



ALL-PARTY PARLIAMENTARY GROUP FOR
**HOUSING MARKET &
HOUSING DELIVERY**

Minutes of the Roundtable between parliamentarians, housing and regeneration leaders with Peter Freeman.

Monday 25th February 2022 at 14:40 (online meeting)

Members

Ben Everitt MP (BE) - Chair

In attendance

APPG Secretariat

Guests

Aster Housing Group
Barratt Developments PLC
Devonshire Solicitors LLP
Get Living
Harworth Group
JLL
Karbon homes
Places for People
PPR Estates
RPS
Settle Group

Homes England

Tom Otteridge
Mike Palin
Peter Freeman

Meeting Started at 14:40:

1. Introduction

BE introduces PF:

PF opening comments:

-I will give a quick helicopter view in case not everybody knows what we do and why we are there and then I will give you a sense of where I feel we are pivoting and repositioning, partly because of the things we believe are right to do and partly because the secretary of state would like us to.

-In a sense there has always been a Homes England, whether it was the commission for new towns or English partnerships. Homes for England was set up under the housing and regeneration act of 2008, first the Homes and Communities Agency until it changed its name to Homes England.

- Just like we need a national health and national education system, governments always want to get involved and assist the market, they want to see decent homes.

-In a way when I came here 18 months ago, it was very much a series of siloed programmes where we gave money to housing associations, we gave about 1.5bn a year to housing associations.

-There were programmes where we landed money to SME builders to create diversity in the sector and these are things that we are proud of. A lot of the SMEs that we lend money to, when we started lending money to them they could not actually borrow it from the banks and after they created a track record with us, they could.

-We have administered planning programs, we cornerstoned various equity funds with major players like M&G, we co-lend with Lloyds and Barclays, we buy land ourselves where there is a sense that the existing landowners, maybe there is too many landowners and they cant agree on how to share the infrastructure, and we go in and buy the land, put in the infrastructure and make it available to house builders. These are all just a range of things on top of which we have helped to buy which is a mere I think 17,5bn at the moment.

-All of those programmes had to be administered forensically, efficiently in their own right but arguably, there was a sort of greater good if you could put them together more and what we are now talking to ourselves and to the ministers about is places not programmes.

-Rather than just thinking, we spend the money that is allocated in that programme, we are thinking what it does for places and as the government pivots towards levelling up, so far only three towns have been announced: Wolverhampton, Blackpool and Sheffield but more towns are coming.

-Actually it is interesting that the person listening in on the call from Homes England, Mike Palin, was the former chief executive of St Helens, Lancashire. I think it is telling that we are bringing someone in who has been a Northern chief executive to really look after our relationship with the place.

-The pivot is going back to being a regeneration agency rather than just a housing agency and it is trying to work in as many different ways as possible.



-We don't have a sort of one size fits all, we have what we call strategic partnerships with Manchester and North Essex where because there is so much to do there and we are working with them so regularly there is a level of engagement that is continued. In other places it might be more forensic, single intervention, in some places our intervention is in a sense behind the scene, we lend the money to the developer to do the intervention and it might be an intervention directly with the local authority where we've given them a grant to put in a new road or a new school to open up housing, and we have a fantastic network, we have nine offices so we are up in Leeds, in Newcastle, in Manchester, Birmingham, Bristol, Coventry.

-We want to sort of feel that there is a real relationship where every local authority, local builder and local housing association feels they have a sort of an account manager at Homes England so that we can try and glue together the different interventions whether it is affordable housing or infrastructure to really make the place sync.

MP: -The fact that we have legal powers under the 2008 act to do the things we do, 13,000 staff who are technically competent in supporting housing and downstream regeneration and the distribution of those staff throughout the country. We are a valuable asset for the government in terms of levelling up and direction of travel.

PF: -I think about one quarter of all homes built in England are touched by us in one way or another. Whether we put the infrastructure in, whether we gave a loan to a developer or whether we gave a grant to a housing association or helped to buy, something like a quarter of homes are touched by us.

2. Questions and discussion

Q: As we are learning more and more about the levelling up plans of action from the central government, is this causing you to have to rethink your strategy in any way or is it actually playing into your hands nicely?

