



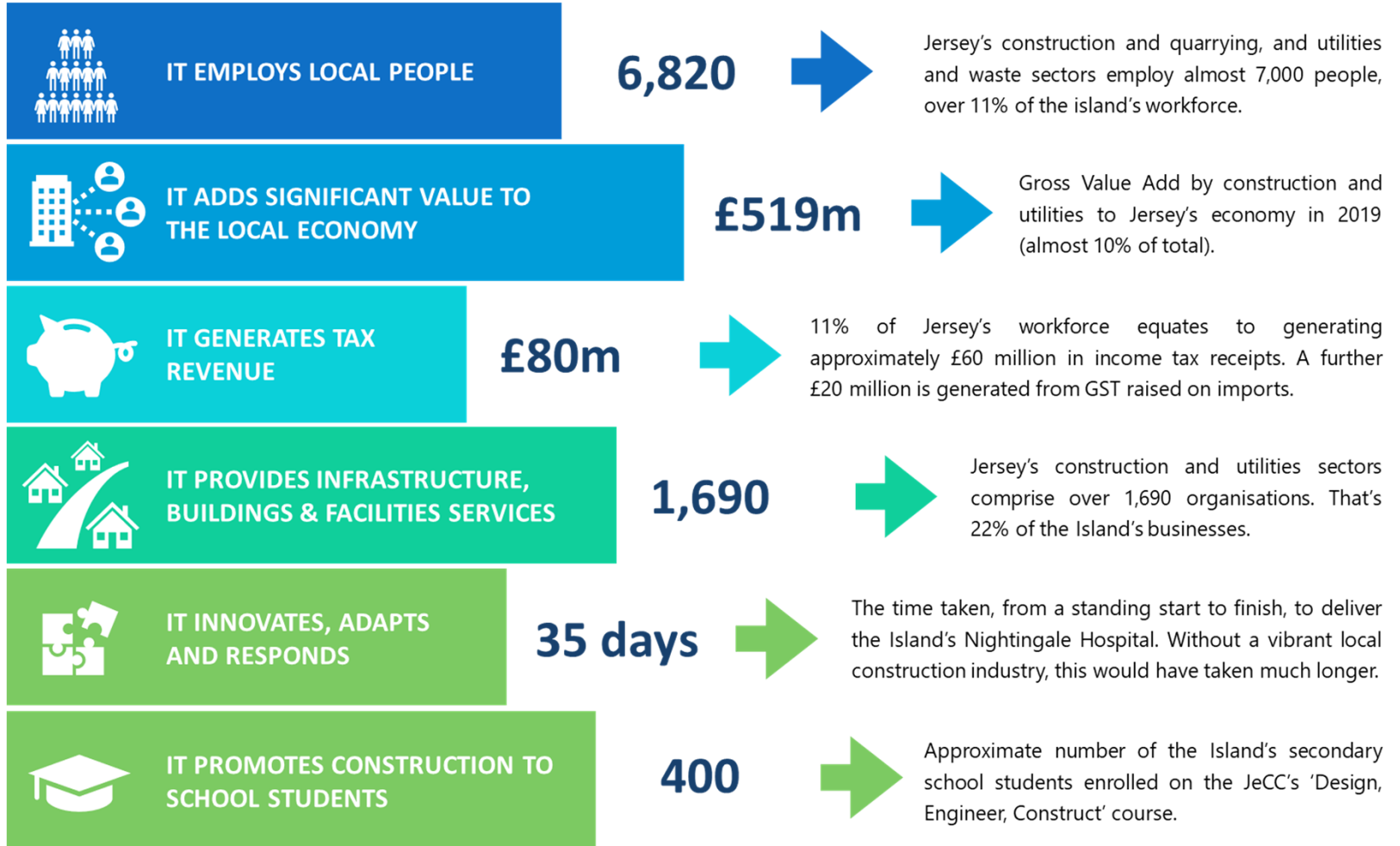
jersey**construction**council

# Affordable Housing: Supply and Delivery

Response to further questions presented by the Environment Housing and Infrastructure (EHI) Scrutiny Panel on the submission by the JeCC into the review by the Panel on affordable housing in the Island.

