

## Homes for the future: more affordable, more sustainable





**Department for Communities  
and Local Government**

**Homes for the future:  
more affordable,  
more sustainable**

Presented to Parliament by  
The Secretary of State for Communities and Local Government  
by Command of Her Majesty  
July 2007

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Photo credit for front cover of Green Paper

Front cover: Gun Wharf, Plymouth: Winner, Housing Design Awards 2007, Medium Housebuilder Award.

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*Homes for the future:  
more affordable,  
more sustainable*

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## Ministerial Foreword



This Government believes that everyone deserves a place they can be proud to call home, at a price they can afford.

Homes are the building blocks of our communities. They affect our health, our wealth, and our opportunities for happiness. For most of us a home is the biggest investment we will ever make, the biggest asset we will ever own. And housing is critical to Britain's future – the decisions we take today make a crucial difference to the lives of generations to come.

We have made substantial progress in the last ten years. During this period of sustained economic growth and stability, housing has improved for many people and low mortgage rates have helped a million more families into home ownership. Homeowners have seen the value of their properties increase. Social tenants have seen real improvements in the quality of their homes, with over a million children lifted out of cold, damp or poor housing and concerted action has slashed homelessness.

But the challenges and pressures continue to increase. Too many young couples are still struggling to get that first step on the housing ladder. Too many families are still making do in cramped or unsuitable conditions while they wait for a decent home.

For a generation, the supply of new homes has not kept up with rising demand. The past decade has seen house prices double in real terms and if we ignore the rising pressure for more homes, we will see widening wealth inequality, frustrated aspirations and damage to our economy. And unless we do more to improve housing for growing children, we will be denying too many of them a good start in life.

We need a new national drive to support more affordable housing and we need to act now. That's why the Prime Minister recently announced plans for three million new homes by 2020. Homes that reflect the diverse needs of all our communities.

This Housing Green Paper outlines our plans for delivering these homes. More homes – backed by more ambitious building targets, increased investment, and new ways of identifying and using land for development. More social housing – ensuring that a decent home at an affordable price is for the many, not the few. Building homes more quickly – by unblocking the planning system and releasing land for development. More affordable homes - by increasing the options for low cost home ownership and more long term and affordable mortgage products. And greener homes – with high environmental standards and flagship developments leading the way.

But we cannot do it alone. It is only by working in partnership and harnessing the energy of local government, developers and house-builders, housing associations, as well as communities and tenant and resident groups – that we will truly make progress – building affordable, sustainable homes for the future, in communities where people are proud to live.

This is your opportunity to consider our proposals and help us shape the future of housing in England. I look forward to your contribution.

A handwritten signature in black ink, appearing to read 'Yvette Cooper'.



## Executive Summary

### Our vision

We want everyone to have access to a decent home at a price they can afford, in a place where they want to live and work. Good quality, affordable housing enables stable and secure family lives: we are all healthier, happier and wealthier when we have decent homes close to schools, healthcare and transport links.

But this is not just an issue for families. Good housing can improve our social, environmental and economic well-being. It helps create better communities that can attract investment and skilled workers. And getting the design right can also improve the environment and reduce our carbon footprint.

Therefore, the strategic housing decisions we take collectively over the next few years are critical to the life chances of the next generation.

### Section I: What's happened since 1997

Since 1997, housing has improved for many people. Homeowners have seen the value of their properties increase. Social tenants have seen massive improvements in the quality of their homes. And concerted action has slashed homelessness and directly helped 77,000 households to buy their first homes.

All of this has been achieved in a climate of economic growth and stability – far removed from the boom and bust of previous decades. Low inflation and low interest rates have led to over 1 million more home owners over the last ten years.

We have achieved a great deal through our investment in housing over the past ten years. That investment means social housing now has over 1 million fewer non-decent homes and the number of private sector vulnerable households living in non-decent homes has been reduced by over 300,000. We have also cut the number of rough sleepers by over two thirds and ended the long-term use of bed and breakfast accommodation for families with children. Our investment has also helped improve demand for homes in some previously blighted urban areas.

### The challenges we face

But we face new challenges today. Demand for homes to buy or rent is growing faster than supply. And as house prices have grown faster than wages, it is becoming increasingly difficult for young people to get a step on the housing ladder. And the challenges of climate change mean we need to provide greener, better-designed housing for the future.

This Green Paper sets out our proposals to improve the housing fabric of our society. We will work with our partners to provide:

- More homes to meet growing demand;
- Well-designed and greener homes, linked to good schools, transport and healthcare;
- More affordable homes to buy or rent.

