So who hasn’t heard there is a housing crisis in the UK? Those of us working in the residential sector are acutely aware, not least because our desks are bowing from the weight of the many papers, commentator theories and draft or existing policies detailing the reasons for the problem and the latest ideas and potential solutions to help resolve it.

This is one problem, however, that is not reliant on industry experts’ interest to retain its profile. Rather, it is something that affects every single one of us. Whether you’re a ‘baby boomer’ enjoying property ownership wealth, or from modern day’s ‘generation rent’ and suffering from being locked out of home ownership, each one of us is aware of the limitations on our housing options.

The UK is simply not producing enough new housing, either in number or tenure type, to meet the demands of a growing and ageing population.

Current outputs are broadly half of what is needed to keep up with household formation and demographic and migration challenges. Furthermore what is being delivered is largely of one type – homes for sale, which is the tenure of choice for the UK (upheld by all main political parties, not least because of its positive impact on the economy). However, this form of tenure brings with it huge affordability challenges and is not accessible to a large proportion of society. After all, the availability and affordability of housing is a vital foundation of the country’s dynamic and sustainable economy and has a very real impact on the UK’s regional and international competitiveness.

The availability and affordability of housing is a vital foundation of the country’s dynamic and sustainable economy and has a very real impact on the UK’s regional and international competitiveness.

Meanwhile, private housebuilders are able to manage the supply of new homes into the market to optimise house prices for greatest return, whilst the lack of capacity in the house building industry makes the physical ability to achieve the required output levels hard to imagine. The overall result is mass under-supply of a diverse range of alternative tenures, including private housing to rent and a range of affordable homes.

The issue is now deemed a crisis and there is considerable political will to resolve it. But with wider fiscal challenges, the Government does not have the public money to throw at it. Indeed the housing crisis is already costing the taxpayer too much, not least due to the rising and unsustainable Housing Benefit bill.

The issues relating to this lack of supply are multi-faceted and highly complex but the impact on society and the economy means it is time to THINK BIG!
The Declining Social Rented Sector

- 1991: 4.4 million households
- 2010: 4 million households
- 2013: 3.7 million households

*Average weekly private rents in London were consistently higher than outside London from 2008 to 2014.*

- The fall in owner occupiers coincided with a rise in privately rented households. Throughout the 1980s and 1990s, the proportion of private rented households stayed steady at around 10% of the market. However, the sector has undergone sharp growth since the early 2000s and nearly doubled in size by 2012-13, with 18% of households now living in the private rented sector.

- Between 1939 and 1953 an additional 1.3 million homes were added to the social housing stock, with a further 1 million by 1961.

- Wages grew faster than house prices making owner occupation more affordable.

- Large-scale voluntary transfer introduced, enabling local authorities to transfer the ownership and management of the council homes to housing associations.

- The Government encouraged home ownership for those who traditionally rented.

- From 1971, home ownership has been the prevailing tenure type for households in England.

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- Average weekly private rents in London were consistently higher than outside London from 2008 to 2014.

- The 2008 recession caused a decline in mortgage lending, despite many areas seeing a dip in house prices and historically low interest rates.

- Young households aged 25-34 were more likely to be renting privately than buying their own home.

- Almost double the amount of working households received housing benefit in 2010.

- The number of owner occupiers reached its lowest level since 1986 (14.3 million).

- The Government encouraged home ownership for those who traditionally rented.

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- Average weekly private rents in London were consistently higher than outside London from 2008 to 2014.
The timeline to the left shows the history of housing delivery and tenure trends, and highlights the factors that have made owner occupation the tenure of choice in the UK, taking over from a wartime dominance of private rented housing. It also shows how three broad tenure options have interplayed during economic cycles and times of supply constraint.

The diagram shows the housing output produced in each delivery sector over the last 100 years and the corresponding borrowing, debt and GDP figures for delivery peaks from the public sector. This gives a picture of how these producers of housing have responded through economic cycles and demonstrates the cyclical nature of housing supply. There appears to be little consistency in output, which in itself compounds economic impact through variability in house price inflation. Public sector output has contributed well during modest Public Sector Borrowing Requirement (PSBR) borrowing, but has, unsurprisingly, drastically dropped off as borrowing has increased to unsustainable levels. The shortage in new supply of more affordable housing has in turn impacted on the trends in housing on the previous page, for example, private rented sector adoption has risen during periods of limited affordable housing options.