6 August 2021

# What does Jersey's construction industry do for the Island?



*"1. Given your concerns regarding affordability and the need to balance supply and demand do you think the targets for both market and affordable housing within the Draft Island Plan are set at a high enough level?"*

1. The JeCC does not consider it appropriate to decide the Island's present and future affordable housing requirements. Our members will of course respond to the challenge of meeting any demand for more affordable housing, but the decision on how much housing is needed within the Island is for others to resolve and agree. The JeCC does note the following however:

1. There is presently no central, publicly-accessible online register of property assets (including housing) on the island. Therefore, assessing what is needed, when it is not possible to say with certainty what is already here, is perhaps a challenge.

2. There is presently no agreed assessment of the quantity of affordable homes that the Island presently needs to meet the current demand. The Housing Section of the Draft Bridging Island Plan (the "BIP") quotes Statistics Jersey's (SJ) estimate of a current shortfall of 1,800 homes. However, the Government's Housing Needs Survey identifies the current shortfall is 2,750 homes.

3. There is no agreement on the estimated levels of net migration that the Island will experience over the next ten years. The BIP assumes a population growth of 800 persons per annum, which (over a ten year period) calculates as 6,100 new homes needed. Elsewhere in the BIP, it notes migration in the 10 years to 2019 averaged approximately 1,000 persons per annum, which would equate to 7,625 homes as a shortfall over a future 10 year period. When added to the existing shortfalls identified in the BIP and by SJ, the range of potential housing needs over the next ten years is as little as 7,900 and as much as 10,375 homes (or a 31% difference). The Housing Policy Development Board (HPDB) noted in April 2021 that "7,000 additional units will be required by 2030 if inward net migration remains at +1,000 per annum", which is a lower estimate than both the BIP and the SJ numbers.

The BIP provides a target number (as, until such time as the BIP is approved by the Assembly AND the sites that it is agreed shall be zoned for housing AND the owner of the site progresses their Planning Consent AND the confirmed amount of housing on those sites is built, all housing numbers are simply targets) of 4,125 homes by 2025. This is different to the total that the HPDB set in its April 2021 strategy, when it recommended that "that GoJ should seek to support GoJ delivery agents and housing trusts in the development of up to 5,000 units, including an estimated 1,740 open market units and 3,260 affordable units by 2030."

The JeCC believe that the question of how much affordable housing is needed by the Island should be decided with reference to:

- an agreed assessment of both: a) the number of existing homes, and b) any present shortfall on existing requirements;
- an agreed and implementable population and migration policy, which should include limits on the number of persons and households that the Island needs; and
- an agreed and implementable land-use policy (i.e., the Island Plan) that shows how the population's housing needs, both in its totality and in the separate demographic groupings, can be accommodated.

"2. You give the example that those working in the construction industry are receiving an average wage. Do you have evidence of difficulties with affordability of housing directly from your members in terms of recruitment and retention of those employed in the industry?."

2. The JeCC does not have direct evidence of our member's staff and management rates, or their ability to afford to purchase housing or otherwise.

However, the JeCC notes the UK's Independent Affordable Housing Commission defines 'affordability' in the context of income, noting that "our analysis also suggests that when rents or purchase costs exceed a third of the net household income, housing costs can lead to financial difficulties, arrears, debts and consequent personal problems. And the position gets much worse if that percentage of income is a lot higher: we have taken the 40% of income figure as signalling a very serious affordability issue."<sup>1</sup>;

As previously noted, the average weekly earning in the construction industry in Jersey is £820.00 (£42,640.00 per annum). After income tax and Social Security, the net income equates to £31,554.00 per annum, or £2,629.00 per month. Applying the Affordable Housing Commission definition to this gives a 'threshold' of £867.60 per month, above which housing costs can lead to difficulties.

The table on the next slide shows:

- the average monthly mortgage and rental payments for several types of accommodation, using average prices from the Government's House Price Statistics<sup>2</sup>;
- the comparisons for both single-income and two-income households, using the average sector wage described above; and
- where this is or is not 'affordable' (i.e., less than one third of net household income) in line with the definition and standard described by the Affordable Housing Commission.