## Section II: More homes to meet growing demand

Our first challenge is to provide more homes. Housing supply has increased substantially in the last few years and is now at its highest level since the 1980s, but supply is still not keeping up with rising demand from our ageing, growing population.

**Why we need more homes:** While the housing stock is growing by 185,000 a year, the number of households is projected to grow at 223,000 a year, many of them people living alone.

**New targets:** That is why the Government is now setting a new housing target for 2016 of 240,000 additional homes a year to meet the growing demand and address affordability issues. The level of housing supply needs to increase over time towards this target and we believe that a total of three million new homes are needed by 2020, two million of them by 2016.

**Delivering 2 million homes by 2016 and 3 million homes by 2020:** Our proposals assume that housing supply will rise over time towards the 240,000 per year target in 2016, delivering approximately two million new homes by 2016 and continuing at around 240,000 homes per annum over the next four years to deliver an extra million new homes by 2020.

The two million new homes that will be delivered by 2016 will include the following:

- **1.6 million homes are already in existing Regional Spatial Strategies (RSS) and plans now in place including around 650,000 homes in Growth Areas** with support from the 2003 Sustainable Communities Plan (e.g. Thames Gateway and Milton Keynes/South Midlands);
- **150,000-200,000 additional homes in the new round of RSS and plans now under consideration**, including many smaller sites and urban area schemes, together with **further, partial RSS reviews** where they are needed;
- **100,000 extra homes in 45 towns and cities** that make up the **29 New Growth Points** which have already come forward in 2006 proposing high growth schemes. Those towns will be eligible for additional support and growth funding – comparable to support which Growth Areas receive, including access to a £300 million Community Infrastructure Fund for Growth Areas, New Growth Points and eco-towns;
- **An additional round of New Growth Points** including for the first time the North. Our ambition would be to deliver around **50,000 new homes**. The final number will depend on the strength, costs and sustainability of bids coming forward;
- We are launching today an invitation for local authorities and developers to propose **5 new eco-town schemes**, with the entire community designed to be able to reach zero carbon standards. Each scheme could provide between 5,000 and 20,000 new homes giving a total of some **25-100,000 homes**. Final decisions will depend on the strength, costs and sustainability of the bids received.

**Delivering homes where they are needed:** Young families face problems finding affordable homes in every region, in urban and in rural areas. New housing is therefore needed throughout the country delivered in a way that is sensitive to local needs. We are extending the New Growth Points programmes to northern cities and towns.

**Rural homes:** We recognise that rural communities face particular pressures. We will set out measures to ensure more social and shared ownership homes are delivered in villages, as the Affordable Rural Housing Commission proposed. The Housing Corporation is investing £230 million to deliver around 6,300 homes in small towns and villages through its 2006–08 affordable housing programme. We will set a target for delivery of affordable housing in rural areas over the period 2008–11. We are also supporting seven new potential pilot Community Land Trusts in rural areas, giving local communities access to land for affordable house building.

**Planning reviews:** We will set up partial reviews of regional plans to increase regional and local targets and ensure the new eco-towns and additional Growth Points are properly handled in the planning system. Reviews of Regional Spatial Strategies will be carried out by 2011 to reflect plans for 240,000 homes a year by 2016.

**Local planning incentives and enforcement:** A new Housing and Planning Delivery Grant will direct extra resources to those councils who are delivering high levels of housing and to those councils who have identified at least 5 years worth of sites ready for development. Local councils will have to identify enough land to deliver the homes needed in their area over the next 15 years by rapidly implementing new planning policy for housing (PPS3). We are publishing new guidance showing how councils can find the land they need. Where councils have not identified enough land and do not grant sufficient planning permissions, planning inspectors will be more likely to overturn their decisions and give housing applications the go ahead at the appeal stage. We will also consult on ways to strengthen the requirement on developers to commence development or lose planning permission, and what more can be done to develop a consistent approach to the disclosure of land holdings.

**Public sector land:** We have raised our target to 200,000 new homes to be delivered on surplus public sector land by 2016, a significant increase from the previous target of 130,000 announced in the Pre-Budget Report. English Partnerships will set out new standards for housing on surplus Government land, which will increase the number of affordable homes developed, bring forward sites more quickly and ensure that design and environmental performance standards are raised to meet housing policy objectives.

