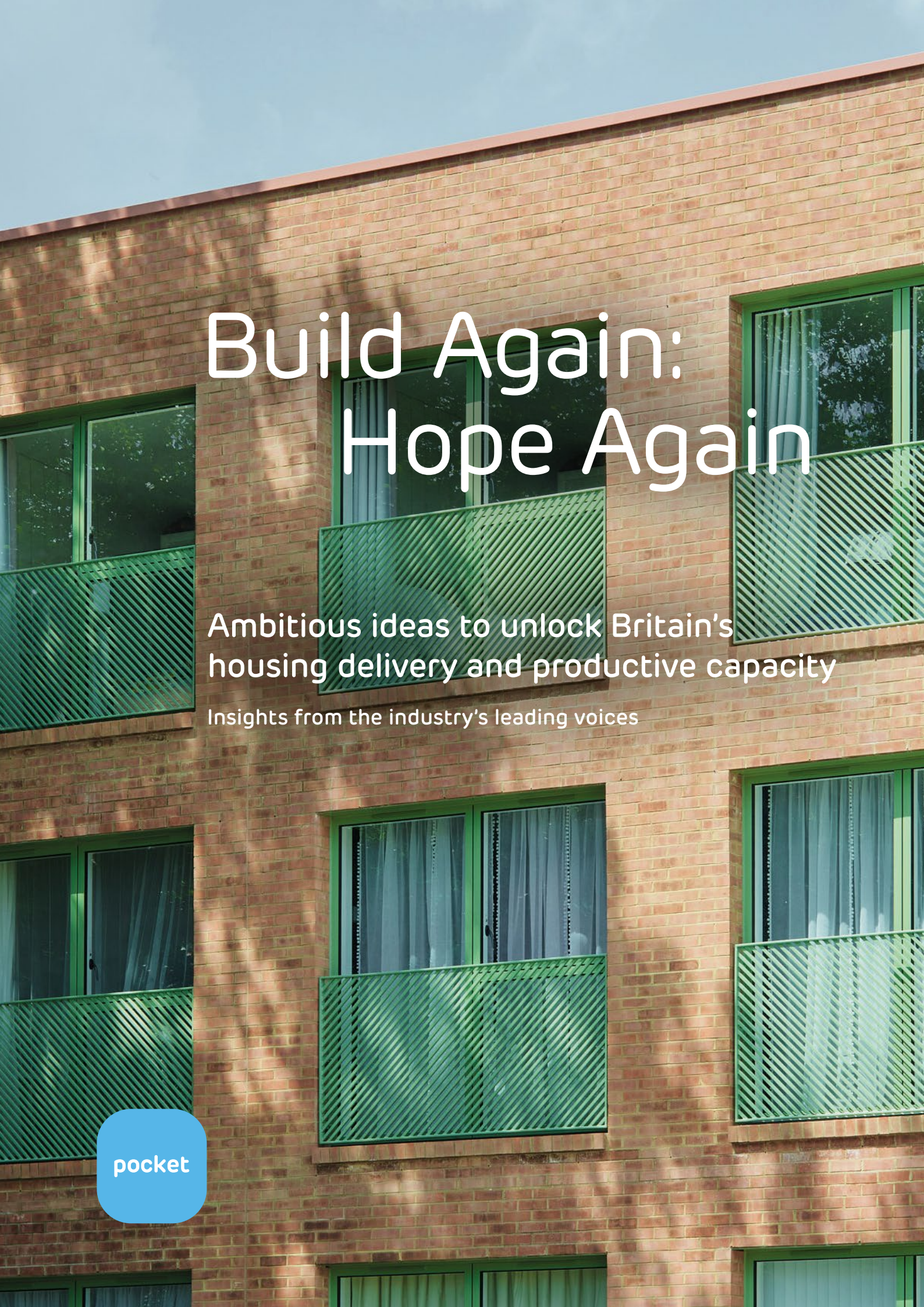

Build Again: Hope Again

Ambitious ideas to unlock Britain's housing delivery and productive capacity

Insights from the industry's leading voices

pocket

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Foreword



Paul Rickard
CEO, Pocket

> "We need to treat the sector like a business on the brink of bankruptcy, with one final opportunity before administration to reset how it operates."

The message is a simple one. The warnings coming from across the sector, and the evidence set out in this paper, show that we can no longer continue as we have done.

The home building industry, like many others, has changed beyond recognition over the past ten years. Yet the policy framework has not kept pace, and the challenges are only likely to intensify as supply chains fail and inflationary pressures grow.

There has been positive change from a pro-development government but now we need to double down and up the ante. We are therefore calling on government to take radical and bold action and rethink, from the bottom up, how the sector works.

We need to treat the sector like a business on the brink of bankruptcy, with one final opportunity before administration to reset how it operates. That means stripping back unnecessary costs and bureaucracy, reallocating capital and productive capacity, and focusing the system on its core purpose: delivering the homes the country needs.