The JeCC notes the following conclusions from these examples:

- No single-income household is able to live 'affordably' in any of the dwelling types shown and will all have to spend more than one-third of their net income on housing.
- A single-income household will be required to spend between 46% and 60% of net income on a one- or two-bedroom apartment. If that single-income household has dependents or children, and they require more than two-bedrooms, over 90% of net income will need to be allocated to housing BEFORE food, bills, etc.
- To live 'affordably' in a 3-bedroom house, a single-income household will need to be paid almost 200% of the average construction sector wage.
- A two-income household can afford a 1- or 2-bedroom flat. However, should a two-income household have dependents and / or require 3- or 4-bedroom house, both earners in a two-income household will require between 38% and 100% more than the average construction sector wage to meet the definition of affordable.

<sup>[1]</sup> "Making Housing Affordable Again: Rebalancing the Nation's Housing System: The final report of the Affordable Housing Commission", Affordable Housing Commission, March 2020.

Accessed from: <https://www.affordablehousingcommission.org/news/2020/3/23/making-housing-affordable-again-rebalancing-the-nations-housing-system-the-final-report-of-the-affordable-housing-commission-on-25-july-2021>.

<sup>[2]</sup> 2020, sourced from <https://www.gov.je/Government/JerseyInFigures/HousingLiving/pages/houseprice.aspx>. Accessed 25 July 2021.

"2. You give the example that those working in the construction industry are receiving an average wage. Do you have evidence of difficulties with affordability of housing directly from your members in terms of recruitment and retention of those employed in the industry?"

	1-bedroom Flat	2-bedroom Flat	3-bedroom House	4-bedroom House
<b>Average house price</b>	<b>285,000</b>	<b>431,000</b>	<b>671,000</b>	<b>1,034,000</b>
Deposit required for mortgage (10%)	28,500	43,100	67,100	103,400
Mortgage value	256,500	387,900	603,900	930,600
Monthly mortgage repayments (30 years, 90% LTV)	940	1,450	2,230	3,450
Monthly rental payments (average, June 2021)	1,200	1,600	2,400	3,500
Single-income % of average wage required to pay for housing	46%	60%	91%	N/A
Single-income household, 'Affordable' or 'Not affordable'?	Not affordable	Not affordable	Not affordable	Not affordable
Single-income: % extra to average wage to be "affordable"	40%	80%	180%	300%
Two-income: % of average wage required to pay for housing	23%	30%	46%	67%
Two-income household, 'Affordable' or 'Not affordable'?	Affordable	Affordable	Not affordable	Not affordable
Two-income: % extra to average wage to be "affordable"	N/A	N/A	38%	100%

*"3a. What more could Government do to incentivise and provide more certainty for landowners to bring sites forward for development?"*

*3b. You give the example of "seed funding" being provided by Government in the UK can you expand further on how you see this working in Jersey?"*

### **3a. Government of Jersey incentives:**

The Government could offer several incentives to encourage landowners and developers to develop their vacant sites. Some examples of this include:

- Accelerated planning approval process for sites that meet designation (say 70% affordable or first-time buyer homes).
- Waiving Planning Consent fees for developments that meet a minimum requirement of (say) 75% affordable housing and are developed (on site) within a time period of permission being provided.
- An exemption on any Stamp Duty or Land Transfer Tax for affordable housing.
- An exemption on any imput duties or levies on materials identified for affordable housing.
- Remove any Planning Obligation Agreements, Community Infrastructure Levy, or such like on small-scale (less than 10 units) developments.

### **3b. Relevant UK examples:**

The UK Government's Affordable Homes Programme provides grant funding to support the capital costs of developing affordable housing for rent or sale. As the Government's housing accelerator, Homes England dispenses the grants available, and will be making available £7.39 billion from April 2021 to deliver up to 130,000 affordable homes by March 2026. The grants range in scale from 10% to 40% of the costs of the development.

