



## The Development Partnership Forum

London meeting No. 5 | 26 January 2018

### Resource Pack

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

The Development Partnership Forums bring central and local 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 and to address issues of quality.

This Forum covered prospects for 2018, the **Government's Industrial Strategy**, the draft **New London Plan**, **smaller builders** and a **new partnership model** between Brighton and Hove Council and the Hyde Group.

This **Resource Pack** includes a summary of January's 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](#).



## Key Outcomes

- Partnerships and learning from one another will be key for the sector to rise to the challenge of increasing the supply of new homes. The sector needs to recognise and promote the contribution all the different players can make
- While central and local Government has provided policies and funding to help SME house builders, these need to be designed in a way that they can be easily accessed and used by such companies
- The sector needs to take the opportunities by using all the funding the Government has made available and to increase the supply of new homes
- The sector needs to work collaboratively together to increase its influence with Government to benefit from the Sector Deal and funding
- With land requirements doubling in most London Boroughs, there is a concern that the draft New London Plan will restrict use of low grade industrial land for housing; this land can be used for more innovative ways of providing homes
- Central and local government ambitions to increase new housing supply will require adequately resourced planning departments.



## Key Issues in housing – Prospects for 2018

**Andy von Bradsky**, Advisor, MHCLG and Chairman, The Housing Forum

The inclusion of housing in the Ministry's title shows the importance the Government attaches to providing many more homes. Housing will now be represented at Cabinet level with the focus on implementing the policies set out in the Housing White Paper using investment announced in the Budget to deliver the ambition of 300,000 new homes a year. Homes England will have new powers and the potential to intervene. Planning reform is key part of the White Paper, with a new NPPF due to be published in 2018. The Budget announced five new towns with prospectuses in development. New supply is expected from local authority partnership models, with housing for older people now being led by the Department of Health with reference to the BEIS Report [Ageing Society Grand Challenge](#).

For the Government, quality is as important as quantity. There will be increased emphasis on design to overcome barriers to new development. A design conference is being planned for the spring. Brexit will continue to have an influence and off-site manufacture as advocated by the

Farmer Review will be a key theme.

**Karen Renshaw**, Senior Government Policy Adviser, NHBC (formerly of the BEIS Industrial Strategy Unit)

The Government's Industrial Strategy assessed the strength of the UK economy, identifying gaps with wage stagnation and low productivity. It has identified four Grand Challenges – i) growing the Artificial Intelligence and data driven economy, ii) clean growth, iii) the future of mobility and iv) an ageing society. The Government's Industrial Strategy develops a long term plan to boost productivity and earning power, using technology to create opportunities for future growth. There will be an independent Industrial Strategy Council to provide continuity through electoral cycles. Extra funding for the Industrial Strategy Challenge Fund, which promotes innovation, was announced in the 2017 Autumn Statement.

The Construction Industry is one of the four Sector Deals identified in the Industrial Strategy. The full details of its Sector Deal are yet to be published. The Construction Leadership Council coordinates the sector deal under the leadership of Andrew Wolstenholme OBE (Crossrail), setting out its priorities. £170m funding for an Innovation Hub has been announced with an additional £250m being pledged by industry. Local industrial strategies are aimed at improving places and ensuring Government policy has an impact on local economies across the UK – more detail is expected from Government in due course.

**Steve Partridge**, Director, Savills

Prospects for the housing sector need to be viewed against a backdrop of market 'softness' and Brexit uncertainty. While house price is forecast to increase no more than CPI or inflation or 2% nationally there is a differential picture across the country that will require differing responses in different parts - 'not one size fits all'. Government support of £44bn is being provided through many funding sources but there could be a need for the Government to clarify which funds are the best for developers, local authorities and registered providers to use. The challenge for the industry is to ensure that these funds are committed and spent.

Local authority activity is constrained by historically low resources and capacity, particularly in planning sections and yet it has a new vibrancy to develop and grow differential income streams. Interest in direct housing delivery is growing with over 130 housing companies established and having funds to deploy for all tenures, either building or acquiring new homes for rent or sale but there are often only one or two schemes in each authority. All kinds of partnerships are being developed to utilise different players' skills and resources - traditional scheme-based between housing association and developers, Local Authorities and Associations, Associations combining together and investors partnering with developers. Examples include the Greater Manchester Combined Authority partnering with Manchester housing providers. Similar initiatives being developed in West Midlands and Bristol. Associations are moving away from s106 provision towards land-led development that gives developers the opportunity to engage in a different way.

