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**Homes and Communities Agency – discussion with
Sir Bob Kerslake**

Summary

This report provides background information and suggested issues for discussion with Sir Bob Kerslake, Chief Executive of the Homes and Communities Agency (HCA).

The Board will receive a presentation from Sir Bob Kerslake to open the discussion.

Recommendation(s)

Members to consider raising issues in this report in discussion with Bob Kerslake and consider how the HCA and LG Group can work together to support councils to deliver an enhanced leadership role on planning and housing.

Action

Officers will take forward the agreed work programme reflecting agreed outcomes of the discussion.

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Background

1. Sir Bob Kerslake, Homes and Communities Agency (HCA) Chief Executive, will be attending the Board meeting to discuss the work of the HCA, over the last year and particularly implications of the spending review and emerging housing policy for HCA programmes and working with councils.
2. The HCA have provided a background paper to inform the discussion. This is attached at annex A. The remainder of this paper sets out issues and questions proposed for discussion at the meeting.

Suggested areas for discussion:

Single Conversation

3. In the light of big cuts to central government capital spending, and the commitment to localism, how does HCA think the objectives and process of the single conversation need to change? What role might HCA have if LGA proposals for place-based budgets are implemented?

New sub-regional governance arrangements for housing and planning

4. Under previous regional architecture, the HCA committed to working with RDAs and Leaders Boards in developing integrated regional strategies. How will they engage with new arrangements being developed for cross boundary working currently being developed, including Local Enterprise Partnerships?

Affordable Housing

5. Currently, the rules for accessing social housing grant count council investment and input of land as public expenditure, whereas Housing Association borrowing does not. This means that Housing Association schemes score more highly in value for money criteria than council schemes even though they might actually result in fewer homes being built for a given quantum of government subsidy. Will councils be able to access HCA funding for affordable homes on an equal will have a level playing field with Housing Associations when it comes to applying for a smaller pot of HCA grants in future?

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Housing and new development incentives

6. Councils are supportive of the proposed New Homes Bonus in principle, but there are a number of issues that need to be resolved if the incentive is to be effective. An LGA briefing on these issues can be found at Annex B. Have the HCA identified similar or additional issues and potential solutions?

Housing renewal and empty homes

7. In many areas of the country, replacement of housing stock and bringing long term empty homes back into use will remain important tool in meeting local housing needs (and we will argue that the incentives package should recognise this). Will the HCA future work programmes also recognise the need to tackle these issues?

Infrastructure planning and tariffs

8. The LGA wants to see Local Development Tariffs implemented as quickly as possible as part of a comprehensive package of incentives for development. Will the HCA work on infrastructure plans help make the case for tariffs and assist councils in implementing schemes?

Community involvement, engagement and leadership

9. Unlocking councils' potential to play a much stronger leadership role in their local communities is crucial to the success of the government's ambitions for community led development. Is this reflected in the HCA's discussions with Government on Community Right to Build, and community planning?

Future of regulation

10. The LGA's response to the review of the Tenants Services Authority (TSA) stipulated that we see the creation of local panels as a solution for effective local co-regulation with housing providers, tenants and interested people sitting on these bodies and providing a critical friend role to housing providers. Would the HCA support that proposal and how would it seek to engage with new structures? For example, could the HCA use this scrutiny mechanism in their judgment on the viability of a housing provider that is applying for HCA grant?

Reform of Council Housing Finance

11. How will the HCA work with councils under the new self financing regime? What funding will be available to self financing councils and how will the current proposed debt cap affect the HCA's approach to allocating councils HCA grants?

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Sector led improvement and capacity building

12. What are Bob Kerlake's plans for the Skills and Knowledge Directorate of HCA (successor to the Academy for Sustainable Communities)? What does he think should be the respective roles of the LG Group and central government and its agencies in ensuring the skills and knowledge are in place in councils and other local bodies to manage development and regeneration effectively?

Financial Implications

13. No funding requirements arising from this report.

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HCA work since the election

Business as usual

Annual Performance

The Homes and Communities Agency's Annual Report and Financial Statements for 2009/10 show that the Agency has partially recovered from the market turmoil of the previous year, with its strong delivery supported by a steadily improving financial position. The Agency met or exceeded all of its key targets in 2009/10, including an 'exceptional' housing performance, starting or completing over 120,000 new and affordable homes with our local delivery partners. The total equates to more than half of all homes under construction during the reporting period.

