



# **Delivering Better Homes**

Upcycling Buildings, Improving Affordability,  
and Addressing Local Needs

# Foreword



**Jon Walker**  
CEO, AXA  
Commercial

AXA's ambition is to give people and businesses the confidence they need to thrive today and in the future. Anticipating and preparing for change is central to this, and we want to be at the forefront of innovation and fresh thinking on transport and business, as well as housing and planning, to better support our customers.

As we approach the next general election, housing will undoubtedly feature as a key issue within the public and political debate. This discourse will be intertwined with many other overarching priorities, from delivering more affordable housing across the UK, to levelling up across the regions and achieving targets on climate and sustainability. Several proposals have already been brought forward, including the potential to convert disused commercial spaces into homes or to invest in developing new towns across the country.

Building and retrofitting resilient homes should be high on the agenda, particularly against the backdrop of rising energy costs and the increased incidence of severe weather events. As a large insurer, we are acutely aware of the risks associated with poorly designed buildings and we see first-hand the impact these can have on families and businesses. The floods that hit much of the UK as a result of Storm Babet are the most recent example of

this. We firmly believe placing quality and safety at the heart of the housing agenda can improve our resilience to emerging risks driven by climate change such as flooding and extreme weather, but also help people take back control of their energy bills.

Our goal in convening a roundtable of experts was to reflect on the Government's proposals to expand permitted development rights in order to repurpose commercial buildings for residential use, and to set out the challenges which will need to be overcome to deliver on this. These include addressing skills gaps in the workforce, ensuring regulation is conducive to innovation and safe construction, improving affordability, and involving local communities in the planning process.

We were pleased to see both government and the Labour Party adopt some of the recommendations we made in our previous reports on buildings and planning, such as the announcement of new training places to help build a skilled green workforce and the recent pledge to create a flood resilience taskforce. We hope the practical recommendations set out in this report will further influence future thinking around housing and planning, and help us better protect our customers from the risks we face today and tomorrow.

# A Short History of Housing in the UK

Since the early 20th century, successive UK governments have continuously intervened in housing policy. From efforts to deliver good quality affordable homes in the 1920s to the introduction of the Help to Buy scheme in the 2010s, state intervention is long-standing and normalised. Until the Thatcher era, local authorities were at the forefront of the housing agenda, building more than 100,000 homes per year and developing new towns such as Hemel Hempstead, Crawley, and Milton Keynes<sup>1</sup>. They had the resources they needed as well as a vested interest in building the right homes in the right places.

However, from the 1980s onwards, government legislation, austerity, and an ever-growing demand for housing changed the landscape. The decision-making process around housing policy became more centralised, sometimes at the expense of the needs and best interests of local communities. Councils became increasingly underfunded, overwhelmed by their statutory duties, and outsourced their responsibility for delivering new homes to private developers or housing associations. By 1982, the majority of new homes were being built by private developers (86%), rather than local authorities. When labour shortages and increases in build costs meant housing supply became unable to keep up with demand, successive

governments doubled down on this approach to building more homes, while local communities continued to lose their agency in deciding what should get built and where.

Since 2013, the UK has built an average of 190,000 new homes per year, down from 400,000 in the 1950s and 1960s. A 2020 study estimates that Britain has built 1.2 million fewer homes than it should have, and that it will take at least 15 years at current building rates to close the supply-and-demand gap<sup>2</sup>.

Today, the UK's reliance on private developers means national housebuilding targets are unlikely to make a significant impact on supply. Private developers rely on market signals and potential for profit, rather than government targets, to inform decisions around what, where, and how much they build. The current economic landscape, especially when paired with a lack of certainty around future planning and building safety regulation, is not conducive to prolific construction and developers are increasingly having to build more for less. Meanwhile, communities have expressed concerns over the quality and affordability of new housing developments and questioned whether public services can cope with extra demand despite already being under immense pressure.

<sup>1</sup> [UK housing crisis: how did owning a home become unaffordable? | Housing market | The Guardian](#)

<sup>2</sup> [History of UK Housing - Economics Help](#)



# Context

Housing will be at the forefront of the public and political debate ahead of the next general election, and future governments will undoubtedly face the difficult task of bridging the gap between what communities want and what developers need to make a profit. Multiple pledges have already been made, including around expanding permitted development rights and investing in new towns. This report does not seek to set out a long-term, permanent solution to the UK's housing crisis – instead, it reflects on the current thinking in this space and examines the feasibility of the Government's and the Opposition's proposals.

