

Third meeting

Development Partnership Forum

**21 April 2017
Resource Pack**

Development Partnership Forums are a key way of The Housing Forum building influence and promoting collaboration.

The Development Partnership Forums bring government and industry together to share best practice and support new entrants into housing development. These Forums give policy makers feedback on the issues they need to be aware of; making this a highly relevant initiative as government looks to accelerate and increase house building.

Previous Forums have covered **housing policy announcements, the Government's Industrial Strategy, the Mayor of London's Housing Strategy, growth areas, institutional investment and new models of funding.**

This April 2017 covers **The Housing Forum's latest report "Future-proofing housing supply", latest developments in Build to Rent schemes and several local authority delivery models.**

This **Resource Pack** includes a summary of the spring meeting in terms of: outcomes, content, and links to presentations and relevant publications, all which will also be available on [The Housing Forum's website](http://www.housingforum.org.uk).

1. KEY OUTCOMES

- Housing delivery needs to be planned over a longer time frame of 10-20 years as an infrastructure project with cross-party consensus sustained across several political cycles and seen as a crucial aspect of the economy. Government leadership is crucial to support
- Policy certainty is essential for long-term business planning and frequent policy changes, such as Right to Buy and rent cuts, affect income and undermine viability. Plans for some councils to set up local housing companies to add to the delivery of new homes are on hold due to potential financial risk.
- Build to Rent is maturing with larger schemes, regional coverage and growing interest from institutional investors. With long-term ownership and professional management, it can make an important contribution to place making and community. Developers are using tenant feedback to improve the product.
- Planning law and policy have important roles to play in enabling the tenure mix to meet local needs and increasing supply by enabling the use of smaller sites and smaller developers. Build to Rent is recognised in GLA planning policy.
- Local authorities are once again developing but need the right expertise and skills and a commercial approach to deliver mixed tenure schemes. Development takes a long time and needs local political commitment.

2. CHAIR'S INTRODUCTION

Stephen Teagle, Chief Executive, Partnerships and Regeneration, Galliford Try and Deputy Chairman, The Housing Forum

Future-proofing housing supply: The Housing Forum Working Group 10 point plan for increasing long-term housing supply ([Link to report](#))

The Housing Forum's latest report covers many of the proposals for interventions (both supply- and demand-side) in the Government's Housing White Paper "Fixing our broken but makes the crucial point that there needs to be a long-term (20 year) perspective spanning different cycles and fitting with policy drivers

There is a serious mismatch between supply and demand with many wishing to see continued interventions by Government to drive change. Current 25% of the housing stock has to have some form of subsidy to make it affordable. The report focussed on

- Leadership and structures (need to de-politicise i.e. cross-party consensus for long-term view)
- Tenure delivery (a plan for all tenures)
- Sector capacity (how to incentivise new players and skills? The importance of new partnerships

- Commissioning and investment (needs additional capital expenditure to get to scale, local authority commissioning and recyclable investment and deliver excellence in procurement to guard against missed opportunities and high entry costs).

Housing demand, especially 1st-time buyers and demographic trends will continue and so each Government will look to increase supply but there is no single solution. The Farmer Review calls for absolute change to increase capacity. Local authority approaches to direct commissioning are very uneven and further attention needs to be given to legitimise the approach of local authorities and make portfolio commissioning visible

3. BUILD FOR RENT PANEL

Latest trends

Ian Fletcher, Director, BPF

In 2017 the British Property Federation (BPF) started publishing quarterly statistics for purpose-built BTR developments, including those coming through the planning system. The emerging pattern is schemes getting larger, which will encourage institutional investors, with a wide range of organisations developing and increasing regionally (i.e. outside London). 70,000 new units are in the pipeline, many in large developments (over 500) 12 of the 33 London Boroughs are pro-actively planning for Build to Rent schemes in their district, 25% of the supply is provided by major UK developers.

