

Housing, Communities and Local Government Committee

Oral evidence: Capacity of the construction sector,
HC 747.

Tuesday 4 March 2025

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Members present: Florence Eshalomi (Chair); Lewis Cocking; Mr Lee Dillon; Naushabah Khan; Joe Powell; Sarah Smith.

Questions 1 - 39

Witnesses

I: Dan Turnbull, Senior Director for Markets, Competition and Markets Authority; Tim Balcon, Chief Executive, Construction Industry Training Board; Anna Clarke, Director of Policy and Public Affairs, The Housing Forum; Mark Reynolds, Co-Chair, Construction Leadership Council, Group Executive Chair, Mace Group.

II: Brian Berry, Chief Executive Officer, Federation of Master Builders; Ian Fletcher, Director of Property, British Property Federation; Dr Victoria Hills, Chief Executive, Royal Town Planning Institute; Muyiwa Oki, President, Royal Institute of British Architects.

Examination of witnesses

Witnesses: Tim Balcon, Anna Clarke, Mark Reynolds and Dan Turnbull.

Chair: Good morning. Welcome to today's sitting of the Housing, Communities and Local Government Committee. I am Florence Eshalomi, the Chair. Can I ask my Committee members to introduce themselves and declare any additional interests, please?

Sarah Smith: I am Sarah Smith, Member of Parliament for Hyndburn.

Naushabah Khan: I am Naushabah Khan, Labour Member of Parliament for Gillingham and Rainham.

Joe Powell: I am Joe Powell, Kensington and Bayswater.

Mr Dillon: I am Lee Dillon, MP for Newbury.



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Lewis Cocking: I am Lewis Cocking, Broxbourne.

Q1 **Chair:** Can I ask our guests to introduce themselves, please?

Dan Turnbull: Hi. My name is Dan Turnbull. I am the senior director of markets from the Competition and Markets Authority.

Anna Clarke: Hi. I am Anna Clarke, director of policy and public affairs at the Housing Forum.

Tim Balcon: Morning. I am Tim Balcon, chief executive of CITB.

Mark Reynolds: Morning. I am Mark Reynolds. I am co-chair of the Construction Leadership Council and executive chairman of Mace.

Q2 **Chair:** Thank you for coming to the Committee this morning. Today we are looking at construction. This is a one-off session on construction and the sector. You will know that the Government's really big ambition is to build 1.5 million new homes during the course of this Parliament. During the course of the Committee, we have heard a number of concerns from people across the sector talking about the capacity within the sector. This is a question for all of you to kick off. Is the Government's ambition to build 1.5 million new homes by the end of this Parliament achievable?

Dan Turnbull: Thank you, Chair and Committee, for inviting me here to speak to you about this today. We completed our report into house building almost exactly one year ago. Based on the findings of that report, we very much welcome the commitment to build 1.5 million homes during this Parliament. In particular, it is sensible of the Government to issue that as a united figure over the entire Parliament, rather than an annual figure. Because of the cyclicity that we see in the housing market, it is much more sensible to target a longer period.

In terms of the scale of the target, it is clear that this is unprecedented. We have not hit those numbers of buildings on an annual basis in the last 50 years. The only times that we have ever hit those numbers, we have had very significant contribution from local authority building, so it is a huge challenge to the industry.

We found in our report that there were two significant drags on the level of house building in this country that would have to be addressed for us to stand any chance of hitting those targets in the coming years. The first of those is clearly the planning system. We found that, in recent years, the number of planning consents being issued has not got anywhere near the number that would be required to hit those targets. That needs to be increased as an absolute necessity if that is going to be achieved.

What were the key things that we saw in that system? First, we thought that there needs to be much more predictability of outcome for the firms involved in that. Secondly, the process needs to be quicker, less expensive and less complex. Thirdly, local authorities need to have the right objectives and incentives in place to set those targets and hit them.



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The second area that we think is hugely important is the reliance on the speculative house building model in this country from commercial builders and the incentives that they collectively have to build up to that level that is required. It was clear to us that there would need to be a significant contribution from the non-speculative sector. We are talking about affordable housing, custom and self-build, and build to rent, which we see much more significantly in the sectors of many other countries, in order to do that. Relying on those sectors is really important to counter some of that cyclical nature that we see in the system. When the commercials pull back, those sectors need to push in and achieve that.

In terms of the capacity of the sector to deliver that, some of my colleagues on the panel will have more to say about it and will particularly be much closer to the reality on the ground in the sector. One thing that we would say is that, in order to build that capacity, it is really important to have clarity and consistency in policy so that the builders know what the environment is that they are investing into years into the future, that there are not going to be U-turns or pulling back on any of these commitments, and that that will be seen through to the end.

In summary, it is an incredibly hard target to meet. Some of the things that have been announced are definitely steps in the right direction that we would recognise, but it depends on seeing that through in a consistent and full way.

Q3 **Chair:** Anna, can we hit that 1.5 million?

Anna Clarke: It will be hard. Anyone in the sector would acknowledge that that is a challenging and probably unlikely target to be met in those five years. I would echo what Dan says. It is enormously helpful to have a target and ambition, and to be pushing toward that. The sector was delighted to hear that. The fact that it was a cross-party target of around that number was really helpful.

It is not very likely that we will hit it in this five years but, if we are doing all the right things now, we might hit it in the subsequent five years. There is a huge delay in housing between doing the things and seeing the benefits. It takes a long time to buy land, get planning permission and build the houses.

There is a big backlog and the Government came in at a very tough time for the housing sector. The construction costs had gone up by 50% in just three years. Land had been purchased before that, so people did not factor that into their business plans. Then the housing market flatlined because of interest rates pushing up mortgage costs. The financial climate is incredibly tough at the moment. That is probably the biggest barrier for our members that we see.

The Housing Forum represents members across the whole of the housing sector. We have private sector house builders. We also have public sector, councils, RPs and other parts of the construction trade. They are



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working in partnership together. We see all parts of it, but they are all having the same issues with there not being the financial viability to bring sites forward, so there are sites sitting empty, which causes people to be frustrated that there is not housing coming forward. That is the biggest challenge right now, certainly. That will be the one that needs fixing first before other things. All the things on planning are good things and will move things in the right direction, but they take time too.

Q4 Chair: Tim, in terms of the construction sector, what challenges do you think the sector is going to face in delivering these 1.5 million new homes?

Tim Balcon: If you can sort out the planning and the speculative model, the contribution I would like to make is from a skills perspective, because that is the third element that needs consideration. We predicted that the industry would need 161,000 additional people to build the houses that we have. We have taken a position here: if we knew we could build 1.5 million houses, what would we have to do in order to achieve that aim? That defies popular opinion, if you like, but, in modelling a different way to train individuals into the sector, we believe that these numbers are achievable, as long as we put our efforts into making this happen.

At the minute, the industry trains in three main groups. One is the apprenticeship, which is a flagship model. The apprenticeship model accounts for about 10% to 11% of new entrants into the construction industry. The work-based learning or FE—further education—model accounts for about 30,000 to 40,000 individuals being trained in that. Then there is a third element, which is the informal. A lot of the industry recruits by friend of a friend, somebody they met on Facebook or in a pub and so on. That particular cohort is about a half of new entrants into the industry. We do not know who those individuals are and nor do we have any assurance on their competence or skills level.

Let me go back to the apprenticeship and work-based learning models. Within that system, there are about 100,000 people. We know that about 60,000 to 70,000 people per year do not achieve their qualifications or end up in the construction industry. If we can determine and create a more efficient and less wasteful training model, we can achieve the numbers that we are talking about here. That is where we have been concentrating.

Q5 Chair: That is a high figure of people not completing.

Tim Balcon: It is.

Q6 Mr Dillon: Do you have any intel on why they are dropping out?

