

Meeting No.4

Development Partnership Forum

6 October 2017

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.

Previous Forums have covered **the Government's Industrial Strategy, the Mayor of London's Housing Strategy, growth areas, institutional investment, latest developments in Build to Rent schemes, local authority delivery models and new models of funding.**

The October 2017 covered research on the direct provision of **housing by Local Authorities, Consumer Code and Housing Quality**, concluding with an update on **Off-site Manufacture.**

This **Resource Pack** includes a summary of October'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](http://www.housingforum.org.uk).



1. KEY OUTCOMES

- Local authorities need financial advice on what funding they can use for new housing developments and how best to use the finance they have. There is an important role for CIPFA to play. The research on delivery by local authorities will establish what they are currently doing and the issues that need to be addressed to enable them to develop themselves.
- Local authorities should learn from best practice examples to understand what can be achieved and to overcome cultural and institutional caution. The Development Partnership Forum provides opportunities to share best practice and for local authorities to learn.
- The house building industry needs to improve the quality of new homes to address customer dissatisfaction. This should be driven by Government policy and by the Consumer Code for Home Builders.
- Off-site manufacture provides an opportunity to improve the quality of new homes and to address the construction industry's biggest risk from a decreasing and ageing workforce. Its adoption should be gradual, with R&D, pilots and continual learning. It will require changes in procurement to encourage early involvement of all the team, the adoption of BIM and design for manufacture.

2. KEYNOTE

Professor Janice Morphet, University College London

Local Authority Direct Provision of Housing - Interim Report

The main research objective was to provide a greater understanding of existing and emerging practice by local authorities to provide housing, including their policy objectives, business models and funding methods. It examined the number and proportion of dwellings being provided through different methods and considered the relative role of planning. The use of the General Fund rather than the HRA was also being examined.

Although 125 local authorities have set up housing companies, the research survey is attempting to assess the difference these have made. Different authorities have different motivations so that there is no 'one size fits all'. Many are looking to increase income, acting like patient investors to acquire assets that produce long-term (rental) income streams, because they will be losing revenue support grant in 2020. Most are keen to improve the quality of design, especially from private developers, as well as increasing the number of new homes.

A range of funding methods have been used, such as CPOs to tackle slow progress (unimplemented planning consents) or CIL (permissible if housing is mentioned as infrastructure in the local plan). However, there is a lot of confusion about what powers councils have, particularly whether they can build social rented housing using the General Fund. The 2011 Act does not allow councils to build replacements for Right to Buy (RTB) stock but they can build multi-tenure schemes (i.e. not all social housing). Stock transfer councils are also still able to build new homes using the General Fund.

There should be a more certain build-out rate from local authority development. The

research will help assess if local authority engagement in direct provision is having a positive influence on planning outcomes.

The final report, scheduled for 4 December, will include a table showing what each council is doing as far as the research has been able to assess.

Discussion

While many councils have returned S141 (RTB) money to the Treasury, Ealing plan to use it but are limited by what the HRA can support. In London any receipts returned are added by the GLA to its housing funds and so contribute to increasing delivery.

There is some confusion about which funding can be combined for housing, demonstrating the need for clear guidance from CIPFA.

The London Borough of Barking and Dagenham set up its own housing company because it could not build social housing with the HRA cap. It wanted to help low-income, working households afford a home (65% of market rent is no longer seen as affordable by the council). The Borough loses 200-250 homes/year through RTB and wants to ensure that any new housing is not subject to RTB. Their challenge is how to generate income and yet build more affordable housing (about 50% market rent). They have set up a regeneration company to speed up house building (to deliver over 2000 units) and regeneration but there will be risks if the Government were to stop councils accessing low-cost borrowing through the PWLB.

The Government supports councils building homes again but it needs to give clear advice to address councils' reservations and legal concerns about engaging in investment and new development.

The Government's announcement on rents and additional funding for affordable housing will help investment decisions but it has provided much more for Help to Buy. 90% of new homes have benefited from Help to Buy. Some councils have been able to use it for their own developments.

There is a concern about the local authority expertise to develop homes in a commercial way and to raise income. This is something housing associations have learnt to do since grant funding was drastically reduced but it takes time. Councils recognise this and are buying in the necessary skills (a service housing associations could offer).

Councils are new players in housing development, an extension to the market, and should not concern existing investors. With changes to the HRA, councils need to use their capital to generate future income.

