On behalf of Developers East Sussex, Essex Developers Group and Kent Developers Group
c/o Locate in Kent
First Floor
International House
Dover Place
Ashford
Kent TN23 1HU

The Rt Hon Christopher Pincher MP
Minister of State for Housing
Ministry of Housing, Communities and Local Government
2 Marsham Street
Westminster
London
SW1P 4DF

16th October, 2020

By email: pschristopherpincher@communities.gov.uk

Dear Minister,

Joint letter from the Chairmen of the Kent Developers Group, Developers East Sussex and the Essex Developers Group

Thank you very much for agreeing to meet us to discuss how best we can work together to support high-quality housing growth in the South East.

In advance, we would just like to highlight several proposals to consider in our meeting, all of which would boost developer confidence and support new housing starts which we believe will be critical to achieving a sustained housing recovery.

Over the Summer, we have continued to engage regularly with your officials to provide local sector insight from our members and are delighted that this has helped to inform policy development.

In particular, we welcome the very positive and constructive approach of your officials in wanting to get to grips with the development sector within the South East and to understand the impact of potential measures to support the sector locally and nationally to get Britain back building.

Drawing on these discussions - and our policy proposals described in the recent Localis report "*Building for renewal: kickstarting the C19 housing recovery*"[1] - we would like to put forward our "top 5" further measures to accelerate recovery for discussion at our meeting.

[1] https://www.localis.org.uk/research/essay-collection-building-renewal-kickstarting-c19-housing-recovery/

With the dramatic drop in new starts[2] relative to completions, we believe the overriding priority must be to give confidence to developers to start building new homes at scale. By doing so, this would support the entirety of the market including our Tier 1, SME and Housing Association developers and would help to address the fall in new starts which in quarter 3 is anticipated to be only 40-50% of what would be expected.

Our "top 5" proposals are:

- **Extend existing house purchase support and encourage new private investment**
  By extending the SDLT holiday and the Help to Buy scheme on current terms the danger of a cliff edge in housing demand could be avoided. By relaxing existing rules for Self-Invested Personal Pensions (SIPPs) a new source of investment would be released into the residential property market.

  Government interventions to get Britain building have been very successful in creating market activity and site completions. These should be continued to retain buoyancy and demand in the market. As indicated, less successful has been the impact on new starts which are in danger of falling further over the next 12 months because developers require greater longer-term certainty. It is vital that confidence returns across the whole developer market, with Tier 1s building at scale. This, in turn, will further stimulate SME activity. Extending these existing measures and relaxing rules for SIPPs to enable investment in residential property – in the same way that SIPPS can invest in commercial - could provide a significant boost to the local housebuilding industry. A major SME developer in Kent estimates that should just 10% of the capital in SIPPs be available to invest, it would represent **an £18bn investment opportunity** for the residential sector.

- **Speed up the development finance process**
  Timely access to development finance provided by MHCLG/Homes England to Small & Medium Enterprises (SMEs) will be critical.

  Applying to MHCLG/Homes England for support is no more onerous than applying for many other sources of development finance - but the speed from agreement to draw-down is considerably more protracted. It is accepted that public sector investment must be very carefully managed, but with delays of up to 3 months - when alternative funding could be agreed in 2-3 days – this results in deals being lost, such as land purchase. A rolling facility, established with principles similar to

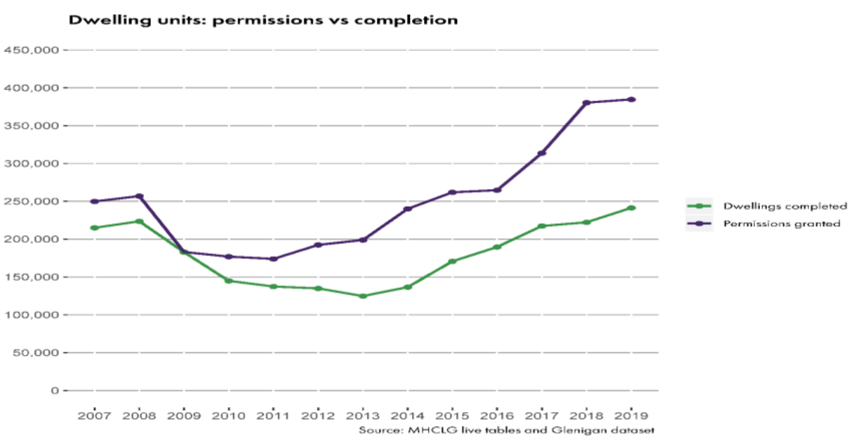
[2] https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building

those for Registered Providers, is needed to level the playing field, with allocations made and then drawn down and assessed against agreed milestones, cutting the delays in the system. This would also enable a greater join-up with Homes England land teams to accelerate development on public land sites.

- **Establish a loan fund payable to local authorities to support developer cashflow**
  The provision of infrastructure remains a major issue in accelerating housing delivery. This could be overcome by enabling S106 and Community Infrastructure Levy (CIL) obligations to be paid on time or in advance without detriment to council finances and repaid when homes on site.

