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TIME TO BUILD

“There will always be problems because we are dealing with people, not things, and the art of housing ... is in tackling problems and solving some of them.”

Irene Barclay (1976).

Introduction

Places for People has a clear aim: to change lives by creating and supporting thriving communities. We see ourselves as a key partner for Government to enhance our already significant contribution. In 2023/24, we completed 784 new affordable homes and started 1,304 more through our Strategic Partnership with Homes England. In 2024/25 and 2025/26 this will result in a further 2,292 homes. Our special blend of skills and resources – such as developing, managing and maintaining homes and communities alongside our health and wellbeing facilities and expertise means we are uniquely placed to make an impact beyond bricks and mortar.

We are open to collaboration and sharing experience to support others – including being a key voice for the sector, working with trade groups to provide feedback on Government policies on behalf of customers. We have responded to over 100 consultations and calls for evidence since 2015. This engagement is set to grow as we deepen our involvement in the policymaking space.

Communities need more and we as a social enterprise must grow our contribution. The worsening housing shortage is forcing many people to live in overpriced, insecure and poor-quality homes. This is compounded by the cost-of-living crisis which leaves people struggling to make ends meet and unable to thrive.

The statistics speak not of an academic or future challenge or problem but an urgent crisis:

The context

- Between 2018–2022, 842,980 homes were built. This was 657,020 homes short of delivery if the housebuilding target of 300,000 homes a year had been met.
- Savills forecasted that new housebuilding will drop to about 160,000 next year and continue that way for most of the 2020s, with the current policy trajectory.
- There are 1.2 million households currently on social housing waiting lists.
- One in six young adults are living in poor quality housing and are unable to get onto the housing ladder.
- 46% of children in larger families (3 children or more) are living in poverty and overcrowded conditions with a lack of larger homes to meet their needs.

Homelessness as growing problem

- 309,000 people in England were experiencing homelessness in December 2023, an increase of 14% from the previous year.
- 109,000 households were in temporary accommodation in September 2023, an increase of over 10% from the previous quarter.
- The situation is worst in London, with 17 households per 1,000 living in temporary accommodation.
- 81% of these households with children were in temporary accommodation through the local authority or housing association, costing councils over £1.74 billion annually.
- London has the highest rate of homelessness, with 1 in 51 people homeless.
- Places for People's property management company, Residential Management Group (RMG), is currently supporting 3,600 families in the London Borough of Westminster.
- We are spending £10,000 each month on hotel accommodation due to a chronic shortage of accommodation.

Disproportionate outcomes for the young

- Children and young people are disproportionately affected by the housing situation and homelessness.
- In 2023, an estimated 5,030 children fell into homelessness, an increase of 10% from 2021.

- The annual cost of youth homelessness is estimated to be £8.5 billion, or £27,347 per individual compared with £20,128 per individual overall cost to homelessness.
- The risk of inter-generational consequences grows every day – we must act faster for those who are particularly vulnerable.

In Places for People, we see first-hand the impact of the cost-of-living crisis, broken housing market and struggling welfare system. Our policies need to transcend political agendas and look at the big picture. The financial cost to the public purse is growing with the annual projected cost of homelessness being at £20,128 per person compared to successful intervention of £1,426. Having a stable, decent home is not only the cornerstone to addressing inequalities and enabling people and communities to thrive. It is sound economic investment for the taxpayer.

As our country has grown richer in recent decades, people have consumed more housing. In parallel, more households have formed and fewer homes than are needed have been built. Factors such as land availability, planning delays, funding gaps and rising construction costs are some of the barriers to delivering much-needed homes. In addition, housing wealth has been lightly taxed, encouraging many who benefited from low interest rates and rapid price rises to remain in family homes in retirement rather than downsize as the benefits and costs to doing so are misaligned.

Demand and supply pressures work in tandem to push up house and rental prices. Despite these challenges, there is great potential for innovative solutions. Our goal is to identify these and accelerate delivery of affordable homes, making them a reality, fast.

Our Offer

The priority is clear – a significant increase in the number of new social and affordable homes. This reduces poverty, increases opportunity and takes the strain off the welfare system. Productivity gains are also to be accrued. Hence, we support calls for a long-term plan for housing to deliver sustainably over the long term. However, it is also important that we act now to address the crisis before a generation misses out on the benefits of a stable home and thriving community.

While commercial housebuilders will flex their housing starts in response to market conditions, they are not incentivised to deliver more homes in any one area where the market is unfavourable or where to do so would push down prices.