For policymakers, that starts with understanding what is driving costs and stifling delivery, from pressures on supply chains and labour markets to the costs and uncertainty built into the system, while giving developers confidence that there will be demand for what they build. Every part of the system should be tested against one simple question: does it help deliver more homes, more quickly or at lower cost? If not, it should be challenged, removed or redesigned.

If that can be achieved, I genuinely believe the new government has the capability to do it. There is a huge opportunity for Andy Burnham and his team. He recognises that Britain's regrowth will come from its industries, and housing must be treated as a core pillar of that industrial strategy.

We thank the industry for coming together on this and to our contributors for their wide-ranging policy ideas. The prize is a housing sector that enters the 2030s with greater confidence, greater capacity and a renewed sense of purpose, with hope and optimism defining its future.



Dr Rosena Allin-Khan MP
Member of Parliament for Tooting

There are few challenges facing our country as pressing, or as personal, as housing. Behind every statistic is a family priced out of the area they grew up in, a young person unable to save for a deposit while rent swallows their pay, or a household waiting years for a secure, affordable home.

The housing crisis is urgent. We need a step change in the scale and pace of delivery to build the warm, safe and dry homes our country needs. The solutions to getting Britain building again will not be stumbled upon by accident. It will take open and honest conversations alongside a willingness to listen to fresh ideas from those who build, finance and plan the homes our communities depend on.

Every idea deserves to be heard and tested and this paper is a welcome contribution to that debate. The sector deserves credit for coming together to produce it.

The task ahead is challenging. We must be bold.

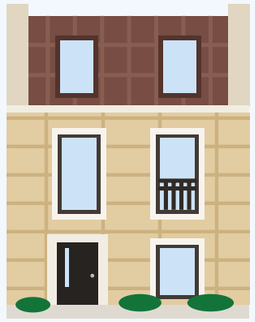


Part 1: Delivering a home: pre-Covid vs today

What it costs to build

The home hasn't changed, the cost has.
It now costs £73,000 more to deliver the same 38 sqm one bedroom home in a medium density London scheme vs pre-Covid. **Land excluded.**

The same home now costs £73,000 more
Nothing about the home has changed. The cost of delivering it has.



One Pocket home
The same size in 2020 and 2026

+£73,000
added to the cost of delivering every home

Before Covid completed Aug 2020
£174,000

Today live in 2026
£247,000
up 42%

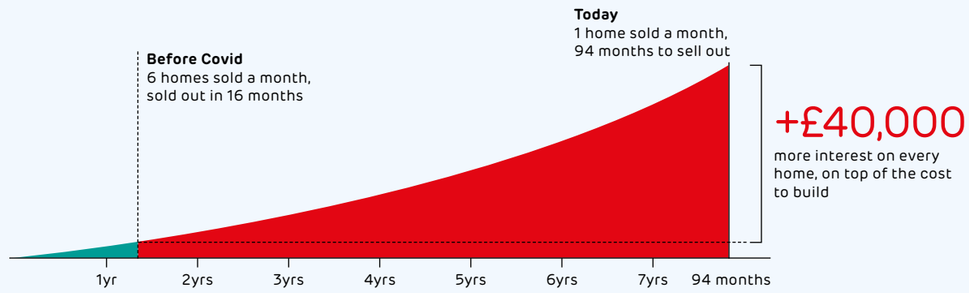
What's been added per home

Building the home	+£44,000	up 28%
Planning and obligations	+£16,000	up 200%
Borrowing money	+£13,000	up 186%

And slow sales add even further cost

Slow sales add a further £40,000 a home, as the cost of finance compounds.
During Help to Buy, homes sold at six a month and a block of 100 sold out in 16 months.
Today they sell at one a month, so the same block takes 94 months allowing for off plan sales.[1]

The longer a scheme takes to sell, the longer the interest compounds



Months for a scheme of 100 homes to sell out

1. Both scenarios assume six homes are sold between sales launch and practical completion.

Why each of those moved

Building the home

- **Materials**
  Over 40% since 2020, after Ukraine and the energy shock.[2]
- **Labour**
  Construction pay up around 26% since early 2020, with trade shortages and a third of the workforce over 50.[3]
- **A heavier specification**
  Gold plated energy and building safety standards, with the Future Homes Standard still to come.

Planning and obligations

- **Longer to get a decision**
  50 weeks for a major application, against a 13-week target.[4] Standard applications now need over 55 separate reports and over 20 specialist consultants.
- **Bigger obligations**
  Section 106 and both tiers of CIL are higher. Borough CIL alone can reach £38,000 on a one bed.
- **New levies**
  Biodiversity net gain, and from October 2026 the Building Safety Levy, at up to £100 per square metre in parts of London.
- **More exposure to challenge**
  A judicial review that goes to the Supreme Court can delay a start on site by three years or more and add up to £60,000 a home. Rights of light claims are rising too.

