

Create Streets
Briefing paper

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Beauty and the planet: *Quality and quantity or quality versus quantity?*

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Quality *and* quantity or
quality *versus* quantity?

Six ways in which Homes England's existing budget could be used more effectively to deliver better more sustainable places and support levelling-up

Homes England's annual budget is well over £6 billion. This essay argues that this money could and should be working much harder to achieve a range of government targets as well as creating homes and that it can do so without compromising in any way the focus on housing numbers. It makes six specific and actionable recommendations for how to achieve this.

We very much welcome the Government's important response to the Building Better Building Beautiful Report on 30th January. Nevertheless there is still more to do and Government should continue to push hard to get maximum benefit for its funding in relation to the various policy streams that the spending could influence.

Delivering new homes, affordability and home ownership are the priority but this need not result in subsidising ugly, obsolescent, alienating homes and places.

There are a number of other Government policy priorities that this spending could also be delivering on including beauty, net zero, community, levelling up, local prosperity, loneliness and health and wellbeing.

And if the spending was rigorously aligned to the Treasury's recently revised Green Book methodology that is exactly what would be happening.

Although Homes England's remit from Government does not include directly designing places or creating homes, we nevertheless believe it has a vital role to play in creating better, more beautiful and more sustainable places. Homes England's formal role includes bringing allocated land to market and providing grant, equity and

loans to housebuilders, housing associations and local authorities. Each of these activities present opportunities for Homes England to show leadership on popular design and sustainability. We welcome the fact that Homes England is creating a quality and sustainability framework to inform their work and are delighted both that Peter Freeman, a developer known for place-making projects, is their new chair and that Sadie Morgan has been appointed board champion on design.

In anticipation of Homes England's completing its Quality Framework and in the context of the increasing government focus on design quality, here are a few thoughts on how the government's expenditure on Homes England might achieve even more.

While perhaps not a Golden Age there have historically been periods in which Homes England's predecessor bodies (like English Partnerships and the Homes and Communities Agency), actively sought to improve the quality of new homes.

Subsequently the HCA and then Homes England evolved to become a hybrid of a bank, a developer and an affordable housing subsidy provider, with the first two of these activities being seen as primarily commercial, or at best filling a gap in private sector activity.

New chairman Peter Freeman, with his roots in one of the country's leading design led developers, Argent, supported by fellow board member, architect, and chair of the Quality of Life Foundation, Sadie Morgan, have the skills to lead and inspire a culture change. Homes England have appointed BRE and the Design Council to a design and sustainability framework with a £70k fee to report back next month. Both organisations were instrumental in the Home of 2030 competition which also has the ambition to improve the quality of design and sustainability of new homes (and homes for older people).

If BRE's public statements are anything to go by they will be pointing out that what is needed is not just the compliance approach of regulations like the Future Homes Standard but also incentives for the industry to go further and faster, and that Homes England can be a catalyst for this.

Homes England's reach is wide. Almost every new development that includes affordable housing or sales under Help to Buy is touched by the funding that flows through them. In reality, this includes almost every new development of any size.

... the Government will "focus on creating beautiful, environmentally friendly places".

***- Robert Jenrick MP,
Secretary of State
for Housing and
Communities***

The Building Better Building Beautiful Commission (BBBBC) were wholly aware of this and made a number of recommendations for improvement.

Recommendations were, in relation to Homes England, much milder than might truly have been merited. The Secretary of State for Housing and Communities, Robert Jenrick MP said in response to the report; "I am therefore determined to do all I can to help achieve the goal you have set in the report's conclusion – that we should aspire to pass on our heritage, the best of who we are and what we have, to our successors, not depleted but enhanced." He added that the Government will "focus on creating beautiful, environmentally friendly places".

Of particular relevance to Homes England's role in achieving these policy objectives, was the section of the BBBBC report that read as follows:

"What is the aim of Homes England? Above all, while we recognise that there have been very welcome recent improvements, such as the use of 'Building for Life', our working group reviews have convinced us that at present, the Homes England land sale process fails to put quality first on every occasion and it still remains much easier to win a site based on financial offer than design quality. This very urgently needs to change to ensure that the state is not effectively subsidising poor quality and ugly development, with insufficient focus on placemaking.