Tim Balcon: In terms of the apprenticeship model, I think that that is about a 54% achievement rate at the minute. Government are working really hard to remove some of the barriers to the apprenticeships. In terms of the FE route, there are a number of factors. There always are, but there are a number of factors involved in that. The individuals who



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are choosing those courses are not necessarily the ones who either are suited to construction or actually choose construction as a career of choice. They end up there because their options are becoming more limited.

The training programme that those individuals then undertake is not consistent with the training standards that the apprenticeship has, so, in a sense, the training programme is not quite right either. I actually do not think that that is a major issue. That can be corrected quite easily by just aligning the standards of those training courses to the apprenticeship model.

The third one is that there is a big disconnect between the training taking place for construction workers or students and the employers wanting to recruit. Employers largely want to recruit experienced people. It is made up largely of SMEs and smaller businesses. The smaller the construction business, the harder and more expensive it is to train. We have to find a way to create a much better training programme, so that individuals value the individuals coming out, so when they come out of training they can actually support their productivity and their organisation goals, rather than what we are hearing now, where employers are saying that they have to babysit people for too long a time. We need a model to incentivise the employers to get more involved in training individuals as well and connect those two processes together. If we can achieve that, we can achieve the numbers we are talking about here.

Q7 Chair: Mark, you may recall a *Financial Times* headline a few weeks ago where it said, "Britain's dearth of construction skills throws an almighty spanner in the works" of the Government's ambition. From the construction sector, do you think we are going to build these 1.5 million new homes?

Mark Reynolds: We can certainly start 1.5 million in this Government's term. Realistically, we should be setting higher targets of 4 million in the next 10 years. That is eminently achievable. I do not think that skills is the issue. Tim and I have been working closely on some solutions around that. We have touched already on a number of the barriers. It is not just planning. There is nutrient neutrality that needs to be resolved, as does compliance with the Building Safety Act. The Building Safety Regulator needs more resources. Industry needs to step up and to understand and comply with those issues.

The biggest challenge, once you remove those blockers, will be affordability at the present time. That is still a huge challenge, as has been touched on already by Anna. More importantly, there are mechanisms that local authorities can implement. From our own experience working with Stevenage Borough Council, we came up with a market-led solution where it did not pay for the land. You put the land in free and get a development return at the end of the project. That unblocked the project. That allowed that project of 1,800 homes. In a



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Mace capacity, we could release thousands of homes just through closer co-operation there, so you can overcome these affordability challenges.

There is also a productivity issue. Housing is the lowest-productivity sector out of the four sectors. There is the use of MMC—modern methods of construction—but you need a clear pipeline, so having confidence for people to invest. We use the phrase, “We do not have a skills problem. We have an absorption problem”; i.e. employers cannot employ enough people. Housing is our biggest opportunity because, in relative terms, it is a lot easier to train up someone to work in housing. That could be the pipeline for growth for our sector. You can bring people into housing to move them on to level 2, level 3, level 4 and beyond much more quickly than you can in most other trades. Housing is a good stimulus.

If you compare the size of the industry, to answer your question, when we were building 250,000 homes a year, mostly private—and the majority of the private we were dealing with were the affordable—the industry employed circa 2.3 million people. Around 2018-19, it was 2.35 million. If you look at the industry today, we are employing around about 2.23 million people. It grew by 60,000 last year. We think that the industry has the capacity to flex very quickly and grow to meet the demand. Skills are not the fundamental issue, but we will need an integrated plan in order to deliver that. Also, we need to be looking at tenures, so mixed tenures.

Chair: We are going to come on to that.

Q8 Lewis Cocking: You have all mentioned planning as an issue, so I want to touch on that a bit more. You are all basically saying, “It is too hard to get planning permission. It takes us too long”. In my experience of when I was on a planning committee, the only reason why it takes too long is that the developer tries to put in absolute rubbish. If they came with better proposals, they would probably get through the planning committee and the planning process quite quickly.

You have all said that it is too slow and difficult. “We want planning permission more easily”. What do you say to all these planning permissions that remain unbuilt? We can do all of the stuff you have said. We can get quicker planning permission and all the rest of it, but that does not mean that the houses are going to get built any more quickly. There are thousands of planning permissions up and down the country that people simply have not built. This whole idea that we are not getting through the planning committee quickly enough, it is too difficult and there are too many barriers is just nonsense, surely.

Mark Reynolds: I will answer that in some respects. I do not disagree with you about poor-quality homes, but it is not just about planning. Nutrient neutrality is costing the industry millions and people are not investing. It is not just about builders; it is about investors. It is going to take time.



There are three major blockers. Planning is one and that is a consultation and speed process. If you look at the second part, nutrient neutrality, it is causing medium or small developers up to £1 million of additional fees, so they are just not going to invest the money because it is too expensive. Then you have the Building Safety Act and the implementation of BSR. You have a 12-week approval period, but it takes up to 48 weeks to get schemes approved. I am not saying that it is just planning; I am saying that it is the system.

Q9 Lewis Cocking: You are not answering my question. There are thousands of planning permissions that are granted out there that could be started tomorrow. You have all mentioned that the planning system is a blocker. These are sites that have planning permission.

Mark Reynolds: I am not saying that it is just planning. It is not just planning.

Anna Clarke: Once they have planning, the main thing that is holding them back, in my experience, is viability. It does not make sense to build. They cannot sell the houses for enough to cover the construction costs. That is completely holding a lot of them up. Some of them are held up because they need a section 106 partner to take on the affordable units and they cannot find that partner because the housing association sector has pulled away from development, because it is investing in its existing stock and its budgets do not add up either. Those are big barriers.

Waiting for infrastructure to come on to the site is another barrier. Also, you need a certain amount of sites in a pipeline at any one time. If you have a big site that you are building out over 10 to 15 years, if all your housing is built that way you need 10 to 15 times as much land allocated for housing. You cannot just build them all out first before you apply for any more planning permissions. You would expect there to be some sites going out, but for the ones that are stuck those are the main reasons. It is around infrastructure or viability.

I notice that the Government have a taskforce that has looked at that lately. Hopefully that will come back with some more site-by-site reasons why some of them are not building out. It is a myth that there is an ever-growing supply of land with planning permission that they are not bothering to build out on. There is no money to be made by house builders by not building housing. They only make money when they sell the houses at the end.

Q10 Chair: Do you think everyone is waiting to see what the figures will be on the affordable homes programme?

Anna Clarke: The housing association sector is waiting for that. The hiatus and delay in the spending review has caused problems with that long-term planning, certainly.



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Mark Reynolds: Can I just give two examples? It is two schemes, one in London and one in Leeds. There are 500-plus homes and it has taken over 48 weeks to get the Building Safety Regulator to approve those schemes. We are working with the regulator, so I have my facts on that one. One is a residential social landlord and the other one is a private developer. It has cost both of those £1.5 million. Those people who fund those schemes will walk away.

I am not saying it is a single planning. It is the process that we need to look at. Planning will overcome one thing; then it will be something else and then it will be something else. I will use the scheme we have with the borough council. Planning was delayed two years. In that two years, we had covid and hyperinflation. It became unaffordable.

Q11 **Joe Powell:** I have a quick, specific follow-up question on the BSR, because we have heard this before in this Committee about the delay. What do you think would make the BSR more effective?

Mark Reynolds: We are working with the BSR. We have set up a task and finish group to try to improve the process. I have sympathy with Philip and his team, because it is a new organisation. It has a new computer system, it has to go through new regulations and the industry does not quite understand what it should be doing. There is a learning process for it.

We need to get the guidance through for the industry and the industry needs to learn that guidance. We need more multidisciplinary teams to be appointed more quickly. It is taking nine to 12 weeks to get the multidisciplinary teams in place, because there are not enough of them. There needs to be some support in a multidisciplinary team.

