Building the Future

Accelerating Housing Delivery in the South East

LOCALIS

South East
Local Enterprise Partnership

www.localis.org.uk

About the South East LEP

The South East Local Enterprise Partnership (LEP) is the business-led, public/private body established to drive new economic growth across East Sussex, Essex, Kent, Medway, Southend and Thurrock.

As well as being the biggest LEP outside of London, it is also one of the most local. The LEP operates a fully devolved model with increased reach into local communities through local delivery partnerships/boards in East Sussex, Kent & Medway, Greater Essex and Thames Gateway South Essex. By 2021, the South East LEP's aim is to:

- Generate 200,000 private sector jobs, an average of 20,000 a year or an increase of 11.4% since 2011;
- Complete 100,000 new homes, increasing the annual rate of completions by over 50% compared to recent years; and,
- Lever investment totaling £10 billion, to accelerate growth, jobs and homebuilding.

The LEP's Growth Deal has won £442 million of investment for the South East LEP area with more to come. Matched by private and public funds, this will be invested in a programme of activities that will transform our transport and business infrastructure. The Growth Deal also brings new influence over rail, skills and housing programmes.

About Localis

Localis is an independent think-tank, dedicated to issues related to local government and localism. Since our formation we have produced influential research on a variety of issues including the reform of public services, local government finance, planning and community empowerment. Our work has directly influenced Government policy and the wider policy debate.

Localis aims to provide a link between local government and key figures in business, academia, the third sector, parliament and the media. We aim to influence the debate on localism, providing innovative and fresh thinking on all areas that local government is concerned with. We have a broad events programme, including roundtable discussions, publication launches and an extensive party conference agenda.

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About this report

This short paper produced by the South East Local Enterprise Partnership with Localis draws out the barriers and solutions to housing growth as proposed in the South East LEP Growth Deal to Government. It welcomes the Growth Deal and looks at how it can be taken further.

It lays the foundation for a new relationship between public and private investment and delivery to realise in a much more flexible and responsive way the homes, skills and jobs we so urgently need in the South East.

The national challenge

Alex Thomson,
Chief Executive of
Localis

With the disconnect between supply and demand, pressure has been building, leading to what has been described by politicians across the political spectrum as a national housing 'crisis', with a cumulative shortfall of 1.3 million homes over the past decade alone. The pressure is especially acute in the South East, where the demand for housing is the greatest.

However, this is a complex policy area – if it was easy, it would have been solved by now. A slew of Government programmes to aid housing delivery, for example Help to Buy (helping buyers access the mortgage market); the New Homes Bonus (to reward councils that encourage house building); the £570 million Get Britain Building Fund (to help build new homes on sites which have stalled); the £1 billion Build to Rent Fund (providing equity finance for purpose-built private rented housing); and others have certainly helped, but there is still more than can be done.

Local areas are indubitably best placed to lead this work, given the local complexities and variation inherent in this policy area. But they need the freedom to act and facilitate housing growth.

In this context, it's both useful and interesting to see a LEP leading from the front on this issue. Through articulating these aspirations, the South East LEP is belying the simplistic 'not in my back yard' image of local politicians that is often portrayed, and are instead putting forward lots of positive ideas to help deliver meaningful change. We believe that these are interesting ideas that could not only help ensure that local communities in the South East get the housing they need, but many of which could be beneficially applied across the country.

The local challenge

Peter Jones CBE, Chairman of the South East LEP

Our Growth Deal with Government is just the start. The exciting part now begins!

Government and Opposition agree the need for local business to work with local councils to shape economic and housing growth. But how should this be done? Where and how can the South East LEP really make a difference?

First and foremost, we have made housing an overriding priority – we know the provision of housing in the South East is one of the biggest economic barriers we face locally.

New investment will of course be fundamental to overcoming these. Our Growth Deal brings welcome new funding and is a huge boost to the area. Most notably this will be through our major transport corridors connecting new development sites to road and rail infrastructure and by boosting business connectivity.

But housing should be seen as critical infrastructure in its own right. We have evidence of businesses and inward investors prevented from looking at potential new sites because of a lack of suitable housing for their future workforce. We must attract still further private and public investment, something we aim to accelerate through the development of SEFUND, the LEP's emerging infrastructure and property fund.

Marketing is also vitally important. Commercial developers simply won't build if sites are unviable – and who can blame them. Not only must we consider where targeted public investment can take developers past this "tipping point", we must, where necessary, find ways of increasing the attractiveness of areas of growth. We must build communities with a sense of place and belonging, not simply dormitory estates. The return we will get on our investment will be even greater as a result.

We must also identify wider barriers. Are the utility companies promoting or frustrating growth? How can we support our older residents in ways that give opportunities for a new generation to take their first steps on the housing ladder? How can our housing associations and local authorities provide more affordable housing? What more can be done to help our coastal towns realise a housing renaissance?

