



Advisory Panel: Development

Tuesday 21st March 2017 – Savills, 33 Margaret Street, London, W1G 0JD

Attendees:

- **Chair:** Robert Grundy, head of housing, **Savills**
- Jonathan Layzell, Executive Director of Development, **Stonewater**
- Mike Johnson, Development Director, **Hyde Housing**
- Cllr Averil Lekau, Cabinet Lead for Housing & Anti-Poverty, **Royal Borough of Greenwich**
- Chris Blundell, Director of Development and Commercial Services, **Golding Homes**
- Vicky Savage, Development Director, **Network Homes**
- Colm Lacey, Director of Development, **London Borough of Croydon**
- Joe Cook, Executive Director of Development, **Aldwyck Housing Group**
- Ian Jackson, Executive Director of Portfolio Investment, **Longhurst Group**
- Oliver Boundy, Head of New Business, Commercial & Regeneration, **Southern Housing Group**
- Pete Gladwell, Head of Public Sector Partnerships, **Legal & General**
- Tristan Samuels, Head of Development, **City of Westminster**
- Terry Fuller, Executive Director of East & South East, **Homes & Community Agency**
- Andy von Bradsky, Chair, **Housing Forum**
- Mel Toomey, Head of Marketing, **Hastoe** & Vice-Chair, **National Housing Group**
- Daren Nathan, Development Director, **Durkan**
- Keith Taylor, COO, **F3 Consulting Group**
- Andy Watts, Director, **Cast Media**

Apologies:

- Karen Sullivan, Service Director for Planning & Development, **Islington Borough Council**
- Amy Nettleton, Assistant Development Director, **Aster UK** & Chair, **National Housing Group (NHG)**
- Nicolas Khalili, Managing Director, **HWO Architects**

Discussion summary

1) Skills and apprenticeships

- The biggest threat we're facing is the **shortage of skills**. The industry needs **700,000 new workers** in the next 5 years. We urgently need to **retrain** and offer apprenticeships but the problem is no-one seems to want to work in construction – **we're not getting the message across** well enough.
- We need **proper funding** to increase the number that quickly. We need to consider the impact of the **apprenticeship levy** and how to spend it. There is confusion and it needs to be simplified. To compound this, **migrant labour** isn't turning up anymore.
- Structural funding and a stable market is important. We also need **emotive and powerful messages** to attract people into the industry – like the government has done with teaching. We need well-known figureheads to support the campaign.
- We need to **encourage diversity** too – the image on the White Paper illustrating the skills shortage was a white middle-aged man shovelling sand!
- We need to find a different way to **attract people** – it's not a sexy industry. We engaged a group of youngsters on a taster day in the Isle of Dogs to have a go at different trades and their interest just waned. It's about **perceptions**.

“We need emotive and powerful messages to attract people into the industry – like the government has done with teaching”

- Yes we need to focus on **how the industry is promoted**. While no-one is particularly interested in construction, there is huge interest in **self-build, design** and **setting up your own business**. We're missing a trick if we don't encourage people in these opportunities.
- It's a question of joining up the dots. The government is keen on the **Farmer review** but they need to make sure it gets implemented. We also need **different types of skills** and different forms of production. We need to link this to industrial strategy e.g. **offsite factories** and designing a course around the needs of this new industry.
- The offsite industry isn't mature yet but we could encourage **secure jobs** in a factory rather than construction onsite.

- To attract more people into the industry, we need to take the **celebrity** route in the manner of X-Factor and other high-profile TV shows. It needs to be seen as an **aspirational industry** – seeing motivated self-employed builders drive home in their Aston Martin’s. That could be you making all that money – it’s about what you could achieve.
- So we need a marketing campaign with Simon Cowell?
- Or Tony Pidgley!

2) Offsite construction

- The problem now is that it’s **too cyclical**. For example, build for sale favours on-site construction but build to rent involves a different **type of capital** so there is less cyclical and offsite is better suited. Also, it’s not just about the cost but it’s about speed and precision too.
- So to have thriving offsite manufacturing, you’ve got to have **consistent demand**.
- Cyclical is important but you have to overcome **transport issues**. Unemployment can also be used as a driver for investment in production facilities. We need to **work more collaboratively** with companies setting up production facilities, the costs are high and we need a group of organisations to come together to **drive economies** and investment in those facilities. We can’t do it on our own.