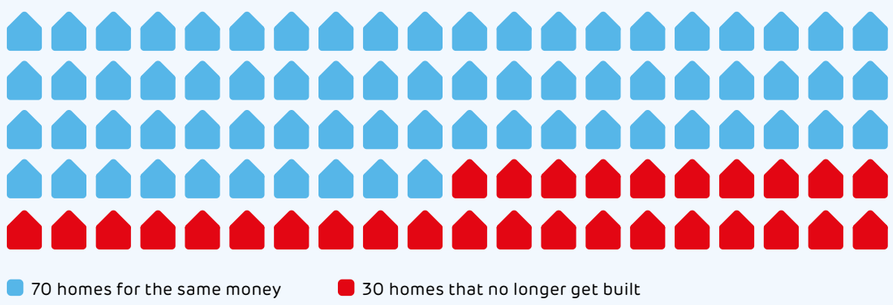
Borrowing money

- **The price of debt**
  Base Rate was 0.1% in August 2020. It peaked at 5.25% and sits at 4%. SME development finance followed suit, going from 5-7% in 2020 to anywhere from 11–13% today.[5]
- **More months of it**
  Longer planning and Building Safety Regulator gateways mean more months of interest.
- **And it does not stop at completion**
  Homes that sell slowly carry finance long after they are built.

Key

- Policy, national or local government
- Mixed
- Macro, outside government's control

The same money that built 100 homes before Covid builds just 70 today



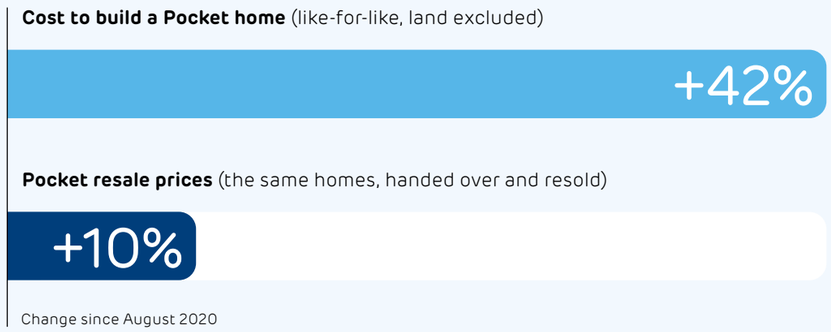
100 homes cost £17.4 million before Covid. Today they cost £24.7 million.[6]

2. Department for Business and Trade, Monthly Statistics of Building Materials and Components, Table 1a: Construction material price indices, All Work.
3. ONS, Average Weekly Earnings, Construction, regular pay (K5AH), January 2020 to July 2026. CITB, Fuller Working Lives in Construction, October 2018 (32.3% of the workforce aged 50 or over).
4. Median determination period for major residential applications. Landmark, Planning Applications 2025, and Searchland and SLG, The Planning Slowdown. Statutory period from MHCLG Planning Practice Guidance.
5. REalyse, Small housebuilders squeezed by double-digit finance costs despite the government's 1.5 million homes ambition 2026.
6. Excluding land and at the point of completion. i.e. not including additional cost of finance from slow sales.

Prices rising slower than costs

Build costs are up, sale prices aren't keeping up.
Costs are rising more than four times faster than the homes resell for.

Build cost inflation vs house price inflation



What it costs to build a Pocket home, against what Pocket homes actually resell for.
Both measured from August 2020





Part 2: The ideas

The ideas at a glance

Nine ideas from across the sector, each aimed at a lock that is holding back the homes Britain needs.

01 A new student loan linked affordable tenure

Paul Rickard, CEO, Pocket

Swap graduates' student debt for a 20% government stake in a discounted first home. The debt is written off up to the discount, and the state gets its share back when the home is sold.

02 Could defence solve the MMC problem?

Hugo Owen, Senior Policy and Communications Manager, Pocket

Turn defence growth areas like Plymouth, Barrow and Derby into long-term MMC housing pipelines, backed by a government fund that de-risks the factories building the homes.

03 When developers pay, communities shouldn't lose out and councils should not profiteer

Rico Wojtulewicz, Director of Policy and Market Insight, National Federation of Builders

Make councils show where £9 billion of unspent developer contributions is going, with standard searchable reporting, published spending plans and automatic refunds after five years.

04 Give homeowners a right to sell

Antonia Jennings, Chief Executive, Centre for London

Let homeowners sell a share of their home's equity to the council to pay for retrofit, adaptations or care. When the home is sold, the council can buy the rest and let it as social housing.

05 Get Britain moving again: proportional property tax

Andrew Dixon, Founder, Fairer Share

Abolish Stamp Duty and Council Tax and replace both with one annual tax of 0.48% of a home's current value. Moving gets cheaper and around three in four households pay less.

06 Rethinking public engagement

Sam Stafford, Managing Director, Land, Planning and Development Federation

As planning becomes rules-based, is it time we totally rethink public engagement? Engagement should move to shaping what gets built, not whether it gets built.

07 Replace Section 106 and CIL with a system that delivers

Rob Anderson, Research Director, and **Daniel Reast**, Senior Research Officer, Centre for London

Scrap Section 106 and CIL for a single Infrastructure Levy, with rates set upfront by zone in Local Plans. Receipts are split between infrastructure and affordable housing.