New housing and commercial development in the South East

Our Growth Deal proposition began this process. It's now for us all – business and councils – to build on this, to deploy the LEP's size and scale and to deliver the ambitious levels of business, economic and housing growth we all seek.

Peter Jones CBE
Chairman of the South East LEP

The South East Growth Deal

Announced on 7 July, the South East LEP Growth Deal brings investment of £442 million together with new influence over national programmes. In addition, our deal for supporting Housing and Development is set out below:

South East LEP commitments	Central Government commitments
The Local Enterprise Partnership commits to working with all Local Authorities to: • Ensure they positively engage with the Duty to Cooperate to deliver strategic planning priorities and update their local plans in accordance with the timetable submitted as part of the Local Enterprise Partnership monitoring, given the position on local plan-making in the area and the challenges relating to effective strategic cross boundary working, supporting the 32 local planning authorities in its area; • Identify large and priority sites, including the blockages associated with them, to be brought forward for development across the Local Enterprise Partnership area; • Make their local public asset data publically available (including to the Government Property Unit) by April 2015 and agree to the Right to Contest and challenge from the Government Property Unit; • Publish Asset Management Strategies by April 2015; • Review local planning processes to simplify them for commercial and housing development; • Review the potential for Community Infrastructure Levy and publish schedules where appropriate; and • Review the potential for the pooling of strategic economic development spend.	• The Homes and Communities Agency commits to work with the Local Enterprise Partnerships and Local Authorities on the development of their housing priorities and options for delivery. • The Homes and Communities Agency and the Department for Communities and Local Government (DCLG) has approved flexibility on the Strood Riverside Site to allow the Public Works Loan Board loan to go forward to enable the site to deliver nearly 600 housing units and deliver a return to Homes and Communities Agency and the Council (subject to HM Treasury approval). • DCLG welcomes the Local Enterprise Partnership and its partners to discuss proposals for large scale housing development with officials. • The Government Property Unit commits to engage with the Local Enterprise Partnership to examine the potential to release government land and property to promote local economic growth and / or housing development. • The Government has an existing programme of support for large scale housing developments, including through the Homes and Communities Agency's ATLAS team, and DCLG's large sites infrastructure fund, local authority capacity fund and garden cities programme. Local authorities are welcome to discuss proposals for large scale housing development with officials in the Homes and Communities Agency and Department for Communities and Local Government to determine what support may be available.

The Housing Challenge in the South East

Local Housing Challenges

The rate of house building has diminished over recent years, while at the same time housing demand has continued to rise. The result is that housing affordability continues to remain a major issue in the South East LEP area, with a resulting detrimental impact on the ability of employers to recruit appropriate staff. In the South East LEP area, the ratio of median house prices to median earnings was above the national average in 24 out of 32 South East LEP local authorities in 2012. In most respects this directly results from the demand for housing exceeding supply in local housing markets.

Building more homes

All of the local planning authorities in the South East LEP are setting housing targets based on their objectively assessed housing requirements and these targets feature in their approved local plans or in those plans now being prepared. For the South East LEP area as a whole, Government's most recent projections show that between 2011 and 2021, almost 200,000 more households will live in South East LEP's communities – or an average of 20,000 homes per annum. In 2011/12 and 2012/13 completions averaged just under 10,000 homes per annum and in 2013/14, it is likely that completions will remain at this level. The result is that to match forecast household growth a further 170,000 homes would need to be completed over the next seven years - an average of 24,000+ per annum.

While we do not believe it will not be possible to accelerate the rate of completions fast enough to hit this target, we are confident that we can accelerate the rate of completions year on year. Our ambition is to complete a further 100,000 homes by the end of March 2021. This would mean increasing completions to, say 11,000 homes in the year beginning April 2015, 15,000 homes in 2017, and then 16,000 homes each year to 2021, and would represent a rate is higher than that at the peak of the last housing boom in 2007/08.

Local solutions

To tackle this local housing challenge, we need to deploy local solutions. The remainder of this pamphlet outlines first the steps we are taking locally, and then describes in more detail our recommendations and how they will allow local stakeholders to go further in helping to deliver the uplift in housing we need.

New housing development in the South East

Steps that the South East LEP is taking already

Making sufficient land allocations

First, we are ensuring that sufficient land for residential development is allocated in local plans. This process is well underway as each of South East LEP's local planning authorities updates their objective assessments of housing requirements and their strategic housing land assessments, and then when necessary, their local plan.

Bringing forward land in public ownership

Second, each of the local authorities is considering how best to bring land in public ownership forward for residential development. This includes both land in the ownership of local authorities, as well as other public bodies including the NHS and the HCA. This process is also well underway. Our three county councils with their district councils and our unitary authorities have mobilised initiatives to do this.