The evolution of Homes England from its former life as the Homes and Communities Agency (HCA) has had a transformational impact on the land and housing markets. Their land ownership, availability of capital and ability to intervene in markets has driven housing delivery across all housing markets.

When the Homes and Communities Agency was established in 2008 we were in the depths of the last recession. The housing market had all but flat-lined and the priority was to resuscitate it; stimulate mortgage provision and open up access to housing. Quality slipped down the agenda, as did many of the standards the predecessor land and regeneration agency, English Partnerships, had advocated. 'You had to "nickel and dime" it' as one workshop attendee reflected. Design, materials and public realm requirements were watered down. Subsequently, pressure on government expenditure led to a focus on land disposal to the highest bidder to maximise the capital receipts back to the public purse. Times have thankfully changed.

... Homes England is still viewed primarily as a 'housing accelerator.'"

- Living with Beauty report, 2020

However, Homes England is still viewed primarily as a 'housing accelerator.' It lost the 'Communities' from its name in 2018 and their key measure of success is very binary – the number of homes they deliver. As the organisation matures, so should their metrics, moving from measuring homes to positive impacts on places and wider resident well-being.

Within their inaugural Strategic Plan document, for the period 2018-19 through to 2022-23, there is much to applaud. However, it is disappointing that 'quality' is only mentioned a handful of times within the entire report, is not part of their mission and is usually only referenced in the context of 'homes' and not places. Given this background, it is perhaps not surprising that we have heard many concerns about Homes England's approach that include:

- *The relative under-weighting of design versus price in many land sale decisions;*
- *The much lower weighting put on design in land sales in poorer locations with lower land values;*
- *The exclusive reliance on 'Building for Life' as their only metric of design quality. Building for Life has merits, but there have been concerns consistently voiced that this is still a 'lowest common denominator' approach and needs to have greater emphasis on local character;*
- *Consistent evidence that 'on the ground' Homes England teams are not indicating to third parties that design and quality are important factors; and*
- *Lack of qualitative standards attached to funding offers, including their affordable housing strategic partnerships. This means that grant funding can be used by Housing Associations to buy 'off the shelf' from housebuilders without any minimum standards.*

Most startling of all is that metrics for quality of design in Homes England procurement processes appear to be lowest weighted in the lowest land value areas where quality really should be paramount.

The powers and opportunities open to Homes England are vast and will have a huge impact on the delivery of the built environment over the coming years. We need to make sure that those powers are directed correctly to drive quality placemaking in everything it touches."

As a result, the BBBBC made policy recommendations that were particularly relevant to Homes England to:

1. Count Happiness and popularity
2. Value Design as well as price

3. Review Homes England's remit, targets and investment time frames
4. That Homes England take a master developer role on large sites using 'Code Zones'

It is worth stepping through these four in detail.

"Policy proposition 40: count happiness and popularity. Council chief executives, chief placemakers, highways, infrastructure and planning teams should be set key targets and performance indicators which speak directly to the beauty and popularity of what is being permitted, and to the effects on community well-being, health and sense of neighbourliness. Key targets and metrics which we would suggest for both residents of new developments, and for all residents, could include:

- *Standardised scores on local health, well-being and reported happiness;*
- *Standardised scores on place satisfaction;*
- *Local polling and visual preference surveys on local council new buildings, new development and investments in public realm;*
- *Average minutes walked per day and level of cycling;*
- *Local perceptions of community safety;*
- *Number of neighbours known;*
- *Local air quality; and*
- *Ratio of new trees to new homes."*

Homes England has the capacity to do all of this on every project that receives its funding. In the context of 'What gets measured gets managed' this data would provide the foundation not only for improved performance by Homes England, but also by its private sector partners. And this would be hugely timely as investors increasingly look to align their investment criteria with the UN's Sustainable Development Goals. Going beyond the remit of the BBBBC, we would also add the critical environmental sustainability dimension as Government seeks to reduce greenhouse gases by at least 68 per cent from 1990 levels by 2030 and to achieve Net Zero by 2050.