**Housing Supply Outputs**

The diagram shows the housing output produced in each delivery sector over the last 100 years and the corresponding borrowing, debt and GDP figures for delivery peaks from the public sector. This gives a picture of how these producers of housing have responded through economic cycles and demonstrates the cyclical nature of housing supply. There appears to be little consistency in output, which in itself compounds economic impact through variability in house price inflation. Public sector output has contributed well during modest Public Sector Borrowing Requirement (PSBR) borrowing, but has, unsurprisingly, drastically dropped off as borrowing has increased to unsustainable levels. The shortage in new supply of more affordable housing has in turn impacted on the trends in housing on the previous page, for example, private rented sector adoption has risen during periods of limited affordable housing options.

**Table: Borrowing & Debt Figures**

<table>
<thead>
<tr>
<th>Year</th>
<th>Borrowing £ billion</th>
<th>Debt £ billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946/47</td>
<td>0.6</td>
<td>64.7</td>
</tr>
<tr>
<td>1950/51</td>
<td>-0.5</td>
<td>113.8</td>
</tr>
<tr>
<td>1967/68</td>
<td>1.6 (4.9% GDP)</td>
<td>115.5</td>
</tr>
<tr>
<td>1975/76</td>
<td>3.7 (6.1% GDP)</td>
<td>11.5</td>
</tr>
<tr>
<td>1980/81</td>
<td>11.5 (4.8% GDP)</td>
<td>8.5</td>
</tr>
<tr>
<td>1982/83</td>
<td>9.4 (2.8% GDP)</td>
<td>40.8</td>
</tr>
<tr>
<td>2007/08</td>
<td>153.5 (43.9% GDP)</td>
<td>558.2</td>
</tr>
<tr>
<td>2009/10</td>
<td>88 (27.4% GDP)</td>
<td>956.4</td>
</tr>
<tr>
<td>2014/15</td>
<td>69.5 (2.7% GDP)</td>
<td>1,486</td>
</tr>
<tr>
<td>2015/16</td>
<td>1,532 (80.3% GDP)</td>
<td></td>
</tr>
</tbody>
</table>

**References:** DCLG Live Tables on Dwelling Stock (Table 102 Dwelling Stock: by tenure, Great Britain); Borrowing & Debt Figures: ONS Public Sector Borrowing Requirement, 2015/16.
By looking more closely at delivery and tenure type targeted each year, we see that actual delivery has fallen way short. This creates not only a crisis in housing availability but also in housing choice. In England the picture looks like this:

- **Market Housing**
- **Social Rented Housing**
- **Intermediate Housing**

### Solving the Housing Crisis

In 2014, England achieved only 47% of required additional housing and only 43% of affordable housing for both social rent and intermediate form.

In trying to understand this, it is not necessary to look too far back, only to when the housing market suffered understandable distress following the international banking crisis. The interventions of subsequent government initiatives resulted in a better balance of targeted tenure types being delivered. However, overall supply significantly underperformed against actual need.

### Housing Supply and Demand

There have been varying estimates of housing need in recent years, with decades of housing completions in the UK not having kept pace.

- **2011**: The Institute of Public Policy Research estimated that by 2025, 3.3 – 4.5 million additional households would be formed and, without a change in building patterns, demand would outstrip supply by 750,000 homes.

- **2012**: The Future Homes Commission stated that around 300,000 new homes should be built each year to keep pace with demand.

- **2013**: The Town and Country Planning Association projected that household numbers would reach 26.3 million by 2031 and that 245,000 additional new homes would be required each year to meet the newly arising demand (but not to address the backlog).

- **2014**: Shelter projected that 240,000 new homes per annum were needed in England alone.

### Government Housing Supply Target and Tenure Demand in 2007

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>Target</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Housing</td>
<td>45,000</td>
<td>170,000</td>
</tr>
<tr>
<td>Social Rented Housing</td>
<td>25,000</td>
<td></td>
</tr>
<tr>
<td>Intermediate Housing</td>
<td>20,000</td>
<td></td>
</tr>
</tbody>
</table>

In 2007, the Government set a target for additional homes of 240,000 a year by 2016 with 70,000 affordable homes a year by 2010/11 (parliament.uk).

