

**THE SECOND REPORT OF THE
RADIX BIG TENT HOUSING COMMISSION**

Foreword by
Alex Notay

Unlocking
the Housing
Ecosystem





Foreword

Housing is one of Britain's gravest social and economic problems. The Radix Big Tent Housing Commission's inaugural report in October 2024 set out innovative and pragmatic solutions for an incoming Government seeking to tackle the 'permacrisis of 40 years' of disparate housing policy interventions.

This independent, multidisciplinary commission set up by the system-change think tank, Radix Big Tent, with the support of law firm Shoosmiths was convened under inaugural Chair Dame Kate Barker and now chaired by Alex Notay. Following its launch a number of specific recommendations were included in the Budget and further recommendations – not least a commitment to reintroduce strategic planning – have been announced since. Whilst this systemic change to both the UK planning system and local government have the potential to generate significant positive change there are embedded, systemic challenges.

Attempts to paste solutions onto the deficient, creaking framework that has damaged our economy for decades by holding projects for new homes and infrastructure to ransom are unlikely to succeed. Many of the old bottlenecks, obstructions and drag anchors still need to be examined and carefully – and surgically – removed from the delicate housing ecosystem to ensure there is no risk of these new reforms being dragged back into the gridlock of the past.

Due to the early general election, Radix Big Tent took the decision to narrow its report's focus to funding, planning and implementation. Nevertheless, it is clear that there is still a massive appetite to address a number of other fundamental issues, while the new Government is clearly interested in further recommendations from the Commission. So, Radix Big Tent set up its Housing Commission Leaders Group (HCLG) to continue its work.

This first HCLG short paper, Unblocking the Housing ecosystem, seeks to shine a torch on where the constraints fall most heavily, identify the most pressing issues 'blocking' the system and offer new solutions to help government and industry deliver their shared agenda of building new homes, even with the complex financial framework and raft of laws, regulations and guidelines surrounding housing.

The nine solutions set out in this document are not intended to be the silver bullet to bring all sites through planning, procurement, financing to construction, but together they offer practical and pragmatic steps, which can be taken now, to move England away from being pretty much the most difficult and expensive place to build in the world.

We hope – that coupled with the steps currently being taken by government – they will at last allow the building of homes 'at pace, across all tenures and across the country, to improve the lives of millions.

ALEX NOTAY

Commission Chair



SIX KEY RECOMMENDATIONS

1

EASE THE RIGIDITY OF POLICY ACROSS FINANCE AROUND ACCOMMODATION AND TENURE MIX - especially where these are based on outdated assessments of local needs.

2

RECLASSIFY GRANT FUNDING INTO AFFORDABLE HOUSING DELIVERY AS INFRASTRUCTURE - rather than simple expenditure - to ensure these tenures are viable.

3

BRING IN 'SAFE STREAMLINING' OF SAFETY REGULATIONS and simplification of golden thread compliance to speed up applications, especially for tall buildings, pushing non-viability into viability by boosting investor confidence and enabling bidding for global, long term capital.

4


BOOST BUILD-OUT OF MIXED USE, MIXED TENURE, MIXED INCOME AND INTERGENERATIONAL DEVELOPMENTS by allowing borrowing to acquire land (using CPOs if necessary) on the basis of residual value, after parcelling it out to SMEs, housing associations, housebuilders, community-led developers and self/custom builders.

5

SPEED UP THE REMOVAL OF ANNUAL LOCAL ELECTIONS IN 'THIRDS' to prevent constant 'pendulum-style' ever-changing, unstable leadership of local authorities.

6

ENSURE THAT LARGE SCALE SITES ARE MASTER PLANNED allowing for community-led developers to speed up build-out while boosting consents below 100 units by extending 'Permissions in Principle' to bring funding forward earlier in the site life.



Development and construction finance is highly conditional and priced to match the real and perceived risks.

CHALLENGE

Lenders are either withdrawing or tightening terms in response to elevated risk profiles, especially on large scale developments. In particular, the risks for those more dense, high rise and complex developments are being compounded by new, additional regulatory demands and difficulty of execution at many levels.

Pre-development finance is the most acute problem, given uncertainties around planning and Building Safety Regulator delays but development finance is also expensive, which impacts the financial returns needed for schemes to be viable. Build cost inflation has exacerbated this further with many projects in the system turning unviable in recent years. The need to grapple with the requirements of the new Building Safety Act, more stringent ESG regulations and investor safeguards have led to financial difficulties among many larger

housing associations with adverse consequences for new homes and community projects, delivered in partnership with them. Moreover, the quantum of available debt per project is also reduced, thereby requiring higher levels of equity.

