

Keepmoat Homes Response to Members Questions

The committee are interested in understanding more about Keepmoat, could you provide a quick overview of your business

Keepmoat is one of the UK's largest and oldest homebuilders with over 90 years of experience, we are also the nation's number one partnership homebuilder. Our model, relationships and approach enables' us to source land from both private and public sector partners and transform them into developable sites. In an industry where relationships between homebuilders and councils can be fractious, we've established a reputation amongst local planning authorities as a homebuilder who can be trusted to deliver.

In the North East, we consistently deliver over 450 new homes a year with developments spanning from Bedale in North Yorkshire to Cramlington in Northumberland and every county in between. Around 80% of our developments come from local authority or Homes England style land, supplemented with private land.

Our developments have transformed the lives of thousands of people, not just the residents, but also the communities we work with, and we are passionate and committed to continue to do that. Within our land team our social value manager works with partners to deliver outcomes for the local community ranging from working with community groups and local schools to work placements and apprenticeships as part of our social value offer. On our JV site with Newcastle council at Scotswood we opened in conjunction with the NHBC a bricklaying training hub offering fast track apprenticeships to help fulfil the skill shortage in the industry.

Our relationship with Registered Providers allows us to deliver up to 100% RP schemes, which can unlock difficult planning situations, and potentially bring forward unviable sites.

This review is seeking to explore how the Council can increase the delivery of affordable housing. What type of partnerships with housing associations and local authorities are you involved in which deliver affordable housing?

We have a scheme in Bedale for 88 units under construction which was originally an open market site with policy levels of affordable which we secured in competitive bid and converted this site to be a 100% affordable scheme. We are working with Broadacres housing association on this scheme, and it's a mix of affordable rent and shared ownership. This transaction did not attract CIL and negated the dual stamp duty liability which assisted with viability on the scheme

We have a further scheme in the same vicinity for 100 affordable units also with Broadacres which we secured from an agent who was marketing the site and which is ready to be submitted for planning shortly.

These are transactions where the housing association purchase the available site back-to-back the site from ourselves and we build the affordable units for them under a build contract. This reduces market sale risk, provides cash flow benefits by funding work in progress which allow us to improve return on capital and develop the schemes quickly

We have a scheme in South Shield for 66 affordable units where we worked with the local authority to assist them in delivering their affordable housing programme. We completed a technical review

and developed speculatively a layout for the site to establish if it was viable for an affordable housing scheme. We then worked with their affordable housing team at the council to agree a required mix and tenure for the site. Once we had an agreed viable scheme we made an offer to buy the site to their Estates team to establish best value and provide a capital receipt, and also procured Places for People who would purchase the site and agree a build contract with ourselves to develop the site on their behalf as we have done with Broadacres

We have been appointed as preferred developer on a Gateshead council owned site, Gateshead as planning authority have accepted the delivery of the affordable element of the site will be voluntary and sit outside of the S106. Bernicia are our affordable provider on this scheme.

We have joint venture arrangements with Newcastle Council via New Tyne West Development company for an 1800 unit regeneration scheme at Scotswood.

We have delivered over 1000 homes over the last 20 years with Durham County Council via Durham Villages Regeneration Company where Durham introduced various sites and Keepmoat provided the development expertise to bring the sites forward both market and affordable housing.

The Victoria Park development was a collaboration arrangement whereby Stockton Council provided the land, and Keepmoat developed the site. Both parties shared the initial funding which was capped and received a market interest return until repaid. The scheme also had a profit share arrangement, and a board and operations team managed the scheme with full financial and operational transparency. The scheme originally was only to provide policy affordable housing but ended up providing significant numbers of additional affordable via Thirteen group, and participated in the first homes pilot with Homes England.

As an additional part of this collaboration agreement, we also worked with the Council to assist in the delivery of an affordable bungalow scheme adjacent to the site. Tees Valley Combined Authority were providing brownfield grant to develop this project with Thirteen which they could not get to work. Keepmoat worked with the Council to deliver the scheme and complete the 14 bungalows within 12 months of our first introduction which also included obtaining planning. The housing team, planning team and officers worked proactively and pragmatically with Keepmoat to deliver the scheme.