Q12 **Joe Powell:** Do you think that there should be a target on the timeframe for decisions?

Mark Reynolds: There is a target. It is 12 weeks.

Q13 **Joe Powell:** You are saying that the majority are not.

Mark Reynolds: It is taking 24 to 28 weeks and some are taking up to 40 to 48 weeks. People are being laid off. People are losing their jobs over this.

Q14 **Chair:** We have touched on quite a number of issues. I am keen to bring in other colleagues. Before I move on, I wanted to come to you, Dan. We have heard some of the other issues that may be delaying the house building. The Government are proposing for the New Homes Ombudsman Service to be mandatory on small and medium-sized builders. Do you think that that will compromise their ability to develop and build?

Dan Turnbull: We are very supportive of this and it was a recommendation of ours that the Government action the New Homes Ombudsman Service with a single mandatory statutory code that all builders, large and small, have to sign up to. We think that, while this is



clearly additional regulatory process for those firms that are not signed up to it, the net effect of this will be positive for the industry in terms of increasing the confidence of consumers to be able to buy new homes. At the minute, they are facing a lottery of what routes are open to them for redress. It is very complicated for them to navigate and we think cutting through that will give consumers so much more confidence.

We recognise that, as with any regulation, complying with that is proportionately more difficult for SMEs. They do not have armies of lawyers and consultants on tap to be able to help them with that. We think that it is really important that, as that is being set up, proper consideration is given to what the experience of SMEs engaging with that will be and making that as smooth and helpful for them to do it as possible.

Q15 Naushabah Khan: A little bit of this has already been mentioned. Particularly to Tim, Mark and Anna, I wanted to get a sense from you of what you think the main challenges are in attracting and retaining skilled professionals in the construction sector.

Tim Balcon: Mark touched on this. It is the absorption. We have the skills delivery, which is very inefficient. It is training people who are not either suited or going through the right process. Then there is a disconnect because the way that the FE colleges' system works is around qualification attainment. It is focused on the individual. One thing that we need with this unprecedented increase in houses is a focus on the employers to give them the skills that they require. We need a much clearer definition of what the skills are. By the way, if we get this right, this will lead to productivity gains as well. Any skills system should have productivity right at the centre of its thinking.

At CITB, we set up a new entrants support team a couple of years ago. This was to meet one of the biggest challenges the industry had, which is getting new people into the industry. We set up a team of people. Most of the construction industries that we are talking about here are either SME or small businesses. We handhanded them through the process. We found that they have the real appetite to want to recruit and train individuals, but they did not have the wherewithal to do it, the system was too difficult for them to engage with, they were too busy, or it was too expensive. The new entrants support team was specifically put in place to remove those barriers to entry.

That team has been unbelievably successful. Since its launch, we are approaching nearly 5,000 apprenticeship starts. The other figure to that is that we know that at this point, although it is still relatively early days, there is a 92% retention rate for those apprentices as well, so it is incredibly successful. If we get the right support to those individuals, we know that we can get them engaged in training. That is the key to this.

Employers are saying that, when they look to the training, the training process very often is a day release. It takes too long for those individuals



to come on site and be productive. This goes back to the babysitting narrative that we are hearing from them. The most successful model is a block release model, so that individuals can go and learn something. When they come on site, they can go on site and actually do something. They can actually contribute to what the homebuilders are doing.

We have taken the best of that model. I say "we"; I am particularly talking about NHBC, which has its own model. We have taken the success we have got from there. The Home Builders Federation is leading the homebuilding sector skills plan, which involves a lot of the other sectors as well. This is a very collaborative effort in bringing our best thinking together to make sure that the training process is right and we deliver to people.

The key to meeting the 1.5 million and the additional house building that we are talking about here is that we supply training for demand. We do not train more people who do not get into jobs. When the jobs become available, we know where the demand is, so we can give the individual sight of a job offer, rather than just a training programme. That will be more attractive to the individuals and means that the training process will be much more sharply aligned to what employers will be using their skills for when they get on site.

Mark Reynolds: I am not sure how much you know about the detail, but 70% of people who go into full-time education do not get a job. People go into construction but they do not get a job because the job is not offered to them. Some 50% of the apprenticeships do not complete their full qualification. Some go into the industry unqualified, which goes back to productivity, but 50% do not complete their apprenticeship. We have a massive leakage from training programmes to full-time employment.

We are the second best-paid industry in the country behind professional services and banking, so it is not as though it is a low-paid industry. The environments are pretty good. Diversity is not great and ethnicity particularly needs work, but this is an industry problem. I chair a group called Construction Skills Delivery Group. We have put a number of interventions in place, or Government have, in terms of support packages. They are not well known and probably could be better communicated, but there are some very good support packages in place.

It is the role of industry to make sure that employers have the confidence to employ and train them up, and that we have a system that works, which is effectively bringing them through on a modular basis. The Farmer report, for example, made several good recommendations that we should take on board. Modularity of the training programmes would give us greater flexibility. Things such as boot camps are a great way of doing that.

Q16 **Naushabah Khan:** To unpick those figures that you gave at the start, 50% do not complete and 70% do not go on to get jobs. Could you unpick that a little bit for me and explain why you think that that is the



case?

Mark Reynolds: The 70% is because they are not work-ready. If I go through full-time training and then go for a job, they are not deemed to be work-ready or as attractive as someone who has done a block release or day release, because they are work-ready. They are used to getting to work. They have confidence. They are going to be on site at 8 am and leave at 5.30 pm. That attrition is much higher in the people coming out of full time, so there needs to be a closer bridge.

We see the T-levels from a managerial point of view working quite well, because they go into the apprenticeships and are more successful. I do not think that they necessarily work quite as well for trades, but that is something we need to look at.

Then it is about where the attrition is during that programme. I become an apprentice. It is pretty much an electrician, carpenter or plumbing. Of the 5,000 to 7,000 people who come into the industry every year, 3,000 to 3,500 leave, because they cannot get the jobs beyond. They either do not like the job or they do not get a full-time job beyond their apprenticeship because they are not trained up and work-ready. We have to find a way of helping them through the process more quickly.

Q17 Naushabah Khan: So that I am clear, we are saying that it is not necessarily a pipeline issue.

Tim Balcon: The construction course in colleges is one of the most popular courses. We have two FE principals on our board and they were saying that they are oversubscribed on those individuals.

Q18 Naushabah Khan: On that, one of my local colleges offers construction skills as part of its curriculum. It finds that it has people who wish to be part of the course, but does not necessarily have teachers who are able to deliver those courses, even if they are from the construction industry. I wondered whether you had any reflections on that. Is that something that you have seen in other areas?

Tim Balcon: It is a key issue and something that we are focused on at this point in time. We know that some of the hard-to-fill vacancies in colleges are in construction, so this is an issue. The average salary in construction trades is £45,000. I think that the average salary in a FE college is £32,000. That is the starting point.

That said, there are a number of initiatives that we are now working with. On the homebuilding sector plan, there is a pilot in place at the moment so we can train individuals from construction to become trainers and assessors. The transition is not quite a simple one. Forgive the football analogy. It is a bit like saying, "If you could play football, you would be a referee." It is a different skillset. People are finding that they might have an intent and desire to be a trainer but, when they find out the training and teaching skills necessary to do that, particularly with the college and safeguarding, and some of the further activities, it is quite off-putting. We



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know that there is quite a high attrition rate as well with FE trainers, so that is the other point.

We are looking at a dual professional role and how we can train up those who are currently in the sector to contribute to training as well. There are other pilot activities that we are pursuing. One thing that we have noticed within construction is that, between the ages of 25 and 35, there tends to be a period where people leave. It is about how we tap into that age group so that we can take those who, for one reason or another, do not want to pursue their career in construction. That FE route is perhaps a good option. We are also looking at how we can provide training to those individuals so we can make them trainers and assessors into the industry. There are a number of pilots that are taking place at the moment.