For social, affordable and market rental tenures, the key constraint is less around Loan to Value and more concerned with Interest Cost Ratios, once rental incomes are projected to flow.

SOLUTION:

There is an urgent need for a pragmatic, rather than dogmatic approach to housing finance. We recommend:

- Development to be unlocked by loosening rigid requirements to suit current economic and demand conditions.
- Easing strict policy rigidity around accommodation and tenure mix – these are often based on outdated assessments of local needs, especially around market rent and build to rent.

- Adopting a more collaborative approach to affordable housing provision, recognising local needs, the effective subsidy required and constraints on viability that often obstruct delivery while also recognising that at present only about eight per cent of all new build housing (including shared ownership, most build-to-rent and most affordable rent) is within reach of those on average incomes and less (ie over 50 per cent of the population).

- Applying Labour's industrial strategy, Invest 2035, to grow the delivery capacity of the house building industry through a sustained collaboration between the private and public sectors, while at the same time increasing business expectations about future growth areas to catalyse activity that otherwise would not happen and build institutional capacity.

Lack of strategic decisions on utilities.

CHALLENGE

Large swathes of land cannot currently be built on because of a lack of fresh water, sewage treatment capacity and/or power supplies. No new reservoirs have been built for 34 years. By 2050, Britain will have an estimated gap between supply and demand of four billion litres a day.

There is currently lack of clarity regarding who is responsible for paying for additional sewage treatment capacity. Despite some encouraging moves, there remains considerable doubt over how, at both national and local level, the electricity grid can be reconfigured to cater for a shift to renewable energy and to provide local connections to new homes.

SOLUTION:

To unlock building land, authorities will need to:

- Ensure the building of sewage treatment capacity and new reservoirs.
- Substantially ramp up the level of national grid planning activity to reorient the national grid towards renewable sources and boost the capacity of the grid locally.



BLOCK 3 ON THE HOUSING SYSTEM



The slow processing of funding for social housing providers.

CHALLENGE

Even with the announcements in the Spending Review the earliest bidding can begin for Social Housing provision will be the Autumn and the earliest date programmes can go ahead will be 2026.

SOLUTION:

Rent settlement/rent convergence needs to be tackled urgently and made longer term. We recommend:

- Providing an enlarged Affordable Housing Programme and making swifter decisions on longer-term AHP and rent settlement to enable the sector to attract institutional investment alongside the AHP grant.
- Reclassifying grant funding into affordable housing delivery as infrastructure, rather than simple expenditure to ensure such tenures are viable.

BLOCK 4 ON THE HOUSING SYSTEM



Barriers to institutional investment have left investors 'keeping their powder dry'.

CHALLENGE

The indeterminate costs and timings of any planning application and approval process - together with build cost inflation running ahead of value growth and impairing returns - have made the task of competing for global, long term, relatively low cost, institutional capital much, much harder.

This is particularly the case as the alternatives for global CIO allocators look more attractive in terms of risk/reward returns. Much-needed developments are not coming forward due to costs rising (including construction, finance and, for tall buildings, redesign to include additional cores and safety measures), while planning obligations (affordable housing and other s106 and CIL contributions) are either unchanged or also rising.

SOLUTION:

Government needs to:

- Tackle soaring build cost inflation and boost investor confidence with prompt delivery of clear, stable policies that 'joins the dots' and genuinely stimulate more housing delivery, turning 'positive noise' into firm agreements.

BLOCK 5 ON THE HOUSING SYSTEM

A wholly dysfunctional building safety regulator regime for tall buildings, which deters building 'up'.

CHALLENGE

This can be seen in the number of applications v approvals and the time each application takes.

Fewer than a quarter of finished high-rise housing projects that have applied for "completion" certificates from the new building safety regulator have so far received a decision. Regulatory pressures on top of fire safety/utilities/carbon regulations mean debt costs go up and yields move back.

SOLUTION:

- Push non-viability into viability by bringing in 'safe streamlining' of regulations and simplification of golden thread compliance to speed up applications.
- Then transform the process by enabling on-going dialogue around amendments. Deliver nature-based solutions via tariff.

BLOCK 6 ON THE HOUSING SYSTEM

Lack of developer diversity.

CHALLENGE

Housing delivery in the UK is dominated by a handful of large builders. There has been a 75 per cent decline in the housing delivered by SMEs in the last four decades.

