Department for Levelling Up,
Housing & Communities

Homes England Public Bodies Review 2023

Lead Reviewer: Tony Poulter

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Secretary of State’s foreword

I am very pleased to publish this Public Bodies Review of Homes England – an assessment of whether, as an organisation, it is focused on the right objectives and spending taxpayers’ money efficiently.

As one of this government’s biggest arm’s length bodies, Homes England is central to delivering the change the country needs. The government is committed to levelling up the United Kingdom by spreading economic growth and opportunity more equally, as well as strengthening a sense of pride and belonging throughout neighbourhoods. Helping to make sure that everyone has access to safe, decent and affordable homes in thriving places, as Homes England does, is at the heart of these plans.

This review finds that to date Homes England has made a significant contribution. The agency, which is responsible for delivering quality homes in well-designed places across England, has made the dream of home ownership a reality for thousands of people. It has helped local leaders deliver much-needed housing and is keeping residents safe at home with its work to improve and maintain building safety.

Looking ahead, renewing and building fresh housing stock is also at the heart of the government’s long-term plans to supercharge urban regeneration, creating stable, settled communities where people are proud to live and work. Homes England’s specialist knowledge and influence with stakeholders and the wider sector will play a central role in our ambitions to transform towns and cities around the country.

This review highlights the good work already underway at Homes England. I also note the recommendations it makes on how the government and its housing and regeneration agency can work together to deliver the challenges we have set ourselves. Implementing the recommendations will be crucial, requiring continued close cooperation between the department and Homes England.

I would like to thank the lead reviewer, Tony Poulter, as well as the many officials and the broad range of stakeholders who contributed to the review. This work represents an important step in ensuring Homes England is set up to achieve our objectives and deliver the homes and communities the country needs.

The Rt Hon Michael Gove MP
Secretary of State for Levelling Up, Housing and Communities and Minister for Intergovernmental Relations

Lead reviewer's foreword

It has been a privilege and very interesting to lead this review of Homes England for the past 6 months. It quickly became clear to me that the government and Homes England play a crucial role in stimulating and supporting house building, regeneration and placemaking in challenging areas of the market.

I heard a lot of very positive feedback on Homes England from housing associations, house builders, local authorities, developers and investors. Naturally there were also suggestions about how things could be done better. This report therefore makes recommendations for improvements from both Homes England and The Department for Levelling Up, Housing and Communities (DLUHC).

However, the recommendations should not distract anyone from the fact that both organisations are full of talented and hardworking people who believe passionately in their mission to make things better for communities, tenants, homeowners and the sector that serves them.

Key conclusions that I highlight here are that Homes England is the right vehicle for delivering housing supply, regeneration and placemaking; the need to be clear on priorities; the case for taking more risk to deliver more benefits; the need for longer-term and more flexible funding arrangements from government to support delivery; and the expectation from local authorities that Homes England will work even more closely with them locally to plan investment and delivery that responds to the needs in their area. There are also recommendations about how the department and Homes England can work better together with a coordinated approach to each place around the country.

I would like to thank the review team, led by Alice Bradley and Sally Frazer, for all the good work they have done; the Board and leadership of Homes England for being open to our questions and suggestions; and the department and many others across the civil service for their input. A particular thank you goes to the advisory panel of Dame Alison Nimmo, Sir Howard Bernstein, Steve Coffey, Mike Dunn, Fiona Fletcher-Smith and Steve Williamson for the time they gave to guide the work; and to more than 90 organisations from across the sector who made time to share views with us in person and host us at projects around the country, and others who responded to the Call for Evidence.

I hope the recommendations in this report will now be accepted and implemented, and that they will help both government and Homes England to deliver even more for communities over the coming years.

Tony Poulter OBE
Lead Reviewer

Executive summary

Homes England is a Non-Departmental Public Body (NDPB) of the Department for Levelling Up, Housing and Communities (DLUHC). It plays an important role in housing supply, regeneration and placemaking in challenging areas of the market. Over the past 5 years it has supported the development of 186,413 new homes, unlocked land that could deliver a further 392,000, helped 252,543 households into home ownership and invested £11.1 billion.

Its main work is to act on the government's behalf to deploy capital to local authorities, housing associations, house builders and other participants in the sector. It funds and accelerates housing-led projects that are not viable for house builders and providers of social housing to deliver on their own; structures the projects to achieve quality, sustainability and wider economic and social benefits; remains involved until delivery is achieved; and promotes a diversified and healthy supply side for the sector. It also uses its expertise in planning, delivery and the market nationally, to help the government and local authorities build capacity and capability.

In 2017, the government set the ambition of building 300,000 homes a year by the mid-2020s.[1] From 2018 it asked Homes England to focus principally on housing delivery, helping individuals into home ownership and supporting building remediation.

The focus on housing delivery shifted in 2022, when the Levelling Up White Paper announced the government's intention to work in partnership with more places across the country to spread opportunity and achieve better outcomes. The government has also since set out a Long-Term Plan for Housing, with regeneration at the heart of its 'Pride of Place' mission. So Homes England is now playing a wider role – supporting mayors and local government to drive their ambitions for new affordable housing and regeneration in their area, and aligning government investment to drive the greatest impact. This is a significant change of emphasis, implying close relationships with many places.

The Agency has worked with DLUHC and published a new 5-year strategic plan for 2023–28, setting out how it will do this. The plan has been welcomed by nearly all stakeholders. They believe that Homes England has vital expertise and a valuable role to play around the country. We agree with that.

The terms of reference for this review are to assess the efficacy, efficiency, accountability and governance of the Agency. We listened carefully to the views of more than 90 interested organisations and spent good time with both Homes England and DLUHC. Our **overall conclusion** is that England and the government need Homes England. It has the right powers and form, and most of the capability and tools to deliver better housing and better places.

But some changes should now be made to maximise the impact that Homes England delivers. It is for the government to decide the amount of taxpayers' money that should be allocated to Homes England. This review recommends what needs to be done to deliver better housing and regeneration for communities and to use the available funding well.

1 Autumn Budget 2017 GOV.UK, 2017.

Our 10 **principal recommendations** are:

To DLUHC

1. Determine the balance between the funding for regeneration and placemaking in Priority Places and other funding programmes. (Recommendation 3).
2. Confirm agreement with Homes England's Priority Places for regeneration and placemaking and agree overall criteria for prioritising places. (Recommendation 10).
3. Authorise Homes England to take more risk to deliver more impact; to make its programmes easily accessible to small and medium-sized enterprises (SMEs); and to be even bolder by playing the role of master developer on more large regeneration and placemaking schemes (Recommendation 16).
4. Transfer responsibilities for the Help to Buy scheme and Building Safety Programme out of Homes England in the medium term, so that it can concentrate fully on its core mission and new responsibilities for regeneration and places (Recommendation 5).
5. Propose changes to Homes England funding arrangements in the next spending review to allow it to commit to large, long-term schemes; and grant it larger delegations (Recommendations 14 & 15).
6. Design more flexibility into future programmes to allow an effective response when market conditions change (Recommendation 22).
7. Set budgets and efficiency targets for Homes England that take account of the increase in its responsibilities for regeneration and placemaking, other new priorities being set by the government, its digital transformation programme and investment in systems, and the net reduction in costs that this will achieve (Recommendation 25).

To Homes England

The recommendations to DLUHC – if accepted – will give Homes England better tools and more delegation. **Homes England should therefore**:

8. Define clear objectives and outcome measures for each Priority Place in discussion with local partners and agree them with the government (Recommendation 12).
9. Develop its operating model to focus its work as much on places as on national funding programmes, build closer relationships with priority local authorities, and show how resources are being deployed around the country (Recommendation 9).
10. Improve its systems and governance to strengthen performance management, forecasting and impact evaluations (Recommendation 27).

Nearly all of the recommendations require cooperation between DLUHC and Homes England. Yet there has been some debate over how arm's length Homes England's relationship with the government should be. The DLUHC Senior Sponsor and the Chair of Homes England should therefore work together to complete implementation of the 2021 work to embed a shared understanding of governance in both organisations. The relationship for delivery should be more arm's length than it now is, relying more on the Homes England Board to govern performance and be answerable to ministers (Recommendation 28).

Homes England: key facts 2022/23

- Balance sheet:
  - Net assets **£22.7 billion**
  - 83% relates to Help to Buy equity loans
- Staff
  - **1,415**
  - Staff turnover: 19%
  - 86% outside London
- Annual budget:
  - Total **£5.8bn**[2]
  - Capital financial transactions **£2.3bn**
  - Other capital **£1.7bn**
  - Admin budget **£125m** (excluding income)
  - Programme budget **£110m** (excluding Expected Credit Loss and income)
  - AME budget **£1.7bn**

Delivery over the last 5 years:

Between 2018 and 2023, Homes England:

- supported the development of **186,413 new homes**
- helped **252,543 households** into home ownership
- unlocked land that could deliver **392,000 additional new homes**
- invested **£11.1 billion** and gained £3.6 billion from land sales and loans repaid
- Following the closure of the Help to Buy equity loan programme is equivalent to the sixth largest mortgage lender in the country, following the closure of the Help to Buy equity loan programme
- Supported consumers through the provision of safer homes under DLUHC **building safety** interventions

Figure 1: **Homes England: key facts**

2 Annual net budget total figure of £5.8bn reflects the £5.9bn shown here with an offset of £0.1bn for estimated credit losses and admin and programme resource receipts.

Conclusions and recommendations

Efficacy

Conclusion 1: The Need for Homes England

Homes England is the right vehicle for delivering housing supply, regeneration and placemaking. There is a clear requirement for a public body to deliver its statutory objectives. There is no evidence that any of its main functions could be delivered fully by the private sector, or by a different tier of government or another public body.

RECOMMENDATION: There should not be any doubt about the continuing need for a body like Homes England to deliver its statutory objectives.

Conclusion 2: Form

Homes England's main functions could not be performed as effectively in a government department. Its current form as a non-departmental public body is appropriate.

RECOMMENDATION: There should be no change in the Agency's non-departmental public body form.

Conclusion 3: Objectives and Powers

The Agency's statutory objectives are well suited to its newly expanded role delivering more regeneration and placemaking. It has the appropriate powers and most of the financial tools to deliver effective outcomes in these areas. However, DLUHC will need to decide the balance between funding for regeneration and placemaking in Priority Places and other programmes and priorities.

RECOMMENDATION: By the next spending review, DLUHC should decide on the balance of HE funding between regeneration and placemaking in Priority Places and other funding programmes.

Conclusion 4: Alignment with Government Objectives

The Agency's core responsibilities and direction are set by DLUHC in the Framework Document and through approval of the strategic plan and Annual Business Plans. Its objectives and key performance indicators align well with DLUHC's and the government's wider objectives.

RECOMMENDATION: DLUHC should ensure that the objectives set in Homes England's strategic plan are reflected in the design of any new funding programmes.

Conclusion 5: Scope

The scope of Home England's activities is wide and some of them are not integral to its core mission. There were good reasons for it to administer Help to Buy and Building Safety schemes for the government when they were introduced, but these do not now directly support the Agency's core work on regeneration and housing supply and are likely to be a distraction. To ensure that the Agency can effectively expand its place work and regeneration there should be a plan to transfer them elsewhere in a set timescale.

RECOMMENDATION: DLUHC should transfer responsibilities for the Help to Buy scheme and Building Safety work out of Homes England in the medium-term.

Conclusion 6: Sustainability and Design

Homes England's strategic plan has good sustainability and design commitments. Implementation is in the early stages. It will require a concerted approach across the Agency for the commitments to be delivered.

RECOMMENDATION: Executive leadership in Homes England should implement sustainability and design commitments across the Agency's work. DLUHC should include sustainability and design considerations in new funding programmes.

Conclusion 7: Customers

The majority of individual customers who interact with Homes England are satisfied with the experience. However, customers who require support with Help to Buy have not always been satisfied. The current services need to be improved.

RECOMMENDATION: While it continues to manage Help to Buy Loans, the Agency should significantly improve its online arrangements for communicating with customers.

Devolution, Places and Prioritisation

Conclusion 8: Role under Greater Devolution

The UK government's commitment to devolving more powers and funding to local government in England does not weaken the case for the existence of a national body like Homes England.

RECOMMENDATION: Homes England should still be a national body.

Conclusion 9: Place-Based Model

Homes England needs to change the way it operates in order to partner effectively with local authorities and respond well to government's place priorities.

> **RECOMMENDATION:** The Agency should continue to develop its operating model to focus more staff on place, have even stronger relationships with local authorities, and maintain its capability to respond to developing ministerial place priorities. It should also be able to show how resources are being deployed around the country.

Conclusion 10: Place Prioritisation

There is much more demand than the Agency can provide within existing resources. Homes England needs clear priorities. The government should agree the criteria for prioritising places for regeneration and placemaking.

> **RECOMMENDATION:** DLUHC should confirm agreement with Homes England's Priority Places for regeneration and placemaking and agree overall criteria for prioritising places.

Conclusion 11: Coordination

There is overlap between programmes for housing, regeneration, placemaking and levelling up. It is important for there to be close coordination across DLUHC and Homes England to align objectives and funding for places with local areas, and to communicate consistently.

> **RECOMMENDATION:** DLUHC should create a senior Board for 'Place' to ensure the coordination of funding programmes and other activity in local areas across housing, regeneration, placemaking and levelling up. This should align objectives and funding for places; and encourage consistent communication with local areas. Homes England should be represented on it.

Conclusion 12: Outcome Objectives for Regeneration

The allocation of significant funding to regeneration and placemaking requires agreed outcome objectives.

> **RECOMMENDATION:** Homes England should define clear outcome objectives for regeneration and placemaking in the Priority Places, working closely with local authority leadership.

Conclusion 13: Public Sector Capability

There is a general shortage of capability in regeneration and placemaking across the local authority sector.

> **RECOMMENDATION:** DLUHC should consider whether further steps are needed to help the development of greater public sector capability and capacity in regeneration and placemaking.

Funding

Conclusion 14: Funding for Priority Places

Regeneration and placemaking need long-term funding that is consistent with their long-term objectives.

> **RECOMMENDATION:** DLUHC should propose to Treasury 5-year rolling funding commitments for regeneration and placemaking work in agreed Priority Places, coordinated with decisions on RDEL budgets; and the terms of the programmes should have flexibility to support regeneration objectives, for example on replacement homes. This funding should be a separate pot from national housing programmes.

Conclusion 15: Other Funding Programmes

There is a case for simplification and aggregation of existing national programmes to give greater flexibility, lower costs and longer-term commitment; and to provide Homes England increased delegations.

> **RECOMMENDATION:** DLUHC should propose simplifying the range of funds for housing delivery and levelling up, to have fewer and larger funds with more flexibility and longer availability periods. There should also be a 5-year rolling funding commitment for the Affordable Housing Programme, and there should no longer be annual net budgets for land funds. Once Homes England has prepared an updated risk framework, HM Treasury and DLUHC should also agree an appropriate delegated authority to DLUHC and Homes England for equity investment, and increased delegations for grants and loans.

Additionality and Value for Money

Conclusion 16: Loans, Guarantees and Equity Investments

The Agency's loans, guarantees and equity investments are generally additional to what the market provides. Greater additional impact could be achieved if Homes England took more risk with a counter-cyclical role in changing economic circumstances, and if processes were streamlined. This will require explicit recognition that higher losses may be sustained to deliver substantially higher additionality.

RECOMMENDATION: DLUHC and HM Treasury should authorise the Agency to take more risk at some points in the economic cycle, to increase additionality and impact.

Conclusion 17: Land Activities

The Agency has an important role to play in bringing public sector land to market and in land assembly for development. This delivers benefits by unlocking sites and speeding up progress. However, greater transparency in processes and criteria is needed.

RECOMMENDATION: Homes England should continue to simplify its processes to dispose of land to the market and make them more transparent.

Conclusion 18: Master Developer Roles

There are few companies in the UK who lead on 'master development' at large regeneration sites involving more than 10,000 homes. DLUHC should encourage Homes England to play a greater role in leading and promoting such activity.

RECOMMENDATION: Homes England should be encouraged to play the role of master developer on more large regeneration schemes, in partnership with the private sector or directly where appropriate.

Conclusion 19: Supporting SMEs

Homes England could do more to facilitate greater participation by SMEs and DLUHC should encourage this. If necessary, the Agency should make a case to the government to tailor or relax land procurement rules to assist this, while having appropriate measures to ensure good value for money and proper risk management.

RECOMMENDATION: The Agency should do more to make its programmes more easily accessible to SMEs.

Conclusion 20: Value for Money

There is good appraisal work at the design stage of programmes which shows that most of the Agency's principal programmes should deliver value for money. However, limited formal evaluation has been completed by the Agency or DLUHC to assess whether expected benefits and value for money are actually being delivered. This is not satisfactory. There has been clear progress in addressing the evaluation gaps over the last 18 months, but DLUHC and the Agency must continue to commit the necessary resource to ensure impact evaluation for all key programmes.

RECOMMENDATION: The Agency and DLUHC should complete their programmes of impact evaluations to assess the value for money of funding programmes.

Conclusion 21: Project Appraisals

Updated guidance on project appraisal methods is now in place, incorporating techniques to monetise a broader range of benefits. This is important in appraising regeneration projects and levelling up.

RECOMMENDATION: Homes England should complete its work to check appraisal criteria for existing projects to ensure that the wider benefits of regeneration are being fully included. DLUHC should ensure that any future funds are designed and implemented based on updated appraisal criteria.

Delivery and Efficiency

Conclusion 22: Delivery and Spend

The Agency largely delivered its spending and outcome targets in 2018/19 and 2019/20, but materially under-delivered and / or under-spent against targets over the following 3 years. In 2020/21, 2021/22 and 2022/23 this was caused primarily by external economic factors, including Covid-19, increased interest rates and inflation, and the effects of the 2022 mini-budget. DLUHC's design of some of the major funding programmes and the length of time taken to launch or adjust them was a secondary factor, as was Homes England's forecasting and communication of projected underperformance.

RECOMMENDATION: DLUHC should design more flexibility into future programmes to allow an effective response when market conditions change. Homes England should continue to improve its performance management and forecasting, and the way it communicates forecasts to DLUHC.

Conclusion 23: Current Efficiency

Homes England delivered £14.2m (6.9%) RDEL efficiencies in the 18 months to September 2023 and is on course to deliver a total of £19m (9.2%) in the period 2022/23 to 2024/25. This exceeds the minimum expectation of 5% for Public Bodies Reviews.

Conclusion 24: 'Evolve' Transformation

The digital products delivered from the Evolve transformation are of good quality; but there is not yet enough clarity about the programme and the timings of its benefits.

RECOMMENDATION: Homes England must commit to the efficiencies and other benefits that it will deliver from the Evolve programme.

Conclusion 25: Future Efficiencies

It would be normal to expect an organisation investing heavily in system and process changes to achieve significant further RDEL efficiencies in the following 3 years (2025/26 to 2027/28). However, this may be unrealistic in this case because of the major reductions made to budgets in 2022/23, the systems work that remains to be done, and the significant new expectations being placed on the Agency by the government.

RECOMMENDATION: In setting RDEL and admin efficiency targets for Homes England, DLUHC should take account of the increases in its responsibilities and CDEL for regeneration and placemaking; other priorities being set by the government; the further investment needed in systems; and the reductions in cost that will be achieved under the 'Evolve' programme.

Conclusion 26: Recruitment and Retention

Effectiveness, efficiency and good governance depend on the Agency being able to attract and retain the right skills. There have been problems in doing this in some executive leadership roles.

> **RECOMMENDATION:** The terms recommended to ministers for senior leadership appointments should be based on the recent role benchmarking, which should be kept under review.

Accountability and Governance

Conclusion 27: Accountability Framework

The accountability framework for Homes England is well defined. It involves dual reporting to the Homes England board and within DLUHC. Its effective operation depends on a shared understanding of how the two lines of accountability relate to each other and effective arrangements for operating across them.

> **RECOMMENDATION:** To improve the effectiveness of accountability, Homes England should provide timely data on leading indicators to its delivery boards, and meetings should consider pipeline and multi-year performance. DLUHC should get the right attendance at the Homes England delivery board meetings and escalate matters to its own portfolio board when necessary.

Conclusion 28: Dual Governance

The dual lines of accountability mean that there are also two channels of governance for Homes England. The first is through the Homes England board. The second is through DLUHC. To ensure that these complement each other effectively, more needs to be done to embed the recommendations of previous governance reviews. The department's role should be to help Homes England to understand ministers' expectations while leaving it to the Homes England board to hold the executive to account. The DLUHC sponsor team can then advise ministers on Homes England's overall organisational performance, as envisaged under the Framework Document.

> **RECOMMENDATION:** The DLUHC Senior Sponsor and the Chair of Homes England should complete implementation of the 2021 recommendations by mid-2024, focusing on how to embed a shared understanding of governance in both organisations. The relationship for delivery should be more arm's length than it now is, relying more on the Homes England board to hold the executive to account and be answerable to ministers.

Conclusion 29: DLUHC Sponsorship

DLUHC has a sponsor and shareholder team of excellent quality, which shows a high level of dedication and good judgement, but its current empowerment within the department limits its effectiveness.

> **RECOMMENDATION:** DLUHC should decide how its sponsor team can be better empowered and resourced to speak for DLUHC with one voice and take an integrated view about the Agency's priorities, funding, resourcing and performance.

Conclusion 30: The Homes England board

The Homes England board has a good blend of skills to govern the organisation across housing, regeneration, financial tools, risk management and people. However, succession planning needs to increase diversity and maintain a good skills blend.

> **RECOMMENDATION:** The Chair of Homes England should prepare a succession plan for the board for discussion with DLUHC.

Conclusion 31: Performance Management

Board discussions on performance should be about delivery performance against its overall objectives, including beyond the current year.

> **RECOMMENDATION:** The Chair of Homes England should work with board members and the CEO to determine how the board's information and focus on overall performance will be improved through a balanced scorecard. The Homes England board should increase its focus on the Evolve programme and the transformation under the Operational Blueprint.

Conclusion 32: Board Effectiveness

There has not been an internal or external board effectiveness review in the last 3 years.

> **RECOMMENDATION:** There should be an external board effectiveness review completed by 31 March 2025.

Risk Management and Compliance

Conclusion 33: Risk Management

Homes England's risk management approach and systems are adequate for a public body of its size and complexity but need some improvement. For the Help to Buy scheme, better data and monitoring systems are needed for the Agency to properly manage the financial risks and opportunities of the equity loan assets.

RECOMMENDATION: Homes England should define clear metrics and thresholds to enable successful measurement of its risk appetite and cascade it through the organisation; align with DLUHC on common risk language and routes for sharing risk information; and work with DLUHC to resolve the policy, systems, modelling and customer issues for Help to Buy loans.

Conclusion 34: Compliance

The Agency adheres to expectations for managing public money and meets or exceeds minimum mandatory compliance with most government functional standards – including those on human resources, audit, analysis, property, grants and counter-fraud. It has plans in place to be compliant on all standards – apart from digital – by March 2024.

RECOMMENDATION: Homes England should fulfil its commitment to be compliant with all standards apart from digital by March 2024, and commit to a timescale for digital as soon as possible.

Main Report

1. Efficacy

1.1 Objectives, Scope and Form

Conclusion 1: The Need for Homes England

Homes England is the right vehicle for delivering housing supply, regeneration and placemaking. There is a clear requirement for a public body to deliver its statutory objectives. There is no evidence that any of its main functions could be delivered fully by the private sector, or by a different tier of government or another public body.

Under section 2 of the Housing and Regeneration Act 2008, Homes England has broad statutory objectives. They are:

- to improve the supply and quality of housing
- to secure the regeneration or development of land or infrastructure
- to support in other ways the creation, regeneration or development of communities or their continued wellbeing
- to contribute to the achievement of sustainable development and good design, with a view to meeting peoples' needs

It is responsible for these objectives across England, except in London. The objectives were set with the intention of Homes England acting where there is market failure within a remit given by the government. It is not a developer or a housebuilder in its own right: it acts to facilitate and support both public and private sector activity. For example, it acquires and remediates sites to make them viable for interest from private sector developers, allocates grant for affordable housing, assembles land for complex sites, and provides financing for SMEs where they struggle to get it from other sources. These are not functions that the private sector will carry out. The market failure that requires these activities still exists.

There is no other public body with the same level of housing and regeneration expertise and commercial and investment skills in the sector. There are others delivering loan funds, for example the British Business Bank (which also provides loan finance for SMEs), and the United Kingdom Infrastructure Bank (which offers infrastructure financing or guarantees to sectors including local authorities on transport, infrastructure and retrofit). While there is some similarity in the customer base of these organisations, Homes England provides a specific focus on housing and regeneration outcomes that would be weaker in bodies with a wider remit.

