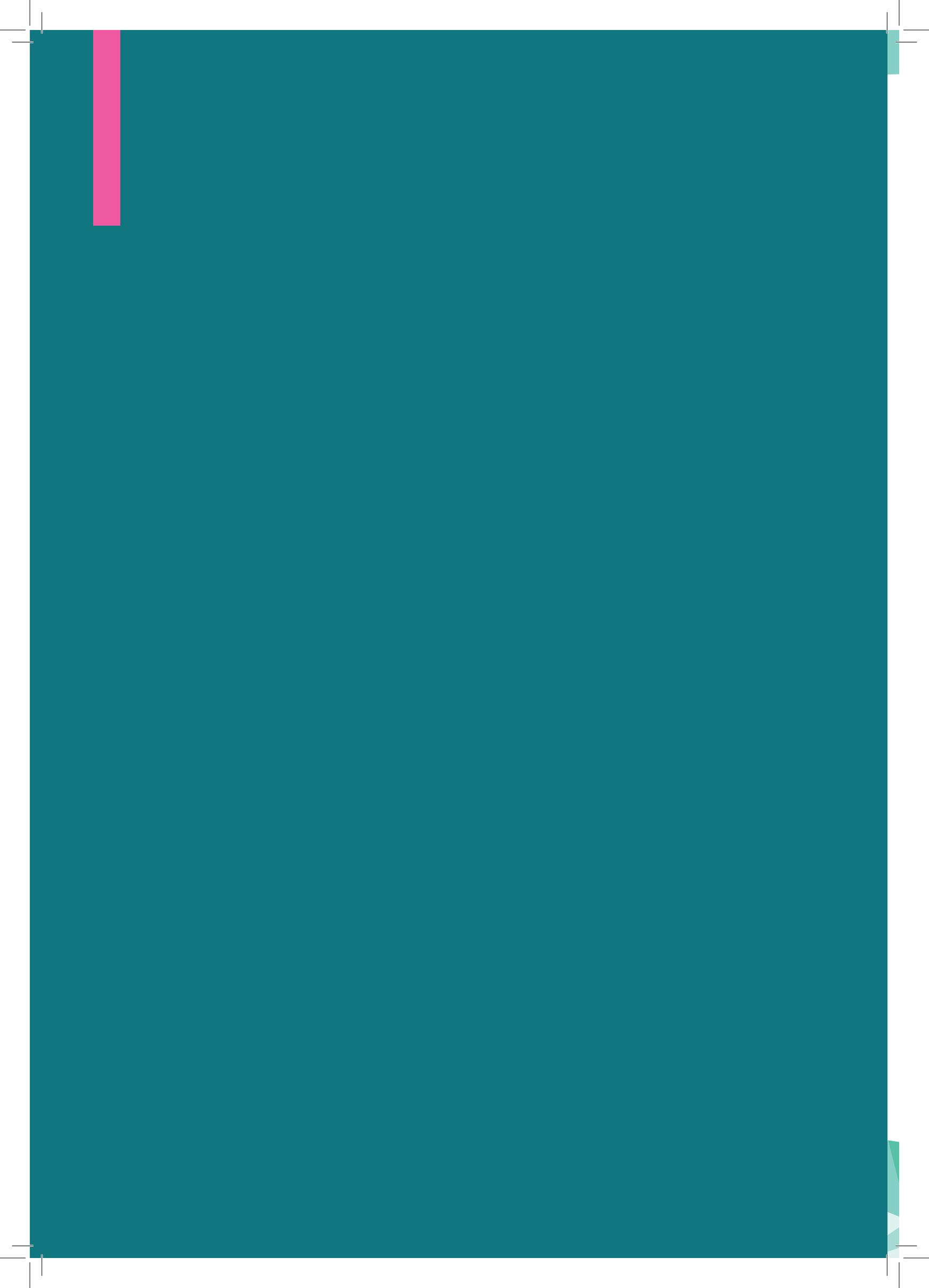


More Homes, Better Homes

The Housing Forum's Call for Action - February 2015





Britain urgently needs a new strategy to build more homes, invest in the existing housing stock and overcome a capacity and skills deficit that is threatening to create a barrier to increasing supply. But we must ensure that increasing output is not at the detriment of quality. If we are to leave a lasting legacy for future generations, we must innovate to drive the highest standard of design and performance in new and existing homes.

Though housing is clearly high up the political agenda for all three main parties, the desire to create more homes is long on rhetoric and short on detail. We are concerned that there is still not enough political will to take the long-term decisions necessary to tackle the housing crisis. The Government must recognise the scale of the housing deficit and lead a political process for change. This must expand the capacity of local government to play a major role in an ambitious programme of delivery. The Housing Forum also recognises the need for the sector to play its part and it is essential that policy changes underpin and drive close collaboration between the public and private sector to increase output.

