

Successful places
with homes and jobs



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**WORKING
LOCALLY**



**Supporting
Delivery**

Thames Gateway South Essex
Housing Conference
Monday 21 November 2016

Christopher Moore
HCA ESE

Key issues for today



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- Policy Context – National and Local
- Housing and Planning Act 2015
- Delivery context
- Increasing the pace of delivery
- Partnership arrangements
- New funding structures and programmes
- Accelerated Construction and technological innovation
- HCA funding in practice – Case studies
- Huge ambition, huge opportunity – Autumn Statement, 23rd November



National Policy Context

- Accelerated housing growth, top priority for Government
- Target housing starts by 2020/21 – 200,000 pa
- 30,000 Starter Homes on Brownfield land
- Government Departments land release – 160,000 new homes by 2020
- 36,000 new homes from DCLG/HCA
- Extend Right to Buy to RP's
- Right to Build requirement on LA's
- Diversify and increase competition – SME's
- Underpinned by £8 billion



Local Policy Context

- Thames Estuary Commissioners Growth Vision 2050
- Significant increase in sustainable housing growth
- County Council to work closely with South Essex LA's to identify new settlements/urban expansion
- Adopt international best practice
- Need to understand long term community needs – changing demographics, workplace mobility, ageing population, infrastructure
- Must balance local residential expansion with growth in jobs
- Recognise access to London as a critical generator of long term economic growth
- Create and fund sustainable infrastructure solutions in advance of development
- Lower Thames Crossing

Impatient MPs want to know, where is the promised land?

Neil Johnston

Whitehall has a "long way to go" to meet targets to sell enough land to build 160,000 homes by 2020, MPs have warned.

The public accounts committee said there was a "real risk that the government will not achieve its commitment" by the deadline and it questioned whether many sites would be sold.

The committee said that by March of this year government departments had achieved only 5 per cent of the target, disposing of enough land for 8,580 homes at 77 sites, and it warned that the scheme would fail unless they began "accelerating land sales significantly".

In September, the committee found that a previous programme to provide

71

Homes could fit on land released by transport department: target is 38,000

land for 100,000 homes had amounted to "wishful thinking dressed up as public policy", with no coherent record of sale proceeds or properties built.

MPs said that the new scheme had made slow progress because departments had taken "their eye off the ball" or had struggled to find suitable sites. This has resulted in a "stop-start approach", despite it being "entirely foreseeable" that the previous programme would be extended.

The transport department, pencilled in as the second-biggest contributor to the scheme, has made the least progress, meeting only 0.2 per cent of its 38,000 target, releasing enough land for a mere 71 homes.

The Ministry of Defence has made

space for only 856 homes, 15 per cent of its 55,000 goal, and faces problems disposing of the nearly 70 per cent of its estate that is deemed "high risk", since it is in operational use or subject to other policy decisions.

The Department for Communities and Local Government was moving fastest, reaching 12 per cent of its target, or enough for 4,336 homes. The health department had matched 11.4 per cent of its target.

Meg Hillier, chairwoman of the parliamentary committee, said that "sluggish sales have hindered progress towards the 2020 target, while questions continue to hang over the potential of many sites earmarked for sale and whether homes will be in the places people want to live".

The Department for Communities and Local Government, which is overseeing the scheme, said that it had reached 7 per cent of its overall target in June. However, according to the committee, which said that the department had presided over "lengthy delays" in publishing its monitoring, this means finding land for another 149,000 homes by April 2020.

The scheme could be hit with further problems. Many health department sites are said to be "at high risk of falling out of the programme", while the Ministry of Defence has to answer the "value for money question" on plans to dispose of 3,000 homes through cancelled leases with a private contractor. This could cost about £14,000 per house, resulting in a potential bill of £42 million.

A spokesman for the Department for Communities and Local Government said that since 2010 it had acted quickly and was taking "direct action by using surplus public land and £2 billion of investment to accelerate delivery of thousands of new homes".



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Delivery Constraints

- Shortage of land supply for immediate development
- Large developers exert undue control over supply to maintain price growth
- SME's do not have capital resources to enter supply market
- Acute shortage in all house building trades and skills
- Acute shortage of materials and global supply chains
- Acute shortage of experienced LA planners
- Financial constraints and re-structure of RP sector
- Lengthy delays persist in securing Planning Permission
- Acute shortfall in S.106 contributions to fund advance infrastructure

What is the HCA doing?