As well as starting or completing over 120,000 new and affordable homes, during 2009/10 the Agency also attracted £583m of private investment to the sector, gave a boost to jobs and economic activity through the creation of 175,000sqm of employment floorspace, and reclaimed 356 hectares of brownfield land, bringing it back into productive use and helping to remove the blight of dereliction in communities.

The value of the HCA's net assets grew by £214m to £1.16bn, while development assets also saw an increase in value, of £20m, resulting from a £24m writeback of the impairment charge recorded in the previous financial year. Available for sale assets grew by 130% to £381m, as a result of greater investment in low cost home ownership products, helping first time buyers and the house building industry as well as promising a return to the taxpayer in future years.

Nine HCA-supported projects across the country were also recognised for their good design and layout in this year's Housing Design Awards. The awards, run by Design for Homes, acknowledge exceptional housing design in the public and private sectors, using criteria including external appearance and internal planning, relationship to surroundings and neighbourhood, sustainability in construction and handling of garages and car parking.

Despite a significant increase in activity in 2009/10, reflected in a 42% increase in the value of the Agency's Programme relative to the previous year, overall administration costs fell in line with the Agency's efficiency target and resulted in a £2m saving.

Our new Corporate Plan development is currently under development, while we are also working on efficiency measures to respond to the Government's plan to reduce the deficit.

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Programmes and Policy

Core Programmes

In May reductions were made to the HCA's programmes of £230m as part of wider efficiency saving imposed on CLG - £100m (NAHP); £50m (Kickstart Round 2); £30m (Gypsy & Traveller Programme); £50m (Housing Market Renewal). It was indicated that Housing Pledge funding of £780m was not secure, but that £170m of funding would be reinvested in the HCA for social rented housing, creating an overall potential shortfall in funding for the Agency of £610m (£780m - £170m = £610m).

In June Government has decided the remaining £610m was unaffordable given the extent of similar commitments across government, but guaranteed £390m for this year, on top of the £170m announced in May. This will prioritise new affordable housing, existing commitments on Decent Homes and Mortgage Rescue.

In total this left a programme reduction in 2010/11 of £450m (£230m plus £220m). This reduced the HCA's capital budget for 2010/11 by around 10%, to £4.11bn.

Following the review of Kickstart and local authority new-build schemes that took place in light of these cuts, a number of schemes have since received funding, and some have completed, including:

- South Tyneside Council is set to build 20 new eco-friendly homes in South Shields, after the HCA confirmed £803,000 in funding;
- First new council homes in Oldham for 15 years with £797k HCA funding;
- A Redditch development in the West Midlands has become the first in the country to be completed under the Kickstart programme

We are currently working with local authorities, Registered Providers and developers to seek alternative delivery mechanisms for those schemes that did not receive the expected funding following the review.

Other emerging programme work

- **Empty Homes** – The Agency has been running an online forum to capture the sector's ideas and thinking around the empty homes agenda. A report and map of empty homes around the country is expected in the Autumn.
- **Developer Partner Panel (DPP)** - Lovell is working on the first housing scheme awarded by the HCA DPP which has been set up to fast-track the development of new housing on public land.
- **Public Land Initiative (PLI)** – Work is ongoing around the PLI to see if it can be adapted for smaller and community-led project, and how we might develop a more publicly accessible approach to identifying and advertising land.
- **Standards Consultation** – We are reviewing the results of our consultation on the new design standards.

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- **Existing Stock Strategy** – Work is ongoing around the development of an HCA Strategy to address energy efficiency in existing stock, the results of which we hope will be announced early in the new year.
- **Emerging Government Policy** – We are working closely with CLG on policies such as Community Right to Build, Home Swap, Right to Move and for helping social tenants to own their own home.

Localism and the Big Society

We are taking a number of steps to further develop our approach to delivery to ensure it responds to the priorities of local authorities, places and communities. This includes a raft of measures from improving our local investment planning process, to increase transparency by publishing detailed Agency spending over £500, to supporting local authorities to develop new council housing and innovative, locally accountable delivery vehicles.

Local Investment Planning

By working with local authorities and communities, we support, enable and facilitate delivery of improvements for people and places. From the launch of the HCA in December 2008, we focused on implementing the Single Conversation as a local place-based business model. We have now initiated the process with every local authority in England.

