

## **Homes England – Written evidence (UKH0115)**

Homes England is the Government’s housing delivery organisation. A national agency with expertise across the country, our role is to ensure more people in England have access to better homes in the right places. To make this happen we intervene in the market to get more homes built where they are needed. We accelerate delivery, tackle market failure where it occurs and help to shape a more resilient and diverse housing market working with partners.

The Committee has set out specific questions that it would welcome input from Homes England as part of the evidence gathering phase of the inquiry which are addressed in this paper. The Agency can provide further information to support the Committee’s inquiry as helpful.

### **1 How does the availability of land affect the delivery of new housing?**

- 1.1 It is Homes England’s experience that one of the major constraints on housing supply is the availability of a consistent supply of viable and deliverable development land. 91.5% of land is non-developed in England and just 0.8% of this land is available for development – the remainder includes agricultural land, forest and open land. The lack of development land is due to:
- 1.2 The existence of a plan-led system in the UK where land is allocated for development based on strategic desire and landowners’ willingness to sell. This system relies on up to date local plans to ensure the current supply is accurately reflected. However, 58% of local councils have a plan that is more than five years old as of October 2021.
- 1.3 Some land not being suitable for housing unless it has public investment in the form of transport, remediation, and social infrastructure.

#### ***Impacts of land availability***

- 1.4 The lack of available land can result in viable housing schemes, even in areas of high housing demand, failing to be delivered, or being delivered in a sub-optimal, piecemeal way, without the required infrastructure or being delivered at an unreasonably slow pace.
- 1.5 Unavailability of land results in higher competition and therefore a higher price, which affects the types of homes that are built and leaves less-capital rich SME’s struggling to complete.
- 1.6 If land does not come forward into the planning system, or public investment does not unlock certain sites for development, homes cannot be built. This shortage is one of the contributing factors to unaffordability of housing.

#### ***Homes England’s activity to unlock land***

- 1.7 The Homes England Strategic Plan (published in 2018) identified ‘unlocking land’ or increasing the availability of land as a key strategic objective for the Agency, in 2020/21 we recorded 170,276 homes unlocked. The unlocking land activity of the Agency essentially covers acquiring, de-risking and disposing of land, infrastructure grant funding and infrastructure loan funding.

## **2 What is Homes England doing to increase the supply of public land?**

- 2.1 Homes England focuses its activity on the delivery of developable land into the market. The Agency has a significant portfolio of landholdings at over 8,800ha, with over 600 active projects.
- 2.2 We aim to increase the supply of public land through funding and finance programmes. For example, the Agency's single land programme accelerates the disposal of public sector land for housing and aims to increase the pace at which we build. The programme unlocked housing capacity for 36,000 homes between 2015 and 2020.

## **3 What can be done to speed up the rate that it can be built on?**

- 3.1 The most important thing is 'de-risking' sites to encourage developers to take on projects. Homes England are doing several things to de-risk and believe that this type of activity would expedite the building on Public Land:

### ***Master Developer***

- 3.2 When acting as a Master Developer, Homes England, owns large site/s and ensures readiness for development, devises the long-term and large scale vision for the site, delivers the main infrastructure and oversees compliance with site-wide planning consent conditions and obligations. Homes England then sub-divides larger pieces of land into smaller ones to make purchasing land more accessible to SME housebuilders. A strong example of the former was the Agency acquiring and assembling a collection of sites that had stalled for 10 years, to deliver more than 3,500 homes in Burgess Hill, West Sussex.

### ***De-contamination***

- 3.3 Another way that Homes England speeds up the availability of developable land is through providing decontamination works to prepare a site for house builders. On large strategic sites, such as Northstowe in Cambridgeshire, the Agency removes contamination, redundant utilities, redundant buildings and structures, site wide remediation and undertaking archaeological studies across the site. These works enable serviced cleared housing parcels to be rolled out to house builders at significantly lower risk to them.

### ***Infrastructure***

- 3.4 Investing in new physical infrastructure is essential to speed up development and is addressed as part of Homes England's strategic objective of unlocking land. We do this through a variety of different funding options such as the Housing Infrastructure Fund, which is a £3.4bn programme that provides local authorities with grant funding to deliver infrastructure to unlock housing land. The Home Building Fund and The Land and Infrastructure fund are other options partners have to access finance to support infrastructure and large-scale developments where mainstream funding is not a viable option.

