

After Brexit: Housing the nation

DECEMBER 2017

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In Partnership with:

 **Community
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EXECUTIVE SUMMARY

The decision to leave the European Union will have profound effects on every part of industry in Wales and the UK, including the construction and housing sectors.

Brexit is expected to exacerbate many existing challenges in the industry rather than generate new ones. Underlying the challenges the industry faces is a model of housing supply which is, in the eyes of many people, broken. Brexit could be the catalyst for fundamental reform of how housing demand is met.

The key challenges and possible solutions are:

1. **Labour supply:** there need to be effective skills plans for the sector, more attractive terms and conditions and better opportunities for SMEs.
2. **Boosting productivity:** there needs to be a new national strategy to drive up productivity, which is relevant to SMEs and which incentivises developers to innovate. Welsh Government could pump-prime modular building e.g. at a site in the south Wales valleys. Developers need to be incentivised to innovate, including providing special finance arrangements to mitigate the risks.
3. **Supply chain:** the supply of land is at least as important as the supply of materials. There could be a register of public sector-owned land, public bodies could collaborate to make land available for housebuilding and the process of sale should put SMEs on a level playing field with larger developers. The Welsh Government should publish guidelines that prioritise the disposal of land for housebuilding.
4. **Investment and finance:** it is unlikely that the potential impact of Brexit will impact on the availability of private finance for housing associations, but there will be challenges in ensuring that money remains available at low cost, and across every geography and customer group to ensure the delivery of affordable homes.

1. Introduction

The Bevan Foundation is looking at the new or revised public policies that Wales needs to pursue in the light of Brexit, working with a range of partners on specific themes. Community Housing Cymru is a principal partner in this work and has led a strand looking at the future of construction and house building in Wales.

This report brings together the key points to emerge from a forum co-hosted by the Bevan Foundation and Community Housing Cymru. At the forum, stakeholders and leading experts considered the possible impact of Brexit on housing and construction, and discussed possible action by key decision-makers and politicians. Their input was invaluable and we hope that we have done justice to their expertise in this paper. Nevertheless, the views expressed here are those of the Bevan Foundation and Community Housing Cymru alone and are not necessarily shared by the participants.

This paper gives a brief overview of the current policy context and challenges facing the construction and house building sectors in the light of Brexit. It then summarises the findings of the forum, concluding with a series of recommendations about what actions should be taken to ensure these sectors are prepared for Wales leaving the European Union.

A key finding is that, for this sector at least, Brexit essentially exacerbates existing challenges rather than creating new ones. Many of the recommendations are therefore more about addressing the fundamental weaknesses in the housing development process rather than specifically focusing on Brexit-related issues.

2. Background and Policy Context

The decision to leave the European Union will have profound effects on every part of industry in Wales and the UK. As we renegotiate our relationship with Europe, there are likely to be significant changes to immigration policy, trading relationships and the economy, and this brings about significant risk, to the construction sector given the UK-wide reliance on the EU for both materials and labour.

The construction industry across the UK accounts for 7% of GDP, and employs 2.3 million people¹, with 4.3% of those (c. 93,000) working in Wales. For every £1 invested in construction, £2.84 is generated in the wider economy.

With a number of significant infrastructure projects, including Wylfa Newydd, the Swansea Tidal Lagoon, an M4 relief road and the South Wales Metro, potentially

¹ ONS (2017), [JOBS02: Workforce jobs by industry](#)

due to be delivered in the period covering Wales' exit from the EU, there is significant risk to every level of Government and public service provision in Wales should there be a material change in the sector.

