

CEO Forum held in Leeds by The Housing Forum and Polypipe - 23rd March 2016

"New housing supply and estate regeneration initiatives"

Key words: new maintenance partnerships; land assembly and acquisition; high value products and components; house building within city regions

The conclusions of The Housing Forum are:

- Housing associations see building – and doubling development profit from sales – as a way of overcoming revenue losses from rent reductions
- New partnership methods offering options of 5, 10, 15 or 20 year maintenance free services can offer social landlords certainty over future repair bills
- Innovation, installing higher value products with a higher than standard life cycle and non-traditional plug and play methods in both heating and electrical installations can offer long term savings
- Social landlords are taking a very different approach to maintenance services to tenants – and do want to build and contribute to the emergence of the northern powerhouse
- Land values are not fully understood - there are areas of the north where there is market failure and which will need gap funding for construction; yet there is inflationary competition for prime city centre sites, and in other cases land holders are reluctant to release sites for house building until they achieve a higher value
- Highlight the consequences of unfulfilled planning applications – and the impact on the market and on timely school building and other services
- Local economic players including councils and HCA and other public sector organisations need to build vehicles that help generate returns and keep a long term stake for local institutions. Many homes with planning permission in the city region are not being built out. The public sector should be more strategic and sell land to organisations who will start to build
- Combined working by local councils and local housing companies can offer a more flexible approach to building, as they can vary the amount of profit taken and operate counter cyclically
- Looking at the Leeds City Region, there is a considerable need for quality market rent around the city region - this can work well when combined with estate regeneration as that regeneration needs an estate presence for long term stewardship
- The L&G Homes model offers an alternative tenure mix with predominantly 80 percent rental and 20 percent owner occupation



Since the July 2015 budget, the market has been affected by the reductions in planned investment by housing associations.

Glen Sabin began with the perspective of the manufacturing industry - the social housing sector is a key market for Polypipe and with this certain market to aim at, new products and innovations have been developed. Repairs, maintenance and improvement programmes have benefited from this progress. However, we are now seeing as a consequence of reduction in work programmes, the movement of skilled trades into the more buoyant private house building sector. Although house building output is up, demand for homes from the next generation is not being met. Innovative offers to provide homes could be explored with social landlords through the management and maintenance of homes for sale and rent.



Jez Lester explained the multiplier effect of the 1 percent rent reductions on social landlords. In the case of Incommunities, this means £28m less in the business plan over the next four years - the difference between what had been planned as spending and what is now possible to spend. The majority of cuts will fall on asset management in major and planned works programmes. Day to day responsive repairs have to be largely maintained but replacement of major elements will now be on their failure and one off condition, rather than age basis.

Stretch replacement programmes will be introduced over a longer time period with variable rates of replacement of major elements - likely to differ according to age and family size of tenants. It is generally no longer possible to offer a 24 hour repair service. In the longer-term, landlords may consider incentivisation, possibly a cash reward when a major item like a kitchen exceeds its planned life. From 2016, Incommunities plans to build at two thirds market sale and one third rent – sales receipts will subsidise the construction of affordable rented properties for lower income households.

Stephen McCoy advised that if housing associations act swiftly on their new business plans then the substantial impact of the stalling of affordable schemes will be lessened. Galliford Try has seen a strong appetite from housing associations to engage in more joint ventures. Whilst cash is the hold up in getting home building started, there is engagement from local councils willing to put in land and build typically on 80 percent sale and 20 percent affordable rent basis. This offers opportunities for local councils to take a share in the return on land value



with the development risk shared between a housing association and a development partner. Extra care schemes are the greatest loss in the current market conditions - these are typically aimed at a predominantly rental market and their design quality and management can have a transformational impact on lower value areas but presently these schemes are largely stalled.

The Housing Forum moved on to consider the housing future for the **Leeds City Region**. Leeds and neighbouring councils have huge ambitions to build:

- Leeds has identified a housing growth target of 70,000 new homes by 2028, to be delivered in a sustainable way on a balance of green and brown field sites, with a focus on the main urban settlements
- In Leeds there is a high concentration of housing need and there are opportunities to meet this on brownfield land in the inner urban areas, through a more limited range of delivery routes based on viability issues for market led housing, technical challenges on sites and capacity / appetite within the development industry for these types of locations
- Leeds City Council has significant land holdings in these areas, particularly in the Council estate areas, where clearance of homes in the mid-2000s has resulted in vacant sites for redevelopment
- Leeds is now progressing a significant 'Brownfield Land Programme' in Seacroft, Halton Moor and Middleton, to deliver c.1500 mixed tenure dwellings in these estate areas, securing capital receipts through disposals and reinvesting in infrastructure to support this

Housing growth on this scale needs new models of delivery - **Rob Hall** introduced L&G Homes' new precision engineered factory established at Sherburn near Leeds to build modular homes at scale. The range of homes produced will offer wide customer choice and range from houses to apartments with the ability to build high-rise developments without the need for concrete and steel supporting structures. The location offers the advantage of a single labour market with good connections to the major city regions. The product is 70 percent more efficient and 70 percent faster to deliver at a cost that is comparable with that of traditional building. City regions with clear vision and ambitions for housing delivery are ideal partners for development, bringing in housing associations and local authorities. L&G Homes will build a tenure mix which is the opposite of that of the traditional market, providing a range of tenures with the emphasis being on those products that deliver a long-term income return, including market rent, sub market rent and shared ownership products. L&G will work together with partners to deliver the right tenure mix on individual sites. L&G are committed to delivering shared ownership at scale and are bringing in institutional financial support to enable a wide offering of shared ownership across the country, where local market conditions make this a good offer.

Guests attending:

- 🏠 Glen Sabin, UK Managing Director, Polypipe (Host)
- 🏠 Adam Turk, Commercial Development Director, Polypipe (Host)
- 🏠 Shelagh Grant, Chief Executive, The Housing Forum (Host)
- 🏠 Frances Chaplin, Partner, PRP
- 🏠 Tracy Harrison, Commercial Director, Northern Housing Consortium
- 🏠 Justine Gore, Head of Development, Yorkshire Housing
- 🏠 Rob Hall, Head of Business Development, L&G Homes
- 🏠 Michael Healy, Kooltherm Sales Manager – North East, Kingspan Insulation
- 🏠 Dilys Jones, Head of Area for Leeds City Region and North Yorkshire, Homes and Communities Agency
- 🏠 Nick Jones, Business Development Manager, United Living
- 🏠 Jez Lester, Assistant Chief Executive (Asset Management), Incommunities Group
- 🏠 Karen Lythe, Strategic Housing Manager, Wakefield Council
- 🏠 Stephen McCoy, Managing Director Partnerships North, Galliford Try
- 🏠 Sandy Morrison, Partner, HTA Design LLP
- 🏠 Pauline Mitchell, Assistant Director Housing and Building Services, Darlington Council
- 🏠 Paul Moore, Managing Director, Kier Living Northern
- 🏠 Henri Murison, Public Affairs Manager, YBS Group
- 🏠 Adam Brannen, Head of Regeneration, Leeds City Council (Contribution by correspondence)

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