

*working together to build the homes we need*



A consultation paper on improving  
the delivery of housing infrastructure

# INTRODUCTION

There is strong ambition to build the homes that Britain needs over the long term. This strong ambition is expressed at national level and shared within local government.

A target of more than one million new homes by 2022 has been set. There is political consensus about the scale of the homes needed across the country. The housing industry has withstood the initial impact of the EU referendum, with only a small Brexit wobble. 2016 was the fifth highest year for housebuilding in the last 27 years. Housing completions have powered past the long-term trends after the recession. Housing starts are well placed and planning permissions have been granted at record levels.



Analysis from the National Audit Office tells us the country is on track to achieve that million homes goal. 2015-16 saw around 190,000 new homes added to stock. In England, new housebuilding starts have increased from lows of 90,000 in 2009, to over 160,000 in 2017.

However, recent events threaten to blow the housing progress off course. From the unexpected General Election outcome to the tragedy at Grenfell Tower to almost weekly housing policy announcements, the house building industry is now under considerable pressure.

Even before the events of recent months, as the country recovered from the impact of the credit crunch with high levels of housing delivery, there were signs that the system was creaking. Nowhere is this more so than in relation to housing infrastructure.

Against this backdrop and following earlier research on 'How To Build More Homes, Faster', the Housing and Finance Institute (HFi) launched the 'Housing Infrastructure Pilot' research project. The research work has examined ways in which different private and public bodies – local and national – could identify, plan, assess and unblock obstacles to facilitate accelerated growth. There has been a cross industry expert group from central and local government, utilities and the housing industries supporting this work, as well as detailed submissions and suggestions from a wide range of participants. Our thanks to the many people and organisations who have been involved in this work.

This consultation paper sets out eight core areas of recommendations from the research work. The consultation will run until 31 December 2017.

Comments and reviews should be sent to: [connect@thehfi.com](mailto:connect@thehfi.com) with the heading "Better Connections Consultation Paper".

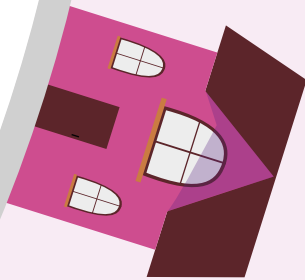


# 1

## BETTER HOUSING SUPPLY ADMINISTRATION SYSTEMS

- 1 To modernise public sector administration to provide publicly available real time supply chain information on what homes are being built and when they are ready to be occupied, as well as access to residential finance and measures of affordability.
- 2 To make better use of existing Land Registry information on land ownership.
- 3 To improve the completeness of Land Registry information by including all options to purchase land.





**Housing is the most talked about policy issue after Brexit and the NHS.**

**Yet it is easier to search for a book in a public library than to find out who is building what, when and where.**

Therefore, there is a need to modernise the current system of public sector administration and reporting on housebuilding.

With modern technology there is no need for a reporting lag. There is also no need for incomplete or inaccurate information about delivery supply chains or for that information to be collated by private organisations rather than public bodies.

The Land Registry contains information on physical land and ownership in the country. It ought to be used much better to develop more suitable public sector administration and as part of the process management of housebuilding. There is a significant opportunity to improve real time monitoring of housing delivery at a local and national level by public bodies.

Access to mortgage finance and affordability of housing costs are central to housebuilding

and housing investment. These elements should be brought together with housebuilding as part of improved public sector administration for the housing market.

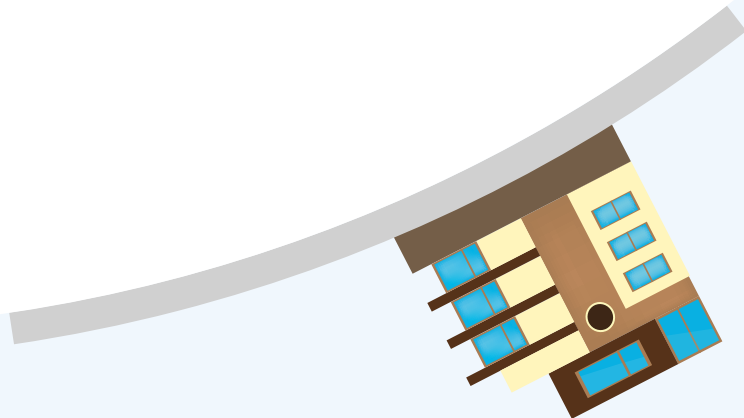
This would enable a better understanding of what is happening within local housing markets so as to:

- enable the right action at the right time, allowing more effective direct market intervention where that is needed
- deploy the right amount of public sector funding to the right places and at the right time
- create a fuller understanding of who is building what and when
- align residential finance, investment and affordability with local housing markets and on a more informed basis
- provide greater transparency on who owns what and who has options to build, or not to build
- ensure that utilities can be installed in the right place and at the right time.