Earlier this year, the Secretary of State for Levelling-Up, Housing, and Local Communities identified the conversion of commercial real estate in urban centres as a means to provide more homes where people need them, respond to the changing landscape of our high streets, and help solve the UK's productivity problem. More recently, the Labour party pledged to build 1.5 million new homes in new towns over the next parliament to make homeownership more accessible for future generations.

On the face of it, the vision behind these proposals makes good sense. On the one hand, transforming existing buildings into sustainable and resilient homes has the potential to breathe new life into our communities, contribute to the national housebuilding target, and solve the current challenges in

the residential rental market. On the other hand, building and investing in new towns is ambitious, and it will no doubt constitute an enticing offer for developers, as well as an opportunity to replicate a model for housing that worked so well for Britain in the 1930s.

In September 2023, AXA UK convened a roundtable of industry experts to develop recommendations to build more affordable homes without compromising on quality and durability. Together we reflected on the Government's proposals to expand the permitted development rights system and convert existing buildings into homes as well as the implications this could have on building safety. Our discussion quickly turned towards the wider challenges and opportunities currently facing the development industry. At the time of discussion, Labour's pledge to build 1.5 million homes had not yet been announced, however some of the themes which came out of the roundtable will be directly applicable to this policy.

Participants included designers, planning and placemaking experts, engineering consultants, investors, and insurers. While heavily informed by the insights of our expert contributors, the analysis and recommendations made in this report represent AXA UK's views and only apply to England.

## Key Recommendations



**Develop a comprehensive skills strategy to ensure there is the expert capacity necessary within the development industry to deliver on the UK's national housebuilding targets. The strategy should clearly explain how the various skill needs of the planning system will be met, as recommended by the Levelling Up, Housing, and Communities Committee in 2021.**



**Set out a national retrofitting strategy and provide financial incentives for households and small businesses looking to make their properties more climate-friendly i.e. through insulation, switching their gas boilers to air source heat pumps, or installing flood resilience measures.**



**Establish local housing boards to bring together councils, local MPs, developers, and community leaders to discuss new projects and ensure these are appropriate and reflective of the area's needs. These local boards should be overseen and supported by a national housing delivery unit.**



**Legislate against the construction of inappropriate developments in flood risk areas and ensure climate and flood risk considerations are fully embedded into planning decisions.**

# Community

The short-term model which dictates the way we build homes is a major obstacle to the delivery of affordable, durable homes in the UK. Many of the issues we currently face can be traced back to the system within which the development industry has been encouraged to operate in. A system where developers are often incentivised to buy land and sell homes before quickly moving on to the next project, and the urgency to provide more housing is limiting efforts to create genuinely community-oriented development.

This is a cause for concern for many communities, who want to see future projects designed to suit local needs and budgets, including beyond housing. Previous [research from AXA UK](#) shows access to public services, including schools and GP surgeries, rank among the top three priorities of things people look for when buying a new home. New developments should consider access to transport links, public infrastructure, as well as nearby availability of leisure and retail options. This is essential to mitigate current concerns around housing supply, while also supporting the levelling-up agenda. In a follow-up conversation with one of our roundtable participants, we also discussed the need to take environmental factors into account, including how to provide more green spaces and create space for bike storage facilities and safe electric vehicle charging.

A key consideration which is often omitted in the debate around housing is flooding, including how to prevent and mitigate its impact across new and existing developments given one in six

homes are at risk in the UK<sup>1</sup>. As an insurer, we were pleased to see Labour commit to creating a Flood Resilience Taskforce to help better protect communities from the impact of flooding. The answer to much-needed affordable housing is not to build poorly designed homes in flood prone areas. Flooding must therefore be prioritised and placed on a par with other major building safety issues such as fire risk to create more resilient communities in the future.

In addition, our participants felt striking a better balance between enabling developers to build more homes and giving local areas more agency over planning and building decisions would help re-instil a long-term interest in our local areas and improve resilience. This would also help to ensure developments continue to fulfil their purpose long after they have been built, particularly across mixed-use sites where the number of stakeholders involved can sometimes create challenges and neglect local needs. To put communities at the heart of local decision-making for housing, the next government could look to replicate the 'town boards' initiative currently being piloted as part of the [Long-Term Plan for Towns](#). These boards bring community leaders, employers, councils, and the local MP together to discuss new projects and determine whether these are appropriate and relevant to the needs of the area. They should be overseen and supported by a national housing delivery unit to ensure local-level action is in line with the UK-wide ambition.