### Actual Housing Delivery in 2006/07

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Housing</td>
<td>24,670</td>
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<tr>
<td>Social Rented Housing</td>
<td>19,630</td>
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<tr>
<td>Intermediate Housing</td>
<td>123,380</td>
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</tbody>
</table>

Delivery closely mirrored proportions of tenure targeted, but fell 72,000 homes short (gov.uk statistics).

### Government Housing Supply Target and Tenure Demand in 2014

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>Target</th>
<th>Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Housing</td>
<td>72,000</td>
<td>120,000</td>
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<tr>
<td>Social Rented Housing</td>
<td>48,000</td>
<td></td>
</tr>
<tr>
<td>Intermediate Housing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In 2014, Shelter researched and published ‘In the mix: the need for diverse supply of new homes’ which stated that of the 240,000 homes needed annually, half needed to be market housing, 20% intermediate housing and 30% social rented housing.

### Actual Housing Delivery in 2014

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Housing</td>
<td>31,950</td>
</tr>
<tr>
<td>Social Rented Housing</td>
<td>69,530</td>
</tr>
<tr>
<td>Intermediate Housing</td>
<td>10,920</td>
</tr>
</tbody>
</table>

Only 112,400 new homes were delivered in 2013/14 (gov.uk statistics), a shortfall of 127,400 against annualised need figures. No segment target was met.

Market housing accounted for 62% rather than the 50% share suggested by Shelter’s needs analysis.

### Overall Housing Need and Tenure Demand in 2011/12

<table>
<thead>
<tr>
<th>Tenure Type</th>
<th>Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Housing</td>
<td>170,510</td>
</tr>
<tr>
<td>Social Rented Housing</td>
<td>60,390</td>
</tr>
<tr>
<td>Intermediate Housing</td>
<td>37,680</td>
</tr>
</tbody>
</table>

There was a shortfall of 121,000 units, but a higher proportion of social rented and intermediate than targeted (gov.uk statistics).
In reviewing housing trends and cyclical supply outputs of the last 100 years, no intervention has created sustained supply year in, year out nor sustainable impact therefrom. The housing delivered versus the housing need has equally confirmed the crisis in housing choice. We need the housing market to become more sustainable and to provide long-term economic advantages to the UK’s prosperity, whilst achieving a shift in tenure mix and housing choice aligned more accurately to housing need and demand.

1 Develop new ways of funding affordable housing solutions for sale and rent to develop at scale

The new supply delivered each year, largely by the private sector, does not meet actual housing need. Housing for outright sale is seen to provide the best of all returns and is therefore favoured by housebuilders with shareholders to satisfy. Housing associations, similarly, have adopted it for large proportions of their development portfolios, using the profits to plug the ever-widening subsidy gap and make the provision of affordable housing viable.

We need new ways of funding and incentivising the sustainable development of more affordable housing solutions for sale and rent to develop at scale. This in turn will help provide an environment conducive to greater institutional/pension fund investment.

2 Create a housing market with a greater diversity of provider type

Housing supply outputs are disproportionately reliant on private sector housebuilders, who in turn, manage the flow of supply into the market to maximise returns to their shareholders. Housing associations provide more affordable housing options but largely require government capital grants or routes to revenue subsidy (affordable rent) to deliver at scale. Where this kind of capital or revenue subsidy is unavailable or insufficient, associations typically seek to adopt housebuilder measures in elements of their development portfolios to create profits to reinvest in new supply.

Furthermore, measures in the 2015 Budget have created more pressure for housing associations to overhaul their business models and drive efficiencies. The introduction of a 1% rent reduction for the next four years has wiped an estimated £4.4 billion from the sector’s financial capacity (housing associations and local authorities). We need to create a housing market with greater diversity in provider type, giving no one type the power to unduly control supply and influence house price inflation. A more diverse group of providers needs to develop a balance of housing stock to meet actual demand, with affordable options for all generations.