Building capacity in the development industry

Third, and most innovatively, we see the need to restore or build capacity in the development industry. In 2011, just under 500 companies completed properties in the South East LEP area; in 2013, 20% fewer companies were completing homes. Moreover, many of the larger companies have merged so the number of "volume house builders" in England has reduced; it appears unlikely that the new combined enterprises will build more homes each year that their individual predecessors.

Registered Providers (housing associations) will be part of a strategy to boost development capacity. South East LEP is now working with a range of providers to explore how best to do this. In doing so, we believe that new delivery models will be required to provide finance and share the risks and rewards of housing development.

Utility and Public Service Companies

Localis, Kent County Council and the South East LEP joined forces earlier this year to launch a call for evidence on the current state of relations between utility providers and developers.

This came about as a result of persistent feedback from a number of sources indicating that utility issues – in particular the connection of services such as water, gas, electricity and telecommunications – could impede the build-out of development sites, so delaying the delivery of much needed new housing and other amenities, and hampering the growth of local economies.

Following an extended period of evidence collection and review, including interviews with industry figures, conclusions will be put to key stakeholders in the Autumn of 2014.

Towards a Growth Deal for housing delivery

In our Growth Deal to Government, we set out how we believe that we can best achieve our twin objectives of completing 100,000 homes over the seven years to the end March 2021 and restoring confidence in our housing markets in coastal communities and other areas with high concentrations of deprived households.

Our District and Unitary authorities have already prepared, or are currently preparing, their local plans. Each sets out the scale of housing required, the mix between affordable housing and private housing, the planned rate of development and the principal locations for new development.

Some have already been approved by the Government. All local plans, based on objectively assessed housing requirements, reflect the responsibility to exercise the 'duty to cooperate' with adjacent authorities, and will provide for at least a five-year supply of land.

In addition to diligently preparing their local plans, many South East LEP authorities are actively seeking to accelerate housing completions over the next several years. These efforts include financial and land investments, an offer that could provide the basis of a new model for housing delivery.

Further accelerating housing delivery

Building on our Growth Deal submission and Growth Deal agreement, these recommendations consider how housing delivery could be accelerated further. They build on discussions with Government Departments/Agencies and comprise a coherent framework for housing growth. Further details of our recommendations are set out below.

1. **The Homes and Communities Agency (HCA) to be given full freedoms and flexibilities to work with local partners to invest an HCA "single fund" of resources in the South East LEP area to maximise completions.**

What this means and what happens next…

This recommendation is for local freedom for national agencies to align their resources much more closely with local public and private investment. It seems obvious but it doesn't always happen well enough at the moment!

The result can be that limited funds are often not spent to greatest effect because resources are not co-ordinated. By formalising such an arrangement through South East LEP, investment could be better targeted on key sites and its impact magnified. Value for money would be significantly increased because there would be much greater local intelligence and input. We don't want control of the HCA budget, but we do want to develop the already good relationships locally to make that money go further.

The Growth Deal is a great start, with considerable transport and infrastructure investment aligned to our growth corridors and investment sites.

We must now prove the concept from the "bottom up" by identifying specific blockages to demonstrate how we would exercise greater local flexibility to release new investment and development into priority sites.

We must also show how we are applying new flexibility within the system to maximum effect such as Housing Zones and more established policies such as CIL and Business Rate retention to support our case.

Further detail from our Growth Deal submission

Generally, Government recognises that public money can be invested more effectively if it is not ring-fenced and this is the rationale for the Local Growth Fund. At present, HCA programmes have developed iteratively through time and in a piecemeal way.

We therefore recommend that the welcome "single pot" principles of the Local Growth Fund be applied to HCA spend nominally allocated in the South East LEP area. South East LEP and the HCA could then together determine the most effective way of using HCA funds to attract more private investment and increase both affordable housing and total completions.

Our proposal is to create a "single fund" (real or virtual) for investment of HCA resources in South East LEP communities to accelerate housing completions. This would entail DCLG and Treasury delegating investment prioritisation to joint HCA – local boards for each South East LEP area, with a five year rolling programme and annual commissioning plans. It would also entail ring-fencing the proceeds of HCA and other Government-owned land disposals for housing and investing these alongside other South East LEP resources to de-risk sites for delivery of housing and employment.

Under these arrangements, the HCA would continue to be accountable for all HCA expenditure in the South East LEP area; no monies would be transferred to the South East LEP. This would ensure that HCA funds are directed to locally agreed priorities and enable delivery by local authorities, registered providers and other partners in each South East LEP area. It would facilitate a more strategic approach to accelerating completions of owner-occupied housing, private rented housing, and affordable housing. This will maximise the impact of all HCA investments in the area because we will be better able to promptly respond to opportunities when they arise, and enhance capacity to lever in investment (land or finance) from local partners.