Do you think there are ways the Council can work with private developers to increase the supply of affordable housing? If so, can you give us examples of what would encourage you to work with Councils like SBC?

Stockton have a very pragmatic and innovative approach to facilitating the local delivery of affordable houses, and we have seen examples of this with a number of proposed new schemes in Stockton which have affordable requirements.

Bowesfield is a scheme which had stalled for over 15 years based on scheme viability. We approached Stockton council to have preliminary discussions on how we thought the scheme may become viable as without some flexibility the scheme would be unable to provide s106 affordable housing. We agreed with the Council a mechanism to allow grant funding into the scheme which allowed us to potentially over supply voluntary affordable housing (165% of policy requirement). We were then able to agree a land price with the vendor and procure Thirteen group as the affordable housing provider to allow the scheme to move forward Thirteen. A draft S106 mechanism has been proposed, which has been used successfully elsewhere to attract grant funding from Homes England

We also have a proposed scheme at little Maltby Farm, Ingleby Barwick where we have recently marketed the S106 affordable element. We had no viable offers from any of the affordable housing providers', but we did receive an offer which required grant funding and would facilitate the delivery of voluntary affordable housing. We are currently in discussions with the Affordable Housing Officer at the Council to agree an appropriate mix and to obtain his agreement to support this proposal.

A Victoria Park style collaboration agreement which would allow the Council to partner with a developer to deliver the councils aspirations and retain control whilst delivering best value. This could work well on other Stockton owned land eg Town Centre and other identified affordable housing sites

The committee understands that some private lead development sites may become stalled. From your experience of the industry what are the reasons that developments get stalled or do not go ahead once planning permission has been granted?

Bio- diversity 10% gain will make a significant number of current sites non-viable, and if this cannot be provided on site the pre commencement provision and registration process will delay site starts after planning is granted. Likewise with Nutrient Neutrality

Viability is also the key issue as sites do not generate a land receipt which meets the landowners' expectations – this can be impacted by several things including:

- Availability of Homes England Grant or limited grant programmes and the reduced affordable housing providers appetite for S106 housing perhaps due to already committed programmes
- Private sales values – to generate a land value at current build cost levels and building regulations the average price per square foot selling prices would need to exceed £190 per square foot ie circa £135k for a 2 bed semi. This makes certain areas non developable without grant support. With the introduction of future homes this value could increase to nearer £145k with the introduction of air source heat pumps.
- Build costs inflation, over the last 3 years base build costs have increased from £100 psf to £130 psf and market revenues have stabilised.
- Where local authorities adopt NDSS house types as a standard requirement as they generate extra space and build cost but no extra revenue available due to market caps.
- Market issues where private sales rates are not sustainable, Keepmoat generally supplement these by providing additional affordable with grant funding to support optimal delivery levels
- Unforeseen on-site challenges with ground conditions, level issues requiring retention, technical issues such as surplus material being generated which is contaminated and has to leave site, grouting etc all of which increase costs
- Onerous planning conditions/obligations – uncertainty in planning conditions/obligations which are not fixed and are relatively open ended eg Stockton Councils standard formula for education provision which gives no certainty over costs as it can be recalculated after site purchase.

What are the challenges for delivering the number/types of affordable housing set out in SBC Local Plan?

Flexibility around delivery models is key at this time – S106 and planning condition affordable delivery is proving challenging now due to funding restrictions (no new funding streams have been announced by HE).

There is an appetite from the RP's to deliver policy requirements, and in some instances above policy requirements, but only where there is certainty of funding.

As a partnership developer we also share this appetite but need flexibility and agility from Planning authority at times to allow funding to be injected into schemes. Our experience is Stockton along with other local authorities in the North East are taking a pragmatic approach in this regard