The existing private sector, including housing associations, needs to scale up its supply, whilst new entrants need to find ways to deliver without capital or revenue subsidy, together addressing the supply demands until the housing crisis is solved.
3 Make affordable housing viable without a government-backed grant, and turn the use of public assets into a financial investment for the Treasury. The UK deficit is at an all-time high and pressure remains to minimise public sector borrowing. There is clearly no public money to throw at this problem; the days of government-backed grant programmes supporting affordable housing development are limited, whilst the 2015 Budget dealt providers a revenue blow in terms of capping welfare payments and reducing social housing rents.

We need to create a housing market with greater diversity in provider type, giving no one type the power to control supply and influence house price inflation.

4 Help to address the rising Housing Benefit bill. The Housing Benefit bill is rising unsustainably. Aside from the 2015 Budget’s measures to reduce rents across social housing for the next four years, there is no sign of the private sector being able to provide enough social rented housing at scale to make a long-term impact on this problem.

We need to make affordable housing viable without a government-backed capital grant. Indeed grant support for this affordable housing has now reached in excess of £43.5 billion (according to the Global Accounts for Registered Providers 2014) in return for 2.6 million social homes in management. We need to find a way to turn the use of public assets into a financial investment for the Treasury in return for creating greater, cashable returns to the taxpayer in the medium to long-term. Making assets such as publically owned land perform financially in this way is an opportunity to introduce a powerful multiplier effect which would help pay down the deficit.

5 Identify ways to meet housing demand whilst adding £2.84 for every £1 spent on housing construction. Housing delivery typically provides a 2.84 multiplier on GDP (Construction in the UK economy – the benefits of investment, October 2009). GDP growth helps the UK to pay down the deficit, whilst underpinning the country’s economic prosperity and sustainability.

Finding a way to meet housing demand in England for 240,000 new homes a year would add £2.84 for every £1 spent on construction, whilst giving £0.56 back to the Treasury in associated taxes:
- £1 on construction related wages
- £1.09 indirect expenditure
- £0.75 expenditure on increased household income.

This spend on housing influences the economic competitiveness of regions and localities places in which the housing is delivered.

6 Incentive production of homes for rented tenures. In seeking greater diversity in what is actually delivered, it needs to be recognised that the development playing field is not level for those building to sell versus those building to rent. This is one reason why the Government is set to miss its target of having helped start 10,000 new build-to-rent homes through a £1 billion fund launched two years ago.

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7 Substantially increase a diverse supply of housing into the marketplace and improve control of house price inflation. Peaks and troughs in housing supply contribute to volatility in house price inflation and ultimately housing market booms and busts. These in turn trigger unemployment and lower GDP, impacting the country’s economy for years, as we saw in the 2007/08 property crash.

Building to sell confers a distinct advantage. Housebuilders have the opportunity to achieve best value on residual land when they purchase and are also more likely to get planning permission because they can demonstrate the viability of the development.

In order to address this, we need to:
- Find measures that level the playing field, which in turn incentivise investors and developers to produce homes for rented tenures
- Make sure that Section 106 (106) for affordable housing provision is delivered on all sites, in and outside London, making all land owners, both public and private, deliver consistently on such obligations
- Make sure local planning authorities exert their powers to bring forward and enable land in their local plans for tenures other than outright sale – using the rental covenant for example.

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House building is at an historic low and this has been a long-term declining trend. To reach 240,000 in England alone, house building numbers need to rise to circa 100% to miss its target of having helped start 10,000 new build-to-rent homes through a £1 billion fund launched two years ago.

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8 Develop capacity building to create a long-term pipeline of output using modern methods of construction.

As we reported in our most recent paper, ‘People and Money – Fundamental to Solving the Housing Crisis’, the country’s capacity to build is constrained and in a crisis of its own. House building is at an historic low and this has been a long-term declining trend. To reach 240,000 new homes in England alone, house building numbers need to rise to circa 100%. Putting this into perspective – numbers grew from 2001 to 2007 by 36%, adding a further 47,000 new homes per annum. Between 1958 and 1968 there was an increase of 53%, representing 121,000 new homes per annum. So boosting the industry to quickly provide an additional 120,000 homes a year is a huge ask.

The output base we have today is similar to that of between 2001 and 2007 and it took no less than six years to achieve less than half of what we need today. This was achieved within a favourable economic environment and, importantly, from a labour market perspective, also supported by a large influx of migrant workers. These workers helped to reduce the high and increasing constraint on production from skills shortages in the late 1990s and early 2000s.

