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November 2024

Invest 2035: the UK's modern industrial strategy

Consultation response from The Housing Forum

Response submitted by:

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About The Housing Forum

The Housing Forum is the UK's cross-sector, industry-wide organisation that represents the entire housing supply chain. Our growing membership drawn from over 150 organisations across the public and private sectors and includes local authorities, housing associations, housebuilders, architects and manufacturers. All share our determination to drive quality in the design, construction and decarbonisation of UK homes. They have a commitment to partnership working and share in our vision of 'A Quality Home for All'.

In order to achieve this, we have advocate for policy change needed for everyone to live in a good quality, sustainable and affordable home. Our key [Housing Solutions](#) set out how we think this can be achieved.

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Introduction

The Housing Forum welcomes the opportunity to input into the Government's Industrial Strategy. The delivery of new housing is a direct driver of economic growth, whilst the provision of quality homes across the country provides the workforce with the home they need to live a healthy and productive life.

Housing is not specifically identified as a sector, despite the fact that around 10% of the UK workforce work in construction, and many more in managing housing and related fields. There is an urgent need to address the skills shortage that affect many parts of the construction sector, holding back delivery of new homes and industry and delivering the much-needed economic growth.

We also urge the government to prioritise funding for local authorities in particular so that planning services can become more efficient in order to support the Government's plans for growth across all industries and in deliver new homes.

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Response to questions

Sector Methodology

1. How should the UK government identify the most important subsectors for delivering our objectives?

Alongside the methodology proposed, it is also important that the Government identifies the sectors of the economy that provide the workforce itself needed to support other industries. This includes sufficient housing delivery to support labour mobility and enable people to live healthy, productive lives.

2. How should the UK government account for emerging sectors and technologies for which conventional data sources are less appropriate?

No response

3. How should the UK government incorporate foundational sectors and value chains into this analysis?

It is vital that Government identifies and supports the foundational sectors which provide the skills and workforce for other sectors. This includes sufficient housing delivery to support labour mobility and enable people to live healthy, productive lives. Housing supports education: Children cannot learn well at school if their housing situation is unstable or overcrowded, and students cannot learn well at university or college if they have nowhere to live, have long commutes, or are having to work long hours to pay high rents.

To support new housing delivery and the decarbonisation of existing homes, it is vital that our energy system is upgraded. There is a need for government support to ensure that this happens in an effective way. Likewise, transport policy and housing delivery (especially at the larger scale, such as new towns) need to be coordinated.

The Government needs to show more leadership and support the housebuilding sector with the new approach to building safety, to avoid brownfield sites sitting empty or low-rise housing being built instead of high-rise because it is too difficult or too slow to build high-rise buildings.

Sectors

4. What are the most important subsectors and technologies that the UK government should focus on and why?

To support housing delivery and the growth that it helps deliver, the Government should focus on:

- Skills and training, especially outside of university. Much of the housebuilding process cannot be outsourced (nor exported) because it occurs on site. It is therefore vital that we have the skills and workforce required within the UK. There are huge shortages of the skills needed to design, build and delivery new homes, particularly around the newer green technologies (mechanical ventilation and heat pumps), façade engineers, planners and building safety experts.
- Investment in modern methods of construction. The recent collapse of some of the modular construction firms have left the industry off-track to grow this much-

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needed sector. Timber-framed construction and other forms of off-site construction offer much potential but need support to ensure a reliable pipeline of work. This can improve quality of newbuild homes, reduce carbon associated with construction, create jobs in areas where jobs are needed, speed up delivery and support further developments in advanced manufacturing.