Mark Reynolds: There is about a 10% shortfall in tutors in the sector, probably 5% more than average sectors. We have been talking to DFE and Skills England about this and how we can actually stimulate it. There are two things we have to do. We have to get the right lecturers doing the right courses so we get the right outcomes. There is some rebalancing required there. If you are doing a part-time apprenticeship, there is less incentive for the colleges to put lecturers in there. You are exacerbating the problem, where more people get jobs if they have skills and jobs, and you do not have enough tutors in those areas. We are seeing some shortfalls there.

We then need to make sure that there is some incentive for employers. Employers, particularly the larger ones, run their own training courses. They have the opportunity to put some of their people into colleges. If we could find a way of putting a fiscal stimulus, such as an R&D tax credit, on those people—I will just throw that one out there—or on a college, someone actually giving back in that area, it would give employers an incentive. It goes back to how they demonstrate social value. There are a number of things.

I think there is a shortfall of about 4,500 lecturers we need in construction across the sector, across the whole country. Therefore, how can we get large employees to put forward a number of their people to help? It is this coalition between Government, the DFE, Skills England and industry in order to solve that problem.

Q19 **Naushabah Khan:** Anna, did you have any reflections on that?

Anna Clarke: They have covered most of it. I would add that one difficulty that people have if they come out of college at the wrong time is the cyclical nature of the housing market. If they come out at the wrong time, there are not very many jobs for them. We have seen firms losing staff and good, qualified people leaving the sector, going off and finding other jobs. If they have come from other countries, they go back home again. There is a lot of attrition because of that cyclical nature.



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One thing that would help that is if the social housing sector was able to invest in a countercyclical fashion, as it has done in previous downturns, but it has not done in the recent one because it has not had the money. It would help the whole sector to retain that capacity, which we otherwise lose when the housing market goes up and down.

Q20 Naushabah Khan: To what extent do you think the sector is reliant on overseas labour? Have you seen that change in recent years? How is that trend moving?

Tim Balcon: Looking at some information just prior to this Committee, I think construction is 13th out of 16 in the usage of overseas workers, so it is actually quite low as a sector. Something like 10.5% of the workforce were from overseas. I think that that has dropped to about 9.6% now. It has been dropping since covid.

What I would say to that one is that, if we can create a skills system across Great Britain, the reliance on overseas workers becomes less and less anyway because we can get the indigenous workforce trained up, if you like. If we can stop the wastage in the training system that we have, there is a potential here to create enough people to be able to deliver what construction is looking for. That is our focus at this point.

Mark Reynolds: It is regional though. If you look at London, it can be up to 48% foreign workforce. London particularly is polarised. If you go to the more northern regions, it is down to 12% or 10%.

There is a huge opportunity using the existing factories' facilities. If we have a consistent demand, as Anna said, this is a way to balance demand of 300,000 or 400,000 homes a year, always being clear about being filled by local government, some form of stimulus in terms of land provision et cetera. If we could make sure that it is consistent, we will get people to invest in off-site manufacturing facilities. They do not need to be huge. They can be small subassemblies. We have looked at the various categories. They do not need to be all modular. They can be subassemblies where you build parts of it. Many of the house builders have invested in their own relatively small factories.

It means that you can bring people in and train them up. They generally have a much more stable environment. It is about how we create that confidence for people to invest and make it work. There have been some big failures as well, L&G being a prime one, if not the greatest, in terms of £150 million sunk into an off-site facility.

Q21 Sarah Smith: I believe that, back in 2016 in the Farmer review, it described the training model for the sector as quite dysfunctional. I was just interested in your views as to how much, if to any extent, things have improved in the nine years since that was published, or whether you would say it was still a similar situation.

Tim Balcon: Since that 2016 report, Mark Farmer has also just released his view on ITBs as well. He is also looking for radical reform there. That



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is something that we saw two or three years ago, so we have been working on those radical reforms. It is quite clear that, if you lose 70% of people in a training system, you know that something is not right, don't you?

I have to say, I do not think that I have ever been more excited than I am at the minute with the conversations that we are having with DFE colleagues in actually understanding the problem that we are trying to fix and some of the solutions that we need to put in place. When the target first came for 1.5 million houses and we started to look and say, "Can we achieve this?", we absolutely needed a radical approach to deliver the workforce, which I have just explained. We can achieve that.

There is a lot in the current skills system that we can still use if we piece it together better, create different incentives and make sure that employers are much more joined up to the training system that we currently have. There is a lot that we can currently use to meet these solutions going forward. No matter what we do with apprenticeships, and it has its issues, it is still a flagship training programme for apprenticeships. We do not want to tamper too much with that because the industry always relied on apprenticeships.

We need to take out some of the additional stuff that employers find difficult, and maths and English is a good example of that. There have been some changes recently. That starts to remove the barriers for employers to get more involved in apprenticeships. If we get what FE calls the diplomas right, we can make some of the radical reforms ongoing. As I say, the conversations that I am having with DFE are really exciting at the moment and I am really quite pleased with the way those are going.

Mark Reynolds: I led the skills workstream for five years before I became co-chair of the Construction Leadership Council. The pipeline coming into the sector is actually quite strong. That is not the issue. It is making sure that we can train people up.

A fundamental shift that has happened since Mark first wrote that report was that, since Grenfell, we have implemented a competency-based programme under all the various competency working groups, which are now, I think, 15. What was working group 2, which was trades, is about 50 trades. The industry is now stepping up and starting to write those competency-based programmes, so they cover skills, knowledge, experience and behaviours. They go into the curriculum and are being developed so we are training people with the right things that the industry needs.

The programmes are being developed by the industry, for the industry, specific to their trades. The National Federation of Roofing Contractors has done its 13 core skills, developed that and got them signed up, and now they are being implemented. There is a big movement there.



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We now need to have a skills registration so we know that people are competent and there is a competency system. We have a digitised competency card system. I think that it is run by 38 or 37 different bodies. It is all digitised now. When you go on site and you have a CSCS card under a CSCS banner, when you go into the digitised entry system you know that the person is skilled and competent, so you can track that. A lot is going on, but there is still a lot to do.

Tim Balcon: Can I just add to something Mark said about the activity that the industry is doing? There are over 600 people involved in determining those competency frameworks across most of the construction industry. That is a very impressive industry collaboration to be able to achieve those. The real value of those is if we can turn those into something you mentioned earlier, Mark, which is more modular qualifications. In construction now, people tend to move between areas of construction. Having the one determination of competence would be really pretty valuable. It is pretty essential. You could have a qualification or training pathway that enables individuals to migrate between different areas.

If you take house building, out of those 161,000 people who we need additional, we reckon that 100,000 people are already in the sector, working in different parts of the sector, who will probably move to where that demand is. We therefore need those competency frameworks to be able to create that fluidity of applications of our skills. That would be the next step.

Q22 **Sarah Smith:** There has been significant differentiation and underspend, if you like, between what the sector has been putting into the apprenticeship levy and what has been invested into apprenticeships. Would you like to speak further about reforms that might be needed to the funding to also support the changes that you are talking about within the system? Secondly, on the funding question, what is your understanding of the need for capital funding for colleges to make sure they have the right equipment and sites to be able to meet the needs of your sector?

Tim Balcon: If I take the second question first, in terms of capital, colleges are wholly reliant on a lot of the manufacturers that step up, contribute and gift FE colleges with bricks, plaster and insulation. There needs to be a shout-out to the manufacturers that do that. Construction training is perhaps one of the most expensive courses for colleges to run. Without that kind of contribution, they would not take place.