To significantly scale up housing delivery and meet housing need, a multi-tenure approach is essential. Housing Associations (HAs) are uniquely placed to utilise existing development teams and access long term capital to deliver across all tenures. Places for People also benefit from economies of scale by providing open market homes, later-living, student accommodation and affordable homes to create thriving, sustainable communities. The chart at Annex A illustrates the increasing contribution of HAs to housing delivery in recent years.

The priority for us is not simply to build more homes, but to make these available for affordable rent. So that more of those in the desperate need can access a home. The finances for this stack up. Up-front costs will be more than offset by future savings from welfare provision and productivity gains.

HAs do face challenges. While stereotyped as sitting on vast reserves, the truth for the sector is very different. In 2016 George Osborne, the then-Chancellor, imposed a rent cut that lasted until 2020. The effect was to reduce investment in our homes. This was compounded by major decisions such as Brexit, which had implications on immigration, the labour market and overall economic performance of the UK. Downstream effects are felt even more today.

In April 2024, the Levelling Up, Housing and Communities Select Committee recognised the serious financial pressure the sector faced. This is corroborated by National Housing Federation (NHF) research which highlights the impact of interest rates and increased costs outpacing rental income – HAs are less able to pay for the new homes they build. Latest Homes England figures reflect how many providers had to reduce building to remain financially afloat. This is unacceptable.

Tackling poverty and responding to the housing crisis is the challenge of our time and we are a vital partner to any future Government committed to tackling it.

Places for People is a member of Homes for the North (H4N), an alliance of 17 of the largest housing associations developing new homes in the North. H4N has set

out a plan to renew those Northern communities most in need of investment, leadership and innovation. It will see HAs play an active role in delivery partnerships that help the North make the most of devolution and deliver results for everyone. H4N proposes to work in partnership with the Government to deliver 43,000 homes across the North and contribute £3.9bn in GDP over the next 10 years. PFP support these proposals and is always open to convening and collaborating with others to deliver the homes our communities need.

We invite a new Government to work with us, other HAs and local authorities to build social housing at scale and significantly increase homes each year. The time to build is now.

Principles for Delivery

Building homes takes time. New towns – from inception through to spades in the ground – take even longer. Since 2000, the sector will have seen 25 Housing Ministers, and a patchwork of reform spanning multiple attempts at long-term and short-term fixes. To plan, design and build at scale and pace, the sector needs clarity and certainty to operate. Therefore, our priority is:

A certain, stable and ambitious delivery framework, with a long-term rent settlement at its core

Places for People support the National Housing Federation's (NHF) proposals for a long-term plan for housing. This covers policy suggestions such as rent, quality of existing homes and investment. We would like to see the new Government quickly to put the components of this in place.

Like the NHF, we focus on planning, land value reforms, long-term financial settlements (i.e. affordable homes programme and the affordable rent settlement). In addition, quality and suitability of existing homes warrants its own review.

The Government's policy on social housing rent increases – i.e. the rent settlement it puts in place – are the basis of the social housing sector's finances. Changes to rent levels affect providers' revenue, business plans and private investment. Less volatility and uncertainty allow for better future planning, reducing capital cost and risk. This makes the sector more attractive for investors.

Hence, changes to rental income must be reasonable and based on a cost-benefit analysis. Reviews to rent policy – such as the cap – must not be delayed as they cause an increased level of uncertainty and create unplanned business changes for the sector. We need more assurance on capital to continue to deliver for customers.

The last settlement applied was for 10 years and for 6 of those the settlement was not applied due to the 1% cuts or the rent cap. The default is Consumer Price Index (CPI) +1%. There is a prevailing assumption that CPI covers the bulk of ongoing operating costs and the 1%, new delivery and other requirements. Restricted rent increases have cost HAs approximately £2.3 billion in lost rental income which could have generated £40-50 billion of new investment.

The next rent settlement should be set for at least ten years and should also be more consistently linked to inflation. In addition, given that less than 5% of homes

in the private rented sector are affordable on housing benefit, we recommend that Government restore local housing allowance rates to cover the cheapest third of rents. This makes even private rents affordable to those on lowest incomes.

Good policies enable the housing sector to properly account for and facilitate growth. Given the urgency of this crisis we would like to see additional steps taken to pick up the pace of house building this year. Places for People could support the Government to deliver more homes if the following were in place:

1. Land for new homes

Research from Savills shows that only 22% of Local Planning Authorities (LPAs) adopted a Local Plan in the last 5 years. Of those without an up-to-date plan, 60% are in the process of adopting one. Without a Local Plan in place, LPAs are subject to speculative applications and are not planning for the growth needed in their areas. Be it through the National Planning Policy Framework or otherwise, we support a more certain policy background. Specific asks are clear housing targets and a requirement for LPAs to develop Local Plans at pace to identify land for new homes, infrastructure and employment. These will be supported by a strengthened presumption in favour of sustainable development.