There is a real need for councils to understand what they can do and how they can fund new housing. It could be an opportunity for housing associations to use their expertise, such as through joint ventures. The sector needs to keep pushing for clear advice on finance, such as the use of RTB receipts and legal constraints, as well as learning and sharing best practice and practical solutions.

3. PANEL

Tom Kenny, Policy Officer, RTPI

RTPI explained that they and the National Planning Forum had commissioned this research because of the important role local authorities can play in diversifying the house building market. The database from the research would be crucial, especially since there seemed to be a lack of understanding of what local authorities can do and achieve. This research is part of an RTPI programme called '[Better Planning](#)', which looks at the role proactive planning can play in promoting housing affordability.

Andrew Black, Director of Planning, PRP

Illustrated how good local authority development and planning could improve the public realm by using CPOs to assemble land. This needs a long-term commitment from the council since complex schemes can require up to 8 years to deliver and the CPO process is lengthy. A local authority granting itself planning consent was not a problem but it could not use the S106 process to provide community facilities.

Improving delivery is crucial and the recent [DCLG consultation on standardised housing needs assessments](#) has identified how much greater the housing need in London is (over 70,000 rather than 42,000 thought previously). Authorities can use their powers to provide specific housing elements, such as specialist housing and to address homelessness (important with growing numbers in temporary accommodation). Councils could better use the funding for temporary accommodation as capital support for the provision of new homes.

Jamie Ratcliff, Assistant Director of Policy, GLA

The Mayor has published his draft strategy, wider than increasing supply because it covers improvement to PRS. The strategy considers where new housing is needed to ensure it is provided more evenly across London. It is currently concentrated in high-value areas. The London Plan due to be published late autumn will assess needs and look to encourage and increase development on smaller sites and in lower-value, more affordable areas. The strategy recognises that most homes are not affordable, with 80% affordable to only 8% of the population. There is a need to develop more affordable homes, including professionally managed Build to Rent (BTR) schemes as well as homes for sale. It identifies other delivery partners to local authorities, such as housing associations, community land trusts, custom-build and BTR.

The UCL/RTPI research has identified lack of information as a big barrier which is hampered by the lack of skills. There is inadequate capacity in the industry with competition for the same people, such as land buyers. The GLA is considering developing a graduate trainee programme to address these skills gaps. Where there is a local authority culture that it is unethical to build for sale and make profit, this needs challenging because developing homes for sale can be acceptable if it meets the council's objectives or generates a profit for a purpose. Profit is only unethical if development is done badly or supporting those who do not need help.

Discussion

While local authority housing companies can have a wide remit, too often they restrict themselves to the HRA. They need to recognise the wider purposes they can serve.

Procurement has not been mentioned, did the research identify any issues? Councils will always need to procure, even though they may not have to use OJEU, but they do not have to select on price – quality, social value, skills, etc. are all valid criteria. The construction industry does not use ‘hedging’ for materials unlike agriculture where they can insure against bad weather. [Trowers and Hamlin’s research](#) is designed to help procurement and provide advice to councils. Contract conditions can also address materials but the biggest issue is labour supply, not just tradespeople but also senior people with the experience to handle risk. Graduates are being lost to the sector because of the demand for their skills.

4. QUALITY MATTERS

Introduction and Chair

Andy Von Bradsky, Chairman, The Housing Forum

The Government’s Housing White Paper and the new Housing Minister’s first speech have confirmed that they want to improve design quality and implement their manifesto aim. The APPG’s 10 recommendations from its report on Housing Quality, while stalled by the election, are all being considered. They want quality to be considered throughout the whole development process – planning, design and construction.

The Government wants to reform planning and is [consulting on a new standardised housing needs assessment](#). National policy is to set objectives, with local authorities using a ‘toolbox’ to set local objectives. It wants to raise the quality of all new developments by making it:

- People-centred (lots of tools already available)
- Present a clear business case that show the benefits to all stakeholders
- Measure quality (and its improvement) with tools such as Building for Life and Design Reviews.

The HCA has a key role to play through Garden Villages and Towns and setting conditions on the disposal of publicly owned land. There will be a cross-government approach that links a range of initiatives to produce net social, economic and environmental gains.

Consumer Code for Home Builders

Carol Brady MBE, Consumer Code Secretariat, Consumer Code for Home Builders

The Consumer Code was established to provide protection for the end-user, the consumer, the home buyer by establishing a regime of compliance for Home Builders. The idea of a Code was first recommended by the Barker Review that found low customer satisfaction of 40%. This was supported by an Office of Fair Trading study so that the industry developed its own Code in 2010. Three main warranty providers collaborated so that the Code covers 90% of the new-build housing market. It aims to ensure that the consumer is informed and protected from the beginning, especially at pre-contract so that everyone knows what is being offered.