## **4 The role of SME housebuilders has reduced dramatically in recent decades. What can be done to support SME housebuilders?**

- 4.1 Supporting smaller housebuilders and new entrants is an important strategic objective for Homes England, as this is vital to create a more resilient and

competitive market. The Agency believes there are three barriers for SMEs - access to finance, access to suitable land and access to expertise.

***Access to finance***

4.2 Access to finance is consistently highlighted as one of the key pressures faced by SMEs in the housing sector who often tend to have limited cash resources. Too often the availability and terms of finance constrain housing delivery. This is especially true for parts of the construction sector that are considered high risk and less commercially viable. In addition, there is often little appetite for lending to SME housebuilders, and where it does take place it is often on highly restrictive terms that make the project unviable for the SME.

4.3 Homes England's interventions support SMEs by providing debt and/or equity finance through programmes such as the £4.5bn Home Building Fund (Short Term Fund) which will deliver more than 73,500 home and has already supported 306 SMEs with contracted or approved deals. Homes England also invests to provide infrastructure and remediation works on potential housing sites, decreasing the risk to developers and increasing the delivery of homes.

***Access to suitable land***

4.4 Access to suitable land is also a significant constraint faced by SMEs. Homes England adopts different approaches depending on the size of a parcel of land to support SME housebuilders. In the last year, the Agency has revamped its approach to disposing land through a new system called Dynamic Purchasing System. The system has created a completely digital process and eligibility requirements through the system are proportionate to the size of the organisation, with the aim being to make accessing land opportunities as straight forward and efficient for SMEs as it is for volume builders.

4.5 On larger sites of more than 500 homes, Homes England will typically pursue a master developer approach. This enables Homes England to split a large site into smaller land parcels which are then sold and developed separately, allowing SME developers to bid for those smaller parcels. On smaller sites of less than 50 units or with a gross development value of less than £15m, Homes England will work closely with local SMEs and Housing Associations to encourage acquisition.

***Access to expertise***

4.6 Homes England also possesses a broad range of skills and expertise internally to support the housing sector and specifically SMEs. For example, through the Housing Growth Partnership, a senior adviser is made available to the developer to provide mentoring opportunities and connect an SME with highly experienced experts from across the construction industry.

4.7 Further, any organisation that enquires about accessing finance through the Home Building Fund is provided with a 'Guide to Development Finance for Small and Medium Sized Housebuilders'<sup>1</sup> a document produced in collaboration with the Federation of Master Builders, UK Finance and the Department for Business, Energy and Industrial Strategy to support and enhance expertise in this area.

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<sup>1</sup> <https://www.ukfinance.org.uk/policy-and-guidance/reports-publications/guide-development-finance-small-and-medium-size-housebuilders>

**5 Do the present arrangements provide efficiently for the infrastructure needed for housebuilding (utilities, schools, GP surgeries, roads, flood prevention, etc.)? Does Homes England see it as a part of their role to assist with this?**

- 5.1 The link between planning approvals for housing development for local community facilities (such as schools, open space and social infrastructure) is consistently implemented via CIL and/or S106 obligations. However, the link between individual sites and the need for major infrastructure requirements is sometimes not so well addressed by the planning system, as funding and delivery may cut across several landowners or developers.
- 5.2 To address this market failure, public intervention is needed up front through funding to deliver the necessary strategic infrastructure and underpin the development of new settlements or urban areas. This is an important aspect of Homes England's role as Government's housing delivery agency.
- 5.3 The Housing Infrastructure Fund is a £3.4bn programme that provides local authorities with grant funding to deliver infrastructure that will unlock housing land. It will unlock 291,000 homes over the lifetime of the Fund.
- 5.4 In addition, the Agency has well developed relationships across government, upper and lower tiers of local government, national and SME housebuilders and strategic infrastructure providers (such as National Highways and Network Rail) to 'stand in the gap' when there is an inability to fund or deliver the infrastructure necessary to unlock housing.

**6 What is Homes England doing to increase the stock of social housing?**

- 6.1 Delivering more affordable homes is a key strategic objective for the Agency. The Affordable Homes Programme represents the Government's most direct lever over affordable housing supply. The programme delivers high levels of additionality of housing supply (the measure of how intervention has improved supply) and value for money.
- 6.2 The programme also supports the delivery of a significant amount of broader social benefits (such as reduced overcrowding, rough sleeping and use of temporary accommodation; greater security of tenure, financial stability, community support; and improved labour mobility and access to jobs).
- 6.3 Homes England has a long and successful track-record of delivering the programme – and the Shared Ownership and Affordable Homes Programme 2016-21 (extended to 2022 due to the impact of the pandemic) is on track to deliver 135,000 new affordable homes.
- 6.4 In 2021, the Agency launched the new Affordable Homes Programme 2021-26 (AHP) which will see Homes England invest £7.4bn to deliver up to 130,000 new affordable homes, outside of London:
  - 6.4.1 Around half of these homes will be for rent – social rent (including 15,000 homes in areas of high affordability pressure) and affordable rent; and

