



STATE OF PLAY:

CHALLENGES AND OPPORTUNITIES FACING SME HOME BUILDERS

2022-23 EDITION



Travis Perkins



Close Brothers
Property Finance





FOREWORD



STEWART BASELEY

EXECUTIVE CHAIRMAN, HOME BUILDERS FEDERATION

The world is a much different place to when the last iteration of this report was published. With all the geopolitical issues and subsequent supply chain delays, new building regulations, rising interest rates leading to fewer mortgage products, the long-term planning problems and labour shortages, things are undeniably much tougher to navigate for all developers, but in particular SMEs. Following a couple of years of unprecedented housing demand, that bubble has now burst, and, with a recession looming, the outlook is much less certain.

Planning continues to be the number one issue facing respondents and seems to be getting worse as it becomes increasingly politically sensitive. This year's results also further demonstrate how new challenges, such as the uncertain economic environment, can emerge quickly, and have the ability to threaten the viability of some development completely.

Throughout all these hurdles, the industry has continued to prove its resilience, and new build completions have remained high throughout the turbulence of the last few years. Historic data clearly shows that a diverse industry and a thriving new build housing market go hand in hand, however, housing supply remains reliant on a small number of large builders, while SMEs continue to face a whole range of barriers at every turn.

Despite all these external factors, there is no arguing that this country needs to build more homes, and that is something that is not going to change. If we want housing supply to continue to increase, SMEs need to be supported, and I hope that the issues and recommendations raised in this report will help to focus minds in Westminster and necessitate the changes required to allow SMEs to prosper.





ROWLAND THOMAS

MANAGING DIRECTOR,
CLOSE BROTHERS PROPERTY
FINANCE

In what has been a tumultuous year for both the industry and the country as a whole, I'm pleased to be able to share the results from our recently published State of Play Small and Medium Enterprise (SME) Housebuilding Market Report. The survey marks the third iteration of the report and examines the continued health and growth prospects of the sector in the UK.

The role of SMEs in the housebuilding industry has consistently been underestimated and often ignored when it comes to policy and planning. The reality, however, is that SMEs play a vitally important role in the creation of a healthy housing market. As well as the regional economic benefits from employment and supply chains, they are pivotal in bringing new innovation and talent into the industry, with apprentices comprising around 19% of an SME's workforce - just under 1 in 5 employees. SMEs also develop smaller, often more challenging, development sites on disused land, maximising the use of land across the country.

At Close Brothers, we are committed to supporting not just established SMEs, but removing the barriers for the next generation as well. Inspiring the developers of tomorrow is just as important as supporting those operating today, as they will bring further innovation and creativity to the industry - spearheading sustainable technology and new ways of living. Through reports such as this and initiatives like our Tomorrow's Developer Network, we hope to educate central and local government, planners and the wider population about the benefits these businesses bring to local economies and in reducing the national housing shortage, and whilst also encouraging more young developers.

Given some remaining challenges from Covid-19 and Lockdown, aftershocks from Brexit and recent changes in the UK's political leadership and economic policy, the availability and terms on which development finance is offered to SME developers is of considerable importance to stimulating growth. When viewed from a fiscal viewpoint, on balance, this report is encouraging for our sector, the funding support is there and access to it is generally not an issue. However, the consistent erosion of confidence in the Government's approach to planning and housing for housebuilders as a whole, and especially SMEs and first time buyers, gives cause for concern.





KIERAN GRIFFIN

MANAGING DIRECTOR, TRAVIS PERKINS

This survey really takes the pulse of the industry and shines a light on challenges and barriers, but also the potential areas of growth. We say it time and time again, but SME housebuilders really do play a vital role in delivering the high quality new homes we are so desperate for in this country.

As a business, we strive to deliver best-in-class products and added value services which are tailored to our customers, so it is important for us to maintain a close dialogue with them, to understand what they need and when.

The results of the survey have reinforced what we already knew in terms of the challenges we have faced over the last 12 months. There is not a construction business in the country which hasn't faced significant challenges in terms of increased costs and supply chain issues. Collectively, as an industry, we have been navigating uncharted territory, with major global events significantly impacting prices and availability of a range of materials.

At Travis Perkins we pride ourselves in forging strong relationships with our SME housebuilding clients, which are built over many years. While these have indeed been tested over this challenging period, these relationships are built on strong foundations, and we have continued to work closely with our clients to find solutions.