5. What are the UK's strengths and capabilities in these sub sectors?

The UK's capacity for housebuilding is well below what is needed to deliver 1.5 million new homes over the next 5 years. Our recent report on the skills shortage identified some of the issues: <https://housingforum.org.uk/wp-content/uploads/2024/09/THF-FN-Skills-Shortage-Report-September-2024.pdf>
Shortages include:

- Sustainability specialist architects
- Building Information Modelling managers
- Document controllers
- Specialist architects, for instance to design to Passivhaus standards
- Repair and maintenance trades (plumbers, electricians, etc)
- Surveyors
- Development managers, including those with retrofit experience
- IT specialists within housing providers
- Housing management staff, particularly with the professional qualifications that will soon be required
- Planners
- Chartered building surveyors
- Fire risk assessors
- Damp and mould/disrepair surveyors
- Adult social care workers
- Heat pump installers and engineers
- Technical staff – eg value engineers, underfloor heating specialists and drainage specialists
- Lawyers with planning expertise

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Shortages across the housing association sector in all areas affect the sector's ability to cross-subsidise the construction of new housing.

On MMC, the UK does have some expertise and a long history of trying to scale this sector, however there remain challenges in scaling it to meet the needs of the housing sector.

6. What are the key enablers and barriers to growth in these sub sectors and how could the UK government address them?

Enablers

- Enthusiasm for improving the speed of construction encourages interest in MMC
- The NHBC has undertaken work recently to improve their ability to warrantee offsite construction.

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Barriers

- There are a lack of young people choosing careers in the built environment due to a lack of career guidance. Leaving it to individual schools to advise students means there is a lack of expertise around skills shortages, up to date information on new careers and emerging industries getting through to young people who need this information. Government needs to take an active role in helping young people to make informed choices about the career opportunities open to them. Initiatives jointly informed by employers and educational initiatives such as 'Education for Sustainable Development; and 'Education for Sustainable Future' can help here.
- There are negative views of the construction sector from teachers and middle-class parents, who do not promote it to bright young people. It is also viewed negatively by girls and young women in particular.
- Further investment is required in R&D and innovation for offsite construction
- The development of the heat pump market is inhibited by Government's lack of clarity around future grants to support the growth in the heat pump market, delays in confirming the details or date for the introduction of the Future Homes Standard and a failure to set a date for no longer fitting gas boilers.
- Apprenticeships have been too ridged and failed to attract sufficient interest from school, college and university leavers. More flexible apprenticeship programmes and funding allowing SMEs to invest and share apprenticeship opportunities and funding would help,
- There is a lack of opportunities for re-training for adults, whether employed or unemployed, who need to re-skill to fulfil their potential and/or fill roles in emerging sectors. It will be necessary to remove barriers to accessing training relating to costs, transport, the timing of training in the day and availability of part-time training to meet people's individual needs.

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Business Environment

7. What are the most significant barriers to investment? Do they vary across the growth-driving sectors? What evidence can you share to illustrate this?

- Investment in developing new housing by the housing association sector is severely inhibited currently. This is due largely to having to spend much higher than anticipated levels of money on building safety issues, alongside rising costs of maintenance which have not been matched by increases in rental income. This leaves housing associations unable to borrow the capital needed to invest in new homes. For instance, we are aware of one major housing association who has had to pause their newbuild programme indefinitely because they can no longer afford to build. The most efficient way to address this would be for government to support housing associations and councils with the costs of building safety work, just as they have done for

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individual leaseholders. This would help free up capital for investment in new homes.

- Investment in social housing is also inhibited by the low rental returns, especially from social rented housing, and by uncertainty around future rent increases. A ten year rent settlement (renewed on a rolling or 5 yearly basis) would help here. We are aware that MHCLG has a consultation running on this issue currently.
- Investment in the heat pump market and in other green technologies is inhibited by:
 - Government's lack of clarity around future grants
 - Delays in confirming the detailed requirements or date for the introduction of the Future Homes Standard
 - A failure to set a date for no longer fitting gas boilers.
- The Housing Forum is aware of difficulties finding housing associations to take on social housing that is built with gas boilers because landlords do not want to have the expense of retrofitting them with heat pumps in a few years' time. Bringing in the Future Homes Standard would create a level playing field and remove this source of tension, which inhibits housing delivery at present.
- Investment in purpose built market rental accommodation is inhibited by some of the proposals in the Rental Reform Bill, especially those that create a risk of short term tenancies (of only 2 months), longer delays in being able to take court action, costs and difficulties associated with rental increases and fears around long court delays.