Whatever the intervention, we must find a solution which is given time to create sustainable outputs and is underpinned with capacity building for a long-term pipeline of output including skills/human capacity, building materials and technical solutions such as modern methods of construction, which drastically reduce construction times.

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Implement ‘housing for sale’ as a route to making profits to subsidise affordable housing provision

Home ownership is the UK’s housing tenure of choice and is backed wholeheartedly by all main political parties as it creates many advantages at a macro-economic level.

Despite the challenge of the lack of diversity in tenure, embracing housing for sale on a greater scale is part of the answer to solving it financially. Housing for sale of all types creates an element of profit for the developer. These profits can be recycled to mitigate the need for government-backed subsidy.

Sustain purchaser appetite

With house price inflation far outstripping that of wages, the UK tenure of choice needs both sustainable support at the point of purchase and a stable economic environment to remain affordable throughout ownership.

The Elphicke-House Report summarises the emerging innovation and appetite from many councils leveraging these powers.

We need to consider how this can be scaled up and public direct delivery made part of the supply challenge solution.

Adopt a devolved or devolving structure for delivery which generates greater advantage for local citizens

The devolution agenda is changing the public sector landscape, with Greater London Authority (GLA) and Manchester already having control of their budgets and policy design for housing supply.

Exploring how devolved structures, including Local Enterprise Partnerships, can best serve a considerable increase in housing outputs and generate greater advantage for citizens locally must be considered. The solution needs to deliver an implementable blueprint, providing consistency of delivery, which in turn will give the market a consistent pattern of play and encourage investor confidence.

Leverage further the public sector’s response to embracing direct delivery of housing

Since the advent of the Localism Act 2011, which introduced refinancing rules and greater operating freedoms, we have seen local authorities seek to directly deliver new housing.

Find innovative ways to use land that create investment returns to the taxpayer

There is a long-standing issue of land availability, accessibility and affordability. We need greater visibility of public land ownership and innovative ways of using it which control its sale value whilst creating ‘investment’ returns to the taxpayer.

There should also be greater incentives for private land owners to release their land rather than speculating on house price inflation to generate greater returns.

The Government Property Unit’s work over recent years and its One Public Estate strategy will clearly underpin the collaboration needed here. Meanwhile, the GLA has commissioned a database of surplus public brownfield land in London to be ready by the end of 2015. Likewise a new Greater Manchester Land Commission will be created to build a database of public land across Greater Manchester and identify land that can be used for housing.

A devolution agenda is changing the landscape of housing supply.

Embrace the Government’s planning reform announcements

Despite the intended brevity and simplicity of the National Planning Policy Framework, introduced in 2011, aimed at putting places and people at the heart of the planning system, there are mixed reactions from planning professionals as to whether the provisions within it are working successfully to boost housing supply.

Reforms aimed at making the planning system quicker and simpler to use are high on the Government’s agenda. The July 2015 Productivity Plan, ‘Fixing the foundations: creating a more prosperous nation’, contained a number of proposed planning reforms, including:

- intervention by the Secretary of State over the production of local plans where local authorities are judged to be too slow
- a zonal system for brownfield land creating automatic permission for housing
- a tighter planning performance regime designed to encourage faster planning application processing times
- new legislation to allow major infrastructure projects with ‘an element’ of housing to be considered as part of the Planning Act 2008 development consent regime.

We need to embrace the Government’s planning reform announcements, in addition to the acts that seek to support custom/self-building and build-to-rent whilst seeking to level the playing field through a more standard approach to delivering diversity in housing tenure.

With house price inflation far outstripping that of wages, the UK tenure of choice needs both sustainable support at the point of purchase and a stable economic environment to remain affordable throughout ownership.
SOLVING THE HOUSING CRISIS

THE BIG IDEA
THE BIG IDEA

A multifaceted solution is required – it is time to implement big thinking! THE BIG IDEA uses four pillars of transformation which seek to increase housing supply to at least 240,000 per year in England over a sustained period of time, whilst providing:

- the diverse range of tenures needed
- investment returns to the taxpayer
- a platform of opportunity to address skills shortages and provide employment
- considerable simultaneous growth opportunity for the private sector
- powerful productivity outputs for the Treasury.