  Confidence needs to be built across the market to get Britain back building again – and cashflow is fundamental to this. The current uncertainty in the market is witnessed by the reduction in new starts relative to home completions. Developer contributions are fundamental to this issue, with developers unwilling to reach trigger points in uncertain markets and councils unable to forward-fund infrastructure from their increasingly fragile financial positions. This is especially relevant when dates are included within S106s, rather than housing completion numbers, when development has effectively stood still. A rolling loan fund supported by Homes England and MHCLG would address this issue directly, enabling an "infrastructure first" approach with investment up-front with developers repaying the loan when homes are built. The Planning White Paper advocates a similar approach but, without access to new investment, local authorities will simple be unable or unwilling to take the additional risk.

- **Permit Social Housing Grant on S106 Affordable Housing Contributions**
  Viability continues to be an issue in the delivery of affordable homes. At the same time, affordable homes are essential to accelerating housing delivery and absorption rates by providing an element of forward sales. Targeting a proportion of Affordable Housing Grant to S106 agreements would boost viability and build-out and encourage Registered Providers to get involved in smaller SME-led schemes, in which there is currently little interest. We estimate at present there are some 1m extant planning permissions across the country.



Source: *Building for renewal: kickstarting the C19 housing recovery, Localis, 2020*[3]

While proposed changes to the planning system raising the threshold on affordable homes provision from 10 to 40-50 will help SMEs, permitting a grant on S106 agreements where sites already have consent would increase viability in marginal markets. It would give confidence to Registered Providers to build out early, thereby accelerating site delivery and responding to developer concerns on absorption rates. The grant could be time-limited to 18 months and funded through the existing £12bn Affordable Housing Grant. Our proposal would be to make S106 Affordable Housing Grant:

- Available on all schemes <75 homes
- Available if over-perform by >30% on the S106 affordable housing requirement for the site

Both grants would be designed to support Registered Providers in the delivery of affordable and social housing. This would support SMEs and increase both the pace of delivery and the overall supply of housing.

- **Introduce Future Homes regulations at a pace that works with developers**
  New regulations will create a dual system of development and affect viability if not introduced at a pace which balances technological development, economies of scale, land capture and the role of statutory authorities.

  While strongly supported in principle, the current very tight timescales being imposed on development through these regulations will lead to immediate viability arguments on sites which have been purchased prior to their introduction. The Government has published plans for a new version of Approved Document L (for energy efficiency), a new AD F (for ventilation), plus discussions around the Future Homes standard, stating there will be no changes until October 2020 at the earliest. However, with the current 12 months grace period replaced with a stricter system, if construction has started on a specific house or building, the older regulations apply whereas if work has not started after the grace period has expired, the new Reg L applies, irrespective of when the Building Notice was submitted. It introduces a dual system with the potential for a major impact on larger schemes. As an industry, we need clarity on the regulations now and time to respond, with the Government recognising our commitment to deliver its aims, but with the ability to find alternative solutions where they are required.

[3] https://www.localis.org.uk/research/essay-collection-building-renewal-kickstarting-c19-housing-recovery/

In addition to our "top 5" recommendations above, we continue to assess the potential impact of changes proposed to the planning system and the Planning White Paper through recent consultations. Our aim is to help shape policy in a way that maximises support to our members, both Tier 1 and SME developers, while working collaboratively with our partners in Homes England and local councils to ensure homes are built. We continue to engage in discussions with your officials including our local government colleagues and will respond in more detail to the consultations.

Recognising the pivotal role played by local authorities in infrastructure and site delivery, we will also shortly be meeting with senior elected members from Kent County Council, Essex County Council and East Sussex County Council, together with the Chair and Chief Executive of SELEP, and we continue to meet with our District, Borough and City Council colleagues. In doing so, and in sharing our priorities, we acknowledge our gratitude for their tireless support for the development sector as we continue to respond collectively to the unprecedented challenges of the pandemic.

We welcome your continued engagement with us as the Kent Developers Group, Developers East Sussex and Essex Developers Group and with developers across the South East LEP area that we represent and look forward to discussing these issues with you further.

We have written in similar terms to the Secretary of State following our earlier correspondence and have confirmed our intention to meet with you to discuss these issues with you in more detail.

Thank you again for your support and we look forward to meeting you very soon.

Yours sincerely,

Nick Fenton	Jonathan Buckwell	Mark Curle
Kent Developers Group	**Developers East Sussex**	**Essex Developers Group**

cc
Kent & Medway Leaders & Chief Executives
East Sussex Leaders & Chief Executives
Essex Leaders & Chief Executives
Chairman, South East LEP

On behalf of Developers East Sussex, Essex Developers Group and Kent Developers Group
C/O First Floor, International House, Dover Place, Ashford, Kent TN23 1HU
+44(0) 7921 108 633 | nick@fenton.net | locateinkent.com/kdg