In total, HCA investment in the South East LEP area enabled the delivery of 3,451 homes in 2012-13. We would welcome the opportunity to explore with DCLG and the HCA how freedoms and flexibilities in the use of HCA all resources could best maximise completions. This would need to take account of the proposals in the new Affordable Housing Prospectus 2015-2018 issued in January 2013 and we fully support the reference to the role of Local Enterprise Partnerships in the Prospectus.

In these discussions we would also wish to explore how best to ensure that the scale of HCA investment in the South East LEP area matches the forecast scale of household growth in the South East LEP area to 2021 and beyond. Work undertaken by Wessex Economics for South East LEP shows that the South East LEP area currently gets a "fair share" of HCA funding – 8.9% of their total capital budget 2011-2015 – which matches the proportion of the population (excluding London) that lives in the South East LEP area.

However the 2011-based Interim Household Projections show that the number of households in the South East LEP area will increase by 11.9% over the decade to 2021 compared with an increase of only 8.6% in the rest of England (excluding London). The fact that the South East LEP area is anticipated to provide an increasing proportion of the country's new homes than other areas should, we argue, be reflected in the proportion of HCA expenditure allocated to the South East LEP area. In addition to reflecting projected household growth, this would also help take account of the role that South East LEP communities can play in meeting London's future housing requirements. Together London and South East LEP will account for one-third of all of England's housing growth.

2. A new model of housing delivery to be piloted in the South East LEP area to achieve quicker housing delivery, give better value for money and greater returns on HCA investments.

What this means and what happens next…

Recommendations 1 and 2 fit together intimately. As part of the co-ordinated approach described in recommendation 1, we propose trialling a new way of de-risking development by enabling investment in near viable schemes. We originally estimated that, with swift sign-off, this model would help the South East LEP to start an additional 2,015 homes by 2015. This is no longer feasible but, while the timescale must shift slightly, the housing target is still very achievable. Therefore we urge that our plans for a specific repayable fund to take developers to the "tipping point" of viability are not lost.

Nationally, we are delighted that Government has already responded to this call very positively with the £525 million Builders Finance Fund. However, we believe much more can still be done if applied on a local basis. Such a fund would not be new grant, but a repayable investment loan. In many cases this could be for pre-development work. It could also form part of our wider SEFUND infrastructure and property fund.

Deployed as part of the co-ordinated approach outlined above, we will now build up local data and identify blockages which targeted investment could overcome and then be repaid to enable further investments to be made. Such loans would provide viability and kickstart development on stalled sites.

There are a number of other economic benefits to this approach. Shrewd local investment would also build up industry capacity by drawing smaller builders and constructers back into the local market, increasing jobs and up-skilling our local workforce. It would provide targeted debt finance to SME contractors that would not otherwise be able to deliver.

Allied to this is the need to support planning across the South East LEP area. Too many of our local councils do not have Local Plans in place which is to the detriment of local communities. What is the LEP's role in supporting councils to have these in place and to shape the communities that are growing around them?

We must now define South East LEP's remit, deploy new Government funding streams to best effect and consider how opportunities through SEFUND and future Government announcements – including further Local Growth Fund investment - could build this investment. As part of this work, we intend to make strong recommendations to the Chancellor's Autumn statement.

Further detail from our Growth Deal submission

In the current market there is a lack of affordable finance available to contractors and small and medium sized property developers/

builders for investment in the delivery of housing. This new model would demonstrate how the HCA and local authorities would work together differently to reduce the risk of development; the land and developer margin would provide the risk buffer.

We first proposed this new model in December 2013 and South East LEP local authorities have since initially identified sites for over 2,000 homes and more are coming forward. Since then we have further developed the model for the pilot. Essentially, the financial return to the public land owner would be determined once the housing development is complete and the value of the scheme crystalised.

The HCA would provide non-recourse commercial loan finance to the building contractor on a staged basis. On completion, value would be crystalised when the mix of market sale, low-cost home ownership sale, disposal for affordable rent and for private rent is determined – by the HCA and the local authority as land owner. This would provide the proceeds for the contractor to repay the loan with interest, and then pay for the land taking account of the tenure mix. There are many variations on how these principles would be applied; it might be appropriate for a local authority or registered provider to be the developer in some cases. Any party – the landowner, the contractor, developer and the HCA – could look to share the development surplus in light of the risk that they carry. Any new model would comply with EU state aid regulations.

Based on a delivery programme of 2,015 homes, the development finance requirement would peak at £150 million as receipts from early phases of large schemes and small schemes would be used to fund later phases. In addition, we estimate that some £1 million would be required for site appraisals and to prepare model contracts for the procurement process. We would look to the HCA to finance this pilot. The outcome of this pilot will be the commitment to start the construction of an additional 2,015 homes on local authority and HCA-owned sites.

