

Housing and regeneration: Meeting the delivery challenge

BBP Regeneration Bulletin

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The housing, regeneration and planning landscape in the UK is changing fast. National housing targets have been dropped. Regional Spatial Strategies (RSSs) that have until now determined the level of new homes needed in an area have been revoked. Public funding for affordable housing and regeneration is set to decrease dramatically, with bodies such as the Homes and Communities Agency (HCA) expected to play a 'leaner' enabling role. Market conditions also continue to create major challenges for delivery.

Local authorities will now be responsible for establishing the right level of housing provision in their area. This presents a real opportunity for local authorities and communities themselves to take the reins and determine the right mix of homes, jobs and community infrastructure. Whilst there are major challenges for delivery, **innovative solutions can be found** if local authorities work collaboratively with partners, embrace new funding mechanisms and income sources, and use public sector assets more creatively to lever investment.

Meeting the challenge of housing delivery

Local authorities and their partners should drive regeneration and housing growth in response to community needs. Deliverability will be key in any reviews of local planning policy - particularly as the public sector shrinks, and the need to attract private sector investment becomes more important. This will involve tough

Key Points

- Now more than ever local authorities and their partners need to work together to continue to deliver housing and regeneration
- Whilst there are major challenges for delivery, innovative solutions can be found if local authorities work collaboratively with partners, embrace new funding mechanisms and income sources, and use public sector assets more creatively to lever investment
- Full alignment of public sector capital investment programmes is needed to maximise private investment and drive housing development and regeneration
- Opportunities for stronger community engagement, retrofitting and the development of new housing sectors can help address delivery challenges

decisions to prioritise schemes with the best chance of success and where there is scope for making better use of the public estate.

Shortages of affordable housing across the UK remain a key challenge and cannot be ignored. Local authorities, developers, Registered Providers, the HCA and others should work together to devise solutions, particularly in areas of marginal viability.

Stronger partnership working to fully align public sector capital investment programmes will help maximise private investment in an area. Local authorities are going to have to take the lead in making investment work harder.

Funding and Investment Opportunities

Alternative investment sources and creative funding packages to support housing growth and regeneration will need to be explored by local authorities and their partners.

As uncertainty over departmental budgets is set to prevail, local authorities should be proactive in securing funding from **alternative sources** including the EU, reforms of the Housing Revenue Account, the government's proposed 'New Homes Bonus' and using the

critical mass of a 'customer' base to open new markets and income sources. Models that rely on capturing the future value of investment, such as Accelerated Development Zones, may be increasingly important, as will mechanisms to recycle investment and self finance long term initiatives.

As the public sector shrinks, housing and regeneration will be increasingly reliant on the private sector. New approaches to investment and risk management from the private sector will need to emerge. Public bodies can invest **land and property assets** to build portfolios of projects that can recycle investment, cross subsidise and spread risk. Capital receipts for this land may not be received initially, helping shelter the risks being taken by private investors. Local authorities will have to maximise private investment, using commissioning arrangements to encourage innovation in financing. In addition, local authorities should recognise the challenges of delivery in the current market and use their **planning powers** flexibly to support local development ambitions.

The role that new housing sectors can play in regeneration and housing delivery should also be considered. In certain locations, the **private rented sector** for example, may have a significant role in addressing demand and supply side issues. A coordinated approach to long term institutional investment in the private rented sector could provide a new funding mechanism. The HCA has been exploring this concept, which could meet the demand for quality rented housing, enhance housing choice and contribute to overall housing supply.

Innovative financing and energy efficiency

In addition, local authorities and their partners should begin to consider **retrofitting existing homes** and explore opportunities to improve energy efficiency when addressing non-decent housing stock. The government has committed to reducing CO₂ emissions by 34% by 2020, and with 40% of emissions deriving from buildings it is necessary to improve the energy efficiency of both new and existing housing stock. Innovative funding



models combining funding and investment from a range of sources are required to deliver on these objectives.

There are opportunities for community empowerment based on capturing revenues from alternative sources such as renewable energy. Funding models can reinvest profits from **renewable energy generation** in further community projects and lead to community ownership of assets. In addition, the government has outlined that it will look at ways developers could make payments to fund community energy projects to meet obligations to reduce carbon emissions from new homes. Community land trust models, empowering communities to 'control' new development can also be explored.

There is a real opportunity now to devise deliverable housing and regeneration solutions that meet local needs. Whilst the environment is challenging, **innovative solutions grounded in market reality, that maximise public sector assets and make investment work harder, can be developed** to ensure that communities' needs and ambitions are met and local economies are supported.

About Us

BBP Regeneration is experienced in working with public and private sector clients to develop new and innovative ways to deliver housing and regeneration. We can help examine the feasibility of using property and land assets, explore alternative funding sources and delivery arrangements to help drive regeneration in challenging market conditions and the rapidly changing political context.

Our team offers a range of services including appraisal and evaluation, strategic planning and feasibility, delivery advice, financial modelling and business planning.

For more information on the services we offer please contact Stephen Pritchard on:

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