Homes England partners who receive a grant will also be expected to focus on promoting significant use of Modern Methods of Construction (MMC), high-quality sustainable design and working closely with local small to medium-sized enterprises (SME) housebuilders. In this way, the fund (as an accelerator) is used to subsidise the higher costs of innovative build solutions during their introduction / familiarisation into the marketplace.

The AHP is also used to incentivise the use of strategic partnerships to deliver affordable and social housing. Strategic partnerships are a range of tailored, longer-term deals for organisations that have the ambition, capacity and successful track record of delivering large numbers of new homes at significant pace.

Information on the Affordable Homes Programme is available on: <https://www.gov.uk/guidance/apply-for-affordable-housing-funding>.

*"4. You make the point regarding risk being an input factor to the price of building in Jersey. What policy interventions should the Government adopt that would enable it to assist with mitigating /sharing this risk?"*

*"5. In your view, how might the re-zoning of land contribute to the timely delivery of affordable homes?"*

*"6. You refer to "NIMBYism" as being, in your view, a factor affecting the development new homes. Do you have any suggestions on what could be done to mitigate and manage this?"*

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4. The most time-consuming and 'at large' risk that any developer in Jersey has to manage is obtaining Planning Consent and Building Bye-law Approval. The JeCC would like to see more focus on de-risking the entire planning process, and ensuring that developers, land-owners and contractors are able to be clear from the outset on the planning risks associated with a development. This risk leads to many inefficiencies in the process, not the least of which is the 'stop / start' nature of a development or construction project, during its procurement. For example:

- pre-Application advice is now very difficult to obtain, meaning the earliest that a developer or landowner gets feedback on their scheme is after they have submitted it for consideration;
- the timescales associated with the registration and consideration of the process are presently far in excess of any service-level indicator.

The JeCC would also like the Government to be clearer on its future capital expenditure requirements, providing upfront visibility of future planned spend and avoiding curtailing committed spend identified in the Government Plan at short notice to fund overspends on other larger projects. Small-scale (<£2 million) projects are the life-blood of the local industry: these are the ones that should be delivered quickest and often.

Finally, the JeCC would like to see more open advertising of all Government construction projects (including those by arms length organisations and functions), to encourage greater participation of local consultants and contractors in the procurement and delivery of the Government's works.

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5. More land re-zoned for either affordable, social or key worker housing should lead to an increase in the supply and availability of the housing (all things being considered). This, in-turn, will assist with meeting demand. The re-zoning of land will also assist with encouraging use of the land for an essential purpose, i.e., providing the Island with affordable homes.

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6. The JeCC did not use the term 'NIMBYism' in our previous submission, and don't recognise this as an appropriate term. We do believe though all landowners and developers progressing with a development scheme should expect the plans for any development to be subject to review and challenge from others, especially those that live adjacent or near to a development where that development is likely to have an impact.

However, we also believe that greater involvement of the community and public in a pre-application consultation should be encouraged to ensure that views and comments are made early on and are incorporated in the emerging design of the scheme. This would lead to better quality planning applications and assist the Planning Department with taking into account the view of the public on a scheme. We do not though believe this involvement should be facilitated through negative, offensive or political groups established on social media for purposes unrelated to a project or development.

Finally, we would like to see the Planning Department take into consideration any pre-application structured public consultation that a developer or landowner undertakes when assessing the subsequent comments or letters of objection during the planning consideration period. For example, there is presently no differentiation between those applications where a developer has engaged extensively pre-application, through a structured, public engagement process; and those applications that do not do any of this. Both applications still have a public advertising period; and both may receive objections in writing during that period that can impact on the outcome of the consideration period.

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*"7. You have explained that your members are experiencing significant delays in the planning system for applications they are involved with and make suggestions for how processes might be improved.*

*a. Do you think there should be a fast track planning route for affordable housing schemes?*

*b. Are there specific planning policies that could be introduced to enable planning permission to be achieved more quickly (for example permitting development if it met specific criteria)?*

*c. How could a & b work in Jersey?"*

**7a.**

Yes.