In addition to the apprenticeship funding, CITB also offers what we call an achievement grant. That could be anything up to nearly £9,000 for employers who take an individual. It is to support them with the labour costs and wage costs. It is more about understanding that they have to contribute to their learning and therefore productivity might dip while they are doing that one.



Where would I start with this? I would not start with the funding. We can rework the funding. We can have a process of “follow the money”. That would be quite illuminating. The real issue is that the vast majority of construction is SMEs and smaller businesses, and their ability to engage with an apprenticeship is too limited. They find the whole process far too difficult. If we can make it much simpler, which we have tried to do with the new entrants support team—and that is having an effect—the funding becomes a secondary issue. One thing that we hear is the smaller organisations saying, “I would love to take on an apprentice, but I just do not know how”. The money is a secondary issue after that.

Q23 Sarah Smith: In terms of that simplification, are there any examples? Maybe these are some of the conversations you are having with the DFE right now. Where are those really specific barriers for small and medium?

Tim Balcon: They are often very busy, particularly after covid, where the construction industry exploded in terms of work demand. We found that the grants we give as CITB moved away from granting qualifications to short courses because employers were saying, “We are too busy to send our people on long-term courses”. Do not forget that the construction industry’s visibility of workload is on the next project. In particular for smaller businesses, they cannot see beyond the next project. It means that investing in a three-year apprenticeship programme becomes more difficult and risky. It is de-risking that long-term investment for them that has had one of the biggest impacts on smaller businesses.

Q24 Sarah Smith: Does anyone else want to come in on that?

Mark Reynolds: If you take an SME, it is all about confidence to employ to see people through their apprenticeship. I forget what it was called now, but we had a programme where a broker looked after an apprenticeship, so we had a flexi-apprentice scheme. That was what it was called. A brokerage owned those apprentices and put them in. Then there is a cultural thing where people say, “I don’t employ them then”. We have to overcome that barrier. It was a good programme. It has been relatively successful compared to other industries, but it is not working that well.

We also need to think about how we use the levy to help apprentices. When they are being asked to travel long distances, they do not get any benefit to that. The apprentice levy could be used to help the apprentice, particularly when they are being asked to travel a long distance away from home.

Another leakage in the system, which is beyond apprenticeships, is the two-year taxation rule. Projects generally last more than two years, particularly big programmes. If you are suddenly being taxed on your travelling expenses going home to site or are in accommodation, it is no longer worth while working on that project. That is why you get more mobility. The fiscal two-year rule on travelling is a nightmare for both employers and the employee.



Q25 Joe Powell: Another wider industry challenge has been alluded to. Post Grenfell, there has been a lot of focus on construction products. We heard that there is a new Green Paper looking at construction product reform. The Government are looking at potentially debarring some companies from public procurement contracts that were involved in the product manufacture for culpable cladding and so on.

I know that this is new; it was published last week. I am just curious about your initial reaction and how we could bring product alignment into sync, in terms of solving some of these challenges we have been talking about.

Mark Reynolds: We have been doing a lot of work with MHCLG, the OPSS—the product regulator—and the BSR on this. Yes, we will be responding in detail to the Green Paper. The industry itself has put in place its own code of practice for product testing and product approvals.

We are going back to CE marking. You talk about uncertainty. Having UKCA marking and a different testing regime hanging over the industry for the best part of three years was unhelpful. Going back to CE now means that we are compliant with Europe. There are some problems with misalignment with European regulation and changes to European regulations, so we have some sympathy with MHCLG and OPSS at the present time because Europe will lead and we will follow. We have to recognise that. A lot of the manufacturers have been very responsible.

Q26 Joe Powell: Do you think product quality and certainty over these things has had an impact on some of the challenges we have been talking about?

Mark Reynolds: Yes. It has not been helpful when you buy a product with a registration and it is approved for its use, only for that to be retracted. The insurance industry is having a nightmare with this. I would not say, “Ban people who are part of the problem,” because most of them have changed. There will be one or two that perhaps have not. Generally, the manufacturing side of the industry has stepped up.

Joe Powell: That process is—

Mark Reynolds: Yes, it is difficult, isn't it?

Joe Powell: Anyway, we can come back to that. There is a lot of unfinished business still with criminal liability and so on.

Q27 Mr Dillon: I wanted to talk about modern methods of construction. What are the barriers to the use of that? To save time, I am going to put all three of my questions to you. In particular, if there are barriers, what can the Government do to remove those? What proportion of the 1.5 million should be utilising modern methods of construction? Finally, what role do modern methods of construction have in diversifying our tenure offer within that 1.5 million?



Anna Clarke: I have just come out of a meeting yesterday looking at councils' use of MMC and what the barriers were. To be fair, they had a pretty negative view. Almost all the council development people around the table had tried it and were not going to do it again. They said, "We have been bitten. We are not doing that again".

The problems they had experienced were around cost—it was coming in more expensive than traditional methods—and quality. Though in theory you can control quality in factories, that was not their experience on the ground. Some of that quality issue was around the interface between the unit and the groundworks, and how it plugs in, effectively. That was problematic for them. Then there were the risks associated with it. Because there have been some quite high-profile firms going bust, everybody is nervous, so that increases the risk of the development. Those are the things that are problematic about it.

There were things that are more positive. Where there is a future for it is on panelised systems rather than modular, which are more easy to mix and match, and niche uses, so modular systems for meanwhile uses for homeless people, those kinds of things, or sometimes on sites that are particularly challenging in terms of access. You can put a modular unit on there, but you could not get a construction team on site to develop it without enormous impact on the residents who live nearby.

There is possibly more use, not really within this five years but looking longer term, when the new towns programmes are rolling out. If you are building at scale, building a large amount of houses that are quite similar, and you are prepared to be reasonably flexible about them not being too bespoke, so they can have a common pattern, there is a better way forward. That might be the larger-scale future for it, rather than those niche uses.

Q28 **Mr Dillon:** Do you have anything different from that at all?

Mark Reynolds: Standardisation is really important. The key things are standardisation and consistency of volume. A part of the industry that is very successful is the curtain walling. It is a system. It comes along panelised, not necessarily for dwelling in single-use homes but high-rise apartments. They have a factory. A factory has 10 lines; 10 lines have a capacity. They have to fill that factory 24/7 in order to be productive and efficient. If the volume goes up and down—and this is what is happening with the volume—you have unutilised people, so you have to have consistency of volume. We need to create a programme where we have consistency of volume. It is no different from any manufacturing.

In terms of targets, we should be looking for a minimum of 50% pre-manufactured value and pushing to 60%. In terms of cost efficiency, time is the biggest opportunity in modularisation of pre-manufactured MMC. Whether it is roof trusses, roof systems or walling systems, if they can be made off site in a standardised way and brought in more quickly, it will succeed.



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There are lots of factories out there. This is a great opportunity for SMEs to utilise what they have and be adaptable. There are some big opportunities, but you have to give someone a guaranteed workload for a guaranteed period. If you say that you have a five-year contract to develop 5,000 panels and deliver X units around this part of the country over this period, it will work.

We are doing it with the prisons programme at MOJ. We ourselves, as Mace, have built high-rise buildings. We can build one floor a week as a structure, frame and envelope and then fit it out relatively traditionally with bathroom pods and utility cupboards. That takes nine months off a 500-unit dwelling and brings down the price. The physical cost of the product is higher per unit, but the overall cost is about the same because you do not have the ongoing preliminary organisation cost of running that project.

Anna Clarke: You do not borrow the money for so long.

Mark Reynolds: The money is going into the product, rather than the process.

Chair: Thank you very much. I am mindful of time because we have the second panel joining us, but thank you very much for coming before the Committee this morning. This is a conversation that is definitely going to continue. Thank you.

Examination of witnesses

Witnesses: Brian Berry, Ian Fletcher, Dr Hills and Muyiwa Oki.

