

REIMAGINE
CHALLENGE



Cabinet Office



Reimagine Challenge: **Housing**



Reimagining the Housing Challenge

Responsible department:

Ministry of Housing, Communities and Local Government

Departmental challenge:

How would you reimagine Britain’s housing unlocking it as a tool for social reform?



Introduction

For the last two years, KPMG has worked with Whitehall departments to address some of the biggest policy challenges facing the government – building joint teams to investigate social or economic issues and devise workable solutions.

Under the Reimagine Challenge programme, KPMG specialists and staff from across the civil service work together over a period of months to research specific policy areas. With the guidance of senior departmental leaders and the support of KPMG’s data, design and digital teams, they develop evidence-based, pilot-ready proposals for tackling departments’ public policy goals.

I’ve always been hugely impressed by the quality of the ideas, and am delighted to join this year’s judging panel as KPMG’s representative – replacing Kru Desai. The panel also includes Permanent Secretaries and Director-Generals, and is chaired by Civil Service Chief Executive John Manzoni. And whilst the winning teams receive active Cabinet Office backing to turn their plans into reality, all of them also end up strengthening the wider operation of government – building connections, developing skills, improving understanding, and feeding into departmental policy-making.

As we launch the 2018 Reimagine Challenge, we’re publishing the 2017 teams’ final submissions. In many cases, civil servants continue to develop these ideas inside government – so if you see something that chimes with your own goals or requirements, then drop me a line and we’ll put you in touch with the team.

The Reimagine Challenge exists to help solve complex, far-reaching public policy challenges by bringing people together across sectoral, policy and professional lines. Why not join the conversation?

Nicholas Fox
Head of Government

So what’s the idea?

The housing challenge is highly complex; different areas have very different problems, but our solution helps to address the heart of the issue: **a mismatch between citizen’s housing needs at various life stages and the current approach to supply of housing.**

Whilst housing sales are historically strong in London/ South-East, other areas struggle. Yet our research in Greater Manchester indicates that there is unmet demand for housing in specific parts of the combined authority: the problem is often that either particular neighbourhoods, or the specific homes are not seen as affordable, desirable or suitable by the kinds of people who might otherwise buy or rent a property there.

This applies both to existing and to potential residents. People who want to stay locally as their circumstances change – moving from a flat into a family home, say, or from a three-bed house into retirement accommodation – may have to leave their neighbourhood to find the right property. Other areas are frequently off-putting to people: commuters might avoid a well-connected inner suburb due to its poor reputation or weak amenities offer, for example.

We have recognised a gap between the government’s supply ambitions against the need to understand citizen-led demand. Our solution will help transform stakeholder perception and planning of housing in a particular region based on robust analyses of both quantitative and citizen-led qualitative data. This first step involves an analytical geo-spatial tool that, fed with granular and live information on the views, preferences and purchasing power of communities, provides a detailed picture of the nature of housing demand at the neighbourhood level that can be matched to forensic analysis of current housing supply.

Stakeholders can then base their planning strategies and frameworks on a deep understanding of the complex housing needs and wants of citizens. This will ensure that neighbourhoods develop the right mix of housing, services and amenities to retain and attract would-be homebuyers and renters.

As well as the quantitative data currently used by planning departments and developers, the system will require primary data: behavioural information on how people's housing needs change over different life stages; and qualitative, real-time data revealing people's views of individual neighbourhoods, gathered via primary research, surveys, online consultations and social media sentiment analysis.

Fed with detailed, segmented data on the evolving circumstances, ambitions, preferences and price sensitivity of different demographic groups across a conurbation – including people's views on areas outside their current neighbourhoods – the tool will identify the nature of both existing and latent demand in each locality, as well as the changes that would most strengthen that demand.

The benefits. The housing market will transform by providing developers with detailed information on the kind of homes likely to appeal to current and potential residents; it will enable them to match supply precisely to demand. A good housing market has wider economic benefits, from increasing council tax revenues to driving growth in the local economy.

With development plans built more closely around communities' housing and economic goals, planning applications will encounter less resistance within local communities and on planning committees, an economic benefit for local authorities, and developers. By matching demand for homes and amenities much more precisely, planning authorities and developers will strengthen sales and, ultimately, investment in new homes.

Who did you consult, and what did they tell you?

We did a lot of initial groundwork to understand the problems and existing powers to do something about them. We spoke to representatives of developers, housing associations, local authorities, local government stakeholders as well as experts on current spatial modelling from KPMG and software developers.

Although our consultees presented different solutions, they agreed on some of the problems – particularly slow new-build sales and weak interest from developers, particularly in outlying towns, unfashionable inner suburbs, and housing association projects. Our research indicates that, in many areas, demand is weak because the supply of housing doesn't match the needs or desires of significant sections of the population.

Having developed our concept, we went to Manchester for further consultations. Trailblazing developer Urban Splash told us that a better understanding of demand would help local authorities and developers to better target supply, potentially increasing sales and saving resources during the planning process. They also noted that demand is linked to wider factors around 'place-making', which our tool would also help address.

Local government stakeholders were closely engaged and expressed interest in piloting the tool to sense-check their planning assumptions impacting current and future housing developments. As a first step, such local government stakeholders could test how the tool evaluates previous housing decisions and how the results compares with the current situation.

MHCLG focused primarily on the use of the tool by local government, although they recognised the value of the evidence generated by the tool for central government policy making e.g. communities policies. No10 housing leads felt it fits well with the government's affordable housing drive, and could also provide a best practice model for carrying out housing needs assessments.

Finally, we carried out a basic competitor analysis on services provided by property search websites, checking that our proposed service doesn't already exist and adds value to the market.

What are the key obstacles, and how would you address them?

One challenge will revolve around sourcing accurate, timely data. We'll need both the quantitative data currently available on public services, housing mix and demographics, and a new dataset – generated via behavioural research – that provides a model of how people's housing needs and preferences change over time, and can be segmented to show variations between areas and demographic groups.

We have tested that this concept is realistic and deliverable. KPMG technicians have already built a proof of concept, using a mix of mock and existing information, demonstrating how these datasets are combined to provide detailed assessments of local housing demand across a conurbation. They have also identified potential benefits from using housing stock data from the Ordnance Survey, available at a granular level.

What evidence do you have that this proposal is efficient and scalable?

To get off the ground, the scheme will need some seed funding estimated at £500k for the first year, and an area interested in acting as a test bed. For seed funding, we will approach public bodies such as MHCLG, the Homes and Communities Agency and the Northern Powerhouse; this money is required to cover the one-off development work needed to build the digital tool, alongside some initial primary research on life-stages and citizen voice.

We illustrated the economic benefits earlier in this submission, which will provide the ultimate return on investment, and shows the value in this investment. The digital platform our solution is based on scales immediately. It's a first of its kind, and improves with time as it incorporates more citizen voice. The citizen-led evidence will have wider value for government when developing policies, as something that to date isn't easily derived.

Our solution will produce better planning decisions and greater housing investment for local authorities, and faster planning processes and more sales for developers – so if a pilot generates measurable benefits, further roll-out next year could be funded by contributions from the public and private sectors. We could exploit commercial opportunities to sell the tool to developers nationally and internationally, for example.

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