

Homes England: Its past record and proposals for reform.

Note by the Highbury group on Housing Delivery

The Agency has failed to deliver the homes and community improvements for which it was established. It has lacked continuity of leadership and consistency of approach. During its fifteen years of existence, it has had nine chief executives (accounting officers), five Chairmen, four major reorganisations and reported to sixteen Housing Ministers. Four out of the last five chief executives have been bankers, the first three CEOs however were from public sector (see appendix). DLUHC do not appear to have confidence in Homes England and its ability to deliver programmes efficiently and cost-effectively. Its track record on spending its budget has been at times poor, with significant unspent resources which should have been used to provide new affordable homes being returned to DLUHC and to the Treasury.

Many public and private sector stakeholders are of the view that Homes England no longer engages with them or delivers its mission.

The Past Record.

History. Formed in December 2008, at the height of the Global Financial Crisis, Homes England combined the Housing Corporation and English Partnerships, together with the learning academy, a planning mediation team (the Advisory Team for Large Sites or ATLAS), and the Thames Gateway team. The legal and brand name was the Homes and Community Agency, with the first chief executive being Sir Bob Kerslake, who had extensive local government experience as former Chief Executive of Sheffield City Council.

Objective. Original objective was to work with local authorities, housing associations, house builders and other Government departments in delivering new homes and developing communities, remediating contaminated sites, investing in stock improvements and regeneration of estates. At its peak, the HCA had some 60 different funding programmes including gypsy and traveller sites to remediating coal fields and investing in communities.

Structure. Sir Bob Kerslake organised the Agency into 9 Regions (replicating the regional structure of the Housing Corporation, but without the structure of a lead board member for each region). Decision making in the 9 Regions was with the individual Regional Executive Directors, that had multiple skilled teams constantly engaged with their local stakeholders to deliver on national and local priorities. The Corporate centre undertook the engagement with Central Government and had oversight of regional investment decisions.

In 2016, following a Departmental review of the agency, Homes England abandoned its Regional Structure and became a centralised agency, expanding its London HQ and while retaining regional offices; decisions were largely centralised. Under its Regional Structure, the Agency always achieved its affordable housing and land disposal targets; under its centralised structure it has begun to consistently fail its key targets.

Expanded role. In 2010, HCA was tasked with an additional role of bailing out the house building industry with £2b+ loans and grants to enable builders to survive the downturn. This led to the appointment in 2012 of its first of four bankers at Accounting Officer level and the move towards greater centralisation and disengagement with Councils and emphasis of becoming a bank, employing scores of banking staff and making loans a priority over direct delivery.

In 2013 the Help to Buy scheme was administered by Homes England until its ending in 2023.

In 2018 the Housing Infrastructure Fund of £5b was administered by Homes England but little has been spent and few of the predicted 324,000 homes delivered.

Transfer of functions to other bodies.

In 2012, the functions of the London region, including its budget (approx. 40% of the national housing investment budget) were transferred to the Mayor of London. In 2016, following the Departmental review of Homes England, the regulatory functions were transferred to a new agency – The Regulator of Social Housing.

The Current Position

Current Structure. Led by a former hedge fund manager, Peter Denton, as a CEO and commercial developer, Peter Freeman (of the Argent Group) as Chairman, Homes England appears to place more emphasis on financial returns than on delivering affordable housing.

The Executive Board with their responsibilities and career backgrounds consists of:

Chief Executive Accounting officer (Banker)

Customer Officer: Help to buy programme (Banker)

Investment Officer: Banking private loans and investments, including affordable housing (post about to be vacated)

Finance Officer: Finance and treasury management (Police force)

Operating Officer: Transformation (Care sector)

Markets Places and Partners: External engagement (Public sector)

Digital & Data IT: digital improvement (Government)

[No post at executive level has an Affordable Housing or Regeneration focus. The head of affordable housing reports to the Investment Officer]

Staffing. The level of staffing at the Agency has been through boom and bust, with originally some 1,100 staff cut down to 650 in 2012, the level is now c 1,400, with many 'interim' designations and 'contract' staff, with the CEO recently asking consultancy companies to provide more bodies to be seconded in. Staff turnover has gone from 4% to 15% in the past 2 years, with the majority leaving being the most experienced in delivery. The turnover at Executive level has also been very high, meaning that leadership, vision, direction, and decision making, has become inconsistent. In the past 4 years there have been some 20 different Executive Directors at Homes England and 3 CEOs.

Inappropriate Spending. In addition, Homes England since 2016 has spent £71m in revenue and over £100m in capital in 'Transformation', and £17m spent with the Boston Consulting Group. If redirected to the delivery of Affordable Housing this would have provided a further 3,800 new affordable homes, amounting to 13,000 bedspaces.

Furthermore, since 2018 Homes England has either closed or opened 16 different offices across the country.

Budget for housing investment has however been underspent. In July 2023, it was reported that £1.9 billion had been returned to the Treasury as not used. It has been estimated that this sum could have funded some 38,000 additional affordable homes.

The Reforms Required.

Objectives. The Objectives of Homes England could be better defined and implemented, with a clear public service ethos, based on a partnership with local authorities as statutory housing bodies with legal duties.

