

Minutes of the Roundtable between parliamentarians, housing industry leaders & Harry Swales, Chief Investment Officer, Homes England

Tuesday 13th July 2021 (online meeting)

Members

Ben Everitt MP (Chair) (BE)

Gagan Mohindra MP

Guests

Harry Swales (HS) - Homes England

APPG Secretariat

Aster Group

Places for People

Settle Group

Get Living

BoKlok UK

Stonewater

JLL

Land Promoters and Developers Association

RPS Group

Sevenoaks District Council

Meeting started at 3:45pm

1. Introduction

- BE introduced himself, and asked the guests to briefly introduce themselves, before introducing HS.
- HS is Chief Investment Officer at Homes England.
- HS then introduced himself and thanked the floor for the opportunity to talk. He noted the experience and expertise of attendees.
- HS noted that the floor would be interested in hearing the future strategic direction of Homes England after the appointment of their new Chair, Peter Freeman last autumn. Peter has spent time reviewing the organisation's capabilities and breadth. HS noted that Homes England has a 5 year strategic plan, of which many attendees would be familiar.
- The role of Homes England was highlighted. Homes England works closely with the Government, working on their behalf to unlock investment opportunities for house

building, and also to improve and enhance affordable housing stock. Homes England attempts to unlock additional housing supply and support a diverse housing market. Homes England supports and guides smaller organisations and SMEs.

- HS noted that self-build was increasingly significant, highlighting the new scheme 'help to build'.
- A sustainable commercial future, both in terms of demand and supply, is important for Homes England to deliver an affordable and sustainable housing programme. New MMC, harnessing offsite manufacturing capabilities and precision engineering are all altering the housing market and development as a whole. With the move to net zero, and tightening building regulations, these methods are increasingly relevant. Designs of homes are changing too.
- There is a strong focus on home ownership; shared ownership and help to buy are important consumer routes onto the property ladder.
- There is an opportunity to think about how housing can play a role in building back better, and in levelling up. The Town Fund and mixed use development in town centres may be increasingly important in the future. Housing is a part of this mixed use town centre offer.
- Homes England will continue to work across the country and the private and public sector as the national government housing agency. Homes England's priority is to release investment potential to move the market forward.
- It is important also to explore what the sustainability agenda and changing demands mean for existing housing stock.
- The Bacon Review is important to note - self build and designing your own home are increasingly achievable and realistic, especially with new MMC. Homes can be built quicker and to a higher standard.
- Direct lending (e.g. Lloyds bank) is occurring more frequently.
- ESG is an increasing focus.
- We need to understand that change in the housing sector cannot be achieved by players acting separately, but only through collaboration.

2. Questions and discussion

Q: Have you got everything you need and all that you want from the government to achieve all your aims?

HS: We have a real breadth of tools available to us. What will be really important is clarity from the government over their strategic objectives. This can guide us as an

agency and also help guide our partners. We have a really constructive conversation ongoing at the moment. What will be really important is to have the resources available to make the strategic objectives a success. We are a national agency and want to continue to support local authorities to provide homes locally. Our Local Authority Centre of Excellence is notable in providing technical expertise so they can be good partners, and construct strong and appropriate strategic plans.

Q: At the moment there is a confluence of circumstances. This seems larger than ever before in living memory. There is more demand than many of us have encountered for homes of all tenures, we have a harder planning environment, the net zero target, lots of ESG regulation, a switch to precision engineered housing which is a revolution about to happen. We are in quite a low return environment. Competition is tough, locally and nationally. The fire safety and cladding issue is a break for firms, and is diverting funds away from construction. What people want from their homes is changing as a result of the working from home phenomenon over the last 18 months. There are more single occupant households and increasing demand for this. We are also likely to see cost inflation for building materials over the short term which we all have to address. Technology is coming into real estate like we haven't seen before. The barriers to entry into the market are massive. We collectively need to apply our enterprise and tenacity to solve some of these formidable challenges.

HS: Thank you for your helpful reflections there. The way we live and what we demand from our houses is a really interesting point. The innovation required is important. We work with Innovate UK and BEIS on what the demand may look like for the future, and how technology can support independence for longer, especially for the elderly.

Q: The two big words in my mind are how and scale. We don't do enough pilots and trying things in the UK, in England especially, it is terrible. In Scotland they do more pilots and it is so important. So many things are learned only by doing, in a practical way. Much of the answer to the how is that commonly used phrase, joined up-ness. A joined-up approach is critical. There is not enough energy about learning and sharing. After a pilot is successful, this can be scaled up. Unless we crack this, we risk being here in the next 10 years.