3. The Housing Revenue Account (HRA) Debt Cap of local authorities to be further raised where this is constraining their ambitions to increase the supply of housing.

What this means and what happens next…

This recommendation would give a boost to ambitious councils by giving greater borrowing power to those authorities which wish to go for growth – and the result would be more homes built.

Growth Plan Case Study: Thurrock
Developing Housing for Economic Growth

Thurrock has taken advantage of HRA reforms and is transforming existing housing estates and creating new affordable and mixed tenure housing on HRA land identified for development. It has also developed a coordinated housing programme, engaging with local communities, working collaboratively with the private sector, and releasing Council owned land for development. Despite these efforts, the Council concluded that more needed to be done to accelerate home completions.

Following an extensive review of available options, the Council has developed and set up a wholly owned housing company, Gloriana Thurrock Ltd. Gloriana will enable the Council to kick start house building through directly developing around 1,000 new homes - acting as an alternative and stimulus, to the private sector, it aims to accelerate housing delivery over the next five years and support regeneration objectives in growth locations.

The Government has already responded positively by publishing its HRA debt cap prospectus and South East LEP has supported several major bids. The Local Infrastructure Fund will give a further boost. However, more can be done.

For those councils with a real appetite for growth, why should their plans be hindered when others don't wish to take the opportunity? We will now develop the case for growth authorities to be able to spend the debt cap of others and will work with Government to see how best this can be realised.

Further detail from our Growth Deal submission

Our local authorities are now agreeing budgets for 2014/15 which will be the third year after reform of the Housing Revenue Account. In the Autumn 2013 Statement, the Government set out action to increase the funding available for new affordable homes, including raising local authority Housing Revenue Account borrowing limits.

While this announcement is a welcome step, more can be done to support housing development in areas that demonstrate a commitment to housing delivery.

Despite the increase in the level of borrowing allowed, the debt cap still does not accurately reflect the ability of local authorities to service debt. For forward-thinking stock holding authorities this lack of flexibility is a barrier to house building and business growth. For example, in the case of Ashford there is the potential to support – without the debt cap – an additional £35 million of investment/debt, resulting in an additional 250 new builds over and above those already planned. Therefore, we would welcome a move to a far more flexible and business-like approach to investment/debt with a move to a gearing measure – total debt as a percentage of total fixed assets. This would align investment more closely with growth in assets, and support a focus on the value of assets and return on investment, rather than the "one size fits all" debt cap approach.

4. More flexibility to be given to housing associations in setting rents.

What this means and what happens next…

We believe that social tenants who have an income that would allow them to pay closer to market rent should do so. While sounding controversial, this recommendation is a plea to ensure that scarce grant resource is used as fairly as possible to help those who really need it. And this would then mean that registered social landlords could use the enhanced cashflow to support the construction of additional affordable housing units.

We recognise this is ultimately an issue for national legislation, but it remains an important point to make limited resources go further. Indications are that as many as 5% of tenants currently may have enable them to pay a market rent equivalent to no more than 30% of their take home pay. The LEP will continue to press for national change.

Further detail from our Growth Deal submission

Flexibility over rent levels is currently limited to the Affordable Rent Programme, with rent on new homes, and a percentage of re-let homes, set at up to 80% of market rent. However, analysis by Moat Housing Association shows that if tenants' financial circumstances were reviewed every five years, around 5% would have an income that would enable them to pay a market rent equivalent to no more than 30% of their take home pay.

New housing in the South East

We would therefore like to see consideration given to allowing further flexibility of the rents charged to existing tenants through a periodic review. This would ensure that much needed subsidy is more effectively targeted at those that need it and does not remain 'fossilised' in the home. Our view is that the 'Pay to Stay' policy currently being considered is too blunt and a more locally nuanced approach is required which is regionally based income/affordability and rent level calculations. Greater flexibility in setting rents would also help to balance a reduction in capital funding and support further investments in developing housing stock. On average, one additional affordable rented home could be provided for each four homes converted from affordable rent to market rent. This has the potential to generate the delivery of thousands of additional affordable homes over the period to 2021.

5. **NHS prevention funding in the South East LEP area to be targeted to support specific housing developments for older people that are tele-health and tele-care enabled.**

What this means and what happens next…

Our ageing population will only continue to grow and unless more attractive, "supported" accommodation is made available for them, few will make the choice to leave their homes. This both increases costs for the NHS and exacerbates our housing problem with family homes not being released into the market. This recommendation highlights the issue and calls for specific health spending to be deployed as part of a co-ordinated housing strategy.

Government interest in this approach is high. However, the key must be to incentivise choice. Downsizing should become a much more enticing option because the housing product is an attractive one, not a last resort.

Working with the HCA and highlighting the excellent initiatives locally, the LEP will continue to support new and attractive provision in local accommodation strategies and affordable housing delivery.