For those schemes that will deliver (say) 70% of home as 'affordable', targeting social / low-income or key-workers, then definitely. This approach would significantly reduce the planning risk of these schemes and make them more viable / deliverable.

**7b and 7c:**

Jersey has a unique characteristic in that the Planning process must cater for any and all (large / small, macro / micro, major / minor, very large / very small) scales and complexity of Planning decisions. This should be an opportunity to develop a benchmark process that supports the overall outcomes of an Island Plan, and its simple and effective application to any and all instances.

The JeCC would like to see more application of the rules around deemed consent and presumed planning permission for domestic homeowners (extensions, garages, etc.) and single-dwelling applications of (say) less than 1,200 ft<sup>2</sup> (as an example). The onus should be on the would-be applicant being assured of their compliance with the rules, and the penalties for not being in compliant being more onerous. This approach would remove significant numbers of small-scale minor applications from the process, freeing-up Planning Applications officers and authorisers to focus on more significant applications.

The JeCC would also like to see more use of self-certification by a would-be applicant, who could (if they wished) source and appoint an outsourced / third-party independent Planning Assessment by developers, who would submit this evidence of compliance and assessment to the Planning Department at the outset. This could then be used to decide whether an application qualifies for a 'fast-track' review and consultation process (against those that haven't adopted this approach and thus would need a 'full' procedure). This approach is similar in some ways to how the existing Building Bye-law approvals process is undertaken, and the use of the SER engineering certification scheme, both of which operate and are familiar.



"8. You mention the use of supplementary planning guidance in assisting with understanding the proposed use for a specific site. Do you think supplementary guidance could be used in other aspects of the planning system to aid development? If so what type of guidance would you like to see?"

"9. a. Can you explain more fully what you mean when you state that "the target for affordable homes should be wholly unrelated to delivery of the Island Plan"?"

b. What problems if any would you anticipate with a planning policy that required a percentage of all homes on residential sites to be affordable?"

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**8:** Possibly, but more emphasis perhaps on using SPG's flexibly to support Planning policy and not further constrain developed design. The existing planning framework already provides robust regulation in planning terms. The existing approach to using SPG's can sometimes be applied and have the opposite effect than that intended. For example, they can (on occasion) result in less flexibility than an underlying planning policy by stating, in a recent example of a development of affordable housing, the number of units and %mix, without allowing the scheme design, site configuration and development economics to assist in informing it.

The JeCC notes also how supplementary regulation is applied in the financial services sector, for example, where the Jersey Financial Services Commission issue "guidance" and the individual companies then apply the guidance and comply with the directions issued. Non-compliance is tested via inspections (random / planned) and then dealt with effectively through sanctions. The threat of non-compliance (and more importantly the need to be 'compliant') is treated very seriously by senior stakeholders inside and outside the organisation. Perhaps there are lessons that may be ported from this example as to how general (non-site specific) SPG's may be used to help developers with meeting Planning policy.

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**9a:** The target for affordable homes should be set by the needs of the Island's present and future planned population, taking into account not only the population numbers, but also other factors such as:

- present, desired and anticipated household income / expenditure;
- availability of funding;
- affordability of accommodation; and
- the state of existing supply.

Many of these factors, whilst referenced within and used as research for the informing an Island Plan, are dynamic; they are changing more and more rapidly, as technology and information influences. This trend will only continue in the future as macro-economic factors (i.e., those outside of Jersey's control) result in an impact on the Island's micro-economic means. Therefore, to some extent what's in the Island Plan will only ever be a policy decided on a snap-shot in time.

**9b.** The JeCC notes the example of Guernsey, that adopted their planning policy GP11 in 2016. The policy states that every development over 20 homes must include some affordable units (30% on developments over 20 homes); and developments of between five and 19 homes were expected to include a payment into a fund to build affordable housing. A report by Guernsey Press in September 2020 reported on the States of Guernsey Development & Planning Authority market update: "Since the adoption of the policy in 2016, 57 affordable units have been given permission, but they have not come from private landowners."