Our focus is now shifting to the development and implementation of the Local Investment Plans to which we have made some changes. We will work with those local authorities who wish to continue with local investment planning to complete all the Local Investment Plans currently in progress by March 2011. In future we will adopt a voluntary approach to local investment planning with councils. We are also paring back the Guidance for this process and introducing some core elements which will help local authorities and the HCA maximise the impact of available resources. We have also introduced an internal Peer Review process to help share best practice and improve the LIP development process.

Emerging agreements include:

- Joint working in support of the Greater Manchester Strategy has prioritised schemes for investment in areas where they will have the greatest impact and are most needed. As a result of this successful collaboration, nearly £400m is now expected to be invested across Greater Manchester over the period covered by the Local Investment Plan.
- The Leeds City Region (LCR) has agreed a one year £110m funding deal with the Homes and Communities Agency (HCA), to support the delivery of major housing and regeneration schemes across the city region

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London devolution

The HCA is working closely with London boroughs to tailor new housing and regeneration investment to local needs. The Mayor of London Boris Johnson and London Councils have put forward plans which could see London boroughs taking greater control of their housing budgets. Under 'devolved delivery', the Mayor and the London Housing Board – which includes borough representatives – will agree an indicative budget for boroughs, allowing them to allocate this funding according to London-wide and individual priorities.

Devolved Delivery Agreements would be entirely voluntary and boroughs can choose to participate but are not required to do so. *"It is hoped this approach will avoid the trap of the agreements becoming watered down pacts that have been enforced upon local authorities regardless of their capacity or enthusiasm for devolved housing delivery."* David Lunts, HCA Regional Director

The consultation follows discussions between the GLA, London Councils, the Homes and Communities Agency (HCA) and the Department of Communities and Local Government. It is expected that this will be confirmed in legislation to be introduced by ministers in the autumn. We are also working closely to ensure that non-legislative transitional arrangements are in place to minimise disturbance to existing business, fully engage with boroughs in the process, ensure ongoing accountability and maximise the efficiency of the programme.

Community-led Housing Policy

The HCA continues to develop its thinking and policy around community-led models of housing delivery (Co-operatives, Mutuels, Community Land Trusts, Co-housing etc). We are working closely with the sector, and liaising with partners such as the LGA, to help support the building of capacity in this area, and local authority engagement will be central to the success of the work. We are also working closely with CLG on their new Community Right to Build proposals.

As part of this, we have identified Hab Oakus, a joint venture between Kevin McCloud's company Hab and housing group GreenSquare, as the delivery partner to work up detailed plans to develop a former hospital site in Cashes Green, Stroud, Gloucestershire. The agreement sees Hab Oakus work alongside the Community Land Trust, Gloucestershire Land for People (GLP), local residents and stakeholders to develop a full planning application for a comprehensive redevelopment of the site to include 78 new homes, allotments and a community building. It is the first time a housing-focused Community Land Trust proposal will be delivered on HCA-owned land.

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Community Engagement Toolkit

Work continues to revise and update the Community Engagement Toolkit (originally developed by English Partnerships) to align it to our Community Engagement Policy. The work is being undertaken by the Young Foundation and workshops have been held to gather feedback from internal and external colleagues on the initial draft. A final draft is expected soon.

Developing our enabling role

We are working to adapt our approach and culture to be increasingly driven by what local areas need: a local agency with national influence, providing both investment and support to local communities, at their request, to help them achieve their objectives, focusing on: Transparency; Innovation and accountability; Efficiency and value for money; Supporting community led responses; and Competition.



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Briefing for LGA Members and request for evidence to inform local government's response to proposals for a New Homes Bonus (13th August 2010)

Summary of the New Homes Bonus proposals

Housing Minister, Grant Shapps, wrote to all councils on 10th August to reiterate the government's commitment to put in place a framework of incentives to encourage housing and economic development. The letter confirmed that a New Homes Bonus scheme would be put in place early in the spending review period to reward councils who facilitate the building of new homes. The letter also confirmed that they are working up proposals on business rates reforms to encourage economic development, as well as reforming the Community Infrastructure Levy as part of the incentives package.

The details of how the scheme will work are yet to be confirmed, but previous announcements have included a proposal that the sum an area receives from council tax as a result of building new homes will be matched for a six year period. We also understand that the bonus scheme be funded from within the existing Formula Grant to local authorities, so councils who build new housing will get more funding and councils who do not will receive less grant.

