

What should the role of Government be in the delivery of Garden Settlements?


 OPINION
 Autumn '20


Source: IBI

Through the designation of 49 Garden Communities and the creation of the £5.5bn Housing Infrastructure Fund (HIF) we have seen the introduction of a new approach in the way Government seeks to increase the supply of housing, not seen since the days of the New Towns. Having been fortunate enough to have witnessed the launch of both programmes at close hand, it gives me an insight into the challenges facing the delivery of these settlements. It also makes me ponder the question – how far should Government go in backing Garden Settlements in terms of further financial support and new powers for Local Authorities?

The DCLG Prospectus, *Locally Led Garden Villages, Towns and Cities*, was launched in March 2016 and set out the vision for what Government expected from the forthcoming proposals. This included the need for aspirational new free standing settlements of high quality design, suitable for SME housebuilders, big on innovation and with a strong element of community engagement. These settlements were to be unlike the housing growth of recent generations and more akin to the vision of Ebenezer Howard's Garden Cities movement and the subsequent New Towns policy of post war Government. The delivery bodies for both enjoyed wide ranging powers and financial backing to support the realisation of these key Government housing policies.

Although not exclusively aimed at the Garden Communities the Government can reasonably point to the allocation of HIF funds as evidence of it putting its money where its mouth is. £5.5bn of investment aimed at providing infrastructure in its broadest sense necessary to unlock housing growth, much of which has supported the already allocated Garden Settlements. The upfront investment requirements of the Garden Communities meant HIF was a god send; too big to meet developers return on capital requirements and incapable of being delivered in a piece meal fashion, HIF was just the policy the Garden Settlements needed.



49
Garden
Communities



£5.5bn
Housing
Infrastructure
Fund (HIF)

HIF is grant funding on a scale to tackle a specific market failure. Government fulfilling its role to back up its housing policies where the private sector won't. However, as many of the Local Authorities are now contracting on their HIF funding agreements, the question is whether there is an understanding in Whitehall of the scale of the task that is still left to do and how much further will Government go in seeing through the delivery of these settlements?

Clearly there isn't a one-size-fits-all approach to the delivery of Garden Settlements. The support needed by a Local Authority delivering in an affluent area on a site largely under its ownership would seem a world away from those Councils with minimal land ownership where viability is challenging. This is before the standards and criteria of these new communities in order to meet Government's requirements are factored in.

In exploring how far Government should go, based on my recent experience, there are a **few key areas of focus**.

DEVELOPMENT CORPORATIONS

Development corporations were the driving force behind the delivery of New Towns. Newly established legal entities with powers granted by Government and funded to drive forward the delivery of development in these identified growth areas, development corporations were a powerful delivery vehicle. Government has clearly acknowledged the role of these bodies in the current wave of Garden Communities and launched a programme in late 2019 to fund Local Authorities in exploring the establishment of development corporations or other entities with enhanced delivery powers. Where the Government gets to in terms of the new development corporation legislation, especially in respect of future funding and legal powers, are likely to be the key considerations any Local Authority regarding their potential implementation.



COMPULSORY PURCHASE POWERS

Powers of compulsory purchase were a key part of the New Towns success. The ability for the newly established development corporations to go in and acquire land, where private negotiation with the landowners had failed, was instrumental. The feedback of a recent soft market testing exercise I carried out with the development industry for a Local Authority client, which included questions around the type of support the industry wants from the Council, came back loud and clear. First and foremost the industry wants to see the public bodies involved getting control of the land for development purposes. There was support for the Council to continue landowner engagement, facilitating collaboration between landowners to deliver the market with appropriately sized development parcels, working with the landowners to ensure they have a workable agreement and are acting as one. However, what industry ideally wants is land under the control of a public body that is committed to bringing it forward. Many would argue these powers already exist for Local Authorities, but in order to bring the land forward for a Garden Settlement the powers need to be aligned with the expertise, the right level of staffing and the financial backing.

The industry feedback was unequivocal. Across the board, land in public ownership was seen as the key contribution Councils should look to bring to the table. Although some housebuilders and developers have a strategic land arm and will engage in longer term land assembly in multiple ownership, they are in the minority. Surely streamlined CPO powers under newly established delivery vehicles, directly linked to the requirements of large Garden Settlements, are a must if Government are serious about seeing the Garden Communities to fulfil their potential.

INVESTMENT IN DIRECT COUNCIL HOUSEBUILDING

Another trend witnessed over recent years has been the re-establishment of the Council as a housebuilder. Through successive Government policies there has been an intentional diversification of the affordable housing sector and a move away from the reliance on s106 agreements and the Registered Providers as the means through which affordable housing should be delivered. Councils have been busily setting up their own house building companies, some with the Council taking the full development role and carrying the risk that comes attached, others favouring the private sector JV approach.

What a difference large scale investment in council housebuilding could make to the delivery of Garden Settlements, particularly in more challenging market areas. Government backing could take any number of forms from lending rates similar to those experienced by the New Towns, at 2% above Libor, and a fixed rate 60 year loan from Government. Support could also be through the Affordable Homes Programme, recently funded to the tune of £12.2bn over the next 5 years up to 2025/26.

Could part of the Affordable Homes Programme be earmarked for Local Authorities delivering in Garden Communities? Could there be enhanced grant rates for Garden Communities, where it could be evidenced as necessary to support viability and the wider innovation objectives of Garden Settlements?