'Fixing our broken housing market' devoted a chapter to BTR proposing four main ways to increase supply:

- Use the local plan-making process to support the sector
- New affordable housing definition for Affordable PRS that could be incorporated in the NPPF. This codifies the practice that some local authorities have been using of discounted market rent (now Affordable PRS), which remains under the Build to Rent provider so that it can be managed as a whole. To ensure the Affordable PRS offer is not abused, local authorities would require a covenant so the stock is held for a period likely to be between 7 and 30 years, and if converted into homes for the sale the affordable housing is clawed back that would have applied if a for sale development had been delivered on day one.
- A standardised BTR planning offer, where the BTR provider is offering 20% of homes at a discount of at least 20% off market rents.

The Housing Minister is also proposing that the BTR sector should be able to offer longer tenancies and the BPF had responded with a pledge from 20 of the largest BTR providers, stating they would make the offer of a three year tenancy on all their new rental homes.

Jennifer Peters, Strategic Planning Manager, GLA

The Mayor's draft SPG on affordable housing and viability (consultation ended in February 2017) proposes a threshold approach to viability (different from 35% used for build to sale) and provides detailed guidance including on BTR. Publication of the final version is planned for summer 2017 but could be delayed due to the election. Its specific focus on BTR is to attract investment and accelerate delivery.

The proposed definition of BTR requires 50 or more units with a minimum 15 year covenant to remain as rental under single management, with a claw back for any units sold within that period. It includes a flexible approach to the provision of affordable housing, with a preference for the London Living Rent. The current London Plan allows some flexibility in terms of mix and design but the new London Plan will encourage more BTR and provide advice on the size of units, management standards and longer term tenure. The allocations process will be similar to the approach taken on shared ownership.

Be: here is a BTR developer and operator with two operational schemes housing 400+ tenants. Tenant feedback is an important way in which Be:here is developing and improving its schemes. It has a pipeline of over 1,500 units and is attracting institutional investors. Its BTR developments have 100 or more self-contained units designed specifically for rent, developed and operated long term, with professional on-site management to improve tenant experience. Its approach is a similar to the definition of a BtR development proposed by the GLA but in addition puts emphasis on amenity and designing specifically for rent.

While things are moving in the right direction for BTR the issue of viability needs to be addressed in the SPG and the White Paper if supply is to be increased. With the right approach, BTR development can do a lot for place making (i.e. great place to live) based on four key components of the right home in communities with amenities and opportunities. Design is shaped by a long term interest in the development and the planning system has important role to play in enabling this.

Be:here's tenant profile shows that their homes are occupied by a wide range of renters from singles to families. The units specifically designed for rent are ideal for sharers. Tenants have a wide range of occupations, ages and incomes but who all have similar objectives. Its focus is on helping Londoners by providing high quality homes specifically designed for rent and an on-site management team with a strong focus on customer service. Tenant surveys identify the importance of a quality, well-delivered service offering.

4. TENURE DELIVERY - A BARRISTER'S PERSPECTIVE

The operational planning context and its impact on tenure diversity

Richard Harwood, OBE, Q.C., Essex Chambers

Understanding planning law and policy by examining how appeals and decisions operate is a key factor in enabling housing development. It is a time of rapidly changing initiatives with Ministers driving forward policy expectations, e.g. starter homes. Implementing policy without legislation requires other levers. One example is in the planning conditions for Merryfield Park in the New Forest which varied the affordable housing obligation to provide starter homes. With the BTR proposals, planning conditions can make provisions for affordable housing and tenure, whereas market rent housing is not normally covered by planning conditions. The White Paper's proposes to encourage private affordable rent through planning in a similar way to the provision of market sale and shared equity.

Increasing new housing supply through smaller sites with smaller developers (it takes longer to develop larger, strategic sites) will require development plans, especially local and neighbourhood plans, to include allocations for smaller sites and a brownfield register. Reducing the costs of planning applications for smaller developments will be important but

more will be required than the White Paper proposes.

To help Local Plan preparation, the White Paper uses some of the recommendations from the Local Plans Expert Group Report to improve objectivity by simplifying the calculation of assessed need. It wants to improve strategic joint planning, delivery testing and fixing housing land supply figures to increase certainty and reduce costs of planning appeals.

