On behalf of Developers East Sussex,
Essex Developers Group and Kent
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c/o Locate in Kent
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The Rt Hon Robert Jenrick MP
Secretary of State
Ministry of Housing, Communities and Local Government
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By email: psrobertjenrick@communities.gov.uk

Joint letter from the Chairmen of the Kent Developers Group, Developers East Sussex and the Essex Developers Group

Dear Secretary of State,

Further to the very constructive and regular discussions we are having with your officials at MHCLG and Homes England, we are writing with a series of recommendations on how we can work together to support economic recovery and get Britain building again.

Our recommendations are based on the views of members of our 3 Developer Groups representing developers of residential, commercial and mixed-use schemes across Kent, East Sussex and Essex, landowners, property owners and associated development and planning professions. We have also been working closely with, and have been assisted by, colleagues at the South East LEP (SELEP) in supporting engagement with business and the wider public sector.

A first, immediate and unanimous priority for us all is for an extension to the Planning Consent period for all outline and full planning permissions for residential and commercial development by 12 months. This recognises the growing anxiety and frustration within the industry that existing consents may otherwise simply slip away, with homes and jobs being lost. In addition, we make a number of recommendations for legislative and fiscal measures to support development and construction to help drive the national recovery.

However, at present, housebuilding and commercial development is in a critical situation. In particular, the South East LEP area in which we are based has high housing demand and will be responsible for 34% of the planned Garden Settlements nationally, but delivery has effectively been stalled:

- **There are no new starts** – homes are only being built where site build-out has already begun. Other sites are stalled. National reporting underestimates the situation. Where work is progressing, this is generally groundworks or demolition.
- **Government guidance has been weighed up against risk**. For example, for larger builders, there may be less risk in furloughing staff than to continue working with the ongoing risks inherent in supply chains and sales. At the same time, local communities do not appreciate that building can continue and there are already instances of work being resisted.
- **Planning is a further problem**. While there is now movement on the 1972 Planning Act to enable Planning Committees to meet virtually, the process had previously been stalled. Further actions are required, many of which are already in place in Scotland (see below).
- **Registered Providers/Housing Associations are (understandably) focussing on core landlord risks**. With no-eviction provisions now in place, cashflow is a further issue with potential bad debts and rent arrears, as are concerns about the regulatory operating environment (V and G ratings from regulator). At the same time, we believe RPs should be at the forefront of the recovery, helping to support the contractor/sub-contractor community.
- **Difficulties with supply chains further inhibit SME developers**/builders in particular, including sub-contractors. This ranges from PPE - where many builders have donated existing supplies to the NHS - and the fitting of utility meters to building supplies and the supply of bricks, where brick kilns are shutting down and would need sufficient demand to warrant re-firing.
- **Where there is development, this is by Tier 1 developers**, but SMEs are retreating from the market. With a reported shift in financing from 75% to 60% loan to value (favouring the bigger developers), the retreat of SMEs is accelerating.
- **Broadly, landowners are understanding**, but developers – of whatever size – will need to keep active now to protect their balance sheets and may buy-up SME developers for their land supply, both removing need to pay SDLT and potentially decimating further the SME sector.
- **Remarkably, sales continue** but are much reduced. Help to Buy and similar products have been withdrawn with the lenders requiring a 40% deposit in some situation.

As Developer Groups, we support recent moves by the Construction industry including the letter to the Prime Minister by the Construction Leadership Council https://www.constructionproducts.org.uk/media/628245/clc-letter-to-pm-01-april-2020.pdf. In particular, we welcome steps the industry has taken to support commercial and residential development and to produce:

- **Site Operating Procedures** – which set out a practical range of measures for construction sites to comply with Public Health England's guidance on distancing and hygiene.
- **Safe Shutdown Process** – which provides guidance to site managers when it is deemed not possible to continue work.
- **Minimum Essential Works List** – which seeks to identify the sorts of works that need to be allowed to continue in almost any circumstances – for example critical works necessary to continue the safe provision of essential services, works critical to the efficient running or expansion of efforts in response to Covid-19 and works necessary to protect the safety of the public or assets.
- **Covid19 Essential Worker Authorisation Letter** – which sets out to provide construction employees the evidence that they require to be able to continue their essential work – a measure that is increasingly necessary given actions by the police, other public bodies and wider public that are not in accordance with Government guidance.
- **An appeal to the industry to donate surplus Personal Protective Equipment** (PPE) to the NHS.

