

HOUSING DELIVERY IN A CHANGED LANDSCAPE

INTRODUCTION

Good Morning Everyone, and thank you Sir David.

It is a great pleasure to be speaking to you this morning in the wonderful city of Ely at what is Horizons' 6th annual conference, and my 3rd as Chief Executive.

I'm not primarily going to use a Powerpoint bullet point presentation – so your visual aid is ...me! Apologies – I appreciate its not the prettiest of sights - but you can always look at the nice picture of Ely behind me if you need to focus on something! You'll also be relieved that there is some video content coming later!

The title of my talk this morning is "Delivery in a changed landscape". It's a title I discussed with Laura Halstead, our Communications Manager, back in February, but without wishing to claim too much insight, it does seem pretty apt given the amount of change we are now living through.

Yes, we have a new coalition government in place, faced with an unprecedented level of public debt, which they are preparing to tackle, and consequently an eye-wateringly tight Budget and Spending Review later this year. The government has also promised political reform, and genuine devolution of power away from Whitehall and towards local authorities and local communities. I've heard that before from government, but it may be the real thing this time.

We are also seeing big changes in the world of planning, housing and infrastructure. The Secretary of State has in effect repealed the Regional Spatial Strategy, and with it any suggestion of target numbers of new homes that local authorities need to deliver.

Regional Development Agencies are also facing severe cutbacks, Government Offices are facing review, and the Homes and Communities Agency is seeing major budget cuts.

Now some commentators have responded to this changed environment by claiming that this means that the housing growth agenda is off, something that can be consigned to the dustbin of history.

In my comments this morning, I hope to illustrate why taking such an approach would be disastrous for Cambridgeshire, would undermine our future economic prosperity and do a disservice to the thousands of people already in acute housing need across our county.

Ensuring a sufficient supply of good quality homes is a critical element of any well-functioning society. The pressures of population growth, and new household formation, make this a more challenging issue in places like

Cambridgeshire, but the evidence suggests that our future economic prosperity and social wellbeing depends on us getting those new homes built and successful new communities being created.

But, far more eloquent than any comments I can make, are the voices of those for whom new housing is a personal or commercial imperative, rather than a debating point. Let's hear from some of them now.....

WHY WE NEED NEW HOMES

I think those voices underline why the need for new homes, and supporting infrastructure, remains as important today as it did under the previous Government.

A real push on new housing development in Cambridgeshire is and always has been required not to meet some regional or central target, but to address the acute local needs that are evidenced through the Strategic Housing Market Assessment. As Sir David mentioned earlier, Cambridgeshire's local authorities developed the 2003 Structure Plan, in partnership, to ensure they had a sound basis for meeting the challenges of growth.

As things stand, particularly in the south of the county, very few young people have many housing options if they want to stay in the area.

My two girls are 4 and 8 years old at the moment, when they grow I want them to have a choice to stay here other than to continuing to live with Mum and Dad – for all our sakes no doubt!

And being able to have a home somewhere where you want to live and work, close to family and friends, and as part of a community is surely what we all want – and is a key part of making Cambridgeshire a great place to call home.

Having said I would not be using Powerpoint, I am just going to put up a few of the “killer facts” from the Strategic Housing Market Assessment.

Let's start by looking at affordable housing.

- Over 10,000 households are on the waiting lists for affordable housing in just Cambridge and South Cambridgeshire alone
- Across Cambridgeshire the total number on waiting lists has been rising year on year, there now are around 18,000 in all.

And looking at market housing, the position is acute here too.

- Average house price vs average income in Cambridge – around 9 times average income needed to buy an average home. Similar in South Cambs.

As you can see prices in the most expensive areas of the county barely dipped during 2008/09, bucking national trends, and have all now recovered to a higher level than before the recession. This is not a sustainable position.

GROWTH: A “WHOLE COUNTY” ISSUE

Now I've talked about the south of the county, and focussed on the very pressing issues in the Cambridge and South Cambridgeshire areas. However, the need for new housing and infrastructure is a whole county issue.