We are now seeing prices softening and greater stability returning across the materials market, however, there is no change in planning system, which remains the most significant barrier for growth for SME housebuilders. We would like to thank the participants of this report and we hope that this report and its recommendations will be heard and underline the need for change and reform within the planning system.



INTRODUCTION

For the last two years, the Home Builders Federation, Close Brothers Property Finance and Travis Perkins have conducted a survey of small and medium enterprise (SME) housebuilders in the UK, initially looking primarily at the impacts of the pandemic on businesses. This year, we have conducted a similar survey which looks at a wider array of challenges facing SMEs including increasing costs, economic uncertainty, mortgage availability and various new Government levies and regulations.

While the industry as a whole has recovered well from the effects of the pandemic, ongoing challenges with the planning process, supply chain and labour issues, as well as new environmental challenges and increasing costs are making the process increasingly difficult for SMEs to navigate.

A summary of the key findings of the survey can be found in this report, along with suggestions as to how SME house builders could be best supported.



While the industry as a whole has recovered well from the effects of the pandemic, ongoing challenges with the planning process, supply chain and labour issues, as well as new environmental challenges and increasing costs are making the process increasingly difficult for SMEs to navigate.





METHODOLOGY

To inform the report, we compiled a comprehensive online questionnaire which was then circulated around senior representatives of SME home building companies, all of whom are members of HBF, or clients of Travis Perkins or Close Brothers Property Finance. Combining a mix of quantitative and qualitative questions, the survey received almost 220 responses with a 91% completion rate.

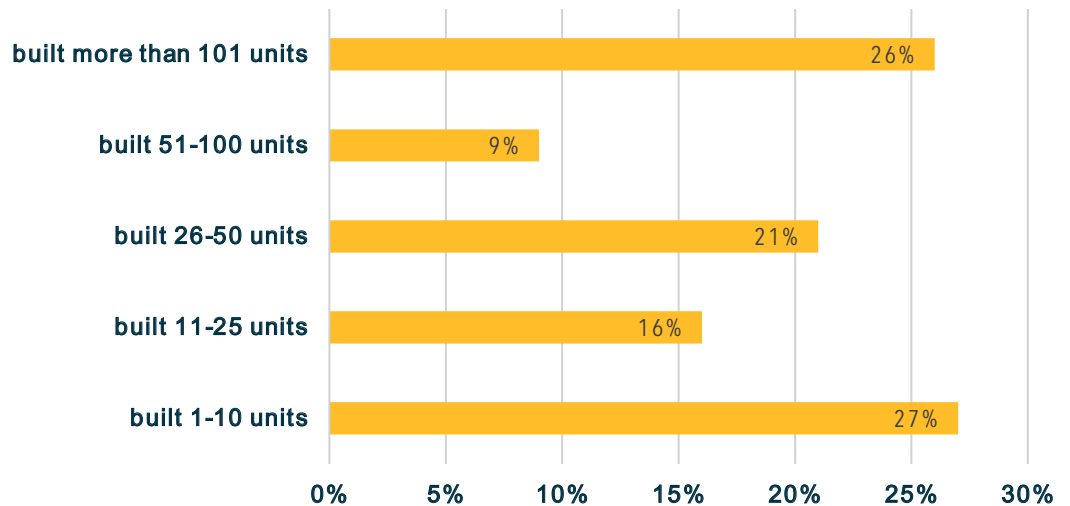
Respondents were geographically spread across England and Wales. The responses also had a good split in terms of business size, how long they had been trading and how many people they employed.