With environmental matters, a balance needs to be struck on protecting habitats, heritage and greenbelt. The new Environmental Impact Regulations, based on the new EU Directive come into force in May 2017. The future of the habitats regime situation post Brexit has still to be determined and there are limited international law and conventions outside EU.

The role of local authorities as developers will be necessary to increase supply but this requires the use of their resources to deliver their political objectives. Their financial objectives to get a better return on the use of capital is wider than their role as a housing authority because they can generate other rental income streams.

The White Paper proposes changes so that local authorities will be able to grant planning permission for their own developments. There is wide support among local authorities for this. While there are already mechanisms whereby local authorities can grant permission, such as to a developer when transferring land, this involves extra costs and delay. The government could do more to reduce the cost of preparing planning applications. The White paper proposes some solutions, such as covenant restrictions when land sold but these can be complex. A simpler solution would be to change s.106 to allow local authorities to have the power to grant conditions on their own land.

Discussion

How to address Right to Buy on Joint Ventures? Can covenants be used? Right to Buy only currently applies when the local authority is developing under its Housing Act function. It can use companies for non-Housing Authority developments so that Right to Buy would not apply. Covenants cannot restrict what the law allows but the Housing Minister has promised to clarify. Government policy needs to set out its objectives in relation to local authorities and housing companies whether it wants to increase supply and new housing providers or expand Right to Buy. In many parts of the South-east, local authority building is the only means of achieving affordable homes due to wider market pressures.

The White Paper includes no proposals for local authorities to help SMEs who do not have access to land because councils are legally required to get best value when selling land. However, it should be possible to structure the sale to help SMEs by allowing the value to be realised later as the development is built out.

SMEs fit with the localism agenda and in the South-east they are very keen to work with local authorities. They can adapt to changing circumstances and be innovative in developing smaller sites of 50 units or less. Local authority underwriting could help SMEs get funding but requires lenders to be set up for this. Another possibility could be for local authorities to provide finance for SMEs to build to meet local housing needs and authorities are keen to do this.

5. LOCAL COUNCILS AND DELIVERY

A new wave of delivery partnerships including examples from London Boroughs of Newham, Enfield, Lambeth

John Murray, Director, Caroline Pillay and Mark Green, Airey Miller

Key points from the experience of working with new local authority delivery partners that have a pipeline of 10,000 units across a range of sites and the problems they experienced in setting up these new companies.

Some partners concentrated on delivering PRS based on a hub (located close to a transport link with a concierge and supermarket) with a satellite feeding off the hub and smaller infill sites to provide affordable housing. Scale varies between councils, with Homes for Lambeth having ambitious plans for over 7,000 units, while Enfield is bringing together small sites for a total of 97 units.

While local authority house building is not new (started in 1893) and was very active after 2nd World War, it needs to grow again and to improve its image. There is now support for local authorities to develop again, building on the Elphicke-House Report and it has been helped by freeing up restrictions to enable them to build. Local authorities can access long-term funding at competitive rates through the PWLB and they are also looking to provide a range of developments to meet the local housing need. Replacement of the Right to Buy stock has been limited (about one built for every seven homes sold), especially in London. This is compounded by budget pressures, reduced revenue streams (less rent) and the 3-year timetable for using Right to Buy receipts. Local authorities will now have to have a commercial approach.

The rationale for new local authority companies is that they can drive value and deliver revenue by taking a long-term perspective and not simply focusing on short-term gains. They can change the PRS offer by improving what is available. They have to balance the risks and rewards because they have not always realised the maximum value from joint ventures but can deliver on sites where the market will not.

Councils need to define their objectives, including portfolio investment and a commercial asset management strategy. They are good at considering locations and discharging their statutory duties but need to learn how to de-risk developments and to bring in the skills they need. As a long-term, stable landlord they can establish a legacy and foster economic activity.

