

Second meeting

Development Partnership Forum

3 February 2017

Resource Pack

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

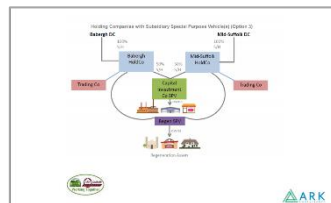
The Development Partnership Forums bring government and industry together to share best practice and support new entrants into housing development. The Forums give policy makers feedback on the issues they need to be aware of; making this a highly relevant initiative as government looks to accelerate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

The Forum has covered to date **housing policy announcements, growth areas** and **institutional investment** for housing. The Spring Forum 2017 covers the prospects for 2017, the Industrial Strategy, and the Mayor's Housing Strategy. New models of funding housing growth were set out including the **Barking and Dagenham Development Company, Babergh and Mid Suffolk Joint Capital Investment Fund** and the innovative **Pocket** model for affordable housing. **Mark Farmer** gave the concluding presentation on measures to increase skills and the skills pipeline and measures to stimulate off site manufacture.

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](#).

1. KEY OUTCOMES

- The Housing industry needs to recognise the opportunities and benefits of intelligent design for manufacture
- There is an impending skills crisis with both an ageing workforce and a potential loss of up to a third of the workforce due to Brexit - so take the initiative and prepare
- Housing supply needs to be increased by involving all players and through innovation.
- Off-site or pre-manufacture will help to reduce risk and delivery costs, and improve speed and long-term value creation. It will also help address the skills shortage by allowing more to be done in the factory so that traditional skills available where needed for assembly on site.
- Infrastructure funding is essential to enabling larger housing development and regeneration.
- Review the importance of whole life costs, quality and value to long term building owners.



2. PROSPECTS AND HOUSING POLICIES FOR 2017

Andy Tookey, Managing Partner, Baily Garner

2.1 Market Review: Projections for 2017

The market is predicted to grow in 2017, although housing development and wider construction industry prospects are affected by the vote to leave the EU; which is the biggest disrupter affecting investor confidence and weakening the pound. It has impacted on the cost of imported materials and reignited concerns over skills shortages. Predictions on growth for 2017 weakened as a result. Most commentators agreed to a downgraded forecast for UK construction output – downgrading growth from 3.5% to 1.3% for 2017.

The big construction falls in 2016 were private commercial sector (down 3.4% to 1%) and repairs and maintenance (down 1.2% to 0.7%). Private housing was the single sector driving construction growth – set to grow in 2017 by 1.6% (down just 0.3% on previous forecasts). Public sector housing is now picking up, increasing by 5.6% in November 2016.

While there were 200,000 new homes completed in 2016 (52% increase over past 5 years), the net addition was 163,940 new homes after demolitions. 'Help to buy' (70% new build) and change of use accounted for 30,600 (12,824 of which were office to residential conversion). Planning permissions, running at 275,000 per year, are a strong indicator of future supply but it takes 3-5 years to build out.

Looking to 2017, demand for homes significantly outweighs supply but intensified economic

and political uncertainty combined with rising inflation will reduce confidence, impacting on private housing, while public housing may grow. There is Government support for increasing housing supply through additional housing and infrastructure funding in the Autumn Statement and its comprehensive housing strategy set out in the White Paper embracing all tenures. Going forward there will be more housing association mergers but will this result in more house building? Local authorities will look to use attractive borrowing rates and new arm's length housing companies to develop on their land. Regeneration, devolution and new mayors will all help new development.

In the short term, improvements may not continue. The fall in sterling will lead to an increase in prices and forward purchasing has reduced some stocks. Price falls in some London markets suggest a prudent approach in assumptions around values.

Longer term we are likely to see 'smart' procurement, increased use of off-site manufacture, and more "one public estate" procurement where public services seek to reduce costs by joint procurement and commissioning.

3. INVESTMENT AND INFRASTRUCTURE PANEL

3.1 The infrastructure fund: how infrastructure funding could help delivery

John East, Strategic Director, Growth and Homes, LB Barking and Dagenham

LB Barking and Dagenham is undertaking the largest scale regeneration in London and to help with the challenges, published an Independent Growth Commission Report for a 20 year plan in February 2016. This has the potential to increase housing numbers by 60%, more than in the London Plan and provide many more affordable homes in London. A new development company has been established, Barking First to build 50,000 new homes and create 20,000 new jobs. 400 hectares of brownfield land will be regenerated but the Borough needs funding for improved transport (i.e. a new station at Barking and a river crossing), as well as superfast broadband, heat networks, new schools and increased health provision. The Government's £2.3 billion Housing Infrastructure Fund is competitive, with the money being recyclable but local authorities are constrained by the HRA debt cap and need greater freedom over the length of time they retain right to buy receipts and HRA head room. Infrastructure funding needs to be incentivised to maximise growth and would benefit from devolved funding (stamp and vehicle excise duties).

