review 2015
- 12 Assumes 2015 build rate of a 7% per annum increase continues.
- 13 Need to include NNA once published
- 14 PwC, UK Housing Market Outlook, July 2016
- 15 PwC, UK Housing Market Outlook, July 2016
- 16 CBI, Solid Foundations: Attracting institutional investment to homes built for rent, January 2014
- 17 Royal Institute for Chartered Surveyors press release, October 2016, <http://www.rics.org/uk/news/news-insight/press-releases/get-out-your-hard-hat-theresa/>
- 18 NHBC New Home Statistics Annual Review 2015
- 19 Associated Retirement Community Operators, Help to Move campaign
- 20 Knight Frank, Residential Research: Retirement Housing, May 2016
- 21 Federation of Master Builders House Builders Survey, September 2016
- 22 Federation of Master Builders House Builders Survey, September 2016
- 23 United Nations World Urbanisation Prospects, 2014 revision
- 24 National Audit Office, Disposal of public sector land for new homes: a progress report, July 2016
- 25 Farmer Review of the UK's Construction Labour Model, October 2016
- 26 United Nations World Urbanisation Prospects, 2014 revision
- 27 National Audit Office, Disposal of public sector land for new homes: a progress report, July 2016
- 28 Royal Institute for Chartered Surveyors, Construction Market Survey, September 2016



For further information on this report,
or for a copy in large text format contact:

Fiona Geskes
Sector adviser (housing and construction)
T: +44 (0)20 7395 8148
E: fiona.geskes@cbi.org.uk



October 2016

© Copyright CBI 2016

The content may not be copied,
distributed, reported or dealt
with in whole or in part without
prior consent of the CBI.



Printed by Duncanprint on
Amadeus 100 pure white silk, containing
100% recovered fibre certified by the
FSC®. Duncanprint is certified to ISO 14001
and registered to EMAS environmental
management systems NEZ052.

Product code: 11678