We also congratulate the Government and endorse the measures taken to keep money in construction (and other) businesses. However, recognising the dependency of construction businesses on free cash flow, we further support measures recommended by the CLC including:

- **Suspending PAYE and CIS tax due to HMRC in April and May** for construction and consultancy firms and workers, with no financial penalty. This will relieve some immediate cashflow challenges and give companies time to secure the support of measures that the Government has established.
- **Deferring/cancelling Apprenticeship Levy payments due for the duration of the crisis**. Whilst firms in the sector are committed to retaining apprentices, and in the longer term increasing the number of these, whilst the current restrictions are in place it is not possible for firms to train apprentices. This would further reduce cash flow pressure, but without affecting the longer-term provision of funding for apprenticeships.
- **Introducing flexibilities in public procurement rules provided by Policy Procurement Notice 02/20: Supplier relief due to COVID-19**, and urge Ministers to encourage all public sector clients, regulated utilities and firms in the private sector working on public infrastructure to expedite cashflow through the supply chain, by making use of these.
- **Supporting Directors of micro-businesses**. There are many directors of small building firms, contractors, sub-contractors and consultancies who pay

themselves a small salary, and top this up through dividend payments. These currently fall between the support provided by the Job Retention Scheme and through the assistance for the self-employed. This is a problem for other sectors too, and it would be welcome if the Government could ensure these Directors would be able to access support from one of these schemes.

- **Supporting retention release** - it is estimated that throughout the industry there is £4.5bn held by clients and firms in the supply chain in the form of cash retentions, which is a routine withholding of between 1% to 5% of each regular payment to be released upon successful completion of the works without defects. *We recognise the impact release may have on private sector businesses within the supply chain but it* ***should be mandatory for all Government bodies to release all retention monies*** *held to inject cash into all levels of the construction supply chain*.
- **Extending the £25k SME business continuity grants scheme to the construction sector**.

In addition, based on recent discussions with colleagues in the three Developer Groups we recommend the following:

Clarity, confidence and communication

With each £1 spent in the construction sector multiplying to almost £3 increase in GDP in the wider economy, construction will be vital to local recovery. The commercial sites and homes we build will drive the local economy.

A clear communications package is required from Government to emphasise the importance of the sector in building the economic recovery with guidance and clarity around current working arrangements. Government communications should make clear that:

- **MHCLG will issue advice on what constitutes "essential construction"** (including community infrastructure such as schools) to developers and to the wider supply chain with associated advice through Public Health England endorsing the positions of professional bodies on safe operating procedures. A national press campaign would counter existing local misinformation.
- **Planning processes must continue – delays now, will delay the recovery**. Through delegated decision-making and prioritisation, a clear message from Government is required to ensure that development is not stalled. Local planning authorities need clarity on site visits and on public consultation on planning applications and local plans, with councils concerned about going through the processes and then facing judicial review. All activity to support construction should be continued.
- **Access to cheaper money remains** – signals to the affordable housing sector that PWLB/HRA rates will remain low and that now is the time to accelerate investment with debt caps removed would all encourage planning for local growth.

- **Information to local areas is critical** – in addition to national bodies, our local developer groups provide an excellent conduit for information to flow, building on existing excellent relationships with officials.
- **An overriding commitment remains to create places where people want to live and work** – homes, community infrastructure, businesses – with clear policy actions to accelerate economic recovery through support of construction and "good growth".

Legislative/guidance changes

As the Government's housing accelerator, the role of Homes England is critical in driving positive change and recovery and building market confidence. Through targeted investment, the release of public sector land and as a guarantor (both as purchaser of last resort and within the materials supply chain), housebuilding and critical commercial development could once again begin.

Specific measures to get Britain building would include:

Short term:

- **Extending the Planning Consent Period for 12 months for all**, backdated to when the site shutdown happened. There is growing frustration and anxiety that existing consents will slip away. As in the last recession, temporary legislation is needed for all outline and full consents by way of automatic re-introduction or preferably automatic extension (at any time over a 12 month period without having to return to Planning) as has been achieved in Scotland. Flexibility is also required for Environmental Impact Assessments and other documentation that requires physical access to content.
- **Support from MHCLG for clear RICS guidance to developers/housebuilders, particular SMEs, on the extension of time/costs** and the legal status of undertakings (eg damage clauses, development finance) should they be in danger of default. With potential delays of 6 months plus in the completion of sites – and the potential of disputes or claims against operators - existing undertakings may make completion unviable and there is a real danger that developers may simply have to walk away. Where necessary, Homes England should be prepared to provide bridging finance.
- **Linked to the above, an understanding that SMEs may bear the brunt of supply chain delays.** Compounding the issue, there is recognition from SMEs that Tier 1 housebuilders and commercial developers will be treated as a priority when supplies return, with evidence that trade merchants are currently making their own decisions around prioritisation. While some merchants are reopening this week - which is welcome news - they are advising a massive shortage on some items eg plasterboard, where production plants have been closed for several weeks. For instance, Travis Perkins currently believes it could be 12 weeks before they are able to supply SMEs, with Tier 1 forward orders taking priority due to their existing trading agreements. This may further delay the

commencement of SME works with associated default issues – a real concern that we continue to raise.
- **Recognising that starter homes can help stimulate the market**, with purchasers able to move into new (or empty) properties. More expensive, larger homes may have chains with the danger to sales and housebuilders potentially stopping building until re-sold.
- **With the recent departure of the Government's Chief Planner, MHCLG should consider sourcing additional professional planning expertise from local planning authorities** where expert advice can accelerate decision-making in Government.

