A NATIONAL AGENCY WORKING LOCALLY

Supporting a housing-led recovery

CIH South West conference, Torquay
Colin Molton, HCA Executive Director, South and South West
24 April 2013
Key points to cover

- What the recent announcements mean for us
- Our changing role and investment programmes
- How we’re supporting economic growth
- Progress on the ground: Cranbrook
- Things to focus on in the year ahead
Thank you

We met or exceeded all targets for 2012/13:

- Strong performance on housing starts and completions
- Well on track to deliver our share of the target of 170,000 affordable homes by 2015
- Created or maintained nearly 12,000 jobs in construction and supporting industries
- Attracted nearly £1bn of private sector investment
- Brought 113 ha of land back into use, against a target of 94 ha
- Created 322,000 sq m of employment floor space, against target of 185,658 sq m
- This contributes to economic recovery and sets us up for future challenges
- You have all helped this performance
All in the midst of huge change: Autumn announcements

September package:
- Single shop window for public land
- Centralising ownership: programme from other public sector bodies
- Support to unblock large scale stalled sites: enabling

Autumn Statement:
- £225m to accelerate large sites
- £190m for investment in public sector land sites and enabling quick disposal
- £100m to bring forward public sector sites for development
Further changes: Budget 2013

Budget provides a boost for housing

- **£4.5bn total investment** to support thousands of new homes, helping buyers and providing more options for renters
- **£3.5bn in capital spending** over three years for **Help to Buy**, supporting up to 74,000 more home buyers by 2016 and providing a boost to the construction sector
- Five-fold increase in **Build to Rent** fund – taking available investment to £1bn
- An extra £225m for the **Affordable Homes Guarantees Programme**, which doubles the amount of funding available to support up to 15,000 additional new affordable homes
Programmes – 2010 to present

- Accelerated Land Disposal
- Affordable Homes Guarantees Programme (1 and 2)
- Affordable Homes Programme
- Built to Rent
- Clusters of Empty Homes
- Community Right to Build (CRtB)
- Custom Build
- Decent Homes Backlog Funding
- Economic Assets Programme
- Empty Homes (1 and 2)
- FirstBuy (1 and 2)
- Get Britain Building
- Help to Buy
- Homelessness Change
- Housing Market Renewal (HMR) Transition

- Kickstart
- Land Auctions
- Transfer Gap Funding
- Local Infrastructure Fund (Enterprise Zones, large sites and public land)
- Mortgage Rescue
- National Affordable Housing Programme
- Private Finance Initiative
- Private Rented Sector Initiative
- Property and Regeneration
- Public Sector Land
- Public Sector Land Acquisitions Fund
- Right to Buy
- Section 106 Renegotiation
- Traveller Pitch Funding
- Care and Support Specialised Housing Fund (CASSH)
Budget changes over time

- **Spending Review 2010**
- **Budget 2011**
- **Housing Strategy 2011**
- **CRtB**
- **Autumn Statement 2012**
- **HMR transition**
- **CASSH**
- **Budget 2013**

Budget (£m):
- **Spending Review 2010**: £2,000
- **Budget 2011**: £3,000
- **Housing Strategy 2011**: £1,000
- **CRtB**: £0
- **Autumn Statement 2012**: £5,000
- **HMR transition**: £4,000
- **CASSH**: £9,000
- **Budget 2013**: £7,000
Supporting a recovery: housing, LEPs and cities

- Importance of housing and construction in helping drive economic growth is well recognised
- HCA activity supports local growth
- Working with Local Enterprise Partnerships and Core Cities that identify housing, land and regeneration as priorities
- Supporting Enterprise Zones in Bristol and South Hampshire
- Supporting local partner bids for the Regional Growth Fund
- Support for delivery of Government’s Construction Strategy, including working with consortia through our Procurement Efficiency Initiative

Our investment and expertise support local aspirations and deliver economic growth.
Housing and the economy

Construction output contributes around 8% of GDP. Housing, including building and maintenance and repairs, accounts for around 3% GDP.

Contribution of construction output to UK GDP (%)
- 8%
- 92%

Contribution of housing to construction output (%)
- Public new building: 65.7%
- Private new building: 14.8%
- Public repairs and maintenance: 11.4%
- Private repairs and maintenance: 5.7%
- Other construction: 2.5%

Contribution of construction output to UK GDP (%)
- Construction: 8%
- Rest of the economy: 92%

[Charts and diagrams]
Housing and the economy

House building has fallen since the recession, although there has been some increase in net additions over the last year.