Key issues to be addressed

Feedback we have had from councils so far indicates support for the principle of providing incentives for new homes. Building new homes is essential to economic recovery and growth. Regenerating local economies and creating jobs will require homes that people can afford in the quantity and of the standard and type that accommodates people's needs. Building more housing is also crucial to tackling long term social and environmental issues we face, including tackling homelessness and overcrowding and the heavy health and social costs they generate. But if new homes are to meet these challenges, and be acceptable to local communities, it is essential that they come with the infrastructure, facilities and services required to support them. So the New Homes Bonus will need to work as part of a wider package of support for new homes that includes developer contributions through section 106 agreements, local development tariffs and central government capital investment.

Equally, it is important to recognise that local housing needs are different in different areas of the country. Increasing the total number of homes will have significant economic benefits in areas facing problems of scarcity and lack of affordability. However, in other areas, there is a need to replace existing housing that is in poor

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condition and does not meet local needs. In addition, there is a need to ensure that large scale new developments, for example on Greenfield sites do not have a negative impact on communities nearby by attracting people away from existing housing. Areas that include National Parks or Areas of Outstanding Natural Beauty (ANOB) are also likely to find it more difficult to benefit from the Bonus due to restrictions on development in these areas. It is essential that the incentives package supports development that most effectively meets local housing need and benefits local economies in all areas of the country.

Developing an effective incentive package

The Minister has invited views from councils, developers and communities on the scheme design ahead of a consultation after the spending review. The LGA will be working with Ministers, councils to ensure that the package adds up to an effective incentive and provides sufficient resources to cover the costs of delivering development.

There are a number of issues and questions that will need to be addressed, and on which we would like your views, including:

- **Will the incentive be large enough to overcome barriers to new housing?**
To act as an effective incentive, the additional revenue councils accrue under the scheme in combination with other income from Section 106, capital investment and local development tariffs will at a minimum have to cover costs of providing services to additional households. If the community is to receive additional benefits from development, the incentive package would need to exceed these costs. **We would welcome information from councils on the costs of service delivery and infrastructure need per additional household in your area.**
- **How will the incentive relate to the Local Government Finance system?**
Would the gain from the Bonus be offset by reductions in formula grant funding? If the incentive is drawn within the local government settlement, it will have a redistributive effect. How would this impact on grant floors and damping?
- **How will the incentive be apportioned between different tiers of local government and neighbourhoods?** In two-tier areas, housing growth will have an impact on the costs of services provided by both counties and districts. As planning authorities, districts are responsible for taking tough decisions about housing development and convincing their communities of the benefits. **What should be the process for discussions about how the incentive should be apportioned? Would we want Government to leave this to councils to agree among themselves, for example across a county area?**
- **Will it incentivise the right sort of housing where it is needed?** Council tax income per head from smaller houses or apartments is greater than from family

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houses, so the scheme could incentivise housing numbers rather than the sort of housing needed in an area. Councils could be incentivised to grant permission on sites that are easier to develop in volume, missing opportunities for smaller scale infill.

- **Will it work for all areas?** Housing markets face different challenges in different areas of the country. In areas where obsolete or unattractive housing stock need to be removed to make way for more appropriate housing, there may not be a net gain in housing units, but the council could be meeting very real housing need. **How will the incentive ensure that local circumstances are taken into account? We would welcome evidence on the economic benefits both of increasing housing supply in areas of the worst affordability and of regenerating areas of unsustainable, poor quality housing.**
- **How is a new home defined?** For example, if a large house is converted into four flats, would that be counted as three or four new homes? If a derelict or long term empty property is refurbished and brought back into use, would that count as a new home? In thinking through these issues, the government needs to have an eye both to definitions being clear and workable, and not creating incentives which skew decisions only local housing strategy away from meeting local needs in the most effective way?
- Should the scheme include any enhancements to incentivise policy priorities, such as a higher rate for delivery of affordable or energy efficient housing?
- Our understanding is that the New Homes Bonus will be calculated in terms of housing completions, not on granting of planning permissions. While this makes sense in terms of encouraging councils not to stall permissions pending the introduction of the bonus, the government also needs to think about mechanisms for ensuring that development takes place without undue delay following the grant of permission

We would welcome your input on these issues, or any others you wish to see addressed as well as any ideas you have about how Government can ensure the scheme is effective.

Please send your information to info@local.gov.uk. If you would like to discuss the scheme in further detail, please call Caroline Green on 020 7664 3359.