2

## BETTER INDUSTRY CONTACT AND BOOKING INFORMATION

- 1 Regulated utility companies to have single points of contact to deal with housing industry connections, including individuals by name, email address, phone number and role and that these should be easily accessible from the organisation's website.
- 2 All works bookings to be made by open source booking systems.
- 3 Regulated utilities to be required to make available information about their costs to different types of market participants and also by area, for example by larger and smaller developers and by individual local council area.
- 4 Specific focus to be given to the more effective roll out of high speed broadband.







When housing businesses want to get in contact with a utility, it can be extremely difficult to find a single point of contact for most of the regulated utilities.

The industries are highly reliant on relationship networking to find out who is responsible for ensuring that utilities are installed. This can be seen as a bit of 'closed shop', creating the impression of favouritism to big businesses with deep pockets. There is a perception that smaller builders do not get priority for installations and that the relative business cost of a small team not having a timely connection at a sensible price is not fully understood. There has been a strong view expressed that bigger developers can also get a better deal when negotiating the price for connections as they have a stronger negotiating position, are able to use intermediaries and will be more likely to have a larger, more concentrated site for those connections. These sort of concerns can be a business and competition hurdle.

Whether or not perceptions of favouritism towards bigger developers are valid, the lack of transparency on access to people, open source bookings and price actually charged

does seem to impact on decision making in the housing market.

As such, a move towards open and transparent systems by regulated utility companies with a single contact point by name, email address, phone number and role should be easily accessible on websites.

Regulated utility companies should implement an open source booking system with more precise appointment time slots.

In addition, in order for a better understanding of relative costs per development, the regulated utilities should be required to make available information about their costs to different types of market participants and also by area, for example by larger and smaller developers and by individual local council area.

Broadband is identified as a particular utility that can cause a development drag. This is notwithstanding an improved commitment from OpenReach. In particular, there should be a greater consideration on the affordability of costs and priority for installation given to smaller developers.

3

# EFFECTIVE TECHNICAL MEDIATION

- 1 The creation of Fast Track Development Mediators to provide technical and engineering support for developers to unblock site-specific housing infrastructure concerns.







Put at its simplest, a builder knows about building and a utility company knows about utilities. One of the peculiarities of the current system is that the builder is expected to work out how and where to best manage the connection to the utilities. That may be straightforward in a medium size development on a new green field site. But that is not where and how most housebuilding takes place. In many cases there will be existing connections on a site or nearby. The technical work will be around the capacity of connections – including in parts of the utilities network other than the development site itself – and the right sort of installation, order of installation and cost. These are often highly technical matters where there is not a single solution but a range of options. The range of options includes not just what is necessary for the development itself but what, in the view of the relevant utility, is needed for the resilience or ‘future proofing’ of the local utility system.

It can be extremely difficult for builders, particularly smaller builders, to scope and negotiate available technical solutions. This can mean that the solution proposed by the relevant utility company is impractical or so expensive that it stops the scheme being built out.

An example provided was where a water company and a housebuilder had different views over how to build over a mains pipe and this could not be resolved. As a result fewer homes were built and homes were taken out of the plan. Similar examples were produced in relation to broadband providers, who were said to have refused to move installations by half a metre, again resulting in planned homes being taken out of the programme. Furthermore, there were examples where technological advances that were being agreed by utilities for schemes in one part of the country were not been accepted by a utility company in another part of the country. It was very difficult for housebuilders to be able to make the case that technological application or innovation was appropriate where the utility representative did not want to consider such an approach.

Accordingly, there is a need for access to cost effective neutral expertise to assess and mediate a timely, cost-effective and practical solution.

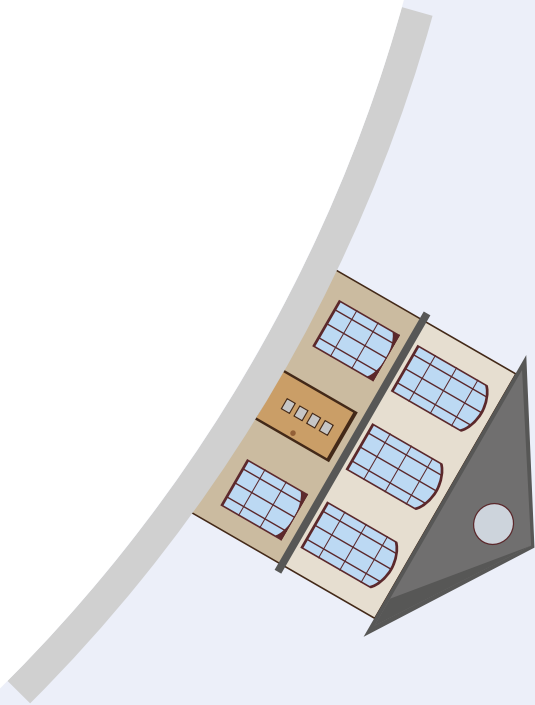
The proposed approach is for the creation of Fast Track Development Mediators to provide technical and engineering support to developers to unblock site-specific housing infrastructure concerns.