REGIONAL SPLIT

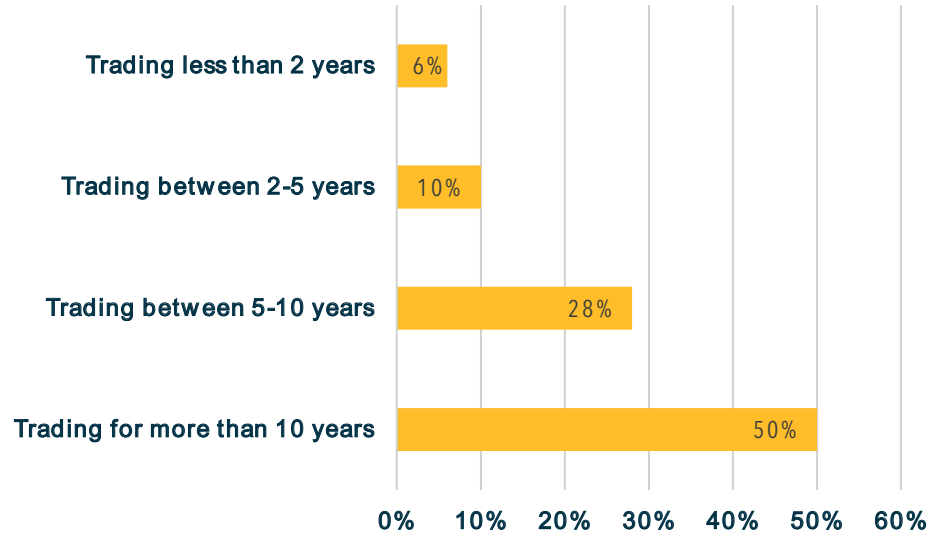


- South East - 33%
- Midlands - 23%
- North West - 13%
- South West - 11%
- London - 6%
- Yorkshire - 5%
- East of England - 4%
- Wales - 3%
- North East - 2%

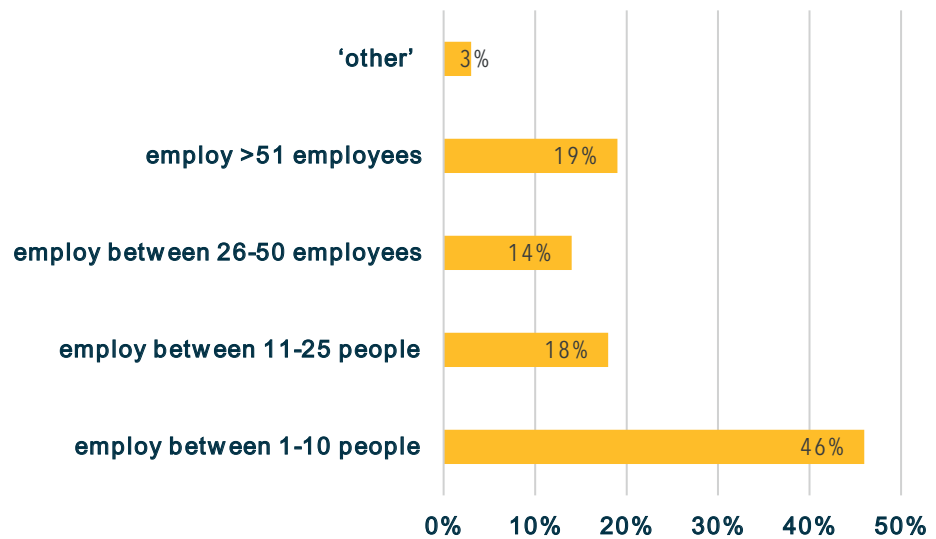
SIZE OF COMPANY (by units per annum)



LENGTH OF TRADING



WORKFORCE



PLANNING

As was the case in previous survey years (2020 and 2021), challenges in the planning process once again emerged as the major barrier to SME developers increasing housing delivery over the next 12 months.

Of the small and medium sized developers which responded to the survey:

- **93% cited delays in securing planning permission or discharging conditions as a major barrier to growth (down from 94% in 2021)**
- **92% said a lack of resources in Local Planning Authorities (LPAs) was a major barrier to growth (up from 90% in 2021)**

That the results are broadly similar to 2021 demonstrates a lack of progress by the Government and LPAs in tackling these issues. It is a challenge that developers are facing across England, with planning constraints declared the top two major barriers by respondents in all regions (categorised for the purposes of this report as northern, central and southern).

This is supported by the anecdotal comments received from developers of all sizes, across the country, who broadly consider the current state of the planning process to be the worst it's ever been.

While this situation is frustrating for all developers, it is acutely challenging for SME builders, who by their very nature are less well-equipped to mitigate these issues. For example, if a large developer faces delays on a particular site, it will at least have multiple other sites that it can progress in the interim. SMEs, on the other hand, may have their capital tied up in just one or two projects at a time. As a result, lengthy delays can bring their business grinding to a halt.

Developers are not only dealing with delays in the process, but they are also seeing the costs of achieving an implementable planning increase too. This is compounding an already difficult situation further, particularly for small and medium-sized builders.