Barking and Dagenham's ambition is for "infrastructure homes" with below market rents at 5 entry points. £850m will be invested through prudential borrowing for affordable housing. The Council is setting up a public sector owned Development Company (including GLA and TFL) through a structured joint venture so that it can procure outside public sector rules and access funds for infrastructure.

3.2 Commercial Leverage for council house building delivery "Profit for Purpose through a Joint Capital Investment Fund"

Louise Rawsthorne, Assistant Director, Investment and Commercial Delivery, Babergh and Mid Suffolk Councils and Ian Winslet, Regional Director, Ark Consultancy

Working together, Babergh District Council and Mid Suffolk District Council are creating a Company Group Structure to support delivery of their asset and investment objectives. The structure includes a joint Capital Investment Fund Company, with the sole objective to invest in commercial property to generate long term revenue income streams.

The income generated through investment - 'Profit for Purpose' - will be used to support delivery of the Councils' wider priorities.

The Company plans to build a portfolio of property which is balanced across sectors and geographical areas to mitigate risk and maximise reward. The Councils will benefit from two income streams; the first (immediate) from an applied interest rate on lending to the Company and the second (longer term) from Dividends.

The Company Board of Directors will hold 3 Non- Exec Directors, recruited for their skills and experience and 2 Councillor Directors who have taken part in a selection process.

3.3 Affordable housing models: the offer and the opportunity

Marc Vlessing, CEO, Pocket

The housing market is very polarised, roughly one-third social and two-thirds private, with only 1.7% intermediate (affordable) housing. To address this, Pocket focuses on the starter market with a 20% discount for young people (average 32 yrs. old) on limited incomes who are unable to buy. Homes are retained on re-sale for the starter market and Pocket scrutinises sales to ensure income levels are met. This is an important sector, with 70% of new housing growth through small households. It has taken over 10 years for Pocket to grow, having to reach agreement on space standards (now GLA compliant) and persuading local authorities to sell public land, but now it cannot build fast enough to meet demand. It is critical for success to engage with politicians and to understand the consumer. Pocket uses 20% modular construction for speed. GLA provided a 10 year interest-free loan of £264 million for affordable housing that is recycled into the boroughs' units a year. Pocket's output is expected to grow from 450 units a year to 750 a year over the next 3 years.

4. OPPORTUNITIES TO DELIVER PLANNED HOUSING DEVELOPMENTS- POLICY PLATFORM WITH GOVERNMENT AND GLA

4.1 National Policy: Industrial Strategy

Robin Webb, Deputy Director, Infrastructure and Construction, BEIS

The Government's Industrial Strategy is a milestone document encouraging industry-led change and recognising that industrial policy needs to do more to support productivity. BEIS is engaged with the sector, working closely with the Construction Leadership Council and its review of the CITB is shaped by the Farmer Review. BIM, smart development, off-site manufacture and access to finance are all being examined to encourage the private sector to be more involved. Government can influence through the use of public land, and the HCA through the accelerated construction scheme together with action to support visibility of demand, aiming to reduce cyclicity in the sector.

4.2 London: Mayor's Housing Strategy

Heather Juman, Head of Area-South London, GLA

The Mayor's ambition is for 90,000 new affordable homes by 2021 through Homes for Londoners. Consultation on the London Plan is scheduled for autumn 2017 but in the meantime the draft Supplementary Planning Guidance sets out viability principles to increase affordable output and clarifies the planning approach to Build to Rent. The Mayor's Housing Strategy is to be developed over the summer of 2017 aiming for London Assembly approval in the autumn and will be influenced by the Housing White Paper. The GLA Strategy team are also working on addressing rogue landlords, quality PRS and rough sleepers. The GLA is working with TFL, Police and LLDC on the use of public sector land, including small sites for developers and may play a role in helping with land assembly. The GLA is proposing to set up an open portal for small builders to procure small TFL sites. The Affordable Housing Programme 2016-21 was launched with three tenure types (London Affordable Rent, London Living Rent and Shared Ownership).