Furthermore, there is the pressing and ongoing need to build affordable homes in Wales now and in the future. The Public Policy Institute for Wales estimated that Wales needs to build between 8,700 and 12,000 additional homes a year to meet current and future demand (between 2011 and 2031)², and the Welsh Government has set its own target of 20,000 additional homes to be provided in the affordable sector between 2016 and 2021.³

Community Housing Cymru, the Welsh Local Government Association and Welsh Government signed a tripartite pact in 2016 committing to the delivery of those homes. Deliver 13,500 additional units of affordable housing in this Assembly term which contribute to the target of 20,000 affordable homes and work together to support the innovative development and delivery of new models of affordable housing that meet current demands and the needs of the future. It also intends to create up to 12,500 training and employment opportunities, including jobs and apprenticeships and offer skills development and support to 25,000 tenants. To enable this, the pact agrees the continued commitment to investing in affordable housing through sufficient Social Housing Grant capital funding, regeneration grant and support for innovative finance schemes such as Housing Finance Grant and Rural Housing Enablers.⁴

2.1. UK Government Position

Published before the referendum result, the UK Government's strategy for the construction sector leading up to 2025 identified five areas crucial to long-term success:

- **people:** an industry that is known for its talented and diverse workforce
- **smart:** an industry that is efficient and technology advanced
- **sustainable:** an industry that leads the world in low-carbon and green construction exports
- **growth:** an industry that drives growth across the entire economy
- **leadership:** an industry with clear leadership from a Construction Leadership Council.⁵

The Conservative manifesto did not directly address the impact of Brexit on construction, but made a series of England-only pledges including encouraging

² PPIW (2015), [Future Need and Demand for Housing in Wales](#)

³ Welsh Government (2016), [Carl Sargeant sets out plans to deliver 20,000 affordable homes](#)

⁴ Community Housing Cymru, Welsh Local Government Association and Welsh Government (2016), [Housing pact between Welsh Government, CHC and WLGA](#)

⁵ HM Government (2013), [Construction 2025](#)

modern methods of construction and referring to construction as part of the review of technical qualifications in England.

The current position of the UK Government on the free movement of goods is that those which are on sale at the date of withdrawal from the EU should continue to circulate freely within the UK and the EU, and that businesses should not have to perform additional compliance activities post-Brexit if they comply at the date of withdrawal.

2.2. Welsh Government Position

Welsh Government's position remains that the UK should have full and unfettered access to the Single Market as their primary ambition for EU negotiation. The Welsh Government has stated that it 'remains unconvinced' of the UK Government's arguments for leaving the Customs Union and has called for appropriate constitutional arrangements to ensure Welsh interests are protected if that is the case.

In respect of the construction sector itself, there has been a specialist sector panel in place for some time to advise the Welsh Government on the industry's needs. Its vision is:

'[a] dynamic construction industry, where business, academia and national and local governments collaborate to deliver an economically and environmentally sustainable industry, based on innovation and extended markets and supporting economic, environmental and social well-being in Wales.'⁶

The future of the Welsh Government's sectoral approach is unclear at the time of writing.

2.3. Industry position

Since the referendum result, the construction and house building sector has issued many warnings about the potential impact of leaving the EU on the industry. They have highlighted the impact that an end to the free movement of labour could have on labour supply, and have warned that it may result in "the skills crisis becoming a skills catastrophe" if government does not take the appropriate action.⁷

⁶ Welsh Government, Construction Sector webpage [updated 8th February 2017]
<http://gov.wales/topics/businessandconomy/our-priority-sectors/construction-sector/?lang=en>
Accessed 4th December 2017

⁷ <https://www.fmb.org.uk/about-the-fmb/newsroom/brexit-could-worsen-construction-skills-crisis/>

The industry has also warned that the majority of builders had been affected by the rising cost of materials because of the fall in the value of the pound. The industry is especially vulnerable as it imports around a quarter of all materials it uses.⁸

3. Preparing for Brexit: forum views

This section of the paper considers the views of an expert-led forum held on Wednesday 6th September 2017 at Cardiff City Hall by the Bevan Foundation and Community Housing Cymru. It is a summary of the key issues raised in the roundtable discussions on house-building and the construction industry, which were held under the Chatham House rule.

House building, and construction more widely, have been supported by the UK's access to the single market and two of the key freedoms that underpin the single market. But for many participants, their concerns around Brexit were not about the direct impact of the UK ending its membership to the European Union, but about the potential for Brexit to exacerbate many of the problems which already threaten the industry. Since the referendum, Community Housing Cymru has consulted with its members and worked with its sister organisations in England and Scotland to understand the priorities of housing associations and construction organisations across the UK. Broadly, the key challenges are as follows:

1. The supply of skilled labour in the construction industry
2. Productivity
3. The supply of appropriate and affordable materials for construction (including land)
4. Access to finance

Many of these concerns were echoed by the experts who attended the forum. They also said that many of the solutions were already known, they just needed to be rolled out throughout Wales.

