



Ministry of Housing,
Communities &
Local Government

Matthew Pennycook MP
*Minister of State (Housing,
Communities and Local
Government)*

**Ministry of Housing,
Communities &
Local Government**
4th Floor, Fry Building
2 Marsham Street
London SW1P 4DF

www.gov.uk/mhclg

Peter Freeman
Chair of Homes England

30th September 2024

Dear Peter,

I thank you and the Board once again for the support that you have provided to me and the wider Ministerial team in our early period in office.

As I reinforced at our introductory meeting, boosting housing supply and unlocking economic growth is a top priority for this government. We are determined to deliver 1.5 million new homes in this parliament and we will maintain a relentless focus on housing delivery in order to do so. I know you will agree that we have made a decisive start, launching a consultation on bold reforms to the National Planning Policy Framework, establishing a New Homes Accelerator, and setting up an independent New Towns Taskforce. We recognise there is lots more to do and I am therefore writing to you to set out my expectations of how the Agency can best support our ambitions.

In governance terms this letter is being issued as a Chair's Letter. The Public Bodies Review rightly drew attention to the benefits of such letters in terms of providing clarity and focus to the chair, the board and the department and I intend to issue them annually without fail. This letter should therefore be read alongside your responsibilities as Chair as set out in your appointment letter, and the expectations of the Chairs of Public Bodies attached at Annex A.

As Chair, you are responsible for ensuring the effective operation of the Homes England Board. Your primary responsibility is to ensure Homes England delivers the mandate set by the Deputy Prime Minister. We expect you to support the Board in bringing expertise, support, and challenge to the Chief Executive and the wider executive team, to ensure the organisation continues to deliver its programmes and overall objectives.

We face a difficult fiscal position left to us by the previous administration and will need to use the upcoming Budget and Spending Review to provide greater long-term clarity. This letter therefore focuses on the immediate priorities for the Agency, recognising that these fiscal announcements will require us to agree an updated set of strategic objectives for Homes England, and associated Strategic Plan.

Mission

The Deputy Prime Minister and I are committed to articulating a new long-term housing strategy that reflects the priorities of this government. While the detail is yet to be determined, we do not expect to alter the two overarching objectives of Homes England, namely boosting growth through the delivery of new housing supply and place-based regeneration and place-making.

The Agency will play a vital role in delivering this government's housing agenda. The Deputy Prime Minister and I want it to be focused on delivering the homes the country so desperately needs, but not at the expense of quality of build and good placemaking.

Priorities

Alongside its overarching objectives, which we will articulate in our forthcoming long-term housing strategy, I have seven immediate priorities that I would like you to ensure the Agency focuses on:

- First, urgently addressing the reduced rates of housebuilding we have inherited is essential to delivering our 1.5 million new homes target and **I therefore expect the Agency to do everything in its power to accelerate development and increase delivery in 2024/25.** This will require an increase in the Agency's offer and role as master developer; better leveraging of funding programmes; and a greater willingness to utilise the existing powers available to it (including the rarely used compulsory purchase power). As part of a renewed drive to lay the foundations for increased housing delivery, I expect the Agency to work quickly with the Department to implement the Public Bodies Review's conclusions on streamlining processes including the securing of required financial flexibilities and increased delegations from HM Treasury;
- Second, **I would like you to continue to provide appropriate support to the New Homes Accelerator** so that we can speed up delivery on large sites that are stalled or building out too slowly. This activity will extend to new sites where Homes England are not currently involved, but where Homes England support has been identified as the best lever to accelerate delivery. My expectation is that resources from our rejuvenated ATLAS service will be deployed in support of this programme;
- Third, **I expect the Agency to continue to support the Department's work on new towns and other major schemes** by providing expertise and advice to the New Towns Taskforce where required and more actively leading place-based delivery. The Agency's valuable experience has already been harnessed to establish and progress work in relation to Greater Cambridge and I believe there is merit in considering how the Cambridge model might serve as a template for establishing other place-specific delivery bodies to advance major schemes, with the team leading on the ground and officials from the Department focused primarily on cross-Whitehall coordination. As well as the above, the Agency should continue to support new settlements and urban extensions already in train through your funding programmes;
- Fourth, reflecting the high priority this government attaches to social and affordable housing, **I would like you to take steps to ensure that the Agency is maximising the number of social rent homes** delivered through the allocation of remaining Affordable Homes Programme funding and that you support plans for a future programme;
- Fifth, **I expect the Agency to support the reform and diversification of the housing market.** As such, I want to see it continue to support efforts to grow the SME and Build to