4

# HOUSING INSTALLATION ARBITRATION

- 1 The establishment of a Housing Installation Code and Independent Arbitrator to address the business-to-business relationship imbalance between a regulated utility and a developer. This could be modelled on the Grocery Code.





In getting utilities installed on a site, structurally all housebuilders, large or small, are in an unequal relationship to the utility companies. The same is true of individual householders who engage in building works that require a move or change of a utility connection, such as moving an electricity box in order to build an extension.

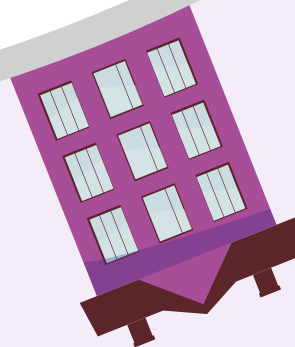
This creates business challenges in requiring fair business expectations, pricing or redress.

Lack of an even playing field can result in sites being mothballed due to costs, costs passed on to the consumer, delays to completions, cashflow / financial problems for smaller housebuilders and less affordable housing being built.

The proposed approach would be to introduce a new Housing Installation Code. This could be modelled on the Grocery Code where there is an independent adjudicator to oversee the relationship between supermarkets and their suppliers. In a similar way to the Grocery Code, a Housing Installation Code and Arbitrator would ensure that utilities treat housebuilders and house owners seeking to install or change the physical infrastructure and connections for utilities lawfully and fairly. The Arbitrator would investigate complaints and arbitrate in disputes, including reviewing whether a fair price has been paid for an installation.

# 5 INTERVENTION

- 1 **Utility Direction Powers:** These would allow an authorised body (such as PINS or the HCA) or the Secretary of State to serve a direction order requiring a regulated utility company to be required to bring forward utilities to a site within a specified time period and providing a 'take or pay' guarantee to the utility company in the event that the homes do not come forward as expected.







The legal framework requiring when utilities need to be connected to a home and for a development is extremely weak. The inability to require major utilities to connect in a timely and business-like fashion causes delay and cost.