Local Engagement. With Councils, giving them professional support to achieve their aims and ambitions through targeted investment, joint ventures, and staffing support.

Affordable Housing Delivery. Continuing to provide grant funding to housing associations, utilising the experience and value for money ethos and ability to redirect spend across the country where required, based on the evidence of relative housing requirements, with a focus on the provision of rented housing which is affordable by households unable to access market supply.

Land Development. Acquiring difficult and large sites in partnership with councils to develop housing and mixed-use schemes that will maximise local economic and social benefits. Enter Joint Ventures with other public and private landowners where they have mutual objectives consistent with contributing to meeting assessed housing requirements. A new general consent for land disposals is needed to reflect modern valuation practice with updated guidance on how the agency could and should optimise the achievement of public policy objectives through the acquisition and disposal of its own and any other public and for which it may be given responsibilities.

Urban Development Corporations. The powers to create and manage an Urban Development Corporation (UDC) exist within Homes England to deliver new towns. Such powers, including Compulsory Purchase powers, should be operationalised in collaboration with local housing and planning authorities.

Strategy.

The recently published 5-year strategy is not coherent being a mix of themes and undeliverable aspirations, such as supporting SME builders and MMC production through loans. Homes England needs to use its landholdings and funding to focus on specific priority objectives which are deliverable, rather than make somewhat tokenistic gestures in a wide range of directions. A new government would need to review this strategy and ensure it contained clear targets.

Structure.

Return to Regionalisation. This is essential. Regional offices, with a structure of geographically based area teams, supported by specialist officers, would have a focus on engaging with locally elected Mayors, local authorities and in six clear geographical areas (North East and Yorkshire; North West; West Midlands; East Midlands; East of England / South East; South West (assuming the London arrangements remain unchanged). The affordable housing, land, and regeneration priorities and functions would be determined locally in partnership with key stakeholders, through the drafting of regional housing investment and regeneration strategies.

Corporate Responsibility. This would be led by the headquarters office, engaging with the Department, financial and treasury management, and oversight of holding the Regions to account for performance.

Funding.

Funding Affordable. Certainty of long-term funding to attract private investment is crucial, with grant allocations to housing providers being on a minimum 5-year basis. The grant per social rented unit needs to be increased significantly from the current 50,000 per unit average.

Funding Strategic sites. Large scale or Urban Development Corporation investments must have a minimum 10-year plan and certainty of investment. Homes England must be allowed to carry-over annual spend and commitments rather than return to HMT on large projects.

Organisational Ethos.

The priorities and approach to investment decisions and engagement with stakeholders needs a fundamental rethink. The current focus on private sector led development, with local authorities seen as being largely limited to an enabling role has often prevented innovation and appropriate partnership working with councils and should be reversed. The focus of all investment decisions

should be on contributing to meeting housing requirements rather than maximising financial returns or asset appreciation.

Functions which could be transferred to other agencies.

The banking Investments role and team providing financial support to developers should be transferred to the Infrastructure Projects Authority. This includes initiatives such as the Housing Infrastructure Fund which has a large economic impact on a regional basis.

Renewing the Board and Senior Management of Homes England

We do not support the case for abolishing the agency and replacing it with an entirely new agency or incorporating its functions and staffing within DLUHC. This would be disruptive and lead to a hiatus in development programmes. However, Homes England needs to be subject to a major reform and reconstruction. This needs to be carefully planned with reforms introduced on a phased basis to ensure a smooth transition to a new approach and delivery mechanisms. The Chair, Other board members, chief executive and senior management should be committed to the new policy objectives and have a public service ethos and have had experience in direct housing provision in the public or voluntary sectors. The majority of agency staff, with their diverse backgrounds, will need to understand local authorities and their needs and be prepared to support growth and renewal at the local level, either directly or through public sector partnerships. This may require the replacement of some existing board and executive members and recruitment of some additional specialist staff. The Executive Board should have an Affordable Housing Director in place and include new Regional Directors who deliver the local outcomes. Each could be allocated responsibility for policy and delivery of a specific national function (for example Modern Methods of Construction or investment in the Private Rented Sector, Design and Quality etc)

Appendix

<u>Chief Executive</u>	<u>Previous Career</u>	<u>Time in office</u>
Sir Bob Kerslake.	Local Gov	2009-2011
Pat Ritchie	RDA	2011-2012
Richard Hill	Housing Corporation	2012-2012 interim
Andy Rose	Banker	2012-2015
Colin Moulton	RDA	2015-2015 interim
Mark Hodgkinson	Banker	2015-2016 interim
Nick Walkley	Local Gov	2016-2020
Gordon More	Banker	2020-2020 interim
Peter Denton	Banker	2020-current

Duncan Bowie, chair Highbury Group on Housing Delivery

Note: The Highbury Group on Housing Delivery comprises an independent group of specialists from the public, private and independent sectors with a membership drawn from housing, planning and related professions; it offers advice and makes representations to Government and other agencies on a variety of subjects, with the aim of maintaining and increasing the output of housing, including high quality affordable housing. The views and recommendations of the Highbury Group as set out in this and other papers are ones reached collectively through debate and reflect the balance of member views. They do not necessarily represent those of all individual members or of their employer organisations. The group's core membership and previous statements and research presentations are on the group's website:

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