Some funds are already delivered by DLUHC directly to mayoral combined authorities (MCAs) and local authorities. However, as an arm's length body, Homes England is better placed than DLUHC to engage with the market continuously, to assess what schemes merit funding, and to transact complex lending and equity deals. Almost without exception, the review team's engagement with MCAs and local authorities showed that they want a continuing strong role for Homes England and access to its expertise; and that any significant transfer of power and funding to local authorities themselves would require a correspondingly significant strengthening of their local capability and capacity, which would take time to build. Diverse funding channels would also create more complexity and higher borrowing costs, particularly for housing associations.

RECOMMENDATION: There should not be any doubt about the continuing need for a body like Homes England to deliver its statutory objectives

Conclusion 2: Form

Homes England's main functions could not be performed as effectively in a government department. Its current form as a non-departmental public body is appropriate.

Homes England's form as an arm's-length body, separate from the main department, has significant benefits. It allows it to attract people with special technical expertise into a focussed team, outside the civil service structure. It also allows it to work on delivery over a long-time horizon, to some extent separate from political cycles, which is important given the long-term nature of housing development. And it suits Homes England's role of acting where the market won't. This means taking risks, which inevitably means some rate of failure. Such risks are best assessed and managed in a commercial framework, at a level removed from a government department, with the right departmental oversight.

There is a range of different structures for arm's length bodies. Cabinet Office guidance focuses on three – executive agencies (which are legally part of the sponsoring department); non-departmental public bodies (NDPBs) such as Homes England, which are not in government departments but are sponsored by them, are not staffed by civil servants, and operate at an 'arm's length' from ministers; and non-ministerial departments (such as HM Revenue & Customs). There are also public corporations, which sit outside the arm's length body framework and are market entities controlled by the government, which must gain more than 50% of their income from purely commercial activities and have substantial day-to-day operating independence.

Type of NDPB	Governance structure	Example
Executive agency	Legally part of the sponsoring department but administratively distinct. Focuses on delivering specific outputs within a framework of accountability to ministers. Could have a management board, but not necessarily. Led by a chief executive.	Companies House is an executive agency of the Department for Business and Trade (DBT).
Non-departmental public body	Not a government department but operates at arm's length from ministers. Works within a strategic framework set by ministers and is accountable to ministers. Led by a chief executive and governed by a board.	Homes England is DLUHC's executive NDPB – it delivers services on behalf of the government.
Non-ministerial department	A government department in its own right but does not have its own minister. However, it is accountable to Parliament through its sponsoring ministers.	The Valuation Office Agency is a non-ministerial department sponsored by HMRC as is HM Land Registry, now sponsored by DLUHC.
Public corporations	Market bodies controlled by either central or local government. These include any type of public entity that is a market body – gaining more than 50% per cent of their income from purely commercial activities. This status is determined by the Office for National Statistics (ONS).	The Crown Estate owns and manages land for the benefit of the nation, is an independent business and sits between the public and private sector.

Figure 2: **Governance Structures for arm's length bodies**

In considering the best structure for Homes England, we looked at these alternative models and interviewed comparator organisations, including National Highways (NDPB of the Department for Transport, or DfT), the Environment Agency (NDPB of the Department for Environment, Food & Rural Affairs, or DEFRA), and the Education and Skills Funding Agency (Executive Agency of the Department for Education, or DfE).

The Environment Agency (EA) and National Highways (NH) have similar governance structures to Homes England. Both have roles and accountabilities set in statute, are sponsored and overseen through their 'shareholder' department and policy sponsor and are governed under a Framework Document by a board responsible for the adherence to this framework.

The day-to-day running of the organisation in both cases is delegated to the chief executive as Accounting Officer (AO). However, interviews with both the agencies and their sponsor departments show that a clear link is needed between departmental objectives and those of the agency; and that a good relationship between ministers, the department sponsor, and an agency are crucial to successful delivery of the objectives. The same is true for Homes England.

We did not find any evidence from the comparator work that altering Homes England's current form would deliver benefits. In particular, detailed interviews with the Education and Skills Funding Agency suggest that Homes England's close engagement with the market and its role in structuring and executing transactions would be much more difficult to manage in an executive agency.

Education and Skills Funding Agency (ESFA)

The review of ESFA found that the 'high level of integration means that ESFA is often treated more as a part of the core department than as an Agency.' This created a dynamic that included a lack of distinct responsibilities and accountabilities; a reduction of ESFA's independence; and a reduction in the level of sector expertise the agency holds outside its regulatory function. Stakeholder feedback on Homes England has, almost universally, valued its market knowledge and ability to help stakeholders through its understanding of financing and delivery.

Figure 3

There are two principal advantages to Homes England's current form as an NDPB, rather than the less arm's length structure of an executive agency.

Homes England **can engage in the market as a public sector organisation but in a commercial manner**, one step removed from the government. Supporting housing delivery is typically a multi-year process with multiple stages, and delivery of regeneration projects is even more complex and long-term. A separate, non-departmental body, led by an independent board, can engage with the market and take commercial decisions to some extent outside the political environment and cycle. This helps to provide stability and gives confidence to partners such as housing associations and private developers to set their own longer-term plans and engage in commercial negotiations more confidently. It is difficult for civil servants to engage with the market in frank conversations that might be seen to compromise their other roles. This view was given by multiple stakeholders and the Agency's partners during our engagement and has been recognised by senior officials.

As an NDPB, Homes England can also **attract the right skills and capability**. The Agency's functions, particularly in relation to regeneration and place-making, require commercial capability on land assembly, master planning, complex financing and contracting for delivery. Bringing the Agency closer to DLUHC would be likely to harm its ability to recruit and retain such skills. The pay and grading structures of the civil service make recruiting this expertise difficult in a competitive market; and a reasonably commercial culture is needed to attract and retain the right people, which would be difficult to sustain in a central government department.

Given the complex, long-term nature of some aspects of Homes England's work, the review also considered whether a position further from the government could be appropriate. In theory, some of Homes England's functions could be assisted by the independence, commerciality and borrowing capabilities of a public corporation. Public corporations like the Crown Estate have a wider range of financial powers than NDPBs, including being able to raise money themselves. However, Homes England needs a close and continuous relationship with DLUHC and ministers, with capability to respond to new priorities as well as deliver existing programmes. The limited level of revenue-generating assets that the Agency is likely to hold in the long-term, and the nature of regeneration work (which by definition is in areas where there is a financial viability gap that prevents market investment), make its work incompatible with the need to raise 50% of income from commercial activities. We do not believe a public corporation form is appropriate or feasible.

RECOMMENDATION: There should be no change in the Agency's non-departmental public body form.

Conclusion 3: Objectives and Powers

The Agency's statutory objectives are well suited to its newly expanded role delivering more regeneration and placemaking. It has the appropriate powers and most of the financial tools to deliver effective outcomes in these areas. However, DLUHC will need to decide the balance between funding for regeneration and placemaking in Priority Places and other programmes and priorities.

Responses to the call for evidence and our interviews show that Homes England's expanded role in regeneration and placemaking is welcomed by stakeholders, most of whom feel that the Agency's remit has, in recent years, been too narrowly focussed on housing supply. However, some house builders were concerned that the expansion could risk a diversion from building as many houses as possible in places where people want to live now.

Regeneration and placemaking

There is no single definition of 'regeneration' or 'placemaking', but they can be summarised as follows:

Regeneration. Homes England's powers relate to property-led regeneration. This means working with local partners to help achieve wider policy outcomes by transforming an area to have a new social and economic purpose. It involves using land and property development to deliver housing, commercial or leisure benefits. The public sector activity typically focuses initially on helping to provide infrastructure such as transport links, and broader public realm, like shops and amenities.

Placemaking is about creating a successful community which people take pride in. It means a collaborative process involving the community, through which new developments are designed to maximise shared value and enjoyment of the space. It can apply to large scale housing projects such as New Towns or Garden Communities, or to smaller regeneration, which might create a new area within an existing community.

Figure 4

Regeneration is not an entirely new sphere for the Agency. English Partnerships, one of the predecessors to Homes England between 1999 and 2008, had a similar function. Broad statutory objectives were established for the merged body that became the Homes and

Communities Agency (HCA) under the 2008 Housing and Regeneration Act, which then took on the name Homes England. It was given extensive powers to achieve them – including to buy, lease and sell land, to make grants and loans, to regenerate or develop land, and to make compulsory purchase orders (CPOs) – although Homes England has not used the CPO powers to date. When the regulation of social housing was separately established in 2018, and the rest of the organisation changed its name to Homes England, it kept all these powers. The changes made by the Levelling Up and Regeneration Act 2023 will now remove some of the barriers to using them (for example allowing for CPOs to be extended beyond 3 years, speeding up the process through increased digitisation and removing and automatic right for a public inquiry).

However, the Agency will not be able to drive more regeneration and placemaking unless funding and resources are allocated accordingly within the total that is available. The government therefore needs to decide on the balance between housing supply programmes and the newer emphasis on regeneration and placemaking, which is likely to create a wider range of benefits but will usually deliver housing outcomes over a longer timescale.

It is important that this decision on the allocation of funding is made in a coordinated way, after joint work with mayoral combined authorities and local authorities on their priorities and based on good integration by DLUHC of the government's policies across housing, levelling up and devolution. We make further recommendations on this in commenting on devolution, places and prioritisation.

RECOMMENDATION: By the next spending review, DLUHC should decide on the balance of HE funding between regeneration and placemaking in Priority Places and other funding programmes.

Conclusion 4: Alignment with Government Objectives

The Agency's core responsibilities and direction are set by DLUHC in the Framework Document and through approval of the strategic plan and Annual Business Plans. Its objectives and key performance indicators align well with DLUHC's and the government's wider objectives.

Homes England's core responsibilities and governance framework are set out in a detailed Framework Document, a revised version of which was issued in 2023. It is clear and compliant with Cabinet Office guidance. Under the framework, the strategic direction, mission and outcomes for the Agency are set out in its 5-Year strategic plan and refreshed in Annual Business Plans. These plans and the KPIs were shaped with and approved by DLUHC.

DLUHC's and the government's strategic priorities for housing, regeneration and levelling up are set out in the Levelling Up White Paper, ministerial statements (most recently the Secretary of State's 'Long-term plan for housing' speech in July 2023), and in DLUHC's Outcome Delivery Plan (which is not published). The most relevant elements for Homes England are shown below:

The Levelling Up White Paper (2022) sets out 4 areas of focus and 12 'missions'.

To support these, Homes England is given a clear role to:

> '…restore a sense of community, local pride and belonging, especially in those places where they have been lost'.

It is also asked to:

> '…play a wider role in supporting mayors and local government to drive their ambitions for new affordable housing and regeneration in their area'; to 'use its extensive statutory powers to partner with local leaders to unlock barriers and drive forward regeneration'; and to '…help local leaders and the private sector to identify and address their specific local challenges so that they can drive forward schemes that re-energise places and their wider area. This includes bringing together the work of departments and agencies to deliver comprehensive regeneration and align investment to drive the greatest transformative impact.'

The Secretary of State also set out 10 principles that underpin the government's **Long-Term Plan for Housing,** placing regeneration of England's towns and cities at the heart of DLUHC's housing strategy. Homes England will play a key role, particularly in:

- the regeneration and renaissance of the hearts of 20 of our most important towns and cities
- supercharging Europe's science capital, Cambridge
- extending home ownership to a new generation

Figure 5: **The Levelling Up White Paper summary**

The Levelling Up White Paper represented a significant step change from the previous 4 years, which had focussed predominantly on increasing housing supply in areas where market demand was not being met. Under that policy, 80% of government funding for 5 of the Agency's housing supply funds (Housing Infrastructure Fund (HIF), Home Building Fund Short Term Fund (HBF STF), Estate Regeneration Fund, Land Assembly Fund (LAF) and Small Sites Fund) was directed at areas where housing was least affordable, which in practice were predominantly in London and the south-east. This was referred to as the '80:20' rule because the majority of funding went to areas with most demand. But with the publication of the white paper changes were made to Homes England's framework and funding to reflect the shift towards levelling up. The most significant was to dispense with the 80:20 rule and to focus on regeneration of brownfield sites where current market demand for housing is often less pronounced.

This change is now reflected in the mission articulated in Homes England's strategic plan for 2023–28, which is to 'drive regeneration and housing delivery to create high-quality homes and thriving places.' The plan explains that 'this will support greater social justice, the levelling up of communities across England and the creation of places people are proud to call home' and includes a commitment to 'working with local leaders and, other partners to deliver housing-led, mixed-use regeneration'.

This fits well with the department's priorities. However, the emphasis on housing-led regeneration in the strategic plan may not yet reflect the broader focus in the white paper or the expectations the review team have heard from local partners. In the past, DLUHC has been clear that Homes England's funds should all deliver mainly housing outcomes. Meeting housing delivery targets has been a dominant focus of the Land and Infrastructure Funds, the Affordable Homes Programme (AHP), and the House Building Short Term Fund. More recently the Brownfield, Infrastructure and Land Fund (BIL) has been set up to support housing-led regeneration. The government now wants Homes England to play a broader, longer-term role, working with local partners on infrastructure and property improvements that support economic growth and deliver longer-term housing outcomes as part of a wider social and economic regeneration. This wider scope therefore needs to be clearly provided for in DLUHC's design of new funding programmes made available to the Agency. The Brownfield Infrastructure and Land Fund (BIL), which was launched in 2023, already starts to do this – although it has some constraints (for example it only permits housing-led regeneration).

The strategic plan sets out 18 KPIs as shown in figure 6. Many of these are new and now cover the broadening of the Agency's remit into placemaking and regeneration. But the new KPIs are not reflected in existing fund business cases, which still have a clear orientation to short-term housing delivery, reflecting their original design. They also focus on net new housing units, which – except in AHP, following a recent change to its terms does allow replacement of homes to qualify for grant – does not fit with the likely need to clear unfit homes as part of regeneration schemes.

Annual Business Plans have also therefore focussed on short-term spending priorities and housing delivery measures. During 2023/24 only 7 of the KPIs are subject to monitoring and data collection. Another 3 will be ready to report on by the end of the financial year. The KPIs that will be used to measure wider economic impact of interventions are not yet in place, and the Agency has plans to establish them from next financial year.

Strategic Objective	KPI	Info
Vibrant and successful places	1	Brownfield land reclaimed
	2	Employment floorspace created
	3	Number of jobs created
	4	a) Total number of local authorities receiving in-depth capacity support from Homes England; b) of which share who report improved capacity to deliver their place-based ambitions as a result
	5	Social value per pound of investment
Homes people need	6	Total number of housing completions directly supported
	7	Total housing capacity of land unlocked by Homes England interventions
	8	Total number of households supported into home ownership
A housing and regeneration sector that works for everyone	9	Share of supported completions by low and medium volume builders
	10	Share of supported completions using Modern Methods of Construction (MMC)
	11	Total value of private sector funds leveraged through Homes England's support
High-quality homes in well-designed places	12	Share of supported schemes that meet or exceed the agreed standards for design quality
Sustainable homes and places	13	Building performance – share of supported completions that are EPC rating B or above
	14	Average percentage biodiversity net gain planned on supported schemes
	15	Indicator to be developed on embodied carbon of Homes England supported development
Corporate Health	16	Share of partners reporting overall satisfaction with Homes England
	17	Average colleague rating for Homes England being a diverse and inclusive employer
	18	Number of principal risks outside risk appetite

Figure 6: **Homes England 2023-28 strategic plan KPIs**

RECOMMENDATION: DLUHC should ensure the objectives set in Homes England's strategic plan are reflected in the design of any new funding programmes.

Conclusion 5: Scope

The scope of Homes England's activities is wide and some of them are not integral to its core mission. There were good reasons for it to administer Help to Buy and Building Safety schemes for the government when they were introduced, but these do not now directly support the Agency's core work on regeneration and housing supply and are likely to be a distraction. To ensure that the Agency can effectively expand its place work and regeneration, there should be a plan to transfer them elsewhere in a set timescale.

Homes England's mission, as stated in its strategic plan for 2023–28, is to 'drive regeneration and housing delivery'. The vast majority of its work is with developers, housing associations and local authorities to support their delivery.

Help to Buy is a consumer product that is accessed directly by prospective homeowners, although it is now closed to new customers. While there was a good rationale for the government to give Homes England the role to set up and run the scheme on its behalf – to help boost housing demand and therefore housing delivery – this has made Homes England the country's sixth largest mortgage lender,[3] with a live loan book valued at £18.9 billion. That involves managing significant risks, both for customers and for the public finances.

The role is different from Homes England's other functions in that it requires business-to-consumer skills. Even though the administration is largely run under a contract with the private sector, and Homes England is now overseeing it after the product has closed to new loans, this activity has already been – and is likely to continue to be – a distraction from its core functions. The management has done well to stabilise a scheme that was launched in difficult economic circumstances with systems and processes that were set up at speed and with limited investment. However, this is not a reason to continue the arrangement when the scheme still needs more work on data and processes to manage loans better for customers, and the Agency is now required to play a bigger role in regeneration alongside housing.

This same is true to a lesser degree for delivering elements of the Building Safety Programme. Ensuring that buildings are safe is an essential government priority, and at the time the government was setting up the funds for cladding remediation, Homes England was again the only agency realistically available to support it. While the programme requires significant interface with residents, it also involves extensive communications with freeholders and developers (something in which the Agency has experience). However, building remediation work does not directly align to the Agency's mission to deliver new housing supply or regenerate places, and improving the existing stock of housing is not one of its core functions. While there is a degree of overlap with housing quality, net zero and regeneration agendas, the building safety work currently being funded is driven by critical life safety remediation, and the prioritisation of buildings in need of new cladding cannot be scheduled to align with other regeneration work.

3 Homes England Public Body Review: terms of reference, 2023.

Homes England's scope and range of services is large by comparison to other agencies or private sector entities. It has doubled its staff numbers over the last 5 years, and its balance sheet has grown two-fold – largely due to Help to Buy.[4] The new strategic plan and its emphasis on regeneration will require the Agency to grow its skills in that area. Most interviewees told us that place-based regeneration was not yet sufficiently supported by the Agency and that expert resource needs to be added quickly to deliver place and growth priorities.

Meeting both housing supply and regeneration outcomes will therefore require a focussed approach. This will be more difficult to achieve if the Homes England board and leadership oversee Help to Buy and the Building Safety Programme for much longer. There are some benefits from having these programmes housed in an agency with broader responsibilities – for example, efficiencies in using central corporate functions. However, stakeholders, the Agency's non-executive directors, industry partners and DLUHC officials all voiced concerns about the breadth of the Agency's remit and its ability to prioritise, pivot and focus on its main purpose while retaining such a wide focus.

Help to Buy should be managed fully in the private sector or under a contract with the government. We comment later on gaps in its customer systems which may influence decisions on the timing of this.

It is likely that policy on building safety and standards will have to address a broad need for remediation to achieve quality improvements, net zero and higher standards more generally across the whole housing stock. Homes England has shown in the recently launched Cladding Safety Scheme that its delivery and process skills can play a very effective part in setting up efficient schemes for the government. However, the government has made a commitment to ensuring that every home is safe, decent and warm. The challenges of helping the 14% of households that live in non-decent homes,[5] delivering the millions of retrofits needed to support 2050 net zero commitments,[6] and the wider quality ambitions of the government are likely to need a well-coordinated approach for decades. This task is too big in our view to be led by a housing supply and regeneration organisation. One option, in time, may be to establish a new public body for building remediation, tasked with creating and delivering a plan for transforming existing buildings to meet a range of objectives across safety, energy and quality matters. This would be a cross-government responsibility, across several departments. Another would be for DLUHC to contract directly with the private sector to address these responsibilities within its own remit. Proper consideration is needed of those options, perhaps learning from some of the combined retrofit and regeneration funding created in the levelling up and devolution trailblazers. Recommending a solution goes beyond the scope of this review. But we recommend that a clear timescale is set to move responsibilities for overseeing delivery of building and cladding safety outside Homes England.

4 Internal DLUHC analysis.

5 English Housing Survey 2021 to 2022: Housing quality and condition, 2023.

6 Net Zero strategy: Build Back Greener, 2021.

These recommendations are not new. A previous review by DLUHC NEDs said that ministers should consider the scope of HE, including whether to put its consumer-facing or remediation functions into a separate body or provide them with separate governance structures. Moreover, international comparisons suggest that Homes England is unusual globally in bringing together such a wide range of functions in one housing and regeneration body. In other countries interventions like financing of small builders are done through loan and guarantee finance, and consumer finance to help support first-time home buyers are carried out by separate bodies. Homes England seems to be the only such body with any role in building remediation.

RECOMMENDATION: DLUHC should transfer responsibilities for the Help to Buy scheme and Building Safety work out of Homes England in the medium term.

Conclusion 6: Sustainability and Design

Homes England's strategic plan has good sustainability and design commitments. Implementation is in the early stages. It will require a concerted approach across the Agency for the commitments to be delivered.

As part of the government's strategy to meet net zero by 2050, DLUHC's departmental plan includes measures on CO_2 emissions from new dwellings. Plans to deliver a reduction rest mainly on the introduction of the Future Homes Standard, which will raise environmental standards of all new build homes when it is introduced in 2025.

Homes England's strategic plan mirrors the department's commitment and contains a strategic objective to 'enable sustainable homes and places, maximising their positive contribution to the natural environment and minimising their environmental impact.' Relevant KPIs include supporting completions of EPC rating B or above; the percentage of biodiversity net gain on supported schemes; and an indicator on embodied carbon, which is still to be developed. EPC B rating is, increasingly, in line with the standard market offer for new-build homes, and this year 87% of new-build homes were rated A or B for energy performance.[7] The Agency also supports Modern Methods of Construction (MMC), which have an important role to play in sustainability.

In addition, the plan makes commitments on design quality and includes a KPI on the share of supported schemes that meet or exceed the agreed design quality standards.

7 Energy Performance of Building Certificates Statistical Release: April to June 2023 England and Wales, 2023.

A small team in the Agency is currently embedding work to ensure that these commitments are delivered. They are improving guidance, training staff, and introducing new processes to require sustainability and design ambitions to be addressed properly in project business cases. Monitoring of metrics and KPIs will be embedded across the organisation's work over the next 12 to 18 months. The indicator on embodied carbon is to be developed by April 2024.

Further work is required to embed and operationalise these sustainability commitments. The Agency will also need to ensure there is an internal focus on corporate sustainability in order for it to have credibility in convincing partners to do the same. There are potential trade-offs between requiring higher standards through Homes England's funds and other targets stipulated in business cases, such as housing supply numbers. For the Agency's work on CO_2 emissions to have an effect across the development sector, DLUHC will need to ensure that enhanced requirements are supported in the design stage of new funds. Requirements have been addressed to some degree in the BIL, the Levelling Up Home Building Fund (LUHBF), and through the AHP strategic partnerships. Other funds do not yet have specific criteria on this.

There should also be greater coordination between Homes England's offer on social housing and the Department for Energy Security and Net Zero (DESNZ) run Social Housing Decarbonisation Fund, which supports social housing providers to improve the energy efficiency of existing stock. We heard from housing associations that a holistic and sustainable solution for social housing providers, encompassing retrofit and replacement, would improve efficiency and deliver better outcomes.

RECOMMENDATION: Executive leadership in Homes England should implement sustainability and design commitments across the Agency's work. DLUHC should include sustainability and design considerations in new funding programmes.

Conclusion 7: Customers

The majority of individual customers who interact with Homes England are satisfied with the experience. However, customers who require support with Help to Buy have not always been satisfied. The current services need to be improved.

Homes England interacts with two main 'retail' customer groups directly – those in homeownership schemes (such as Help to Buy Equity Loans) and those who are part of the Cladding Safety Scheme.

The first is the largest customer group of around 250,000 households.[8] Independent research commissioned by Homes England and conducted by IFF in 2023 showed that 68% of Homes England's homeownership customers were satisfied with the service they received. Homes England themselves also undertake a customer survey at the point at which they receive their loan to ask if they would recommend the programme to others. The average result of this for

8 Homes England Annual Report and Financial Statements 2022/23, 2023.

the most recent Help to Buy scheme was a net promoter score of 64, which is rated 'excellent'. However, there was clear evidence in both the IFF study and responses to our Call for Evidence in Summer 2023 that many customers who have needed the help of Homes England or the mortgage administrator to act (such as helping to manage arrears or redeem their loan) have experienced significant problems.

The issues referred to in evidence to this review are in part a result of complications transferring to a new third-party company to manage the loan portfolio in mid-2023. The transfer from the previous administrator was complex, and technical issues led to a period of significant disruption and caused delays for customers, who were in many cases unable to contact Homes England to manage their loan. This risked jeopardising housing transactions or exacerbating customer arrears.