THE BIG IDEA starts with the creation of a National Housing Service which will:

- be in control of strategy and provide the mandate for direct public delivery of housing of all tenures at scale (target 65,000 per annum)
- deliver locally within devolved or devolving regional structures
- deliver for a sustained period (30 years plus) to catch up with demand forecasts
- adopt profits from housing for sale tenures and revenue streams from rental homes to support cash flow in the financial model
- be the developer/contractor but not the housing manager
- take up to two parliamentary cycles to mobilise a sustainable model
- seek first call on public land suitable for residential development and purchase under a delayed payment mechanism
- be self-sustaining by adopting a delivery model that does not require any grant funding or any draw upon the PSBR
- use private finance for cash flow, as required, through non-PSBR arrangements
- optimise affordable housing delivery whilst providing a clear pathway for customers from social rent into forms of home ownership
- sell portfolios of National Housing Service rental stock through the term to institutional investors (based upon maintaining tenure type) to pay back public land value with value appreciation
- use surplus cash to repay initial ‘set up’ costs in the early years of development
- buy private land once public reserves are depleted.

Ensure that new supply from the private sector (including housing associations) is sustained and increased year-on-year through sharing elements of the National Housing Service’s supporting infrastructure

Ensure that government-backed home ownership incentives remain and are added to for a sustained period of time, spanning parliamentary terms.

Build capacity to deliver by providing the private sector with incentives to increase volumes and innovate
The critical success factors for implementing the four pillars of transformation:

- Use the scale of delivery of housing of all tenure types to provide a highly attractive investment portfolio pipeline for institutional investors/pension funds.
- Make the National Housing Service politically neutral, spanning parliamentary terms.
- Develop a build-to-rent (of all affordability levels) planning toolkit which seeks to exit to future investors in a sustainable private rented sector market place, whilst levelling the playing field with build-to-sell.
- Ensure that the National Housing Service’s remit complements and aligns with the Government Property Unit (GPU) and the activity that it is leading, as it will increasingly shape the public sector footprint and, by extension, the surplus in the public estate.
- Close alignment between the GPU and the National Housing Service, focusing particularly on the former’s ‘Hubs’ strategy and its ‘One Public Estate’ programme will be paramount, whilst connecting to sub-regional and local agendas on public assets.
- Apply demographic trend modelling using the Strategic Housing Market Assessment data to financially model how to meet need whilst joining up thinking with the Department of Health for adult social care.
- No adoption of affordable rent, only provision of social rent.
- Use the Home and Communities Agency (HCA) frameworks to procure Official Journal of the European Union (OJEU) compliant construction partners and professional services.
- Introduce effective purchaser incentives (ideally investment-based ones), applying new initiatives as required to meet evolving market dynamics, as greater supply hits the market from the National Housing Service and private sector.
- Optimise self-build/custom-build (and use of local development orders) as a major contributor to skills development and delivery to achieve 100% affordable housing schemes by virtue of the delivery mechanism. Self-builders save circa 20% compared to purchasing fully completed homes direct from housebuilders.
- Build for outright sale, market rent and as much social rent as is viable in addition to mandatory compliance with standardised s106 provision.
- HCA to continue to protect social housing assets which are supported by grant through regulation.
- Use housing associations and local authorities with stock to manage the social rented units and specialist private rented sector managers for build-to-rent. This will provide existing landlords with an opportunity to become more efficient through greater scale, thereby freeing up resources for further supply.
- Pay all planning obligations in full, for example, s106 and Community Infrastructure Levy (CIL) provisions for infrastructure supporting the wider agenda of placemaking with housing growth at scale. This is to support the delivery of economic and social infrastructure in each locality.
- Apply a planning strategy that standardises s106 for affordable housing provision including the legal agreements, across the board (public and private) – 35% in London and 25% in the rest of England – and make compliance mandatory.
- Apply ‘Right-to-Buy’ to all housing provided but apply a 20% discount (rather than the current 30%), after three continuous years of tenancy. The 20% will level the playing field with all other forms of intermediate housing for sale. All proceeds to fund new National Housing Service supply.
- Sustain the National Affordable Housing Programme (NAHP) to support the private sector and use HCA to administer it.
- Turn the NAHP into credits per unit for solutions using modern methods of construction (MMC), providing the order book to underpin capacity building investment.
- Leverage HCA/devolved land commissions to support the assembly of a public land portfolio, including provision above new public infrastructure of 5000 hectares, whilst recognising that the faster public services reform efficiency wise, the faster sites will come forward for re-purposing.
**THE STEPS TO IMPLEMENTATION**