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Business Environment – People and Skills

8. Where you identified barriers in response to Question 7 which relate to people and skills (including issues such as delivery of employment support, careers, and skills provision), what UK government policy solutions could best address these?

- There are a lack of young people choosing careers in the built environment due to a lack of career guidance. Leaving it to individual schools to advise students means there is a lack of expertise around skills shortages, up to date information on new careers and emerging industries getting through to young people who need this information. Government needs to take an active role in helping young people to make informed choices about the career opportunities open to them. Initiatives jointly informed by employers and educational initiatives such as 'Education for Sustainable Development; and 'Education for Sustainable Future' can help here.
- There are negative views of the construction sector from teachers and middle-class parents, who do not promote it to bright young people. It is also viewed negatively by girls and young women in particular. Government should work with industry to challenge outdated negative stereotypes and

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ensure that teachers and parents are aware of the range of modern career opportunities in this sector.

- There is a need for a huge increase in the funding for training heat pump engineers to support both installation and maintenance.
- Further investment is required in R&D and innovation for offsite construction
- Apprenticeships have been too rigid and failed to attract sufficient interest from school, college and university leavers. More flexible apprenticeship programmes and funding allowing SMEs to invest and share apprenticeship opportunities and funding would help.
- There is a lack of opportunities for re-training for adults, whether employed or unemployed, who need to re-skill to fulfil their potential and/or fill roles in emerging sectors. The government should create fast track pathways to re-skill people on areas where there are shortages, such as timber frame manufacturing and on-site erection, and heat pump installation. It will also be necessary to remove barriers to accessing training relating to costs, transport, the timing of training in the day and availability of part-time training to meet people's individual needs.
- We welcome the proposed approach for investors skills triage service via the Office for Investment and Skills England.
- Dedicated apprenticeship programmes for growing industries such as timber frame construction would help, alongside courses at FE colleges.

9. What more could be done to achieve a step change in employer investment in training in the growth-driving sectors?

- Training the trainers would help, so that employers have ready access to skilled trainers who can help train their workforce.
- The ESFA Fund for apprenticeships should be increased to reflect the inflationary increases of the last five years.
- Apprenticeships should be more flexible, with the levy also available to support other forms of training such as shorter courses.
- Providing facilities for training would be a good way to support employers in providing this for their employees.
- SMEs are likely to need financial support to provide training as the costs of training employees, who may decide to move on at the end of their training, can be prohibitive.

Business Environment - Innovation

10. Where you identified barriers in response to Question 7 which relate to RDI and technology adoption and diffusion, what policy solutions could best address these?

Some newer industries suffer from fragmentation and a lack of sharing knowledge. This results in a lack of standardisation of new products, which inhibits wider take-up.

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Government could support newer industries (such as some within the modern methods of construction sector) via industry groups.

Ever-evolving changes to building standards and building safety make a difficult environment to innovate new technologies. The Government should clarify the details of the Future Home Standard as soon as possible, and avoid piecemeal changes to regulation as far as possible.

Most heat pumps are manufactured abroad, which is a missed opportunity for a growth area for the UK and may increase the costs of electrification.

11. What are the barriers to R&D commercialisation that the UK government should be considering?

See answer to Q10

Business Environment - Data

12. How can the UK government best use data to support the delivery of the Industrial Strategy?

Government should support councils to use data systems that can be integrated with one another. Where new legislation is introduced which increases the requirement for data collection and sharing, such as the Building Safety Act, Government should support the sector with systems to help meet these new requirements and training to give people confidence in getting it right.

13. What challenges or barriers to sharing or accessing data could the UK government remove to help improve business operations and decision making?

It would be helpful if Government can set out examples of data sharing that are legitimate, are good practice, and do not breach any legislation. This would help give councils and companies confidence to share data appropriately.

Business Environment - Infrastructure

14. Where you identified barriers in response to Question 7 which relate to planning, infrastructure and transport, what UK government policy solutions could best address these in addition to existing reforms? How can this best support regional growth?