08 Set up 'Build Academies' to train young people to be 'work ready'

Brian Berry, CEO, Federation of Master Builders

FE colleges and local employers run Build Academies that get young people not in work or education ready for construction placements and apprenticeships. No new legislation needed.

09 Make loan to income rules fit for the future

Tom Simpson, Managing Director, Yorkshire Building Society

Help address mortgage affordability barriers by reviewing whether the loan-to-income framework remains fit for purpose.

01 A new student loan linked affordable tenure



Paul Rickard
CEO, Pocket

Headline: Graduates are locked out of homeownership by student debt government mostly won't recover. Create a new intermediate tenure that converts student loan debts into equity for a new first home.

The lock

Student loan repayments have become an unintended barrier to homeownership. Borrowers on Plan 2 face interest up to RPI plus 3%, and it is now common for graduates in professions such as medicine, teaching and policing to commit close to 10% of their income above the repayment threshold to loan deductions, only to see their debt balance stagnate or even grow. This is a long-dated, unsecured, back-loaded liability the state itself does not expect to recover in full. Government expects around 41% of the value of Plan 2 lending never to be repaid. Government is already carrying this risk on its books; it is getting nothing productive from the graduates it falls hardest on; precisely the cohort cities most need to retain.

The key

Create a new intermediate tenure, delivered through Section 106 agreements, that turns part of a first-time buyer's student debt into a government equity stake in their home:

- The developer sells the home at a fixed 20% discount.
- The buyer's student debt is written off up to the value of that discount. Any debt above it stays as a normal loan.
- In return, government owns up to 20% of the home, interest-free, and gets that share back when the home is sold. The state swaps an uncertain, largely unrecoverable claim for a tangible, inflation-linked stake in a real asset.
- Any gap between the 20% discount and the student debt is paid by the developer to government.

Who turns the key

No primary legislation is required. The route runs through the existing Section 106 planning obligations framework, with the equity product administered by Homes England and the debt converted by the Treasury, since it is Treasury's own balance sheet risk being converted. The most credible next step is a pilot, run by Homes England with Treasury support, across a small number of local authority areas, before a wider rollout.

We looked at England and Wales, the only places with Plan 2 student loans. Of the 5.4 million borrowers, around 3.3 million don't yet own a home, and we assume about half of them, roughly 1.65 million, are in a financial position to buy. Government's own figures show it expects to get back only about 59p of every pound owed on these loans, including interest. Under our scheme, government comes out ahead in every region. On average, about £43,000 of a buyer's student debt is turned into a share of their home, and government currently only expects to get about £25,000 of that debt back. In more expensive areas, the developer also pays government cash where the discount is bigger than the debt. Once the homes are sold, government ends up about £23,000 better off per home, or around £38 billion in total, than if the debt had stayed as student loans. These figures are illustrative but show the scale of the benefit if the scheme were used to its full potential.

> "The most credible next step is a pilot, run by Homes England with Treasury support, across a small number of local authority areas, before a wider rollout."

02 Could defence solve the MMC Problem?



Hugo Owen
Senior Policy and Communications Manager, Pocket

Headline: Defence investment could solve one of MMC's biggest problems: demand. Long-term housing pipelines around defence growth areas such as Plymouth, Barrow and Derby would give manufacturers the certainty to invest in a long-term programme of housebuilding.

The lock

Baumol's cost disease is a famous economic explanation for why some things get steadily more expensive. A Beethoven string quartet needs four musicians and the same amount of time to perform as it did when it was written. There are no productivity gains to be had. But musicians' wages rise anyway, so the cost of performing it rises with them.

Britain's housebuilding sector has the same problem. Decades without meaningful productivity gains mean that as wages, materials and other inputs have risen, the cost of building a home has risen too.

There have been few sustained attempts to change this since the Second World War. The most recent was the rise of Modern Methods of Construction (MMC) in the 2010s, which tried to bring the characteristics of manufacturing into housebuilding: standardisation, repetition, factory production and controlled supply chains.

But its biggest problem was the conveyor belt. A traditional housebuilder can slow down when the market slows. A factory cannot. Expensive machinery, fixed overheads and specialist workers mean its economics depend on keeping production moving. When the market stalls the conveyor belt stops, and the technology gets blamed for a problem that is really about the market around it.

Pocket experienced this. We built one of the largest residential MMC towers in Europe, a remarkable achievement for a growing SME developer.

The lesson was not that MMC cannot work, but that it needs a pipeline certain enough to keep it running. So where could that certainty come from?

The key

Britain's defence investment may provide part of the answer.

Defence expansion is creating demand for people as well as equipment. Those jobs concentrate in particular places, creating a very different demand profile from the wider market.

The sector already employs around 180,000 people directly, and Skills England expects it to need 53,000 more in its priority trades by 2035. Plymouth shows what that means on the ground. Around £7.1bn is going into HM Naval Base Devonport over the next decade, and Babcock expects to need 5,500 new employees alongside a further 2,000 construction workers. The city centre has around 1,000 homes. Government recognises the challenge, but is in a race against time to create the conditions for private investment.