“The problem with modular is that it’s geographically dependent. Out of the South East, it’s difficult to make it work”

- Also because of the agility required, you can speed up or slow down for the market, if business plans are built around income. Modular gives us **certainty of delivery** but quality is important too.
- The problem with modular is that it’s **geographically dependent**. Out of the South East, it’s difficult to make it work because the cost margin is more and the cost to value is higher. It’s not cheaper than traditional construction.
- Modular is also totally reliant on **consistency of design** and manufacture, which planners don’t like. It’s also reliant on **transportation infrastructure** that can support bigger lorries.

It's absolutely geographically dependent, particularly around the places of manufacture. Outside of that it is more expensive.

3) Infrastructure

- It's right to focus on infrastructure – it has the potential to **encourage the market**, create new markets and **make difficult sites possible**.
- The government recognises that infrastructure is key and we have various infrastructure funds – **not just on heavy duty roads** but on site clean-up, demolition – most things except broadband. It can **help sites build out faster** than would be possible otherwise.
- Infrastructure can be a real **catalyst for growth**. It's not just roads but **power and water too**. At a recent event, five Heads of Area were asked what they would do if they were Mayor for the day and they all chose an infrastructure topic – roads, rail, etc. Areas can come forward much faster with the right infrastructure.

“We need to view infrastructure as an asset not a cost”

- We also include **schools** in that. For example, in Northstowe, they built the school before the house, which pushed up prices because it's what people want.
- We've only recently combined our **property and infrastructure teams** and, as a sector, I think we're guilty of not doing that more. We're hoping that the public sector will invest and that value will increase. **Garden villages** are an opportunity to go in early and take control of an area. We can use the uplift from receipts to fund infrastructure. We need to view **infrastructure as an asset not a cost**. Leeds is at the forefront of this at the moment.
- There is a risk of being **too cyclical** in the sector. We need to have the ability to deliver housing consistently regardless of the conditions. The government feels different now to what it did a year ago and what was most welcome about the **White Paper** was the recognition of a **breadth of delivery** methods. However, this could lead to **confusion over tenure types** that don't make sense to people outside of the industry.

4) Innovative funding models and getting your board 'on board'

- We set up a **growth zone** in Croydon, which harnesses **business rates growth** to enable **borrowing to fund** infrastructure. This will enable millions of pounds of investment to be released for infrastructure (road, rail, junctions, utilities, etc) over next 15-20 years. The financial model is sound and it's a huge opportunity but it's all about the Local Authority's **attitude to risk**.
- Yes you need **brave leadership** – some sites require infrastructure to come first but it can be difficult to get by your board if there are no comparisons on value. You need to have a vision. At the moment, **investment decisions** are often **too reliant on sales** figures.
- I agree and you can **create that vision** using architects, etc but it takes **significant cost and time**. There are also constraints on public procurement so it can be a blocker.
- The challenge is that **boards** are culturally encouraged to be **cautious**. However, success breeds success so we need to shout about positive examples and it has to be **partnership driven**. It's also about **stewardship** – people need to be able to own and love their communities.

“We set up a growth zone in Croydon and used business rates growth to enable borrowing to fund infrastructure”

- When it comes to creating that vision and **placemaking**, we frequently look just at form rather than function. You need to consider what the **customer will want to see** not just now but in 15 years' time. It has to be a **destination** to live, work and relax – it's a huge amount of work and money so you only have one crack at it. It's not easy.
- Boards have been concentrating on large regeneration sites and it's a challenge to convince them of the opportunity of **smaller sites** of 30 units or less as it's not viable on paper. I needed to take people to the site to convince them and change their views.

“You need brave leadership and a vision – investment decisions are often too reliant on sales figures”

- Waltham Forest is a great example where they reopened Lea Bridge road station to **improve transportation connections** and access to leisure facilities. They were granted funding on

the condition that running costs were met – passenger usage far exceeded this threshold so they were right to follow the **courage of their convictions**. It encourages developers to build more housing.