New entrant investors (now 40 For-Profit Registered Providers, 25 active), such as Sage (backed by Regis, Blackstone) now engaging actively in purchasing s106s. A growing interest

from investors looking to get into affordable housing is providing new opportunities for partnership.

**Andrew Taylor**, *Director – Head of Planning, Countryside*

A range of schemes were illustrated to show different approaches (regeneration, partnerships, mixed use and new house building) being used by Countryside to increase output. A range of examples were given including Central Harlow, North Hertfordshire, Ebbsfleet, Cambridge Biomedical Campus (mixed-use scheme with Addenbrookes and Papworth Hospitals and Medical Research Council) and Bourne Airfield, South Cambridgeshire (3,500 home new community linked to the new Express Way). Design and place-making were very important, as were good transport links for new communities. The National Planning Forum has been re-launched to help improve planning and housing delivery informed by research, such as Janice Morphet's research.

## **Discussion**

It is encouraging that Government has set up an Industrial Strategy Council as this provides policy continuity.

To align housing and industrial strategy there needs to be clarification on how funding is being targeted, for example explaining what high demand means. Local industrial strategies should help identify local employment, infrastructure and housing needs.

Government is emphasising the delivery of new homes. It was felt that while 300 a year is achievable on a 3,600 home site, on larger strategic sites it is more challenging to increase output because of the time taken to clear reserved matters. The sector needs three years of certainty. Market absorption can be addressed by developing a range of tenures.

Since grant often goes to those organisations good at bidding, collaboration will be important.

## **Mending the Ladder - Responding to the affordability crisis in London and the South East**, *Tom Titherington*, *Executive Director of Property and Growth, Catalyst*

Catalyst researched the parameters of what made housing affordable, especially for those in Private Rented Sector (PRS), using real income data for a range of different households in London and South-east. They have developed their own affordable Living Standard based on no more than 45% of a household's income being spent on housing. Research showed an increasing number of people in PRS (28%), yet many of these (42%) were unable to afford the lower quartile market rent and 27% unable to save for a deposit. In London nearly 50% of homes unaffordable and 25% in South-east, this means that people are trapped in market rented accommodation. There is significant local differentiation across the London Boroughs.

Three new products are proposed:

- affordable shared livings (micro flats with communal space)
- rent to buy

- income based rent (variable rent, assessed each year and no more than 80% market rent).

## Discussion

Couples face a challenge as to whether they live together in rented accommodation or try to save for a deposit by living with parents.

Build to Rent (BTR) is making a contribution to solving the housing crisis by developing good quality PRS. Different tenures all have their part to play and should not make value judgements.

While housing associations have a duty to use their capital to house people, they can only do so when developing on their own land, when they can set their own business objectives. Public sector subsidy could help, possibly including a 10% subsidy on market rent.

## **The draft New London Plan – ambitions for housing in London, *Elliot Kemp, Principal Strategic Planner, London Plan Team, Greater London Authority***

The Mayor's seven strategies have been integrated into the draft London Plan that will be adopted in autumn 2019 after the current consultation and its examination in public (autumn 2018). There has been a new approach to the Plan, with clearer policies that can be directly adopted by the boroughs so that they can focus on delivery. Good growth is the Plan's principle, growth that will be sustainable. There is clear spatial detail identifying where development and infrastructure is needed, as well as a new assessment of housing need.

Specific housing policies are:

- Presumption in favour of small housing developments and small sites
- 50% strategic target for affordable housing (up to 60% for strategic partnerships), with a threshold of 35% that can be fast-tracked through planning
- Development needs to be viable and the current viability assessment will be reviewed in 2021
- Preferred split of affordable tenures, with 40% decided locally by the borough
- Estate renewal should not result in any loss of affordable housing
- Quality is important and there will be a new Design Guide with GLA's design standards, especially minimum space standards. The process for delivering good design will be set out in new SPGs

There will be new tools to assist delivery so that everyone can play their part and boroughs (with GLA support) determining locally.

## Discussion

Design quality and the relationship between nationally described space standards and the London Housing Design Guide. GLA confirmed that it does not intend to introduce new

standards but to provide clarity on the use and application of the nationally described standards. For small sites, the GLA will support boroughs and provide design codes to help.

Even with a step change in housing numbers and a focus on brownfield development the outer London boroughs are looking at some greenbelt development, including around new transport links, such as the Elizabeth Line. GLA believe the targets can be achieved without building on greenbelt.