Evidence from watchdogs, social media and TV has highlighted the problems of poor quality and the effects on consumers. The industry is taking this very seriously and it monitors customer satisfaction. The Code is now on its 4th revision.

The Code aims to marry criminal law sanctions under consumer protection regulations. It aims to address high-pressure sales techniques and the omission of key pre-sales and contract information. While there is an independent dispute resolution service to help address consumer complaints, only a small number of cases have needed to use it. The industry cannot be complacent because satisfaction has been decreasing from 90% to 80%. The Code is monitored through site audits, complaints, desk-top studies and satisfaction surveys. A range of sanctions can be applied, with warranty bodies able to suspend or in the extreme to de-register home builders.

Discussion

There are two areas where it is proposed to strengthen Code:

- Improving awareness and visibility of the Code and this is something Home Builders need to do so that it becomes part of the legal process
- Snagging, where the builder is liable for the 1st two years but these problems can also be covered by the warranty bodies. This is confusing for consumers who just want their problems sorted out.

While the focus is selling and buying, what is the situation where the buyer is also the 'seller', such as a housing association? If the Home Builder is registered then the Code applies but it may be limited to the after-sales matters they report within two years from the date of the Home Warranty Body's insurance certificate.

Panel Discussion

Kerry Heath, Development & Regeneration Director, Hexagon

Hexagon is a medium sized housing association with about 4,000 homes. It develops about 100 homes/year in south-east London and provides about 10% shared-ownership. Quality is set by the Employer's Requirements which are subject to a continuous improvement process using feedback from maintenance and housing management teams, as well as residents' design panels and post-occupancy experience. There is also resident scrutiny of the defects service. Residents' views are at the heart of Hexagon's business, which is also subject to statutory regulation. All associations aim for high-levels of resident satisfaction and all residents have access to a complaints process and ultimately to the Board.

Shenaz Virji, Senior Development Manager, North Hertfordshire Homes

North Hertfordshire Homes is a stock transfer association with about 9,000 homes in three local authorities in Hertfordshire and Bedfordshire. It has plans to develop another 900 homes over the next six years, including rental, shared-ownership and out-right sale. However, 50-60% of their programme is S106 agreements where they have less control and it is a challenge to get the quality they want on S106 schemes. Their own design brief and materials' specification are informed by their in-house maintenance team, resulting in much better quality with their own developments. Their design and specification is informed by long-term ownership viewpoint.

Discussion

An example was given of a housing association that set up a specific Quality and Design Team to improve quality that is now recording only a single defect for every five homes. While this team has also been able to improve the quality of S106 schemes, the quality and competence of the site agent is crucial. To reduce complaints, associations need to resist taking on homes until all the defects have been addressed but they sometimes face the pressure to accept such homes because of funding deadlines.

Design quality comes from robust detailing but this is difficult to achieve in a procurement process when quality is often sacrificed to price. This is not something the Code can address directly because it has no relationship with the house builder but it can exercise influence through the warranty providers who have to deal with defects. Dealing with claims and complaints is demanding and so there is an incentive to get it right from the start.

Housing associations work with builders with a good reputation and employ good consultants to ensure quality. Even with design and build, they can use their own Clerk of Works and visit during construction, including with residents. Even so, they are still considering more specialist expertise and how to set the design and detailing criteria.

One problem is that there is no common definition of defects, with only NHBC defining defects in largely structural terms. While associations have improved quality, it is likely that defects will increase as more smart technologies are introduced that residents do not know how to operate (i.e. not true defects but still complaints that go to call centres).

The Code could help since it requires the Home Builder to walk the consumer through the home and to communicate how it should be operated.

With such high levels of customer dissatisfaction, house builders need to improve. No other industry could survive with such poor satisfaction levels. There is a real need to improve skills throughout the industry.