Underlying the challenges the industry faces is a model of housing supply which is, in the eyes of many people, broken. As much as Brexit poses a risk to Wales' construction industry, it could also be the catalyst to fundamentally reform the approach to meeting housing demand and thereby address some of the long-term problems which have faced the industry. Changing the supply model is key to the industry's long-term sustainability - the future of Wales' construction industry rests on the establishing arrangements which are innovatively-funded and which are able to deliver good-quality housing, quickly.

The decision to leave the European Union also creates some potential opportunities which would impact on the construction sector. In areas such as tax, public

⁸ <https://www.architectsjournal.co.uk/news/seventy-per-cent-of-builders-hit-by-brexit-materials-price-hike/10016199.article>

procurement and state aid, there may be advantages for housing associations and others in the construction sector.

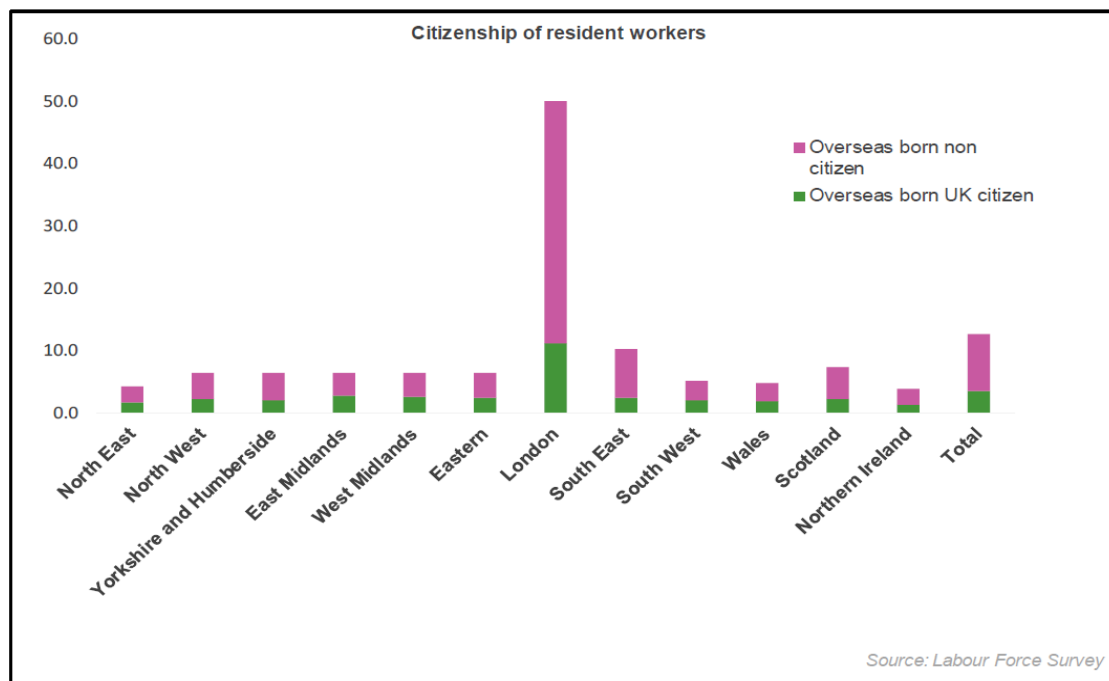
3.1. The Labour Market

3.1.1. Free movement of workers

The construction sector in Wales reports a high proportion of unfilled or hard-to-fill vacancies due to skills shortages and other factors.⁹ A combination of an ageing workforce and major infrastructure projects in the pipeline are likely to increase demand for skilled workers further.