- It creates **confidence** in the market. If you push a location hard enough you can attract others in.
- We took a **brave decision** after the EU referendum to **invest heavily in land acquisition** while everyone else stalled. There is huge demand for affordable housing in South Cambridgeshire for those who work in the city centre but the biggest hurdle is creating the infrastructure to get them to their place of work. Infrastructure improves possibilities for larger development sites.

5) Access to land

- How can we bring forward land fast enough?
- It's clear the government is driving this – why focus on saving two months on building when it takes four years to get **planning permission**? The only thing that triggers companies to buy land when they get section 106 is the **commitment on money** – you've got to understand how the finances work. Why would you bring forward land when the market is uncertain?
- We're encouraging a **strategic approach** to land acquisition. It depends on the board's **appetite for risk** but we present a financial appraisal to the board and an **exit strategy** if the sale doesn't work.
- Similarly, we've spent time persuading the board to look more strategically and create **long-term option** agreements. For example, **flipping tenure** if there is uncertainty.

“We need to change the business model and boards need a more mature approach and understanding of risk”

- There is a place for strategic sites but it's a problem if you have **finite cash**. If you are comparing a site that will tie up your cash for 10 years compared to a site that will give a quick return. We all want a balanced programme but sometimes there is **pressure to get the cash in** and revolve the site in the short-term.

- So we need to **change the business model** and boards need a more mature approach and understanding of risk?
- It's back to the point about **bravery and vision**, yes.

6) Estate regeneration

- There are a couple of estate regeneration programmes in Westminster and the question is how much do we do ourselves and how much do we bring **partners** in? **Land release** is a challenge for us and **CPOs** present an opportunity to bring sites forward, not just for homes and retail but for wider benefit including **employment and enterprise**. As an aside, the council spends 80% of its money on less than 5% of its residents – the **long-term unemployed** are a high-cost cohort and are likely to live in estate regeneration areas. If we can help those, we help ourselves.
- Our biggest threat is the **extension of the right to buy** – we are hampered by the amount we will lose when we open up more. There is an opportunity to **densify** but we don't want a model with too much high rise as it needs to stay within the character of the borough. Another issue is avoiding a **'them and us' situation** where a regenerated estate exists across the road from a run-down estate. We're trying to create **cultural zones** that enable placemaking and regeneration for an entire area.
- One of the barriers to estate regeneration is **engaging residents** and making them confident that they will be better off – or at least not worse off – as a result.
- The **Samuel Lewis estate** is a successful example. The most important thing was **consulting with residents** and leading in partnership using liaison officers and a resident board. The **resident board** would have site tours with us and would make good suggestions. It takes investment but it's fantastic if you get it right.

"The council spends 80% of its money on less than 5% of its residents – if we can help those, we help ourselves"

- Only last week on the news, a resident from an estate in Southwark was speaking out about returning to **higher rents** after a regeneration programme. We understand the reasons why but in the view of the resident, **they weren't benefitting**. You need to **invest in communication** to help residents **understand the benefits** to them – lower fuel bills, etc.

- The biggest risk to RPs is residents saying there is nothing in it for locals or “you’re just here to gentrify”. There are examples where you can bend over backwards to satisfy residents (double decants, endless communication, etc) but it **erodes viability**. It may only be possible with funding from DCLG. It’s doable but keeping residents at the centre is not cheap.
- I’m currently at the centre of writing national strategy so the issue of **community engagement** in design ideas and ensuring residents get a fair deal is music to my ears. Another issue with regeneration is **how to attract private investment** – the gap in funding is a challenge. It’s easier in London but more difficult when you go north so the **regional variation** is an issue. Also **innovation in procurement** – currently long-winded processes are a costly problem and we need to address how to do this more efficiently.
- With regards to funding, the government’s biggest drive is building more homes and there is a finite amount of money. Politicians have to make the call based on the question – will it give us more homes?



Homes 2017 is taking place on 22-23 November 2017 at London Olympia

For more information and to reserve your place, visit:
www.homesevent.co.uk