Further detail from our Growth Deal submission

Older people frequently occupy homes that are not suitably adapted to meet their needs. This can include homes that are poorly maintained and heated, have no level access, or have upstairs bathrooms that are difficult to access. Unsuitable housing means that older people are more prone to suffer from accidents, from poor health generally or be otherwise at risk.

This comes at a considerable economic, as well as personal cost. Older people may also be living in accommodation which leaves them vulnerable to social isolation and loneliness, as they often under -occupy family homes. For some older people, the option of moving to more suitable accommodation could make a life-changing difference, but there are barriers due to a lack of specific housing for later life, and these are only likely to intensify as the population ages.

The release of family homes would help to meet the high level of housing demand in the South East LEP area, providing there are quality housing alternatives available for older people. To address this, we will be seeking to build 10% of affordable housing as specialist accommodation in mixed tenure schemes to meet the needs of older people, with a further 10% available for outright sale or as an equity share.

6. Restrictions to be withdrawn on the use of historic grants to housing associations.

What this means and what happens next…

Currently, Housing Associations find themselves repaying this historic grant money when properties are sold and are therefore unable to use sale proceeds to invest in new housing supply. Clearly this is a strong disincentive to rationalise holdings, and so hinders potential new affordable housing delivery. It is also not how other funding streams are treated.

Indications from Government are that flexibilities within the current legislation may be possible. **We will continue to press for change as part of our overall package of reform.**

Growth Plan Case Study: Kent Affordable Housing

The Affordable Homes Programme (AHP) has been particularly successful in Kent, compared to other similar geographical areas, reflecting the county's positive approach to housing delivery. Across the county, Kent have been allocated around £62 million of funding to build c.4,000 new homes by 2015, the greatest allocation to a single geographical area nationally.

Further detail from our Growth Deal submission

Housing associations are implementing disposal or conversion programmes to cross-subsidise new supply. However, when a property originally funded by grant is sold to generate funding for new housing activity, the allocated grant must be returned to a separate pot - the Recycled Capital Grant Fund (RCGF). Housing associations are able to use the RCGF to support new supply, but are faced with a range of restrictions, including constraints on time and area, as well as on the kinds of property that can be acquired. Again, these rules do not produce optimal resource allocations and can prevent associations from undertaking effective redevelopment.

A more flexible approach to historic grant by the Government would significantly increase capacity within the sector. Housing associations would be able to innovate to a much greater degree, and develop more homes, if historic grant restrictions were eased. This includes being able to use RCGF proceeds arising in one region to provide new supply in another, taking advantage of lower land costs outside of London.

New housing in the South East

7. Specific local authorities in the South East LEP area to identify potential locations for new large scale housing developments, including garden cities or garden suburbs, such as at Chilmington Green, Ashford.

What this means and what happens next...

With the announcement of Ebbsfleet Garden City designation with initially 15,000 new homes and new funding to support its development, the Government's response to this recommendation has already far exceeded expectation.

We will continue to encourage close working with local communities to bring forward further large sites for development as garden cities or garden suburbs and - as the biggest LEP outside of London – press for quality in design and development to ensure such new communities stand the test of time.

Engagement will continue through the DCLG large sites team as part of our Growth Deal.

Growth Plan Case Study: Colchester
Pro-active approach to housing development

Colchester's plan-led approach to new development has led to the highest levels of housing delivery in the South East LEP area in recent years, despite the challenging economic environment. This reflects the Council's commitment to supporting sustainable growth and flexibility in negotiating schemes that are of high quality and are viable.

Colchester has directed new development to the most sustainable locations to ensure that new housing is supported by infrastructure that provides good access to jobs and services. Most recent housing development has come from Brownfield land, but its recent Local Plan has reconsidered urban boundaries where necessary and Colchester is making good progress in delivering the North Growth Area Urban Extension. The Council recently granted planning permission for 1,600 homes along with educational and sporting facilities, strategic landscaping, green infrastructure, and access related infrastructure.

Further detail from our Growth Deal submission

Meeting the demand for housing and jobs within the South East LEP area will continue to require the allocation of more land for development. Therefore, we propose that Government should offer to work with local communities to bring forward large sites, possibly for development as garden cities and garden suburbs. We welcome the recent Government announcement that Ebbsfleet will be designated as a new garden city with, initially, 15,000 homes.

The HCA are in the process of consulting housing authorities on bids to the 2015-2018 Affordable Housing Programme. It would appear that the quantum of the bids even allowing for the potential for Continuous Market Engagement at 25% of the programme going forward is lower than the outcome numbers of the existing programme. The South East LEP representatives are exploring with Cabinet Office and HCA officials the drivers for this and how this potentially can be responded to via the South East LEP Housing Asks.