In implementing new development, they need to consider how to maintain (governance, management and tenancies) as well as build by learning and capturing lessons. They need to explore options, such as land acquisition to create a development pipeline and to understand what is deliverable when explaining to residents to avoid judicial reviews and a range of challenges that can upset plans.

Establishing a business case is crucial and the whole council needs to understand and agree what is practical to deliver. It needs to provide for longer term development and investment.

Resourcing is essential and the council needs to assess if they have the right skills (audit), team, capacity and governance arrangements to deliver ambitious plans. This may involve a balance between internal resources and outsourcing but over time councils may want to bring in-house. Social value considerations can help through training, including work

placements, to build up in-house expertise. There is a role to help local authorities learn how to get the required skills and support and to have a commercial focus.

Discussion

Experience of working with local authorities on delivery with challenging policies has shown that the process is time-consuming. It is a risky business and expensive to make changes.

Local authorities can better facilitate new development by bringing together a group for consultation.

A lot of activity is London based but there are lessons to be learnt from developments outside London. For example, Sevenoaks Council established a governance regime based on a shareholder structure with a separate operational board.

Different approaches are being used in terms of the ownership of these companies because Right to buy issues are legally complex.

Policy certainty is essential for long-term business planning and frequent policy changes, such as Right to Buy and Rent Cuts, affect income and undermine viability.

6. AFFORDABLE HOUSING DELIVERY IN THE CITY OF WESTMINSTER

Overcoming land, cost and infrastructure limitations

Tristan Samuels, Head of Major Projects, Growth, Planning and Housing, LB Westminster

Westminster has a set of unique circumstances, as a World heritage site, Royal Palaces, the seat of Government and a tourist and business centre. It also has an important residential element (with high turnover) and is expensive to buy. Economic demands need a range of people living locally, many of whom need more affordable housing.

Working partnerships are essential for the Council to deliver on scale, with a target of 1,850 affordable homes over next five years. This will include a wider mix than just social housing, such as intermediate rent for key workers.

To deliver these numbers, Westminster is exploring whether the 60:40 ratio for social to intermediate housing should be flipped. The Council intends to require the delivery of affordable housing rather than financial contributions in lieu. It will be important to invest in the necessary infrastructure to create places and communities, such as supporting schools and colleges.

A big challenge is where to build when there are no new sites and green space is protected. The Council is looking to build on what it already owns but with land shortages and complex and costly land assembly following Right to Buy it is considering design and build and direct delivery.

The Council's 2010 regeneration strategy is the starting point, with a wide range of funding being examined, including the education budget where new schools are being provided. Using CPO and Right to Light legislation to enable development but it requires political support. The Council would like to establish partnerships, including with utilities and Network Rail, but there are no joint ventures yet.

Establishing the development pipeline takes time, with 670 homes on seven sites and new schools and technical colleges. For example, Paddington started in 2005 but the Public

Enquiry was in 2014. In the medium term (5 years) Westminster expects to provide nearly 870 new homes in mixed-use developments that meet local needs and place-making.

7. PRESENTATIONS

[10 point plan for increasing long term housing. Stephen Teagle, Galliford Try](#)

[Build to Rent. Ian Fletcher, BPF](#)

[Affordable Supplementary Planning Guidance & Build to Rent. Jennifer Peters, Greater London Authority](#)

[Housing, tenure and the new builders. Richard Harwood QC](#)

[“Fixing our Broken Housing Market“. The Housing Forum’s Response. Shelagh Grant, The Housing Forum](#)

[Developing a World City. Affordable Housing Delivery in the City of Westminster. Overcoming Land, Cost and Infrastructure Limitations. LB Westminster](#)

8. RESOURCES

[Housing White Paper: Fixing our broken housing market](#)

[Future proofing housing supply](#)

[Planning and Affordable Build to Rent consultation paper](#)

[Planning and Affordable Housing for Build to Rent Consultation Response](#)

[Fixing our broken housing market consultation response](#)

[Apprenticeship Funding](#)



SPEAKERS (in order of appearance)

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