When asked whether the cost of obtaining implementable planning permission had changed in the past three years, 91% of respondents believed the cost had increased:

- **Nearly half of respondents (48%) agreed it had risen by between 11-30%**
- **Over a quarter (26%) advised it had risen by over 30%**
- **Just 2% thought it had decreased and 3% thought it was the same**

A lack of land availability also continues to cause problems for SMEs. 52% of respondents said this was a major barrier to growth, up from 47% in 2021 and 32% in 2020.



With the lack of supply of developable land and the delays in issuing planning consents, we are being outbid by large PLCs on sites that previously they wouldn't have been interested in. This is driving up the cost of land to unrealistic levels. With the government's 'community based' planning system this will only increase the shortage of permitted developable land.

SURVEY RESPONDENT

Under the premiership of Prime Minister, Rishi Sunak, and with Michael Gove back at the helm of DLUHC, it's quickly become clear that planning policy is going to take a different direction under the new Government. Gove has made it clear that through reforms to the NPPF, local housing need figures generated through the Whitehall standard method formula will only be "***an advisory starting point***". As such, "***it will be up to local authorities, working with their communities, to determine how many homes can actually be built***".



Inevitably, any softening of housing targets causes concerns for developers:



If Local Authorities can't meet their housing demand with targets set, there is no way they are going to do it with the targets removed. Levelling up is all well and good, but the greatest demand for housing is in the south-east and therefore that is where the greatest provision of new homes should be. Housebuilders would not build new homes if they couldn't sell them.

SURVEY RESPONDENT

While questions over the detail of the Government's planning policy remain, it is clear that the obstacles in the planning process are varied and vast. In response to a deep dive question about the biggest constraints in the planning process, red tape, political decision making and associated services, such as highways approvals, all emerged as further constraints that need to be addressed.

CONSTRAINT	1	2	3	4	5	6
	(NO CONSTRAINT)					(MAJOR CONSTRAINT)
STAFF/ RESOURCE SHORTAGES OF LOCAL AUTHORITIES	2%	1%	5%	6%	10%	76%
RED TAPE	2%	4%	7%	15%	22%	50%
POLITICAL DECISION MAKING	3%	4%	18%	15%	16%	42%
ASSOCIATED SERVICES, E.G., HIGHWAYS APPROVALS	7%	7%	10%	19%	18%	38%
CONDITIONS SIGN OFF	6%	12%	10%	16%	19%	36%
UNCERTAINTY AND RISKS	4%	12%	22%	17%	12%	34%



Respondents were also asked for their views about the impact the forthcoming infrastructure levy is likely to have on the provision of affordable housing. 39% of respondents felt affordable housing would decrease, a third (33%) did not know and 23% felt the provision would remain the same. Only 5% believed affordable housing provision would increase.



Either replace the system of unqualified councillors deciding on planning permissions or give them some training and make them accountable for refusing permissions that have been recommended by planning officers.

SURVEY RESPONDENT



Speed up the planning process and allocate more smaller sites.

SURVEY RESPONDENT



The greatest barrier for a small developer like ourselves is the cost and time spent in securing planning consents for the sites/conversions that we would like to develop. These include, amongst others, the following costs: -

- pre-application submissions
- traffic surveys
- environmental surveys
- ecology reports
- planning consultant fees
- architects' fees
- landscape schemes
- Heritage statements and assessments.

These costs, for example on a small site of up to 5 residential units, will approach £100,000 to assemble. This could be on a speculative basis in the hope of gaining a planning consent which might or might not be granted.

SURVEY RESPONDENT







The majority of our planning successes have had to be won on appeal. This increases the costs and causes delays. It causes frustration and stress when there is no logic behind their refusal. 100% of my refusals in the last three years have been approved on appeal. Why is this the case? Why can't the councils and councillors make the right decision and not just think of politics. This is the biggest barrier to development progression in the UK in my opinion.

SURVEY RESPONDENT



Resource planning departments properly.

SURVEY RESPONDENT



Do not remove housing numbers targets from local authorities.

SURVEY RESPONDENT



OTHER MAJOR BARRIERS

MATERIAL SHORTAGES

While the issues associated with the planning process dominated survey responses as the top two major barriers to housing delivery, the supply and cost of materials was not far behind.

- **79% of respondents identified the supply and cost of materials as a major barrier to increasing housing delivery over the next 12 months, up slightly from 78% last year, and from 20% in 2020.**
- **A further 20% identified the supply and cost of materials as a minor barrier to housing delivery, with less than 1% saying it was not a barrier at all.**

Although SMEs are always vulnerable to price shocks in the supply chain, in normal times, these can be absorbed by higher house prices. However, the current combination of Brexit, the aftermath of the pandemic, the impacts of the geopolitical situation in Ukraine, along with wider turbulence in the financial markets, has created a unique situation in which material cost inflation is now far higher than what can be redeemed through house prices.