The Government needs to plan strategically for infrastructure such as transport, water and utilities alongside new housing provision. For large scale development, the involvement of central government is necessary to ensure this is planned appropriately across local authority boundaries. There is a key role for Homes England here, working closely alongside wider stakeholders.

Councils need more certainty over future revenue in order to de-risk borrowing and investment in infrastructure. This could involve having more local control over setting council tax or other forms of income generation. The New Homes Bonus should be confirmed as a long-term funding stream.

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The Government urgently needs to better support the planning system. Our recent report on Streamlining Planning to Build More Homes made the following recommendations on how to better resource planning:

- Local authorities should use permitted development orders for householder applications wherever feasible.
- The Government should grant permitted development rights by default with the option for local authorities to remove those rights where necessary.
- Local authorities should ensure that it is possible for those submitting major planning applications for larger sites to have a free conversation with a local planner prior to the pre-application stage, to iron out queries and ambiguities and ensure the application can be validated quickly and easily.
- Quality pre-application advice should be available to developers to start building a process of constructive engagement.
- Local planning authorities should ensure that standards already addressed by existing regulations are not added on as local planning requirements without a strong rationale for doing so and awareness of the trade-offs.
- The Government should remove nutrient neutrality from the planning system. This is because there are other agencies which are tasked with dealing with it.
- Statutory consultees should prioritise and focus their involvement in major planning applications.
- Planners' salaries and reward package need to better match those in the private sector.
- Planning officers need empowering to make decisions. Allocating a dedicated case officer to each application helps with job satisfaction.
- A career in planning needs to offer progression opportunities. The government should avoid imposing too many changes on local authorities as disruption and restructuring are key factors that cause staff to leave.
- A government scheme to encourage former (retired) senior planners to support local planning authorities dealing with householder applications could help – leaving 'career planners' to focus on more complex applications. Older planners might also be able to mentor and support newer planners.
- The government should continue work with the RTPi to develop routes into planning for applicants from non-traditional backgrounds, including apprenticeships. Internships or a 'year in industry' option within degrees can help attract the best graduates to a career that is right for them.
- New planners should be exposed to a range of disciplines to ensure they are aware of the work of other parts of the local authority. Secondments between the private and public sectors and the Planning Inspectorate for staff at all levels would also help.

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The Government should also implement the recommendations from the CLA's study into housebuilding.

We broadly welcome the proposal for a new planning triage service, implemented jointly between the expanded Office for Investment and MHCLG, but would be keen to see more details of how this will work.

We would also add that housing should be seen as essential infrastructure, and refer back to our previous answers on barriers to housing delivery.

15. How can investment into infrastructure support the Industrial Strategy? What can the UK government do to better support this and facilitate co-investment? How does this differ across infrastructure classes?

See answer to Q14.

Business Environment - Energy

16. What are the barriers to competitive industrial activity and increased electrification, beyond those set out in response to the UK government's recent Call for Evidence on industrial electrification?

Lack of clarity around long-term grants for heat pumps, the date for the introduction of the Future Homes Standard and a date for no longer fitting gas boilers all create a level of uncertainty around future demand for electricity from the residential sector.

The Government should confirm as soon as possible whether there is a future for hydrogen as a direct replacement for gas for home heating. Ongoing uncertainty over this issue deters investment in alternatives (heat pumps or heat networks).

The levies and tariffs on electricity (especially compared to gas) deter users from moving to electricity for heating and therefore deter investment in the heat pump sector.

The ECO4 scheme still gives government subsidy to support households in fuel poverty having a gas boiler fitted. Recent proposals are likely to increase the uptake of gas boilers under this scheme. This is contrary to the Government's ambitions on electrification.

17. What examples of international best practice to support businesses on energy, for example Purchase Power Agreements, would you recommend to increase investment and growth?

Most other countries have lower costs of electricity compared with gas. This is in part because the UK government has levied additional charges onto electricity bills. These should be removed and moved onto gas bills or general taxation.

Business Environment - Competition

18. Where you identified barriers in response to Question 7 which relate to competition, what evidence can you share to illustrate their impact and what solutions could best address them?