**Recycling homes and land:** We also need to make the most of existing homes and buildings and disused land. We believe brownfield land should be the priority for development. The Government will continue with the national target that over 60% of homes should be built on brownfield land and every region and local authority will be expected to set their own target for brownfield land use. The new homes agency<sup>1</sup> will work with local authorities to support them in their place-shaping role, including on how local authority and other disused land can be used to lever in private investment and transform communities. Councils, as part of their strategic housing role, need to reduce the number of homes that are left empty for long periods of time. We will explore a range of measures including the new Housing and Planning Delivery Grant.

<sup>1</sup> This refers to the government's new delivery body for housing and regeneration, currently being consulted on as *Communities England*, in 'Delivering housing and regeneration: Communities England and the future of social housing regulation'. More information on the role of the new homes agency is given in Chapter 12: Implementation: A shared endeavour.

## Section III: Better homes: How we create places and homes that people want to live in

We don't just want to build *more* homes. We want them to be *better* homes, built to high standards, both in terms of design and environmental impact and homes that are part of mixed communities with good local facilities. Our new homes need to be part of the solution to climate change; not part of the problem. We will work with other government departments to make this a reality. We also want to improve the quality of existing social homes, so that everybody has decent housing.

**Infrastructure funding:** We have already delivered significant investment in infrastructure through mainstream government funding. £14 billion was spent on infrastructure in the three main regions of growth (London, the South East and East) during 2006-07. We are setting out new procedures to ensure mainstream programmes provide proper support for high growth areas.

New settlements should be attractive places with good quality neighbourhoods and green public space that help create healthy communities. They must provide good local infrastructure – transport, schools and healthcare. Such provision will be central to our plans and we are proposing new procedures for councils and Government departments to plan for new schools, new health facilities and improved transport facilities. We are funding CABS Space to assist local authorities with their green space strategies, in order to provide more and better open spaces for people to use, including play areas for children. Green spaces are an essential part of our Growth Areas, New Growth Points and eco-towns programmes, where a tenth of Growth Area funding has been dedicated to improve parks, forests and green spaces since 2003.

We will also continue with targeted funding for Growth Areas, New Growth Points and eco-towns including the new £300m Community Infrastructure Fund over the next three years. Announcements on levels of funding will be made in the Autumn.

**Planning Gain:** We also believe that more infrastructure funding could be drawn from the value uplift that the planning system generates. We propose a Planning-gain Supplement Bill – to ensure that local communities benefit from new developments. But if a better way is identified before this year's Pre-Budget Report of ensuring local communities receive significantly more of the benefit from planning gain, including to invest in necessary infrastructure and transport, and it is demonstrated that it is a better alternative, the Government will be prepared to defer next session's legislation. This Green Paper sets out possible alternative approaches to facilitate discussion with key stakeholders.

**Greener homes:** New housing needs to be much more sustainable for the future. We need a revolution in the way we build, design and power our homes. A quarter of the UK's current carbon emissions (around 150 million tonnes of carbon dioxide each year) arise from how we heat, light and run our homes. We want to increase protection of the environment by cutting carbon emissions and we want all new homes to be zero carbon from 2016. We will strengthen building regulations by 25% in 2010 and by 44% in 2013 to set the standards we need to help achieve this. We will also set new minimum standards for water use in new homes cutting average water use by almost 20%. And we are consulting on how best to rate new homes against our Code for Sustainable Homes to inform consumers and help drive up standards. We have set up a task group to look at research and work across the supply chain to deliver the improvements we need.

We will monitor closely the effectiveness of our new planning policy protecting new homes from flooding.

We are committed to the principles of the Green Belt. We will make no fundamental changes to Green Belt planning policy, as set out in Planning Policy Guidance note 2.

**Well-designed and good quality homes:** Our aim is to eliminate poorly-designed new housing, and make good and very good new development the norm. And we recognise that getting the design right can improve the quality of life for all members of the community, as well as improving the environment, creating safer and stronger communities and reducing our carbon footprint. We recognise the inspirational power of the very best and are encouraging innovative new designs of the highest standards, for example through competitions in eco-towns. These competitions will stimulate new architectural thinking on how to achieve a strong vision and identity in a range of new settlements and at individual building level, whilst reflecting local character and context.

We will work closely with the Commission for Architecture and the Built Environment (CABE) on its work with the public and private sectors to raise design standards. A light-touch review of CABE in the autumn will ensure we maximise its contribution to good design as we expand housing growth. We will also pilot a quality assurance programme with local authorities and developers, to explore ways to provide a meaningful concession to developers who meet quality benchmarks, with a view to speeding up the development process whilst safeguarding design outcomes.