Public sector agencies and local authorities are sitting on significant land portfolios. Rather than sell this land to the highest bidder while housing providers struggle to compete for land, we welcome the opportunity to form partnerships. This enables the value of land to be released over time. Specifically, through the provision of affordable homes in mixed-tenure developments. Multi tenure developments are crucial to support build out and long-term sustainability of communities. Green belt policy should be reviewed so that low value, low quality land is not preserved at the cost on effective integration of new homes to existing communities. DEFRA and Natural England should be supported to urgently reach a pragmatic solution to nutrient neutrality.

In addition, where it would enable a more ambitious scheme to be realised, we would like to see Homes England and local authorities exercise their Compulsory Purchase Order (CPOs) powers more assertively to enable these to go ahead. Current use of CPOs invites protracted legal challenges. The Government needs to give this system more 'teeth' (i.e. enforceability) if CPOs are to be effective.

2. Planning capacity and capability at the local level

LPAs are critical to the development of affordable housing. However, they are under resourced which hinders growth. Current wait times on the determination of planning applications is a 28-week average. Moreover, our development teams experience ineffective use of Extensions of Time and Planning Performance Agreements. Appeals based on non-determination remain ineffective as the Planning Inspectorate is also under resourced.

Government could take immediate action to:

- Ringfence planning application and Planning Performance Agreement fees.
- Introduce guidance on PPAs and PPA fees.
- Hold Statutory Consultees to account for failure to respond to requests which hold up applications.
- Delegate more decisions on reserved matters for residential schemes.
- Recruit more planners into LPAs. Consultants or overseas planners may need to be utilised in the interim. Longer-term recruitment could be supported by creation of a national 'super squad' to support LPAs with an attractive salary range.
- Better promote planning in local government as a career.
- Promote apprenticeships to fund and skill up future planners.

The above are suggestions to address friction in planning. On that note, new reforms must be balanced with considerations of continuity. Specifically, optimising the existing system remains a key priority for planning certainty. For instance, in the planning domain, existing levers such as local development orders and mayoral development orders could be enhanced. These provide a practical solution and serve as "quick wins" for incoming Government.

In the longer-term, we also hope to see less complexity in the planning system, as there are too many bottlenecks such as LPAs managing regulatory obligations better placed with developers at the stage of building.

3. Investment in infrastructure to facilitate new homes

Significant public and private investment in infrastructure is needed if the UK is to rebalance its economic geography, meet climate obligations, improve resilience and enhance the natural environment. A lack of up-front infrastructure investment

by Government and utility/services companies in strategic growth areas are a barrier to delivery.

Viability issues also need to be overcome. This is exacerbated by the front loading of section 106s and Community Infrastructure Levy requirements sought by LPAs, particularly on sites with expensive up-front infrastructure or remediation requirements.

Operational delays to infrastructure delivery are also an issue. Discussions between LPAs and Highways Authorities regarding section 278 and section 38 agreements are protracted. This arises from the reluctance of Highways Authorities to engage on these documents until consent is granted.

In the longer term we would like to see a national plan for infrastructure informed by investment and value-for-money considerations. This would be supported by a specific plan for new towns, including clarity on what this looks like in Northern areas where regen is an issue. This would include an approach to planning as part of devolution deals and what happens outside these areas. In the short term, we suggest focusing on operational issues and would like to work closely with Homes England to deliver infrastructure around proposed new towns to enable these to progress at pace.

4. Public interest-led collaborations in land assembly, release and development

Currently land, planning and housing institutions are not working collaboratively to progress development, causing substantial delays to delivery. There are some public policy objectives which are a high priority, urgent and strategically important. There are also cases where developments are large scale, complex and transformative. When there is such an overlap, we would support the use of public interest led collaborations to acquire and develop land.

The use of public interest-led development should be selective. Straightforward regular and smaller scale developments should take place in the usual way. Public interest-led development could apply to:

- Strategically important 'economic' sites which may target job growth through inward investment, to create a new economic 'platform' for the city/region, to create a new commercial/distribution hub.

- Urban regeneration sites, that could be mixed use, have complexities that require site assembly and/or ground treatment and infrastructure provision to create new towns or regenerated neighbourhoods.

This integrated approach to development is currently being explored in Sheffield, as we coordinate our work with different sets of stakeholders.

Homes England should be empowered to work robustly with partners and have greater flexibility over funding to deliver more challenging sites. We would welcome the opportunity to work closely with Homes England and a local authority on a specific site to trial this model, building on the development corporation approach.