<sup>1</sup> 15 Flood Statistics in The UK to Know in 2023 | House Grail



# Regulation

The UK has made great strides in introducing new building safety and energy-efficiency standards to create safer, more sustainable homes. The Future Homes Standard, for example, will require industry to be more forward-thinking in delivering new homes and reduce carbon emissions by 75% to 80%. As a leading insurer, we have also worked constructively with the Government on shaping the Building Safety Act, which will have a major and positive impact on fire safety. But uncertainty around future regulation is stifling investment and innovation in the development sector. From planning reform to plans for phasing out gas boilers and restricting the use of new construction materials, the constant toing and froing on housing policy and regulation is limiting the industry's potential. There needs to be more certainty across the regulatory landscape to give businesses the confidence they need to invest in new projects.

That being said, actors across the end-to-end chain of development also need regulation to provide a certain level of permission and flexibility to promote creativity and ensure designers can get the best possible outcome from each building. This is especially important when retrofitting existing buildings into homes, where prescriptive requirements such as embedding second staircases in specific locations can restrict possibilities. In new builds, this lack of flexibility is at the root

of the construction of too many 'cookie-cutter' homes, which can be inappropriate for the needs of local communities. Our roundtable participants strongly felt that – when combined with a lack of knowledge and capacity at the planning level – the rigidity of the current regulatory landscape was driving up costs and preventing innovation. In some cases, this means many good quality developments that were going to be built ended up not being built at all.

The solution is not straightforward. One of the main themes which emerged from our discussion on regulation is that every building is different. This makes regulating our building landscape a unique and significant challenge. While the industry will look to the next government to provide certainty and set out a clear, comprehensive vision for housing, it would benefit from playing a more active role in supporting the decision-making process around building regulation. Experts in design, construction, fire engineering, insurance, planning, and place-making should be incentivised to pool their expertise and knowledge to ensure future regulation is fit for purpose and conducive to innovation. To facilitate this, the Government should set up a cross-industry housing delivery unit tasked with addressing the shortage of affordable housing supply and unlocking the industry's potential to provide better outcomes for communities.



# Affordability

Since 2017, homes in the UK have sold for more than five years' worth of average household income<sup>1</sup>. The affordability crisis is particularly acute in England, where only the top 10% of income earners are able to afford a mortgage on an average home with fewer than five years of income, compared with the top 30% in Wales, and the top 40% in Scotland and Northern Ireland<sup>2</sup>. When prompted on the affordability issue, our roundtable participants felt insufficient attention had been paid to the entire lifecycle of a new development, and how everything from land purchase and viability to planning regulation and running charges were impacting cost.

In the early stages of development, loopholes in Section 106 of the Town and Country Planning Act (S106) were identified as blockers to the delivery of more affordable housing in England. S106 was designed to ensure new developments contribute to local outcomes by enabling councils to set conditions for planning permission, including investment into local schools, roads, and affordable housing provision. Nearly half (47.7%) of affordable housing built in England in 2020/21 was delivered through S106<sup>3</sup> and local authorities received £7 billion in developer contributions in 2019.

But S106 can be challenged where financial viability assessments (FVAs) show that expected profits for a new development fall below 15% to 20%. While negotiation between developers and local councils on this is possible, many planning teams lack the capacity and skills to negotiate effectively. In addition, permitted development rights (PDRs) are not subject

to S106, meaning developers are not required to contribute to public infrastructure or affordable housing delivery. The next government's vision for housing must therefore carefully consider how to balance incentives to build more homes and keep build costs at bay with the urgent need to invest in local communities and improve housing affordability at the point of purchase. One of the solutions we discussed was improving relationships between developers and local authorities through public-private partnerships and adopting a more flexible approach to the provision of social value (i.e., moving away from using social value as a tick-box exercise and collaborating on identifying genuine areas of need for the community). This could be delivered through the cross-industry housing delivery unit mentioned in the previous section.

Crucially, affordable housing is also about more than just ensuring people can obtain a mortgage for the initial purchase of a home – it is also about ensuring that homeowners can comfortably sustain their properties in the face of growing financial pressures. Against the current backdrop of increased energy bills, record-level service charges, and inflation, some of our experts felt more was needed to secure the longer-term affordability of our homes. The Government's plans to reform the leaseholder system and make it easier for leaseholders to bring their buildings into common ownership, avoid ground rents and high management fees is a welcome first step. On retrofitting, Labour's ambitious Warm Homes Plan could see families saving up to £1,400 per year on energy bills<sup>4</sup>.

Households and businesses will also be looking to play their part in taking back control over their bills, by switching to renewable energy or improving the efficiency of their homes. Some companies are already acting in this space – for example, Octopus Energy recently announced a new scheme which

will aim to deliver 10,000 'zero bills' homes by 2025 in the UK. Individuals are also increasingly looking into this, with a previous AXA UK report finding nearly 60% homeowners are interested in making improvements including insulation and purchasing electricity from renewable resources to reduce their cost of living. The Government should publish a national retrofitting strategy to clearly set out plans and responsibilities for making properties more cost-efficient and climate friendly to run.