A: I like to think that we were slightly ahead of the curve. We have to refresh the strategy because we have to do it every five years and the last one was 2018. Robert Jenrick asked me to do a review of the whole organisation, both for a fit for purpose side and what more it can do, this was between about October and April of last year. I believe that we should be in regeneration, that's partly because the best development involves mixed use and placemaking, but actually one of the problems in the planning system is that because most developers only do homes or only do an office park or an industrial park, it doesn't actually make great places and that helps lead to sort of nimbyism and rejection of development. So I think that if we are trying to help places, although fundamentally most of our money will probably go towards housing and infrastructure, we shouldn't be afraid to get involved in some employment space, some commercial space and we should also work close with health and education authorities so that the way that they spend their budgets also contributes to place, bringing people back into town centres.

Q (BE): The question that springs to mind and hopefully is related to that, you are being policy led and how that is contributing to the change of direction.

A (PF): I actually don't think there is much conflict between them, there was probably more conflict when I joined 18 months ago in the sense that the programmes were



more siloed and I think there was less vision. I think everybody knows that Michael Gove is not short of vision and I think that he is seen as one of the few cabinet ministers who has the clout to reach out across departments. A lot of the sites we look at have a highway element or a railway element and I think his convening power will help to bring all the parties to the table at the same time. I guess as opposed to a conflict between policy and programmes, there is this issue of opportunism, if you do things scientifically, you could just run econometrics sort of lists of multiple deprivations and say that's where all the effort should go. The other end of the scale, if you are a commercial developer for 40 years you say: where is the opportunity? I think that part of what we have to do and at the moment, they haven't just got an ex developer as chairman but they have an ex very shrewd corporate financier as chief executive of Homes England. We are trying to blend the best of realism from the market with the absolutely central need to help people from left behind places. We are trying to find ways of doing that in which even left behind places will bring in other people's money because there is a limited pot of government money, and also in bringing in the other peoples' money you bring in some more skills and diversity. I think it is important to say, we see Homes England very much as a catalyst of the opening end, we are not trying to crowd up the private sector by carrying out developments but as helping where things aren't starting. I have probably been to 20 towns now, I have probably been to the ten biggest and I am still working through the second tier. In almost every town, I am absolutely shocked. Even towns like Manchester that have been regenerated for 30 years you will find sites that are enormous that are untouched. In Manchester there is a site which is 300 acres, it is only 200 metres from Victoria Train Station and it is basically overgrown in saplings because it has not been touched since it was a brownfield site and apart from sparing greenfields it is absolutely critical that when there are deserted, derelict, damaged sites all over town they stop the town from working and we have to help them move forward, and because they are large and damaged, the private sector will probably not start by itself, it will finish by itself if we pay for some site clearance and put some infrastructure in.

A (MP): We operate on something called a policy delivery partnership with the department so as a new policy emerges Homes England is actively consulted on as to how that might be delivered so we avoid any tension downstream in the delivery phase and that's really valuable because it means that we are able to have an input to say: that type of activity is not deliverable with that type of funding but this type of activity is. So I think there is a much stronger relationship between the department and Homes England in developing policy and it being deliverable now than perhaps was the case 18 months ago.

Q: Two quick questions. One, it was just tremendously exciting to hear about the strategic approach to brownfields regeneration and just thinking about procurement and thinking that the English Cities Fund has been quite successful in developing trust and respect in the delivery between Homes England and its partner whether there was any scope for a similar approach in larger sites. Secondly, there is a global issue in the lack of affordability to housing in high demand areas and the extent to which that is a priority to Homes England alongside the regeneration focus that you excitingly talked about.