The fall in construction output contributed one fifth of the overall 6.1% contraction in GDP following the financial crash.
Housing and the economy

If construction, North Sea oil and gas and financial services are excluded, the economy has broadly returned to pre-crash levels.

Of the current 3% gap between current and peak GDP levels, construction makes up around 43% of the gap. Within this, housing makes up 18%.

Financial services and extraction of oil and gas make up 34% and 26% of the gap respectively.
Housing has a vital role to play

- The sector has spare capacity: it can grow without creating inflation
- It has strong job multipliers, as building and repairs and maintenance are labour intensive
- Job growth helps to underpin aggregate demand for goods and services within the economy
- Housing construction does not rely heavily on imports, which drag on growth

- It is estimated that there is a supply chain multiplier in construction of 1.78: one construction job supports 0.78 jobs elsewhere
- For every £1m of new housing output, 19.9 workers are needed for a year
- For every £1m of housing repairs and maintenance 30.8 jobs are supported
Supporting growth: providing affordable homes

- £4.8bn for up to 170,000 new homes
- Up to £300m care and Support Specialised Housing Fund
- Bringing up to 10,600 empty homes back into productive use
- £2.1bn programme of investment in Decent Homes
- TPF, Homelessness Change, Mortgage Rescue
- Meeting locally identified needs

We are helping to deliver the Government’s ambitions to build up to 170,000 new affordable homes, improve existing homes and assist first time buyers.
Supporting growth: housing market interventions

- Increasing private sector housing starts through equity loans and other market interventions:
  - £570m Get Britain Building
  - £1bn Build to Rent
  - S106 mediation

- £10bn guarantees, linked to new housing delivery

- Increasing HCA loan portfolio – c.£1bn
Using land to support growth

- Bringing surplus public land to market to drive housing growth
- Enhanced role for HCA: £290m funding announced in autumn statement
- Government programme to release public land with capacity to build 100,000 homes by March 2015
- HCA land development and disposal plan – land for 14,000 new homes by 2015
- Commercial expertise and complex development experience
- ‘Build Now, Pay Later’ approach of deferred payment

We are using new ways to increase the supply of public land and speed up development
Making use of land opportunities

- Of 150 land assets, more than 30 were sold in 2012/13 to support local economic growth:
  - Phases 2 and 3 of £500m Centenary Quay in Southampton progressing
  - Sale of 20 assets to Cornwall Council as part of package to support highway improvements
  - Threemilestone, Cornwall; supporting local business by disposing of three units to tenants
  - Sale of site to Frome Town Council, securing local training provision and giving community a say in future plans

- Current opportunities at: homesandcommunities.co.uk/ourwork/land-and-development-opportunities
Launched this year: Local Infrastructure Fund

- Builds upon autumn statement to support major housing delivery and economic development:
  - £225m to accelerate delivery of large scale housing sites
  - £59m to support delivery in established Enterprise Zones (24 in England)

- Support already announced for:
  - Cranbrook, East Devon
  - Wokingham
  - Eastern Quarry, Kent
  - Fairfield, Milton Keynes

- More information at homesandcommunities.co.uk/ourwork/lif
Progress on the ground: Cranbrook

Vision for Cranbrook:
Sustainable, vibrant, attractive town which combines the rich urban fabric of historic Devon service centre or market town whilst meeting the needs of 21st Century lifestyles.
Progress on the ground: Cranbrook

- One of the largest growth areas within the South West
- A self-sufficient, low carbon new community
- A population of more than 18,000 in 6,550 homes by 2026 (30% affordable)
- Around 11,000 jobs at Cranbrook, Exeter Science Park and SkyPark
- Leverage generated by investment: more than £1bn
- Phase 1 well underway: 120 homes, new school and district heating system complete
Exeter and East Devon Growth Point

Sustainable Transport Infrastructure
- A pedestrian and cycle foot bridge over the M5
- Improvements to junction 29 and 30 of the M5
- A high quality public transport link from the city, through the growth area
- A new railway station at Cranbrook on the Exeter to Waterloo line
- The Clyst Honiton Bypass

Monkerton, Newcourt and South West Exeter Masterplan Study Areas
These areas are being studied as sites for potential new communities as part of the Local Development Framework process and could provide an additional 7,300 homes and 35 hectares of employment land.

Intermodal Freight Terminal
Will be a 65 hectare site to include a rail freight terminal and distribution centre.