Free movement of workers has been vital in filling some of these vacancies: in 2007, EU nationals constituted 3.7% of the construction workforce in the UK but by 2014 the proportion had almost doubled to 7.0%¹⁰ and it has since increased to around 8%¹¹. EU nationals make up over half of the non-UK workforce in the construction industry.¹²

The latest Welsh Government figures suggest that EU migrants comprise a smaller proportion of the Welsh construction workforce than in the UK as a whole at approximately 2%. Anecdotally, Community Housing Cymru has been told that there is a higher prevalence of EU and EEA migrant workers in Cardiff, Newport and North East Wales in particular.



Source: <http://www.citb.co.uk/global/research/citb%20migration%20research%20full%20report.pdf>

⁹ Welsh Government (2017) [Brexit and Fair Movement of People](#).

¹⁰ ONS (2015), [Employment by nationality and industry sector, 2007 & 2014](#)

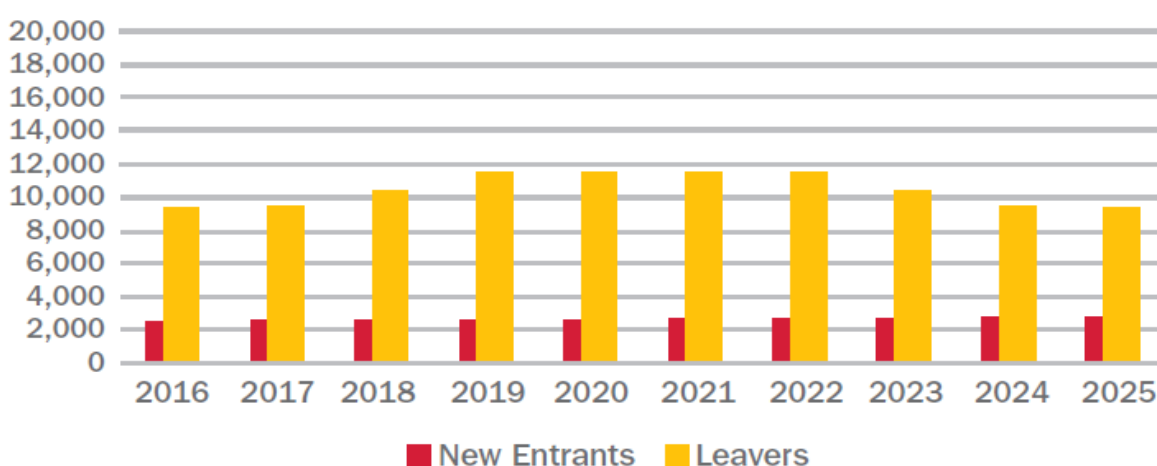
¹¹ RICS (2017), [Press Release: UK construction industry could lose 8% of workforce post-Brexit](#)

¹² CITB (2017), [Migration and Construction: The view from employers, recruiters and non-UK workers](#)

Research by CITB showed that migrant workers are distributed throughout the industry, with approximately a third of employers either directly or indirectly employing non-UK born workers. They also found that some commonly-held ideas about the role of migrants in construction – such that they provide cheap labour, that they work only in low-skilled or labourer roles, and that they have significantly different skills levels than their UK-born counterparts – were inaccurate.¹³

The combination of possible limits in recruitment and retention of EU nationals, coupled with the retirement of a significant element of the workforce and the new projects due to come on stream, mean that the sector could be facing a crisis if action is not taken.

Housebuilding Sector: New Entrants and Leavers



Source: Farmer review

In discussion, some participants suggested that the relatively low proportion of EU migrant workers compared to other parts of the UK could mean that the impact of any restrictions on free movement of workers may not be as severe as in other parts of the UK. However, it may be that employers in areas that are more reliant on EU-born workers than Wales would seek to recruit from the Welsh labour market. Given that the construction workforce is typically highly mobile this is a real possibility. It was noted that even if restrictions were not imposed on the current ‘free movement’ arrangements, working for sterling may become less attractive in future.

It is clear, then, that the construction industry in Wales needs to pursue a twin-track approach. On the one hand, it needs to ensure it can retain and attract workers from other EU countries to fill skills gaps, for example by ensuring that recruits can develop their careers, including, for example, offering internationally-recognised CPD opportunities. On the other hand, it needs to improve the appeal of the industry to

¹³ Ibid.