While home builders of all sizes will be feeling the strains of the current price inflation, SMEs, who work to much tighter budgets, will be disproportionately affected by this. Smaller companies also lack the financial reserves to buy in bulk and therefore cannot as easily get better deals from suppliers to stockpile before prices increase further. House price inflation is also not consistent across regions, whereas material inflation will be, so this cannot be treated as a silver bullet for increasing costs.



Cost of materials needs sorting, it's a major barrier.

SURVEY RESPONDENT



LABOUR AND SKILLS

On top of the issues in the supply chain, SMEs are also facing increasing pressures surrounding the cost and supply of labour. The home building industry is a major employer in the UK with an estimated 800,000 people directly or indirectly supported by the planning, design and delivery of new homes. However, the industry is facing a major skills shortage, due to increased demand for housing, an ageing workforce and a severe loss of skills during the last recession, and the effects of Brexit and the pandemic have only exacerbated these problems further.

- **64% of respondents identified this as a major barrier to housing supply, up from 59% in 2021 and 19% in 2020.**

Just under 60% of survey respondents reported difficulties in recruiting for site-based roles over the last 12 months. When asked which roles were particularly difficult to recruit for the top five were:

- **Management/professional (55%)**
- **Brickwork (53%)**
- **General labour (40%)**
- **Carpentry/joinery (36%)**
- **Plastering (26%)**

Recruitment for plumbing and finishing trades was significantly more difficult for smaller SMEs than larger ones.

The growing labour issue has coincided with a decreasing number of apprentices being employed by SME builders. 80% of respondents in the North reported the supply and cost of labour as a major barrier to increasing housing supply, compared to just 50% last year. At the same time, the number of respondents based in the North hiring apprentices has dropped from 88% in 2021, to 48% in 2022.



Nationally, there was a drop in the popularity of apprentices, with 50% employing apprentices, down from just under 60% employing apprentices in 2021.

Larger SMEs are more likely to employ apprentices than their smaller counterparts. 100% of developers who build between 76-100 units hire apprentices followed by 79% of developers that build more than 101 units per annum. On the other hand, smaller developers (building between 1-10 and 11-25 units per annum) employ the least number of apprentices, with only 10% and 23% respectively.

SMEs train and employ a large proportion of the industry's apprenticeship workforce but face numerous issues in the funding and retention of apprenticeships, including:

- **The conversion rates between education and employment are low in the construction sector.**
- **Employer perception of the quality of apprenticeship courses is variable.**
- **There is not enough flexibility in the delivery of apprenticeship and FE courses (there is often too great an emphasis on theoretical learning over practical skills).**
- **Larger employers are reticent to "transfer" any of their Apprenticeship Levy payment to SMEs as the responsibility for all of the administrative management of the apprentices hired remains with the "gifting" company.**
- **All home builders are required to pay the CITB levy but plumbers and electricians, two key occupations within the industry, are outside of CITB's grant remit. This therefore makes it harder for SMEs to find additional funds to invest in green skills too.**
- **CITB support to navigate and manage the apprenticeship system was removed, which caused many SMEs to disengage with apprenticeships. This is now being reinstated and is greatly needed by smaller builders who do not have dedicated staff to manage their HR and training needs.**



TO HELP SME DEVELOPERS TO TRAIN FURTHER NEW ENTRANTS, THE GOVERNMENT SHOULD CONSIDER:

- Introducing Level 2 T-Level style qualifications for routes into home building.
- Ensuring existing apprenticeship schemes and FE courses have a greater emphasis on practical skills.
- Working with CITB and the Department for Education (DfE) to ensure CITB's remit covers all skills necessary to the home building industry, particularly in the transition period towards the Future Homes Standard when green skills are ever more important.
- Changing the rules for the Apprenticeship Levy to pass the responsibility of administration for hired apprentices to the company that "receives" the levy transfer, rather than leaving it with the "gifting" company.
- Providing sufficient support on an ongoing basis through CITB and otherwise to help SMEs manage apprenticeships and so optimise apprenticeship recruitment.



More help for SMEs to train apprentices.

SURVEY RESPONDENT



Recognise that SME provide local employment, understand their communities and provide a valuable part of the development world.