Accelerating the pace of delivery

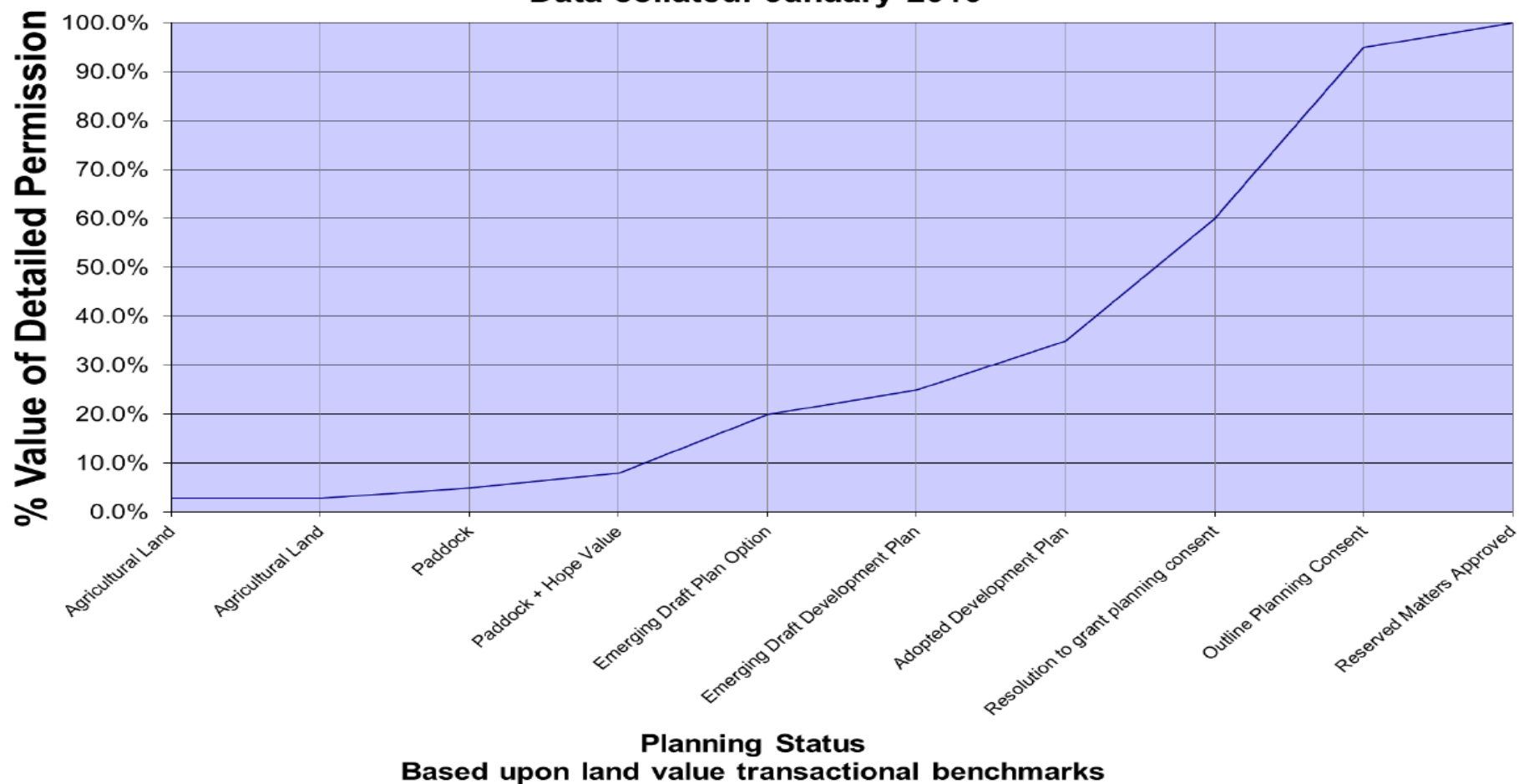


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- Public authorities must understand development economics and work with all sectors of development community
- PPA's and Planning Protocol arrangements
- Independent viability assessments to unlock S.106 settlements
- Encourage new SME entrants by new framework panels
- New infrastructure solutions across agencies
- HCA site acquisitions programme
- HCA Large Sites and Housing Zone Capacity Funding
- New ways of resourcing LA's – ATLAS
- Locally driven Development Corporations