HS: We absolutely need to be testing new things - one of the questions we need to address is how to quickly and efficiently learn and scale up. One of the schemes we are launching later this year is 'Help to Build', an innovation of 'Help to Buy'. These types of innovations are really critical. Strategic partners are so important to work

with, and learn from, to make joined-up decisions. This will evolve with the next generation of strategic partnerships.

Q: Picking up on this, the CML (Council of Mortgage Lenders) warranty expectations are broader than just self build. We can unlock capacity through modular, and smaller modular organisations.

You mentioned you had a Local Authority “Centre of Excellence”, we have been doing a lot of work looking at first homes, and not picking up lots of traction in finding opportunities to deliver first homes. What are we missing, are we a bit early? What is expected from within Homes England?

HS: We have committed to making £150million available to support the delivery of first homes. As a precursor, we are running two pilots in the Midlands. We are probably in the early stages of this. The planning reforms will have an impact on this. If you want to speak to some of my colleagues then that can be arranged. Feedback would be really useful. It is still in its early stages. Homes England are managing £7.5bn of grants and funds to build homes outside London - a mixed tenure offer is important in this.

Q: I think the Government is in for a tough ride - only a week ago I was on a call of Kent council leaders with civil servants trying to sell the home ownership dream to us by saying that this is a major plank in the Government's drive to deliver 300,000 new homes and solve the affordability crisis. You can imagine the reaction when nothing they are actually doing is actually addressing the problem, at least for us in Kent. We do however now have a relationship with Homes England, which is great, and the first time this has happened since I started as a councillor. I think this is because historic mega schemes are really difficult to deliver. Some 30, 40, 50 unit schemes need very little money, and this has to be the space Homes England should be in. We can deliver homes across the country through these smaller schemes. I am really pleased by this refocusing of Homes England. I am genuinely excited for the years ahead.

HS: Definitely. If we are going to deliver the homes the country needs we will absolutely be working with partners on small or medium size sites. These will often move more swiftly. The establishment of new settlements is a conversation we will continually revisit, whether it be the Oxford to Cambridge corridor or other places across the country. Our Local Authority accelerated construction fund should help with these smaller sites. We also want to make sure we have the finance to support

these sites. It's that multi pronged approach looking at investment and finance tools too which is important.

Q: Just picking up on the point on smaller sites and the point made earlier about the importance of diverse delivery, there are lots of fantastic SMEs out there doing some great and important stuff. There are lots of Housing Associations that don't do much development but are sitting on massive assets and massive potential. Is there a role for Homes England to unlock this with carrot and stick?

HS: Diversity and supporting SMEs in the Housing Association sector is just as important as in the wider housing economy. There are two parts: the financial capacity and the capability to deliver. For smaller organisations, they may have the finance but not the expertise or technical skills for development. Partnership is critical between smaller and larger organisations and consortiums of smaller organisations, as well as joint ventures. Peter Denton, the incoming CEO of Homes England will be likely to harness this potential more, with his background at Hyde. The Local Authority Capacity Centre we are establishing is a precursor to wider support. It would be great to hear feedback on this.

Q: What is Homes England's role in leveling up, what do you need to get the job done? Solving market failure and flipping the 80/20, London/elsewhere investment appears important to the government.

HS: This is a live conversation, and in many ways the outcome of the spending review where capital is allocated will all be a key part in how we invest on behalf of government. So I don't have all the answers to this at the moment. Two reflections though. A high quality housing offer, and investment in new housing in a mixed use setting that drives wider economic development is going to be absolutely key to successfully creating sustainable growth to those areas we see as part of the levelling up agenda. It is a wider agenda than housing. The economic growth and inward investment are critical in that. The High Street Fund and Towns Fund is important and makes strategic development opportunities viable, but private investment is needed and needs to be encouraged.

Q: Opening a large can of worms, some very scary figures surrounding achieving the net zero target are being discussed. Figures up to £100bn over a 30 year period are clearly going to suck a lot of financial capacity out of the sector in terms of housing supply. What is



the role of Homes England in supporting us in meeting that agenda and easing the pressure on us?

HS: We talk to many of our partners across the country about this. Particularly in the affordable housing sector space. Be that in new homes or in existing stock, there is important work to do to look for solutions. There are lots of headlines about cost, but how do we look for solutions? How can the R&D be done and how can this be scaled up? How does any policy interplay with existing stocks? There are big questions to answer.

BE thanked HS for his time.

Meeting ended 4:45pm