SURVEY RESPONDENT



Introduce more incentives to support training to bring more people into the industry.

SURVEY RESPONDENT



ENERGY AND BUILD COSTS

For the first time, this year's survey questioned respondents on the impact of increasing energy prices:

- **62% of respondents believe that the cost of energy will be a major barrier to their business growth over the next 12 months.**
- **Only 6% of respondents envision energy prices not being a barrier to increasing housing delivery over the next year.**

While the price of energy has dominated conversations in recent months, the focus has primarily been on the heating of homes and buildings while much less attention has been given to businesses, particularly those which are more energy intensive. The wide-ranging impacts of the increasing cost of energy also has a part to play in driving up the costs of materials and labour and has the potential to further exacerbate existing issues in the supply chain.

The increasing cost of materials, labour and energy also has to be considered alongside the increasing cost of regulatory compliance as well as the sharp increase in inflation more generally. As a result, overall build costs have risen significantly for SMEs:

- **43% of respondents felt that build costs have increased by over 15% in the last 12 months, with 39% seeing costs rise by between 10-15% and 16% seeing costs rise between 5-10%.**
- **0% of respondents saw costs stay the same or fall.**

Recent research from HBF finds that the industry is suffering the cumulative financial impact of 12 new Government taxes, levies and regulations, which, together, are pushing the average build cost of a new home up by £20,000. These costs are significant for all builders, but more so for SMEs who cannot easily incorporate this into their already much tighter budgets.



Cost of fuel is an issue which affects goods/site equipment.

SURVEY RESPONDENT





Support is required regarding energy costs.

SURVEY RESPONDENT

MARKET

The housing market has seen unprecedented demand over the last few years, due to the aftermath of the pandemic, the Stamp Duty holiday and a rush to use Help to Buy before the scheme closes. However, this momentum is beginning to stall. The industry never expected the levels of demand seen in recent years to sustain in the long-term, but this has come at a particularly critical point, thanks to the storm we are now seeing around mortgage availability and interest rates as well as general cost of living pressures.

Although these barriers were not deemed by respondents to be on the same level as some of the systematic challenges, it is clear that this is a fast changing and volatile environment. The events of recent months have proven that major issues can arise quickly with the ability to completely throw off SMEs timescales and budgets, and even render some projects unviable.

It is vital that homebuilders and consumers have confidence in the housing market, to ensure transactions do not drop off and investment in future development can be sustained:

- **38% of respondents saw interest rate rises or other fiscal Bank of England challenges as a major barrier to increasing delivery, with another 52% identifying it as a minor barrier.**
- **Just 26% of respondents believe consumer confidence will not be a barrier over the next year, compared to 50% last year.**
- **A total of 71% respondents identified mortgage availability as either a minor or major barrier.**
- **77% of respondents perceive that a fall in property prices over the next 12 months will hinder future housing delivery prospects.**



As has been a theme throughout this report, SME developers are less well equipped to deal with shocks in the market, and, as has been seen in previous financial crashes, such businesses struggle to navigate these difficult times without intervention to ensure supply and demand can continue.



At a time when interest rates are rising, I am concerned that there is nothing coming through to replace the Help to Buy scheme... I fear the bottom of the housing market could collapse leading to a huge knock-on effect throughout the rest of the housing market.

SURVEY RESPONDENT



Take control of the cost-of-living crisis to in turn boost consumer confidence.

SURVEY RESPONDENT



BUILDING REGULATIONS

The home building industry has undergone substantial changes in 2022 with regards to building regulations. Specifically, amendments have been made to Approved Documents FLOS - Part F (ventilation), and Part L (Conservation of fuel and power), as well as the release of a new Approved Document Part O (Overheating) and Approved Document Part S (Infrastructure for the charging of electric vehicles).

These changes were introduced on 15 June 2022 and were an intermediate uplift to existing energy efficiency standards. Effectively, these amendments act as a stepping stone towards the Government's new Future Homes Standard (due to be introduced in 2025), which aims to future proof new buildings with low-carbon heating systems and high fabric efficiency standards.

Adapting to the new regulations has involved considerable work and preparation by all developers, but it has proven particularly challenging for small developers. However, it is a testament to the skill, ingenuity and determination of the industry's SME builders that at the time of the survey:

- **over a quarter of respondents (26%) said they were already building to the standard and;**
- **19% said they were building ahead of the standard.**

The home building industry is fully committed to delivering on the Government's net zero and broader environmental ambitions and the fact that close to a fifth of respondents were delivering beyond current standards underscores that commitment.