Relationship between Planning Status & Land Value
Source: Major UK Property Agent
Data collated: January 2010





Partnership Arrangements

- HCA, Department for Communities and Local Government, BEIS, Highways England, Department for Transport and Natural England
- HCA, County Councils and Local Authorities
- HCA, Registered Provider's and other Social Housing Groups
- HCA, Developers, House Builders, Land Traders
- HCA, Utility investors, infrastructure providers
- HCA and private finance: RBS, Lloyds, Cheyne Capital, L&G
- Devolved powers, more local accountability

New structures for development financing



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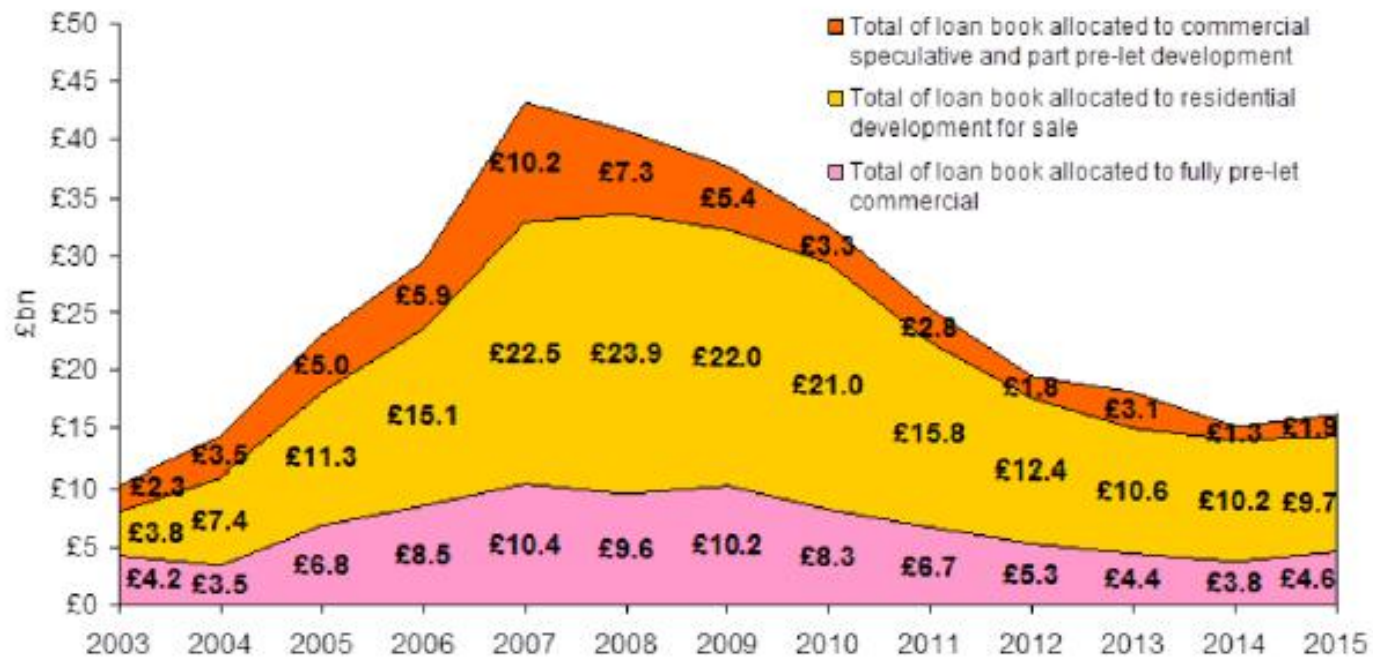
- Current funding market
- Private finance appetite and assessment of development risk
- Significant reduction in bank lending for development finance
- Banks must increase holding capital under regulatory change (Basel 111)
- Higher risk lending more expensive especially to higher risk borrowers

Residential development finance market size 2003-15



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Reduced since the peak from £23.9 billion to £9.7 billion in 2015.



