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CAMBRIDGE HORIZONS ANNUAL CONFERENCE SPEECH

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We are living in interesting and challenging times: –

- first post-war coalition government;
- new Ministers coming to terms with their briefs;
- unprecedented financial deficit as a nation.
- announcements of cuts as part of the £6 billion impacting the HCA
- the budget later this month
- and in the Autumn the CSR for 2011/14

A change of government does, of course, mean that all the policies and programmes are subject to review and a change of direction. In particular, Government's belief in localism – a bottom up not top down approach - empowering local councils and communities. This is reflected in the proposed changes to the planning system which will return decision-making powers on housing and planning to local councils.

I have been asked to talk about the future of the growth agenda and the continued need for delivery of new homes and facilities for local people. Before looking forward I would like to look back over the last eighteen months to see what lessons can be learned.

It was in late 2008 that the HCA was created. I believe we and our delivery partners have, in face of the incredible challenge of the banking and housing collapse over that period, demonstrated an ability to be flexible and innovative. These are the skills that are prerequisites for success going forward.

The role of the HCA is to create opportunity for people to live in high quality sustainable places.

HCA was ahead of its time, a forerunner of today's emphasis on localism and achieving more from less:

- Brought together the social housing skills of the Housing Corporation with the investment skills of English Partnerships
- Combined land and cash
- Thus an organisation with increased flexibility

- A national organisation working locally matching local ambitions with national objectives
- Develop new partnerships with local authorities, the private sector, RSLs
- And new approaches to:
 - business process (the Single Conversation)
 - sources of funding, leveraging in the private sector
 - taking more of an investment approach

By the end of this three year spending round in 9 months' time we will have invested some £18 billion.

We have, in fact, had to be flexible and innovative and change our rules of engagement with partners over the last 18 months or so. We are now looking at how we will continue to change.

Over the last eighteen months the HCA has demonstrated such innovation by

- Introducing flexible grant rates and tailored packages for RSLs
- Reacting quickly and flexibly to the then Government's demands for a package of support for the housing industry. The Housing Pledge demonstrated significant efforts to support both public and private partners on schemes which had already been granted planning permission – an early example of the bottom up approach. Significant outputs of housing have been achieved.
- Strengthening local delivery
- Building good partnership working
- Public Land Initiative set up
- Delivering Homebuy Direct,
- Local Authority New Build
- Creating the Private Rental Sector Initiative
- Mortgage rescue scheme launched nationwide

Through Kickstart Round 1 we have allocated over £400 million to support developers kick-start stalled sites. For example, locally we have provided gap funding of over £1 million for the redevelopment of the former Springfield School site in Huntingdon with 56 new homes including 19 HomeBuy Direct.

Developer-by-developer, site-by-site negotiations have decided whether the HCA finance is gap funding, loan funding or equity. A really important move away from simple subsidy. The same principle applies to HomeBuy Direct where the developer is funding 15% and the HCA 15%, both being investment, not grant.

We are working in many areas of the country to support community-led housing proposals. We have piloted one of the first Community Land Trusts in Holy Island. There are many more in preparation and we are engaged in collaborative research to identify and remove the obstacles they face and develop better intelligence to support proposals. Government's Local Housing Trust proposals will encourage the community-led sector to deliver substantial amounts of affordable housing where it is needed, for example in support of many village communities.

An early assessment of year-end figures for 09/10 shows that, despite continued tough operating conditions, the Agency has met or exceeded its key output targets for 2009-10. In both 08/09 and 09/10 we procured through our partners around half of all house building in England.

Locally, through the 2008/11 National Affordable Housing Programme, the HCA has allocated £135 million in the Cambridgeshire Housing Sub-Region: delivering 2,403 new homes for rent and 1,213 new homes for low-cost home ownership.

What do we face today?

- Housing waiting lists that have grown over the last 2 years. 150,000 households in the Eastern Region
- a house building industry that remains fragile and lacking in capital
- house builders, other developers and their lenders all taking a cautious view of risk amid a slowly recovering mortgage market
- but still huge difficulties for first time buyers; house prices in this region 8 times median salary.
- increasing unemployment in many areas although not in the hot spots of this region.
- many growth and regeneration schemes that are stalled. I came across a Cambridge Horizons paper written, I think, in 2008 referring to work starting on the Northstowe site in January 2010.
- many expectations being dashed with local resentment

And, of course, the certainty of major cuts to public expenditure impacting directly on programmes delivered by the HCA. There will also be the indirect effect on employment in public services.

I am not going to comment on the risks of a national double dip recession. But I will note the strong regional variations that are likely to appear in economic activity, employment levels and the vibrancy or otherwise of housing markets. There are already signs of a north-south divide in reports from housebuilders and I fear this may worsen.

However, I stand here today in a prosperous region but a region that nonetheless has benefitted from significant public funds to provide the schools, hospitals, transport and other infrastructure to support growth; in addition to the HCA funding of social housing.

We are here in Cambridgeshire part of the designated growth area of the London-Stansted-Cambridge-Peterborough corridor which has benefitted from funding from the Growth Fund.

These projects range from providing a new country park in Ely and eco-friendly homes in Huntingdon, through to regenerating the Wisbech/Nene Waterfront area.

Cambridge University and the commercial activities it has generated is a growth machine. But we see the growth pains where infrastructure has not kept up with population growth: eg, the overcrowding at Cambridge railway station and, of course, the A14.

But things are going to get more difficult as we face a double whammy!:

- large reduction in public funds and
- a private sector that, at least for a period, will continue to be risk averse and reluctant to move from a “sell one, build one” approach to development. Generous S106 deals to fund social housing and major infrastructure are not going to return soon.