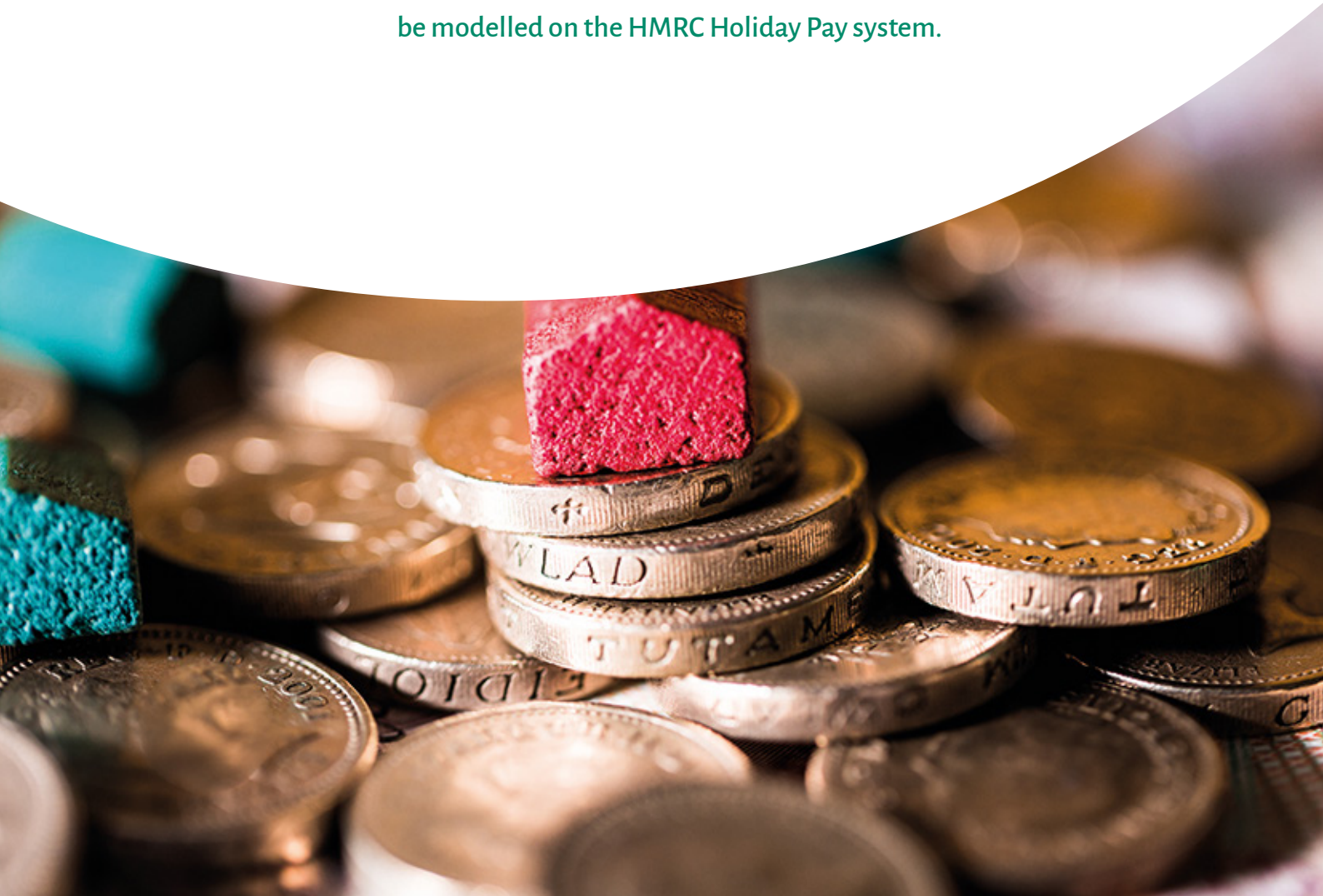
The proposed approach would allow an authorised body, such as Planning Inspectorate (PINS) or the Homes & Communities Agency (HCA), or the Secretary of State to serve a direction

order requiring a regulated utility company to be required to bring forward utilities to a site within a specified time period and providing a 'take or pay' guarantee to the utility company in the event that the homes do not come forward as expected.

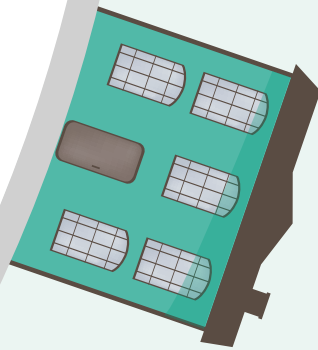
This would create a legal requirement for connections to be made, including as to timing on site, to be made where there is a national interest so to do.

## 6 FUNDING INNOVATION

- 1 A design and develop housing futures innovation fund to support and showcase different and best practice.
- 2 Local area funding plans to be agreed and prioritised for delivery with utilities. This could include 'take or pay' guarantees or advance funding for the installation of utilities works.
- 3 The Homes & Communities Agency to develop an on-line triage process for developers. This could be modelled on the HMRC Holiday Pay system.







There is an opportunity to ensure that innovation in design and development improves efficiency as well as sustainability and, in some cases, reduces reliance on utility providers. A design and develop housing futures innovation fund could be set up to support and showcase different and best practice.

Such a fund could showcase self-contained sewerage systems that can be built into larger developments so that they do not need to be connected to the main sewerage network; different approaches to financing homes that is affordable for rent and purchase; and successful examples where community broadband or electricity generation schemes have supplemented the national provision of such utilities.

Such a fund could also promote the development of new financing approaches such as local area funded settlements for prioritising the delivery of utilities in between the five year settlements. An example of that would be where local

areas (county councils / LEPs / combined authorities / others) could agree to advance fund a schedule of specific additional utility work or guarantee revenue funding on a 'take or pay' basis.

In addition, the work of the design & develop housing futures innovation fund would also help to support and inform the Development Mediator role by making more visible and accessible approaches that work.

Separately, there is an opportunity to improve access to information about what public funds and public programmes are available to support particular housing developers or types of providers. An excellent example of this approach is the HMRC Holiday Pay tool. Through a few well-structured questions the site tells you how much holiday is due. A similar approach would make it easier for councils, housing providers, developers and others to find suitable and available public funds and public programmes for their opportunities to build.