Of course, the particular needs will vary across the county, and the nature of new development will need to flex accordingly. Growth may be more important as a means of driving regeneration and increasing aspiration levels in some parts of the county, or really on providing much-needed affordable homes in others. We are supporting exciting developments in Fenland, Huntingdonshire and East Cambridgeshire as Sir David mentioned in his comments earlier.

One of things I am proudest of is that Cambridgeshire's local authorities have, across the board, taken a mature and responsible attitude towards housing growth for many years. Despite pressures, they have remained united in this, and in supporting Horizons as the means of bringing their efforts together and to oversee the delivery of major developments and infrastructure across the county. I am confident that this collective effort will continue as we move forward in difficult times.

THE CAMBRIDGESHIRE ECONOMY

Cambridgeshire does have the potential to lead the UK out of recession. We are already one of the few areas that is a net contributor to the UK economy, and we are fortunate that some of the most inventive minds in the country live and work here.

There is real potential for rapid economic growth within many of the sectors for which Cambridgeshire is renowned, and this growth will be essential if the private sector is to expand to provide jobs to counterbalance increased unemployment from cuts to the public sector.

As the major employers on the video made clear, in the Cambridgeshire context, the key things holding back our fantastic entrepreneurs and business people are physical issues like infrastructure and the affordability and availability of housing. Its not just homes, we do need the transport infrastructure, schools, green space and community facilities to turn new housing developments into real communities where people enjoy living and working. It is fundamental to our economic future.

And, more worryingly still, given the internationally competitive nature of many of our key sectors, particularly in and around Cambridge, standing still is not an option. Unless we can grow, we will see other parts of the world win more contracts, increase the size and attractiveness of their clusters, and the

Cambridge sub-region will reduce in its competitiveness and global importance.

BUT THERE'S NO MONEY?

You can't turn on the radio or open a newspaper without hearing about the deficit. Inevitably the position of public finances means that almost every part of the public sector will face funding reductions. Financial support for housing growth will inevitably reduce over the coming years. Indeed, we have seen this already, with big reductions in the funding support available for the Homes and Communities Agency. No doubt Robert will touch on this in his remarks.

The future position around growth funding will almost certainly be different to the one we have been dealing with. I suspect that capital grants are likely to be in short supply.

And yet, maintaining high levels of public investment in new homes and infrastructure remains an economic, social and environmental priority, particularly for places like us.

This seems an intractable problem. And I do not think that going with a begging bowl to HM Treasury, however well crafted we can make that bowl, is likely to be met with much success.

DEVOLUTION AND INNOVATIVE FINANCE MECHANISMS

But there are potential bright spots on the horizon (or on the Cambridgeshire Horizon). The coalition government's promise of genuine decentralisation and real financial devolution offers grounds for some optimism, I think.

I would stress this needs to be real financial devolution, and of sufficient scale to allow the funding of major infrastructure schemes.

But if we can keep more of the value created by developments in Cambridgeshire *in Cambridgeshire*, then we will be able to solve our own problems, rather than looking for handouts from Whitehall. This is why we worked with the City Council and County Council in particular last year to put forward a bid for a Tax Increment Finance scheme to fund transport infrastructure in the Cambridge Station area.

Now the Tax Increment Finance scheme would basically allow us to retain the business rate income generated by the new infrastructure, so that the loans inevitably incurred to fund the infrastructure in the first place can be repaid. We keep more of that tax income here. It is interesting to note that Edinburgh and other Scottish cities are pressing ahead with similar schemes.

Government is still considering our proposal, and the general proposition of such schemes. I call upon Government to grasp the nettle and take this idea

forward, to use the Cambridge scheme as a pilot, and to demonstrate that its commitment to financial devolution is real. I am going to the Treasury this afternoon to put this case again.

It is also critical that we push ahead with the Community Infrastructure Levy – a charge on new development to fund infrastructure. This is being piloted by Huntingdonshire and East Cambridgeshire District Councils. The City Council have a standard charge scheme in place already. CIL represents an improvement over the traditional Section 106 system because it means that every new home pays something towards the community infrastructure needs that they create (as opposed to only around 60% of new homes currently contributing in Cambridgeshire). It is a fairer, simpler, and more predictable system.