Q29 **Chair:** Good morning. Can I just get our guests to introduce themselves, please?

Muyiwa Oki: Good morning, everybody. My name is Muiyiwa Oki. I am the president of the Royal Institute of British Architects. We are a professional membership organisation, which was set up to advance the theory and practice of architecture. We do that through engaging with our over 50,000 members here in the UK and across the globe.

Ian Fletcher: Very good morning. I am Ian Fletcher. I am the director of policy at the British Property Federation, which is the trade association for large-scale investment in the property sector.

Dr Hills: Good morning. I am Victoria Hills. I am the chief executive of the Royal Town Planning Institute. We represent 27,000 members working half in the public sector, half in the private sector across the UK, Ireland and internationally.

Brian Berry: Good morning. I am Brian Berry. I am the chief executive of the Federation of Master Builders. We are a trade association for small and micro building companies all across the UK. Most of my members



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work in the repair, maintenance and improvement sector, but about 10% of our members are in the house building sector. They will dip in and dip out. They are the acorns of the house building industry.

Q30 Chair: I am going to start with my opening question. You have just heard one of the guests on the previous panel say that we should build 4 million within 10 years. Is the Government's ambition to build 1.5 million in this Parliament achievable, Muyiwa?

Muyiwa Oki: The first thing I would like to say, to echo the words of the previous panel, is that we support the ambition of 1.5 million homes. I would not go as far as saying 4 million, but there is an opportunity to do that.

The reason we need such an ambition is that there is a real and growing need for these houses. Currently, 1.3 million households are waiting for social housing. That has grown over the past couple of years by 10%. If we continue on this trajectory, reaching 1.5 million homes only breaks even.

To ensure the 1.5 million goal and ambition is met, the Government need to have a strategy to tackle the blockers or issues that stand in the way of achieving the goal. We believe there are at least three main issues that stand in the way of that goal. We talked about this in a previous session. Workforce is one of them. We need to ensure that people coming into the industry can perform their role. Secondly, we need to fix the planning system to ensure that there is a velocity of decision making because many projects are stuck in planning. Thirdly, we need to ensure that design experts, so architects, urban planners and such, are part of the decision making throughout the lifetime of a project, from inception to delivery. If we tackle these three issues, we will go some way to achieving the goal.

Q31 Chair: We have heard a lot about planning reforms. Again, we have heard arguments that it is not just about planning. Ian, Victoria and Brian, will the current planning reforms outline help local authorities streamline more applications or will it just increase their workloads while we still do not hit that figure of 1.5 million?

Dr Hills: I am happy to go first. Just to reinforce the points that we have just heard, we welcome the reforms. There is a lot of detail coming forward. We are responding to all of the many consultations individually. We are taking our time to do it because that is right. There is a lot of detail coming forward.

To your earlier point on the 1.5 million, it is achievable, be it over a five-year term or a 10-year term. It is an ambitious target, but we need to bear in mind the backdrop of what is going on and the capacity to deliver that. Indeed, that is what today's conversation is about.

The Royal Town Planning Institute's research has shown that over the last five years we have lost 25% of local authority planners within



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departments. When people talk about planning not working, we would argue that the system is not bad. Some people regard it very highly and certain aspects of it work very well, but it is hardly a surprise that certain things go a bit more slowly if a quarter of the people you used to go and speak to are no longer there within a relatively short period.

There is a very ambitious programme of reforms coming forward. There is a very ambitious programme of local government reorganisation happening at the same time, which provides the perfect opportunity for great things to happen, including those number of homes, but also provides a challenge in how it is going to happen.

While the target is ambitious and we should absolutely all be working very hard to achieve it, as many of your witnesses here will reinforce, we would go further and say it is about putting the right homes in the right places. It is not just a race to a number. We are creating the communities of the future, which we all know is important for health, wellbeing, economic prosperity and a whole heap of reasons.

Our research has shown the number of homes that are still being delivered more than 2 km away, walking or public transport distance, from a transport hub. There are too many homes being delivered in the middle of nowhere, quite frankly. Yes, we want lots of numbers, but in the race to get those numbers can we please remember that it is about place making? It is about the place; it is about working with communities; and it is an infrastructure-led approach.

I was visiting local authorities last week. They tell me they have literally dozens and dozens of permitted schemes ready to go. Yes, we have heard about viability, but they say there is a far bigger challenge in town, which is infrastructure. It is about road capacity, rail capacity and forward funding infrastructure.

Yes, we welcome those reforms. We are working with the Government to go through that fine detail to ensure that they can work for everybody, but we must get capacity and capability sorted, which is why we welcome today's conversation.

Brian Berry: I want to echo some of what Victoria has been saying about place making. It is the small and micro builders that are at the heart of every community in this country. Sadly, over the last 40 years, there has been a marked decline in the number of small house builders. If you go back to the late 1980s, 40% of all new homes were built by SMEs. That has dropped now to about 10% or probably even less. That is really unhealthy in a housing market that is becoming dominated by volume house builders.

If we want to get communities on side and provide well-designed homes that meet the needs of local people, we need to see more organic growth in every village, town and city across the country. It is not surprising there has been a lot of opposition to large developments in this country.



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In terms of planning, we have been looking at the barriers that our members face. Why has there been that marked decline from 40% to 10%? The planning system comes out quite strongly as the No. 1 problem for micro house builders. There has been serious underinvestment in our planning system. The impact that has on small house builders means that they find it hard to engage. There is a lack of expertise within planning departments to help the micro house builder. We would like to see more communication and maybe the creation of forums between local authority planning teams and local house builders to build up that relationship.

The availability of land, particularly of small sites, is critical. Because the local plan process is geared up towards larger house builders, it is easier and cheaper for local authorities to use one or two major volume house builders. It is more expensive to carve it up and use local house builders. That is a great shame. We need to diversify the housing market. We need to make sure that those very small sites are available to local builders because they do not know how to access them. Often there is no recording of those very small sites. I am talking about sites where one to five new homes could be built, maybe disused garages or on the side of railway lines. If you added up all those tiny little parcels of land, it would make a big difference to the overall supply.

Ian Fletcher: I retire in three weeks' time, so I am in quite a reflective mood, I suppose.

Chair: Be honest with us.

Ian Fletcher: I have four very quick reflections. The first would be that we have the highest rates of homelessness in the developed world, quite considerably greater than any other country when you add in temporary accommodation. We cannot afford not to be ambitious in terms of delivering the housing numbers that we need.

To deliver the housing numbers that we need, we need to have a multi-tenure approach and to diversify the supply base. One of the pieces of work I have been proud to be involved in over the last 10 years or so is growing our build-to-rent sector. It now delivers 18,000 homes a year. It could be delivering 30,000 by the end of this Parliament. The Government of the day, which introduced and supported that sector, wanted to do it to diversify supply. We also need a very strong social rented sector, as well as strong support for smaller builders.

There is a third area that I tend to find is neglected in terms of policymaking. We talk a lot about land planning; we talk a lot about labour and skills. We do not talk very often about capital or where the money is going to come from to develop those 1.5 million homes. I hope that, in the next few weeks, the Government will set out, through their housing strategy and the comprehensive spending review, where that money is coming from and that we get a coherent strategy around the supply of capital.



The fourth point was eloquently made by Anna in the last session. We are starting from a low base. Viability has been extremely challenging. We are in what one of my members termed a development crisis, with probably the worst conditions since the global financial crisis back in 2008-09. That is a reflection of a number of things: debt costs have risen significantly; the cost of building a house is 40% more than it was five years ago; and some political and economic uncertainty, which hopefully is slowly clearing.

Q32 Chair: The reality is that in the short term none of that is going to improve, so we are looking at additional changes that Government can bring forward to change that. In terms of the proposed reforms coming forward, will there be any knock-on impact for your sector and the professionals working in it?