STAFFING

The old development corporations were fully staffed stand-alone entities, capable of taking on the task of land acquisition, land management, determining planning applications and managing the complex financial and governance requirements of delivering large scale new settlements. Council's budgets have been stripped back over recent years to the point where there seems to be industry recognition that local planning authorities need additional resource to effectively support the delivery of new homes. Add on to this the additional requirements of a development corporation, or other similar legal entity, and there will need to be a step change in the approach of Government.

Recent years have seen Government take the approach of competitive funding rounds. Pots of money for Councils to bid in to secure money for a financial year. Surely longer term certainty and provision of funding will enable Councils to recruit the skilled personnel needed to deliver a Garden Settlement, whether that be through a development corporation or some other vehicle.

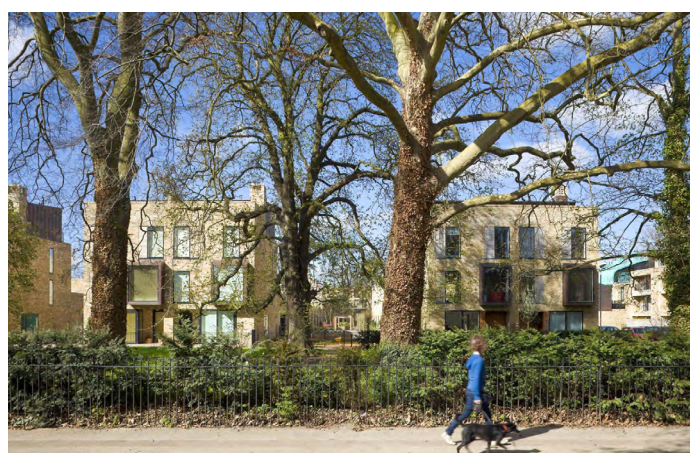
LONG TERM PATIENT FINANCE

The HIF investment will be a huge kickstart for many of the Garden Communities, but the need for ongoing investment in smaller scale infrastructure still remains for many. Through my experience of leading successful HIF bids for Local Authority clients, the grant funding allocated has generally been guided towards the big ticket items of by-passes, link roads, remediation, utilities upgrades, access junctions and highways improvements immediately adjoining the site. There is an ongoing need to fund the place-making public realm, the green infrastructure, the community facilities, the junction improvements that are required for later phases but are too large to put against a single phase of development and any number of other funding requirements. Longer term patient finance from Government could be the solution.

A New Towns style 60 year loan fund could give Local Authorities the certainty and flexibility to deploy those funds, in the areas where they are most needed, responding to the evolving requirements as the Garden Settlements progress.

ENDOWMENTS

As the name suggests, Garden Communities will need to be big on the provision of green infrastructure. Beyond the obvious green infrastructure there are proposals we have seen for community infrastructure – libraries, village halls, sports pitches and other communally held assets. There are a whole raft of potential sources of income ranging from the more traditional residential service charges to sports pitch incomes and money generated through the establishment of site specific energy and utility companies. Where the potential sources of income are not able to support the future maintenance costs of the open space and community facilities, are Government prepared to fund endowments, to deliver the garden element of the Garden Settlement?





HOW CAN LOCAL AUTHORITIES MAKE THE CASE FOR INVESTMENT IN THEIR GARDEN SETTLEMENTS?

Local Authorities delivering Garden Communities need to use their existing formal and informal channels to continue to communicate their barriers to delivery to both Homes England and MHCLG. We are yet to see how the full impact of COVID-19 will affect future investment in Government's housing policy, but part of our role as the development industry must be to continue to make the case for investment to support delivery.

The level of Government backing for Garden Communities to date has been impressive, through the Housing Infrastructure Fund, LA capacity funding and technical support through Homes England. However, as we turn towards the delivery stages of the early Garden Communities, the question remains, how much further will Government go and will its current approach to assessing potential investments be a barrier to further financial backing?

There are multiple challenges at this crucial delivery phase around planning, expertise, capacity, legal powers and arguably most important of all financial resourcing. The Government has clearly made great strides on the initial programme establishment and primary infrastructure phases, but it now needs to address these key delivery challenges, particularly around landownership and empowering Local Authorities to deliver their visions.

The big push back is likely to be the need for an evidence base to support these requests. This will be key to demonstrating the need for further public intervention. Evidence of the need for investment and critically, evidence of market failure will in most cases be the bare minimum. We have seen through the HIF programme that market failure is rightly an absolute pre-requisite to Government investment. Garden Communities are of a scale where very few produce the financial returns needed for the private sector to take the lead role and now is the time for Government to step up and back Local Authorities.

ABOUT HIVE

Hive are a niche planning, surveying and project management practice specialising in the delivery of Garden Communities. Being heavily involved in the delivery of 3 Garden Communities, Hive are at the forefront of delivery of this pioneering programme. Hive have supported Local Authority clients ranging from:

- Successfully securing in excess of £150m of HIF funding
- Planning and place making advice
- Landowner engagement
- Deliverability advice
- De-risking and disposal strategies
- Soft market testing
- Establishing governance arrangements
- Advising on green infrastructure stewardship

CONTACT US



Mark Vaughan
mark.vaughan@hiveland.co.uk
07990 526 485

hiveland.co.uk/gardensettlements

Hive Land & Planning Limited.
Registered in the UK No. 11182746.