However, that 54% of respondents were in the process of adapting to these regulatory standards and a further 5% said they would struggle to build to them, is a timely reminder that the Government needs to work closely with industry to ensure the transition to the Future Homes Standard in 2025 is efficient and that developers, particularly SMEs, are given the necessary support during the process.



As a first step, the Government should bring forward the consultation on the technical specification of the Future Homes Standard as soon as practicable as it's important for companies to have adequate time to prepare and adapt.

This is particularly important in terms of understanding build costs and business planning - on average, respondents felt the build cost of a new home had increased by 17% due to the changes to Building Regulations. This will only increase further as attentions move to implementing the Future Homes Standard.

“ Give the industry more time to implement the Part L upgrades. The current “solutions” including air source heat pumps are unproven and unavailable at scale (including the skilled workers needed to install them).

SURVEY RESPONDENT

“ Remove all technical matters from the planning system, they should all be dealt with under building regulations.

SURVEY RESPONDENT



NUTRIENTS

At present, the development of at least 100,000 new homes across 74 Local Authorities is unable to proceed because of a requirement imposed by Natural England to evidence 'nutrient neutrality' on new housing schemes.

While the home building industry is supportive of the need to protect water habitats, developers are being disproportionately impacted by the mitigation measures introduced by Natural England, despite the sector's contribution to the issue being marginal in comparison to that of agriculture and farming.

Furthermore, home builders make hundreds of millions of pounds worth of contributions to water companies each year, yet it is new developments which are again being targeted as a means of addressing the pollution from another sector and the failings in wastewater treatment processes to filter out nutrients before entering water courses.

While we acknowledge the Government's announcement from 20 July that it will impose a legally enforceable duty on water companies to upgrade wastewater treatment works in the areas affected, these proposals do not match the scale or urgency of the issue. Neither will the Government's November update in which it set out plans for its Nutrient Mitigation Scheme.

In addition, the issue of water neutrality has now also led to a moratorium on house building in Sussex, and, unless addressed, has the clear potential to spread to other local authority areas very quickly. Furthermore, 'Recreational Impact' measures are having a similar impact on development in areas including Hertfordshire, the New Forest and Wealden. In total, we estimate that almost 150,000 homes are now on hold as a result of the actions of Natural England.



The industry's concerns regarding nutrient and/or water neutrality are clear in the results from the survey:

- **68% of respondents said it would be a barrier to increasing housing delivery over the next 12 months.**

Therefore, we urge the Government to ensure that transitional arrangements are implemented so that building can resume in affected areas as soon as possible.



Local authorities can cripple an SME business through ongoing delays, and chuck in nutrient neutrality and things get worse. So many barriers to continue, never mind an agenda to enter for new entrants, that make it nearly impossible to be successful.

SURVEY RESPONDENT



Resolve the nutrient issue, force local authorities to resource their planning depts, remove constraints that prevent the planners doing the technical part of their role (political interference, and lack of ability/resolve to make a decision.

SURVEY RESPONDENT





DEVELOPMENT FINANCE

To ensure that SMEs can continue to grow and deliver the housing that the country needs, it is important that they can access the necessary development finance and that lenders and investors are incentivised to operate in this space.

In the current challenging economic environment, the availability and terms on which development finance is offered to SME developers has never been more important. As such it was encouraging to see from the survey results that:

- **58% of respondents do not consider development finance to be a barrier to housing delivery (the same as in 2021)**

Although it is not identified as a major barrier and may not pose the same difficulties as some of the other issues mentioned in this report, a cumulative 42% of respondents do see it as either a minor or major barrier demonstrating that there is still considerable work to be done, particularly within certain regions of the country.

PERCENTAGE OF RESPONDENTS BY REGION CITING DEVELOPMENT FINANCE AS A MAJOR BARRIER

- **North - 8% (down from 18% in 2021)**
- **South - 8% (up from 3% in 2021)**
- **Central - 20% (down 4% in 2021)**



Government guarantees for equity, enabling 100% finance at sensible lender margins for SMEs with a proven track record.

SURVEY RESPONDENT



Provision of cheap finance via guaranteed schemes for suitably qualified SMEs.