Muyiwa Oki: You mean in terms of the NPPF.

Chair: Yes.

Muyiwa Oki: We support the changes that have been made to the NPPF, especially refocusing on high quality. Similar to what Victoria has said, we need to be making better places because we are making the communities of the future. We support that focus on high quality. High quality means ensuring access to nature and that the layout and orientation of houses and places is welcoming. Access to infrastructure is also something that contributes to high quality.

We also support the focus on brownfield sites and the designation of grey belt land, but I would like to make sure the conversation on that is about building up our urban environments first, then thinking about brownfield sites and then thinking about grey belt land. As you know, London is one of our densest cities. The next densest city in England is about 15 times less dense. We have some capacity to rejuvenate and densify our urban environments. If you think about it in a global context, New York is twice as dense as London—our densest city. Yes, we support the changes. First and foremost, we would like to address our urban sites and densifying them.

Q33 Sarah Smith: This is mainly for Victoria and Muyiwa. How concerned are you about the removal of some of the level 7 apprenticeships from the scope of levy funding? What might the impact of that be? What can the Government do to support the training and development of professionals in both the planning and architectural professions?

Dr Hills: How concerned are we? The short answer is that it is our No. 1 issue this year. I will set out why. We have been on a hugely successful journey in developing the level 7 apprenticeship. We launched it back in 2019. We now have the best part of 800 apprentices going through the system, of whom about 150 or 160 are chartered professionals. These may not seem like huge numbers but, against the Government's ambition of 300, you get the picture. They are important numbers. It has been a



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fantastic way for us to bring in a real diverse cohort of future professionals who would not ordinarily have been able to do a master's-level qualification at university and come out straight into a fast-track route to chartership and into the much-needed pipeline.

We completely understand that any incoming Government want to change things and why there might need to be reform to the apprenticeship, but we are urgently seeking an exemption for the chartered town planner apprenticeship. It would seem rather strange effectively to turn off the oxygen on a pipeline of planners coming into local government and the private sector at exactly the moment in time when the Government are reforming planning and local government, are bringing back strategic planning, and have huge ambitions for growth.

We are somewhat bemused that we have not yet been able to get confirmation from Government that we are going to get that exemption. It is concerning.

Chair: When did you put that request in?

Dr Hills: We have been speaking actively on this all year, but most recently we have written to the Minister, as many other people around the table have. It affects these guys just as much as it does us. I have been working with the Minister in MHCLG, but this goes much broader now. Because it is the sixth milestone commitment of Government to deliver this 1.5 million, we have every confidence that common sense will prevail and we will get the exemption.

I just want to put that on the record here. Just to be clear, about 70% of those apprentices are in local government. I speak with chief planning officers every week. I have not met a single one who has said they are going to be able to continue funding these apprentices. If that funding goes, it will not come back in their budgets and that pipeline will be turned off overnight.

We will support the couple of hundred that we have in the system through to chartership, but we cannot fund that levy going forward. It is a concern. Businesses may find a way to do graduate schemes; they always find a way to do graduate schemes, but that will not bring in the diverse talent that the apprenticeship has. It touches people who have not been able to go to university; it touches communities that have never known anything about planning.

I would urge this Committee to look at that matter very seriously. We understand why there needs to be reform, but please can we have an exemption for the chartered town planner apprenticeship?

Muyiwa Oki: I would echo what Victoria has said. A level 7 apprenticeship is equivalent to a master's. The architecture profession is one of the highly skilled professions in the construction industry. We are regulated by an independent regulator, the Architects Registration Board.



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In its reform of attaining the skills to be an architect, it has said that the level 7 apprenticeship is the gateway into the profession.

The fact that the level 7 apprenticeship is going to be taken away is quite disappointing to say the least. Similar to what Victoria said, we think it will prejudice some cohorts of architectural practitioners and will make the profession less inclusive. Skills England has also said that architecture, design and urban planning skills are necessary to achieve 1.5 million homes. Taking away this funding means that some apprentices will discontinue and some will move to different locations. In fact, one of our members said he will seek education somewhere else, perhaps in the US, because he will have access to a scholarship, which is not readily available here in the UK.

Private and public sector architectural practices will not take on these apprenticeships. Cascading ever further, folks on level 6 apprenticeships will not see a pipeline to get into the profession. We urge a rethink of the defunding of the level 7 apprenticeship because we need to ensure that there is a consistent pipeline of architects through the system.

Q34 Naushabah Khan: This is perhaps a question for Brian and Ian. I just want to get your reflections on a couple of things. What are the main challenges in attracting and retaining skilled professionals to work in the construction sector? Are there any specific roles within construction that have been particularly impacted by labour shortages? As a follow-up to that, what do the Government need to do to support that? What would be your asks?

Brian Berry: We know there has been a skills crisis in the building industry for a long time. We track the shortages of trades among our members. Our Q4 survey from last year revealed that carpenters were in short supply: 37% of our members said carpenters, 28% said bricklayers and 21% said plasterers. There are shortages in all the key trades. That has been happening for many years now. It has come down because activity has slowed in terms of house building, but it is still there. We are struggling to find competent tradespeople to work in the building industry.

We heard earlier that there are lots of people wanting to come into the building industry, but—this is what my members are saying—some of those young people are not really fit for purpose in terms of taking on the work and working in the building industry. There is probably an issue at colleges. Are they putting the right people on the courses? That comes down to the image of the building industry. Sadly, too few people think it is a worthwhile career. It is still stigmatised as mud and boots. We need to be better at promoting construction. It is part of the built environment; it is about making a difference and changing the environment in which people live. We need to demonstrate that, if you become a builder, you can become an architect, a planner, a designer or a retrofit co-ordinator. There are all sorts of opportunities in the built environment sector.



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The other concern is the ageing workforce. Some 23% of the workforce is aged 55-plus. One third of that workforce is due to retire in the next 10 to 15 years. It is about trying to hold on to that talent. Especially if we are going to build 1.5 million homes, we are going to need a lot more workers in our sector.

It is about how we encourage SMEs, which are primarily the ones training the future tradespeople in the building industry, to take on more apprentices. That is a key challenge. Certainly, improved incentives to take on apprentices would be very helpful, as would certainty of workload. Having a more stable economy would certainly help in terms of building more homes.

It is a big picture. The creation of Skills England, hopefully, will have that sort of helicopter view, looking down at what needs to be done. We need joint work between the industry and Government to look at future needs and then put a process in place.

The other thing I would stress is that the Federation of Master Builders has, for a long time, campaigned for licensing of construction companies. Anyone can call themselves a builder. That seems to be unacceptable in an industry where, unfortunately, many people are ripped off. It was good to see the Grenfell report calling for the licensing of principal contractors. There will be a private Member's Bill later this month calling for the licensing of domestic building companies.

Ian Fletcher: The likes of Tim and the Construction Industry Training Board are doing an excellent job. Looking back 10 years, if I had got members into a room and asked them what they thought about paying the construction industry levy, I would have got a lot of negative responses. I do not hear those voices any more. That is probably a reflection of both the quality of work that CITB is doing and the necessity of finding more people to come into the sector. CITB is involved in some good initiatives in terms of trying to look granularly at the college route, the apprenticeship route, etc.

I have some statistics here. For every 10,000 homes that we need to build, we need an extra 2,500 bricklayers, an extra 2,500 plant operatives, an extra 1,000 carpenters, an extra 400 plasters and so on and so forth. It is a significant challenge not just to get to where we are now, but to get to that next level in terms of delivering those skilled people.

My members are sort of one step back. The other huge challenge they face is the lack of personnel across the public sector. One of the great pities of my career is that we do not value public service as much as we perhaps did. That is epitomised by the shortages not only of planners, but within the myriad different statutory consultees and the Building Safety Regulator. Even the Land Registry is far behind, because of the pandemic, in registering property.