- 6.4.2 Around half will provide a route into home ownership – shared ownership, rent to buy, home ownership for people with long-term disabilities and older persons shared ownership.
- 6.5 The Agency expects 10% of the new affordable homes overall to be for specialist and supported housing, and 10% of the new affordable homes overall to be delivered in rural areas.
- 6.6 We have recently announced 31 new Strategic Partnerships who will receive c.£5.2bn between them to deliver almost 190,000 new affordable homes. The Agency is exploring how it can increase the capacity of existing providers and encourage the growth of new entrants, to support a diverse supply of affordable housing providers.

#### ***Supporting local authorities***

- 6.7 Several local authorities continue to successfully access AHP funding through our continuous market engagement approach (CME). CME provides access to grant throughout the duration of the programme, while funding remains available. This route allows providers to apply for funding for individual schemes. However, the well-documented capacity challenges faced by local authorities mean that many lack the ability to deliver at the scale of their ambition. Homes England is committed to addressing this challenge and supporting local authorities – including enhancing their development skills, expertise, and capacity to undertake direct delivery where appropriate. We are also exploring how we could support local authorities through using AHP funding to their wider housing delivery ambitions.

#### ***Supporting smaller and medium-sized housing associations***

- 6.8 The main mechanism through which we currently support delivery from smaller and medium-sized housing associations under the AHP is through CME, either working with them individually or via consortia, which helps to unlock development and financial capacity from partners, share expertise and provide access to procurement frameworks.
- 6.9 In addition, we encourage our strategic partners to support smaller organisations and many have formalised this through delivery partnerships and providing development and management services to specialise providers. We are also exploring how we can support greater collaboration across the social housing sector, including enhancing existing forms of partnership working and identifying incentives to support this.

#### ***Supporting greater institutional equity investment***

- 6.10 There are a growing number of for-profit providers, funded by institutional investors like pension funds, who are interested in investing equity into affordable housing. The sector can offer returns based on stable, inflation-linked income streams that also meet their goals to invest in accordance with environmental, social and governance (ESG) criteria. As institutional investors are typically risk averse and reputationally conscious, it will take time to grow confidence in the sector and increase this activity further. By investing alongside these investors, Government can provide assurance and help address their concerns.

- 6.11 We are keen to ensure we attract responsible investment that delivers the right range of outcomes for Government, tenants and communities. We are undertaking initial cross-government work to explore how we can best achieve this outcome.
- 6.12 We already support the delivery of affordable homes when disposing of our own sites, by seeking to negotiate the delivery of affordable housing through section 106 agreements.
- 6.13 The Agency utilises its online Land Hub and Dynamic Purchasing system to make it easier for affordable housing providers to find land and development partners, by offering greater flexibility and transparency.

**7 Is the workforce equipped with the professional, digital and other skills required to meet housing demand, for example in the construction, planning and design sectors? What can be done to overcome skills shortages, including in local authority departments?**

- 7.1 Homes England engages with partners and organisations that work across the housing sector. In recent months, the engagement we undertake has highlighted concerns within the sector regarding labour and skills shortages, including:
  - 7.1.1 Drop in apprenticeships since Covid: combined with an ageing workforce with reports that older workers are not returning post-Covid;
  - 7.1.2 Decrease in EU workers: The Construction Products Association note that the number of workers from the EU has fallen by 30% over the last year, with ground workers in particularly unlikely to meet the salary and qualification requirement. Overall, EU workers are 6-10% of construction workforce;
  - 7.1.3 Self-isolation: This was noted to be a significant factor in labour shortages in the early part of 2021 (particularly January). This seems to be less of a factor now;
  - 7.1.4 Higher demand for home improvements: Increased demand means that subcontractors have greater choice, with the home improvement market proving more lucrative; and
  - 7.1.5 Skilled tradespeople can turn down jobs to chase higher wages elsewhere due to high labour demand.
- 7.2 Homes England's Local Government Capacity Centre (launched in May 2021) was set up by the Agency to develop, curate and design well structured, accessible offers for local government. The LGCC offers people, tools and money to help Local Authorities to increase their capacity to build more houses.

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