Rent sectors (including developing new finance opportunities and increasing SME access to Homes England sites and services); increase the adoption of mixed tenure delivery; support the self and custom build and community-led housing sectors; boost productivity through the uptake of MMC; and attract institutional investment into UK residential real estate (including supporting the Department's work on achieving greater leverage, attracting new investment partners and using the higher delegations we hope to secure from HM Treasury to engage in more equity investments and Joint Ventures with the Agency taking a more direct role in delivery of such schemes);

- **Sixth, you should continue to focus on achieving best value for money for the taxpayer and ensure that the Agency drives efficiencies and prioritises resources.** This should include the rapid implementation of a new Target Operating Model to ensure Homes England has a sustainable, regional and place-based operating model to reflect the shifting focus to delivering successful placemaking and align with our wider devolution agenda. I would welcome your proposals on how a new regional and place-based model should be implemented and I encourage you to work closely with Officials on this; and
- Finally, we need to work together to make the case for an ambitious package of housing interventions at the Budget and Spending Review. The Department will need the experience and expertise of Homes England colleagues to make that case. **You should ensure that the Agency provides robust and timely input into the Budget and Spending Review processes.** I expect Homes England staff to support the Department through the Spending Review process by providing the data, analysis, modelling and strategic views as required to ensure a successful outcome for our priority policy areas.

Governance

I expect you to ensure that Homes England's internal governance arrangements allow for the Agency to support Ministers and the Department to develop and deploy effective new housing strategies at pace. Decision making should be timely and to the highest standards of probity.

Homes England should conduct an independent Board Effectiveness Review by March 2025, in line with the recommendations of the Public Bodies Review and ensure that all NEDs receive an annual appraisal and feedback on their performance and that you encourage regular feedback on your own performance.

You and the governance team in the Agency should work with Ministers and officials to ensure Homes England's Board membership and structures remain suitably resourced, using upcoming opportunities for recruitment to reflect changes in the Agency's strategic direction.

The Board should empower the Chief Executive and senior team through regular support and fair challenge, including encouraging talent management, succession planning, and positive engagement all levels. This will be particularly critical given the current vacancies within the Executive Team.

Setting the strategic direction for Homes England

As set out above, the Strategic Plan will need to be revised to reflect our ambitions for housing and the role for Homes England in delivering our new long term housing strategy and related Spending Review outcomes. This plan will set out how Homes England will deliver increased housing supply and drive changes in how the housing sector delivers high-quality, well-designed and sustainable homes with the infrastructure and amenities that communities need to thrive. We expect Homes England staff to work closely with officials in the Department to

ensure the revised plan aligns with our strategy and forthcoming long term housing strategy and give certainty to your staff and stakeholders.

Alongside this the Board should support and challenge the executive team to deliver the new operating model set out above. Where these can be met within existing resources they should be implemented at pace and any additional or changed resource requirements set out to the Department so these can be addressed in business planning for 2025/26.

Partnership working

The Agency should continue to work closely with partners in local authorities and Combined Authorities and support the Government's approach to devolution which will be set out in the forthcoming Devolution White Paper. I encourage you to empower the Agency's regional offices to work closely with mayors and other local leaders to deliver the high-quality homes and thriving places their communities deserve.

Providing robust scrutiny of performance and delivery

There should be regular review and scrutiny of the organisation's delivery, corporate performance, and finances by the Board and its Committees. Quarterly escalation to the Senior Sponsor should continue to provide a summary of the performance position, outlining any challenges or changes to the in-year or lifetime performance and financial forecasts and mitigating actions that are in place or required.

The Board should ensure that enhancements to performance and financial management are implemented, in keeping with the Public Bodies Review recommendations, to enable more effective monitoring of the in-year delivery position and give greater certainty on project and programme outputs, as well as work to better understand the movement of projects through the delivery pipeline.

Homes England staff should work with MHCLG officials to strengthen the programme governance structures, including the changes we have identified to get the Delivery Boards functioning more effectively and looking at the quality of information being presented to committees, particularly the Investment Committee.

Stakeholder engagement

I very much value a constructive approach to joint working, and encourage clear, candid, and transparent dialogue between yourself and the wider Agency with MHCLG colleagues. This will be crucial over the coming months as we step up preparations for the Spending Review and I would encourage you to continue your regular dialogue with Emma Fraser and Melanie Montanari as Shareholder Directors to ensure we are working together as effectively as possible.

Best wishes,

A handwritten signature in black ink, appearing to read 'Matthew Pennycook', with a large, stylized flourish at the end.