Cranbrook
Offering up to 6,500 homes together with schools, social and community buildings, sports facilities, country park and a railway station.

Flybe Training Academy
Together with a 160 bed hotel. The academy will include 25 classrooms incorporating state of the art flight simulators.

Exeter International Airport Expansion
Including a new terminal and enhanced passenger and aircraft facilities.

Exeter Science Park
A world class Science Park providing services for knowledge intensive firms, with the potential to create 3,000 jobs.

Skypark Business Park
£210 million Business Park with the potential to create up to 7,500 jobs, including industrial and manufacturing space.
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<th>Public sector investment</th>
<th>Private sector leverage</th>
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<td>Junctions 29 and 30 M5</td>
<td>Flybe Training Academy</td>
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<td>Redhayes Bridge</td>
<td>Flybe Training Academy</td>
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<td>Clyst Honiton Bypass</td>
<td>Skypark</td>
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<td>(£3m)</td>
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<td><strong>Cranbrook:</strong></td>
<td><strong>Exeter Science Park</strong></td>
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<td>Main Local Route</td>
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<td>Primary School</td>
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|  £13m        |  £15m       |
|  £5.5m       |  £210m      |
|  £7.8m       |  £165m      |
|  (£3m)       |  £120m      |
|  £4m         |  £150m      |
|  £5m         |  £30m       |
|  £1.5m       |  £1bn+      |
|  £16.6m      |  £20m       |
|  £7.2m       |  £19.0m     |
Jobs created by Exeter and East Devon Growth Point projects

University
- 3,500 direct jobs, 5,000 indirect
- Turnover £260m + £350m wider benefit

World class Science Park
- Encouraging enterprise, science, research and development-related activity
- Potential to create 3,000 jobs

Skypark
- 1.4m sq ft of office and industrial/manufacturing space
- Top employment opportunity south west of Bristol

Inter-Modal Freight Terminal
- Sainsbury’s Regional Distribution Centre
- 550,000 sq ft and 450 jobs
The site of the Cranbrook New Community

Picture courtesy of Still Imaging
Work starts at Cranbrook on 29 June 2011
Cranbrook, August 2011

Picture courtesy of Still Imaging
Cranbrook, February 2012

Picture courtesy of Still Imaging
Cranbrook, June 2012

Picture courtesy of Still Imaging
A long-term growth story

1991 - Initial concept

1996 - Devon Structure Plan

2006 - East Devon Local Plan
15,000 objections

2010 - OPP for 2,900 homes

2011 - RMs for 1,120 homes

2012 - Successful launch
70+ sales
First residents move in
Cranbrook 6,000 to 2026
An infrastructure led approach, supported by HCA

- Critical infrastructure
- Provided at an early stage in the development process
- With public funding support (repayable)
- Provides confidence to invest
- Supports more sustainable communities and development
District heating pipework, October 2011
St Martin’s School opening, September 2012
Driving growth locally

- Rapid adaptation to new landscape
- Harness new financial mechanisms and incentives:
  - Community Infrastructure Levy
  - New Homes Bonus
  - Local retention of business rates
  - Allowable Solutions
  - Regional Growth Fund
  - Regional Infrastructure Fund
  - Growing Places Fund
- Accelerates pace of delivery
Local Infrastructure Fund: supporting phase two

- Phase 2 unlocked by £20m investment from the Local Infrastructure Fund in December 2012
- Unlocks development of town centre, new secondary school and second primary school
- House building rate to accelerate from 350 per year to 500 per year
- Employment rises from 225 to 500 - more than 50%
- Cranbrook the first large scale project to benefit from investment from the Local Infrastructure Fund
Local Infrastructure Fund benefits

- Provides right infrastructure in the right place, at the right time and at the right price
- Maintains infrastructure-led approach
- Self-financing model
- Fund management
- Spend/save/forward fund
- Investment grade schemes
- Infrastructure Delivery Plan to 2026
- Local Investment Plan

LOCAL INFRASTRUCTURE FUND BENEFITS

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Cranbrook education campus planning permission issued in March 2013

Picture courtesy of Stride Treglown Limited
To conclude

- As a sector, we have proved we can deliver in the face of significant change
- Sector has appetite and capacity to meet national ambitions for housing growth
- Enabling and support activity has increased confidence
- Speed of delivery is key
- If sector is to receive a strong settlement in next Spending Review, we must achieve what we’ve set out to do
- You all play a vital role