5. 'MODERNISE OR DIE': THE FARMER REVIEW

Mark Farmer, Founding Director, Cast Consultancy

There is a massive opportunity for the future of construction and real estate if we can address the workforce and demographic issues. The Farmer Review identified 10 symptoms of failure within the industry, with the key factor being the declining size of an ageing workforce, compounded by Brexit. Therefore the productivity debate is crucial to deliver more with less. Three aspects need to be addressed: skills and training (subordinate to how we deliver in the future); increasing house building supply; and innovation (productivity and high-calibre input). Increasing supply typically can reduce quality because of capacity limitations. Failure can be reduced by not designing from scratch (design for manufacture), better vertical integration, less on-site work and addressing work interfaces i.e. different trades and sub-contractors. So the industry needs to design with manufacture, installation and quality in mind to increase value and quality. Client leadership, favourable policy and new entrants will be important, as will the challenge from foreign investment, such as the Chinese who have a flourishing off-site industry. It is an opportunity for the industry to take the initiative and redefine its future.

6. DISCUSSION

- Is there a danger the UK could be exporting construction overseas? While there is some risk, it is more likely components could come from China, with assembly being undertaken in UK. Housing associations are examining pre-manufacturing and Swan have set up their own cross-laminated timber factory. Some problems will remain because homes have to be built on site and traditional skills will be needed.
- Eliminating risk would make a big impact quickly and so risk should sit with those best able to deal with it rather than pushing it all onto the contractor. Architects should follow through, managing risk through full design, including designing for construction and manufacture.
- Housing supply needs to be increased by involving all players and through innovation.
- Off-site or pre-manufacture will help to reduce risk and delivery costs, improve speed and

long-term value creation. It will also help address the skills shortage by allowing more to be done in the factory so that traditional skills available where needed for assembly on site.

- Infrastructure funding is essential to enabling larger housing development and regeneration.

7. PRESENTATIONS

[Andy Tookey: Prospects for Housing development](#)

[John East: London's Growth Opportunity](#)

[Louise Rawsthorne and Ian Winslet: Profit for purpose](#)

[Marc Vlessing: Pocket living](#)

[Heather Juman: Homes for Londoners](#)

8. RESOURCES

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

[Building our Industrial Strategy](#)

[Homes for Londoners](#)

[DCLG Estate Regeneration National Strategy](#)

[GLA Draft: Good Practice Guide to Estate Regeneration](#)

[The Farmer Review of the UK Construction Labour Model: Modernise or die](#)

SPEAKERS (in order of appearance)
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Andy Von Bradsky	Chairman	The Housing Forum
Andy Tookey	Managing Partner	Baily Garner
Shelagh Grant	Chief Executive	The Housing Forum
John East	Strategic Director, Growth & Homes	LB Barking and Dagenham
Louise Rawsthorne	Assistant Director, Investment and Commercial Delivery	Babergh and Mid Suffolk Council
Ian Winslet	Director	Ark Consultancy
Marc Vlessing	CEO	Pocket Living
Robin Webb	Deputy Director, Infrastructure and Construction	BEIS
Heather Juman	Head of Area – South London	GLA
Mark Farmer	Founding Director & CEO	Cast Consultancy

DELEGATES

Mark Bottomley	Consultant	bptw
Paul Miller	Managing Partner	calfordseaden
Fraser Wells	Managing Director	Durkan
Marc Thompson	Head of Strategy and Projects	Galliford Try
Jon Milburn	Development Director	Guinness
Iain Cochran	Architect, Associate	Hawkins Brown
Jonathan Sanders	Assistant Development Surveyor	Hill
Mike Turner	Development Director	Ian Williams Ltd
Tony Battle	Joint Managing Director	Kind and Company
Mike Gill	Managing Associate	Linklaters LLP
Richard DeVille	Edmonton Futures Programme Manager, Housing Development & Renewal, Regeneration & Environment	LB of Enfield
Alan Benson	Head of Housing Strategy & Commissioning	LB of Haringey
Julie Markwell	New Business Manager	LB of Hillingdon
Jim Martin	Senior Partner	Martin Arnold Ltd
Paul Haines	Construction and Regeneration Director	Network Homes
Shenaz Virji	Senior Development Manager	North Hertfordshire Homes
Neil Brooks	Head of Development	North Hertfordshire Homes
Dave Woods	Development Director	Octavia
Simon Bale	Regional Development Manager	Places for People
Frances Chaplin	Partner	PRP
Andrew Beharrell	Senior Partner	Pollard Thomas Edwards
Jonathan Rickard	Head of Land and Planning	Radian
Oliver Boundy	New Development	Southern Housing Group
Paul Williamson	Managing Director Nu Living	Swan Housing Group
Steve Skuse	Technical Director	Willmott Partnership Homes