Matthew Pennycook MP
Minister of State for Housing and Planning

CC: Joanna Key, Melanie Montanari, Emma Fraser

Annex A: Governance expectations of the Chair

This letter, issued by the Ministry of Housing, Communities and Local Government (MHCLG), sets out the standard governance expectations of the Chair within its portfolio. This is not an exhaustive list of the duties of a Chair, and is accompanied by a letter, outlining the specific priorities and expectations of MHCLG. This document does not supersede or alter any responsibilities as set out in Homes England's Framework Document.

The Department expects the Chairs of its Arm's Length Bodies (ALBs) to lead the board in an effective and collegiate manner and adhere to best practice corporate governance standards where possible in undertaking their roles. It is your responsibility, as Chair of Homes England to lead the board, and ensure that it undertakes all of its responsibilities as set out in the Framework Document. The Chair should set the tone from the top of Homes England and promote an effective and appropriate culture in both the boardroom and the wider organisation.

Your responsibilities are to act in accordance with the highest standards of corporate governance and are complemented by requirements and expectations of you by Government. Below is a list of some of the core governance expectations of MHCLG regarding your duties as Chair encompassing both of these elements. This list is not intended to be exhaustive, and does not supplant any responsibilities set out in Homes England's governing documentation.

Set the board's agenda

You should set the Homes England board agenda in good time ahead of a board meeting. There should be sufficient visibility of items for forthcoming meetings to allow board members and executives to prepare and engage with the board. The agenda should focus upon Homes England's strategy, performance, culture, and value for money.

Encourage engagement from board members

You should encourage board members to engage with Homes England both within board meetings, through active participation in discussions and decisions, and more widely. You should encourage board members to join board committees where they can add value. You should support board members to contribute their expertise where relevant to Homes England on an ongoing basis. You should foster effective relationships based on trust, mutual respect, and open communication between board members and the executive team, both inside and outside of the boardroom. You should monitor and manage conflicts of interest among board members in order that the board may function appropriately, in accordance with the conflicts of interest policies of the Department and Homes England.

Foster relationships between the board and stakeholders, including government

You should be the principal point of contact between stakeholders and the board. You should foster constructive relationships with all relevant stakeholders to Homes England. You should also maintain a constructive relationship with the Department in the course of your work.

Develop a strong working relationship with the Chief Executive

The relationship with the Chief Executive is key to the long-term success of an ALB. You should provide support and advice to the Chief Executive, while respecting their executive responsibility. You should work with the Chief Executive to consider the strength of the broader executive team. Under your leadership, the board should consider executive succession planning on a regular basis.

Work with HM Government on the composition of the board, and the appointment of new board members

You should consider the composition of the board in line with the requirements of Homes England on a continual basis, providing regular feedback to the Department as appropriate. You should work with the Department to consider appointments to the Homes England board. You should engage in the appointment process as appropriate as per the agreed framework, and in compliance with rules or regulations governing appointments to ALB boards.

Provide mentoring and an induction to new board members

You should lead the induction to new board members on behalf of Homes England. You should make sure new board members are introduced to all relevant people both within Homes England and among stakeholders. The induction process should familiarise new board members with Homes England and its overall governance framework.

You should encourage board members to develop their knowledge and skills

You should continually consider the knowledge and skills that the board requires to discharge its duties to Homes England. Where the board would benefit from additional knowledge and skills, which can be met without the need to recruit new or additional board members, you should encourage board members to undertake relevant training and education where possible.

Lead the annual evaluation of the board, which should be externally facilitated at least every three years

You should ensure that a review of the board's effectiveness is undertaken on an annual basis. This should be facilitated by an external provider at least every three years. Where the evaluation is not externally facilitated, you should lead the process, gathering feedback from board members regarding the board's functioning. You should also consider how stakeholders, can input into the review, to provide comment upon the board's effectiveness in engaging with government and stakeholders. Reviews should produce a written report. You should be responsible for overseeing the implementation of any recommendations arising from a review as necessary.

Evaluate the performance of non-executive board members at least annually

You should undertake a review, at least annually, of the performance of non-executive board members. This review should consider their contributions to the board, and the value they add to Homes England. You should write these reviews and be prepared to share them with the Department in an appropriate manner. A written review of performance may be necessary to support any reappointment decisions for board members.

Be subject to an annual performance evaluation

You should engage with an evaluation of your performance on an annual basis. The Department may wish to gather feedback from government and other stakeholders. This will be collated by the Department and provided to the Senior Sponsor in an appropriate manner. A written review of your performance may be necessary to support any reappointment decision.

For additional best practice guidance regarding the role of the Chair, see the "Guidance on board Effectiveness" published by the Financial Reporting Council. This can be found [here](#).

For more information on board reviews and member appraisals, please refer to the latest guidance [here](#).