In response, Homes England has invested significantly in short-term resources for call centres to tackle extensive waiting times. This has contributed to a marked improvement, with the call answer rate for loan redemptions now consistently above 80%. Similarly, 27% of calls are now answered within 20 seconds. New requests are now being handled more efficiently, and Homes England is working closely with the new administrator to clear the backlog of previous complaints. There are, however, wider issues with the services currently in place for customers. There is no online platform: enquiries are handled through email and telephone call centres that may not always have sufficient capacity to deal with the demand. Homes England has longer-term plans to introduce new digital services for customers to address this. These plans will require additional investment to update Homes England's internal processes and to allow the administrator to use greater automation for customer requests, such as redemptions.

A further key customer group for Homes England are the households within the 1,000 or so buildings that have registered for the Cladding Safety Scheme. The Scheme was officially launched in July 2023 and, unlike other building safety schemes such as the Building Safety Fund, will be delivered and overseen by Homes England directly, rather than having the Agency overseeing the programme but relying on a contracted administrator. Given that the scheme is still ramping up, its customer impact to date has been limited. However, Homes England has begun taking steps to understand the customer experience, including developing resident and leaseholder surveys. It will have a better understanding of customer impact from 2024, as the scheme gathers pace. No widespread customer issues have yet arisen.

RECOMMENDATION: While it continues to manage Help to Buy Loans the Agency should significantly improve online arrangements for communicating with customers.

Conclusion 8: Role under Greater Devolution

The UK government's commitment to devolving more powers and funding to local government in England does not weaken the case for the existence of a national body like Homes England.

The Levelling Up White Paper said that every part of England that wants a devolution deal and a simplified, long-term funding settlement will be able to have them by 2030. In November 2023 the government published a new framework to extend, deepen and simplify local devolution.[9]

Devolution of housing and regeneration funding takes several forms at present. Some programmes are fully devolved to certain authorities. For example, the Brownfield Housing Fund is devolved to most of the combined authorities except West of England and Cambridgeshire and Peterborough. At the other end of the spectrum, Homes England has delegation from DLUHC to deliver the AHP nationally across the whole of England, except in London where it is devolved to the mayor. There are also bespoke arrangements: for example, BIL is devolved to Greater Manchester Combined Authority and West Midlands Combined Authority as part of their trailblazer deals with the government, but not to other MCAs.

Stakeholders we met across sectors agreed that the Agency has an important continuing role even in this increasingly devolved landscape. MCAs and their local authorities said how much they value the relationship with Homes England, seeing the Agency as a long-term partner that can help them achieve their housing and regeneration aspirations by providing expertise and market influence. Its national relationships with housing associations and developers and its experience in helping to realise large projects are also seen as valuable.

RECOMMENDATION: Homes England should still be a national body.

9 Technical paper on Level 4 devolution framework, 2023.

Conclusion 9: Place-Based Model

Homes England needs to change the way it operates in order to partner effectively with local authorities and respond well to the government's place priorities.

Over the last 5 years, Homes England has been delivering specific programmes focussed largely on national housing supply. These continue, but its broader responsibilities following the Levelling Up White Paper mean a significant shift to do more work that is focussed on supporting the ambitions of places.

New Strategic Place Partnerships' (SPPs) are now being put in place with Greater Manchester, West Yorkshire and West Midlands Combined Authorities. The MCAs and local authorities involved view these positively, and more will be developed. They will support the delivery of AHP and brownfield funding while the MCAs develop capacity and capability.

However, the MCAs and the local authorities believe that Homes England needs to develop even deeper local insights and relationships to support regeneration and placemaking, and that it will need to increase its resource locally in order to do this. Local authorities in MCA areas say that the Agency needs to invest more time and resources to work jointly with them in each borough or district; and that the relative roles of the MCAs, the constituent local authorities, the Agency and other local partners need to be understood. Arrangements need to be tailored to local needs and policies, not 'one size fits all'. Housing associations that we interviewed also believed the Agency could offer more if it focussed more on place-based work.

Many people commenting to the review said Homes England teams tend to focus on the criteria and timescales for individual funding programmes, as set by DLUHC; and that this is not usually the best way to respond effectively to local needs. They also say it is not sufficient to have a few really good people with very strong local relationships in the large conurbations. This is welcome, but not enough to orient joint working to the needs of the area rather than the rules of specific programmes.

DLUHC officials responsible for both housing and levelling up also increasingly expect Homes England to mobilise knowledge and expertise specific to particular places, provide effective advice quickly, and help prepare and deliver place-based initiatives. The department believes that Homes England has this expertise in the MCA areas, but not so often in mid-sized locations. To respond as fully as it should to government priorities and ministerial initiatives, it would like Homes England to have deeper local expertise, not only in concept development, but also in planning and delivery.

Homes England is already making changes to respond to this. As part of its 'Organisational Blueprint' work it has implemented northern, midlands and southern-oriented teams across its delivery directorates. It has introduced regional forums to improve how it engages locally, understands potential pipelines of projects, supports planning and designs appropriate interventions. It has also established 24 multi-functional teams (MFTs) in some priority places, such as the one in Sheffield (see case study below), to shape work in a way that brings to bear locally the skills needed from right across the Agency.

To respond to the change in the Agency's objectives, particularly for regeneration and place, Homes England has developed an **Organisational Blueprint**. The blueprint looks at Homes England's people, processes and services, along with the current operating environment, and sets out a programme of work to help the organisation achieve its strategic plan for 2023–28. This includes supporting the Agency's transition to a greater focus on place; delivering financial stability; and maximising the benefits of the digital transformation programme called Evolve (described in figure 22). The blueprint is designed in a number of phases. Phase 1 – which is now complete – included creating a common regional footprint for the Agency which makes it easier for partners to engage at a local level. It also established a delivery forum to enable frontline teams to share information and coordinate more effectively. The organisation is now entering phase 2, which will strengthen central coordination further. Currently, there is no agreed date for final implementation of the plan.

Figure 7: **Homes England Organisational Blueprint**

The Agency's people are committed to responding to what government and local authorities want, and its leadership understands what is needed. We believe they are very capable of making this shift towards more place-based working and delivering results. However, while its teams have been doing good work for some time on place priorities, as our case studies show, due to the past emphasis on housing delivery under national programmes, the Agency's operational resources, people and administrative budgets are still weighted towards specific programme targets rather than place-making. Devolution and stronger place-based relationships will require further changes in skills mix, culture, organisation and systems; and Homes England will need to use experience from its local relationships to help it operate national programmes with greater flexibility when needed.

In response to the Levelling Up White Paper, it is also important that Homes England should be able to show how it is deploying funding and its own resources around the country. At present information on this is not of good quality. Improving this and finding a way to present it well should be a priority.

The shift to a more place-based approach must not however destroy the benefits delivered by a national approach to some issues. Help to Buy and AHP are examples of successful national programmes that work well on a consistent basis across the country, including in London where AHP is fully devolved but largely still works in a similar way. The Agency will work best if it combines programmes, places and local partnerships in a way that can deliver national experience combined with a well-tailored local approach to regeneration and placemaking.

Case Study – Multi-Functional Team in Sheffield

Sheffield has a population of around 585,000 and a high level of disparity in its existing housing market. While it has affluent neighbourhoods, 8 wards fall within the 10% most deprived in the country and need regeneration. Meeting future population growth requirements will be challenging, with viability and demand constraining delivery and a low number of registered social housing providers currently delivering in the city.

Homes England has established a multi-functional team ('MFT'), which is working in partnership with the City Council and other local stakeholders to develop a long-term and strategic place-based relationship, with a plan to accelerate the delivery of homes of the correct type, quantum and quality. To oversee delivery there is a Housing Growth board that includes Sheffield City Council, the MCA, Homes England, the Sheffield Property Association and representatives of local housing associations.

Homes England has developed a business plan for the city with a five-year timeframe, setting out key workstreams that include developing a joint housing pipeline, city centre plan, integrated affordable housing programme and land assembly. These workstreams will be supported by the Agency's MFT working with council officers, landowners, and developers. In some areas the Agency will step back after two years, when initial set-up and local capacity have been put in place, for example for the joint housing pipeline. In others, such as its involvement in the creation of three new neighbourhoods delivering 5,000 new homes, the timeframe will be over a period of 10 years.

The outputs of this close regional working will include enabling 2,500–3,000 housing starts per annum and the delivery of regeneration and strategic residential growth.

Figure 8

RECOMMENDATION: The Agency should continue to develop its operating model to focus more staff on place, have even stronger relationships with local authorities, and maintain its capability to respond to developing ministerial place priorities. It should also be able to show how resources are being deployed around the country.

Conclusion 10: Place Prioritisation

There is much more demand than the Agency can provide within existing resources. Homes England needs clear priorities. The government should agree the criteria for prioritising places for regeneration and placemaking.

Nearly all the local authorities that the review team spoke with want engagement from Homes England. MCAs and large local authorities that have ambitious plans for regeneration, placemaking and economic growth have clear expectations of the Agency. The case studies below are typical of other authorities who would also like more engagement. They recognise they are not working on the scale of larger authorities, but believe they need the Agency's services and want clarity about what is available.

The Agency recognises it cannot provide the same level of service to all local authorities. It needs to prioritise. It has identified 3 'tiers' of service it should provide:

- Tier 1 (the lowest) – a universal offer that provides basic access to its expertise, funds and training
- Tier 2 – a higher level of support to help develop the delivery pipeline for authorities with a clear understanding of their housing and regeneration requirements and commitment to meeting them
- Tier 3 – for authorities with significant ambition and commitment to housing and regeneration, and with a clear link to national policy. Homes England will also convene partners, funding and plans to meet the place's delivery objectives. This includes the Agency 'Priority Places', which is referred to throughout this report

This approach to prioritisation is already used as the basis for the Agency to consider how it deploys resources to achieve value for money. It started a year ago and will be refreshed annually to reflect any changes.

DLUHC have implicitly signed off the Tier 3 Priority Places through the Annual Business Plan process, but there is not really clarity about how Homes England is expected to balance work in these locations with other ministerial priorities, including supporting other places that the government is prioritising separately for levelling up. The Agency also needs to manage the expectations of most local authorities who will not be in the top tier.

The government should therefore work with Homes England on agreed guidance about priorities in different segments of the market. This will provide a basis for the Agency to communicate its approach clearly and deploy resources effectively and efficiently. To capitalise on cross-government investment opportunities, DLUHC should also work closely with other departments when considering which places to prioritise.

The criteria for prioritisation will develop over time. For each 5-year strategic plan they should be broadly stable, subject to changes in political priorities. In the longer-term however, continued devolution could change the landscape. Large authorities in the MCA areas could become more self-sufficient in capability, and the government has committed to devolve further funding and responsibilities to MCAs. This may in time justify Homes England's attention being focussed more on the next tier of local authorities, whose relationships with the Agency are not currently as deep. If so, or if government priorities change, Homes England needs to be agile enough to pivot and transfer expertise from one segment of the market to others.

The Agency should also communicate what it can do. Its services are not yet widely understood. While stakeholders generally understand its core mission, many say they are uncertain what it means for them and are only aware of Homes England services that they already use regularly. They feel there is a range of other services and funding they could use if they had a greater understanding of what is available. They are also often unclear about the borderline between DLUHC programmes and those managed by Homes England, and why they sometimes receive questions or information from each organisation that appear to overlap.

Case study – City Council in the south-east

Stakeholders from the council reported a good relationship with Homes England, describing their interaction on programmes and individual schemes as supportive and proactive. They want to strengthen the relationship, and would welcome more place-based conversations, site visits, support and help from Homes England. There was an understanding that grant processes must be robust, but they reported confusion about who undertakes which roles, where a case officer fits in, and who to engage with on conversations about local challenges.

The city has significant homelessness. The council described how Homes England programmes and products cannot be adapted to meet these particular needs, which require longer-term partnership working. The Next Steps Accommodation Programme was recognised as a great offer but required a disproportionate amount of resource to secure funds for only 30 homes. Although the outcomes were successful in the city, without the appropriate capacity and capability, the council did not pursue similar grant opportunities again.

The interviewees believed that Homes England was too focussed on bigger sites, even though relatively smaller amounts of funding would have a huge impact in the city. They acknowledged that larger districts have a bigger proportion of work on housing, which may influence Homes England's engagement. But there was confusion about how prioritisation takes place. It currently seemed 'random.'

Figure 9

Case study – City Council in the north-west

Stakeholders said the interactions they have with Homes England on programmes were very helpful, but they would like more site visits, place work, greater clarity on programmes, and greater strategic input from the Agency. They believe that priority is given to larger regions and sites, whereas the priority for local authorities is often smaller sites that will have a greater impact on local communities.

They believe it is important that the Agency should work with a combined authority and with the districts to ensure the planned local outcomes are achieved. The request of the Agency is to engage in more collaborative conversations, move away from resource-intensive bidding processes, and work together to achieve clarity about prioritisation.

Figure 10

RECOMMENDATION: DLUHC should confirm agreement with Homes England's Priority Places for regeneration and placemaking and agree overall criteria for prioritising places.

Conclusion 11: Co-ordination of Activity in Places

There is overlap between programmes for housing, regeneration, placemaking and levelling up. It is important for there to be close coordination across DLUHC and Homes England to align objectives and funding for places with local areas, and to communicate consistently.

Since the publication of the Levelling Up White Paper, the government has announced more proposals for levelling up in places including Leeds, London and Cambridge. As requested, Homes England has also been increasing its focus on place under its strategic plan.

A number of related funds exist, some administered by DLUHC and some by Homes England. These are often active in the same places at the same time. The DLUHC Towns Fund and Towns Deals (which support urban regeneration, planning and land use through site acquisition, remediation, preparation and regeneration) overlap with Homes England programmes, which support land acquisition and assembly, and remediation for housing and regeneration projects (e.g. HIF and BIL). Local authorities say that they apply for a number of funds in succession, sometimes without having a clear understanding of how each could meet their needs.

Stakeholders see a lack of coordination across DLUHC and Homes England in the management of funding programmes for levelling up and regeneration. Interaction with the government and its agencies at local level can be disconnected and duplicative. On housing and regeneration, we heard that many local authorities have parallel conversations with Homes England and different parts of DLUHC's housing teams or the cross-Whitehall Cities and Local Growth Unit. This is particularly the case in locations that are identified as important by ministers, where there is often increased focus and contact from different parts of DLUHC. While all of these teams need to have relationships at the local level, work would be more effective and efficient if activity was better joined up and explained.

The increased focus on place has led to reallocation of some responsibilities in the department. Levelling Up, Devolution and Place sits with one director-general; while Regeneration and Housing, including sponsorship of Homes England, accountability for most of its programmes and funds and lead responsibility for some places, sits with another. This supports an improved focus on expanding policy priorities but will need to be managed carefully to ensure that it does not make consistent communication more difficult.

There also appears to be duplication of effort, with both DLUHC and Homes England independently asking local partners for market data and analysis. This places additional burdens on partners, who aren't clear how information is used and shared. It may also miss opportunities for better information sharing, which could provide the government with better insights.

There is now a case for better coordination of activity in particular places, including between DLUHC's levelling up funds delivered through local government and those run by Homes England. This should allow the funding to deliver greater impact and improve communication with local authorities. It could also help coordination with other departments.

RECOMMENDATION: DLUHC should create a senior board for 'place' to ensure coordination of funding programmes and other activity in local areas across housing, regeneration, placemaking and levelling up. This should align objectives and funding for places; and encourage consistent communication with local areas. Homes England should be represented on it.

Conclusion 12: Outcome Objectives for Regeneration and Placemaking

The allocation of significant funding to regeneration and placemaking requires agreed outcome objectives.

The government should commit significant capital funding for regeneration based on agreement of clear objectives with Homes England and local authorities. Now that the policy direction is set, Homes England should therefore work with DLUHC to articulate objectives clearly for each place. How outcomes will be measured should also be agreed.

The objectives may initially be early milestones for planning and preparatory works but must commit in the medium-term to targets for housing and other economic or social outputs. Homes England has some of this work under way through the Strategic Place Partnerships and its plans for Tier 3 places.

RECOMMENDATION: Homes England should define clear outcome objectives for its regeneration and placemaking in the Priority Places, working closely with local authority leadership.

Conclusion 13: Public Sector Capability in Regeneration and Placemaking

There is a general shortage of capability in regeneration and placemaking across the local authority sector.

For some time, most authorities have not been very active in land assembly or major developments such as new towns, urban extensions and significant regeneration projects. This has led to a loss of capability and capacity in regeneration and placemaking, and greater use of consultancy help when looking at projects.

The recently established Office for Place will partly address this. Its mission is 'Helping to create beautiful, successful and enduring places that foster a sense of community, local pride and belonging'. Its focus is to research, train, support and advise local communities, national government, local government and the broader public sector to ensure delivery of popular, sustainable, healthy, beautiful places, and on empowering neighbourhoods and communities. It will coordinate with other public bodies, especially the Planning Inspectorate and Homes England. However, Office for Place is still establishing its focus and may only be part of the answer.

RECOMMENDATION: DLUHC should consider whether further steps are needed to help the development of greater public sector capability and capacity in regeneration and placemaking.

1.3 Funding

Conclusion 14: Funding for Priority Places

Regeneration and placemaking need long-term funding that is consistent with their long-term objectives.

The majority of Homes England funding is currently designed specifically to support housing delivery, under programmes focussed on outputs for housing starts and completions. Outputs are generally delivered over 3 to 5-year funding periods and have annual spending targets.

These are not consistent with the delivery timescale and complexity of large regeneration and placemaking. The new priorities for these are different. Their aim is to improve and create places where the supply of new housing is not yet the principal constraint, and to create demand for housing in brownfield locations where no community yet exists. A much wider and longer-term set of interventions is therefore needed: to assemble and remediate land at scale, prepare basic infrastructure and community facilities, and stimulate some commercial activity in advance of and then alongside residential housing investment.

Such work requires masterplans for an area that will take 10 or even 20 years to deliver. The specific priorities for investment will emerge and evolve over time, as plans are created. Compared to house building in other places, a greater proportion of investment will initially be in infrastructure assets that do not quickly generate outputs or income and returns. Some new housing may deliver income in 3 to 5 years – but large-scale outputs and financial return will take longer, as work is phased to match available investment and infrastructure, and as the programme attracts people to live there.

Case Study – Wirral Waters

The regeneration of Wirral Left Bank is one of the largest and most ambitious regeneration programmes in the UK, with the potential to create up to 20,000 new homes and 6,000 new jobs over the next 20 years through a radical re-use of neglected and brownfield sites. Historically, the area has been the focus of port and industrial activity. The programme consists of multiple phases across 9 new proposed neighbourhoods, including Wirral Waters.

Outline planning permission was granted in 2012 for 20 million square feet of mixed accommodation, including 13,000 new homes at the Wirral Waters neighbourhood. In 2019, Wirral Borough Council received a £6 million Housing Infrastructure Fund (HIF) grant from Homes England to contribute towards site preparation and public realm works to unlock delivery of 1,100 new homes. This is now fully drawn down. The first phase of housing at Millers Quay is expected to be completed in May 2025.

As a mixed-use development including a new college building, commercial real estate, transport infrastructure on former docklands requiring complex land assembly and remediation, Wirral Waters has needed funding from multiple streams beyond HIF. Overall, the Wirral Waters development has required 40 applications to 27 different funding streams across 12 organisations.

Over the last 10 years at Wirral Waters, about £36 million of public sector funding has been spent across 20 initiatives. This spend supports a total planned investment of around £267 million to 2026, implying government funding of about 13%.

The next residential sites will require site reclamation and remediation, stability works around dock walls, the relocation of businesses, flood alleviation and possibly a Compulsory Purchase Order for land assembly. As this is an area untested for residential use, land values are low, therefore requiring significant grant funding to plug viability gaps, alongside loan/equity for commercial uses.

Currently, only BIL offers the flexibility and grant funding required. However, the 3-year funding period is too short for the requirements of the site (though BIL does have a tail of expenditure to March 2029).

Short-term resource funding also presents a barrier. To accelerate such complex schemes investigation on site is needed, as well as work to understand barriers to land assembly and other legal issues. Currently, RDEL is only confirmed for 12-month periods for Homes England. This means that by the time local partners have identified what needs to be done to bring sites forward there is not enough time to carry out the work. Longer timeframes for RDEL funding would also allow the building up of capacity and capability within long-term projects.

Figure 11

Regeneration programmes of this type require grant, loan, and/or equity investments from the public sector in the early stages, to address viability issues and bring forward private investment. The vision, commitment and public funding need to be stable and long-term to create confidence for the private sector, and the type of finance needed will change as a programme develops.

There is a big opportunity here to attract more private capital. Homes England already has a joint venture with Legal and General, and Muse (the English Cities Fund) which supports regeneration at significant scale, typically in English urban and brownfield centres. The Agency has also partnered with Lloyds Bank to create the Housing Growth Partnership, a platform which provides equity funding for SME house builders. These ventures have directly attracted £250 million from private sector investment partners, as well as unlocking a further £1.8 billion of third-party debt and forward funding from institutional investors. The aim should be to increase and extend the range of such co-investment by having more true funds with both private equity and recirculating capital. The chances of this will increase substantially with longer-term government funding for regeneration and placemaking. Private sector partners will have more confidence to invest if they can see commitment from the public sector to fund schemes alongside them. Currently, most Home England programmes do not give the market this confidence to co-invest and provide long-term, patient capital to support work on land remediation, preliminary infrastructure, and then housing. They are also focussed on capital funding and may not provide the necessary programme RDEL to allow for spend on planning large and complex schemes.

BIL provides flexibility between grant, loan and equity for infrastructure, remediation and land acquisition. However, the following summary shows that it does not have the scale or time horizon to support regeneration in the Priority Places that the government and Homes England have identified.

Brownfield, Infrastructure and Land Fund Case Study

DLUHC designed the Brownfield, Infrastructure and Land Fund (BIL) as a more flexible fund able to support land acquisitions and the provision of grant, loans and equity. It is a 3-year fund currently totalling £1 billion across Homes England, MCAs and London boroughs. Homes England identifies projects through continuous market engagement rather than a bidding process, so that it can work with partners to understand and help increase delivery confidence. The programme was publicly launched in July 2023.

The fund currently has 23 projects at approval or pre-approval stage with a collective value greater than the currently available funding could support. It is being deployed on transformational regeneration projects in Sheffield and Newcastle and potentially in Blackpool, with the approach receiving strong endorsement from local authority and combined authority partners. Because of its flexibility, it is beginning to demonstrate ability to meet the policy objectives of both housing delivery and regeneration.

However, the projects in Sheffield, Newcastle and Blackpool alone would require a third of the Agency's total budget for BIL. The Blackpool project also demonstrates the challenges posed by a short-time horizon for regeneration projects. The proposal requires a multi-million-pound grant investment to acquire properties to enable large scale regeneration within inner Blackpool. The full impact of the potential regeneration over around 15 years would see the development of further new homes and much needed improvements to the public realm, new open space and improved long-term employment prospects and health outcomes for people living and working in Blackpool. However, in order to achieve this, there will need to be a further investment outside the lifetime of the BIL fund, and potentially other funds too. This is not possible under the current funds the Agency has at its disposal. A lack of certainty on future funding to the area delays its ability to attract investment from the private sector, who need the certainty that public sector will be committed to this project over the long term, as well as impacting the local authority's ability to fully stand up its delivery capability.

Figure 12

While BIL is a good step forward, longer-term and even more flexible public sector funds with an appropriate mix of grant, equity and lending will be needed to support regeneration and placemaking. These should be designed to meet the agreed objectives for Priority Places and their long-term delivery plans.

DLUHC should therefore put forward proposals in the next spending review for dedicated funding for a 5-year rolling period for regeneration and placemaking in the agreed Priority Places. The objectives for each place, and proposed monitoring and governance arrangements, should give the appropriate basis for evaluation and control of the regeneration and placemaking programme. HM Treasury will expect clear plans to show why the government can be confident in delivery.

The timing and process for future spending reviews is not known, but figure 13 shows an outline roadmap to indicate how such funding could be agreed in the context of any spending review in 2024. It reflects this conclusion and conclusion 15.

