

Ministerial Round Table Discussion

Marcus Jones, MP for Nuneaton, was appointed as Minister for Housing and Planning in the Department for Levelling Up, Housing and Communities on 8th July 2022. In order to understand some of the key issues affecting the sector, he agreed to meet a group of representatives from CHIC's members and supply chain partners for a round table discussion on Friday 29th July – the new Minister's first opportunity to meet sector representatives.

CHIC (Communities and Housing Investment Consortium Ltd) is a member owned and governed asset management and procurement consortium working nationally. The event was chaired by CHIC's Chair, Maggie Punyer, and attended by senior executives of CHIC and its most active members and contractor partners. (A list of attendees is attached).

This paper provides a summary of the key issues raised with the Minister, as being of real concern to the sector.

CHIC's Chair introduced the session and welcomed the Minister. As a precursor to the discussion Marcus Jones MP explained he was aware that there were very real issues troubling tenants at present, around the impact of inflation on gas and electricity prices, but that social housing landlords also had inflationary pressures on rents, needing to fund investment to achieve 'net zero', resident safety and compliance. He was here to listen and to learn.

1 DELIVERING AFFORDABLE NEW HOMES

John Fisher, CHIC's Chief Executive, introduced this topic and noted that Homes England had just reported under-achievement against all new home targets in the last year, yet demand for affordable housing remains acute and CHIC's members want to deliver at scale.

He was keen to seek support to:

- speed up the planning process
- release strategic sites to the sector
- provide more grant – now new pressures on decarbonisation of existing assets are restricting financial capacity
- tie grant to MMC at a greater scale – to drive up quality and the speed of delivery and to contribute to the Levelling Up agenda to move some construction jobs where there is more capacity.

Marcus Keys (Longhurst) and Chris Seeley (ARK) expanded on their frustrations with the planning system. New homes were being held up, largely down to resource shortages in the planning departments, and they were keen to see the processes accelerated.



Richard Woolley (Connexus) outlined the pressures on RPs' business plans, facing significant decarbonisation costs on current assets (potentially up to £80k per home). He was keen to see support for funding both for net zero, to avoid social housing being lost to the sector, and to ensure new home development programmes continued at pace.

Leon Storer (Stonewater) and Luke Hurd (CHIC) explained frustrations with the sector embracing Modern Methods of Construction (MMC) at scale, for full off-site manufacturing.

They discussed the constraints around preferred forms of contracts (design and build) and a process which introduces the contractor/manufacturer too late in the design and planning process. The Minister was encouraged to explore how future grant recipients might be mandated to adopt a much higher proportion of MMC and that guidance should be provided as to how this should work contractually. CHIC explained they are currently developing a new framework to help deliver these objectives.

John Fisher concluded this part of the discussion by explaining how CHIC was keen to encourage wider use of MMC to support Levelling Up strategies. Working with manufacturers in areas where labour is more available and affordable, to promote training and sustainable jobs, is a great benefit of factory production, where homes can still be built for other regions. But the sector needs to collaborate – and grant provision could insist upon this to create factory volumes and efficiencies.

2 COST OF LIVING INCREASES AND THE IMPACT UPON TENANTS HOUSING AND HEATING COSTS

David Wells (Vice Chair of CHIC and Executive Director at Wrekin Housing Trust) outlined the concerns that Wrekin had for its customers, which are shared across the sector. The ongoing increases in gas and electricity costs will really bite in the winter of 2022/23 and tenants will have to make real choices about paying for heat, rent or food. But RPs' were also facing the inflationary pressures and were worried that any restrictions on rent increases would squeeze their ability to fund some basic services, as well as net zero and new homes.

Richard Woolley confirmed that the sector really needs certainty about rental income, to meet its ongoing obligations for routine investment in the asset base and net zero.

Abdul Qayum (Keystone) and Stuart Hough (Travis Perkins) were keen to see the government challenging the large energy companies with an energy review. Tenants struggling to pay bills was an unacceptable situation when energy companies are posting record profits.

Maggie Punyer and David Wells were keen to ensure that no one loses sight of the tenants' voices. It was not only the most disadvantaged who would be suffering but large numbers of working families, paying social or affordable rents, where increases in energy costs will tip the balance between making ends meet and not.



Luke Beard (Community) asked the Minister to recognise all the other services that social landlords provide to their residents, supporting the most vulnerable and promoting community cohesion. A squeeze on rents at a time of high inflation could be counter productive if these added value services have to be cut.

3 INFLATION AND THE IMPACT ON THE SUPPLY CHAIN AND CONSTRUCTION COSTS

Stuart Hough (Managing Director of Travis Perkins) explained how current inflation and logistical challenges are a real concern for the construction sector. Post lockdown overly congested ports are taking months to recover. In some cases, the supply chain is seeing up to 40% increases in price; manufacturers and suppliers cannot absorb this and must pass increases onto their clients. In turn, contributors must pass increases onto the housing landlords and if they can't we will see multiple businesses failing. He was keen to see any policy decision on rents recognise the need to meet increased asset management costs.

Abdul Qayum, whose company delivers fire safety work – which is really about people safety – explained how some landlords with restricted budgets would cancel or defer works. This would potentially put peoples lives at risk and asset managers should not be in the position to have to choose to cut investment.

David Wells and Richard Woolley brought the discussion back to the relationship between inflation on rent increases, so RPs' can afford to meet their Building Safety obligations and keep customers safe, whilst still investing in the existing asset base and building new homes.