Our new planning policy for housing (PPS3) ensures that housing developments reflect the varied needs of local communities, providing more affordable homes, proper infrastructure and high standards of design. And our *National Strategy for Housing in an Ageing Society*, to be published in the autumn, will set out more on ensuring housing growth responds to the needs of an ageing population.

## Section IV: Making housing more affordable

House prices have doubled in real terms in the last decade. The average house now costs over £210,000, over 8 times the average salary. This has made it more difficult for young people and families to buy their own home. Although building more homes is essential to tackle long term affordability pressures, more support is also needed to help young people and families over the next few years. While we have focused on improving the quality of social housing since 1997, we now need to develop more affordable homes both to rent and to buy, including increasing provision of family housing. Local authorities will have new opportunities to build and manage new houses as well as Housing Associations and the private sector.

**We plan a £8 billion programme for affordable housing** in 2008-11, a £3 billion increase compared to the previous three years.

**At least 70,000 more affordable homes a year by 2010–11:** We want to ensure there are more affordable homes and more opportunities for people to get on the housing ladder. Government will help deliver at least 180,000 new affordable homes over the next three years, and more than 70,000 affordable homes a year by 2010-11 – with an ambition to increase further in the next spending review.

**At least 45,000 new social homes a year by 2010-11** – a 50% increase in social housing in 3 years, more than doubling new provision since 2004-05, and **a goal of 50,000 new social rented homes a year**, in the next spending review period.

We will significantly expand the programme of converting temporary accommodation into settled homes, adding to the number of homes which will become intermediate or social housing.

**Over 25,000 shared ownership and shared equity homes a year** funded mainly by the Housing Corporation (or its successor the new homes agency) to particularly help key workers and others who cannot afford to buy near where they work.

**Thousands more shared ownership homes through local housing companies** and public sector land. We will use public sector land to deliver additional shared ownership homes without grant. We will set out more details on the scale of this programme as the work with local housing companies progresses.

**Rural Affordable Housing:** The new homes agency will work with rural councils so that they can meet the particular pressures faced by rural communities by supporting social housing and shared ownership homes in villages and rural areas as well as in larger towns. Later in the year, building on advice from the regional assemblies we will set a target for rural affordable housing for 2008-11.

**Local Housing Companies:** We are setting out proposals for new local housing companies that local councils can establish (in partnership with the new homes agency) in particular to deliver shared ownership homes and homes for first time buyers built on local council land. We believe these have the potential to deliver tens of thousands of shared ownership homes over the next five years.

**Private Sector Shared Equity:** We believe the private sector can play a greater role in offering shared equity mortgages or shared ownership homes, and we want to see far more competitive products on offer. Communities and Local Government are appointing Brian Pomeroy, to help us follow up on the Shared Equity Task Force report and advise us on ways to develop the private sector shared equity market. We have already launched a shared equity competition for lenders to develop more shared equity and we are now announcing a new 17.5% government equity loan product. Through this, we aim to increase both the range of private sector organisations involved in this area and the competitiveness of products available.

**Improving the way the mortgage market works:** We want to look at ways to help mortgage lenders finance mortgages, including more affordable longer-term fixed rate mortgages.

**Wider delivery of affordable housing in mixed communities:** We want to see a wider range of organisations bringing in more resources to build affordable housing. The first ten Arms Length Management Organisations and other local authority companies have pre-qualified to bid for social housing grant, and more will have an opportunity to pre-qualify next year. We are setting out new ways for councils to use their land and resources to build homes, and are seeking views on changes to the treatment of rents and capital receipts from additional homes which would incentivise this. We also want to promote greater private sector involvement in increasing social housing.

## Section V: Delivery: how we make it happen

**More skilled workers:** We need enough appropriately skilled workers to deliver our housing ambitions. This means improved training and tackling recruitment and retention difficulties in key areas and a focus on ensuring we have enough skilled professionals, construction workers and planning officers to meet our ambitions.

**Implementation: a shared endeavour:** This Green Paper sets out a scale of ambition to provide more housing than seen in this country for a generation. If we are to build these much needed homes we must join in a shared endeavour – with political leadership and delivery support shared between national, regional and local levels; with private, public and third sector providers all playing full roles; and involving local communities.

Everyone needs to take responsibility and account for the part they play in delivery. Communities and Local Government and English Partnerships are working with the Prime Minister's Delivery Unit to design a delivery mechanism to ensure this ambitious, cross government programme is realised. We want to see local people effectively involved in the debate about housing growth and infrastructure provision in their communities.