5. OFF-SITE MANUFACTURE UPDATE AND PREVIEW OF “GO-OFFSITE”

Introduction and Chair

Alan Wright, Partner – Architecture, bptw

The current and significant housing shortfall has been driven by a 25% population growth in last 25 years. In 1940s 160,000 prefabs (off-site housing) were built, people wanted them but off-site housing did not take off. One problem was the 1960s system-built tower blocks, largely driven by incentives, became unpopular so that these estates are now subject to major regeneration. Further incentives for off-site manufacture were offered 1990-2000s but many of the firms providing them are no longer operating in residential development because there was no long-term commitment to this policy or customer demand. Today off-site manufacture, such as Swan Housing’s off-site manufacturing company, Nu Living, using cross-laminated timber (CLT), involves smaller sites as well as larger regeneration schemes. BIM will revolutionise the design, coordination and long-term management of the industry.

Mark Farmer, Founder and CEO, Cast Consultancy

Reviewed progress over the past year since his Review was published and concluded that all the issues identified link to capacity and skills. The real risk out of the 10 issues identified is the workforce size and demographics, which have been compounded by Brexit. The main issue now, in contrast to the Report, is declining industry resilience. There has been no positive response by the industry to previous stimuli, begun with Latham and subsequent Government reviews. The industry is fragmented because it cannot operate collectively. It is unclear what will make the industry respond – push or pull (the client role).

Discontent is becoming an important driver with well-publicised failures with traditional construction and tragedies such as Grenfell Tower highlighting inadequate construction performance. Home building is in the public spotlight, with media campaigns of problems with new homes.

There has been encouraging progress over past year, such as the CITB review, Build UK involving clients, the Government's Accelerated Construction Programme, Housing White Paper, Select Committee report and the Government response, as well as the [London Assembly paper](#). Overall the industry is slowly changing in relation to off-site manufacture. It is an opportunity to be grasped by the industry as the Government Construction Strategy moves from a Green to a White Paper to provide a 'Sector Deal' Industrial Strategy

Going forward there needs to be a focus on demand aggregation, with new procurement models and standardisation but with a gradual move into off-site manufacture through R&D and pilots to select the right systems and methods. Accreditation will be very important to ensure better quality through off-site manufacture, a role Government could play.

The Farmer Review has generated industry debate, with media reports of public concern over the quality of new homes and emerging policy with a role for public sector clients. It is a journey the house building industry needs to take.

Luke Riley, Project Director, Swan Housing Group

Swan Housing has set up its own factory to produce CLT modules for two large regeneration schemes and is looking to produce 300 homes/year. One project is funded by the GLA. It is work in progress with the first prototypes being produced in October 2017 so that they can learn. The drivers for Swan are increasing capacity, speed of construction, improved quality, the environment and customer choice, with a longer-term aim of reducing costs. A volumetric approach has been adopted because construction activity is concentrated in a controlled environment.

The first phase will be custom-build, with 500 units (factory utilised fully and business costs optimised) designed to make an attractive and affordable offering with a focus on place-making and fully customisable homes.

Another scheme involves the demolition of a late 1960s/70s scheme to create a high street.

The lessons learnt are to involve the off-site manufacture team at the very beginning (pre-planning). They need to assess the site in terms of access, deliveries, module sizes and the implications for the use of cranes. BIM is essential and all consultants need to use it,

even though it will be the first time for some. The workflow and quality control needs careful management through joined-up design. Designing for manufacturing involves a different language and details. The overall driver is quality and speed of construction.

Sarah Daly, Director, Strategic Sustainability & Partnerships, Sustainable Homes

'Go-Offsite': a preview

This new on-line tool was developed to help the sector so that it did not have to repeat the same learning and to accelerate uptake (carefully) through the development process. It is a step by step approach designed to stimulate collaborative debate and to challenge the market to deliver quality (not just through off-site manufacture). Quality and quantity should not be mutually exclusive because off-site manufacture has the potential to improve both quality and sustainability and to encourage more sustainable lives but this needs education and collaboration to achieve higher standards. Other industries, such as aerospace, expect zero defects from their processes so why should house building be any different.

Post-occupancy evaluations of off-site manufactured homes have shown high performance, with very little difference between design and as-built (0.5%). Setting standards for good homes is important to protect consumers and is environmentally necessary.

The tool provides opportunities for regional consortia, self/custom-build, local factories with their economic benefits. The on-line portal will help entrants examine what is available and to link up.

Discussion

How can aggregation, procurement and standardisation be achieved? Standardisation should drive aggregation and procurement by creating rules that build on existing off-site manufacture and enable collaboration from the start. However, this is not easy to address.

How can off-site manufacture be scaled up to meet future demand because it currently cannot produce enough? Providers, such as Legal and General could build more factories when demand exceeds supply but they are currently testing their models.