Let me look at two subsets of the challenge:

- the need for upfront investment in infrastructure and, separately,
- the necessity of funding badly needed affordable housing in mixed income communities

We have to recognise the problem of upfront investment holding back growth projects. We have to implement more flexible financial models to bridge this gap and stimulate activity:

- Deferred land sales
- Revolving Infrastructure Fund
- Gap and equity financing of schemes

- A Total Place approach requiring much better co-ordination of all the public sector investment in an area including better infrastructure planning. We should be aiming for common procurement of infrastructure and planning of all capital expenditure on the same timeline and on the same criteria.
- These approaches I have described are being delivered in parts of the HCA. We will be taking forward the challenge presented to us by the new Government to make this more flexible, localist approach a matter of routine, not the exception.
- Wearing my Anglian Water hat, let me give you an example. This is a water strained region. Led by Cambridge Horizons there has been good understanding between spatial planning and water planning. This has ensured that AWS neither over- nor under-invests.
- Introducing the private sector at different stages of the risk profile of a project. Anglian Water now pays the upfront cost of sewers and only charges the developer the net present value compared to 12 years of income. Can this concept be applied to other suppliers?

For social housing we may need to consider a new settlement with the housing associations. If we are going to maintain the volume of social housing for less money we have to work with RSLs to achieve better value for money by driving down grant rates:

- The public sector needs to take more of an investment approach rather than grant or subsidy.
- This means sharing risk.
- We need to consider working with local authorities to take a commissioning role in selecting RSLs and projects balancing both need and value for money and be more selective.
- We should look for an approach with RSLs that provides more incentive for development
- Recognise there are RSLs with underused balance sheets
- Encourage more sharing of services and common purchasing
- Drive down maintenance and other costs with transparent comparisons
- Broadening the range of products for shared ownership and first time buyers. Respond to the current economic position, with flexible models such as rent to homebuy

[Of course, when considering the social housing sector there is the political hot potato of raising rent levels and also questioning tenure for life. I am not politically brave enough to go there today.]

Finally, whether for infrastructure or social housing, we have to not just demonstrate good value for money but actually deliver good value:

- Find ways to better use assets of both LAs, RSLs, Government and others
- In particular, really drive the use of public land
- Broaden the range of providers by introducing new private sector partners into the sector (eg HCA Delivery Partner Panel). Introduce competition!
- Drive down procurement costs
- The use of fewer consultants
- Cut the running costs of development. The sector has perhaps been heavy in overheads with some duplication between delivery vehicles
- Broaden the range of tools and financial models
- The HCA itself is going through a streamlining process

The public pound has to go further!

That takes us to sustainability. With my background at WWF and my chairmanship of the Met Office, which incorporates the Hadley Centre – the world leading research institute on climate change – sustainability and climate change, in particular, are very much at the forefront of my mind.

There is, of course, a huge agenda around the retrofitting of existing housing stock. I don't have time to address that subject today as we are talking about growth and thus new housing and new infrastructure. As we are discovering, retrofit is not easy and thus how we build the new today will determine its carbon footprint for some time to come.

I don't want to get bogged down in the detail of Level 6 of the Code or what we mean by a zero carbon home. The HCA is working locally on the second of our Carbon Challenge sites in Peterborough. Advanced plans for pPod to deliver around 350 new zero carbon homes, built to level 6 of the Code for Sustainable Homes. In keeping with the local landscape this will incorporate Sustainable Urban Drainage (SUDs) including wetland swales as a more sustainable approach to drainage.

What we need is to be on the journey towards a low carbon economy, and a growth area like Cambridgeshire should strive to be at the forefront of implementing such a strategy.

Of course, there are some dinosaurs out there who say that the extra costs of greening a house will be borne by the land value and thus reduce land availability. This is like saying the cost of tarmacing a road, as opposed to a dirt track, should have stopped the development of the motor car. Moving towards a green economy, including low carbon transport, is inevitable and the only debate is about the speed. What the dinosaurs don't understand or don't want to understand, is that the sooner they embrace the agenda the quicker the supply chain will drive down costs as volume of low carbon technology expands.

Let's be clear, a low carbon house in a low carbon place will be great to live in. There will be lower utility bills, great recycling facilities, great cycling facilities, wonderful green spaces, more fresh air and transport links that really work.

Northstowe is the place to embrace this ambition with the guided bus way already in place.

Another key message from the new ministers is localism. Although it is early days, it is clear the Government is serious in preaching localism. Bottom up not top down.

The HCA has believed from the start in the partnership with local authorities as the local democratic entity. Our Single Conversations have been designed to establish local ambitions and will be reflected in the local investment plans that are currently being finalised and are driven by local preferences.

New ministers will require us to go further in placing local authorities and communities in the lead for place based development.

The new council tax incentive scheme – the Matching Fund - will provide positive encouragement to local authorities to grant permissions for more housing and businesses, with a greater incentive to deliver affordable homes. However, there may remain significant viability and delivery issues, at least for the short to medium term.

The focus of the HCA would be to help unlock new supply, both market and affordable through specific support for affordable housing, technical assistance to local authorities, an active programme of developing public land and gap funding where schemes would not otherwise be viable.

In conclusion, the growth agenda in this area is critical for the economy and has to be delivered.

But this is against a background of substantially less public money and a nervous private sector.

We have new Ministers believing in the democratic power of localism and communities - the imperative of value for money and doing things differently.

I have tried to suggest some ways in which all these challenges could be met. To do so will require all of us being flexible, innovative, cost-conscious, green and working together to meet the growth agenda of this area.