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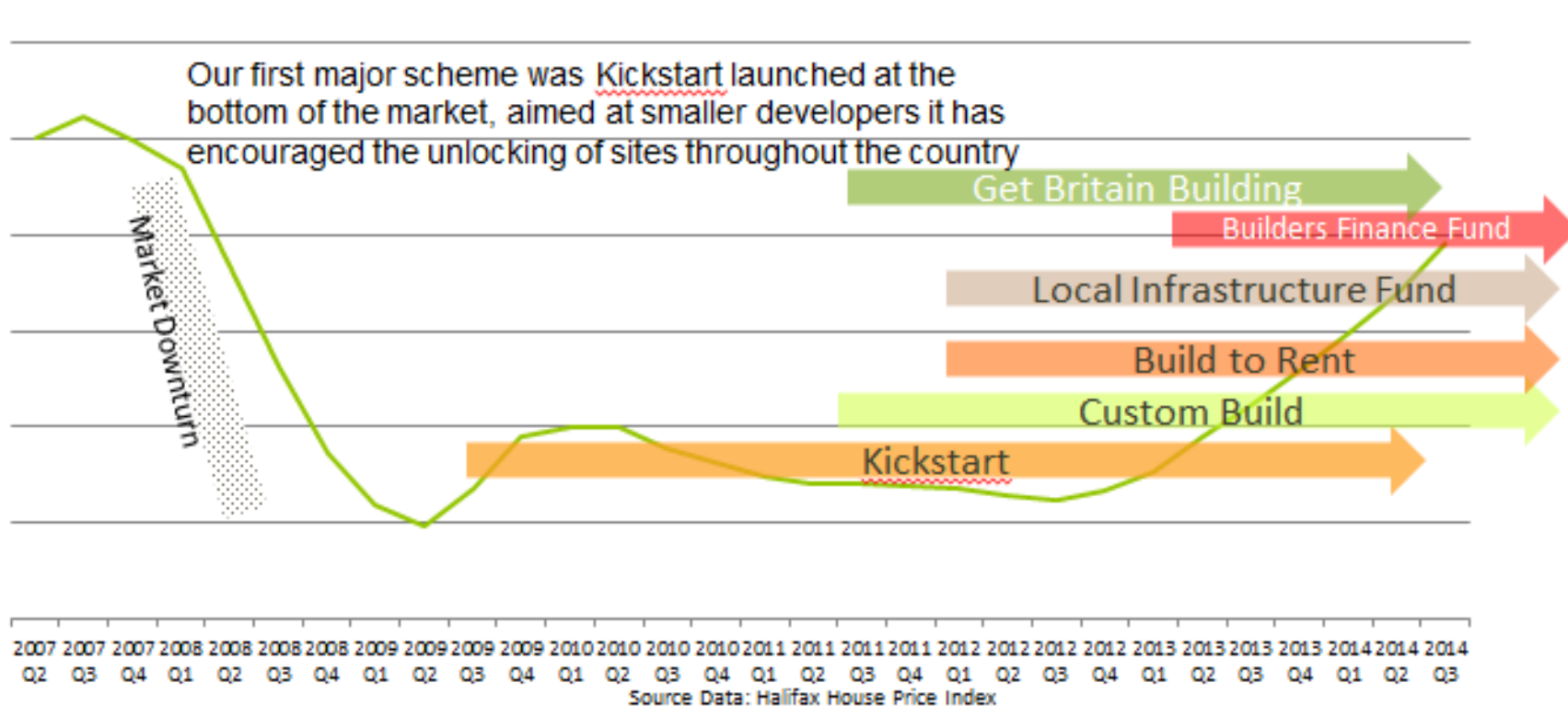
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Historic government interventions