A (PF): On the former, we think the English Cities Fund has been very successful and we are sort of extending its life and its firepower. But frankly, we need at least three maybe, four, five, six similar multiple relationships, so as someone in the private sector, I almost always ended up taking the view that repeated business was better than tendering. You either never gave a builder a job or you gave him half a dozen jobs, either you never gave an architect a job or you gave him half a dozen jobs because the trust and the learning curve and the ability to deal with things if neither of you is quite happy at the end of a building contract but you both know you are going to do business with each other again, it makes it smoother so although government procurement is slightly different, I think setting up multiple relationships is important and if you are up for it, I am sure we are up for it. You are probably aware that York centralists are coming to the market at the moment and on something like that, traditionally we would probably taken the view that we separate out the commercial from the residential and on the residential we would probably sell 2,500 units, sell them out at 100 to 250 at a go and I would be really interested in seeing whether somebody like you would come forward and really push the boat out and really do better landscape and better public rail and amenities if you could speak for the whole scheme and obviously a much wider range of tenures and types and sizes. In my view, if you don't have someone who is the owner of the vision from almost going on site until finishing and if we're talking large schemes, can easily be tended to 20 years later, it will never have the effect that something like Kings Cross had which effectively four of us gave 20 years of our live to. So we need to find some more visionaries out there prepared to give it all. On the second question, of expensive cities, the secretary of state announced in a sense that the 80/20 rule which was driving a very high percentage of our funds to the 50 most expensive areas has changed and there is clearly a pivot to the north and the midlands. I did not see that as us pulling out from other places and I think that one of the jobs of myself and Peter Denton is to be rainmakers in the sense of finding more money out there by doing ventures with the financial private sector. The first priority is going to be more North/Midlands regen but places like Plymouth and Norwich are likely to count into that regen group, being in the south east maybe slightly less of a focus.

Q: It can take at least a year now for a simple planning application to get approved, anything you can do to help that would be a massive benefit and I wonder if you have any thoughts about these challenges. The other thing, from my perspective as a small builder, Homes England is a bit of a black hole, we've never considered how we might interact with the kinds of funds and support that you make available so I don't know if there is anything that can be done to make that more available to more small and medium sized developers.

A (PF): Dealing with your last question, I am sure that we can send somebody to have a chat with you and learn more about you and see whether we can help. On the planning side, I bare the stripes too and it is tough. One of the things that Homes England is doing but with a relatively low budget is training programmes for planning officers and councillors and I think that in almost any discussion about regeneration and planning, lack of capacity and capability comes up. There is an underlying issue that most local authorities are quite small so that the frequency with which they have a significantly complicated application is relatively rare. Personally, but this is not the responsibility of



Homes England, there needs to be centres of excellence that help local authorities on planning that work on a regional or sub regional basis just to get the expertise there. A discussion that often comes up on section 106 is that the local authority will say: I will be outgunned by the developer because he will have a fancy solicitor and therefore I am uncomfortable with section 106, that shouldn't be the answer. The answer should be that the local authority is adequately gunned. On appeals, I suppose in theory you could speed up the system by having more inspectors but again that's down to the department and partly down to the budgets but also down to the people who really have the expertise.

A (MP): Regarding the barriers within the planning system, there is national policy, which is for the government to have a responsibility for and we know that there are plans coming forward in the next year on that. Another barrier is local discretion and the planning system is a local system and I think we often tend to forget that. Barriers vary from place to place and I say that as a former local authority chief executive, having felt how difficult it can be for developing communities to often understand that it will be different from place to place. The third one that PF touched upon there is about the capacity and capability, we have a national shortage of people with skills in development, planning, surveying etcetera and local authorities are probably at the backend of places where people would want to work for a serious of reasons not the least the way in which you have a shortage in supply in the industry and you have salary inflation, local government cannot respond in the same way as the private sector so there is something around Homes England being an advocate of increasing the amount of capacity and capability in the industry as a whole, not just in Homes England but in the wider development community. I think we are advocating that and we raised that fact with the department as our policy sponsor on a regular basis. On your second point around engaging with smaller and medium sized developers, we are as we pivot towards our regeneration role and not just our housing supplier role, looking at how we engage stakeholders in a different way. Peter Denton, if here would refer to it as our coverage model so we would be keen to speak to yourself and other developers because you are a fundamental part of local regeneration activity and actually in many places it is a medium or small developer that will deliver the schemes in the local area, not the big players nationally. We are looking at how we engage with yourself and others as a stakeholder in a structured way as part of the pivot approach.