No response

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19. How can regulatory and competition institutions best drive market dynamism to boost economic activity and growth?

No response

Business Environment - Regulation

20. Do you have suggestions on where regulation can be reformed or introduced to encourage growth and innovation, including addressing any barriers you identified in Question 7?

Please see answers to Questions 7-14

Business Environment – Crowding in Investment

21. What are the main factors that influence businesses' investment decisions? Do these differ for the growth-driving sectors and based on the nature of the investment (e.g. buildings, machinery & equipment, vehicles, software, RDI, workforce skills) and types of firms (large, small, domestic, international, across different regions)?

Please see answer to Q7

Business Environment – Mobilising Capital

22. What are the main barriers faced by companies who are seeking finance to scale up in the UK or by investors who are seeking to deploy capital, and do those barriers vary for the growth-driving sectors? How can addressing these barriers enable more global players in the UK?

Please see answer to Q7

23. The UK government currently seeks to support growth through a range of financial instruments including grants, loans, guarantees and equity. Are there additional instruments of which you have experience in other jurisdictions, which could encourage strategic investment?

Longer term grant funding, from rolling funds without tight deadlines would support better value for money for local authorities who apply for such funds. There would also be benefits from combining pots where possible, to reduce the number of grant applications, and for giving funding directly to local authorities and housing associations to meet compulsory targets (such as upgrading homes to an EPC C rating).

Partnerships between government bodies and the private and not-for-profit sector can also be useful in delivery – for instance between Homes England, investors and housing associations to deliver new homes.

Business Environment – Trade and International Partnerships

24. How can international partnerships (government-to-government or government-to-business) support the Industrial Strategy?

No response

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25. Which international markets do you see as the greatest opportunity for the growth-driving sectors and how does it differ by sector?

No response

Place

26. Do you agree with this characterisation of clusters? Are there any additional characteristics of dimensions of cluster definition and strength we should consider, such as the difference between services clusters and manufacturing clusters?

The Housing Forum recognises that it is necessary to invest in areas with the most potential for growth. Housing delivery needs to take place across many areas, in order to make use of existing infrastructure, provide homes for people in the areas where they want to live, and provide higher levels of new homes in areas where jobs are growing fastest.

27. What public and private sector interventions are needed to make strategic industrial sites ‘investment-ready’? How should we determine which sites across the UK are most critical for unlocking this investment?

No response

28. How should the Industrial Strategy accelerate growth in city regions and clusters of growth sectors across the UK through Local Growth Plans and other policy mechanisms?

Close coordination between the Industrial Strategy and the work of the New Towns Taskforce is essential.

29. How should the Industrial Strategy align with devolved government economic strategies and support the sectoral strengths of Scotland, Wales, and Northern Ireland?

No response

Partnerships and Institutions

30. How can the Industrial Strategy Council best support the UK government to deliver and monitor the Industrial Strategy?

No response

31. How should the Industrial Strategy Council interact with key non-government institutions and organisations?

This is essential, and we would strongly urge the Industrial Strategy Council to engage regularly with Homes England, MHCLG and the New Towns Taskforce.

32. How can we improve the interface between the Industrial Strategy Council and government, business, local leaders and trade unions?

No response

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Theory of Change

33. How could the analytical framework (e.g. identifying intermediate outcomes) for the Industrial Strategy be strengthened?

No response

34. What are the key risks and assumptions we should embed in the logical model underpinning the Theory of Change?

Other Government strategies with alternative goals, particularly around environmental protections, carbon reductions and social well-being. Many activities will contribute to the ambitions of the Industrial Strategy but may have other goals too.

35. How would you monitor and evaluate the Industrial Strategy, including metrics?

The Industrial Strategy is wide ranging and may overlap with many other strategies, making it difficult to evaluate as one programme.

Additional Information

36. Is there any additional information you would like to provide?

The Housing Forum welcomes the Government's focus on the Industrial Strategy and see the delivery of new homes and improvements to existing homes as a key part of this. We look forward to working with Government to help take forward their plans, and work towards our ambition of a **Quality Home for All**.

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