The Housing Forum has drawn on the views of over 100 member organisations including significant housebuilding and contracting firms, major developing housing associations and leading manufacturing and consultancy practices representing billions of pounds in GDP to set out what they think.

Our call for action would repair the dysfunctional housing market and help ensure future generations will be able to live in their own home. As it is, more and more are facing the prospect of living with their parents as buying or renting a home becomes out of reach. One in four 22 to 30-year-olds depends on their parents for somewhere to live according to the Institute for Fiscal Studies.

Our organisation is uniquely positioned to put forward non-partisan solutions as we draw ideas from across the entire housing supply chain, from builders, architects, financiers, developers and materials and component suppliers.

Surveyed for their views, our members have the following priority areas for local and central Government, working in partnership with the private sector:

- **Building at scale** through the expansion of local government capacity in planning and leadership, with the release of more Government and local authority land combined with demand-led spatial plans and raised local authority borrowing caps.
- **Increase incentives** to encourage investment in the environmental efficiency of the existing stock – we remain unconvinced the Green Deal in its current form can do that at the rate required.
- **Target investment into training and skills**, and build on the Government's Construction 2025: Industrial Strategy for Construction to help remove barriers to faster, more modern methods of construction.

TO ACHIEVE THESE ELEMENTS REQUIRES STRONG AND CONVINCED POLITICAL LEADERSHIP, WHICH RECOGNISES THE SCALE OF THE HOUSING INFRASTRUCTURE DEFICIT AND IS COMMITTED TO QUALITY IN EVERY SOLUTION TO HOUSING DELIVERY



The Housing Forum's Priorities for More Homes, Better Homes

Priority one

Boost land supply and raise borrowing caps to build at scale

There needs to be an urgent change within the next 5 years in culture amongst Government and local authorities to ensure that local councils plan with conviction and have the capacity needed to increase housing. Government and local authorities should be bringing forward more land as part of suite of measures for building at scale – including freeing up councils to borrow more against their assets.

House building may be on the increase from historically low levels but we have still a long way to go to meet demand. From a low base of 100,000 new homes in 2012, the numbers have been picking up and are due to increase to 167,000 new homes by 2018, according to a report by Savills. This is still short of the 250,000 new homes we need a year. In fact, we have only built over 200,000 new homes a year in four years out of the last 14. Our view is that we need to unleash a suite of measures to allow building at scale.

The principal issue constraining delivery of more new homes is the availability of consented land supply at affordable prices. Land prices are our biggest obstacle to new build projects, accounting for about 50% of the total cost. If we make more land available, housing will be more affordable.

According to the National Land Use Database, in 2009 there was 5,756 hectares of brownfield land suitable for housing and owned by the public sector that could accommodate 291,000 homes. But this headline disguises the fact that much of the land is difficult to build on. The lack of land supply and the high associated costs of assembling land and making it viable has meant that new build housing is concentrated into the hands of a small number of major house builders. The top 10 now account for 55% of new supply.

If we are to significantly increase numbers at a faster rate, then both brownfield and greenfield land will need to be brought forward to provide a more strategic approach with large scale settlements, urban extensions, garden suburbs and cities.

There appears to be an emerging cross-party support for bringing forward a new generation of garden cities as part of the solution to tackling Britain's chronic housing crisis. But there still needs to be a great focus on delivery. In addition to increasing land supply, other measures need to be put in place to provide a viable pathway to large scale development. We are also calling for:

- The extension of the Government's Housing Zones, which are intended to stimulate development with seed corn infrastructure funding and simplified planning requirements. £200m has been allocated to fund Housing Zones outside of London, and £400m in London.
- Setting up new development corporations which would provide a vehicle to plan and deliver developments across local authority boundaries.
- The lifting of local authorities' borrowing requirements to enable local authorities to get building again and borrow against their assets. Local authorities must play a key role in delivering an increase in supply, whether by developing themselves on land they own or supplying land to the market. Local authorities also have a key role in the delivery of self-build, build to rent, housing for an ageing population and new entrants to the market through better definitions in local plans and pro-active planning.
- Local authorities should also be encouraged to work together across traditional local authority boundaries to deliver a mixed tenure of homes, including the private rented sector. The Greater Manchester Initiative, which has brought together councils from across City and surrounds to tackle housing shortages, is a good example of cross boundary working and local decision taking.
- The re-classification of capital expenditure on housing as infrastructure spending, removing it from the Public Sector Borrowing Requirement and potentially increasing investment available from public institutions and local authorities.