Who turns the key

The Government can kill two birds with one stone: lift a housing constraint on Britain's defence strategy and fix the MMC conveyor belt at the same time.

Defence growth areas like Plymouth, Barrow and Derby could become strategic MMC housing nodes, with the Treasury, MOD, Homes England and local authorities establishing long-term housing and funding pipelines.

The bigger opportunity is to use the Government's balance sheet to de-risk it. A defence-MMC investment fund could provide repayable finance, guarantees or equity alongside private capital for factories serving defined growth areas, with government taking the early construction and demand risk and successful investments returning capital to the state.

If it works, it is more than a new way of building homes. It is a route out of the Baumol trap housebuilding has been stuck in for decades.

03 When developers pay, communities shouldn't lose out and councils should not profiteer



Rico Wojtulewicz
Director of Policy and Market Insight, National Federation of Builders (NFB)

Headline: Councils are sitting on £9 billion of unspent developer contributions, and nobody can easily see where it is or when it will be spent. Standardised, searchable reporting, published spending commitments and automatic refunds to developers after five years.

The lock

Councils are sitting on £9 billion in unspent developer contributions and the Infrastructure Funding Statements (IFS) which annually record how these development taxes are allocated and spent are opaque, lack standardisation and avoid accountability.

Consequently, not only do communities miss out on the infrastructure developers pay for to make planning applications acceptable but housebuilders in particular continue to be scapegoated for not delivering the infrastructure they have paid local government to deliver.

IFSs were introduced in September 2019, with a requirement for all Local Planning Authorities (LPAs) to publish their first by 31 December 2020. Time was therefore required to analyse their impact, yet as unspent contributions have ballooned and our report 'Developers pay, but where is the money going?' highlights, they have not ensured infrastructure delivery, increased transparency or dampened the false narrative that developers do not fund infrastructure.

Unspent contributions can be returned; however, these typically require clauses in s106 agreements, FOI requests and refund applications.

The key

While there is a legitimate argument that these taxes should not exist, they do exist and the Government is not going to remove them. Therefore, ensuring they are standardised, transparent and spent is key. To achieve this, we propose:

- Infrastructure Funding Statements (IFS) use a standardised format and language.
- Infrastructure Funding Statements (IFS) are made publicly searchable on a national database.
- Local Planning Authorities (LPAs) are required to publish 'storyboards' which commit to when and where allocated funding is being spent.
- Unspent planning contributions are defined as LPA allocated projects that have not been delivered within established timeframes and when meeting this definition, automatically returned after a period of five years.
- Where an LPA comes under combined authorities (CA), unspent LPA contributions can be transferred to CAs for a further two years before being automatically returned to developers if remaining unspent.

Who turns the key

Government would need to make amendments to the 'Community Infrastructure Levy Regulations 2010', therefore capturing all planning contribution agreements. For example, repayment would be tackled through amendments to Part 11 and standardised reporting and delivery commitments via Part 10A.

Unless these mechanisms are used, legal challenges from industry to insert repayment clauses and establish timeframes would increase legal costs and delays, even if standardised agreements (that are not mandatory for use) were proposed.

Changes to the Town and Country Planning Act 1990 and Part 11 of the Planning Act 2008 would also be required, particularly in respect of devolution.

A national database is already being developed and would be considerably easier to deliver through standardised language, which would need to be established through amended guidance on Planning Obligations.

04 Give homeowners a right to sell



Antonia Jennings
Chief Executive, Centre for London

Headline: London needs a new deal for homeowners who are rich in housing equity but cannot afford to make improvements. A new Right to Sell equity release product would enable owner-occupiers to make their homes energy efficient, fund later life improvements, while creating a route to expand London's social and affordable housing stock.

The lock

Many older and lower-income homeowners live in properties which no longer meet their needs. Their homes may require accessibility adaptations or be one of the 1.2 million owner-occupied homes in the capital requiring retrofit to reduce emissions, cut energy bills and improve comfort. Some households also face substantial care costs but have limited ability to pay for them. Moving is often expensive and disruptive, while suitable alternatives, particularly specialist housing for older people, remain scarce.

At the same time, London's social housing shortage is critical. Since 1980, more than 316,000 council homes have been sold through Right to Buy, a net loss of 45%. Building replacements is expensive, with the cost of delivering a new social home around £450,000. London therefore needs more ways to acquire existing homes as well as building new ones.

The key and who turns it

The Government should give homeowners a new Right to Sell. This would allow owner-occupiers to sell a limited share of the equity in their home to their local authority. Finance would then be released for agreed purposes, such as mobility adaptations, energy-efficiency upgrades, or care at home. The homeowner could then remain in their property, while the council would gain a financial stake and a right of first refusal when the home is eventually sold.

This would provide a trusted public alternative to commercial equity release. Private equity-release products can carry interest rates of more than 7%. Under a Right to Sell, finance could be provided at a lower, transparent rate, indexed to inflation and linked to councils' cost of borrowing. The offer should include a no-negative-equity guarantee and a clear limit on the proportion of the home that could be sold, such as 15%.