Q: Please take what I say in spirit Peter. I have to say I disagreed with part of your opening statement and I was disappointed by a bit of it. Equally I can see that there are challenges that you have to face from your masters in Whitehall to whom Homes England has to respond to. Working very close with some developers, actually they are a pretty good place making and they do engage not just with residential schemes, they do health centres, they do community centres and in fact industrial units as well. I don't think it is as binary as you expressed. When you talk about place, I still see Homes England as a delivery agency. You referred to a site in Manchester near a train station, I take the example of a site in Wolverhampton city, funny enough not far from a train station that has great transport links. The ultimate problem that developers have investing there is the confidence in the market values that they can achieve. This is where I think the enabling devices of city councils and Homes England can help



encourage them and set that market running. In addition, Homes England needs to be making strong cases to its sponsoring bodies around the impacts that cumulative planning taxes are having on delivering the place you referred to. The infrastructure levy can aggravate the situation. What I am asking is for you to almost be this enabling body. I worry that you are being driven by an agenda, when as a deliverer body you should be driving the agenda.

A (PF): I stick to my contention that although there are a few developers who are really willing to do mixed use of which Argent is one, LendLease is one, that they are a limited number. I am particularly conscious about this when we talk about whether they are new towns or new settlements or urban extensions. In terms of the role that you think Homes England should have, I agree it is basically catalytic and upfront, it is not to carry out our own development. If we were, in a sense, being entirely opportunistic in the private sector we would direct ourselves at sort of the low hanging fruit and that clearly isn't what we should be doing as a government agency because the private sector will go after the low hanging fruit. It is finding a position where we are taking on things that we don't think would happen without us.

A (MP): I think Wolverhampton is a good example that articulates PF's wider point. I absolutely agree that it is confidence in market values which means you need an intelligent way of intervening and showing to the market that this is a place it could go. I think the I9 development which was a local authority backed scheme without grant has proven to the commercial market that it can go to Wolverhampton and there's been a second scheme as a result. It is how Homes England, with the competences we've got encourages that to occur in far more places and at far more scale and actually crowd the market into a place. One of the challenges we have in our conversations with our policy sponsors, it is not always grant that is required to meet the market, it is often giving equity or lending in a way that attracts the market in.

Q: I just wanted to pick up on the helping and enabling role of Homes England which we would like to see a little bit more of, there is lots of talk of it but it is, how can you get that weight behind that talk? Just to highlight a few issues. We are competing on the open market to deliver 100% affordable housing sites where we can attract grants into the whole scheme, we are finding that there is a numerous number of local authorities and I suspect that it will get larger, that are now resisting 100% affordable housing schemes and in addition, they are also seeking 100% SIL. In a sense, I see that as a government grant going into paying SIL and I think that needs to be an enabling role to see how that can be facilitated. The phosphates nitrates and water neutrality is now being rolled out to three of our local authority areas and stymying and stopping development and It doesn't seem to be any way out, therefore is there an enabling role with Natural England? Because I know that it has been rolled out to 27 more local authorities and I think that is going to be a big issue. Finally, the infrastructure levy that has been touched on briefly, what role is Homes England likely to be having on that?

A (PF): Starting with the last one, we don't make policy but one of the things I set out to achieve is that this should be a policy delivery partnership so as far as possible, we shouldn't be the last ones to hear about policy changes and we should be free to, in a sense, suggest policy changes up the line. The discussion on the infrastructure levy vs section 106 rattled through the last white paper. In effect, I guess there are two camps. I



think that if you are just a treasury economist, you think that money is better because money is fundable and you can do what you want with it. If you actually know about planning and development, you know that the local authority might not have the skills or the land to put the affordable housing on, you will know that if they put it all up on their own land as 100% affordable maybe their will be a ghettoisation issue and so in my personal view and I probably think that is Homes England's regeneration view, we think that at the very least for larger and more complicated schemes section 106 is actually a mechanism to help produce schemes that create value for the community by having community uses delivered in the site, by coordinating the timing of a school and homes and a doctor's surgery and homes and if you are a developer who's meant to be building 2,500 homes, you positively want to control the delivery of the school. It doesn't help your marketing that you are giving some money to the council and saying they can build a school a mile down the road in three years time. That's a kind of a personal and a Homes England view of the need to attain section 106 for schemes of any scale. For smaller schemes, maybe infrastructure levy is just more manageable and more practical. The last question, I think we are helping in discussions with Natural England to discuss to what extent these are issues that come out of water authorities not doing what they need to do, and if it is the lack of provision of works by water authorities that is holding up the housing, how can one bring something to bear but yes it is becoming an issue in many places.