UK-born recruits, reducing the number of hard-to-fill vacancies and increasing retention.

3.1.2. Apprenticeships

The apprenticeship model continues to be the main route in to the construction industry, with the sector providing 2,160 new starts in 2015/16. However, there were concerns about the quality of some apprenticeships, for example some suggested that they were based on a rather traditional model. There was agreement that the current model favours people aged 16-18 in terms of available opportunities, and there is a very strong gender bias – just 80 new apprentices out of 2,160 were female.¹⁴ A number of contributors suggested that the industry needs to introduce the purpose of and opportunities in the construction industry to young people at an earlier age than at present in order to attract a larger and wider field of applicants. This should be reflected in the post-Donaldson Review curriculum.

One participant stressed that there are too many frameworks for apprenticeships in the UK, and there was hope that Qualifications Wales would address this in their review of apprenticeship qualifications offered in Wales.

There are also perverse consequences resulting from recognition of the creation of new apprentice opportunities through the procurement process. Participants noted that contractors located outside a region actually have an advantage as they are out of the area so any trainee positions they offer are new. However, once the project is over the apprentices are often let go as there is no incentive for the employer to keep them on. To address this, the procurement process should recognise the benefit in offering sustainable apprenticeships and employment, not just new apprenticeships. Some organisations, such as Coastal Housing, have sought to address this by ensuring that contractors have a post-project plan for the apprentices.

Participants mentioned how the skills problem is also more nuanced than is often described. Not all professions within the industry suffer from skills shortages. CSN data is also too small to get a good picture for Wales, but anecdotal evidence suggests that there are shortages of bricklayers, scaffolders and plasterers.

While there have been some efforts to drive up specialist skills across Wales, such as the Construction Wales Innovation Centre (CWIC), construction courses are relatively expensive for further education colleges to provide. There is little incentive from Welsh Government for colleges to deliver construction provision, nor can colleges recover the additional costs from fees or other charges. Similarly, there is also a role for government to consider how it could boost innovative and 'green' building practices, such as offering a significant tax relief for insulated buildings.

¹⁴ Stats Wales Learning programme starts in work-based learning provision, <https://statswales.gov.wales/Catalogue/Education-and-Skills/Post-16-Education-and-Training/Further-Education-and-Work-Based-Learning/Learners/Work-Based-Learning/learningprogrammestarts-in-workbasedlearning>

Participants noted that the construction industry itself could communicate its requirements more effectively with government and learning providers. They hoped that the Tertiary Education and Research Commission for Wales would address the sector's needs. They also lamented the lack of power held by regional skills partnerships which can only offer recommendations rather than direct the regional training offer. There was a suggestion that they would be much more effective if they were developed into commissioning bodies.

3.1.3. Conclusions and recommendations

Wales is not as reliant on migrant construction workers as some parts of the UK but the combination of a small reduction in the number of EU workers, the retirement of existing UK-born workers and the possible relocation of workers to other parts of the UK could exacerbate existing skills shortages and reduce the benefit of upcoming major infrastructure investments. Some of the issues within the current apprenticeship system do not help the industry to overcome either the underlying challenges or those of Brexit.

We recommend that:

- the Welsh Government, regional learning and skills partnerships and industry bodies should develop effective skills plans for the sector, which ensure that there are sufficient training opportunities – including CPD and higher-level apprenticeships – available throughout Wales.
- The industry should review the terms and conditions of work, as a whole, to ensure that they are able to attract and retain workers in Wales.
- SMEs should take advantage of local supply chain opportunities to ensure a steady availability of work for employees and sole traders.

3.2. The productivity problem

The construction industry experiences relatively low productivity, with falling output per person (at a UK level) over the last few decades. The reasons for the decline include lower skill levels, lack of investment in new techniques, methods and materials, and a reluctance to innovate. While productivity is not measured at a Wales level, the economic multiplier – i.e. how much additional output is generated by the industry - is. It was noted that for every £1 invested in construction in the UK, £2.84 is generated in the wider economy but every £1 invested in Wales generates just £1.80.