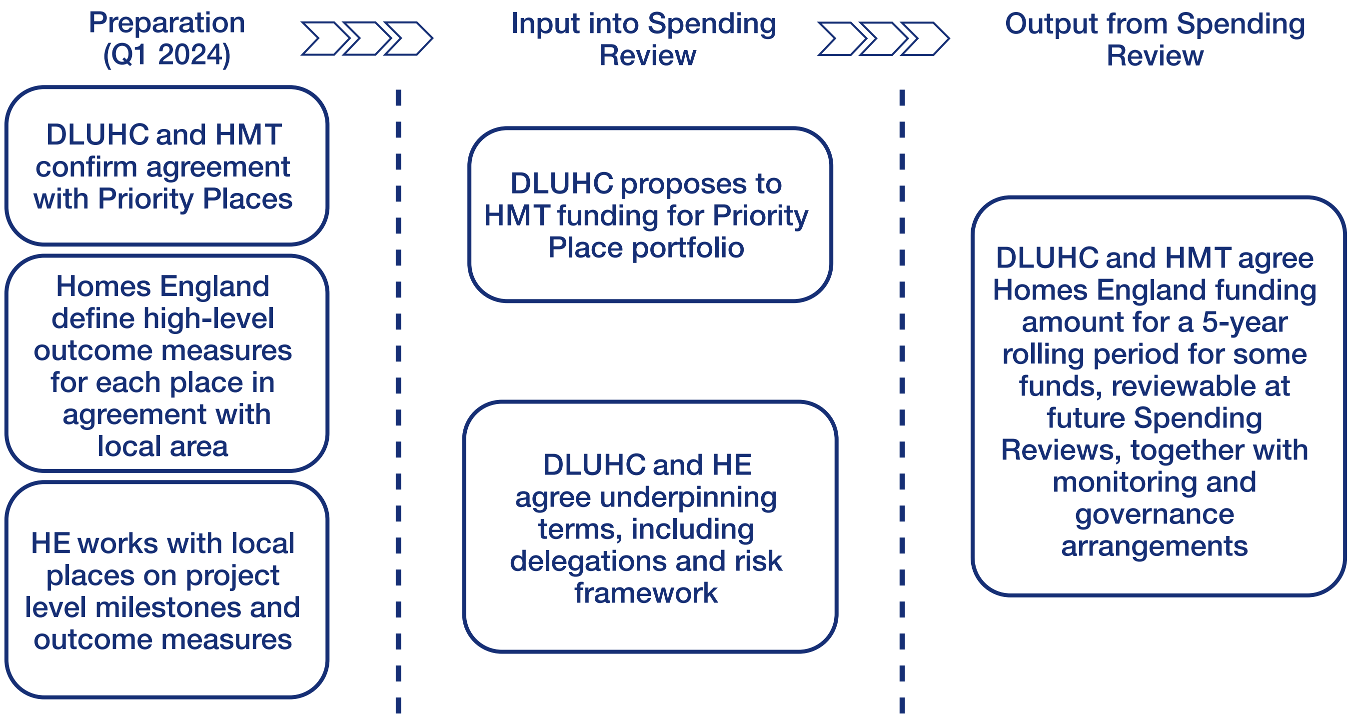


Figure 13: **Indicative process to agree and implement funding at a future spending review**

RECOMMENDATION: DLUHC should propose 5-year rolling funding commitments for regeneration and placemaking in agreed Priority Places to HM Treasury. The terms of the programmes should have the flexibility needed to support regeneration objectives. This funding should be a separate from Homes England's other national programmes and should be coordinated with decisions on RDEL budgets.

Conclusion 15: Other Funding Programmes

There is a case for the simplification and aggregation of existing national programmes to give greater flexibility, lower costs and longer timeframes; and to provide Homes England increased delegations.

Alongside its increased focus on regeneration and placemaking, Homes England will continue to have a vital role in driving and supporting housing supply nationally. There are existing flexibilities to move funds between Homes England's existing housing programmes within the same funding areas (for example between grant and financial transactions such as loans). The ability to over-programme for some funds was also introduced in 2022/23. These arrangements have helped the Agency manage in-year delivery risk and should be continued. Consideration should also be given to expanding over-programming to cover the AHP.

However, more significant changes to increase flexibility in existing programmes would allow Homes England and its partners to deliver more housing supply within existing CDEL budgets. We propose the following four measures.

1. Simplification

The range of funds for housing delivery and levelling up is a product of an understandable legacy of policy announcements over several years and a desire for focussed programmes with clear criteria. AHP is well understood by local authorities and housing associations and serves a clear purpose. But there is a range of other programmes that Homes England delivers: the LUHBF; BIL, the Home Building Fund – Infrastructure Loans (HBF-IL), Land Assembly Fund (LAF), and Single Land Programme (SLP). This has led to:

- a range of different criteria and processes – each programme requiring separate approval and governance processes
- under delivery of some funds
- significant costs incurred in DLUHC, HE, local authorities and other stakeholders to manage the separate programmes and applications. Local authorities and some other stakeholders also deal with DLUHC on other place-based funds such as the Levelling Up Fund or Towns Fund, and with programmes in other departments such as DfT and the DESNZ on related initiatives
- a 'supply-led' culture where the question asked by Homes England when presented with a potential project is 'can this issue fit one of these funds?' rather than 'what's needed to support this project?'. This is not Homes England's doing. It is caused by the terms of the funds

Aggregating existing and future funds into groups according to their broad purpose would give greater flexibility and lower management costs, and support aligning Homes England programmes better with government funds devolved to or bid for by local partners. It would help to maximise delivery of spend, outputs and outcomes. We have seen cases where the consulting costs alone of securing grant funding can amount to 10% or even 20% of the grant being applied for, which is not cost effective. Homes England should work with DLUHC on the design for simplified funding in time for the next SR, including evidence on how that would drive efficiencies.

2. Longer-term commitment to grant funding for affordable housing

Housing associations have recently been affected by a range of pressures. The need to invest in existing stock, inflation in construction and maintenance costs, a constrained rent settlement and increased borrowing costs have led most to reduce or defer new development activity.

Their current 5-year funding cycle puts a further constraint on development. To work within a 5-year period, housing associations largely have to compete to buy shovel-ready projects from developers at market value with pre-existing planning permission. This drives up the cost. Longer-term funding commitments for AHP would enable them to buy land earlier, before planning permission, at a lower price, confident of their funding position. This should allow them to capture more of the land value uplift to invest in delivering greater levels of affordable housing or infrastructure. It would also make them more able to commit to specific projects over a longer-time period, particularly larger strategic sites and regeneration projects, where housing delivery comes a few years into a scheme. In addition, they could build a larger pipeline of longer-term opportunities, achieving efficiencies and economies of scale in construction contracts, and potentially justifying more investment in MMC and other partnerships.

A 5-year rolling financial settlement would reduce uncertainty and should give opportunities for efficiencies through attracting cheaper borrowing and giving the basis for better procurement.

3. Change net budgeting rules for land funds

The Agency's Land Assembly Fund and Single Land Programme land funds recycle capital from sales, but currently require Homes England to balance its income and expenditure annually. In practice this causes the Agency to curtail purchases within a year if insufficient receipts are being generated, which defers schemes and therefore benefits; or to defer some sales of land into future years to ensure the budget is balanced. The net budget requirement also creates opportunities for developers to negotiate lower purchase prices towards the end of each year if they know that the Agency needs to sell to balance its budget.

DLUHC and HMT should work with the Agency to resolve this issue through a reset of the land programme business cases to provide for net budget management over a longer multi-year period, or significantly increase the flexibility to move spend forward or back over a longer period. This would be likely to produce better outcomes, including value for money.

4. Delegations

Homes England deploys debt, equity and grant. Delegation limits for each are different. There is no equity delegation, because equity investments raise a range of issues, such as how to allocate risk and reward between the public and private sector on a scheme, and potential contingent liabilities or obligations for the taxpayer. Every investment is discussed with the government to consider these matters appropriately.

The debts and grants delegation limits have been the same since Spending Review 2021 and have since been eroded by inflation and interest rates. Given the policy priority attached to delivery there is a case for increasing them materially. This was recommended in 2021 in a previous review but has not been progressed. It could increase the speed and effectiveness of processes. Investors in the existing joint ventures have said they find Homes England an effective partner, with appropriate commercial procedures. However, we heard from other parties who have been seeking funding that the length of time to obtain approval, particularly for equity proposals, is unattractive.

There is a particular case for considering the delegation for equity. Given the economic environment, it is likely that there is going to be increased demand for the Agency to deploy equity rather than loans. It also needs to be able to consider grant, loans, and equity for the same scheme. Having very different delegation limits for the different types of funding reduces flexibility.

The interaction with the government on the risk of equity is important. Homes England and DLUHC should therefore update their risk frameworks to document how decisions under the delegation will be managed. This can be development of the Homes England Equity Framework that currently exists, with a revised end-to-end process showing more detail on Investment Committee criteria, first and second line responsibilities for approvals within the delegated amount, provisions on novel or contentious arrangements that would still have to be referred to DLUHC and HM Treasury, and arrangements for monitoring and reporting risk and performance within the portfolio.

RECOMMENDATION: DLUHC should propose simplifying the range of funds for housing delivery and levelling up, to have fewer and larger funds with more flexibility and longer availability periods. There should also be a 5-year rolling funding commitment for AHP, and there should no longer be annual net budgets for land funds. Once Homes England has prepared an updated risk framework, HM Treasury and DLUHC should also agree an appropriate delegated authority to DLUHC and Homes England for equity investment, and increased delegations for grants and loans.

1.4 Additionality and Value for Money

Conclusion 16: Loans, Guarantees and Equity Investments

The Agency's loans, guarantees and equity investments are generally additional to what the market provides. Greater additional impact could be achieved if Homes England took more risk with a counter-cyclical role in changing economic circumstances, and if processes were streamlined. This will require explicit recognition that higher losses may be sustained in order to deliver substantially higher additionality.

The review commissioned a market analysis from the management consultants, Oliver Wyman. This shows good evidence that a number of Homes England's programmes for loans and equity investment (the Home Building Funds – Infrastructure Loans, and the Levelling Up Home Building Fund) serve needs that are not largely met by the private sector market. This is particularly the case with regional junior and mezzanine loans, lending to MMC manufacturers and suppliers, long-term infrastructure lending and equity investments. Homes England often fills gaps with these products that are only served by small subsets of the market, if at all. This is because market players struggle to serve financing needs on a small scale or with complex underlying risk profiles. As an illustration, the landscape for Levelling Up Home Building Fund loans is shown in figure 14.

Loans – competitive landscape for LUHBF dept
illustrative – demonstrates primary area of focus for each group

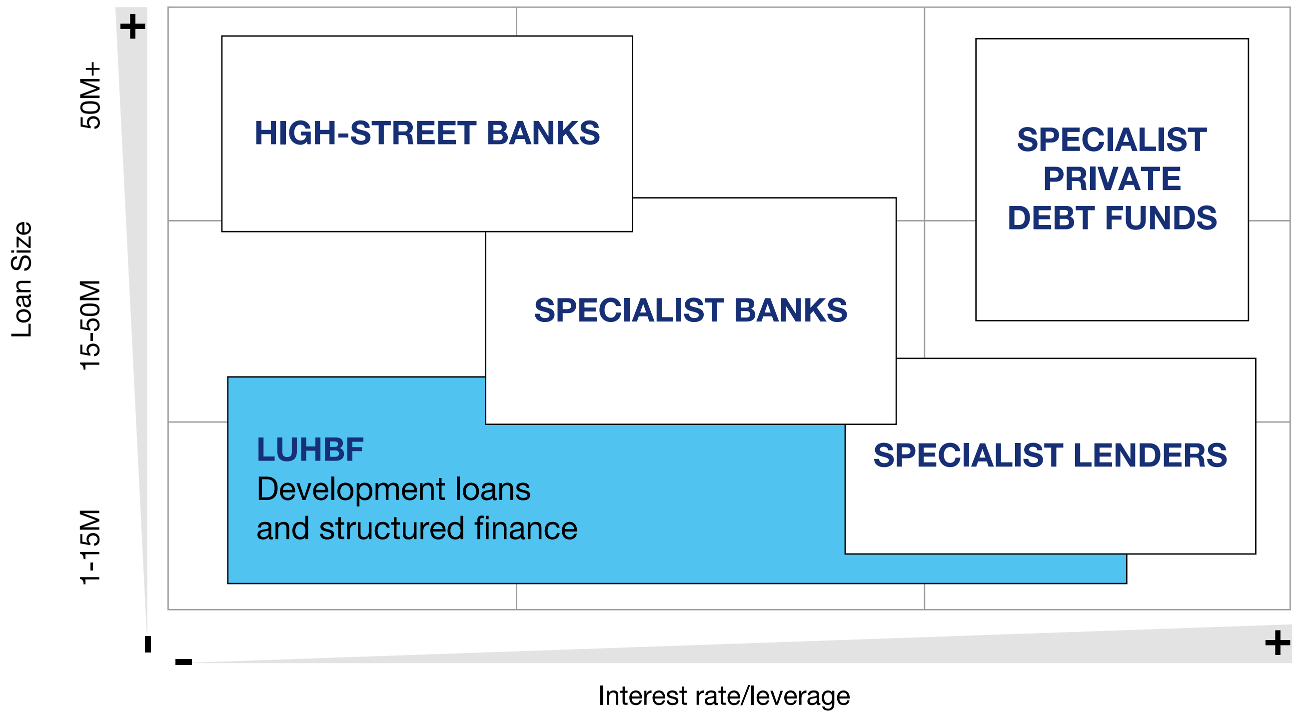


Figure 14

There is partial overlap with private sector lenders on senior debt, where the Agency makes loans that are similar to other providers. There is therefore lower additionality in this segment. Where this is the case, it is justified by more flexible design elements of Homes England's products for SMEs. The flexibility includes allowing collateral against multiple sites, and allowing sales income to be recycled into further investment, which commercial banks would not usually offer.

The mainstream equity market is supplied by investment funds or directly from institutional investors. These investors typically prefer larger ticket investments, making them less likely to invest in SME driven projects, and have higher capital costs, driving higher return expectations. They also usually focus on building out their own platforms rather than investing through developers and tend to prefer the Build to Rent sub-segment. Homes England's equity investments are clearly additional as they focus on those areas currently not served by market players.

Homes England also helps the government to deliver its housing guarantee schemes, which enable housing developers and investors to access debt capital more cheaply, and potentially in larger amounts and for longer periods than would otherwise be available. These include the ENABLE guarantee scheme, which supports SMEs, and the Affordable Housing Guarantee Scheme, which supports housing associations. There is reasonable evidence for the additionality of both schemes.

Greater additionality, particularly for loans, could be delivered if DLUHC and HM Treasury – in setting and agreeing fund parameters – gave more consideration to the following factors:

- The changing nature of demand from borrowers. Developers have become more price sensitive due to higher interest rates, and commercial lenders and investors have become more cautious. Homes England's products are particularly additional when funding good projects in a counter-cyclical manner, recognising the potential for accepting a higher risk of losses in return for generating more public benefit.
- Any increase in risk appetite and implied additional likely losses should be explicit. Although business cases for some of the existing funds have expected 'recovery rates' of 70% in their business cases (this being the minimum share of funds disbursed before interest that HM Treasury is willing to accept back over the lifetime), the stated risk appetite is not precisely defined or cascaded through the organisation and its end-to-end lending process. This seems to lead to a reduction in risk-taking in front-line teams selecting opportunities, which is probably reinforced by signalling from DLUHC and HM Treasury that higher risk of loss is not welcome, and natural caution and diligence from staff who are well trained in credit assessment. Ideally the Agency would strengthen risk modelling capabilities, in particular on forecasting and stress testing analysis, to increase confidence that the Agency can deliver more benefits by taking more calculated risks in changing macro-economic environments.
- We have heard that Homes England is focussed too much on delivering outputs under its housing KPIs rather than on delivering true additionality. There is no clear evidence for this, but current KPIs may create a bias towards large transactions that are more likely to be served by the market. Instead, Homes England should focus more on more difficult investments that deliver relatively more policy benefits and greater net additional outputs, even though the gross housing numbers might be lower. The Agency and DLUHC should consider how to focus on optimising net additional outputs rather than using funding principally in the volume area of the market.

- Interviews also suggest that loan application and approval processes are cumbersome and slow compared to commercial lenders (especially those specialising in property development finance). While in some cases SME development loans are approved on similar timescales to high street banks (about 2 months), the Homes England process typically takes much longer (5 months), and this does not compare well with most banks and non-bank lenders that typically make smaller loans to developers and differentiate on speed of service (a month). These processes make the funds less attractive for potential borrowers, especially SMEs, for whom they represent an excessive burden.

RECOMMENDATION: DLUHC and HM Treasury should authorise the Agency to take more risk at some points in the economic cycle, in order to increase additionality and impact.

Conclusion 17: Land Activities

The Agency has an important role to play in bringing public sector land to market and in land assembly for development. This generally delivers benefits by unlocking sites and speeding up progress. However, greater transparency in processes and criteria is needed.

Homes England plays an important role in the land market. It often takes on sites the market will not invest in for a variety of reasons, such as the high cost of remediation or complex ownership issues. It also assembles smaller sites into larger, more strategic opportunities and then disposes of them to the market in a form which is more viable for investment. The case studies below give examples of this.

Homes England has also sometimes used its land disposals to sell at less than best value where this will deliver further benefits, for example by making it possible to enter contractual terms that support wider policy objectives on design, sustainability, MMC and home ownership. The land funds also recycle any profit into acquiring new sites and support longer-term regeneration through funding commitments beyond the spending review period.

Burgess Hill

This scheme had been stalled for many years due a range of factors that often affect large sites, including the involvement of multiple landowners/promoters who failed to coordinate and collaborate to bring the site forwards for development over a number of years. The site also required considerable on-site and off-site infrastructure that needed to be funded and delivered in a coordinated and integrated way.

After being approached by the local authority, Homes England acquired various land parcels (around 200 hectares) in 2018 and 2019 and took on the role as master developer for the 3,500 home scheme, delivering key upfront infrastructure to bring serviced parcels to the market through a phased delivery approach.

The Agency used £288.8 million of the Land Assembly Fund to acquire the various sites. The site will deliver:

- 3,500 new homes, of which 30% is affordable housing (75% social or affordable rent and 25% intermediate)
- new leisure and community facilities, including 3 neighbourhood centres and health provision
- one secondary school and 2 primary schools
- biodiversity net gain minimum of 10% (currently on target for 23%)
- a new highway link between the A2300 and A273 and other sustainable transport improvements including a network of pedestrian and cycle routes

The first 141 homes are nearly complete, and first homeowners have moved in. The second phase is on site delivering 247 homes (including 30% affordable). Future phases are expected to start delivery in 2024.

Figure 15

However, multiple interviewees we spoke with, particularly private developers but also local authorities, questioned whether all of Homes England's activity in the land market was additional. Some said that Homes England often outbid the private sector on sites, while others said that its involvement had slowed down bringing sites to market. On the other hand, some banks and borrowers said that they viewed Homes England's land disposals as an area where the Agency added genuine value.

We have investigated a selection of sites to consider these comments. In all cases we found there was a genuine market failure being addressed by Homes England, including in some cases buying sites that had been stalled for some years, or assembling strategic opportunities that delivered more economic and social benefit. Where sites had taken some time to come to market there were usually issues to resolve: for example, divided ownership, restrictive covenants or requirements for infrastructure that the private sector had not seemed able to address. Homes England also have robust processes to ensure they only acquire sites where there is such a clearly perceived market failure. This includes a project business case on a scheme-by-scheme basis and – if an acquisition is above the Agency's financial delegations – testing through the Agency's delivery board, on which DLUHC and HM Treasury are represented.

We are also satisfied that the Agency usually only stays active on a site until the market is able and willing to take its development forward. Land disposals have been accelerated in recent years and the land programmes are structured to allow sales revenue to be reinvested in the programme.

Case study – Panshanger Site in Welwyn

The De Havilland Park site (Panshanger) is located in former green-belt land to the northeast of Welwyn Garden City. The development will deliver 860 new homes (30% affordable), retirement accommodation, a local centre, a new school, a retail outlet, custom build homes, opportunities for SME developers and a site for Traveller communities. Homes England acquired a former airfield adjacent to its existing site ownership, facilitating between landowners to agree a scheme.

Homes England prepared the site for development by securing planning approval for the complete scheme. De-risking works were also carried out, including the demolition of existing structures, archaeological investigation, site investigations for contamination and utility enquiries.

The initial development strategy was for Homes England to undertake the main infrastructure works, including a spine road running through the whole site. However, soft market testing revealed that, following the planning and technical de-risking works already carried out, there was no longer any market failure as there was strong interest from developers willing to bring forward the whole development, including delivery of the major infrastructure works without further public intervention. By not constructing the spine road, the Agency can reduce the risk of cost over-runs and deliver a site which soft marketing indicates is more attractive to development partners as it allows more flexibility for delivery of the wider site infrastructure and phasing of the development.

A revised disposal strategy to market the site without further intervention was therefore approved and adopted in line with the Agency's land disposal policy of not holding land longer than necessary. The Agency will still ensure the quality of the scheme through the outline planning consent, design codes and approval of the final submission, as well as the pace of delivery through relevant controls on the programme within contractual agreements.

The site has now been marketed through the Agency's Dynamic Purchasing System and bids have been received which are currently being evaluated.

Figure 16

Developers also raised concerns about Homes England's processes for bidding for land through its Dynamic Purchasing System (DPS). This was introduced in 2021 to allow continuous market engagement (with prequalified participants, rather than competitions for each site), and using processes that should facilitate a wider range of purchasers to get involved. We heard that, while the DPS is an improvement on the previous system, the process is still time consuming and could be streamlined. Concerns were also raised over whether land was being disposed of to a small number of bidders.

Examining the data, we do not see evidence of the latter. Over the past 2 years, 68 different buyers have successfully acquired one or more of the 141 large sites sold, and 78 different bidders have successfully acquired one or more of the 234 smaller sites allocated. This suggests that there is a fair range of applicants successful in acquiring Homes England land. Nonetheless, it is clear that the system needs greater simplification and transparency. Homes England has confirmed that it is committed to improving the system further, including by publishing further guidance and offering small sites to SMEs outside the DPS process.

RECOMMENDATION: Homes England should continue to simplify its processes to dispose of land to the market and make them more transparent.

Conclusion 18: Master Developer Roles

There are few companies in the UK that lead on 'master development' at large regeneration sites involving more than 10,000 homes. DLUHC should encourage Homes England to play a greater role in leading and promoting such activity.

Master development usually involves dealing with brownfield land that needs significant remediation, where complex or significant upfront infrastructure remediation and preparatory work is required, and where any payback and financial returns may not be achieved for over a decade. There are also other challenges, including local and national engagement to build consensus, local opposition to schemes, gaining planning consent and dealing with a range of political and other stakeholders.

Without assistance from the public sector, this makes it both unattractive to the private sector and unsuited to current private development model in England – which is made up of mostly volume house builders and SMEs, which do not focus on schemes of this scale. As a result, sites of more than 10,000 new homes are rarely being brought forward for development without public sector involvement. Only a small number of companies like Urban & Civic, Lendlease and Peabody are working to develop sites of more than 5,000 homes, and very few companies appear to fit the criteria to scale up significantly in this space in the near future.[10] Therefore, master development at scale is currently very limited in England. Given the country's need for more housing and the government's plans for large-scale regeneration, this is a missed opportunity.

Homes England is in a unique position to do more to lead and stimulate master development. It is well placed to build consensus with local authorities, do visioning, land acquisition, master planning and early remediation, and then to help to bring in developers at the right stage. Currently Homes England is playing a master development role in 46 schemes that are developing more than 1,000 homes, as set out in figure 17. This is sometimes in its own right – where it is the majority landowner (a 'direct' role) – and sometimes by enabling private sector groups by working with other landowners to take forward site-wide priorities through a combination of upfront funding, and sharing capacity and skills.

	Direct master developer	Enabling master developer
Total		
Number of schemes	30	16
Number of homes	101,300	113,000
10,000+ homes		
Number of schemes	4	4
Number of homes	40,000	58,200
5,000–10,000 homes		
Number of schemes	3	5
Number of homes	15,400	34,100
1,000–5,000 homes		
Number of schemes	23	7
Number of homes	45,900	20,700

Figure 17: **Homes England's current master developer roles**

The York Central scheme is an example of a quite large scheme in housing terms that also has significant commercial content. Homes England is the joint master developer with Network Rail.

10 Internal DLUHC analysis.

York Central

York Central is a project of national significance. It is one of the UK's largest city centre regeneration sites, offering an opportunity to create a vibrant, distinctive residential, cultural and commercial space at the heart of one of the country's most historic cities, all on brownfield land.

The 45-hectare project represents the greatest opportunity to transform the city, addressing deep-seated challenges of acute housing need and affordability by creating significant new housing and much-needed space for economic growth.

Despite a strong housing market, previous failed private sector focussed attempts to bring forward the site have resulted in it lying dormant for over 30 years. There is disparate ownership, and the challenge and cost of accessing the site alongside the railway to create the capacity for development.

The scheme has required significant collaboration between Homes England, Network Rail, National Railway Museum and City of York Council, working together as the York Central Partnership, to de-risk the site and create a viable proposition for the market, particularly providing upfront infrastructure. The critical infrastructure includes 3 kilometres of new roads, bus lanes, cycle lanes, footpaths, 2 bridges over the East Coast mainline, drainage and lighting.