While it is the clearest London Plan and radical in relation to small sites and density, a key factor will be the Secretary of State signing it off. Political support should be forthcoming since the Government's own housing targets are greater than the London Plan's and there will be local support for the assessment of housing need, identification and capacity of sites, along with design briefs.

The draft Plan has much to be welcomed but there is a concern over the release of less low-grade industrial land which could be used for innovative ways of new provision. GLA want to encourage the intensification of existing industrial land by increasing density and additional storeys. The policies are designed to increase the diversity of uses and guides will be published to illustrate innovative approaches and co-location. There will also be practical examples of how new housing should not impact on the operation of existing industrial areas, such as 'just in time' deliveries.

To optimise density, the policy has been changed to no longer refer to the density matrix (i.e. no upper limit) and to learn lessons from what makes high density work, such as management, typologies and different densities. High density schemes can be less affordable due to the high service charges and cost in use. Solutions will vary and be dependent on location, not always involving tall buildings to achieve high density. They will be examined through the viability assessments.

### **The London Plan and Small Sites: Panel discussion on the SME Perspective.**

***(The GLA have published a Small Sites Landowner prospectus- see Resources section)***

***Barry Mortimer*** (Chair), Director, London, Federation of Master Builders

Explained that housing in London is suffering from a crisis of undersupply that has been decades in the making. To deliver the number of homes needed will require a fully functioning, diverse and vibrant house building market. The Mayor's admission that house building in London has been dominated by large construction businesses is welcome, as is the need to address the balance. While there are small builders in every sector of the construction market, there has been a significant decline in SME house builders (two thirds of homes built by SMEs in 1980s but less than a quarter today).

While the Mayor's focus and emphasis on bringing forward more small sites and the proposed presumption in favour of appropriate residential development on small sites is a positive step, the London Plan must urgently take steps to:

- Empower & encourage SME house builders & developers to increase capacity
- Attract more SME house builders back into the London house building market
- Remove the unnecessary barriers faced by SME house builders

FMB's research has identified three historic barriers affecting SME house builders:

- Access to small sites and viable land
- Obtaining development finance that has led, in part, to house building in London becoming increasingly dependent on a small number of larger developers
- Obstacles with the Planning system, particularly when developments are not part of the local plan (windfall sites) and have a low priority where the focus is on delivering projects contained in local plans (predominately larger regeneration projects submitted by larger builders and Housing Associations).

London has many chronically under-resourced local planning departments: SME builders frequently report long delays, poor communication, difficulties in securing pre-application meetings (some in London only open phone lines for a couple of hours per day) these factors have played a part in driving SME house builders out of the house building market

Many house building projects put forward by SMEs and small developers are not part of local plans. It would be helpful for all the Boroughs to be as clear as possible about the criteria to assess 'windfall' applications and 'design code' approach would be helpful.

The Mayor's intention to intervene proactively in London's land market through £250 million for buying and preparing land for new and affordable housing, if applied to equally to small sites rather than just focused entirely on larger sites, could provide 'oven-ready' sites that will not be prohibitively risky for SME builders. Such an approach could lead to faster delivery as smaller sites tend to be built out at a much faster rate by SME builders and developers. This fund could also be used to create opportunities for custom and self-build housing. In terms of finance, the Mayor could explore options for establishing a panel of non-bank lenders to be incorporated into the portal used by small developers through the Small Sites Small Builders Programme.

The FMB's State of Trade Survey highlights the skills shortages, compounded by an ageing and retiring workforce. London firms are very reliant on migrant workers. However, 67% of apprentices are trained by SMEs, with 46% trained by micro (<10 employees) builders.

**Tony Battle**, *Joint Managing Director, Kind and Co.*

Kind and Co. was set up 70 years, employ 100 people directly and had up to 300 on site (i.e. SMEs employ SMEs). As contractors they do more than housing. There were questions and challenges for SME builders in relation to the London Plan. For example, who is the developer? There seems to be an expectation that organisations will be multi-disciplinary, with designers, increasing costs for SMEs. While there is a focus on small sites, it is challenging to build a lower cost house in much of London because of land prices and obtaining finance. In addition SMEs find it difficult to access public sector funding, such as the Homes England's £1bn fund for SMEs. Often they need to employ a consultant to submit successful applications which adds further to costs. As a consequence it tends to be the larger firms who win work, who then in turn subcontract it to SMEs with management fees being taken at each layer. A solution needs to be found to these SME challenges if they are to play their part in solving the housing crisis.