Funds would be released for defined improvements and care rather than a cash payment. Councils could deliver adaptations and retrofit through existing housing improvement programmes such as Warmer Homes London, giving the homeowner a simpler service and securing better value through coordinated procurement. Care expenditure could similarly be administered through local services. This would reduce administrative burdens for households and ensure public value.

When the property is eventually sold, the council would have the right of first refusal to acquire the remaining equity. If aligned with local need, the property could then be let at social or affordable rent. If acquisition is unsuitable or poor value, the council could recover its equity share from market sale. The scheme would therefore create a pipeline of potential acquisitions without requiring councils to commit in advance to buying every participating home.

Right to Sell would require substantial and patient finance. The National Housing Bank could provide a dedicated low-cost loan facility, managed by the Greater London Authority.

Right to Sell cannot replace investment in new social housing. However, it could address three pressing problems: helping homeowners live safely and independently in their existing homes, addressing the need to retrofit London's older owner-occupied homes, while creating a long-term route for councils to re-expand publicly owned housing stock.

After decades in which public homes have steadily moved into private ownership, London needs a mechanism through which some homes can move back. A Right to Sell would improve the condition and suitability of existing housing, support the transition to net-zero, and give councils a practical new way to meet local housing need.

05 Get Britain moving again: proportional property tax



Andrew Dixon
Founder, Fairer Share

Headline: Britain taxes people when they move home and then wonders why the housing market is clogged up. Abolish residential Stamp Duty and replace it, alongside Council Tax, with a simple proportional tax on property values. The result would be a fairer system, more transactions, greater housing and labour mobility — without blowing a hole in the public finances.

The lock

Stamp Duty is a tax on movement. It penalises the young family trading up, the older couple downsizing and the worker moving for a better job. Every transaction that doesn't happen can prevent another further down the housing chain.

That matters to housebuilding. A healthier transactional market supports demand, improves confidence and gives developers greater certainty to invest and build.

Yet simply abolishing Stamp Duty is difficult when the Treasury depends on the revenue. Meanwhile, Council Tax is based on 1991 property values and bears increasingly little relationship to what homes are worth today.

We have ended up with the worst of both worlds: a recurrent property tax that is deeply unfair and a transaction tax that actively discourages transactions.

The key

Scrap both.

Fairer Share proposes replacing Council Tax and residential Stamp Duty with a Proportional Property Tax charged annually at 0.48% of a property's current value.

Liability would move from occupiers to owners. Around three-quarters of households would be better off, while the reform would generate sufficient revenue to replace both existing taxes.

Crucially, Stamp Duty would disappear.

Our latest JL Partners polling shows the potential impact: 68% of people currently buying a home say abolishing Stamp Duty would make purchasing easier, as do 65% of those considering buying.

The case isn't just about fairness. Stamp Duty is a significant friction in the housing market. Removing it should increase transactions, make it easier to move for work and help existing homes find their way to the people who need them.

Nor should reform spook institutional investors. A predictable annual charge based on property value can be modelled and priced. Government should provide certainty by setting out the rate, valuation methodology and transition clearly and well in advance.

Who turns the key

Government could legislate early in the Parliament, with implementation over two to three years while properties are valued using modern mass-appraisal techniques.

To prevent sudden increases, Fairer Share proposes limiting annual rises for owner-occupied primary residences to £1,200, alongside deferral for those who are asset-rich but cash-poor.

The Government could start with an independent Treasury-led review of Council Tax and Stamp Duty, tasked with designing the transition and quantifying the wider economic benefits.

Abolishing Stamp Duty may have been advocated by the Conservatives. That shouldn't deter a Labour government.

Good economics doesn't become bad economics because the opposition thought of it too. The bold move is to go further. Abolish Stamp Duty permanently and replace the broken property tax system that made it necessary in the first place.

06 Rethinking public engagement



Sam Stafford
Managing Director, Land, Planning and Development Federation (LPDF)

Headline: The Government's shift towards a rules-based planning system means communities will have less say over whether compliant development happens. Public engagement therefore needs to change: residents should shape what development looks like, rather than decide whether it happens.

The lock

Imagine that you have been appointed Minister of State for Housing & Planning and are working with your SpAds on a press release.

'I am delighted to take on this role…'
'Good start, Minister.'

'I will ensure this Government gets things built…'
'Very good, Minister.'

'Recalcitrant local councils and litigious resident groups have stood in the way of progress for too long…'
'Steady on, Minister. We need something about communities being in control…'

Whisper it quietly, but the 'localism genie', let out of the bottle by the 2012 Localism Act, is being put back in.

The press release that accompanied the recent publication of the National Planning Policy Framework (NPPF) was titled 'Full steam ahead to fast-track more homes near stations' and talked of a "default 'yes' for homes within reasonable walking distance of well-connected stations".

MHCLG's press team is prone to 'turbocharging' press releases and obviously the new National Development Management Policy (NDMP) on stations does not represent a 'default yes', but the NPPF is a step towards creating a clear, rules-based planning system. The rules are policy presently, but the legal framework for making them statutory is already in place.