When completed, the scheme will provide:

- up to 2,500 homes, 20% of which will be affordable
- over 1 million square feet of commercial space for offices, retail and leisure, providing a significant boost for the local economy, addressing the absence of quality Grade A office space in the city, creating space for businesses to grow and allow new employers to enter the city, diversifying the city's economy and improving wage levels
- significant public realm including a large urban park

In order for this project to succeed Homes England has had to play an active role in collaborating with partners to:

- consolidate the land
- create a vision with an award winning to masterplan
- achieve site-wide outline planning consent
- invest in the critical early stage infrastructure to unlock the site and leverage long term private sector investment

Figure 18

In future the Agency can continue to play either a direct role or an enabling role. It has the powers, can provide some of the funding and finance, and has experience of the planning system and the land market. BIL and previous land and infrastructure programmes can provide grants or loans to encourage and support such activity, including by acquiring land; and the Agency has used this type of funding to make a significant loan to the master developer partnership at Silvertown in London Docklands. However, current funding programmes are not large enough or designed to do this repeatedly, and the Agency's resources to support activity in the early stages of major projects are limited.

With the funding arrangements we are recommending, the Agency could be proactive in master development in more places.

RECOMMENDATION: Homes England should be encouraged to play the role of master developer on more large regeneration schemes, in partnership with the private sector, or directly where appropriate.

Conclusion 19: Supporting SMEs

Homes England could do more to facilitate greater participation by SMEs and DLUHC should encourage this. If necessary, the Agency should make a case to the government to tailor or relax land procurement rules to assist in this, while having appropriate measures to ensure good value for money and proper risk management.

SMEs are important to the resilience, competition and diversity of the house building market. They play an important role in delivering smaller sites and supply much of the construction workforce and subcontracted labour for larger firms. However, SMEs face particular challenges. They tend to have limited assets to offer as security and limited equity available to invest in projects, and many private sector lenders take a cautious approach to them. They also have less financial resilience, so they are harder hit by pressures in the supply chain, by inflation and by the cumulative impact of necessary legislative and policy changes to improve quality or environmental standards (e.g. the National Planning Policy Framework).

Homes England has been supporting SMEs through the House Building Fund (short term), which was used by more than 400 SME projects; and more recently the LUHBF, which offers development finance as equity or loans. We have been told that more should be done to publicise the schemes. Some SMEs were unaware of the support available. We also heard evidence from those who applied or considered applying, that the terms of lending are too stringent to be attractive, that the criteria for accessing funding are also too stringent, and that the application process can take so long that applying is not sensible. It can be preferable to get a faster service from a commercial bank.

SMEs also consistently say they find it difficult to compete with larger developers in bidding for land, and that they find the DPS system hard to access. As a result, we understand that Homes England is now considering offering small sites to SMEs outside the DPS, with the aim of creating more opportunities that are freehold rather than leasehold, which would be welcomed.

Given the specific challenges faced by SMEs, the Agency should consider what it can do to make it easier for them to access both funding and land, and take account of the wider benefits of SME involvement in the market when assessing the proposed measures. These might include offering more equity provision, less stringent covenant terms and conditions, streamlined processes and shorter timetables for decision, and relaxing some procurement criteria and information requirements, some of which would require DLUHC and HM Treasury consent.

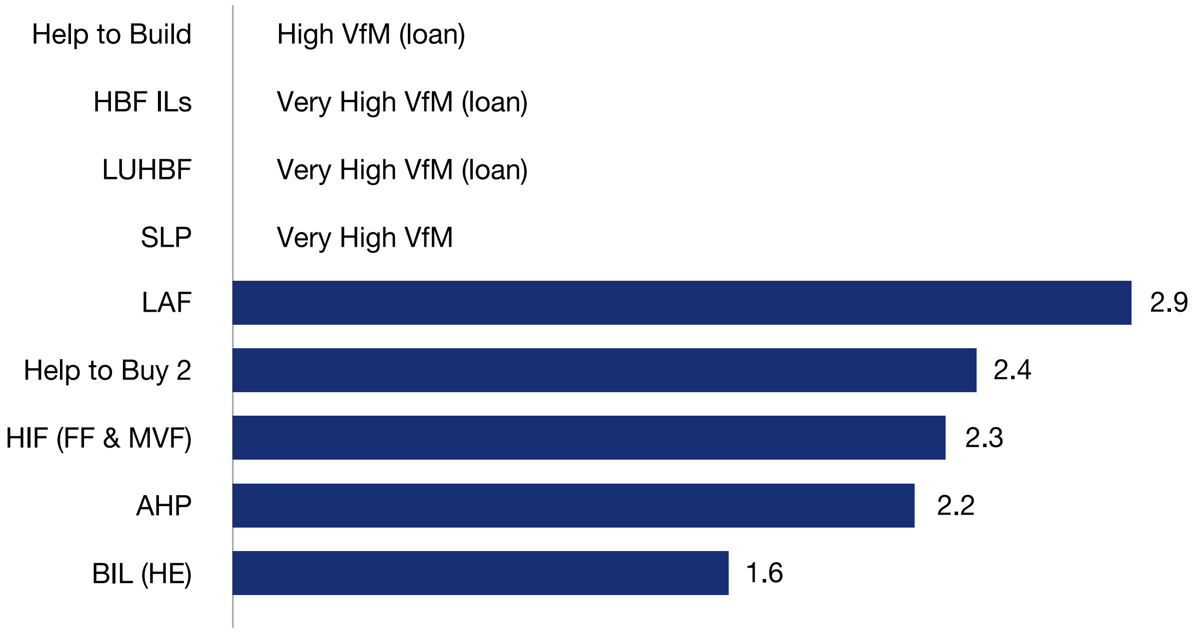
RECOMMENDATION: The Agency should do more to make its programmes more easily accessible to SMEs.

Conclusion 20: Value for Money

There is good appraisal work at the design stage of programmes which shows that most of the Agency's principal programmes should deliver value for money. However, limited formal evaluation has been completed by the Agency or DLUHC to assess whether expected benefits and value for money are actually being delivered. This is not satisfactory. There has been clear progress in addressing the evaluation gaps over the last 18 months, but DLUHC and the Agency must continue to commit the necessary resources to ensure impact evaluation for all key programmes.

Based on analysis of all project approvals made in 2022/23, the Agency calculates that its activities can be expected to generate £1.98 of social, economic, environmental and financial benefits for every pound of investment. Figure 19 below shows the value for money estimates for each of the live major agency programmes, covering the vast majority of the Agency's spend, and is based on the business cases presented to DLUHC's investment committee. It shows the expected impacts (not realised impacts following the spending of agreed funding). All programmes projected medium or high value for money in their business cases.

Projected Benefit Cost Ratios for Major Programmes Based on Pre-Launch Business Case Appraisals



VfM ratings provide a wider assessment including non-monetisable impacts alongside BCRs

Figure 19

The analysis supporting these assessments is reviewed by both DLUHC and HM Treasury, who accept the conclusions. There is ongoing work to extend the range of benefits being considered. For example, the BIL business case this year incorporated wellbeing outcomes from improving regeneration areas and an assessment of non-monetised impacts. Much of this work is led by Homes England.

However, understanding whether good value for money is actually being delivered depends on having robust post-hoc evidence on what impacts programmes are delivering. There have so far only been 3 full 'impact' evaluations – of the Shared Ownership and Affordable Homes Programme 2016–21 (recently published), the Agency's Public Sector Land acquisitions (2015–20), and the Local Authority Accelerated Construction programmes. These programmes delivered good value for money but represent less than 20% of the Agency's budgets over the past 5 years. The majority of Homes England's portfolio is still to be evaluated. This has been acknowledged by both the Agency and the department. Homes England now has a good plan in place to ensure that all funds are properly evaluated. 5 evaluation studies are underway and due to be completed by the end of March 2024, which will cover much of the Agency's existing portfolio. HM Treasury will rightly regard this as a condition of further funding flexibilities. The department has also published a comprehensive evaluation strategy, and DLUHC and Homes England have a clear agreement on where responsibility for evaluation of each fund sits.

RECOMMENDATION: The Agency and DLUHC should complete their programmes of impact evaluations to assess the value for money of funding programmes.

Conclusion 21: Project Appraisals

Updated guidance on project appraisal methods is now in place, incorporating techniques to monetise a broader range of benefits. This is important in appraising regeneration projects and levelling up.

Local authority stakeholders raised concerns with us that Homes England appraisals do not always consider full social and economic value when allocating funding and appraising bids.

This may have been the case for past programmes – because until recently policy and primary outcomes were focussed on increasing housing supply in high demand areas. But the Agency has undertaken good work to improve appraisal in recent years so that the system better captures the longer-term outcomes linked to regeneration and levelling up. The value for money appraisals used in designing programmes now consider a broader range of monetised benefits and produce better assessments of non-monetisable social and economic benefits. New funding programmes, such as BIL, should therefore now recognise the wider benefits and costs of levelling up and regeneration activity, including transport impacts. Local authorities have welcomed BIL as a much more flexible fund that can support projects that previously would not have received funding.

For some other funds more work is still needed to ensure that project value for money appraisals incorporate the new approach. This work is under way in the Agency.

RECOMMENDATION: Homes England should complete its work to check appraisal criteria for existing projects to ensure that the wider benefits of regeneration are being fully included. DLUHC should ensure that any future funds are designed and implemented based on updated appraisal criteria.

2. Efficiency

Conclusion 22: Homes England Delivery

The Agency largely delivered its spending and outcome targets in 2018/19 and 2019/20, but very materially under-delivered and / or under-spent against targets over the following 3 years. In 2020/21, 2021/22 and 2022/23 this was caused primarily by external economic factors, including Covid-19, increased interest rates and inflation and the effects of the 2022 mini-budget. DLUHC's design of some of the major funding programmes and the length of time taken to launch or adjust them was a secondary factor, as was Homes England's forecasting and communication of projected underperformance.

We are offering a detailed account of this point because of the scale of the shortfalls against target and the tension this has created in the relationship between Homes England and DLUHC.

Figure 20 shows the Agency's performance over the past 5 years. In this period, before the 2023 strategic plan, its principal output and outcome objectives comprised 4 housing measures. DLUHC also focussed on spending against target. The variance is between plan and actual delivery or spend, not revised targets at mid-year supplementary estimates.

	2018/19	2019/20	2020/21	2021/22	2022/23
Planned starts	41,154	42,544	34,510	48,810	52,967
Actual starts	45,978	47,733	37,449	38,631	37,175
Variance	4,824	5,189	2,939	(10,179)	(15,792)
(%)	12%	12%	9%	(21%)	(30%)
Expected completions	31,500	40,000	53,540	44,275	39,008
Actual	40,086	40,503	34,988	37,306	33,713
Variance	8,586	503	(18,552)	(6,969)	(5,295)
(%)	(27%)	(1%)	(35%)	(16%)	(14%)

	2018/19	2019/20	2020/21	2021/22	2022/23
Expected unlocked homes	32,907	120,243	242,060	94,863	30,773
Actual	35,500	115,454	170,276	58,996	12,248
Variance	2,593	(4,789)	(71,784)	(35,867)	(18,525)
(%)	8%	(4%)	(30%)	(38%)	(60%)
Expected households into home ownership	N/A	N/A	66,180	42,184	39,632
Actual	61,270	61,251	64,424	42,076	26,740
Variance	61,270	61,251	(1,750)	(108)	(12,892)
(%)			(3%)	0%	(33%)
Expected net spend (£m)	3,212	6,530	5,918	4,726	4,978
Actual	4,857	5,485	5,816	3,835	3,817
Variance	1,645	-1,045	-102	-891	-1,161
(%)	51%	-16%	-2%	-19%	-23%

Figure 20: Homes England Delivery and Spend over the Last 5 Years

Performance was above or close to target in the first 2 years of the period. In 2020/21, like many delivery bodies, the Agency's targets were revised downward as a result of the COVID-19 pandemic. It met some of the revised targets but not all. The effects of the pandemic on on-site working and problems in the design of the Housing Infrastructure Fund led to an underspend and shortfalls in housing completions and unlocking of new sites. However, the pronounced shortfall in delivery occurred in 2021/22 and 2022/23. The evidence that we have received reveals 3 key factors across these 2 years.

The Economy

Homes England's role is to encourage and facilitate activity in the housing market where buyers or lenders do not see a case to act based on agreed criteria and incentives.
Its programmes are designed to increase activity at the margin, not to provide unlimited financial support or to intervene directly by building homes. Acting at the margin in this way will leave it exposed to big economic changes and may have limited effect if there is significantly reduced demand or confidence in the house building sector and its supply chain.

This was the case in **2021/22.** As activity began to rise as the pandemic subsided, shortages of capacity led to inflation of 16.8% on material costs and 7.7% on labour, increasing costs for developers and housing associations. Across the affordable housing sector, these shortages caused delays ranging from 8–20 weeks on most projects (equivalent to about 30% of annual activity). This moved completions into the following year. There was also a significant reduction in starts. Deliberate deferral of investment in preparatory remediation and site works caused major underspend on all infrastructure funding programmes and therefore on the Agency's 'unlocking' homes KPI. DLUHC adjusted the Agency's spending target from £4,726m to £4,293m during the year in anticipation of these effects, but this was still missed by almost 11%, broadly distributed across all main programmes.

In 2022/23, economic turbulence was even greater, initially due to the war in Ukraine and the rapid rise in interest rates, which led to a doubling of borrowing costs, a sharp decline in sentiment and reduced demand. Over the year construction materials inflation peaked at 26%, the Bank of England base rate rose to 4.25%, and gilt yields also rose from under 1% to well more than 4%. This particularly impacted housing associations, who raise development finance by borrowing against the rental stream of existing properties. There were also further impacts for them due to the consultation on the rent cap which set out a range of potential figures to help affordability for tenants, all of which would have major complications for the income and financial position of housing providers.

Falls in private sales of housing association stock due to higher interest rates and decreased confidence reduced registered providers' income, which relies in part on recycling profits from sales into building new housing. There was also an increasing focus on the need to respond to building safety, decency and net zero in existing stock rather than development. In combination, these factors reduced activity very significantly in all areas. The economy also seems to have reduced demand for Help to Buy loans, the volume of which is completely demand led rather than determined by Homes England. For Homes England (and the department) these factors meant that in 2022/23, spending was almost £1.2 billion below what had been agreed at Spending Review 2021 (DLUHC returned £1.9 billion to HM Treasury in 22/23 which included budget relating to building safety and other department-led programmes).[11]

However, the private housing-building market over this time broadly held up delivery against OBR forecasts, as shown in Figure 21.

Table 4 OBR forecasts for private sector starts and completions vs actual starts and completions.

	2020/21	2021/22	2022/23
Forecast private starts (OBR forecast UK)	156,601	152,416	154,203
Actual private starts (UK calculated)	135,400	167,190	158,884
Forecast private completions (OBR forecast UK)	159,390	131,481	158,834
Actual private completions (UK calculated)	148,341	164,807	166,184

Figure 21: **Private Sector Starts and Completions**[12]

11 No funding was lost. The department agreed with HMT that the money that could be spent during the current SR period would be reprofiled into 23/24 and 24/25 budgets, and that DLUHC would re-bid for any additional funding at the next SR. In addition, £0.3bn was diverted to other priorities with HMT approval.

12 DLUHC internal analysis.

A number of factors explain why Homes England's programmes were significantly more exposed to market conditions than private sector house building. Volume house builders were sustained by forward sales, including through Help to Buy. They were also less exposed to cost inflation than SMEs and housing associations through their strong supply chains.

More recently private starts have fallen markedly, with NHBC data showing a 14% drop from January to September 2023, including a 62.5% drop across Q2 compared to the same period last year.

While the private housing market was affected later, we conclude there is strong evidence that market issues were the most important underlying factor explaining Homes England's under-delivery in 2021/22 and 2022/23.

The design and adjustment of DLUHC funding programmes

In a changing market like the one experienced in this period, a system relying on programmes to intervene at the margin of market behaviour can only operate well if the programmes are designed to respond flexibly or can be adjusted. The main funding programmes designed by DLUHC had fixed criteria and processes, based on interpretations of earlier market conditions, to ensure that taxpayers' money was being used only where needed. This should ensure value for money if market conditions are stable but makes it difficult to adjust to changing circumstances.

The processes for revisiting business cases and resetting criteria when there is a major market shift plainly do not allow a quick response. This is illustrated by experience with AHP, HIF and LUHBF over the period, which accounted for some 36% of the Agency's planned CDEL.

- The **Affordable Homes Programme**. In 2022/23 several features of AHP were reset fairly rapidly after the mini-budget by increasing grant rates and the level of grant per unit – to reduce borrowing requirements for housing associations. The decision to completely re-baseline the programme was taken at the end of October/start of November, with HM Treasury agreeing the final parameters and giving the business case conditional approval in December. This relatively fast adjustment was possible because the AHP is a large flexible fund, delivering several products, and the teams managing the programme in DLUHC and Homes England have good experience of the levers that can be used to target outcomes in different market conditions. AHP is now expected to deliver updated targets in a more challenging environment. Housing associations, local authorities and house builders generally view it very positively.
- The **Housing Infrastructure Fund**, which provides local authorities funding for infrastructure, is a different case. There was not a predecessor fund offering grant to local authorities to support infrastructure, so it was designed from scratch. Initial funding was awarded in Autumn 2016. Homes England was given limited time to influence the design of the scheme and the department had to begin spending £30 million of funding in 2017/18 before ramping up quickly to £300 million in 2018/19 and £945 million in 2019/20. HM Treasury added a condition that the money should be awarded via competitive bidding round, although Homes England had suggested that it would be more effective to use continuous market engagement to allow decisions over time on what projects should be supported. There was a shortage of local authority capability to plan schemes. Yet the fund was designed to award funding at early stage for many projects. As the projects matured costs were prone to change significantly, partly due to high inflation. The April 2022 IPA gate 0 review (the earliest of the IPA Gate Reviews that provide guidance to senior leaders on programmes and projects) recommended a full business case reset. Later that year the IPA rated the programme 'red', reflecting the significant delivery risks at

the time. The business case refresh strengthened governance of HIF, reset the timetable and funding profile, and established a process for ranking schemes to inform decisions on schemes in default. The business case refresh was completed in May 2023; a 'response to red' review adjusted the rating to 'amber'. Both the Agency and department are now much more confident on the delivery of HIF. The evidence considered as part of the review of the business case indicated that, in hindsight, HIF schemes did not have sufficient budget or schedule contingency given their maturity. The refreshed business case addresses these and has set HIF up to deliver against it.

- Similar issues can be seen in the **Levelling Up Home-Building Fund**, which was designed in 2020/21 to help support SMEs and innovative developers and house builders build more homes more quickly, and to encourage innovation. The initial allocation was £2.2 billion, first announced at the spending review in November 2020. There were iterations of the business cases, with significant scrutiny from HM Treasury throughout, and it was eventually launched in February 2022. There was then a sluggish start to deploying the fund. The increased market uncertainty in this period meant that SME developers did not want to take on debt. Homes England developed several proposals and discussed them with the Department, but in response to market feedback these were not implemented. The lack of quick agreement on action probably missed an opportunity to deploy capital effectively into the market and use the available budget, although underlying market conditions and investment appetite might have still proved a barrier to this.

The evidence is clear. The way the government and Homes England work to influence market activity is only effective if funds are designed with flexibility to respond to them. This is not often the case. We heard repeated evidence from local authorities and other market participants that fund designs and processes do not usually provide for the right interventions. Sometimes proposals are implemented quickly, poorly timed or inappropriately designed (HIF). In other cases, they may work but are inflexible and cannot adjust to market conditions.

Capability is a factor in solving this. Where the SRO for a programme is in the department programme design needs detailed input from Homes England. Capability in programme management also needs more attention in DLUHC. This is consistent with the IPA HIF Gateway Review, which said "those undertaking an 'intelligent client' role should have the confidence and capability to interpret reported performance and to ask the right questions in challenging forecasts and progress." We comment further in conclusion 27 on governance and accountability.

We also note that resource budgets (RDEL rather than CDEL) for the Agency are typically not considered in fund design. This needs to be addressed within Agency budgets or in DLUHC to allow for good quality fund design and management. More boldness and speed are also needed to get fund design and management right. Sometimes it appears that caution within Whitehall has led to funds being designed with rigid parameters that no longer suit the situation being faced in the market when a scheme is launched.

In 2021/22 and 2022/23 these issues about fund design and adjustment were the second most important factor explaining the Agency's underperformance against targets. This offers lessons for future programmes.

The Agency's own systems for Forecasting and Performance Management

Homes England is reliant on developers, housing associations, and other partners to deliver on the ground, and market factors and the design of funds were the most important reasons for recent under-delivery. However, it also appears that communication between the Agency and the department about forecast performance was lacking in 2022. The Agency says that it gave clear notice shortly after the mini-budget of the sudden impact of risks crystallising in the market, the inevitability of net reduction in spend, and programme-by-programme challenges; also that it communicated challenges related to inflation over the summer including at delivery boards. However, some people in DLUHC believe this was not communicated clearly enough, or sufficiently early to allow action to be taken.

Homes England represents a significant proportion of DLUHC's total DEL expenditure (40% in 2022/23 based on the year's budget).[13] The department therefore expects to be provided accurate forecasts on a regular and timely basis so that it can fulfil its own obligations to avoid inaccurate reporting to the Treasury and potentially Parliament. It is damaging to the credibility of both the Agency and the department if likely underspends are not reported clearly and early. It also leads to budget being 'wasted' because it cannot be reallocated in time within the year. DLUHC feel that the Agency has not shared market intelligence and good performance projections early enough in the past. Homes England believes that it has always done so, if not always formally and in writing.

The Agency's systems have themselves made definitive communication between Homes England and the department more difficult than it should be. Programme management data and forecasts have been managed on Excel. It has been difficult to aggregate portfolio data to inform a strategic view and manage expectations on delivery or respond quickly when required. This process has improved over the last year, but it is still very labour intensive and improving it will require investment. Responses to changed circumstances from the Agency can also sometimes take time. Things are felt to have improved in 2023/24. It is also recognised that the Evolve programme will improve the Agency's systems further; but Evolve's performance management element has not yet been implemented.

13 Supplementary Estimates 2022–23, 2023

The **Evolve programme**, as it has become known, is a large service transformation programme to improve and bring together Homes England's siloed systems. The existing systems and technology partly date from the merger of several organisations over the years. They include manual and paper-based processes that contain the risk of errors or a lack of an end-to-end audit trail. The planned new systems should give much better experience to internal users and external customers and partners, and also deliver efficiency savings.

The original plan was for a four-year transformation programme planned to cost £122 million (plus £23 million of longer-term maintenance and embedding costs). The work was divided into 4 main pillars:

- to develop a new digital portal for customers to access funds
- a new system for customers to access land data and bid for land
- a full-lifecycle service for customers and developers to access and manage Help to Buy loans
- a new service to provide specialist knowledge and support to local authorities

The budget has been reduced to £96 million and the timetable revised. The next phase will bring together the legacy finance and HR systems from previous organisations. The report covers the programme in more detail on page 71.

Figure 22: **The Evolve programme**

Homes England has itself said to the review that the board and executive leadership team discussions should focus more on considering leading indicators of activity, strategic choices on funds' effectiveness, and trade-offs between funds in the portfolio – but that information is not always available to do this.

In summary, Homes England's formal communication of projected underperformance was not as good as required in 2022/23, and this made it more difficult to respond to the situation and created tension in the relationship with the department. There is some evidence of improvements. We have commented on Evolve and the Agency's systems further below in respect of both efficiency and governance.

Performance to Date in 2023/24

Figure 23 shows 6-month figures to 30 September for delivery performance and projected figures for the year end. The level of starts and completions in the first half of 2023/24 reflects progress in resetting programmes and the new arrangements for over-programming. For the full year, all delivery and spend targets are projected to be within the core ranges agreed between the department and the Agency. The variance is shown against the central point of the range.

As is always the case, more delivery is budgeted for the second half of the year than the first. The number of unlocked homes reflects a particularly backloaded profile and depends on a small number of large schemes proceeding as expected. The figures for expected households helped into home ownership are greatly reduced from previous years because they reflect the closure of the Help to Buy scheme to new loans on 31st March 2023.

2023/24 6 months to 30/09/23	Starts	Completions	Unlocked homes	Households helped into home ownership	Net spend (£ million)
Expected	11,814	9,040	2,092	632	930
Actual	11,269	10,503	72	645	1040
Variance (%)	-545 -5%	1,463 16%	-2,020 -97%	13 2%	110 12%

2023/24 full year	Starts	Completions	Unlocked homes	Households helped into home ownership	Net spend (£ million)
Expected in business plan	30,302 – 36,853	26,207 – 33,410	18,725 – 34,368	527 – 716	2,181 – 3,173
Projected at year end	33,177	28,141	25,173	694	2,576
Variance from centre of range (%)	210 1%	-1,500 -5%	-615 -2%	62 10%	-94 -4%

Figure 23: **Homes England Delivery and Spend 2023-2024**

RECOMMENDATION: In the light of this experience, DLUHC should design more flexibility into future programmes to allow an effective response when market conditions change. Homes England should continue to improve its performance management and forecasting, and the way it communicates forecasts to DLUHC.