In discussion, it was clear that although low productivity is regarded as an issue by policy makers, individual businesses appear less concerned. Participants spoke about how high demand for housing and a buoyant property market meant there was little incentive for businesses to invest in new ways of working, and that many developers were far more concerned about the availability of land than raising productivity.

It was suggested that the apprenticeship model could be a factor in the industry's productivity problem, as it is unlikely that current apprentices are learning the skills they need for future construction methods.

One of the challenges is that it is not always clear how individual construction firms can boost their productivity. Participants said that some were cautious about investing in staff because of costs and concerns about retention. High-quality e-learning was mentioned as an affordable way to upskill staff, but if it fails once, employers will not use it again. It was suggested that the Construction Industry Training Board should take on a greater role in supporting employers to upskill the workforce. Proposals for a 'master craftsperson' qualification by one further education college should also be explored as way of recognising higher skill levels.

New techniques and technologies are often ways used to drive up productivity. There are pockets of new methods being practices in Wales, such as eco-building, but adoption is ad-hoc and there is no national strategy to develop methods and increase take up. In addition, it was noted that although some private developers have adopted new building techniques, more could be done to ensure Wales' economy benefits. The example of student accommodation was quoted, as they are typically built using prefabricated interiors imported from EU countries. It was suggested that these components should be produced in Wales to increase the expenditure that is retained in the Welsh economy.

The social housing sector has expressed interest in investing in new building techniques, as it presents an efficient and quick way to address housing shortages. RSLs have identified the benefits of investing in a modular housing factory, for example in the South Wales valleys, but it is difficult to finance. Finance options are needed which recognise the different returns and repayments in the social housing sector compared with a private development.

It is worth nothing that while participants agreed that the main problems with Wales' housing market stem from the supply side, the demand for housing is there. Many participants thought that this presented an opportunity for the social sector to step in to meet this demand, following comments made by large private developers about their reluctance to build 'north of the M4'. Delegates spoke about the social housing sector becoming the new provider for young professional who currently rent from private landlords or continue to live with their parents.

3.2.1. Conclusions and recommendations

Low productivity is limiting the development of the construction sector and the provision of housing. Individual construction businesses are unable to boost productivity acting alone. We recommend that:

- there needs to be a new national strategy to drive up productivity in the construction and house building sector in Wales which is accessible to developers.
- The strategy needs to be relevant to SMEs as well as volume builders.
- Developers need to be incentivised to innovate, including providing special finance arrangements to mitigate the risks.

3.3. Materials & land supply

Free movement of goods has been very important for the construction industry in Wales. In recent years the industry has relied on imports from Europe, in particular of bricks (from Belgium and Denmark), timber (from Sweden and Estonia), glass (from Italy), and increasingly materials used in pre-fabricated buildings (from Germany and the Netherlands). In 2015, the UK as a whole had a £4.9bn trade deficit in construction materials with the EU, and 59% of all construction material imports are from EU countries.

The reliance on imports has exposed the industry to increased costs as a result of the fall in the value of sterling against the Euro after the EU referendum. The Federation of Master Builders found that 70% of construction companies had recorded an increase in the price of materials, with reports of up to 20% increases in the price of imported timber, and nearly 25% increase in the price of imported slate.

Participants acknowledged the impact of increases in the cost of supplies, but suggested that the price and availability of land was more pressing. They said that land shortages were deterring house builders, with 'land banking' being largely dismissed. Several participants noted that the public sector's is a large land owner, with some sites well-suited to housing development. Participants suggested that the public sector should dispose of land specifically for housing, not just for the highest value, which is typically not housing use. One way this could be achieved is by applying the objectives of the Wellbeing of Future Generations (Wales) Act to land sales, to produce more robust guidelines which are then enforced. Information about the land owned by public sector bodies should also be publicly available, particularly to assist smaller developers to purchase land for house-building.

Local strategic partnerships should be developed to reduce costs through the supply chain, including the costs associated with land disposal. We understand that informal arrangements operate at a local level but there is potential to develop and roll-out the approach more widely. Options such as equity share and thousand-year leases should be explored to make it more affordable for developers to build housing, especially smaller developers.