Can the scale be achieved if house builders do not embrace the technology? The Housing White Paper recognised the need to diversify supply but some house builders are already adopting off-site manufacture to expand their delivery and to address quality issues and defects. The real growth will be through the Build to Rent sector using institutional investment rather than 'housing' money. The Farmer Review expects 50,000 homes through off-site manufacture. Developers are seriously considering off-site manufacture for new vacant sites.

Housing association collaboration has produced a [Framework on standardisation](#) that can be used by other developers. They can set standards when commissioning new development but need to accept a leadership role since design and build has de-skilled the market and inhibits the early assembly of the team. The use of BIM is essential for off-site manufacture, as is adopting a design for manufacture approach which does not work with the traditional procurement model. Swan is reviewing its requirements for commissioning consultants on future schemes to ensure off-site manufacture can best be utilised.

6. PRESENTATIONS

- Professor Janice Morphet, University College London. [Local authority provision of housing.](#)
- Andrew Black, Director of Planning, PRP. [Local authority provision of housing](#)
- Andy von Bradsky, Chairman, The Housing Forum. [Planning reform and design quality](#)
- Carol Brady, Consumer Code Secretariat. [Consumer Code for Home Builders](#)
- Tom Kenny, Policy Officer, Royal Town Planning Institute. [Local authority direct provision of housing](#)
- Alan Wright, bptw partnership. [Introduction. Off-site manufacture – can it improve quality and long-term management?](#)
- Mark Farmer. Founder & CEO, Cast Consultancy. ['Modernise or Die' – One year on. Implications On The Homebuilding Delivery Model.](#)
- Luke Riley. Project Director. Swan Housing. [Innovative Approaches to Housing Delivery: Offsite Construction – Swan Housing.](#)
- Sarah Daly. Director, Strategic Sustainability & Partnerships. Sustainable Homes. [The UK's most comprehensive resource for offsite housing procurement for housing developers to find: manufacturers | contractors | professionals](#)

7. RESOURCES

- [RTPI: Better Planning for Housing Affordability. Position Paper \(February 2017\)](#)
- [Mayor of London. London Housing Strategy. Draft for public consultation. September 2017](#)
- [London Assembly: Designed, sealed, delivered. August 2017](#)
- [DCLG. Planning for the right homes in the right places. September 2017](#)
- [Sustainable Homes Website. Go-Offsite](#)
- [CHIC website: Framework on standardisation](#)
- [Trowers and Hamblins: **A fresh look at procurement. Survey results and recommendations. June 2017**](#)

SPEAKERS (in order of appearance)

Janice Morphet	Visiting Professor	University College London
Shelagh Grant	Chief Executive	The Housing Forum
Tom Kenny	Policy Officer	RTPI
Andrew Black	Director of Planning	PRP
Jamie Ratcliff	Assistant Director of Policy	GLA
Andy Von Bradsky	Chairman	The Housing Forum
Carol Brady	Consumer Code Secretariat	Consumer Code for Home Builders
Kerry Heath	Development & Regeneration Director	Hexagon
Shenaz Virji	Senior Development Manager	North Hertfordshire Homes
Alan Wright	Partner – Architecture	bptw
Mark Farmer	Founder and CEO	Cast Consultancy
Luke Riley	Project Director	Swan Housing Group
Sarah Daly	Director, Strategic Sustainability & Partnerships	Sustainable Homes

DELEGATES

Jon	Wardle	Airey Miller	Director
Jerry	Gilbert	Ark Consulting	Director
John	Milner	Baily Garner	Equity Partner
Jeff	Maxted	BLP Insurance	Director of Technical Consultancy
Audley	English	Build Eco	Director
Paul	Miller	calfordseaden	Managing Partner
Tim	Attwood	Conisbee	Director
Camille	Maison	DCLG	
Fraser	Wells	Durkan	Managing Director
Christopher	Broster	GLA	Senior Development Manager Housing and Land Directorate

Janet	Trench	GLA, Housing and Land Directorate	Senior Area Manager - north east London
David	Burns	Hammersmith and Fulham Council	Head of Housing Strategy
Kenneth	Gow	Hawkins Brown	Architect
Charlotte	Smith	Hill	Business Development Manager
Rebecca	Begej	Homes for Haringey	Head of Business Development
Sally	Ingham	Inland Homes	New Business Manager
Chris	Langdon	Keepmoat	Group Director National Development Projects
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David	Gannicott	The Hyde Group	Group Director of Business Development
Dale	Walker	Waltham Forest Council	Head of Housing Development and Regeneration