



Summary

Bevan Foundation Report - 'After Brexit: Housing the Nation'

On the 7th of September 2017 the Bevan Foundation and Community Housing Cymru hosted a roundtable with various people from across the housing sector. The purpose of this was to discuss the potential impact of the United Kingdom's exit from the European Union on the housing sector and what is needed to be done to attempt to mitigate any negative impacts (and consider what positive impacts there could be). The results of this roundtable have formed the report 'After Brexit: Housing the Nation' which was published on the 13th December 2017.

This briefing will summarize the main points raised in the report, as well as explaining recommendations and actions. The full report can be found [here](#).

The roundtable found that there are four main areas that are most likely to pose problems for the housing sector post-Brexit; however it noted that these are already existing challenges which Brexit is likely to exacerbate as opposed to create new ones. The four areas are detailed below:

1) Labour

Challenge: The construction industry in Wales reports a high proportion of empty or hard-to-fill vacancies due to a skill shortage across the sector. This problem is partially due to an aging workforce, which is likely to be exacerbated in the coming years. There are a number of major infrastructure projects planned which will mean that the skilled workforce are sparsely spread as there simply aren't enough skilled labourers in Wales. This is likely to be worsened if EU workers are no longer able fill the gaps that are left by Welsh skills shortages. In the last 10 years the percentage of EU workers within the UK construction workforce has almost doubled to around 8%, preventing the skills shortages from reaching critical levels. Although within Wales the proportion of EU migrants on the construction workforce is comparatively low when compared to other areas of the UK (it currently sits at approximately 2%), it is likely that areas that are more reliant on EU workers would start to recruit from the Welsh labour market. Traditionally, the construction workforce is highly mobile, so it is a real possibility that workers will leave Wales for construction projects in England, creating a real issue for the Welsh construction workforce.

Solution: The roundtable discussions put forward several potential solutions to the problems outlined above:

- Retention of workforce: It was suggested ensuring the that construction market appeals to British nationals and offers incentives, including progressive training opportunities and recognised qualifications, will help to retain the workforce. One such qualification proposed was an accreditation level that housing developers could offer their workforce, certifying



that they had undergone annual training.

- Recruitment of workforce: The main route into the construction industry continues to be through apprenticeships, with 2,160 new recruits in 2015/16. At the roundtable it was acknowledged that the current apprenticeship system is intrinsically flawed, so by improving it the levels of recruitment will improve. The current system favours 16-18 year olds and has a strong gender bias. It was suggested that the construction industry needs to act to appeal to children of a younger age in order to attract a broader range of recruits. It was also suggested that there needs to be an incentive for colleges to offer construction courses, which are very expensive to run.

2) Boosting Productivity

Challenge: The whole UK construction industry has experienced a falling output over the last few decades. The economic impact of this is especially prominent in Wales, where £1.80 is generated for every £1 invested, compared to the UK average of £2.84. This low level of productivity is due to a decrease in the level of skills, a lack of investment in new techniques and materials and reluctance towards innovation.

The construction industry's techniques have been largely unchanged for decades, so the roundtable brought suggestions that by embracing modern technology and materials, productivity will improve. One suggestion given was the use of prefabricated interiors, which is frequently used in student accommodation. These are typically sourced from EU countries, so if the components could be produced in Wales it would boost the expenditure that is retained by the Welsh economy. The Social Housing sector has expressed an interest in investing in new, innovative building techniques as they present an efficient way of addressing housing shortages, an example of which is modular housing and RSLs discussed the benefits of investing in a factory in this area.

Solution: It was recognised that any strategy for boosting productivity needs to be embraced nationally, by both large and small developers. The way of doing this is through incentivising innovation, for example by providing special finance agreements to developers using new techniques in order to mitigate the potential risks to them.

3) Materials and Land Supply

Challenge: Wales' construction industry has heavily relied on the free movement of goods, with approximately 59% of all construction imports coming from EU countries. This reliance has been exposed following the decline in the value of sterling since the referendum vote and 70% of construction companies have reported an increase in expenses. Despite this, the roundtable felt that the more pressing issue was that of land acquisition and supply, suggesting that the cost of this is deterring house builders. It was acknowledged that there is a large amount of public sector land that would be suitable for housing development but is either unused, or sold for the highest profit.



Solution: It was discussed that applying the Wellbeing of Future Generations (Wales)

Act to land sales would go a long way towards helping to ensure there is land available for house building and development. Another proposal was that information about land owned by the public sector should be made publically available on a register which would help small developers to purchase land or property for developing.

4) Investment and Finance

Challenge: A significant challenge to the housing sector post-Brexit will be in replacing EU funding, of which Wales has benefited from a number of different sources, including ERDF and access to the EIB. The EIB has historically invested more than £5.5 billion in social housing across the UK but it will no longer be loaning to the UK pending Brexit, a decision that has already impacted on RSLs across Wales. The IEB would have matched the Housing Finance Grant funding from Welsh Government at far more competitive rates than any other available on the market, but this is no longer possible following the triggering on Article 50.

Housing associations combine public and private finance and have brought an estimated £2.5 billion of economic impact to Wales. Welsh RSLs are seeking alternative funding, such as bond finance and new investors, to allow them to continue building in order to reach the 20,000 homes target. However, due to the size of Welsh RSLs, when compared to their English counterparts, accessing some of these funding opportunities can be very difficult.

Solution: The roundtable discussed that RSLs need to take a collaborative approach when reviewing funding, possibly pursuing partnership agreements and aiming to develop long term relationships with construction, maintenance and repair workers. One potential solution to replacing EU funding is for the Development Bank for Wales to offer new sources of finance to RSLs and other housing developers.

Housing and construction impact on a number of sectors across Wales and the 20,000 homes target is essential to the Welsh Government's well-being goals. However the impact of Brexit makes this target even more challenging, exacerbating a number of issues that already pose a problem for the sector. The consensus at the roundtable was that in many respects, Brexit will pose an opportunity to find solutions to these difficulties, improving the Welsh housing sector overall.

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