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There are a number of huge challenges, which hopefully the Government will resolve in the comprehensive spending review, as to some of those pinch points in public sector employees.

Q35 Mr Dillon: I want to talk about build-out rates, if I may. Last year, the CMA said the amount of land held in house builders' land banks is above the level we would see in a well-functioning market. I wondered whether you had experienced that yourself. What impact has that had on build-out rates? Just to follow up, to what extent will the Government's planning reforms improve build-out rates? We will leave it at those two.

Ian Fletcher: We have done a lot of work on this. It is one of the strengths of an investment sector that is investing in rental accommodation that you can deliver a large development far more quickly because rental accommodation is not affected by sales absorption rates. It was set out eloquently by Sir Oliver Letwin in his review and carried forward with the CMA's market study. The estimate is that, where you have a mixture of tenures, you are delivering at least three times as quickly as if you had those sorts of sales absorption rates. We see that in the various portfolios that our members own.

There was some support through the national planning policy framework. It emphasises that local authorities should consider, on larger sites, delivering a multi-tenure approach. I would like to see Government go further and flesh that out more, perhaps in national development management policies. We will have the opportunity of those during the summer.

Yes, certainly on large sites. It comes down to what you define as large sites. Sir Oliver went for 1,500. I would perhaps be looking more at 500-plus. That would accelerate delivery on those larger sites significantly.

Brian Berry: This makes the case for small and micro house builders because they do not tend to have land banks. They are the ones that have to build, sell and move on to the next plot. If you are trying to solve that problem, let us see more micro house builders coming into the market.

Looking at the NPPF, sticking to the 10% allocation for small sites is disappointing. We would like to have seen a larger percentage and more small sites for small and micro house builders to build on. That needs looking at.

Dr Hills: We welcome some of the reforms about strategic planning because often, as I said, infrastructure is the problem. If you take a strategic approach to delivery, you can cut through some of these challenges and deliver more quickly.

I support the point on the Letwin review. Those recommendations still stand. It would be really good to see something done with those.



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On build-out, yes, I support the points on mixed tenure. There is a huge opportunity with the new towns coming down the line. If they are master plan-led and master developer-led, you build out differently than if you were just a commercial developer. If you are going for those kinds of numbers—let us say there are 10 and they are all 10,000, 15,000 or maybe 20,000 each—you could really do something quite interesting with build-out rates. That is one to keep an eye on as well.

Q36 Mr Dillon: Dr Hills and Muyiwa, does the change in build-out rates impact on your professions at all, either architects or town planners?

Muyiwa Oki: Build-out rates are going in a negative direction. That has to do with planning. For sites over 1,000 homes, it takes almost five years to get planning approval. Research that we have done says that our architectural practice is 57% of—

Mr Dillon: This is after planning is received. This is build-out rates.

Dr Hills: I can come on to that, if I may. After planning, one thing that impacts build-out rates is, without getting too technical, the discharge of conditions. We have already heard evidence about nutrient neutrality, as was mentioned, and biodiversity net gain. Every time there is a new initiative, not necessarily from the planning department but from other departments, it can be laid on to the planning system. We are not against that. You can keep growing and growing the requirements, but you need to ensure they are resourced. You need to ensure that any burdens placed on the planning system come with some way to implement them.

Recently, those build-out rates have been impacted most devastatingly by nutrient neutrality in particular.

Mr Dillon: By planning policy, yes.

Dr Hills: You are talking about not far off 200,000 homes sat there waiting to be built. It is great that there is a solution that has come forward. Some may say it is two or three years too late. Joking apart, some of those schemes may no longer be viable. They have been lost and may come back in a different way. Let us hope some of them can come forward.

Build-out rates are very complicated. Yes, it is about resourcing and reform, but some of it relates to post the consent. I always say that in getting the consent you are just at base camp. The discharge of conditions is where the real fun starts. It usually relates to regulation. We are not anti-regulation, but it needs to come in with the appropriate burdens funding and resourcing to help make it happen.

Mr Dillon: That is a fair point.

Q37 Lewis Cocking: My question has kind of been answered in many different ways, so I will piggy-back on Lee's. Some of the time it takes to get through the planning system and to discharge those conditions is



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because developers do not play ball. I have been on a planning committee. I have sat with loads of developers looking at design and all the rest of it. You tell them, "This is what we want". If it is infrastructure first, it is easy to sell. If it has a nice design, nice wisteria, nice decorations and all the rest of it, residents are more open to it. Some developers listen with deaf ears and, when they come back, what they are trying to get through the planning system looks utterly terrible. All we hear is, "The planning system is too difficult. We can't get our plan through. We can't do this". They need to come to the table and do their bit as well.

Could you make some comments about that part of the process? It is a two-party process. It is not just the discharge of conditions and planning consent. Developers have to do their bit as well.

Dr Hills: One thing that we are asking for that will really help is for chief planning officers to be made a statutory role within the Planning and Infrastructure Bill. The reason why that is important is that it starts to put the balance of power back with the community. If you have a chief planner working with the planning committee and the community who is very clear about what they want, it is much easier up front to get some of those difficult conversations going so they do not end up in the planning committee. Far too much of this is playing out in planning committees and then off it goes to the inspectorate. It might come out many months later. Wouldn't it be good if you had a very strong planning function, supported with strong community engagement?

When you sit down with developers, which are our members as well, they often just want to know what the community wants. They will deliver it, but they find it played out in a committee. We want to see a lot more good up-front master planning with good community engagement.

If you have a statutory planner in place, they will ensure that they have a resourced team to get this stuff done with proper community engagement. It just starts to change the dynamic so you do not have a volatile debate or a developer coming forward and saying, "This is it. Take it or leave it" because you have had a lot more engagement up front. If we can move back to a plan-led approach with a much more engaged process, it will lead not only to better outcomes for the community; it could save many weeks and months, if not years, quite frankly.

Q38 **Chair:** Muyiwa, could you comment in terms of design and architecture?

Muyiwa Oki: Yes, that is what I was going to mention. This is why engagement with architects and design professionals is necessary at the early stage of a project. We also need those skills within the planning system to ensure that, when we are talking about design, we are not talking at cross-purposes and it is not just a façade treatment. It is about the layout, nutrient neutrality and biodiversity net gain.



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We need to engage with the design professions, both on the developer side and in the planning authorities, to ensure that there is no impasse and we can get decisions made as quickly and swiftly as possible.

Brian Berry: Victoria was talking about communication, and that is absolutely key. If we had improved communication between local authorities and particularly small builders, which find the process quite onerous in many ways, we could have those discussions. Creating developer forums would be really helpful to unpack some of the problems that you have identified.

Q39 **Chair:** Ian, any last words?

Ian Fletcher: First, I would not defend any bad developers. Yes, certainly there will be developers out there that need to raise their game. When you are doing a large development, as our members are often doing, you are involved in quite a long pre-application process. Even before that, you are engaging with the community, trying to understand their needs, the history of the place and other facets before you start to contemplate what sort of development it is going to be.

Secondly, one of the lessons from build to rent over the last 10 to 12 years is that when you are trying to do something new you start with absolutely nothing. There is nothing in any local plans about build to rent. It is such a slow process to then get that incorporated into the local plan process. At this moment in time, there are probably only about 20 local planning authorities across the country that have a specific build-to-rent policy. That can be supportive or not supportive, but, if you have that policy, as a developer you know at least where you stand. It is a very slow system in terms of adapting to those sorts of evolutions.

Chair: Thank you very much. Thank you to our guests for coming this morning. This is a conversation that will continue as we explore how the Government are going to respond to this challenge and build these 1.5 million new homes.