3.3.1. Conclusions and recommendations

The key issue in the supply chain facing the construction industry at present is the supply and cost of land for housing development rather than the cost of materials.

We recommend:

- That a register of land owned by public bodies in Wales should be established as a matter of urgency.
- Public bodies should consider how they can work together to make land available for housebuilding (e.g. if they could share neighbouring plots of land together) and how the processes for sale could put SMEs on a level playing field with larger developers.
- The Welsh Government should publish guidelines that prioritise the disposal of land for housebuilding where there is clear need.

3.4. Funding and Financing House Building

3.4.1. Co-ordination and collaboration

There was strong support from many participants for a more co-ordinated and cohesive approach to the challenges facing the construction industry and housebuilding in Wales.

Industry representatives said they had made suggestions about the role of government, for example proposing that universities, further education providers and others should work together to design an integrated programme for new entrants as well as a CPD offer for those already working in the industry. The skills issue should be addressed in part by looking at the career ‘flow’ of those working in the sector and the creation of clear pathways into and through the industry.

The implication is that existing sectoral arrangements could be improved upon, with construction being seen as a key foundational economy sector with refreshed arrangements for liaison with Welsh Government and learning and skills partnerships and the wider sector.

Some participants felt that in order to reach most aspects of the construction industry, a formal programme or scheme with a corresponding accreditation mark would be effective.

An example was suggested whereby employers had to provide a fortnight training per year for all employees to qualify for accreditation, which could also require them to meet other standards too. One participant thought that it should be a mandatory scheme, similar to the Gas Safety Register which regulates gas engineers in the UK. It was noted that the UK is one of the only EU countries where this is not already the case for the construction industry.

An accreditation or licensing scheme could have much greater reach, particularly amongst smaller businesses, if it were recognised by consumers as well as in the procurement process. This may be a welcome move in terms of driving up quality and – importantly – recognition of quality in the industry, although it would require an awareness campaign and some form of penalty for non-adherence.

3.4.1.1. Recommendation

A qualitative study on the benefits and drawbacks of a licensing scheme, and the potential for this to also assist with ensuring the standards remain high post-Brexit, should be undertaken immediately. The potential for this to drive up skills, improve CPD participation and even assist consumers, mean that it has

3.4.2. Harnessing the opportunities from infrastructure developments

Policymakers need to look at the potential for businesses in the local economy to benefit from the big infrastructure projects in the pipeline, such as the Wylfa Newydd development. For example, even if developers are unable to source all the skilled labour they need from the Welsh labour market, they should be encouraged to source services locally. Possibilities included the provision of temporary accommodation for Welsh workers. One participant warned that there have already been missed opportunities as major infrastructure projects have not been scheduled¹⁵ in order to ensure Welsh businesses can benefit from them.

3.4.3. Replacing EU funding

The construction sector has benefited from a number of sources of European Union funding. Alongside access to EU Structural and Investment Funding such as ERDF, housing associations have been able to take advantage of the UK's access to the European Investment Bank (EIB). The UK has a 16.11% shareholding in the bank, and the EIB has committed to honour all existing contracts. The EIB has historically invested more than £5.5bn in social housing in the UK, including some schemes in Wales. However, in August this year, it was reported that the EIB has effectively imposed a moratorium on any new long-term loans to the UK.

The housing association sector in Wales has already seen the consequences of that decision. Investment from the EIB would have offered hundreds of millions of pounds to match long-term Housing Finance Grant funding from Welsh Government at rates of interest much more competitive than anything else available on the market. However, the opportunity was lost following the triggering of Article 50.

Housing associations blend private finance with public investment, and have attracted more than £2.5bn of private finance into Welsh communities. They are seen as low-risk investment and access finance through a range of investors, ranging from traditional banks to the bond market.

Welsh RSLs are continuously seeking alternative models of funding through bond finance and institutional investors that can be attractive on the terms, flexibility and cost of borrowing. However, the smaller scale of Welsh RSLs compared to their English counterparts in particular makes accessing some of these longer term options more difficult, and RSLs need to take a collaborative approach.