The policy is extremely difficult to work with, especially where there is only one registered social housing provider (Guernsey Housing Association). For example, several large-scale housing developments in Guernsey (including Leale's Yard, owned by the Channel Islands Co-operative Society) have not moved from site to development because of matters related to the GP11.

Jersey would be no different. The adoption of a "must provide" policy such as GP11 could have a similar impact on private-sector development. The JeCC would favour a more coercive approach that closer aligns the needs of the public with the resources of the private-sector developers and landowners.

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"11.

*a. Have your members considered/utilised modern methods of construction (MMC), if so, in what form?*

*b. What are the barriers to construction via MMC in Jersey?*

*c. Could MMC be used as an effective tool to boost the supply of homes, particularly affordable homes?*

*d. What is needed to enable MMC at scale?"*

**11a.**

Andium Homes (a JeCC member) have successfully trialled:

- Insulated Concrete Forms (ICF – EPS insulation) at Rosemount Mews (2 townhouses) and Robin Hood (5 townhouses).
- Hadley Steel Frame at Plaisant Mews/Convent Low-rise (21 apartments + Age Concern HQ).
- They are currently looking to trial Porotherm for 2 new houses and 12 new apartments.
- The Limes project will be constructed from HSF (127 apartments) and another major Capital redevelopment will be a blended solution of ICF & HSF.
- They are also researching woodcrete ICF and modular construction options.

**11b.**

One of the main issues is shipping costs for pre-assembled elements such as HSF panels, bathroom pods and modular units. However, Andium Homes are trying to develop on-island assembly facilities and have had some initial success with HSF panel assembly by Normans Ltd, for the Plaisant Mews scheme.

**11c.**

Yes, they can, subject to upskilling the local workforce and establishing assembly facilities.

**11d.**

Develop new supply chains to increase competition. On-island assembly facilities for bathroom/kitchen pod production.

*"12. What challenges do you see arising from the requirement to introduce new design standards and environmental features, including carbon reduction requirements?"*

*"13. From your members' perspective do they encounter any problems that are specific to the development of affordable homes/working in the affordable sector?"*

*"14a. Are your members able to work effectively with Andium and the Housing Trusts?"*

*14b. Are there areas for improvement?"*

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**12.** In any normal period, the opportunity to raise and improve new design standards and environmental features would be welcomed by the industry and used as an opportunity to innovate and adapt. And it's true that the events of the past 18 months (and their impact on global supply-chains and labour resources) have brought out some of the best behaviours and responses from all sectors, including the construction industry.

However, whilst the construction industry is working hard to adapt its procedures and operations in order to ensure it can continue to safely and efficiently deliver new buildings, the Government should consider the very real impact that further new environmental and design standards may have on developments, and whether the Government's desired outcomes may be best served by timing their introduction more effectively in order to support the island's development sector.

On larger projects, where the budgets are significant and annualised increases in the costs of materials and labour costs are more felt, will likely already see great innovation take place (see – for example – the work of Andium on their larger housing projects, described above).

On smaller / medium-scale projects, where the labour costs are typically a more significant element of the overall costs, the focus of all clients (public and private sector) should be on helping to ensure / maintain production as efficiently as possible.

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**13.** None that are specific to the development of affordable homes or working in the affordable sector.

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**14a.**

The JeCC and our members are able to work effectively with all proactive, understanding and well-ran clients, regardless of whether they are a private or public-sector organisation. The key to this, however, is consistency, transparency and visibility of our client's requirements; and in this regard, there are many different experiences and examples of good and bad clients.

**14b.**

Yes. Most clients generally understand that the commitment of an entrepreneur to establish and run a building company or sub-contractor is built from an underlying passion to want to build and develop. They also generally understand that profitability margins are very low, when expressed as a %age of the overall costs and when seen in the context of the risks that the contractor or developer is having to manage.

However, some Clients (including examples from within the long-arms of the public sector) are still able to (and frequently do) change the scope, timing, duration or delivery of a project (that can take years to plan / design / procure) in days or weeks, leaving organisations (both main contractor and supplier level) with no immediate replaceable workload.