Priority two

Investing in our housing assets through consistent incentives for retrofitting energy measures

The market for improving the energy efficiency of the UK's homes is in decline despite there being an ever greater need. Fuel Poverty is increasing with more and more households struggling to heat their homes. Homes count for 27% of all the UK's carbon omissions and this figure needs to be drastically reduced to meet our 80% carbon reduction targets by 2050 enshrined in the 2008 Climate Change Act.

However, recent and sudden policy changes in energy obligations have had a significant negative impact on the supply chain, from landlords through manufacturers, installers and support services.

The need remains but why is it that we are not able to progress? We believe there are four key areas that policy must address:

- **Volume** – the market is still too small, with fewer than 2,000 Green Deals signed since its launch. This prevents the investment in innovation and skills necessary to develop a competitive and vibrant retrofit market. Policies should be designed to enable social landlords, who represent 4.5 million households, to be earlier adopters. As it is, they have been shut out of the Green Deal.
- **Simplicity** – many of the current policy and funding initiatives are too complex. The Green Deal and Renewable Heat Incentive need to be simplified to ensure they can be easily understood by customer and supply chains.

- **Consistency** – the boom-bust, reactive approach to policy has eroded the confidence necessary for landlords and supply chains to commit to long term investment. The changes in Energy Company Obligations and feed-in tariffs have had a significant negative impact. Policy must set out clearly long-term targets, priorities and, above all, funding for energy efficiency improvements. Social landlords should have the flexibility to fix rents to the energy efficiency of homes and redistribute revenues to invest in poor performing existing homes. Only then is confidence likely to return.

- **Engagement** – one of the biggest barriers to the take up of energy efficiency improvement is the lack of engagement by society in the key drivers for improving the performance of their homes. More must be done to engage households in the value of improving their homes and the saving that can be achieved by changing the way we heat our homes. The Housing Forum is actively promoting Home Performance Labelling as a demonstration of how this can be achieved.

Priority three

Smarter supply through investment in training and resources

A strong and resilient supply chain is a key part of the Government's Construction Strategy: as we said earlier, we need to almost double the current output of 130,000 homes per year, to the 250,000 homes needed, match supply to demand and achieve a functioning housing supply system. But as it is, the current level of house building is now close to the industry's maximum output capacity with fears that the growth in house building could be curtailed by lack of trained people.

FUEL POVERTY IS INCREASING WITH HOUSEHOLDS STRUGGLING TO HEAT THEIR HOMES. HOMES COUNT FOR 27% OF ALL THE UK'S CARBON OMISSIONS...THIS FIGURE NEEDS TO BE DRASTICALLY REDUCED TO MEET OUR 80% CARBON REDUCTION TARGETS BY 2050



The Construction Industry Training Board (CITB) estimates that 182,000 new people will need to be brought into the sector in the next five years to fill new jobs and replace an ageing workforce. Yet in 2013, only 7,000 people completed an apprenticeship in England. And in a recent survey of construction companies, the UKCES' Employer Skills Survey for 2013 observes that, 39% of employers had tried to recruit skilled labour in 2013/14 compared with 26% in 2011. Of these, 36% had recruitment difficulty compared with 21% who had difficulty in 2011.

If we are to increase output then we need significant investment in almost every aspect of skills development from more traditional craft-based skills to more advanced factory based production systems. We are pleased that these ambitions form part of the Government's Construction Strategy which emphasises the need to invest in smart construction and digital design.

Like the Construction Strategy, The Housing Forum firmly believes that increasing capacity will be helped by the application of new techniques of modelling residential development including the use of Building Information Modelling (BIM) and financial appraisal tools; and information for consumers will be improved by the development of home energy labelling system.

To make this possible, The Housing Forum is promoting the development of new skills across the board: in financial modelling, utilising new technologies, new customer focused skills, new client relationship skills and new project management skills, but this will need concerted effort with Government and the private sector coming together. Industry and Government have made a good start with their commitment to the BIM programme, but industry and Government must work with skills bodies to ensure that capability and capacity issues in construction are addressed in a strategic manner.

We know that the industry itself must rise to the challenge, but we need support from Government and the Construction Industry Training Board to help drive the agenda and make training as attractive as possible. It is essential that industry and government come together to put together a plan that will create strong and sustainable supply chains. This will be through:

- The simplification of apprenticeship funding and more targeted training programmes which meet employers changing needs. We agree with the actions in the 2025 strategy which sets out the need to look at how apprenticeships can be made more flexible and an industry review of the current skills and capability delivery mechanisms.
- The housing industry doing more and at a high level to promote the value and quality of housing construction as a career. This will include clear routes of entry and clear career progression pathways.

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www.housingforum.org.uk



DELIVERY **DEFICIT** **SOLUTION**
BETTER HOMES
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COLLABORATION
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FUEL POVERTY
CARBON REDUCTION

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