We've got issues around developer contributions and keeping tax revenues locally. As part of Cambridgeshire's Total Place initiative, Graham Stagg & I have been leading some work looking at whether we can make better use of public sector assets (land and buildings). At a time of cuts, it makes sense to check whether we are doing all that we could to make the best use of our public sector assets, and whether combining assets across the public sector could generate greater savings and better outcomes for residents than simply looking at this from within organisations.

The work we have done so far suggests that there are real benefits from this approach, including opening up more opportunities for running shared services from a shared estate. There is a stand on the Making Assets Count workstream outside, which I hope you've had a look at or will later today.

As Peter Studdert argued so persuasively in his recent article in the CAGE publication "Who should build our homes", we must recognise the scarcity of resources available now. We must work ever more effectively together not just across the public sector, but also with the development industry (and with the voluntary sector) so that we form effective partnerships rather than see scarce funds dissipated through the more traditional adversarial system that we operate.

As part of the ongoing Quality Charter for Growth work, we have also commissioned Dr Nicholas Falk from URBED to write a paper setting out the "Steps to Quality Growth", recognising new economic realities. Nick's paper builds on Peter's work and is published today. Copies are available outside.

If we are able to use innovative funding tools like the Tax Increment Finance scheme, have a clearer and fairer system for capturing developer contributions, and find a way in which we can make much better use of public sector assets, then we could really be in a position where we finally have a much greater ability to determine our own future. That would mean that localism is to be embraced.

Now, more than ever, we need to grasp these opportunities, and allow local authorities to work with their local communities and to take on the place

shaping role that only they can deliver. If we can do this, we can be confident that our new developments can match the quality of outcome that we see in some of the best new developments on the continent in places like Vathorst in the Netherlands, Freiburg in Germany, or Hammarby in Sweden.

AND WHAT ABOUT THE FUTURE OF HORIZONS?

We are clearly in the midst of a period of very major change.

But the reasons for Horizons being set up remain as strong now as ever. The growth agenda remains a hugely important issue for Cambridgeshire and the pressures we face are possibly even stronger now than they were in 2004.

Given the different responsibilities between different layers of local government in the two-tier system, and the remaining important role of central government and its agencies, we do need some means of ensuring that this complex agenda is effectively co-ordinated and partners can align around shared objectives.

But we are all going to have to find more efficient ways of working. There may be options for integrating the work we do with the work on economic development, which has clear linkages with housing and infrastructure development, and the Government's proposed Local Enterprise Partnerships would bring these issues together under a single body.

Horizons as an entity stands ready to work with colleagues across the public sector, and with stakeholders in the business community and voluntary sector to help examine any options that will emerge.

I see the question, not as what is the future of Horizons, but what is the best way to ensure that we have an effective means to collaborate to deliver new homes and new communities at the high standards set out in Quality Charter, in a way that ensures future sustainable economic prosperity for our area, in the different economic environment.

There is a real risk that this part of the country could lose out on Government investment. Cambridgeshire may be perceived as having a strong economy and so not in need of support. There is a risk that cuts may bite harder on the south of the country than the north. That would be disastrous as we deliver the tax revenues that will get us out of jail. All of which suggests that the Cambridgeshire business community and the public sector need to come together in an effective way to argue against this, and to craft our own solutions.

Before wrapping up, I am going to play you some short video clips from the team at Horizons – explaining why they see what they do as more than just a job.....

Thank you, wasn't that lovely.

This underlies a lot of points that I've been making. The scale of the public funding crisis means that, more than ever before, we have to work collaboratively. It is only through effective partnerships that we can meet our shared objectives, and if we are to create the kind of place that meets the needs of the people we saw and heard on the videos earlier.

Someone said today that they're not sure whether this is a celebration or a wake. I think it's a celebration. When I was at Government Office, we saw Cambridgeshire as a great example of success. I am convinced that the future remains bright, despite the very real challenges we are facing today.

Thank you very much