The designation of further garden cities could reduce, significantly, the scale of public investment required over the medium and longer term to meet the nation's housing needs. Government support could include: active support from DCLG and a senior lead official; facilitation of necessary legislative or regulatory changes; agreement in principle to ring fencing business rates to invest in community owned infrastructure, and the scope of a "city deal" type agreement. All proposals would be wholly consistent with local plans

We have identified the potential to promote a further Garden City at Chilmington Green, as part of the growth of Ashford and for Government to work more closely with Medway Council and Natural England to unblock the stalled development of a major new community at Lodge Hill. Discussions are also under way in North Essex about how to accommodate the substantial level of housing development that is likely to be identified by objective needs assessments.

Our Coastal Communities

Restoring Confidence in Coastal Community Housing Markets

In parallel with our ambitious building programme, we face the challenge of restoring confidence in the housing markets in many of our coastal communities and other communities where there are concentrations of severely deprived neighbourhoods. These are areas where the dysfunctional private rented housing sector is currently holding back economic regeneration.

The coastal towns in the South East LEP area are diverse, and suffer from a range of socio-economic problems. One of the consequences of the decline of the visitor economy in some of these areas has been the inward migration of low income residents, often dependent on benefits and including some with drug and alcohol problems, and ex-offenders into accommodation previously used by the tourism sector, such as hotels. The demographic characteristics of the South East's coastal communities reflect many decades of selective migration.

A vicious circle has been at work in towns such as Eastbourne, Hastings, Folkestone, Dover, Ramsgate, Margate, Southend-on-Sea and Clacton, over many years. In some neighbourhoods a very high proportion of the homes are rented privately, often as small flats and bedsits predominantely let to single people in receipt of housing benefit with complex social needs (but providing very high returns to private landlords).

Our coastal communities all see significant opportunities to replace this vicious circle with a virtuous circle of investment to attract entrepreneurs and higher income households. We believe that the transformation of some communities, such as Whitstable and Broadstairs, demonstrates what can be achieved. Successes include, for example, the opening of the Turner Contemporary Gallery in Margate, major investment plans for the Port of Dover and the development of the creative sector.

These efforts have started to lift the housing markets in these areas and provide a platform for increasing completions and housing renewal.

8. Introduce a comprehensive package of measures to secure the housing and economic prospects of specific neighbourhoods in the coastal areas, and elsewhere, with dysfunctional private rented sectors.

What this means and what happens next...

This recommendation recognises the potential of our coastal towns – which, with the largest coastline of any LEP, is a major priority for the South East LEP. Our Growth Deal and Strategic Economic Plan acknowledges the distinctive housing and related economic issues faced by the South East LEP's coastal communities and makes a number of proposals to improve the housing markets in these areas and, in so doing, enhance local economic prospects.

South East LEP has identified an investment need of £75 million over the next six years to support a range of interventions, including: a package of loans to owner occupiers and landlords to improve homes in priority locations, and to bring empty homes back into use; investment in schemes involving acquisition and improvement by local authorities or their partners; and investment, where appropriate, in new build development for rent or sale,

Local MPs including Laura Sandys continue to be closely involved in our coastal activity including the promotion of a specific Coastal Property Renovation Scheme which we will continue to develop. A coastal group of MPs has met to provide direct input to South East LEP's coastal work.

Government interest and support remains high and details of specific projects are now being collated to support further negotiation. We are particularly encouraged that the needs of other coastal areas such as Blackpool have been recognised within the Growth Deal asks and we anticipate our coastal activity with Government will develop quickly in the coming months.

Further detail from our Growth Deal submission

The South East LEP Coastal Communities Group is working to ensure that the Coastal Communities make a positive contribution to economic and employment growth in the South East LEP area, rather than reducing the realisation of full economic opportunities. South East LEP is looking to Government to support our efforts to make the best use of housing in the coastal communities and to realise the economic growth potential of these areas.

Housing is an important resource in its own right, as well as a driver of economic growth and job creation. We see significant opportunities to secure better value for money in the use of funds deployed for Housing Benefit; to turn around dysfunctional neighbourhoods which are dominated by private renting; to reverse the adverse effect these areas have on investment and business growth; to reduce the significant financial burdens on public sector services that result from the dysfunctional character of these areas; and to use investment as a tool to support skills development in the construction sector. We propose the following:

- Through a Coastal Property Renovation Fund we aim to draw in new owner-occupiers to our coastal areas to renovate and improve key properties. By doing so, and investing their own funds alongside ours, the fund would act as a catalyst to attract private sector investment for the improvement of whole streets and neighbourhoods.
- Our coastal community local authorities are continuing to work with Registered Providers to secure their on-going investment in renewal areas to renew poor quality homes for affordable rent. We wish to work with the HCA to match their Affordable Rent Programme investments with a programme to support other tenures – particularly improvements by owner-occupiers, shared owners, and by landlords who wish to house market renters who would not be dependent on benefit. This investment is important to maintain the pace of improvement in the least attractive parts of the coastal towns and secure past and current planned investment. We envisage that our proposed South East Fund (see section above) would be the mechanism for making equity investments (where capital is repayable as part of a disposal plan), loans, and possibly gap funding. Local authorities are proposing to align their own resources to this investment to help tackle these problems,

including a commitment to invest £20 million to bring empty and poor quality homes back into family use in Thanet and a £3.4 million commitment in St Leonards.