What then does that mean for communities living next to vacant land within reasonable walking distance of well-connected stations? Are they still in control? No.

Here the elephant in the room starts to make its presence felt because the corollary of a clear, rules-based planning system is that proposals that are in conformity with them should be approved and there is nothing that communities should be able to do about it.

The key

We need then to talk about public engagement.

The plan-led system is supposed to work as follows. After multiple rounds of public consultation an engaged and accepting local subscribes to both a long-term development framework for their area and the planning applications that subsequently flow from it. That is obviously a million miles away from what actually happens because local plan coverage is steadfastly poor (30% at the last count according to Savills[7]) and public participation in local plan production is worse (according to the RTPI[8], responses to local plan consultations represent 0.56% of a local authority's population).

'This is the first I have heard of it', say most local residents in response to an application on a nearby allocated site, which then ends up being refused at committee against the officer's advice.

NDMPs will cut through and across all of that, which means that how applications consistent with an NDMP are consulted upon and determined must change. Communities can and should be asked, for example (in the absence of a design code), what a scheme for homes within reasonable walking distance of well-connected stations might look like, but they cannot and should not be asked whether they think development on this vacant site is a good idea and these applications, which the Government supports, remember, should be determined by officers and not councillors.

Who turns the key

Somebody is going to have to tell them.

7. https://www.savills.co.uk/research_articles/229130/391819-0
8. https://www.rtpi.org.uk/new-from-the-rtpi/just-056-of-people-engage-with-local-plan-consultations-rtpi-analysis-finds/

07 Replace Section 106 and CIL with a system that delivers



Rob Anderson
Research Director,
Centre for London



Daniel Reast
Senior Research Officer,
Centre for London

Headline: Replace Section 106 and CIL with a single, predictable Infrastructure Levy. Set indexed, zone-based rates upfront through Local Plans, with separate funding for infrastructure and affordable housing. This would reduce viability uncertainty, make schemes more investable and create a more reliable pipeline of homes and community benefits.

The lock

London's housing crisis will not be solved by granting more permissions alone. More than 200,000 homes already have planning permission yet starts and completions have collapsed. The problem is viability: schemes become unfinanceable as costs, market conditions and policy obligations change. Developer contributions are often presented as flexible, but negotiating contributions on a scheme-by-scheme basis creates uncertainty that can prevent development from ever happening.

Section 106 and the Community Infrastructure Levy (CIL) have funded tens of thousands of affordable homes, green spaces and community facilities. These are vital assets which directly improve lives and deliver what under resourced councils cannot. But together they form a fragmented web of charges, viability assessments and payment processes. Developers submit plans without knowing their final obligations. Landowners can price sites optimistically, while developers, lenders, councils and communities carry the risk. This results in delay, expensive renegotiation and mothballed sites.

This uncertainty does not reliably protect affordable housing. As found in Centre for London's recent report, **Delivering the Homes London Needs,** neither counter-cyclical affordable housing delivery driven by grant funding or new housing created through planning gain has produced a robust pipeline of affordable housing. Where conditions have weakened, affordable homes and community benefits become negotiating variables – discretionary decisions made to restore viability at the expense of affordable tenures. So, if it isn't securing the affordable homes Londoners need, and is actively reducing viability overall, the case for discretionary decision-making is undermined.

Who turns the key

The Government should abolish Section 106, borough CIL and Mayoral CIL, replacing their financial components with one locally set Infrastructure Levy. The principle should be simple: if government expects something from development, it should put that requirement into the rules upfront, not negotiate it after a scheme is designed and when conditions then change.

Unlike the 2019 Government's proposals for a levy based on development value, the replacement should use indexed, zone-specific rates per square metre. Rates should be viability-tested through Local Plans and visible to developers upfront. This would price obligations into land, reduce risk and make compliant schemes investable.

This is not abandoning flexibility, but the system needs it in the right place. Bounded rates, cash-flow-sensitive payment schedules and a narrow exceptions process would address genuinely abnormal costs, such as contamination or major utility works, without reopening a scheme's entire business case.

Equally, reform would not mean sacrificing infrastructure or affordable housing – quite the opposite. Levy receipts should be divided into two funds: one for local and strategic infrastructure, and another for social and affordable housing. Local Plans would set minimum affordable housing requirements by zone informed by viability and housing needs assessments, with levy credits incentivising delivery over that percentage. By directing this to Local Plans, communities can debate priorities when plans and rates are set, then track what is collected and spent.

The choice is not between planning gain and deregulation. It is the difference between an unviable, uncertain housing delivery model and an assured pipeline – or between an opaque negotiation and predictable social responsibility. A single Infrastructure Levy would preserve land value capture while making development more investable, affordable housing more secure and infrastructure funding more accountable. London should stop treating uncertainty as flexibility and build a system capable of surviving the market cycle. That is a bolder reform than preserving a negotiation-heavy system because change is difficult. It would turn developer contributions from an uncertain bargain into a clear public compact, agreed locally and enforced consistently.