Conclusion 23: Homes England Efficiency in the Current 3-Year Period

Homes England delivered £14.2 million (6.9%) RDEL efficiencies in the 18 months to September 2023 and is on course to deliver a total of £19 million (9.2%) in the period 2022/23 to 2024/25. This exceeds the minimum expectation of 5% for Public Bodies Reviews.

This is another area that we have examined in detail because of the government's close interest in Homes England budgets.

Ahead of the spending review settlement in 2021, the Agency was asked to find 10% savings to RDEL admin budgets over the period 2022/23 to 2024/25. It therefore carried out the 'Total Cost Review' (TCR). This was a thorough piece of work with external benchmarking of spending by area across the business. It concluded that operational costs were broadly in line with other organisations performing similar functions, but that further efficiencies were possible.

The TCR pointed to £26.1 million of achievable administration savings over the 3-year SR period, with other long-term RDEL programme efficiencies estimated at £2.8 million. Half of the administration savings were cash releasing efficiencies against the 2021/22 RDEL baseline. The other half consisted of avoiding predicted cost increases due to expanded activities and the inflationary pressures that the Agency correctly expected. The full total is shown in row C of figure 24. However, we have not counted the projected avoided costs as efficiencies, because there was no provision for them in the funding baseline (which is one of the government's criteria for cash-releasing efficiencies).

	SR 2021/2 baseline	Saving target	
	£ million	£ million	% baseline
Admin RDEL			
A. Cash-releasing efficiencies on baseline	138.8	**13.1**	**9.4%**
B. Savings to avoid projected costs (not counted)	138.8	13.0	9.4%
C. HE view on total admin efficiencies and savings	138.8	26.1	18.8%
Programme RDEL			
D. HE view on total programme RDEL cash-releasing efficiencies	68.2	**2.8**	**4.1%**

Figure 24: **Homes England's RDEL Savings Targets 2022/23-2024/25**

Our view of achieved and projected efficiencies, excluding other savings, is shown in row C of figure 25. This reflects Homes England's forecast that it will now exceed the planned £2.8 million programme RDEL efficiencies by a further £2.8 million as a result of increased savings from their 'commercial excellence' initiative.

		Achieved (Sept 23)		Expected (by March 25)	
	2021/2 SR baseline	(£ million)	(%)	(£ million)	(%)
A. Admin	138.8	13.1	9.4%	13.5	9.7%
B. Programme RDEL	68.2	1.1	1.7%	5.6	8.1%
C. **Total RDEL**	**207.0**	**14.2**	**6.9%**	**19.0**	**9.2%**

Figure 25: **Progress on Cash Releasing Efficiencies Relative to SR 2021 Baseline**

Of the £14.2 million efficiency savings already achieved, £11 million are RDEL admin efficiencies in central administrative functions. The rest are in programme RDEL, achieved by reducing the level of resource running Help to Buy, some improved systems and management arrangements, and improved commercial and procurement processes.

Separately from the drive to achieve efficiencies, in 2022 DLUHC further reduced the RDEL administration budget that Homes England had planned by the significant sum of £38 million over the 3-year period (the £38 million is shown in figure 26 – the total of row A less row B over the 3 years). This was to meet aggregate pressure on the department's own budget, as the department could see that some of the Agency's RDEL was likely to be underspent and that there were planned further savings in Help to Buy. The Agency says that some of the efficiency work planned in the TCR has been delayed because of headcount reductions in the Evolve programme (due to staff wastage to achieve these savings); and that it will now be more difficult to deliver efficiencies in future years. This needs to be considered when assessing the potential for medium-term efficiency targets.

Again, we have not counted the DLUHC reductions to the Agency's budget as achieved efficiencies, because they consist of delayed spending that is likely to lead to additional pressure on future budgets rather than permanent efficiency.

	2021/2	2022/3	2023/4	2024/5
A. **HE SR admin proposal based on TCR** (£ million)	138.8	138.4	138.8	125.7
B. **Budgets allocated to HE (main estimates)**[14] (£ million)	138.8	124.8	119.9	119.9
C. **HE spend**[15] (£ million)	115.4	113.8	122.1	N/A

Figure 26: **Homes England's Spending Review Admin Proposal, Actual Allocation and Spend (£ million)**

14 Figure assumed for modelling purposes. Actual 24/25 budget not yet agreed.

15 Forecasted spend as of 9th December. Includes £2.1m additional one-off payment to Homes England from the Department.

In the course of the review, we have probed the steps that the Agency is taking to stay within RDEL budgets. Our view is that the necessary reductions imposed by DLUHC in 2022 can and should be met, and that the Agency is working determinedly and well to manage to a flat cash settlement in 2024/25.

RECOMMENDATION: There is no further work to be done on efficiency targets in the current SR period. The focus should be what can be achieved in the following SR period.

Conclusion 24: The 'Evolve' Transformation

The digital products delivered from the Evolve transformation are of good quality; but there is not yet enough clarity about the programme and the timings of its benefits.

The Evolve digital transformation programme was agreed with DLUHC in 2019 with a substantial budget of £122 million over the 4 years to 2023/24. The business case was underpinned by a need to move from insecure legacy technology to meet industry good practice, but in our view it lacked a robust set of baselines and financial savings commitments when it was agreed in 2019 by the previous leadership.

The initial stages of the digital programme were delayed. The outline of the programme therefore changed considerably and there was a major reset in 2021 with a programme budget reduction to £96 million. £68 million had been spent by the middle of 2023/24. The shift to hybrid working, rapid technology advances and the increased threat of cyber-attack have meant that similar programmes across government have also had to reset their outputs.

The recent changes in scope show good evidence of sensible replanning under the current Digital Director and CEO. Evolve's focus on moving to modular cloud-based products is consistent with the cross-government approach to modernising and securing core technology. There is obvious quality in the programme's work and in the team, and good evidence that HE is capable of delivering high quality digital platforms and services. The use of Microsoft Azure as the data platform and cloud storage facility is sensible. So is the use of Microsoft Dynamics for customer relationship management (CRM), project management and risk systems. Once implemented, these products should make it much easier and cheaper to alter processes and services and to develop new ones. Progress in the past 2 years therefore indicates that the Agency should complete the Evolve programme, and in our view DLUHC should bid for it to be sufficiently funded.

However, proper baselining of the final elements of Evolve is required to decide the scale and timing of future efficiencies. The changes in the precise scope and deliverables are not yet well documented and there remain weaknesses in programme governance. There has not been sufficient attention to benefit definition and realisation, which has been challenged by the Homes England board and its Risk and Change Committees in the last year. The quality of the products may be good, but if they do not deliver financial savings their value will be questionable. Evolve still also suffers from optimism bias: the delayed core HR and finance products are in our view very unlikely to be delivered by March 2025, as projected, unless there is additional funding or significant further changes in scope. There also remain a number of legacy systems that require removal or replacement that are currently unfunded and create further risk to the successful implementation of the programme.

Despite this, Evolve products have significant potential for further productivity benefits across the organisation if properly embedded through the Operational Blueprint. The TCR suggested £12 million in further efficiencies should be achieved over 3 years; and recent Homes England estimates suggest £11 million gross efficiencies a year are possible over the next 10 years. But the products are still in the very early stages of being released and the business needs time to amend working practices to make use of them.

This work needs to be properly resourced to ensure that systems will align with the Organisational Blueprint and support both the Agency's new regeneration objectives and the realisation of efficiency benefits. The HE executive team have agreed how to maintain progress across all work areas in the short term within existing budgets, but this implies some delivery risk in Evolve and reliance on staff goodwill. This risk has been formally communicated to the department. To ensure that the recent progress is maintained, and the critical core functional elements are delivered quickly and effectively there needs to be improved oversight. Homes England is now putting this in place. The HE Portfolio Oversight board will now meet monthly and should receive regular updates on the delivery phases of the core elements. DLUHC should ensure that the digital functional lead is represented on this board at a senior level if it wants to have detailed insight.

RECOMMENDATION: Homes England must commit to the efficiencies and other benefits that it will deliver from the Evolve programme.

Conclusion 25: Future Efficiencies

It would be normal to expect an organisation investing heavily in system and process changes to achieve significant further RDEL efficiencies in the following 3 years (2025/26 to 2027/28). However, this may be unrealistic in this case because of the major reductions made to budgets in 2023/24, the systems work that remains to be done, and the significant new expectations being placed on the Agency by the government.

It is reasonable to expect Evolve to deliver further efficiencies. This is the basis of its business case and should be achievable in the years 2025/26–2027/28. However, there is currently not enough clarity about the financial and other benefits that Evolve will deliver to set a level for savings in the next 3-year period. A target should be set once the timetable and financial benefits of Evolve have both been confirmed by management and properly assessed. It is unlikely that new efficiencies will be in the early years of the period, and it may be that the next spending review concludes that any further savings target should be less than the gross figure of £11 million a year referred to above.

The timetable and process for setting RDEL budgets need to be improved to get this this right. At present the government sets Homes England budgets for programme RDEL and administration costs separately from decisions on programme objectives and CDEL. Given the demand for its services, the objectives set by the government, and the expected further requests to provide more expertise and resource to support devolution and regeneration in Priority Places, it would be unwise to set further efficiency targets without also considering the level of additional programme RDEL that may be necessary to deliver CDEL, including for regeneration, and the system improvements that are essential to realising further productivity in the medium term. The new net RDEL baseline should therefore be coordinated with other decisions and take account of all these factors.

RECOMMENDATION: In setting RDEL and admin efficiency targets for Homes England, DLUHC should take account of the increases in its responsibilities and CDEL for regeneration and placemaking; other priorities being set by the government; the further investment needed in systems; and the reductions in cost that will be achieved under the 'Evolve' programme.

Conclusion 26: Recruitment and Retention

Effectiveness, efficiency and good governance depend on the Agency being able to attract and retain the right skills. There have been problems doing this for some executive leadership roles.

The Agency has an employee value proposition that could be attractive to people with local authority expertise, financial services experience, or from housing or development backgrounds. It operates in a vital field at the intersection between public and private sector and offers the opportunity to work in an organisation with a clear mission and purpose.

Homes England staff are not part of the Civil Service, but like other NDPBs the Agency is required to get ministerial agreement to the terms for senior leadership roles. There has recently been difficulty attracting and retaining suitable candidates for some permanent senior posts with important functional and market skills, apparently because remuneration has not been sufficient. In particular, over the past 5 years there have been three interim and one permanent appointment as chief risk officer. Lack of continuity has been of concern to the board and the chair of the Audit and Enterprise Risk Committee.

To ensure that packages reflect market comparators, Homes England agreed with DLUHC that it should carry out updated benchmarking of executive leadership roles. This was done recently, drawing on external advice and independently collected market data. The work noted that Homes England needs to recruit and retain executives with a range of skills and expertise that are not usually found in the public sector; and that the scale and scope of the organisation has grown considerably since the grading of leadership roles was last assessed. It has therefore updated recommendations on market benchmarks and comparators for the roles reporting to the CEO. This gives a good basis for future recruitment.

RECOMMENDATION: The terms recommended to ministers for senior leadership appointments should be based on the recent role benchmarking, which should be kept under review.

3. Accountability and Governance

There have been a number of internal reviews in recent years focussed on accountability and governance. There was a joint DLUHC/Homes England review into the sponsor relationship in 2018, and 2 further reviews in 2021 to look at how the Agency and department work together. DLUHC commissioned an independent 'Sponsorship Review' in 2021, and DLUHC NEDs were then asked to consider the findings and whether the recommendations would put governance and sponsorship of Homes England on a strong footing.

The 2021 reviews all agreed on the need for a clearer long-term strategy for the Agency, which has now been completed, and prioritisation of its objectives. They also recommended clearer lines of accountability and ways of working. The NED Review recommended a narrower and more focussed Agency and clarity on how 'arms' length' the relationship between DLUHC and the Agency should be. This review agrees with all these findings.

The 2021 reviews led to significant joint work on implementation of the recommendations. We have therefore focussed our accountability and governance work partly on whether implementation of previous recommendations has been completed.

Conclusion 27: Accountability Framework

The accountability framework for Homes England is well defined. It involves dual reporting, to the Homes England board and within DLUHC. Its effective operation depends on a shared understanding of how the two lines of accountability relate to each other and effective arrangements for operating across them.

Ultimate accountability to Parliament for all matters regarding Homes England rests with the Secretary of State for Levelling Up, Housing and Communities. The DLUHC Permanent Secretary is the Principal Accounting Officer (PAO) responsible for the overall operation and oversight of the Agency. She designates the Chief Executive as Homes England's Accounting Officer under a delegation. Homes England is accountable to the department and ministers in line with the terms of that delegation.

DLUHC is also responsible for the sponsorship of Homes England. The role of the sponsor is to ensure that the right policy outcomes are being achieved and to provide assurance to senior sponsors and ministers about programme and portfolio delivery. These responsibilities are set out in the Homes England Framework Document. The Agency is responsible for delivery but is required to keep DLUHC properly consulted and informed so that the department can act if it judges it necessary given its own accountability. The formal arrangements are shown in figure 27.

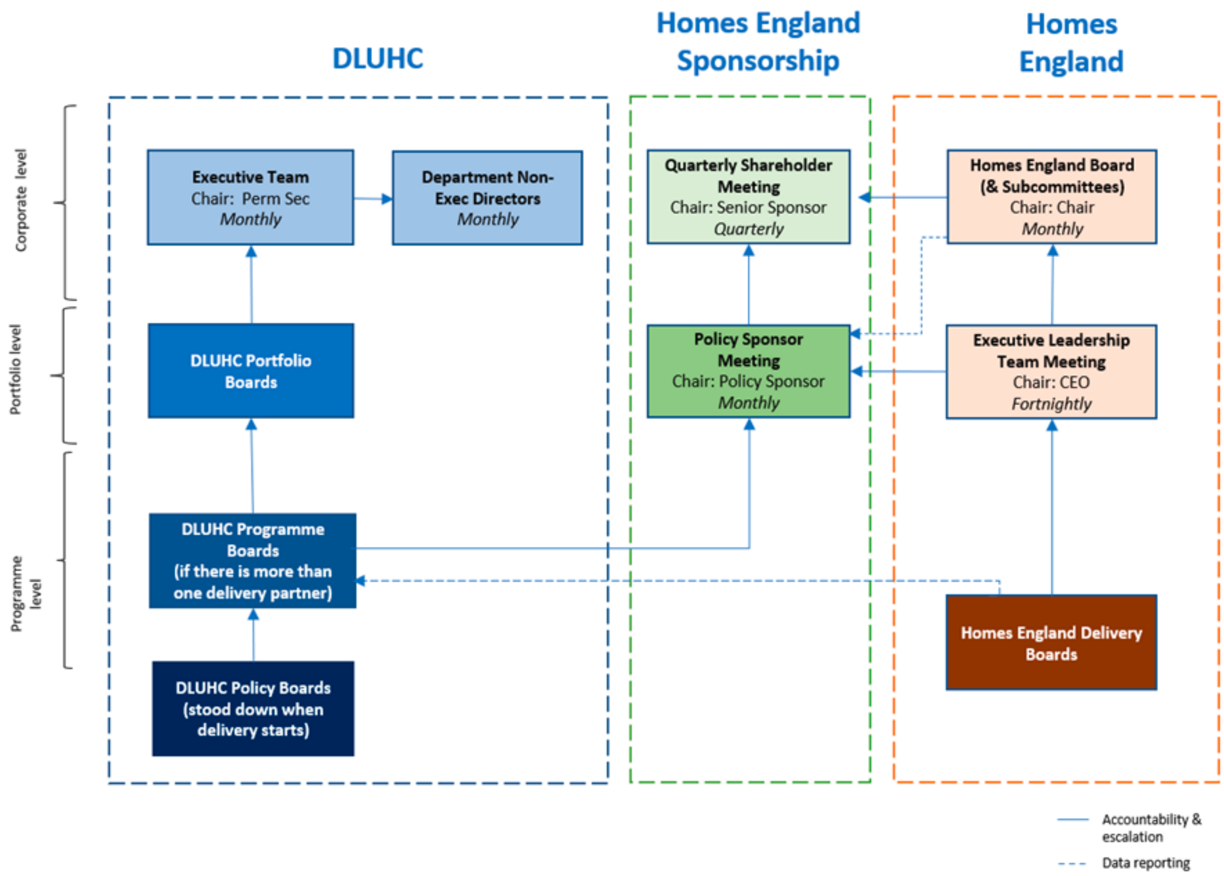


Figure 27: **Summary of Governance and Oversight Arrangements in DLUHC and HE**

Under these arrangements, ultimate responsibility for programme governance sits with DLUHC. Each programme that Homes England delivers reports into a ‘delivery board’ chaired by Homes England, which DLUHC attends. The delivery boards are then accountable both to the Homes England Executive (and in turn to the Agency’s board); and to a monthly ‘policy sponsor’ meeting chaired by DLUHC, which oversees delivery at a portfolio level, and a quarterly sponsor meeting chaired by the senior sponsor. Delivery boards also, via the DLUHC policy leads, feed into a DLUHC portfolio board via the DLUHC policy leads, and this reports to the DLUHC executive team.

It is inherent in this structure that there are dual lines of accountability: firstly through Homes England to its CEO and board, which is responsible to the Secretary of State for all the Agency’s activity and performance; and secondly from the Homes England CEO and Accounting Officer to the DLUHC executive team and Principal Accounting Officer. This is a feature common to many ALBs. Its effective operation relies on a clear understanding of respective roles, a good relationship between the department and its ALB, and effective management of information flows.

The relationship between DLUHC and Homes England was considered in depth by the Sponsorship Review in 2021, which recommended the principles for a ‘Policy Delivery Partnership’ between DLUHC and Homes England. It proposed that ownership and accountability within the partnership should sit with the organisation that has the greatest levers to manage things. Policy and programme design and development should therefore be owned by the department (albeit Homes England delivery expertise should be at the very heart of it); and delivery should be owned by Homes England, but with policy expertise and the perspective of the department at its very heart. These principles are reflected in the 2023 Framework Document, and in process-mapping and joint-working arrangements.

Interviews with DLUHC and Homes England about the delivery boards show a range of experiences and views of the PDP principles. Those working on the Affordable Housing Programme and the Cladding Safety Scheme say the PDP provides clarity over roles and responsibilities and facilitates effective joint working. However, people in some other programmes talk of ambiguity over how much autonomy Homes England should have to deliver programmes and be accountable for them.

Information flows within the current structure could be improved.

- Firstly, timely, high-quality data is needed as the basis for discussions. As current systems are being changed in the Evolve programme, this is not always available, and Homes England's delivery boards' abilities to assess issues and make informed judgements can therefore be limited. Delivery boards are sometimes too focussed on tracking in-year outputs such as starts and completions as opposed to wider objectives and leading indicators, including pipeline and implications for multi-year performance, which would give a fuller basis for considering what needs to be done.
- Secondly, DLUHC attendance at delivery boards could be strengthened. The role of the department is partly to test and challenge Homes England. But DLUHC central teams do not always attend and officials who do attend are typically policy generalists. At times, boards could benefit from more DLUHC knowledge and expertise in delivery to provide effective challenge.
- Thirdly, DLUHC could be more effective in escalating issues to its portfolio board, which is currently done in a piecemeal manner. A more strategic approach would be to raise matters periodically with an assessment of the key risks and actions required.

RECOMMENDATION: To improve the effectiveness of accountability, Homes England should provide timely data on leading indicators to its delivery boards, and meetings should consider pipeline and multi-year performance. DLUHC should get the right attendance at the delivery board meetings and escalate matters to its portfolio board when necessary.

Conclusion 28: Dual Governance.

The dual lines of accountability mean that there are also two channels of governance for Homes England. The first is through the Homes England board. The second is through DLUHC. To ensure that these complement each other effectively, more needs to be done to embed the recommendations of previous governance reviews. The department's role should be to help Homes England to understand ministers' expectations while leaving it to the Homes England board to hold the executive to account. The DLUHC sponsor team can then advise ministers on the overall picture of Homes England's organisational performance, as envisaged under the Framework Document.

The Agency's board has a fiduciary role under the 2008 Act to govern its responsibilities for delivery against its strategic plan targets and a range of other matters, including managing public money,[16] by holding the Homes England executive to account on behalf of ministers and the department. Government guidance on the role of ALB boards[17] says that the board needs to "be effective, respected by ministers and have a culture that helps deliver better outcomes for the public" and be "consistent with good corporate governance".

The second channel, through DLUHC, should operate in a way that is consistent with this. Under guidance from UK Government Investments (UKGI),[18] it should be exercised through an arm's length relationship. Its nature should be defined clearly in an agreement and create sound working arrangements for the interface with the ALB. This is effectively done under the Framework Document, under which the DLUHC senior sponsor, the Director General Housing, is responsible among other things for:

- bringing together insight to review the whole picture of Homes England's overall organisational performance
- keeping track of the Agency's compliance with managing public money
- overseeing Homes England's risk management on behalf of the department
- providing assurance to the PAO with regard to the overall organisational performance of Homes England
- providing regular feedback on the department's overview of Homes England's organisational performance to the chair and chief executive
- acting as the joint champion of the Policy Delivery Partnership and supporting the department to be a more intelligent client

We comment next on the second channel, through DLUHC, which was the subject of the reviews in 2021. We then return to the internal governance arrangements of Homes England.

16 Managing Public Money, Guidance, 2023.

17 The role of the arm's length body board, 2022.

18 UK Government Investments, Guidance, 2017.

The Homes England board does not view the governance arrangements through DLUHC as sufficiently arm's length. The whole board understands that housing, regeneration and placemaking are important policy matters with major political relevance, and that ministerial interest in both funding programmes and the Agency's arrangements for delivery is appropriate. However, many of its members do not believe that the relationship with DLUHC empowers it to be fully accountable for governing the Agency's performance against its objectives and strategic plan. They perceive that the frequency and degree of intervention in what they regard as matters of governance or management causes duplication and calls the role of the board into question.

A number of local authorities and private sector companies also said to us that Homes England might operate better if it was not always "looking over its shoulder" at expectations from the government.

In DLUHC, some senior civil servants say that the department's ultimate accountability for performance means that it needs to be closely involved in matters of delivery in order to hold the Agency to account. Others feel that a more arm's length relationship on delivery would be the best way both to use the expertise of the Agency and its board and maintain clear accountability.

The opinion of this review team is that the perceptions of the Agency board do not reflect DLUHC's intention. Many in DLUHC would welcome strong governance of delivery by the Agency's board. The key thing is that the arrangements for the Policy Delivery Partnership, and particularly the department's involvement on the Home England delivery boards, should be consistent with such governance. The department's role should be to be well informed about performance and to help Homes England to understand ministers' expectations, while leaving it to the Homes England board to hold the executive to account. The DLUHC sponsor team can then advise ministers on the whole picture of Homes England's overall organisational performance, as envisaged under the Framework Document.

However, at present this is not quite happening. Many statements from the 2021 reviews still resonate. In particular:

- "There is insufficient clarity of who is responsible for what, and to whom, within the DLUHC[19]/HE relationship. In common with some other ALBs, there are dual accountability lines, and sponsor departments need to strike a balance between the need for control and the need for operational freedom. This is a challenge faced right across the public sector and is not inherently problematic as long as what this means in practice is clear to all involved and there is a crucial role for DLUHC in ensuring an appropriate balance of power."
- "Governance arrangements are not well understood on both sides. This has led to the HE board often acting in too much of an advisory rather than strategic capacity…. On DLUHC's side, the department does not always recognise the role of the Homes England board and its central role holding the executive to account, inadvertently undermining Homes England and creating inefficiencies."
- "The Homes England board needs to strengthen the extent to which it acts collectively to oversee Homes England on the Secretary of State's behalf and hold the chief executive to account. In our view, their role should go beyond corporate oversight, to ensuring the success of its programme objectives and delivery."

In our view this can be solved by implementing jointly across DLUHC and Homes England some of the recommendations from 2021 that are still works in progress. The most important are shown in figure 28.

19 In this section some of the statements were made when the Department was MHCLG. We have referred to it as DLUHC throughout

Recommendations from 2021 reviews	Status
The department should reset its sponsorship model and ensure that it is better resourced. This involves implementing the Sponsorship Review's recommendations to ensure the department can speak with 'one voice' with clear, well understood horizontal lines of accountability across the HE and DLUHC.	Partly done as envisaged in 2021. More is recommended in this review
The department needs to instil the discipline to make sure that key decisions are routed through the HE board and supported. This includes strengthening the vertical lines …… between the HE board, the DLUHC executive team and ministers to empower the HE board and increase their accountability for delivering objectives directly.	Still work in progress
HE and DLUHC should form a properly resourced joint team to develop and lead implementation of a concrete programme of work to tackle these recommendations, overseen at board level on both sides.	Very significant work done in 2021–22 but was not fully embedded

Figure 28

We also note that no formal chair's letter has been issued to confirm and update expectations from ministers, as happens around the beginning of each financial year for most non-departmental public bodies. There has been a lot of discussion and consultation between DLUHC and the Agency; but such a letter would provide clarity and discipline that would help to provide definitive focus to the chair, the board and the department.