*Chimi Shakohoxa, Partner, Capsticks*

In addition to the challenges above, there is the challenge of getting funding for 5-20 unit sites since SME builders cannot go to the mainstream banks. Those willing to finance charge high fees and interest rates. Housing associations, in some cases, are deciding not to develop these smaller sites and it is very difficult for small builders to access funding (Homes England has bureaucratic processes). Housing Associations could help by accessing these funds and then putting them out to small builders (off balance sheet), perhaps through joint ventures.

*Jon Wardle, Chief Executive Officer, AMCM Group*

There are opportunities as well as challenges for small builders. For example, the opportunity for housing associations and developers bid as part of joint ventures and turnkey contracts. SMEs need to consider how they can stand out in the normal contracting process and add a premium. They can be part of the solution if used correctly because there are opportunities to collaborate with the majority of new housing on smaller schemes (schemes of 500 units and more account for only 14% of development). SMEs want to work quickly, especially on small sites yet such sites often need high initial investment to make them suitable for housing. This is a risky business for SMEs and the industry needs to find a better way to support them (patient investors). Off-site manufacture is being used by some SMEs and there is likely to be some off-site solution on every site but this requires different skills and investment.

*Barry* summarised notes submitted by *Julian Harajda* explaining that local authorities could make better use of SMEs in their frameworks. SMEs can provide an equivalent service but could also be more customer-focused, more responsive and innovative.

## **Discussion**

There is a lack of clients willing to fund and develop small sites and ways need to be found to stimulate such development when up-front costs can be prohibitive for SME builders. Many housing associations are cash rich and so could facilitate package deals with profit share. GLA could be more proactive in using its funds to support SMEs.

Associations, of necessity, are looking at 'softer' sites, such as infill on existing housing developments (garage sites). This can provide an opportunity for SMEs if structured correctly. For example, a resident liaison officer employed to work with residents might be underutilised on one small site but could be fully employed if there were several sites the SME was working on for the Association. Such an approach would be more efficient and economic.

## **Partnering in Practice: The Hyde Group and Brighton & Hove City Council**

### **Case Study: New partnership models for rent and shared ownership - 1,000 new homes for Brighton and Hove**

*Rhys Daniel, Head of Land and Planning (South), The Hyde Group and Martin Reid, Head of Housing Strategy, Property & Investment, Brighton & Hove City Council*

Brighton Council and Hyde Housing Association set up a 50:50 joint venture to develop 1000 homes for low income households as part of the solution to the need for 13,600 homes. In

Brighton home ownership has been dropping, PRS has been growing, causing problems of affordability for working households. Their aim is to provide for those on the national Living Wage, with shared ownership to support people moving out of PRS. The joint venture is structured as a Limited Liability Partnership to share risk and investment equally. It has a board structured with equal representation from both partners. While both the elected members and the association have had to accept loss of direct control over the operation of business to form the partnership, there are benefits from each partner using its capabilities. In this case, Brighton has made some sites available at 'best consideration' (not a discount) and given the JV first option to purchase. This JV is able to build homes at scale and more economically because it is able to use Hyde's development expertise.

While the scheme was designed for Brighton's situation, its principles could be adopted elsewhere by assessing local housing needs and then presenting a clear business case to councillors. This should include wider economic benefits than just meeting housing need.

## **Discussion**

Although similar partnerships could be developed, this approach is not a template for all partnerships it was tailored to each organisation's aims and it was helped by the experience of what they had done before.

The nature of each organisation is key to forming any partnership, in this case Hyde's experience and the Council knowing there is local control. Having the LLP outside of Hyde's development programme meant that it is not controlled by HCA funding rules.

Housing management is still to be determined; both organisations have the capacity to manage housing. The final decision will be made once the homes are built because they will be owned by the LLP.

The LLP has enabled both organisations to own and control the venture.

## **Presentations**

Slides of the below presentations are available [here](#).