1. **Set up a National Housing Service to deliver housing of all tenure types at scale**
   - Take a phased approach with a financial road map to prove viability.
   - Set up regional delivery teams and define the terms of reference for regional boards.
   - Establish a National Housing Service delivery agency in addition to HCA.
   - Regional direct delivery vehicle (contractor) in set up phase.

2. **Build capacity to deliver**
   - Use National Affordable Housing Programme to provide 'credits' in MMC factories to underpin private sector demand.
   - Use National Affordable housing visas.
   - Target training work streams to supply and regional centers of excellence and factories for MMC systems set up.
   - Private sector must supply and regional centers of excellence and factories for MMC systems set up.
   - Set up specialist self-build/custom-build academy.
   - Private sector must target up to 20% discount – receipts recycled into new development.

3. **Sustain private house building**
   - Simplify S106 for affordable housing provision (35% within London and 25% rest of England) and standardise S106 agreement wording.
   - Develop a build-to-rent toolkit with financial support measures.
   - Strategic land team set up to acquire and incentivise the land for long-term rental.

4. **Incentivise tenure of choice to sustain demand**
   - Sustain all current deposit support schemes such as Help to Buy and incentivise the market by providing Stamp Duty relief.
   - Sustain all current deposit support schemes to support long-term rental.
   - Offsite/preabate setup and delivery paths flow.

**FOUR PILLARS OF TRANSFORMATION**

**OUTPUT**
- Year 5 – 15,000
- Year 6 – 23,000
- Year 7 – 30,000
- Year 8 – 37,000
- Year 9 – 45,000
- Year 10 – 52,000
- Year 11 – 57,000
- Year 12 – 62,000
- Year 13 output reaches target of 65,000 new homes per annum.

**TWO PARLIAMENTARY CYCLES TO SET UP FOR SUSTAINABLE SUCCESS**

- **Year 5 – 15,000**
- **Year 6 – 23,000**
- **Year 7 – 30,000**
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First repayments made to Treasury for public land.
Second repayments made to Treasury for public land.
Third repayments made to Treasury for public land.

**‘Right-to-Buy’ sales with 20% discount – receipts recycled into new development**
- Use National Affordable Housing Programme to provide ‘credits’ in MMC factories to underpin private sector demand.
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**TWO PARLIAMENTARY CYCLES TO SET UP FOR SUSTAINABLE SUCCESS**

- **Initial 30-year financial plan and financial model to prove viability with pump-priming sources**
- Procurement for delivery (including MMC strategy) commences in priority areas with greatest need using HCA’s professional and development services panels.
- National Housing Service’s brand as housing for sale provider building.
- Managing agents procured and in place reporting into regional boards. National Housing Service sales teams recruited and mobilised regionally.
- Strategic land team set up to acquire and incentivise the land for long-term rental.

**THE STEPS TO IMPLEMENTATION**

- **Regional direct delivery vehicle (contractor) in set up phase.**
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**FIRST PARLIAMENTARY CYCLE**

- **Year 1 – 6,500**
- **Year 2 – 10,000**
- **Year 3 – 15,000**

**SECOND PARLIAMENTARY CYCLE**

- **Year 4 – 17,500**
- **Year 5 – 23,000**
- **Year 6 – 23,000**
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THE STEPS TO IMPLEMENTATION

The diagram to the left outlines the implementation stages required to set up and deliver THE BIG IDEA over an initial 30-year timeline. The steps for setting up a National Housing Service have been finanacially modelled to establish proof of concept.