Local authorities have a critical role to play in achieving a major increase in new homes and their strategic housing role is at the heart of achieving our ambitions for housing supply. We want to see local authorities step up to play a stronger role in addressing the housing needs of all their residents, as part of their strategic housing role.

And we want home builders to rise to the challenge faced by the new targets for housing delivery, working with us to bring forward more land and tackle quickly any operational barriers to our plans.

### Supporting documents

Alongside this Green Paper we are publishing a series of documents providing more detail on this package of investment and reform:

- Eco-towns Prospectus – setting out a vision and specification for local authorities and developers, including an invitation to propose at least five new eco-towns;
- Building a Greener Future – our strategy and timetable for achieving zero-carbon homes by 2016;
- Building Regulations, Energy Efficiency Requirements for New Dwellings, a forward look at what the standards may be in 2010 and 2013;
- Water Efficiency in New Buildings – our joint policy statement with Defra;
- Improving the Sustainability of New Homes – making a rating against the Code for Sustainable Homes mandatory;
- Strategic Land Availability Assessment: Practice Guidance – to provide local planning authorities with advice on identifying land for housing and assessing deliverability;
- Impact Assessment for the Homes for the future: more affordable, more sustainable;

- Regulatory Impact Assessment for Energy Efficiency Requirements for New Dwellings;
- Regulatory Impact Assessment for Building a Greener Future.
- Draft Guidance on Planning Performance Agreements; and
- Provisional Allocations to Local Authorities of the Second Tranche of Planning Delivery Grant for 2007-08.



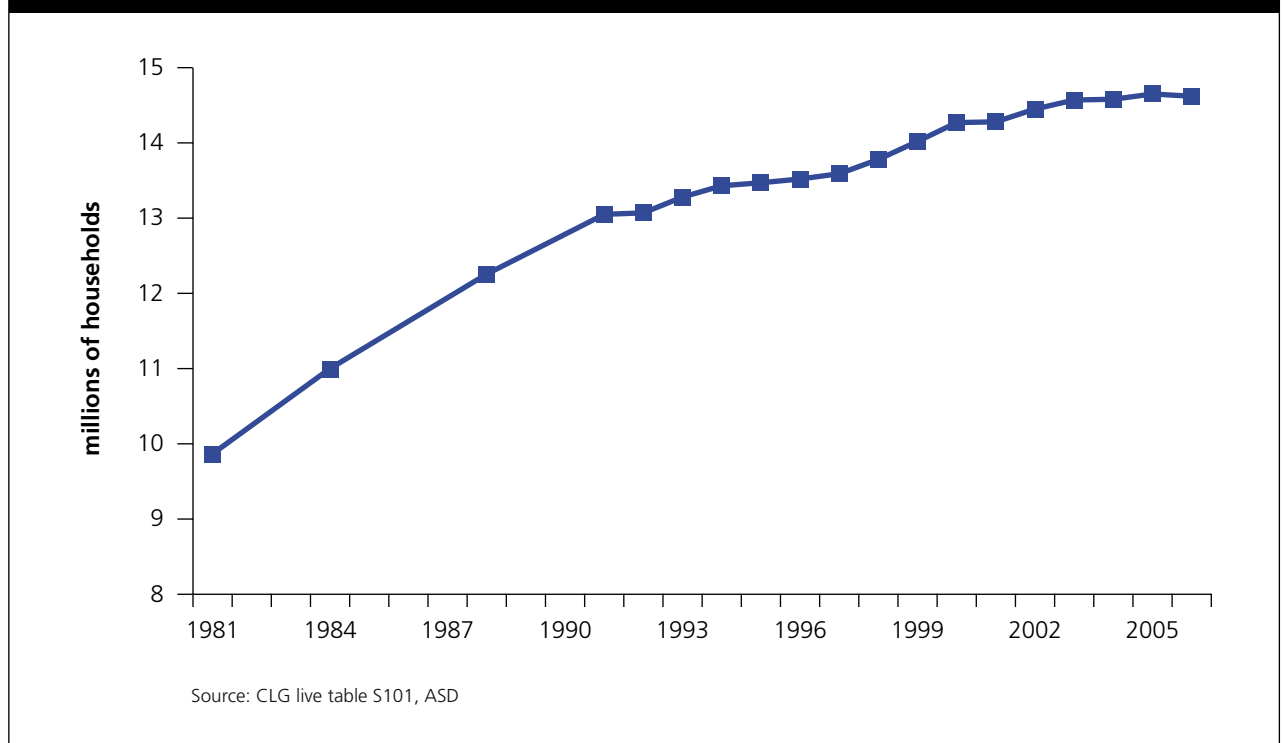
## SECTION I: PROGRESS AND CHALLENGES

1. We have made considerable progress since 1997, with a million more home owners, real improvements in the quality of social housing and a substantial reduction in homelessness.
2. But with significant demographic change, fast-rising house prices and environmental challenges, it is vital that we develop a new strategy towards housing over the years ahead to ensure that we have more homes and that they are greener and more affordable.