BE: That kind of canters us to the point that you were making at the start of this call about working with the other agencies to try and unpick those barriers to getting those homes built.

Q: On section 106, I would also add that a lot of the areas where we develop in rural area, the section 106 is crucial to continuing the provision of affordable homes and interestingly I visited a local MP recently, not on that issue at all but one of the things he asked us is whether or not we would be able to support them in any cases that they could be making to government treasury around enabling the continued development of affordable housing in rural areas under the switch from section 106 to infrastructure levy. I think that is something else that would be useful for Homes England to be working with RPs on how to ensure that those sorts of smaller scale developments continue to take place as well. That was more of a comment, my question is: a number of the areas that are in need of levelling up, for instance in the North East, you are not looking at the Newcastles or the Darlington's that could sustain a Kings Cross style development, you are looking at Stanley and County Durham, a number of ex-pit villages in Northumberland, places like Blive and actually in these areas, part of the intrinsic problem is around the quality of the existing housing stock and so is there any scope of Homes England being able in the future to focus on the provision of funding for the replacement of reduntant housing stock more generously than within the very narrow parameters, particularly in view of the fact that in looking to meet the net zero challenge when you are looking at what that does to NPV values for existing homes in low market demand areas or areas of housing markets failure, it does not look like a financially prudent investment to make or similarly when we are looking at a number of supported housing schemes they are old bedsit apartments that no longer meet modern aspirations but under current funding guidances it can be quite difficult to



make an argument for that to be redudant housing stock, so any scope of any movement on that agenda and focus a little bit more away from net increases in numbers of homes.

A (PF): Certainly when I joined 18 months ago, 300.000 was the number and almost the entire policy. I think the secretary of state has much more of a focus on quality now, he has started calling out bad landlords so to speak and the cladding issue has made everyone wake up again to the need for decent building regulations. I think those things together with the fact that the sort of housing you are talking about is often very close to a town centre, walkable to a town centre and if you are trying to revive the town centre, the most revival involves pedestrianisation and getting people on the street, my guess is there will be more money for those things over the coming years because i think that has to be part of the process of levelling up and regeneration.

A (MP): If you see the white paper as being about supporting places, seeing places as a system of interactions between things that occur there of which housing is one element, the white paper is advocating a more outcome opposed to an output focus approach and if you want to placemake it becomes quite logical to think that there should be more flexibility in the affordable housing programme to remove derelict stock or to upgrade existing stock because that is necessary to make the place better. So I think there is a recognition in policy that this is something that should be looked at but there is no policy change yet. I think the sector makes that point on a regular basis and I think Homes England would agree that to be able to remove stock that is holding a place back or upgrade stock in a way that makes the place better and the market therefore better is actually a good way of intervening, even if it is not providing new additional stock in and of itself.

Q: If there is another sentence that you can add about what the Homes England view is on net zero carbon and where it features in the hierarchy of considerations, I'd certainly be interested to hear that.

A (PF): Sadie Morgan is one of our non-executives and we have set up a cross-cutting committee as of last week, chaired by Sadie which is not just a committee of board members but is also bringing in four maybe five external experts in net zero type and community type issues. So the idea of the cross-cutting committee is that we have quite a lot of potential leavers, sticks, carrots when we make loans or when we give grants or when we sell land that has gone through our hands, we can say to people: do at least 25% MMC, meet this standard. What I would really like Sadies' committee to do over six or nine months, is to take the sort of jargon that we all learn how to trot out and actually really spell out what it is realistic that we can encourage/impose on our borrowers or buyers or grant receivers without diminishing the numbers. We can set out and in part help explain and educate a menu that really is realistic for the future.

Q: A lot of this infrastructure levy, potential changes have been covered but I was just interested in hearing more about the potential Homes England role in the risks and opportunities of that approach and also the different markets maybe as we move into a different economic kind of backdrop, potentially recession over the coming months and what the change in approach might be from Homes England to respond to that and to support people.



A (PF): Fingers crossed we don't have one. We are beginning to look at contingency plans, this depends very much on the banking system, but I don't think there is anything I can share other than an awareness that it's an issue.

BE thanks PF, MP and the guests for their time.

Meeting ends at 16:00.