Given the consistent feedback the review team heard on the frustrations of stakeholders, the Agency itself and sponsors on the delays of clearance processes, DLUHC should also consider whether the annual business planning process could include performance indicators on time to approval, and time to release of funds – and the mechanism and clearance timeframes necessary in the department and HMT to support these.

RECOMMENDATION: The DLUHC senior sponsor and the chair of Homes England should complete implementation of the above recommendations by mid 2024, focusing on how to embed a shared understanding of governance in both organisations. The relationship for delivery should be more arm's length than it now is, relying more on the Homes England board to hold the executive account and be answerable to ministers.

Conclusion 29: DLUHC Sponsorship

DLUHC has a sponsor and shareholder team of excellent quality which shows a high level of dedication and good judgement, but its current resourcing and empowerment within the department limits its effectiveness.

A decision was taken in 2022 to combine the sponsor and shareholder function in one director role, reporting to the senior sponsor. The combined role is held by job-share directors who also represent the Secretary of State as a shareholder on the Agency board. This was designed to integrate responsibility in one place. In our view this was the correct thing to do. Policy sponsors being in on board meetings gives a good basis for alignment and allows DLUHC to better understand and challenge performance.

However, the sponsor/shareholder directors have a significant remit which goes beyond this role, including policy areas such as housing strategy, housing supply and home ownership alongside several delivery programmes.

The Building Safety Programme, and policy on Levelling Up, including Priority Places, are both responsibilities of other Director General, who are not specifically orientated towards Homes England but want the Agency to deliver for them. It is positive that the Director General for Building Safety and Levelling Up both have direct relationships with Homes England and can be intelligent clients for their areas of activity. However, it would be desirable for the directors responsible for sponsoring the Agency to be better informed and involved on issues that are central to Homes England's work, including policy on regeneration and place, which is now a key emphasis of the Agency's strategic plan. At present, Homes England rarely receives overall guidance from the government with one voice. The creation of a place board to improve coordination as we have recommended should be part of the solution to this.

RECOMMENDATION: DLUHC should decide how its sponsor team can be better empowered and resourced to speak for DLUHC with one voice and take an integrated view on the Agency's priorities, funding, resourcing and performance.

Conclusion 30: The Homes England board

The Homes England board has a good blend of skills to govern the organisation across housing, regeneration, financial tools, risk management and people. However, succession planning needs to increase diversity and maintain a good skills blend.

The board currently consists of 10 non-executive directors, including the chair and the shareholder representative appointed by the Secretary of State, plus the chief executive officer. In listening to stakeholders, we heard a very high level of regard for the board as a whole and for the chair and CEO. Alongside this there were some comments both that the board is ‘too skewed towards finance’, and that its composition is ‘too public sector’ to deal with complex financial and market issues raised by some programmes and investments. In our view the mix is a good one.

However, given the scope of the Agency and the complexity and scale of its work, there are issues of board capacity. Some of the non-executives believe that the number of committees, their frequency and the fact that committee meetings are sometimes called at short notice, make it difficult for people to serve all the committees properly. The enlargement of the committee structure in 2022 following the Gatenby Sanderson Report has helped to provide focussed agendas and membership, but there has still been a strain on board resources. A minority of the non-executives have said this risks diluting accountability because directors realise they simply cannot attend every meeting. There have been some issues with quoracy – although these have been managed well by the Agency’s assistant director of governance and company secretary.

This has been exacerbated in 2023 by natural churn in board membership. Three NED roles are currently vacant while successors are recruited; and another 3 are due to leave the board by 31 March 2024. Recruitment is in train for successors. Good work was done with Gatenby Sanderson to establish the skills and capabilities needed on the board, which is being applied in this recruitment process. The expertise in finance and risk could be at risk if strong directors are not secured in these areas. The chair of the audit and enterprise risk committee has formally drawn attention to this.

Diversity also needs more attention. Gender representation (4 women on a board of 11) is not optimal. Ethnic diversity is poor (one person), and there could be greater geographic diversity in a national organisation with major responsibilities for regional regeneration and support to devolution. Currently only 4 of the board members have their main residence outside the South of England and two of these complete their term shortly. This is important culturally.

Given the size of the Agency and its board and the issues noted, succession planning on at least a 2–3 year horizon should be expected. The skills matrix that has been developed provides a good basis for this and has been used to guide current NED recruitments. However, here has not been a board or nominations committee paper on board succession planning in the past 2 years and there is no written succession plan within the Agency or DLUHC.

RECOMMENDATION: The chair of Homes England should prepare a succession plan for the board for discussion with DLUHC.

Conclusion 31: Performance Management

Board discussions on performance should be about delivery performance against its overall objectives, including beyond the current year.

Most of the non-executive directors said to this review that it is difficult for the board to take an overall view on performance or to 'get under the skin of the organisation' and that there is too much emphasis on individual programmes and metrics for the current year. Various reasons are given for this. Management information presented to the board is of a reasonable standard; but its coverage of 18 KPIs for the strategic plan (albeit some of these are as yet in operation) does not yet give a clear focus on enterprise performance. Several board members say that there is not sufficient guidance from the executive about the key issues or forecast outcomes; and that discussions on performance have less board attention than updates about government policy or specific programmes, projects and places.

The material on KPIs is of reasonable quality; but once all are in use the volume of information will be difficult to debate in the time usually provided. The board should agree a balanced scorecard and get agreement to it from the department. There should also be more clarity and continuity about who is responsible for briefing the board on performance, summarising the performance data and leading indicators such as pipeline to draw out meaningful insights and give a basis for discussion on performance beyond the current year.

RECOMMENDATION: The chair of Homes England should work with board members and the CEO to determine how the board's information and focus on overall performance will be improved through a Balanced Scorecard. To support this, Homes England board should also increase its focus on the Evolve programme and the related transformation under the Operational Blueprint.

Conclusion 32: Board Effectiveness

There has not been an internal or external board effectiveness review in the last 3 years.

The Agency has carried out a lot of good work on board structure and skills since the new chair arrived in 2021. There has also been good recent work on governance policy and other matters. However, neither this nor the Gatenby Sanderson work represents a full board effectiveness review as would be expected under good corporate governance.

We have seen that, while relationships between board directors are generally good, there is sometimes tension over the governance relationship between DLUHC and Homes England. The board effectiveness review should be an opportunity to ensure this has been resolved.

RECOMMENDATION: There should be an external board effectiveness review completed by 31 March 2025.

4. Risk Management and Compliance

Conclusion 33: Risk Management

Homes England's risk management approach and systems are broadly adequate for a public body of its size and complexity but need some improvement. For the Help to Buy scheme, better data and monitoring systems are required for the Agency to properly manage the financial risks and improve customer service and experience.

Homes England's risk management framework and approach contain all the basic elements required for a well-functioning arm's length body. It has set out its risk strategy and appetite, established a risk taxonomy and operates the industry standard 3 lines of defence model. It is also developing its data infrastructure to provide better risk management information. However, the risk appetite set at the board is not defined against clear metrics and thresholds to enable successful measurement and cascading through the organisation. And in some areas, such as in anti-economic crime and compliance, first and second line activities are not yet sufficiently separated.

The financial risk toolkit used for the main recoverable loan schemes is generally well established. However, lack of metrics and thresholds to clearly define and cascade the risk appetite seems to lead to a reduction in risk-taking. We have commented on this as a factor limiting additionality. An example is early filtering of applications for loans, where there is currently not a system to record why potential transactions do not make it to the formal proposal drafting stage. Putting measurable risk parameters and systems in place would help to ensure that processes actually deliver the intent for specific programmes and allow the board to see whether levels of risk being taken are in line with risk appetite. This would bring Homes England's approach to recoverable loans risk management to a good market standard.

Homes England has plans in place to address many of these matters. It is consolidating the second line activities across the organisation and taking steps towards better systemising and using risk data and models. But current plans may not fully address gaps in risk appetite refinement, risk quantification and risk modelling.

There is also some misalignment between DLUHC and Homes England in risk appetite, common risk language and clarity of routes for sharing risk information. Resolving this would make it easier for the department and Homes England to understand each other and respond jointly to changing market conditions, especially when counter-cyclical actions may be merited.

There are specific issues on the Help to Buy scheme. The scheme was set up by DLUHC in 2013 at speed as a policy intervention to meet a specific need: to stimulate new house building and first-time ownership. It did not include the core elements of a standard consumer credit product, for example, customer information on credit risk and verification of eligibility.

There have also been challenges with maintaining up-to-date customer level information in the data that does exist, due to the loan terms and specification of the IT platform. These factors have been relevant in limiting the quality of customer responsiveness in some situations, which we refer to in commenting on customer satisfaction.

Homes England has plans in place to close most critical gaps, such as delivering a richer, more robust dataset, an overall arrears and collections management strategy, and an improved approach to management of the loan book and customer service and experience. Along with these improvements, Homes England will also be required to develop further modelling capabilities to support Help to Buy portfolio monitoring.

Application of such arrangements will be sensitive and will need policy consideration by the government, particularly at this stage in the economic cycle. Issues will include the long-term product strategy and what further valuation modelling is required to consider the future of portfolio (e.g. market valuation under various potential sale scenarios). It will also take time, investment and resources to deliver, and is dependent on data and systems capacity across the organisation. And a new governance and assurance approach will also need to be defined if, as planned, the senior responsible owner for the scheme is to transfer from DLUHC to Homes England.

Once the above changes have been fully implemented, the scheme management will be in line with government standards. Further improvements in digitalisation and automation are required to bring the Help to Buy scheme up to appropriate financial services market standards (though currently the Agency are not regulated to these standards, and any implementation would require funding). Until they are addressed there will be implications for customer service and experience and the terms on which it will be possible to transfer responsibility for managing the loan book to the private sector or another public entity.

RECOMMENDATION 33: Homes England should define clear metrics and thresholds to enable successful measurement of its risk appetite and cascade it through organisation; align with DLUHC on common risk language and routes for sharing risk information; and work with DLUHC to resolve the policy, systems, modelling and customer issues for Help to Buy loans.

Conclusion 34: Compliance

The Agency adheres to expectations for managing public money, and probity. It also meets or exceeds minimum mandatory compliance with most government functional standards – including those on human resources, audit, analysis, property, grants and counter-fraud. The Agency has plans in place to be compliant on all standards – apart from digital – by March 2024.

At an organisational level the Agency has good controls, governance and management underpinning its compliance with the managing public money principles and meets standards for propriety and ethics.

Homes England has a dedicated compliance function that supports the board's oversight of government functional standards – there to create a coherent, effective and a mutually understood way of doing business for departments and ALBs. This is in addition to internal and external audit.

From the evidence gathered the Agency is compliant with the standards in all but a few areas. However:

- improvement is needed in digital and in the related project delivery functions. The review's recommendations on the Agency's Evolve digital programme must be addressed to ensure that the ongoing issues with HE systems do not undermine compliance in other functions. This is particularly important for the HR and finance functions – where the Evolve core systems are increasingly necessary
- Given the complex financial transactions Homes England manages, the Cabinet Office also recommends that the Agency aims for a higher level of maturity in counter-fraud
- For Help to Buy – we draw conclusions above on work that would bring this function above the minimum standard

Homes England has begun work on all these matters. There could be better cross-functional engagement between the Agency and department so that DLUHC can provide help where appropriate, and the sponsor should seek further assurance on the maturity of the counter-fraud measures to ensure action is taken over the next 6 months.

RECOMMENDATION: Homes England should fulfil its commitment to be compliant with all standards apart from digital by March 2024, and commit to a timescale for digital as soon as possible

Annexes

Annex A – Background and Context

The Housing Market

Housing has been a policy priority for over a century. Targets and tenure mix priorities have changed, but the focus on housing supply has been consistent. More than 2.7 million homes were built in the 1930s.[20] In the middle of the 20th century, following the destruction of parts of the UK's housing stock, public sector house building boomed, reaching 442,000 net additions per year at its peak.[21]

However, house building in the UK has been in steady decline since 1970.[22] In recent decades, homes have therefore been in short supply and expensive. The supply side has also changed. Instead of public sector building, private house builders now play the main role and their response to demand and prices largely determines what houses are built. Shortages of supply have had a big effect on affordability. In 2022, houses cost more than 8 times the average income, compared to 3.5 times in 1997.[23] Regional differences are significant. In 2022 in London, a house cost 12 times an average Londoner's wage.[24] In the Midlands, it was around 7.5 times average earnings; and in the North-West and Yorkshire just over 6 times.[25]

There has also been a marked reduction in the number of households in social housing and a rapid increase in the number of households renting privately.[26] In 2021–22, the private rented sector accounted for 19% of all households, up from 12% in 1980.[27] The social rented sector accounted for 17%, down from 31%.[28]

As the government said in its 2017 Housing White Paper, not enough houses have been built. The white paper identified a range of 225,000 to 275,000 homes a year to keep up with population growth. This range has largely been achieved since 2017[29] and is close to the government's 300,000 ambition.

However, market indicators suggest that a decline in house building numbers is now to be expected. According to NHBC, new home registrations have been falling since Q3 2022.[30] In Q3 2023, new homes registered in the private sector were down by 57% on the same period in the previous year, and new homes registered in the rental and affordable sector were down by 43%.[31] Development activity has been reduced by inflation in material and labour costs; the effect of higher interest rates on demand for private housing; the ability of house builders and housing associations to take on new finance; and in the social housing sector other important priorities, such as maintaining rents at an affordable level and improving existing stock. This is alongside delays in the planning system and skills and labour shortages.

20 What 175 years of data tell us about house price affordability in the UK, Schroders, 2023.
21 Housing supply: net additional dwellings, England: 2021 to 2022, 2022.
22 House building in the UK, Debate on 11 January 2018, House of Lords Library Briefing, 2018.
23 Housing affordability in England and Wales: 2022, 2023.
24 What 175 years of data tell us about house price affordability in the UK, Schroders, 2023.
25 Housing affordability in England and Wales: 2022, 2023.
26 DLUHC – Dwelling stock: by tenure, Great Britain (historical series) 1970-2017.
27 English Housing Survey 2021 to 2022: headline report, 2022.
28 English Housing Survey 2021 to 2022: social rented sector, 2023.
29 Housing supply: net additional dwellings, 2023.
30 House building drops to lowest levels since Covid, NHBC, 2023.
31 House building drops to lowest levels since Covid, NHBC, 2023.

Since the early 2000s, homeownership in aggregate has fallen, from 70% of all households to around 65%.[32] Mortgaged home ownership has fallen even more, from 45% to 30%, while outright home ownership has increased from 25% to 35%.[33]

Social housing provision

There are 4 million social homes for rent in England.[34] Most of these are provided by housing associations and councils. Private registered providers (largely housing associations) own 2.5 million homes, and local authorities own 1.6 million.[35] The balance has changed over the last 30 years; with a large transfer of stock from councils to housing associations.

Social housing includes both social rent (the traditional form of tenure where rents are set by a formula at around 40%–60% of market rents) and affordable rent, which can be up to 80% of market rents. There are also approximately 250,000 low-cost home ownership homes, mainly in 'shared ownership' (where purchasers are able buy a share of property and pay rent on the rest).[36]

The last time the country was building 300,000 homes a year was in the late 1960s, when social housing, largely built by local authorities, made up almost half of the total supply.[37] Social landlords currently deliver around 45,000 new social homes a year. In 2022/23 the number of affordable homes delivered represented 27% of the total number of new additions to the housing stock (i.e. excluding demolitions).[38] While most of these new homes are now delivered by housing associations, the contribution from local authorities has grown in the last 10 years. The smaller role played by building of social housing means supply and activity are more subject to market forces than in the past.

Building new social housing relies on subsidies because rents are less than the market rent for an equivalent home. This leaves a gap between the cost of building a home and the rental return available from it. The gap is typically filled via 3 routes – government grant funding (through AHP), and private developer cross-subsidy achieved through section 106 planning obligations, which can require a certain proportion of homes in a development to be earmarked as 'affordable housing'. These are usually then sold at a discount to a social landlord. Social landlords also subsidise the development of new social homes themselves, including through supporting grant-funded and section 106 homes from their own resources.

Homes England deliver AHP in England, outside London (where the Greater London Authority (GLA) administer it). It is Homes England's largest programme. Currently AHP delivers just under half of all new social homes each year. Grant typically covers a minority of the cost of delivering a new home. The provider (usually a housing association) raises the remainder via borrowing, which is then serviced from the rental income, and by reinvesting from other activities such as market sale of some homes and shared ownership.

Recent changes to the AHP also allow social housing providers to use grant to replace existing stock as part of wider estate regeneration schemes under certain circumstances. This enables social housing providers to improve the quality of the stock by replacing homes that are in poor condition.

32 Extending home ownership: Government initiatives, House of Commons, Briefing paper, 2021.

33 English Housing Survey 2021 to 2022: Headline report, 2022.

34 English Housing Survey 2021 to 2022: social rented sector, 2023.

35 English Housing Survey 2021 to 2022: social rented sector, 2023.

36 Registered provider social housing stock and rents in England 2022 to 2023, 2023.

37 A new deal for social housing, 2018.

38 Affordable housing supply in England: 2022 to 2023, 2023.

In economic downturns, grant funding for social housing has played an important counter-cyclical role. Social housing is not affected by consumer demand, as the social housing waiting lists mean homes are let immediately. This means that if a grant is provided, social housing providers can continue to build new homes. Consequently, contractors in supply chains are at least partially protected when private house builders stop or slow down development because of downturns in the market. Grant funding has also been used to support social housing providers to buy unsold private developer stock to support the house building sector more widely.

However, social housing providers are now more exposed to market conditions. There is a focus on remediation and quality of social housing. The 2017 Grenfell Tower fire, the 2018 Social Housing White Paper and, more recently, the heart-breaking death of Awaab Ishak – have all led to necessary new expectations, requirements and regulations on house building. The need to remediate existing buildings is increasingly being given more weight compared to spending on new supply.

Government housing and regeneration priorities

In the most recent years, the government has prioritised major urban regeneration and the use of brownfield land for housing and regeneration – with the aim of urban densification and transforming brownfield sites into places that people want to live and work in, rather than developing greenfield land. This shift towards regeneration, remediation and placemaking was formalised in the 2022 Levelling Up White Paper. There has been some more funding to support the assembly and remediation of brownfield sites. This includes the recently launched £1 billion Brownfield, Infrastructure and Land (BIL) fund, the primary objective of which is to drive long-term housing supply through the development of previously developed land that is too challenging for the private sector to tackle alone.

Under the terms of the new Infrastructure Levy, local planning authorities will be able to set lower rates on brownfield over greenfield to increase the potential for brownfield development. That will allow them to reflect national policy, which delivers the government's brownfield first pledge by giving substantial weight to the value of using brownfield land.

The government is also trying to achieve good quality planning that can facilitate the right development at the right pace. It has doubled funding to tackle planning delays and created a 'super-squad' of expert planners backed by £13 million of funding to unblock major housing and infrastructure developments.

Homes England's Role in the Market

As set out in the 2008 Homes and Communities Act, the Agency's statutory objectives are to:

- improve the supply and quality of housing
- secure the regeneration or development of land or infrastructure
- support in other ways the creation, regeneration or development of communities or their continued well-being
- contribute to the achievement of sustainable development and good design

Under the Act, Homes England has a general power to do anything it considers appropriate to meet the statutory objectives. It also has specific powers, such as to buy, lease and sell land, to make grants and loans, and to regenerate or develop land.

These objectives allow Homes England to act where there is market failure. It does so within a remit given by the government. It is not a developer or house builder; it acts to facilitate and support private sector activity, for example by providing financing for SMEs where they struggle to get support from other sources, acquiring and remediating sites to make them viable for interest from private sector developers, or allocating grant for affordable housing. The vast majority of Homes England's work has been in providing funding (grant or finance), expert support or land to housing associations, developers or local partnerships.

The Agency:

- has a portfolio of more than 9,000 hectares of land
- has around £16 billion of combined capital spend (loan, grant and equity) to deploy until 2027/28
- supports consumers through the provision of safer homes, including through the Department for Levelling Up, Housing and Communities (DLUHC) building safety interventions; and
- in its delivery of the Help to Buy programme, it is also the sixth largest mortgage lender in the country

Since 2018 the Agency has increased in size from 750 people to around 1,500 people, while recruiting surveyors, civil engineers, regeneration experts, planners, development professionals, investment specialists, etc. – to deliver against its new objectives. With 86% of its staff outside London, the Agency is well positioned to support placemaking and regeneration across the country.

Between 2018 and 2023, Homes England has supported the development of 186,413 new homes, and has helped 252,543 households into home ownership. Also in this period, the Agency has unlocked land that could deliver more than 392,000 additional new homes; invested £11.1 billion; and gained £3.6 billion from land sales and loans repaid.

Homes England's evolving mission

When the Homes and Communities Agency (HCA) became known as Homes England on 1 January 2018, its statutory objectives remained the same, but there was a clear shift in the Agency's mission towards delivering the government's housing supply objectives. Its initial strategic objectives reflected this – with a special focus on increasing housing supply in the least affordable areas – predominantly in the South-East, including a rule on some funds that stipulated 80% of the funding needed to be delivered in areas with a higher-than-average ratio between house prices and earnings.

With the publication of the Levelling Up White Paper, the government indicated its next big shift for the Agency. In addition to focussing on housing supply, the Agency was now to support delivery of wider regeneration of places around the country. The Levelling Up White Paper, published in February 2022, announced the government's intention to work in partnership with more places across the country to spread opportunity and better outcomes; and announced that HE would be given an expanded role to support the delivery of these ambitions. The Agency has since developed, with the government, a new 5-year strategic plan that brings together its housing delivery targets with a renewed focus on regeneration, placemaking and infrastructure investment.

Homes England welcomed the change in emphasis as an opportunity to return to its roots – to deliver homes and to work with partners to create, regenerate, develop and support the wellbeing of communities – and although its name remains 'Homes England' it increasingly refers to itself as the 'housing and regeneration agency'.

Working with the department, Homes England adheres to the Secretary of State's "BIDEN" principles. These are that new development should be **B**eautiful, with the right **i**nfrastructure in place, under a more **D**emocratic system gives communities a say, that **E**nhances the environment and creates better **N**eighbourhoods. This is part of the basis on which the Agency developed its strategic plan for 2023–28.

This new strategic plan puts regeneration and place-based working at the centre of the Agency and sets out how it intends to use its resources and expertise to support local leaders to deliver their vision.

HE's new agreed mission under this plan is to:

> *"Drive regeneration and housing delivery to create high-quality homes and thriving places. This will support greater social justice, the levelling up of communities across England and the creation of places people are proud to call home."*

This evolution of the agency's mission, from a focus on the delivery of new homes to a wider focus on housing and regeneration – is underpinned by some core principles. Homes England will not replace the market but will address market failures. It will have a broad range of interventions in its toolkit, to allow for application of those tools in a tailored way to have the biggest impact. The delivery model of the Agency will be flexed contingent on need – from supporting partners, to driving forward delivery itself. In all its work, Homes England will also ensure that all activities will balance the needs and aspirations of partners, places and the government.

Homes England strategic plan 2018 to 2023

- **unlock land** – where the market will not, to get more homes built where they are needed
- **unlock investment** – to ensure a range of investment products are available to support house building and infrastructure, including more affordable housing and homes for rent, where the market is not acting
- **support priority locations** – with expert support to help to create and deliver more ambitious plans to get more homes built
- **support home ownership** – through ownership products, providing an industry standard service to consumers
- **increase productivity** within the construction sector
- **drive market resilience** – to create a more resilient and competitive market by promoting better design and higher quality homes

Figure 29

The Agency also seeks to take a bold approach to partnerships with public and private sector partners, citing the partnership between itself, Muse Developments and Legal & General, and noting its desire to form similar joint ventures with more investors to drive regeneration at scale.

Homes England recently commissioned a Partner Perception Survey to assess their partners' satisfaction and inform strategic planning. This survey adopted a mixed approach utilising both a quantitative survey and qualitative in-depth interviews with a wide range of Homes England stakeholders, including private sector house builders, housing associations, local government and charity groups. The report provides Homes England with insights into how it is perceived in the market and key strategic issues facing the sector.