Clients also use a myriad of ways to source their building contractors and suppliers. Some favour a more collaborative, partnering based approach (that helps our members to plan for a project carefully and with good results). Others still (to this day) favour a more adversarial approach that focuses on price (as that is how they measure 'value'), seeking to save small sums off an already-thin bottom line

These inconsistencies are the single-biggest area for improvement and which – if improved – will introduce a much stronger and more productive industry delivering a more superior end product.

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"15. You favour devolving greater to say to the parishes in development and planning matters.

15a. Do you think that this could lead to inconsistency in terms of delivery across parishes?

15b. How could a localised approach be accommodated within a wider strategic approach to development?

"16. What do you think are the challenges/barriers that the Island Public Estates Strategy faces in bringing forward sites for development at pace?"

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**15a.**

No. It will lead to parishioners finding ways to celebrate their identity, and what they want their parish to be known for. It will also lead to greater interaction between the parishes and their parishioners, the majority of whom already take huge pride in the way their parish is ran and administered.

**15b.**

A ranked / tiered hierarchy of opinions and involvement could be established, where those closer to the project (in terms of vicinity, locality, or end-use) are given greater opportunity to have their objective opinions heard in the context of the Planning Policy. A good example of this can be seen in the criminal courts, where victim impact statements and pleadings are taken into consideration by a judge when considering sentencing. This approach could therefore permit a parish, coordinated by the parish, to assemble a 'local' consensus, that should be given more currency in the context of a development.

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**16.** There are several challenges towards a successful implementation of the Island Public Estate Strategy ("IPES"), which include:

**1. The Government's ability to resource and support its implementation**, particularly given how funding of the Government is only allocated on an annualised basis via the Government Plan. The JeCC would like to see more funding strategies that spread a number of years, recognising the scope and depth, and potential impact, of the Estates Strategy on the delivery of the island's public services in the future.

**2. The public's huge level of interest in all things property** (which can, on occasion, be unhelpful for the Government). As the island has a large number of property owners (by proportion to the overall population), there are always plenty of opinions as to what the Government should do with its property. Whilst the JeCC supports public interaction with the Government, we would prefer to see this interest harnessed and focussed on where the Government need help, and not sometimes on where the Government don't need help.

**3. Visibility**. Since its final (and long-awaited publication), there has been no follow-up on timetable for implementation. Indeed, the launch of the Strategy had no real publicity or communications (its publication appears from the outside to have been something of a source of tension between the Government, the Council of Ministers and the members of Scrutiny).

**4. The interdependence between significant-scale projects** (e.g., Our Hospital, Fort Regent, Inspiring Active Places) and their impact on those smaller in scale, scope or complexity (which ironically almost always appear to be overly-complicated to deliver and complete because of the resource and dependence on the outcomes from the larger-scale projects).

**5. Political support and scrutiny of the IPES implementation**. The JeCC absolutely agree with the need to hold officers and the Government's executive to account on its process, approach and progress. However, property and development of real estate (and disposal or re-purpose) is not a simple, day-by-day activity that shows progress month-to-month. Also, the implementation of the IPES will require the Government to maximise its commercial leverage, and it can only do this if certain activities are undertaken in a commercially-sensitive environment. Therefore, appropriate and timely interest from members of the States Assembly – as opposed to political, inappropriate and unhelpful – is what is needed to realise successful outcomes.

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jersey**construction**council

The Jersey Construction Council (**JeCC**) is the voice of the island's construction industry. **Our focus is on building Jersey better.**

Our 130 member organisations include clients (developers, Government agencies), utilities companies, contractors, subcontractors, suppliers, designers, and consultants. The JeCC occupies a unique role within the Jersey construction industry. The breadth and depth of its membership means that JeCC is the only body able to speak with authority on the diverse issues connected with construction without being constrained by the self-interest of any particular sector of the industry.

This document has been prepared by the JeCC as a response to the request for written submissions made by the EHI Scrutiny Panel. This document contains the views of the JeCC as a collective, and does not comprise the views of any one individual within the JeCC. It contains the views on those matters identified as areas for consideration in the document.

Any comments or requests for further comment from the JeCC shall be directed to the address and contact below.

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