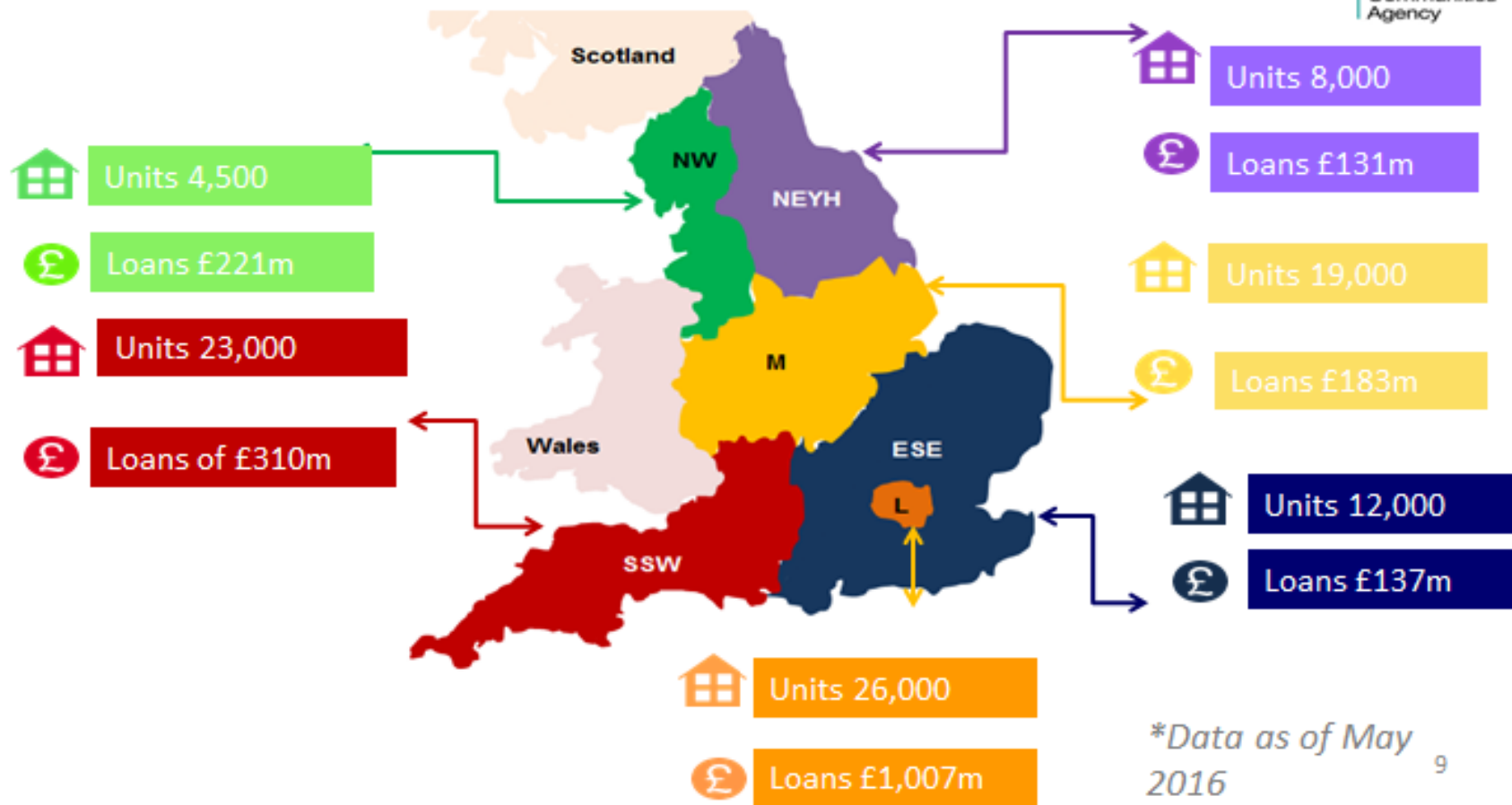


HCA-I: New funding arrangements

- Loan finance
- The Home Building Fund
- Development finance - £1 billion (target 25,500 new homes)
- Infrastructure finance - £2 billion (target 160,000 new homes)
- Supporting Innovation and off site manufacture
- New infrastructure funding for strategic priorities
- Strategic transport infrastructure
- Strategic alignment of major development opportunities
- HCA brings forward its own sites



Contracted deals across England



*Data as of May 9 2016



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Peters Village Bridge, Kent £19.5m