However, "Not everything that matters can be measured. Not everything that we can measure matters." The ultimate goal is a culture change across England's housebuilding industry. These tools can help Homes England to lead that change.

If it did so, it would have a transformational impact on the quality of England's new homes, places and communities.

The ultimate goal is a culture change across England's housebuilding industry.

"Policy proposition 41: value design as well as price. Homes England (and other government agencies) should:

- *Ensure that the strategic focus on design in public sector land sales, or joint ventures, is real and is fully percolated throughout the organisation in decisions 'on the ground';*
- *Place a greater weighting on design quality in their scoring of land purchasers and development partners. This should be achieved through both weighting and scoring;*
- *Be more transparent and simpler about scoring and weighting mechanisms. One option might be to set a target price and encourage bidders to 'solve' to that price. Alternatively, only top scoring bids on quality might pass through to the final round;*
- *Evolve a wider framework for quality which goes beyond 'Building for Life'."*

Homes England should, as part of the incoming new Dynamic Purchasing System (DPS) procurement process, adopt international best practice in procuring developers, and market land for a fixed market price. This should be assessed by independent RICS valuers based on a high quality - in the view of the independent design panel - site specific design code with the evaluation being based on publicly transparent, board-approved, design quality, sustainability, wellbeing and social value criteria.

Design quality and sustainability level should form at least 50 per cent by weight of evaluation criteria marks in old style developer procurements undertaken by Homes England. These evaluation criteria should be board approved and published for each site. Design Quality approach might be set by the government's new design body. Level of sustainability might be assessed by credible external experts against minimum targets that deliver material progress. This should be in accordance with Committee for Climate Change advice, against regulatory minima as part of the path to at least 68 per cent reduction in national greenhouse gas emissions from 1990 levels, covering both UpFront and InUse carbon, by 2030 on the pathway to Net Zero.

This would help deliver the supplier base as well as securing higher quality development that better delivers Government policy (see for example Vauban in Freiburg in southern Germany or exemplar legacy developments in the UK).

Similar principles should be translated into all of Homes England's programmes and project funding by the end of 2022/23. At present,

by way of example, the Help to Buy programme has some of the highest design standards of Homes England's programmes with its requirement for Building Regulations compliance. Even a minimum Building for a Healthy Life score on newly registered sites would be progress, though not enough.

It should not be acceptable to Government that Homes England is currently subsidising ugly, obsolescent housing that doesn't deliver social value or optimise health and wellbeing. It is also deeply counterproductive to the Government's aim to achieve public support for new housing to allow supply to be optimised. So whether it is loans, Help to Buy, affordable housing grant or sales of land these principles should be used. For example, there do not appear to be clear qualitative standards or requirements for grant funded affordable housing.

We do acknowledge that Homes England funding comes in many forms and programmes and, for example, where they are providing debt funding, often on challenged schemes, it would be difficult for them to impose additional standards that a bank or other funder would not unless they are also providing the subsidy that the project would need to be both viable and high quality. Introducing these new financial flexibilities, to provide subsidy within the criteria set out in the Brexit agreement (The Trade and Co-operation Agreement), is urgently required to allow Homes England, and all other public bodies, to play its critical role in Levelling Up.

Similarly, new Help to Buy supported projects should not be registered for assistance unless they meet these standards and Homes England should stand ready to grant aid projects, particularly in the immediate future as part of the economic recovery as well as through the transition to the new quality system.

Where and Homes England funding is provided, they should exert a much stronger influence on the quality of outcomes.

"Policy proposition 42: review Homes England's remit, targets and investment timeframes to increase the focus on quality and long-term placemaking. To support this, Homes England will need longer term business planning periods and targets – often 40 years is a better timeframe for planning places than 5 years. This will permit Homes England more flexibility to not have to reduce quality in order to manage cashflow challenges within the financial year. It would also make it easier for them to say 'no' to poor quality proposals in low value areas.