08 Set up 'Build Academies' to train young people to be 'work ready'



Brian Berry
CEO, Federation of
Master Builders

Headline: The construction industry faces a skills shortage to meet the Government's housing and infrastructure objectives. At the same time there are nearly one million young people aged 16-24 who are not in education, employment, or training (NEET). A delivery mechanism needs to be found to train more young people to learn a skilled trade in the building industry to deliver housing and infrastructure targets.

The lock

Employment demand is set to rise sharply in the construction sector to meet government commitments including delivering 1.5 million homes in England by 2029. About 152,000 additional homebuilding workers are needed specifically to deliver the 1.5 million homes. This represents roughly a 30% increase over the current homebuilding workforce of about 513,000 people.

The building industry has a recruitment problem in terms of training enough young people. Currently nearly half of all construction apprenticeships end in failure.

The way employers are incentivised to take on young people needs to be addressed as well as finding a way to create clearer pathways for young people without any workplace experience to develop the skills needed to secure a work placement or an apprenticeship with an employer. This problem is felt acutely by construction SMEs who lack the time and resources to take on apprentices who do not make the end of their apprenticeships and become permanent team members.

The key

Working with local employers and colleges of further education there is an opportunity to create specialised building academies to enable young people without any prior work experience to learn and acquire the skills needed to secure a work placement or apprenticeship with an employer.

The Federation of Master Builders (FMB) working with the Construction Industry Training Board (CITB) and Shooters Hill Sixth Form College has test piloted the creation of a Build Academy in east London which worked with 20 students to enable them to be work ready to find work placements and apprenticeships with local employers.

The students learned from a curriculum created by FMB members so that their skills mirrored the needs of SME builders, this helped streamline their path to employment as it meant they could arrive on site and add value to a team. The curriculum included work ready skills such as timekeeping, communication, and teamwork, as well as practical site skills.

Each student carried out a minimum of two work experience placements which gave them a feel for the practicalities of the workplace.

Who turns the key

No primary legislation is required. The initiative requires colleges of further education to work collaboratively with local employers to create building academies that will train young people in the local area. This will require funding from local authorities and government. Local employers will also need to be willing to work proactively and collaboratively with their local colleges helping to design courses and mentor students.

The Build Academy model is proving successful with half of the enrolled students now in employment.

> "...there is an opportunity to create specialised building academies to enable young people without any prior work experience to learn and acquire the skills needed to secure a work placement or apprenticeship with an employer."

09 Make loan to income rules fit for the future



Tom Simpson
Managing Director,
Yorkshire Building Society

Headline: Help address mortgage affordability barriers by reviewing whether the loan-to-income framework remains fit for purpose. The Bank of England and Prudential Regulation Authority should assess whether the market-wide limit remains proportionate, recognising that lenders already apply detailed affordability assessments, underwriting standards and credit-risk controls at firm level.

The lock

The growing gap between household incomes and house prices means that many future homeowners cannot borrow enough to purchase a suitable property, even where a detailed affordability assessment shows that the mortgage would be sustainable.

The July 2025 changes, now adopted on a permanent basis, have created greater scope for lenders to support creditworthy borrowers with higher loan-to-income mortgages. This is a positive step, but it does not settle the wider question of whether the existing loan-to-income framework remains proportionate and fit for the future.

Lenders already operate their own, often tighter, affordability assessments, underwriting standards and credit-risk controls. The market-wide limit can therefore restrict responsible lending to borrowers who can demonstrate sustainable affordability, even where a lender's own controls indicate that the mortgage is manageable.

YBS modelling suggests that more consistent use of higher loan-to-income lending could enable around 198,000 additional future homeowners to afford a property, supporting approximately 30,000 additional purchases each year. An evidence-led review would help ensure that the framework protects financial stability without unnecessarily preventing creditworthy borrowers from accessing homeownership.

The key

The July 2025 loan-to-income changes should be maintained and allowed to operate without further near-term restriction.

Once sufficient evidence is available, the Bank of England and Prudential Regulation Authority should review the future of the loan-to-income framework and assess whether it remains fit for purpose. The review should consider the interaction between market-wide controls and the tighter affordability assessments, underwriting standards and credit-risk limits already applied by individual lenders.

Any future reform should remain evidence-led. It should preserve robust affordability assessments and responsible lending standards, while ensuring that the regulatory framework does not prevent lenders from supporting creditworthy borrowers where repayments are demonstrably sustainable.

Who turns the key

The Bank of England and Prudential Regulation Authority should lead the review, working with the Financial Conduct Authority, HM Treasury and mortgage lenders.

The review should draw on lending performance, borrower outcomes and financial-stability evidence following the July 2025 changes. It should publish clear conclusions on whether the threshold, flow limit and overall framework remain proportionate to the risks they are intended to manage, and set out any case for further reform.

It should also examine how regulatory limits interact with the tighter firm-level restrictions already used by lenders, and whether the overall framework remains proportionate to the risks it is intended to manage.

> "The Bank of England and Prudential Regulation Authority should maintain the July 2025 changes and commit to a future review of the loan-to-income framework..."



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