SURVEY RESPONDENT



CONCLUSIONS AND RECOMMENDATIONS

The diminution of SME developers has been taking place since the early 1990s, with their decline having been exacerbated by the 2008 global financial crisis, and more recently by the impacts of the coronavirus pandemic, cost inflation, economic uncertainty and labour and materials shortages. However, there are also several systemic challenges, particularly in relation to planning as this report has identified, which, if left unresolved, will prevent SME home builders from ever reaching their full potential.

With a relatively new Prime Minister, Rishi Sunak, in post, comes an opportunity for the Government to think about the steps it can take to support SME developers to flourish. There is certainly room for considerable progress to be made:

- **When respondents were asked if they were satisfied that the Government's approach to planning and housing was positive for SME housebuilders, 92% said no.**



The diminution of SME developers has been taking place since the early 1990s, with their decline having been exacerbated by the 2008 global financial crisis, and more recently by the impacts of the coronavirus pandemic, cost inflation, and labour and materials shortages.



WHILE THERE ARE MANY ISSUES THAT NEED ADDRESSING, THE TOP SUGGESTIONS SME BUILDERS WOULD LIKE THE GOVERNMENT TO ACT ON ARE AS FOLLOWS:

- Ensure planning departments are adequately resourced and funded.
- Bring forward a greater number of small sites in Local Development Plans.
- Simplify the planning process for small sites.
- Make Local Planning Authorities more accountable for poor service/delays.
- Resolve the nutrient and water neutrality issues.
- Depoliticise the planning process.
- Increase the affordable housing threshold.
- Make development finance easier to access on terms that allow builders to recycle their equity more quickly.
- Introduce Level 2 T-Level style qualifications for routes into home building.
- Ensure existing apprenticeship schemes and FE courses have a greater emphasis on practical skills.
- Work with CITB and the Department for Education (DfE) to ensure CITB's remit covers all skills necessary to the home building industry, particularly in the transition period towards the Future Homes Standard when green skills are ever more important.
- Change the rules for the Apprenticeship Levy to pass the responsibility of administration for hired apprentices to the company that "receives" the levy transfer, rather than leaving it with the "gifting" company.
- Provide sufficient support on an ongoing basis through CITB and otherwise to help SMEs manage apprenticeships and so optimise apprenticeship recruitment.



FOR FURTHER INFORMATION PLEASE CONTACT:

- Emma Ramell, Policy & External Affairs Manager at HBF: emma.ramell@hbf.co.uk, 07732 682 112
- Laura Markus, Policy & External Affairs Advisor at HBF: laura.markus@hbf.co.uk, 07802 849 386
- Anna Geffert, Hera Communication Strategies, anna.geffert@heracomms.com, 07773 046 337
- Daniel Joyce, Director at Close Brothers Property Finance: Daniel.Joyce@closebrothers.com, 020 385 76284



ABOUT HBF

HBF is the representative body of the home building industry in England and Wales. Our members are responsible for providing around 80% of all new private homes built in England and Wales and most of our members are small or medium-sized enterprises.

Contact

Home Builders Federation Ltd
HBF House, 27 Broadwall, London SE1 9PL
Tel: 020 7960 1600 Email: info@hbf.co.uk Website: www.hbf.co.uk

Follow us on twitter: twitter.com/HomeBuildersFed



ABOUT CLOSE BROTHERS PROPERTY FINANCE

At Close Brothers Property Finance, we are property specialists who provide personalised, flexible finance to property developers and investors across the property industry. Over the last four decades we have consistently supported small and medium sized businesses and we are currently funding over 7,250 homes with a loan book of £1.5 billion. Our bespoke financial products include development finance, bridging loans and commercial investment and our specialist teams are based in three offices across the UK.

We are part of Close Brothers Group plc, which employs approximately 4,000 people, is listed on the London Stock Exchange and is a member of the FTSE 250. Close Brothers is a leading UK merchant banking group, providing lending, deposit taking, wealth management services and securities trading.

For further information on Close Brothers Property Finance, visit: www.closepropertyfinance.com or for further information Close Brothers Group plc, visit: www.closebrothers.com





Travis Perkins

ABOUT TRAVIS PERKINS

Travis Perkins is part of Travis Perkins plc and the UK's largest supplier of building materials to the building and construction industry. The company has a network of 560 branches and 300 tool-hire outlets and supplies thousands of product lines to trade professionals and self-builders across the nation. Customers will find a wide and varied range of quality timber, building materials, and tools along with plumbing and heating, landscaping, painting and decorating essentials in our branches. For more information, see <https://www.travisperkins.co.uk>