7

# LOCAL INFRASTRUCTURE PRIORITISATION

- 1 Improved assessment of infrastructure by reference to that which is essential to the delivery of housing (such as water and electricity, site flood or transport connections) and that which is about the broader delivery or sustainability of general public services.
- 2 A more dynamic and robust delivery programme for local infrastructure relating to housing. Particular consideration should be given to infrastructure that is reliant on third parties to deliver, such as transport.
- 3 The primary accountability for such housing infrastructure delivery programmes should be at a political level (a council portfolio holder and leader) rather than simply administrative. These should be transparent and publicly available.







The delivery of key infrastructure may be reliant on third parties. Such as Network Rail for a station extension or a county council for schools or roads. It may not always be within the control of a council and a developer who have agreed such works are needed. Where contributions towards financing such infrastructure have been provided upfront by a developer, for example through developer contributions from S106 or S278 agreements but the infrastructure has not been brought forward so that the money has not been spent within a specified period for an agreed project, it is often a requirement for the money to be returned to the developer. That should change so that instead of the infrastructure contribution money being returned, the money should be deployed on supporting alternative core housing related infrastructure.

Infrastructure requirements are not generally assessed by reference to which ones are closest to market. That can mean that public money may sometimes be committed significantly ahead of need, and to the detriment of other schemes that could have come to market faster. There needs to be an improved assessment of infrastructure, a better triage, by reference to that which is essential to the delivery of housing (such as water and electricity, site flood, broadband or transport connections) and that which is about the broader delivery or sustainability of general public services. That would better ensure that housing that is ready to be

delivered will be delivered sooner and public money will be spent better.

There isn't only a single approach to infrastructure. For example, in one area what is required may be as simple as funding a new water sewerage extension to unblock local housing delivery. Infrastructure may need to be funded differently in different locations. A high growth, high value area may be more economically self-sustaining than a lower growth, lower value area. In the former, tools similar to tax increment or bond financing may be appropriate, in the latter there may need to be a greater element of public subsidy. There should be a more dynamic and robust delivery programme for local infrastructure relating to housing. This should include consideration of requirements, alternatives, costs, impact and timeframes by reference to the specific development being undertaken. Particular consideration should be given to infrastructure that is reliant on third parties to deliver, such as transport.

At a local level, people do not always connect the broader infrastructure and public funding benefits provided by housing growth. There is an opportunity to bring greater visibility to local infrastructure successes. The primary accountability for such housing infrastructure delivery programmes should be at a political level (a council portfolio holder and leader) rather than simply administrative. These should be transparent and publicly available.

8

# NATIONAL INFRASTRUCTURE PRIORITISATION

- 1 Housing to be included as an individual core national priority within the national infrastructure plan.







Housing is not currently included as its own priority for national infrastructure. In the most recent consultation document from the National Infrastructure Commission it is described as a 'capacity' challenge, necessary for economic growth.

That means housing is perceived to be assessed as an incidental rather than a primary objective of government. It means that national resources will continue to be focused on the big cities and on building housing simply to house a local workforce, rather than providing high quality, sustainable and affordable homes across the country.

Providing housing that is affordable to people working and living in this country is a national priority in its own right. Building homes not just to grow, but also to renew, the building stock of the country will help to ensure warm and decent homes across the country. That is a national priority. The financing of rented and owned housing stock so it is properly managed, maintained and financed is a core part of the national sustainability for housing.

Housing is itself national infrastructure and therefore housing should be included as its own individual core national priority within the national infrastructure plan.

The national housing infrastructure plan objective should be as follows:

*“ The Government views the provision of an appropriate level of new homes to be a key drivers of national quality of life and sustainability as well as the economy. Government sees its role as actively securing the provision of at least 1.5 million homes by 2022. In addition, the Government seeks to secure the renewal and improvement of existing housing stock to provide good quality, sustainable and affordable homes for the people of this country. Its primary method of delivering this is through its Homes & Communities Agency, the Bank of England and the Financial Conduct Authority, and working with public, private and third sector housebuilders, mortgage providers and private finance. ”*

Proposed Additional Core Priority, National Infrastructure Plan

### Disclaimer

This is a consultation paper and forms part of the research work undertaken around housing and infrastructure. It is not intended, nor should it be, used as the basis for investment or business decisions and no liability is accepted in relation to it.

### About The Housing & Finance Institute

The Housing & Finance Institute works as an accelerator hub, to increase the speed and number of new homes financed, built and managed across all tenures.

- We support councils increase housing supply through new partnerships and finance models
- We support new and smaller businesses along with established businesses with an appetite to do more
- We develop skills, capacity and relationships
- We improve the understanding of development finance and risk
- We promote new business and finance models, techniques and methods for housing delivery
- We identify and promote development opportunities
- We assist with problem solving across local government, central government and businesses

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### The Housing & Finance Institute

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