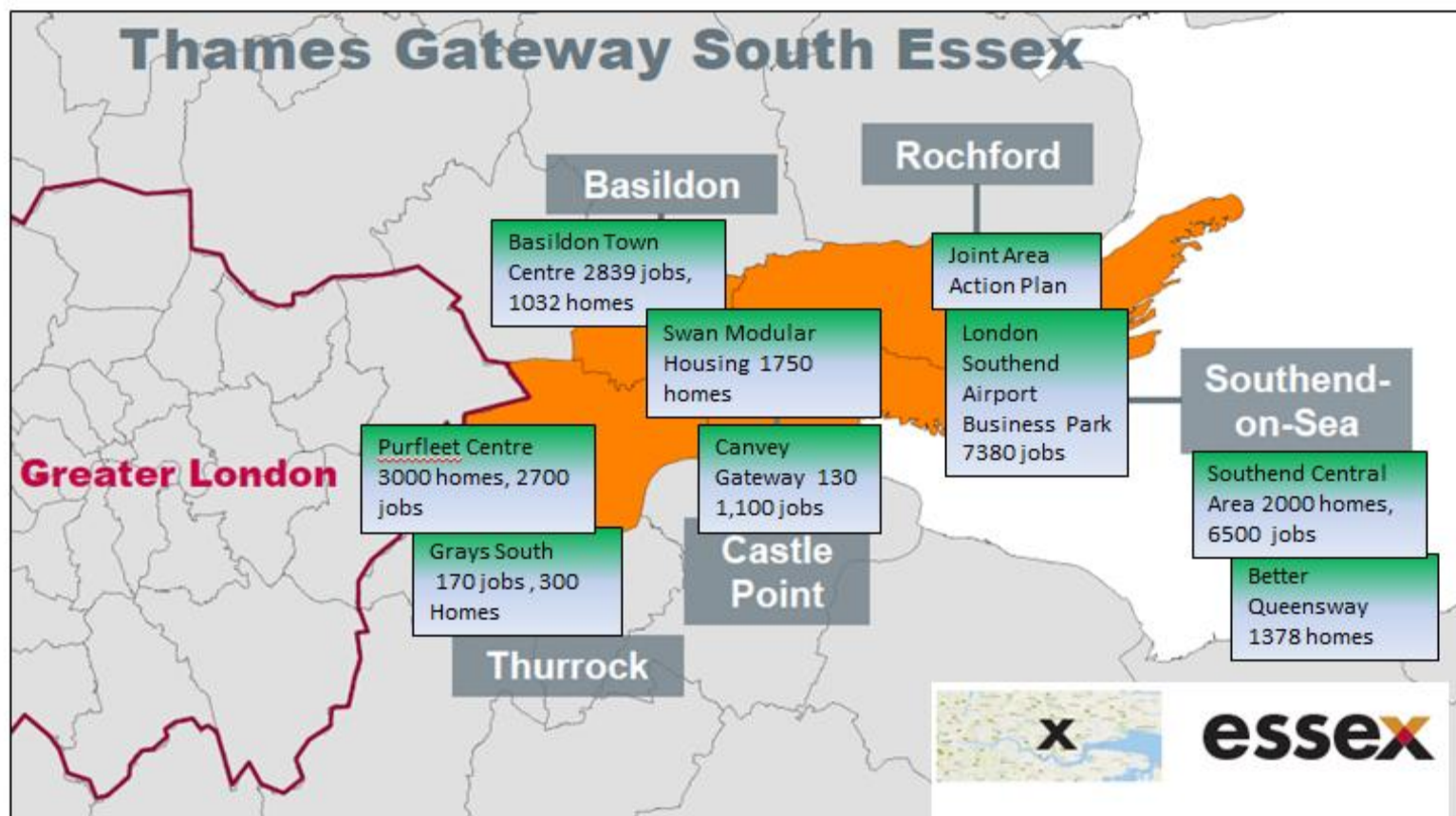


South Essex – Strategic Opportunities



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Growth Potential: 45,000 new homes, 52,000 new jobs
Snapshot of Opportunity South Essex Schemes





Conclusion : Huge Opportunity

- Strategic Infrastructure constructed in advance of development – New HCA funding solution?
- Strategic approach to investment in Utilities
- Greater freedom for RP's and LA's – new Housing Companies?
- Specialist financial capacity for extra care housing
- Strategic support for new high quality Garden Cities and Towns
- Provide sites for commercial development to promote high growth business sectors



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Thank you - Questions