5. Construction and trade skills

According to the UK Trade Skills Index 2023, the construction and trades industry needs 937,000 new recruits over the next decade – 31,000 in Scotland, including 244,000 qualified apprentices. One of the factors exacerbating the labour shortage is the ageing workforce.

More than 35% of the industry's workforce is aged over 50. This issue has been growing for years and rapid action is now needed including:

- Implementation of a national skills improvement plan - to ensure that national skills priorities and that skills education programmes at national and local government levels are effectively co-ordinated between government and employers.
- Apprenticeship levy currently incentivises employers to offer more expensive higher-level apprenticeships, often to upskill or reskill existing employees and this needs to be adjusted to ensure a greater intake of younger apprentices, especially at level 2. More promotion of these roles in schools is needed, in partnership with business.
- Unleashing the untapped potential of women to enter the sector through support for successful partnerships such as our own with Women in Construction. Currently 2 placements in flight with a further 5 expected in autumn 2024.

Government should consider whether the sector has the incentives and skills to make the most of the opportunity of modular housing. A better assessment is needed of the trade-off of faster delivery with higher costs. Modular housing

could be used as a 'quick fix' to develop high rise, student villages or temporary supported homeless accommodation. It can offer permanent, renewable, carbon friendly homes that will last more than 60 years. Successful schemes have already been observed in Bristol, with two more coming in October 2024 and April 2025. We welcome the opportunity to be a proof point on this.

All of this alongside ensuring we leave none of our existing homes and customers behind

These proposals focus on increasing the supply of homes. We should also not dismiss the contribution of sound policies related to consumption and demand. We recognise the political temptation to obtain quick wins through overpromises surrounding ownership and affordability. Housing demand must not be overstimulated to re-compound the crisis. Prudence and discipline must be exercised in a precarious market.

Moreover, we should not neglect how enhancing existing homes can play a role in contributing to solving the housing crisis. For instance, people should not need to move from where they live unless circumstances dictate. There is need to ensure that existing homes meet the needs of people under these roofs. The NHF has found that at least 8.5 million people in England alone have some form of unmet housing need. Our aspiration is for the UK to have "homes for life" adapted to varied needs. Challenges may come in the form of an ageing population, different family sizes as well as the need to cater for disabilities – to name a few. We should not assume that our current homes are optimally allocated and designed. The impetus to review and enhance our existing housing stock remains as important as building more homes.

More investment and support are needed for initiatives such as retrofitting and improving existing homes. At the same time, it is crucial that households are encouraged to 'right size' to enable efficient use of the housing stock we do have. To better optimise use of our homes more needs to be done to build on successful schemes such as the 'seaside and country homes' initiatives. A radical approach would be to look at the tax system and interactions between stamp duty and capital gains or inheritance tax.

While social housing remains a key lever to address these needs, we also need to review how to reallocate existing stock to ensure that customers have the right type of home. We would also welcome protections for social and affordable housing stock from right to buy and similar initiatives. Whilst we support home ownership, our priority is that people have homes and, therefore, no net losses should be tolerated and any sales should follow delivery of the replacement home.

A call to action

Beyond this paper, other reviews are needed. These have not been mentioned as we wish to keep a tight focus on building. That said, we are encouraged by the direction of travel for policies such as those on rent and homelessness. Given the breadth of work needed, strong prioritisation is key to ensure that nothing falls through the cracks. Specifically, we have identified a series of immediate asks:

- 1) Confirm rent at CPI plus 1%, while the financial settlement between Government and Housing Associations is reviewed.
- 2) Bring forward “wave 3” funding for Homes England Strategic Partners, or extend the current programme for 2 years while the approach to grant is being considered.
- 3) Reverse the National Planning Policy Framework changes that weakened delivery of housing targets in local plans - backed by prioritising investment in local authority planners.
- 4) Confirm support for the principles (but not the implementation approach) of the package of social housing reform already well underway (Awaab’s law, competence and conduct, access to information, decent homes, MEES), or set out that there will be a different direction.

Conclusion

None of the problems we have outlined above will be new or a surprise to those who have followed this issue over many years. And most of the solutions aren’t new either. While we have set out our ideas, we welcome those of others and the opportunity to work together to identify better ones. What must change is a commitment to taking them forward, in some combination, at pace to change the dial for those suffering from homelessness, overcrowding or expensive, insecure accommodation today.

The new Government has a lot on its hands. It must balance between providing stability and change, prudence and boldness, as well as shorter and longer-term priorities. These polarities are also our own. However, one constant that remains is the commitment to our customers and communities.

The time for talking about the issue is over. The time to build is now.

Annex A