THE BIG RESULTS

In the first 30 years, the National Housing Service would be capable of delivering:

1,499,000 new mixed-tenure homes

Larger and more sustainable self-build market developed and underpinned by National Housing Service plot supply opportunities

193,000 new build-to-rent homes, let at market rents

£1.307 trillion

Significant GDP impacts resulting from overall construction spend over 30 years x 2.84 multiplier effect = £1.307 trillion

£20 billion

All CIL and s106 supporting infrastructure paid in full – circa £20 billion

Compelling route for local authorities discharging their responsibilities for greater housing provision in strategic enabling, planning and landlord efficiency terms

1,499,000 new mixed-tenure homes

Larger and more sustainable self-build market developed and underpinned by National Housing Service plot supply opportunities

97,500 new jobs

Skills and capacity built by creating 97,500 new jobs by leveraging trajectory of sustainable supply. Capacity building through the provision of 80,000 new trainee placements

Concept of ‘Right-to-Buy’ fully supported and delivered throughout but with discounts comparable to other intermediate forms of housing at 20%

Overall housing outputs increased over first 10 delivery years and then sustained at 85,000 per annum with ability to increase labour and material capacity (being mindful of success of private sector delivery being equally as important)

Major opportunity afforded to housing associations and local authority landlords to become more efficient through greater scale

Sustainable vehicle for delivery developed (demonstrated through confidence generated in the marketplace as a result of consistency of application across devolved regional structures), with the ability to continue beyond 30 years

SOLVING THE HOUSING CRISIS

Better health and education outcomes through tenure diversity and impact on placemaking agenda via large-scale investment in social and economic infrastructure

Reduced homelessness

More attractive regions for external investment with housing being more affordable and high quality

Combined annual housing supply outputs of circa 240,000 and beyond

Reduced and stabilised Housing Benefit bill

More stable house price inflation with less chance of boom and bust

MMC supply set up, stabilised and in growth mode

More stable rents through greater supply competition

All with:

- no public subsidy required
- no affordable rent provided – only social rent
- £2.9 billion cash reserve after 30 years and when all land paid for
- enhanced deferred land payments generated to benefit taxpayer worth £38 billion (enhancement of £22.2 billion from purchase date)
- no public borrowing used for cash flow
- volume of rental property delivered – prime for institutional investment
- 57% more social rent delivered on top of s106 obligations

Win-win outcomes for central and local government.

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Compelling route for local authorities discharging their responsibilities for greater housing provision in strategic enabling, planning and landlord efficiency terms

Within 30 years, as a combined effort, the private sector and National Housing Service will have the potential to provide:

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THE RESULTING OPERATING ENVIRONMENT

There would be a significant difference between the current operating environment and the environment as a result of implementing **THE BIG IDEA:**

**CURRENT**

- **Owner occupation**
  - UK’s tenure of choice: Affordable and accessible
  - UK’s tenure of choice (with policies in place to support it). Trends show significant barriers to entry exist

- **GDP**
  - UK deficit at an all-time high – house building outputs suboptimal for GDP well-being

- **Delivery of housing**
  - Not meeting output targets in volume or tenure diversity

- **Skills and capacity**
  - Major shortage in skills capacity to meet annual housing target

- **House prices**
  - Restored to pre-crash levels and rising

- **Housing Benefit bill**
  - At record high

- **UK economy**
  - Still in recovery with austerity measures still in place for local government

**RESULTING OPERATING ENVIRONMENT**

- **Owner occupation**
  - UK’s tenure of choice

- **GDP**
  - Improved with routes to deficit pay-down in place and GDP supported significantly by size of house building market

- **Delivery of housing**
  - Building at least 240,000 per annum across all tenures with capacity to build greater volumes if required

- **Skills and capacity**
  - Skills developed and capacity generated to sustain the production of 240,000 new homes a year through traditional and modern methods of construction

- **House prices**
  - Less volatile through greater and more sustained supply

- **Housing Benefit bill**
  - Reduced and stabilised with influx of social rented homes and more people in work

- **Skills and capacity**
  - Skills developed and capacity generated to sustain the production of 240,000 new homes a year through traditional and modern methods of construction

- **UK economy**
  - Public land set to repay £17.8 billion plus an additional £20.2 billion of interest by the end of a 30-year initial period, plus £2.9 billion cash reserve. This provides a significant return on investment, which will help pay down the deficit
THE BIG IDEA – achieving regional, national and international competitiveness by alleviating pressures on housing supply and affordability, providing skills and employment opportunities and delivering compelling levels of economic productivity
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