Medium term:
- **For designated Garden Settlements and brownland development**, there should be pro-active engagement on planning pre-conditions – some of which could potentially be waived - to accelerate delivery or surveys to enable development to begin (ie traffic, archaeology, etc).
- **Continued encouragement for building off-site and Modern Methods of Construction**, recognising that for MMC's success strong demand is required to match potential factory throughput.
- **Strategic planning for growth and infrastructure will be critical** – recognising new powers in Mayoral Combined Authorities, new local spatial planning powers could be reintroduced outside of cities to drive high quality development.

Fiscal/investment measures

Our respective Developer Group memberships includes businesses of all sizes. We support Tier 1 developers and housebuilders as much as SMEs and our recommendations below reflect this.

However, the SME sector is facing particular problems. Specific fiscal measures focussing primarily on SME builders and developers could help to drive the recovery, helping them to join Tier 1s in supporting contractors and sub-contractors. This is because SME business models enable several firms working on-site, with a need to complete development to release income – an immediate necessity - whereas Tier 1 housebuilders potentially have more flexibility and are able to build to sale (eg 0.7/0.8 homes a week, 50 a year).

To achieve this, SMEs would need to be supported by measures to defer immediate costs (eg tax liabilities, fees to wider public sector, access to development finance) and stimulate demand. Fiscal measures to support SMEs and the wider sector include:

Short term:

- **A clear and immediate decision to extend Help to Buy.**
- **A Stamp Duty holiday to be introduced with immediate effect** to support first and vacant home purchases.
- **Homes England to support development finance extensions**, recognising the risk exposure to SMEs and the need to stimulate the housing market
- **S106 and CIL payments to be deferred** with interim relief funding provided from Homes England to provide repayable bridging grants to ensure completion of critical community infrastructure (eg schools, NHS facilities). Local authorities should introduce a policy to defer S106 triggers dependent on this funding, hence deferring and supporting s106 and CIL, rather than removing it. Planning approvals also need to have these linked to events, housing numbers and not dates.
- **Government, Homes England and LEP financed residential and commercial schemes to be extended by 6 months automatically**, potentially a year where circumstances require further flexibility (eg environmental survey windows missed, etc)
- **Homes England to act as guarantor on production of key construction materials to support key supply chains, including brick production.** There are concerns that national brick representative bodies have indicated that brick production is not considered essential by Government, with huge implications for partially built homes, extensions, etc where a lack of brick match could mean demolition. Similarly, import delays may cause further difficulties.

Medium term:

- **Affordable housing should lead the way.** Implementing findings from the Independent (Letwin) Review of Build Out around different markets for different tenures, social housing can lead the way and give confidence to developers of immediate future occupation, thereby also supporting contractors and sub-contractors. Through investment in affordable housing, as a counter cyclical measure to get housebuilding going, there are additional and immediate social and the fiscal benefit, including cutting the ballooning housing benefit bill and Universal Credit in the longer term.
- **Good design and construction quality remains essential in all new buildings, residential or commercial**. Registered Providers have particular advantages in in accessing capital at lower rates and recycled grant money for land purchases which private sector developers do not. Regardless of the status of developer, in applying the principles of "Living with Beauty", Government must encourage the very best design and quality to build new homes and places to leave a legacy for future generations.
- **Homes England work programme to be prioritised to explicitly support SME businesses** recognising their dependency time-limited development finance.

- **With a focus on brownland and garden settlements, the £10b Single Housing Growth Fund could be earmarked for an immediate post-crisis stimulus** for oven-ready, high employment, schemes
- **Joint public/private partnership working should be further explored to give confidence to the market**, sharing the risk, on both housing and commercial development.

We would be pleased to discuss any of the above measures in greater detail with you or the Minister of State and will continue to work closely with lead officials in MHCLG, Homes England and BEIS. We have also copied this letter to the Chairman of the South East LEP and to the local authority Leaders and Chief Executives in Kent, East Sussex and Essex as key partners in our work and to support local economic recovery planning.

We hope you find our recommendations helpful and stress the urgency of action to get Britain building once again.

With best wishes.

Yours faithfully,

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CC
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