¹⁵ It was noted that the Wylfa Newydd and Hinkley Point developments have been doing these between them, but there is no overall strategic lead on this in Wales

Community Housing Cymru has explored the potential of a 'special purpose vehicle' to be set up to gain access to finance for building, and plans had been in place for a 'collective borrowing vehicle' – including Community Housing Cymru – to work with the European Investment Bank to make a much greater sum of finance available to RSLs in Wales. However, since the referendum result these plans have stalled.

3.4.4. Role of the Development Bank for Wales

It was suggested that the Development Bank for Wales could offer a new source of finance for RSLs and other housing developers in Wales, especially if housing development is viewed as economic development. Housing associations' economic impact is currently around £2bn per year in Wales, but taking steps to address productivity in the construction industry and increased activity to meet the 20,000 homes target has the potential to increase this significantly.

Finance for house building is much harder for private developers to access. SMEs rarely build houses because of the high level of risk and impact of Section 106 agreements. Most combine construction and repair and maintenance work, and many SMEs have long-term relationships with their workers. Supporting SMEs needs to offer businesses long-term gains and recognise that not all SMEs want to grow. There is also potential for the construction cooperatives model to be developed to help small building firms to access finance and other services.

3.4.5. Procurement

Public procurement requirements have applied to housing associations in Wales since 2004, and help to create a regime for public contract cooperation within the European Union. The current Official Journal of the European Union (OJEU) procurement processes are likely to remain in place for some time, but there may be the possibility of flexibility in the long term and a Wales or UK-specific procurement regime.

While there has been much discussion about the potential for local developers to benefit from relaxed procurement post-Brexit, this is unlikely to be the case for the construction industry in Wales as they typically compete with English firms.

There are exceptions here, particularly in relation to the production of materials. For example, pre-fabricated housing is usually produced in Germany and the majority of bricks used in the UK are imported from the continent.

Welsh firms and RSLs could also benefit from changes to how procurement opportunities are advertised, although this is not necessarily just a post-Brexit opportunity. There are examples of regions in EU states which have adapted procurement regulations to ensure that local suppliers are prioritised. The approach to procurement must be more innovative.

However, individual housing associations are starting to make desirable changes within the current regulatory framework. One housing association representative said that their organisation had overhauled their approach to procurement so now 80-90% of services and goods that they purchase are from local and regional providers and contractors. While this has taken some readjustment and means they are not necessarily using the lowest-cost option, it has resulted in an improvement in the quality of services as they had better relationships with the providers.

3.4.6. Conclusions and recommendations

Despite the innovative work undertaken by RSLs, local authorities and others, there is still more that could be done to ensure that procurement has local social and economic benefits.

We recommend that:

- Guidance on how developers can lawfully prioritise local suppliers be issued.

4. Conclusions

Housing and construction are sectors that are vital to the a decent quality of life in Wales – many of the Welsh Government’s well-being goals depend on everyone having a warm, affordable home.

Yet the sectors already experience some deep challenges, many of them arising from the model of housing supply and construction, which could well be exacerbated by Brexit unless action is taken. Carrying on with ever-increasing shortages of labour, land and finance will mean that the Welsh Government’s ambitions for housing and the economy more widely will simply not be achieved and thousands of families will not have the home they need. Something has to change.

Brexit could well be the catalyst for much-needed reforms to how housing is supplied. We have sketched out some suggestions about the nature of the changes needed – they involve stepping up the supply of labour, boosting innovation and productivity, reducing barriers to the supply of land and maximising the benefits that can be extracted from the supply chain, and innovative finance.

However none of these changes will be realised without a strengthened mechanism for the construction and housing industry to engage with government and skills providers. It struck us that many of the solutions are known – it is just that they lack a means of co-ordinating different parties and enabling change to happen.



The Bevan Foundation develops new ideas to make Wales fair, prosperous and sustainable.

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Community Housing Cymru (CHC) represents more than 70 not-for-profit housing associations and community mutuels in Wales. CHC campaigns and lobbies on behalf of, and with, members to promote social housing and related services in Wales. www.chcymru.org.uk

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