Homes England strategic plan 2023 to 2028

- support the creation of vibrant and successful places that people can be proud of, working with local leaders and other partners to deliver housing-led, mixed-use regeneration with a brownfield first approach
- build a housing and regeneration sector that works for everyone, driving diversification, partnership working and innovation
- enable sustainable homes and places, maximising their positive contribution to the natural environment and minimising their environmental impact
- promote the creation of high-quality homes in well-designed places that reflect community priorities by taking an inclusive and long-term approach
- facilitate the creation of the homes people need, intervening where necessary, to ensure places have enough homes of the right type and tenure
- implement the Evolve digital transformation programme, which will transform the services, processes and digital infrastructure of the Agency
- continue to rollout the Organisational Blueprint programme, allowing the Agency to focus better on place

Figure 30

Homes England relationship with DLUHC

Homes England's founding aim was to create a single land and investment body for the government. As a NDPB, Homes England is sponsored by DLUHC but is not part of the department. DLUHC sets its strategic framework, and the Secretary of State is accountable to Parliament for its work.

DLUHC works less with large NDPBs than many other government departments. It sponsors 15 agencies and public bodies compared to DCMS's 42 and DfT's 14. But until recently Homes England has been DLUHC's only large ALB in financial terms.

Homes England's remit alongside local authorities

Homes England operates in England only except in London where housing is largely devolved to the London Mayor – although it does act in the capital in partnership with the GLA and on behalf of the GLA on some funds (for example the loans available through the Levelling Up Home Building Fund) and it is directly involved in come major regeneration London developments (for example Silvertown).

The GLA was established in the Greater London Authority Act 1999. Its powers were further amended in the GLA Act 2007 and the Localism Act 2011, the latter of which gave it the land acquisition and social housing powers for London of the then Homes and Communities

Agency, including receiving grant from central government for housing purposes. For example, DLUHC delegates the Affordable Housing Programme to the GLA as delivery partners in London, and to Homes England for the rest of the country.

The government is committed to devolving more powers to mayoral combined authorities in England, with the trailblazer deals in Greater Manchester and West Midlands being recent examples. Such devolution deals will see trailblazer areas taking on more housing and regeneration powers, including more funding flexibilities for affordable housing and funding for brownfield land development. As such, devolution could mean that responsibility for housing programmes migrates to more mayoral authorities in the future.

In addition to its core functions of housing delivery and regeneration, the Agency also delivers the government's Help to Buy equity loan scheme, which provides equity loan assistance of up to a maximum of 20% in England and up to 40% in London of the purchase price of a new build home for both first time buyers and existing homeowners. The Agency delivers or supports delivery of a range of building safety remediation schemes. This includes the Cladding Safety Scheme, which will meet the cost of addressing life safety fire risks associated with cladding on residential buildings more than 11 metres in height, as well as supporting the delivery of the Building Safety Fund, the Social Sector Aluminium Composite Material (ACM) Fund and the Private Sector ACM Fund, which will support the removal and replacement of unsafe cladding, unsafe ACM and non-ACM cladding systems.

Main activities

All HE funding is provided by the government, although it sometimes works alongside or in joint venture with private sector funders. The Agency also has a portfolio of more than 9,000 hectares of land and around £16 billion of combined capital spend (loan, grant and equity) to deploy until 2027/28. It generates income from land sales – some of which it is allowed to recycle back into its programmes. From SR21 to 2026/27 it will have around £25 billion of combined capital spend to deploy via loan, grant, equity and guarantees.

The agency had an annual net budget for 2022/23 of £5.8 billion.[39] This comprised £125 million of core administration budget £110m of RDEL programme budget, £1.7 billion of CDEL grant, and £2.3 billion of CDEL 'financial tools' budget (loans and equity – the majority of which or the Help to Buy programme). In addition, there was and a further £1.7 billion of AME resource (in respect of impairments).

To meet its statutory and strategic objectives Homes England manages a range of funding programmes and carries out a variety of activities. A core activity is delivering grant funding to support the delivery of – or unlock land for – new homes. This includes the £11.5 billion AHP, which accounts for a very significant proportion of all funding (London will receive £4bn of this funding); the Housing Infrastructure Fund, delivering infrastructure grant funding to unlock sites; and First Homes, an affordable homes purchase scheme offering first-time buyers a discount off the market value of a property. Relatedly, Homes England runs several large government guarantee schemes including the Affordable Homes Guarantee. The Agency also manages a range of financial tools, e.g. loans, equity investments and guarantees that support demand for, or deliver, new homes. Loans to developers, such as the Home Building Fund, and equity loans to consumers, most obviously Help to Buy, are examples of this. Homes England also delivers flexible funding to support regeneration – such as the £1 billion BIL. Further to this, there are a range of land-focussed interventions that Homes England can deploy – from funding such as the Land Assembly Fund, to programmes such as the Single Land Programme

39 Annual net budget total figure of £5.8 billion reflects the £5.9 billion shown here with an offset of £0.1billion for estimated credit losses and admin and programme resource receipts.

investing and disposing public sector assets to the use of compulsory purchase powers. Homes England can provide other services to partners to maximise delivery, through bolstering capability, facilitating partnerships and joint ventures and working with places on specific local interventions to support housing growth. Finally, Homes England delivers several of the government's remediation funds to remove unsafe cladding from medium and high-rise blocks in the wake of the Grenfell Tower tragedy.

Summary of Homes England funded programmes

Further detail about the programmes funded the main activities of Homes England is set out below.

Name	Overview	Funding over its period (£ million)	Type	Status
Grant funding to support delivery of – or unlock land for – new homes				
Shared Ownership and Affordable Homes Programme (2016–21)	Supports the cost of building affordable housing of a range of tenures (affordable rent, social rent, rent to buy, shared ownership and supported/specialist housing).	4,910	Grant	Closed to new bids
Affordable Homes Programme (2021–26)	Supports the capital costs of developing affordable housing for rent or sale.	7,380	Grant	
Housing Infrastructure Fund (2019–28)	Funding for infrastructure that will unlock housing development across England.	3,500	Grant	Closed to new bids

Name	Overview	Funding over its period (£ million)	Type	Status
First Homes	An affordable homes purchase scheme offering first-time buyers up to 30% off the market value of the property – the discount on these properties is offered in perpetuity.	139	Capital (CDEL)3	Pilot closed to new applications
Financial tools i.e. loans, equity investments and guarantees that support the demand for or delivery of new homes				
Home Building Fund (short-term) (2016–22)	Supports the diversification of the market through key sectors including the SME developer market and modern methods of construction.	2,196		Closed to new applications
Home Building Fund (long-term)	Recoverable loan funding to the private sector working on large-scale residential sites where mainstream funding is not viable. Funding supports site preparation and infrastructure to enable housing delivery.	1,700	Recoverable capital funding	
Levelling Up Home Building Fund (2022–31)	Fund to unlock and accelerate housing delivery in areas of need through place-based interventions – supporting diversification, innovation and capacity in the market.	2,026	Loan, equity and development finance	Open to applications
Help to Buy (2021–23)	Equity loan of 20% (40% in London) to allow purchase of new-build home by those with a 5% deposit.	24,900	Equity loan	Closed to new applications
Help to Build (2023–28)	Funding for customised or self-build homes.	150	Equity loan	Open to applications

Name	Overview	Funding over its period (£ million)	Type	Status
Home Building Fund – Infrastructure Loans (2021–25)	Continuation of the Home Building Fund (LTF), providing loans to the private sector to invest in transforming predominantly brownfield land, improving public transport, building schools and providing infrastructure to unlock and accelerate new homes.	1,500	Recoverable capital funding	Open to applications
Flexible funding to support regeneration				
Brownfield, Infrastructure and Land Fund (BIL) (2023–26)	The BIL Fund will support economic growth and housing supply where there is evidence of need and opportunity. It will tackle the market's failure to build housing and other uses on challenging sites that demonstrate negative externalities, difficult land assembly, imperfect information and other barriers which prevent the private sector from taking on alone. Funding to unlock up to 40,000 new homes and up to 200,000 sqm employment floorspace on challenging brownfield sites the market wouldn't bring forward alone. Will support a range of interventions – assembling and remediating land; grants or financial transactions for infrastructure that unlocks new developments.	around 1,000m	Capital [CDEL]	Open to new bids
Guarantees				
Affordable Housing Guarantee Scheme 2013	Loans for up to 30 years to support the delivery of new affordable housing.	3,500	DLUHC Guarantee	Closed to new applications

Name	Overview	Funding over its period (£ million)	Type	Status
Affordable Homes Guarantee Scheme 2020	The successor to the 2013 scheme also offering loans for up to 30 years.	3,000	DLUHC Guarantee	Open to applications
Private Rented Sector Guarantee Scheme	Loans to support the delivery of purpose-built private rented housing.	3,500	DLUHC Guarantee	Closed to new applications
Enable Build	Guarantees to banks for newly originated loans to SME house builders.	1,000	DLUHC Guarantee	
Land-focussed interventions				
Land Assembly Fund (2018–present)	Funds the acquisition, de-risking and disposal of land suffering market failure, to accelerate housing delivery.	858	Capital (CDEL)	Open to new bids
Single Land Programme (SLP) (2015–present)	Supports investment in and disposal of approximately 8k hectares of public sector assets. Managed to a net budget over each spending review period.	N/A	Self-financed	Open to new bids
Local Authority Accelerated Construction	Supports local authorities to develop infrastructure on surplus land holdings at pace.	135	Grant	
Grant funding to remediate buildings as part of the DLUHC's Building Safety Programme				
Building Safety: Social Sector Aluminium Composite Material (ACM) Fund	Funds the remediation of public sector residential buildings over 18 metres.	400	Grant	
Building Safety: Private Sector ACM Fund	Funds the remediation of private sector residential buildings over 18 metres.	No delegated budget. The Agency makes grant payments on behalf of the Department.	Grant	Closed to new applications

Name	Overview	Funding over its period (£ million)	Type	Status
Building Safety Fund non-ACM	Funds the remediation of public and private sector buildings over 18 metres with unsafe non-ACM cladding.	1,000	Grant	
Cladding Safety Scheme	Funds the remediation of buildings 11–18 metres in England (including London) and buildings over 18 metres in England (excluding London).	3,600	Grant	

Figure 31: **Summary of Homes England Funded Programmes**

International Comparisons

We commissioned a short study to compare Homes England's functions to similar bodies in 6 other countries that had high levels of housing supply delivery or affordable housing delivery. The review showed that international approaches differ considerably with some countries adopting a market led approach, others placing greater reliance on central government and others more closely involving the third sector.

The work found that Homes England was unique in bringing together such a wide range of functions in one body. In other countries functions such as financing of small builders through loan and guarantee finance, or consumer finance to help support first time home buyers were carried out by separate bodies. Similarly, Homes England was the only body with any role in building remediation.

We also found that there might room to develop Homes England's role in supporting the housing market to deliver more (and more affordable) housing – particularly at local level through greater support to the construction sector, housing associations and local agencies. However, many solutions identified from comparator countries would require policy choices by the government.

Annex B – Terms of Reference

Since the last full review in 2016, Homes England's remit has increased as departmental priorities have evolved, and it now delivers a broad range of functions beyond its original core housing and regeneration objectives agreed in its the 2018 strategic plan.

In light of the changing expectations – three separate internal reviews were conducted in 2020. The reviews recommended improvements to partnership working (between the Agency and DLUHC), governance structures, accountability and purpose. Over the past 12 months DLUHC and Homes England have been implementing the recommendations.

These reviews do not remove the need for a Public Body Review, which will be broader and more outward looking. The Public Body Review will seek to ensure that it does not unnecessarily replicate the work of previous internal reviews and will use them (and others conducted within Home England) to inform this work.

The Agency has performed a detailed self-assessment in line with the Cabinet Office Public Bodies Review Programme. DLUHC has used this tool to identify efficacy and efficiency as areas in need of further assessment by the Public Body Review.

1. Efficacy

In respect to function the Review will assess:

- how the Agency's direction and objectives are set by DLUHC
- how these fit into DLUHC's wider objectives and business planning
- the extent to which Homes England's delivery of its statutory functions, its strategic plan (recently agreed with DLUHC) and its key performance indicators align with the current strategic priorities of DLUHC and wider government objectives and priorities in particular levelling up, promoting economic growth and environmental sustainability
- whether it is necessary for the role of Homes England to change as devolution to local authorities and mayoral combined authorities expands and deepens, including looking at, the Agency's relations with local and regional actors in an increasingly devolved delivery environment
- whether all of the functions that the Agency is carrying out are appropriately delivered by a public body, and if so by Homes England

In respect to form, the review will assess:

- whether the current powers, legal form and delivery model of Homes England are appropriate to the functions it is expected to perform
- the extent to which Homes England is structured and has the appropriate financial tools, powers and delegations to deliver effective, agreed outcomes now and in the future, including in the context of functions expected in terms of devolution, levelling up and regeneration
- whether there are existing service provider/s or private sector partners, or a different tier of government, that could deliver any of the functions more effectively
- whether Homes England is operating at an appropriate 'length of arms' from DLUHC to ensure the right balance between alignment with government priorities and ability to deliver

- whether the way the Agency and its programmes are assessed allows it to deliver social and economic value

In respect to outcomes for partners, stakeholders and customers the review will assess:

- the extent to which Homes England is delivering its objectives for customers and stakeholders – including:
  - effectively responding to its statutory objectives
  - how customer-focussed the Agency is (for example – are services offered well understood and regarded by the sectors it supports, and easily accessible)
- areas where further action by the government and/or Homes England would help Homes England to deliver its statutory objectives

2. Efficiency

- whether there is inefficiency between DLUHC and Homes England as a result of ways of working
- is the balance of resources across the Agency appropriately balanced for effective delivery
- whether there is duplication between the work of Homes England, DLUHC and mayoral combined authorities/local authorities
- whether Homes England is implementing measures to maximise operational efficiency – based on benchmarking its performance and costs to comparable bodies.
- identify if further savings to Resource Departmental Expenditure Limits (RDEL) of more than 5% in nominal terms as of 22/23 budgets could be made – with reference to previous savings required through SR21
- whether Homes England's approach to digitisation is appropriate, and the case for further digitisation to enhance efficiency and customer service

3. Governance and accountability

These will be considered but largely drawing on material from the internal reviews already conducted and their implementation, where these areas were a major focus.

If there are significant changes recommended as a result of the work on efficacy and efficiency, it may be that these need to be revisited. The review will consider the following issues:

- the effectiveness of the Homes England board
- the extent to which the board is clear about purpose and government priorities
- efficiency of arrangements for governance, risk management and internal control
- the effectiveness of recent improvements to joint working arrangements with DLUHC.
- whether Homes England adheres to existing financial guidance and functional standards and has controls to assure high standards in relation to:
  - managing public money
  - risk
  - probity
  - value for money

4. Methodology

The lead reviewer, supported by the review team, will consult a broad range of stakeholders including UK government departments, consumers, businesses and representative bodies, as well as with Homes England's own board, staff and senior management.

Evidence will be collected through a combination of internal stakeholder interviews, external stakeholder engagement, focussed 'calls for evidence' and desk-based research. Specialist advice will be sought as necessary. The review will also take account of other pieces of work and internal reviews that have recently considered the approach to the themes above.

The lead reviewer, Tony Poulter, is being supported by an external advisory panel. This is a group of external senior leaders to support the lead reviewer in developing the shape of the review programme, testing high level findings, providing an external perspective, and offering specific expert support and challenge to assumptions. This group is formed of the below members:

- Dame Alison Nimmo
- Fiona Fletcher-Smith
- Steven Williamson
- Steve Coffey
- Sir Howard Bernstein
- Mike Dunn

Annex C – Organisations Met During Engagement

The following table outlines the external stakeholders met with during the engagement period:

Developers
Barratt Developments
Berkeley Group
Cameron Homes
Countryside Partnerships
Genesis Homes
Grainger PLC
Lovell Partnerships
Mallard Homes
Persimmon
Redrow
Taylor Wimpey
TopHat
Housing associations
Abri
Anchor Hanover Group
Building Better
English Rural
Hyde Housing
Karbon Homes
Moat Community Trust
Orwell Housing
Peabody
Places for People
Thirteen Group
Transform Housing
Westfield Housing Association
Investors
Housing Growth Partnership
Legal & General Affordable Housing

Legal & General
Lloyds Bank
Man Group (Community Housing)
Peel
Schroders
Local government
Birmingham City Council
Bradford Council
Bury Council
Calderdale Council
Cambridgeshire-Peterborough Combined Authority
City of Wolverhampton Council
Coventry City Council
Devon County Council
Essex County Council
Greater London Authority
Greater Manchester Combined Authority
Halton Borough Council
Kirklees Council
Knowsley Council
Leeds City Council
Liverpool City Region Combined Authority
Manchester City Council
Mid-Devon District Council
Milton Keynes City Council
North of Tyne Combined Authority
Oldham Council
Oxfordshire County Council
Rochdale Borough Council
St Helens Borough Council
Salford Council
Sefton Council
South Yorkshire Combined Authority
Stockport Metropolitan Borough Council
Stoke on Trent City Council

Tameside Metropolitan Borough Council
Tees Valley Combined Authority
Telford and Wrekin Council
Trafford Council
Wakefield Council
West Midlands Combined Authority
West of England Combined Authority
West Yorkshire Combined Authority
Wigan Council
Wirral Council
Regeneration partners
Argent
Lendlease
Muse
St Modwen
Representative bodies
British Property Federation
Federation of Master Builders
House Builders Federation
National Housing Federation
Northern Housing Consortium
OGDs
British Business Bank
Department for Energy Security and Net Zero
Education and Skills Funding Agency
Environment Agency
Housing Ombudsman
HM Treasury
Infrastructure and Projects Authority
National Highways
Public Sector Fraud Authority
Regulator of Social Housing

Annex D – Feedback from Call for Evidence

Background

On 21st July 2023, the Public Bodies Review of Homes England launched a Call for Evidence (CfE). The CfE was public – open to both private citizens and industry stakeholders who interact with the Agency. Topics included Homes England's role and purpose, its effectiveness in carrying out its functions and its interaction with local areas. The CfE was published on GOV.UK, shared via DLUHC social media platforms, distributed through the DLUHC stakeholder noticeboard, and publicised to stakeholders who engaged with the review more widely. It ran for 8 weeks until 15th September 2023 and received 101 responses.

The CfE was designed to reach a wider range of voices than would be possible through in-depth interviews alone. It also ensured that all partners or customers who wanted to contribute had an opportunity to have their voices heard. It has provided a number of useful insights which are set out below.

There are limitations to the evidence collected by the CfE. The sample is small compared to the wide range of partners and customers that the Agency engages with and given it is entirely self-selecting it is also unrepresentative. This is particularly important for individual citizens – where there were only 24 responses. Therefore, it is important to reflect that conclusions drawn from the CfE may not be representative of all HE customers and partners. However, they do provide a complementary evidence base in addition to the circa 70 wider engagement interviews and other external evidence, such as HE's partner perception survey.

Respondents

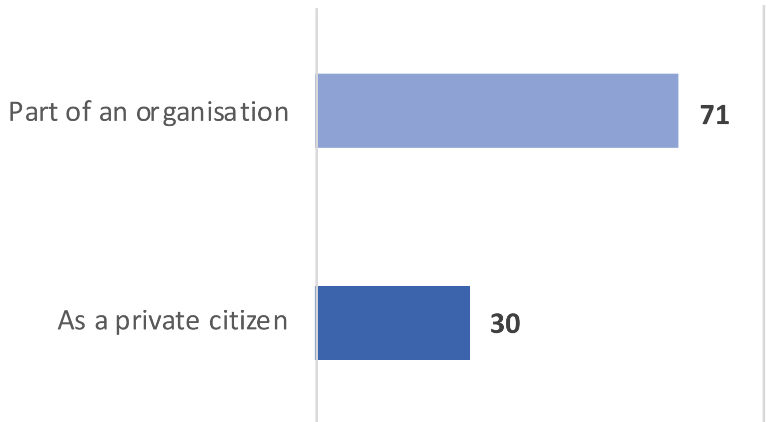


Figure 32: **Total respondents (raw numbers)**

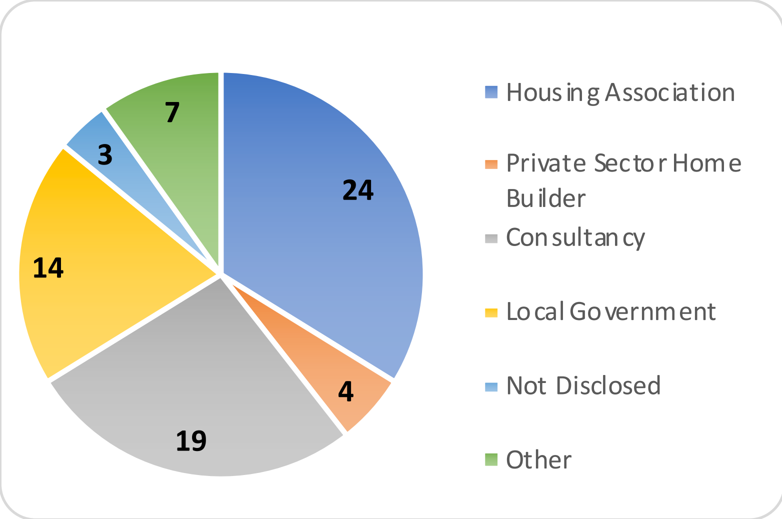


Figure 33: **Breakdown by type of organisation**

Key findings

Industry

- Most stakeholders agreed with the statements that they understood the role and purpose of both Homes England (71%) and DLUHC (56%)
- Stakeholders explained that while roles are reasonably clear, in practice there is room for better alignment between the two organisations. They pointed to a lack of transparency around decision making and the impact of regular political change as key issues
- There were mixed views on whether the balance of responsibility with local government was right. There was a general agreement from respondents that moving towards a more place-based approach was a good thing. However, as skills and capacity are not equal across local government, Homes England's role would need to be flexible
- 59% of respondents reported that the Agency had made a positive impact to their areas, with only 18% disagreeing. The notable ways it provided this impact was through assisting the delivery of affordable homes, bringing together private finance and grants, and advancing more complex regeneration projects
- Stakeholders mentioned several areas in which Homes England could improve including;
  - Providing flexible longer-term funding
  - Focusing more on regeneration
  - Supporting local authorities with skills and bespoke interventions
  - Ensuring its communication with industry was clear and consistent

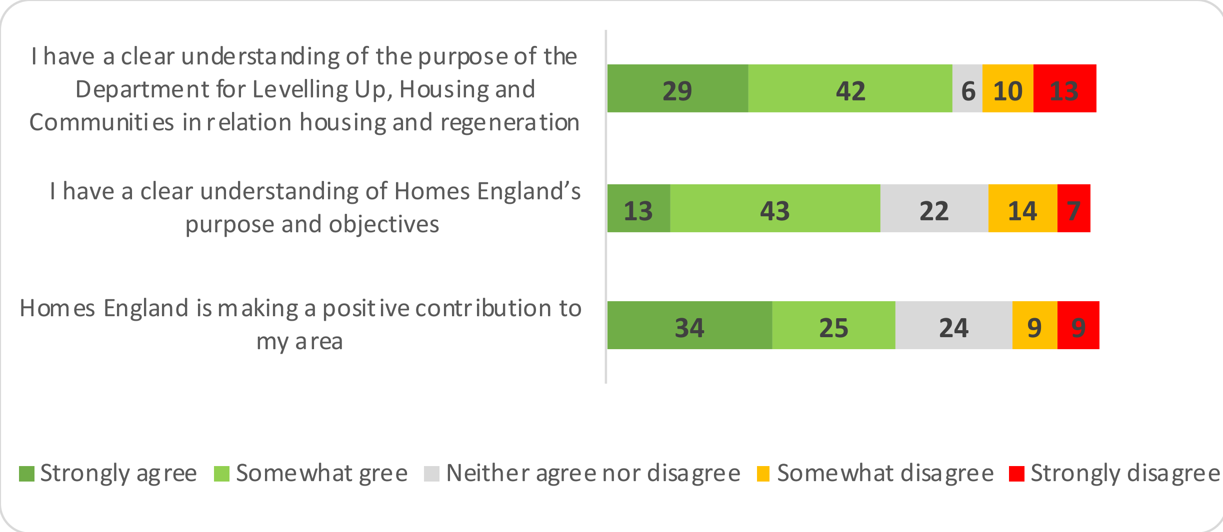


Figure 34: **Industry responses to questions on purpose and local contribution**

Citizens

- Dissatisfaction amongst respondents, was almost entirely related to the administration of Help to Buy
- Respondents identified clear issues with the management of their Help to Buy loans and the service they received from the third-party mortgage administrator. Issues often stemmed from having to use call centres that were unable to cope with demand leading to significant delays and poor customer outcomes
- Respondents suggested Homes England contract a more effective administrator for the scheme, improve their communication with customers and implement the digital systems to facilitate this