SOLUTION:

Pro-active support through the planning system for SMEs could deliver another 70,000 homes a year according to research. We recommend:

- Creating a Medium Sized site policy, potentially up to 100 dwellings and ensuring that only essential information is required for planning applications to cut costs and barriers to entry.
- Ensuring that large scale sites are masterplanned to deliver well-designed housing of all types and tenures enabling healthy, multi-generational living and allowing for community-led developers such as Community Land Trusts, BTR investors and self/custom builders to speed build-out.
- Allowing borrowing to acquire land (using CPOs if necessary) on the basis of residual value, after parcelling it out to SMEs, housing associations, housebuilders, community-led developers and self/custom builders, so as to speed build-out of mixed-use, mixed-tenure, mixed-income, intergenerational, sustainable, community-enhancing, good looking new developments that satisfy investor needs for returns and meet government criteria for affordability.
- Extending 'Permissions in Principle' to bring funding forward earlier in the site life to boost consents below 100 units.

BLOCK 7 ON THE HOUSING SYSTEM



Lack of construction workers.

CHALLENGE

Construction bosses warn of a chronic worker shortage. The Construction Industry Training Board (CITB) estimates at least 50,000 extra workers are needed annually to meet current demand.

SOLUTION:

We recommend:

- Proactive support to create more apprenticeships and skills training. Given that 79 per cent of construction apprenticeships start with SMEs, diversification can be a clear route to developing delivery capacity in the wider system.
- Using pilot schemes to make the construction industry more efficient using innovative building/'cookie-cutter' methods.

BLOCK 8 ON THE HOUSING SYSTEM



Profitless multifamily apartments Build to Rent sector at standstill.

CHALLENGE

Whilst the market for singlefamily Build to Rent houses continues to grow a perfect storm of unviability has been created in the multi-family apartment Build to Rent sector by unpredictable costs, instability and timing of any planning permission, the dysfunctional safety regulations regime mentioned above (double staircases adding to cost for no value), increasing platform costs and soaring running costs (insurance, utilities, labour etc).

Risk has been further increased by the Renters' Rights Bill and capitalisation rates moving out as the yield gap with the Government gilt rate narrows.

SOLUTION:

We propose:

- Safe streamlining' of regulations along with speedy, 'vision-led' strategic planning to boost investor confidence and enable the market to bid competitively for global, long term, relatively low cost, institutional capital.



Lack of strategic plans.

CHALLENGE

Currently only 30-per-cent of local plans are up to date, choking off new developments.

Worse, the challenge of preparing a local plan with high housing numbers and, in many areas, Green Belt release, is too challenging for understaffed, risk-averse local authorities. Political leadership changing at every local election adds to the hold-ups.

SOLUTION:

We welcome the making of strategic planning mandatory. In addition, we need to:

- Issue a deadline for all local plans to be given immediate prioritisation and updated.
- Reduce risk, delays and unpredictability by moving issues of biodiversity, parking, design etc 'upstream' with fewer submission documents required. This will not only ease access to finance, but bring in proactive support for local planning authorities, freeing them up for spatial planning rather than regulatory development management functions.
- Introduce clarity to an opaque land market, where viable sites are often allocated/optioned.
- Speed up the removal of annual local elections in 'thirds' to prevent constant 'pendulum-style' ever-changing, unstable leadership.

Who we are:

Radix Big Tent is the system change think tank

We believe that real change requires system change, radical thinking coupled to practical action. Our focus is on finding viable political pathways to fundamental change, by understanding the systemic and practical obstacles to reform, identifying solutions and framing arguments accordingly. We were formed in 2022 from the merger of Radix UK with the Big Tent Foundation. We are an independent, non-partisan registered charity. No.1195014.

Background

In March 2024, Radix Big Tent set up a multi-disciplinary Housing Commission to make recommendations to deliver more homes. In October 2024, the Commission published its final report which was presented directly to the Government. The Housing Minister, Matthew Pennycook, described the report as an “incredible and important contribution to the debate”. The following day, a number of specific recommendations were included in the Budget and further recommendations – not least a commitment to reintroduce strategic planning – have been announced since.

As the Government remains interested in further recommendations for reform, Radix Big Tent's Housing Commission Leaders Group (HCLG) will continue to bring forward recommendations to help meet housing targets.

Its reports and recommendations represent the synthesis of comprehensive deliberations by the Commissioners. Not all the Commissioners necessarily agree with every recommendation in this paper, nor is membership of the Housing Commission Leaders Group an endorsement of these proposals.



Commissioners

ALEXANDRA NOTAY HON MRTPI

(Chair from August 2024).
Internationally recognised expert and
strategic advisor on housing,
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LORD RICHARD BEST

Social housing leader and member of House of Lords
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Recently retired head of policy at the
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Chair of the Land, Planning and Development
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Director at WeCanMake, a community-based project
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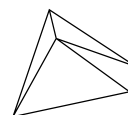
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