## Case Study: Octopus Energy, Making 'Zero Bill' Homes the New Normal

Octopus Energy is working with developers, housing associations, and local authorities across the country to make 'zero bills' the new standard. The scheme will see homes equipped with advanced green energy technology, including solar panels, home batteries and heat pumps, and allow residents to live without energy bills for at least five years. Octopus Energy aims to deliver 10,000 'zero bills' homes by 2025 and plans to expand this initiative across Britain and Europe.

Earlier this year, Octopus Energy announced a partnership with sustainable housebuilder Verto to create the UK's first 'zero bills' development, featuring 70 new-build and retrofit homes in Cornwall and Exeter.

<sup>1</sup> [Housing Purchase Affordability, UK - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/peopleinwork/housing/housingpurchaseaffordability)

<sup>2</sup> Ibid.

<sup>3</sup> [Squeezed out | New Economics Foundation](https://www.neweconomics.org/insights/squeezed-out)

<sup>4</sup> [Mission-Climate.pdf \(labour.org.uk\)](https://www.labour.org.uk/mission-climate)

# Skills and Resource

The demand for housing is running ahead of capability. Skills shortages in the development industry constitute a continued cause for concern, which impacts housebuilding as well as the sector's ability to tackle the climate emergency and meet the retrofit challenge. Recent Government policies, including the expansion of the shortage occupation list and the roll-out of new training courses to upskill the construction workforce are welcome. But the UK needs a radical overhaul of the skills agenda to address the housing challenge and improve the resilience of our building landscape.

Industry is leading the way on skills. Many businesses are playing their part to ensure their workforce is prepared to meet the demands of the future – from developing expertise in retrofitting to looking at a building's longer-term lifecycle, including possibilities for secondary and tertiary uses. At AXA, we have been working with our commercial customers to help them upskill employees and update their working practices through the AXA Climate School. We have also been looking at helping employees in our underwriting teams to better understand the use of modern methods of construction, which has been identified as solution to building more sustainable and affordable homes. But our experts agreed there was insufficient capacity and knowledge within the wider development ecosystem – particularly within local authority planning teams – to help create and deliver the vision for a more resilient housing and planning system across the UK.

According to the data from the Royal Town Planning Institute, a quarter of planners departed the public sector between

2013 and 2020, with many moving to the private sector. Local authority net expenditure on planning has decreased from £844 million in 2009 to £480 million in 2020, and only 0.45% of council budgets are allocated to planning services<sup>1</sup>. With planning departments under immense strain, developers are sometimes having to wait years for their planning applications to get the green light. Where challenges arise at planning stage, local authorities do not always have the capacity or the knowledge to overcome them, thereby further delaying development projects. There was a consensus among our industry experts that local authority planning departments need to be better funded to carefully consider new projects, expedite planning applications, and help the development industry be more efficient and innovative in the delivery of new housing. Creating more routes into the planning profession through conversion courses, apprenticeships, visas, and degrees will also be essential to meet demand.

Labour's proposals for a new Growth and Skills Levy and Technical Excellence Colleges mark a step in the right direction. The Government's announcement of a £24 million planning skills delivery fund to clear planning backlogs and invest in skills is also welcome. But more will need to be done to make the planning profession more attractive and to combat the negative rhetoric around planning in the public discourse. Planners play a vital role in addressing important issues including climate change, public health outcomes, and economic development. In doing so, they also play a significant role in helping to achieve a more resilient Britain – it's crucial future policy addresses this in a more holistic and comprehensive way.

<sup>1</sup> [APPG-Housing-report-September-2023-Final-RGB.pdf \(appghousing.org.uk\)](#)







# Thank you to our contributors

Adam Hawksbee, Deputy Director, **Onward**

Simon Swietochowski, Development Director, **AXA IM**

Dougie Barnett, Mid-Market and Customer Risk Management Director, **AXA UK**

John McHugh, Head of Place and Community, **CBRE**

Roy Little, Senior Associate, **Design Fire Consultants**

Steven Morrice, Development and Sales Director, **Hyde Group**

Jennie Baker, Associate Director, **Lichfields**

Charlotte Watson, Senior Policy Advisor, **RIBA**

Sue Edmonds, CEO, **Capital Letters**

Joe Morris, Founding Director, **Morris and Company**

## Contact

AXA UK Public Affairs

[ukpublicaffairs@axa-uk.co.uk](mailto:ukpublicaffairs@axa-uk.co.uk)