- Our coastal communities wish to work with Government to address the poor value for money associated with the payment of Housing Benefit/Universal Credit leading to tenants being housed in sub-standard accommodation whilst providing landlords with very high investment returns. Currently, the Housing Benefit system distorts the 'market' making it more difficult for local authorities to take enforcement action. The payment of benefit in excess of market rents is inflating capital values of poor condition property. We anticipate that the proposed collaboration should ensure that landlords are unable to let property that does not meet Health and Safety regulations, and would be unable to receive benefit payments directly on lettings of that property. The coastal communities also wish to work with Government to monitor the impact that the introduction of Universal Credit will have on the most disadvantaged neighbourhoods.
- Our coastal communities wish to work with Government to pilot new approaches to raising standards in the private rented sector. This would draw on the expertise of the Government's Behavioural Insights Team. These pilots would recognise that landlords differ; some respond to incentives, others to social pressure, others simply need help; still others only take action when enforcement proceedings are taken. The broad aim is to develop a more sophisticated approach to improving management in the private rented sector through a mix of incentives, enforcement and 'nudge' – reinforcing positive social/behavioural change. Our coastal communities also wish to explore joint working with HM Revenue & Customs to develop enhanced intelligence on larger landlords and the scope for joint action to address tax evasion, and other action to encourage the development of a more professional private rented sector characterised by high standards of probity.

We will continue to work with Government to develop and deliver these improvements.

Conclusion

This pamphlet aims to stimulate debate but much more practically to accelerate housing delivery in the South East LEP area.

The ideas, investments and "asks" form a coherent package of reform that will cut with the grain of the local housing market and new Government policy to build the homes that are so urgently needed to support economic growth. Housing remains fundamental to our local economic strategy to deliver new jobs and business growth across East Sussex, Essex, Kent, Medway, Southend and Thurrock.

Our recommendations are listed in full on the facing page and it's now down to us all – business, local authorities and local partners – to deliver the housing growth we all seek.

With the Growth Deal providing renewed stimulus, we must seize the moment and support the delivery of the new homes that the South East LEP area and the country so desperately need.

List of recommendations

1. **The Homes and Communities Agency (HCA) to be given full freedoms and flexibilities to work with local partners to invest an HCA "single fund" of resources in the South East LEP area to maximise completions.**

2. **A new model of housing delivery to be piloted in the South East LEP area to achieve quicker housing delivery, give better value for money and greater returns on HCA investments.**

3. **The Housing Revenue Account (HRA) Debt Cap of local authorities to be further raised where this is constraining their ambitions to increase the supply of housing.**

4. **More flexibility to be given to housing associations in setting rents.**

5. **NHS prevention funding in the South East LEP area to be targeted to support specific housing developments for older people that are tele-health and tele-care enabled.**

6. **Restrictions to be withdrawn on the use of historic grants to housing associations.**

7. **Specific local authorities in the South East LEP area to identify potential locations for new large scale housing developments, including garden cities or garden suburbs, such as at Chilmington Green, Ashford.**

8. **Introduce a comprehensive package of measures to secure the housing and economic prospects of specific neighbourhoods in the coastal areas, and elsewhere, with dysfunctional private rented sectors.**

These recommendations were part of the South East LEP's Growth Deal to Government.

The South East LEP

Kent, Medway, Essex, Thurrock, Southend and East Sussex together comprise the South East Local Enterprise Partnership (SE LEP) area. Stretching around the coast from Harwich to Peacehaven, the SE LEP area is the largest in the country outside London.

Our federated delivery model, driven by business and local councils with a long and proven delivery record, ensures maximum impact and value for money. We will always deliver closest to our communities, coming together when scale, additionality and greater impact can be achieved.

Next steps

At a conference with Lord Heseltine to launch "Building the future", a number of immediate priorities for SE LEP were identified to advance our recommendations. These included:

- Promoting quality in design and development
- Working with institutional investors to build SEFUND, the LEP's proposed property and infrastructure investment fund
- Working up proposals for "tipping point" finance to accelerate development
- Assessing Councils' Debt Cap capacity
- Tackling the utilities where they inhibit development
- Promoting new housing for older people
- Using our planning influence
- "Re-imagining" our relationship with the Homes & Communities Agency
- Working for greater flexibility with the HCA as a regulator
- Addressing the particular issues in our coastal towns
- Recognising the need for affordability and new housing tenures

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