MHCLG should review the Homes England Key Performance Indicators better to fit them to delivering the full range of Government policy.

We would like to see government supporting Homes England with a more balanced scorecard, demonstrating a wider definition of success that addresses the quality and sustainability of the places they invest in within their future Strategic Plans. This should also include reference to support for schemes meeting the 'stewardship kite mark' discussed in policy propositions 15 to 17."

HM Treasury may also need to give latitude to enable Homes England to be geographically agnostic, to ensure equitable outcomes and quality in all areas. This could allow a more creative approach to cross subsidy across their portfolio.

As part of the current reviews, MHCLG should review the Homes England Key Performance Indicators better to fit them to delivering the full range of Government policy.

In particular Upfront Carbon, InUse Carbon, wellbeing and quality of life, and design quality should be independently assessed, and published, for all projects receiving Homes England investment of any kind (recoverable or not). The Government's new design body could play a role here.

In addition, linked to the review of the HMT Green Book, the 80:20 rule currently applied to key Homes England programmes (80 per cent of funds are applied to the 20 per cent of areas with least housing affordability) could be removed for all Homes England's activity.

This will also ease the impact of Homes England's funds on raising land values and house prices in already hard to afford areas and minimise the degree to which Homes England is displacing private sector investment in these areas.

It will also facilitate Levelling Up by enhancing design quality, sustainability, wellbeing and quality of life and social value in lower value areas.

"Policy proposition 43: encourage Homes England to take a clearer master developer role and consider establishing a code zone ('permission in form') approach to large sites to increase the role for smaller firms. Code Zones' for larger sites would mean Homes England working to create a popular result, though a masterplan and form-based code. Development would then be possible 'as of right', via permission in principle, for buildings that met the masterplan and code."

Homes England should ensure that on larger sites on which it intervenes, that landowners utilise Code Zones, and the procurement policies above, to enable the delivery of design quality, sustainability, wellbeing and quality of life and social value by SME and other non-large scale developers (like community land trusts).

Homes England should also adopt the Companies Act definition of SMEs and monitor, and publish, the numbers of small and medium and large and community and not for profit and BCorps developers it procures. BCorps are certified benefit corporations that are legally required by their articles to pursue their purpose as well as profit. This should be linked with the number and quality (using the above metrics) of homes produced. This would help drive the Government's policy objective to support SME's in the residential development sector as well as driving the necessary diversification of the sector and raising the quality bar as these organisations typically achieve higher quality standards than some of the volume builders.

Conclusion

This paper has argued Homes England's budget of over £6 billion a year could and should be working much harder to achieve a range of government targets as well as creating homes and that it can do so without compromising in any way the focus on housing numbers.

Our six specific and actionable recommendations for how to achieve this are;

- Homes England should create and publish a Quality Framework that incorporates ALL of Government's non-financial policy objectives including beauty, net zero, community, levelling up, local prosperity, loneliness and health and wellbeing and incentivises performance beyond regulatory minima. It could be helped in this role by the Government's new design body.
- Homes England's corporate objectives and KPIs should evolve to incentivise progress in raising quality (relative to the new Homes England Quality Framework), and diversifying the housing supplier base towards SMEs (defined as per the Companies Act), community groups, custom builders and BCorps, for new homes in both Homes England programmes and the wider market.
- Homes England should prioritise this activity within senior management with a board champion, incorporation into all executive director targets, especially the new chief executive's, and critically that the requirements are embedded into investment committee processes and approvals.
- Homes England should procure developers using quality-based competition (based on the new Homes England Quality Framework) and fixed (market value) land values.
- All Homes England programmes should evaluate (independently measured) all spending in relation to the new Homes England Quality Framework and publish the results in its annual report.
- With these commitments to delivering Government policy in place, Government should remove the 80:20 rule from all Homes England programmes, increase delegations and programme flexibility for Homes England, enabling it to best pursue its mission, and in particular consider providing it with TCA compliant gap funding tools, enhanced CPO powers at existing use value, and the requirement to sell land at market values, and provide funding, at pricing that reflects the level of quality as specified by the new Homes England Quality Framework.

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