In response to a question from the Minister Richard Woolley and Marcus Keys explained that landlords are generally not cash rich. They borrow to invest and now with more pressure on investing in the existing asset base, for building safety, net zero and some of the maintenance legacies from the pandemic; it is development programmes and possibly planned works that will have to be slowed to take the strain.

4 DELIVERING NET ZERO - INVESTMENT AND REGENERATION AT SCALE

Luke Hurd (CHIC) explained that although the sector is very aware of – and has quickly embraced – the challenges to achieve EPC C by 2030 and net zero by 2050, the evidence base for current investment planning is weak. There is an emerging view, where detailed and thorough assessments are undertaken, that some housing stock just won't be worth investing in. In turn, the country needs to be gearing up for more comprehensive regeneration which may have funding implications.

John Fisher reaffirmed that where net zero planning is based on EPC certificates it then gets changed – usually with more work and more cost - when a full PAS-2035 energy assessment is completed. BEIS SHDF funding is focused on decarbonisation works, but there is a real concern the sector isn't ready.



Inevitably landlords will chase grants, but he urged the Minister to share this concern with BEIS colleagues and suggest that funding for ongoing energy assessments, investment planning and wider asset performance assessment was more important now, to inform works funding later. If not, SHDF Wave 2 is likely to under-deliver as previously (pilot and Wave 1 funding) and has the potential to be spent on homes that might require other solutions or would be better being replaced.

Harvey Melvin (Ventro) confirmed, from a contractor's perspective, that whereas grant funding is always welcome Ventro's experience is that most clients are unclear about what works they need to carry out and that, currently, the lack of investment in surveying, energy assessments and planning investment is a major constraint to effective decarbonisation delivery at scale.

Matt Hiley (Novus) relayed his companies experience, as a very active contractor in the retrofit market, that many EPCs' were proving to be inaccurate and that on the whole the sectors data is poor. He confirmed they are still getting requests to deliver Wave 1 programmes by the March 2023 deadline – which is now just not possible. Delivery capacity is already constrained by materials shortages.

Marcus Keys was keen to hear more from the government about investment in mass hydrogen supply through existing networks.

This discussion concluded that the key 'ask' of the Minister was to consider funding energy assessment and the building of a truly robust decarbonisation plan before funding widespread works, to make sure investment is deliverable, accurately focused and will avoid spend on poor homes which really need regenerating.

5 TRAINING, SKILLS AND RECRUITMENT – MAKING THE CONSTRUCTION AND HOUSING SECTORS AN ATTRACTIVE CAREER OF CHOICE

John Fisher set out CHIC's members concerns. Their residents live in their homes and create their communities, so they should be truly active participants in the construction and housing sectors. But unfortunately, schools don't promote these sectors as attractive career choices, despite the opportunities in both for lifelong work and flexible career progression. Can the government do more to help promote the opportunities as attractive, instead of 'last resort'?

Harvey Melvin explained his company employs at all levels, including 'back office' graduates, highly qualified and experienced fitters and apprentices. Yet schools don't promote the opportunities and it is a struggle to recruit, despite a strong desire to invest in these people.

Matt Hiley endorsed this experience. There is a high average age in the construction sector and now a ten year age gap on the skills required. He urged the Minister to share this concern across government and to ask for schools to be engaged in positively promoting the sector; current experience is all too often that construction is a last resort, not a tremendous career opportunity.



Jonathan Cox (Anthony Collins) brought the discussion back the Levelling Up opportunities the sectors create. If we can get homes built in factories we can contribute to training and job creation across the country, balancing labour demand and supply.

Maggie Punyer made a plea for the sectors to encourage more gender balance – any careers advice should promote the opportunities for females as much as males, given the current under-representation in the construction sector.

CONCLUDING COMMENTS

In response to a question from Maggie Punyer, the Minister confirmed that whatever the outcome of the current Prime Ministerial selection process, he expected ongoing commitment to the Levelling Up agenda and support for the affordable housing sector.

He had appreciated the informed discussions and understood the key messages around inflation, net zero, construction skills training and careers, MMC and rents.

Above all he shared with the sector the priority of ensuring the health, safety and well-being of tenants, who need to be able to afford to live in good quality homes.

Maggie Punyer thanked the Minister, his DLUHC team and CHIC's stakeholders for a thorough and informed debate.

Communities and Housing Investment Consortium Ltd
August 2022



LIST OF ATTENDEES

Organisation	Name	Name	Role
N/A	Marcus	Jones	Minister of State for Housing and Planning
ARK Consultancy	Chris	Seeley	Company Director
Anthony Collins	Jonathan	Cox	Head of Social Housing
Buildbase (Huws Gray)	Nick	Cavanaugh	Business Development Executive
CHIC Board	Maggie	Punyer	Chair
CHIC Team	John	Fisher	Chief Executive
CHIC Team	Luke	Hurd	Chief Operating Officer
Community Housing <i>CHIC Board</i>	Luke	Beard	Head of Asset Management
Community Housing Group	Andy	Plant	Director of Assets, Development & Sales
Connexus	Richard	Woolley	Chief Executive
Keystone Fire Safety	Abdul	Qayum	Executive Director
Laker BMS	James	Lakey	Managing Director
Longhurst Group	Marcus	Keys	Executive Director of Growth & Development
Novus	Matt	Hiley	Executive Director
Pilon	Martin	Wickers	Bid Executive
Searchflow	Robert	Steadman	Sales Director
Stonewater <i>CHIC Board</i>	Leon	Storer	Assistant Director of Homes – Capital Investment
Travis Perkins	Stuart	Hough	Managing Director
Ventro	Harvey	Melvin	Managing Director
Wrekin Housing <i>CHIC Board</i>	David	Wells	Executive Director of Operational Services