***Industrial Strategy. Building a Britain fit for the future.*** Karen Renshaw, NHBC

***Making new places.*** Andrew Taylor, Countryside

***Mending the Ladder - Responding to the affordability crisis in London and the South East***

Tom Titherington, Catalyst

***The New London Plan.*** Elliot Kemp, Greater London Authority

***The London Plan and Small Sites.*** Barry Mortimer, Federation of Master Builders.

***Homes for the city of Brighton & Hove.***

Rhys Daniel, The Hyde Group and Martin Reid, Brighton & Hove City Council

## Resources

- BEIS [Ageing Society Grand Challenge](#)
- [Government Industrial Strategy](#)
- [Mending the Ladder](#), Catalyst
- [Draft New London Plan](#)
- [GLA Small Sites \(Support & Prospectus\)](#)

## Speakers

- *Andy von Bradsky, Advisor, MHCLG and Chairman, The Housing Forum*
- *Steve Partridge, Director, Savills*
- *Karen Renshaw, Senior Government Policy Adviser, NHBC*
- *Andrew Taylor, Director – Head of Planning, Countryside*
- *Tom Titherington, Executive Director of Property and Growth, Catalyst*
- *Elliot Kemp, Principal Strategic Planner, London Plan Team, Greater London Authority*
- *Barry Mortimer, Director, London, Federation of Master Builders*
- *Tony Battle, Joint Managing Director, Kind and Co.*
- *Chimi Shakohoxa, Partner, Capsticks*
- *Jon Wardle, Chief Executive Officer, AMCM Group*
- *Rhys Daniel, Head of Land and Planning (South), The Hyde Group*
- *Martin Reid, Head of Housing Strategy, Property & Investment, Brighton & Hove City Council*
- *Shelagh Grant, Chief Executive, The Housing Forum and*
- *Andrew Burke, Development Director, The Housing Forum*

## Delegates

- |           |            |                                 |                             |
|-----------|------------|---------------------------------|-----------------------------|
| • John    | Murray     | Senior Partner                  | Airey Miller Partnership    |
| • Jerry   | Gilbert    | Partner                         | Ark Consultancy             |
| • Neil    | Hope       | Partner                         | Baily Garner                |
| • Stuart  | Walter     | Policy Adviser                  | BEIS                        |
| • Ian     | Fletcher   | Director of Policy, Real Estate | British Property Federation |
| • Audley  | English    | Director                        | Build Eco                   |
| • Tim     | Hall       | Director                        | Build Offsite               |
| • Paul    | Miller     | Managing Partner                | calfordseaden               |
| • Patrick | Van De Bos | Business Development Officer    | Catalyst                    |
| • Liz     | Martin     | Assistant Development Director  | Clarion Group               |
| • Paul    | Hartfree   | Director                        | Conisbee                    |
| • Daren   | Nathan     | Development Director            | Durkan                      |

• Fraser	Wells	Managing Director	Durkan
• Christopher	Broster	Senior Development Manager	Greater London Authority
• Nathan	Gravesande	Regeneration Director	Guinness Partnership
• Charlotte	Smith	Business Development Manager	Hill
• Rebecca	Begej	Head of Business Development	Homes for Haringey
• Ian	Davidson	Land and New Business Manager	Keepmoat Regeneration- part of the ENGIE Group
• John	East	Strategic Director, Growth & Homes	LB of Barking and Dagenham
• Alan	Benson	Head of Housing Strategy and Commissioning	London Borough of Haringey
• Julie	Markwell	New Business Manager	London Borough of Hillingdon
• Dale	Walker	Head of Housing Development & Regeneration	London Borough of Waltham Forest
• Jim	Martin	Senior Partner	Martin Arnold Ltd
• Lettice	Swan		MDA Consulting
• Kate	Oyston	Business Development Manager	Mears New Homes
• James	Hood	Deputy Director	MHCLG
• Ian	Kugler	Policy Advisor, Design Quality, Planning Directorate	MHCLG
• Keith	Trowers	Senior Business Development Manager	Murphy
• Caroline	Pennock	Development Director	Newlon Housing Trust
• Phil	Green	Business Development and Marketing Consultant	Phil Green Consulting Ltd
• Kaye	Stout	Equity Partner	Pollard Thomas Edwards
• Andy	Black	Director	PRP
• Geoffrey	Murray	New Business Consultant	Silver
• Andy	Berridge	Director of Development	Southern Housing Group
• Katie	Parfitt	Associate Architect	Stride Treglown
• Bevan	Jones	Managing Director	Sustainable Homes
• Luke	Riley	Projects Director	Swan Housing Group
• Tu-Hong	Luu	Strategic Assets and Partnerships Project Co-ordinator	The Hyde Group
• Richard	Davidson		Willmot Dixon