### What's happened since 1997

3. Since 1997, housing has improved for many people. Homeowners have seen the value of their properties increase; social tenants have seen massive improvements in the quality of their homes; and concerted action has slashed homelessness and directly helped 77,000 households to buy their first homes.
4. All of this has been achieved in a climate of economic growth and stability – far removed from the boom and bust of previous decades. Low inflation and low interest rates have led to over 1 million more home owners over the last ten years.<sup>2</sup>

Figure 1: Number of home owners in England



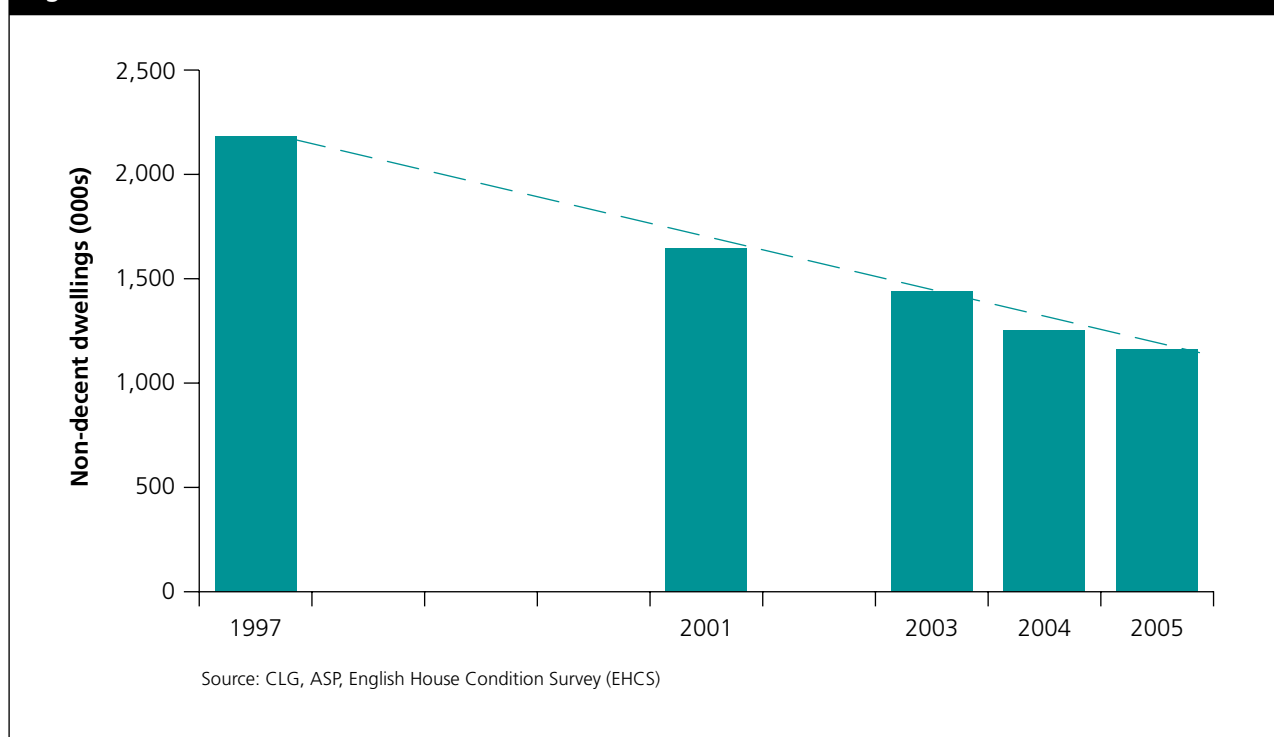
<sup>2</sup> Labour Force Survey, CLG live table S101.

5. We have achieved a great deal through our investment in housing over the past ten years. That investment has improved the quality of over 1.3 million homes<sup>3</sup>, cut the number of rough sleepers by over two thirds<sup>4</sup> and ended the long-term use of bed and breakfast accommodation for families with children. It has also helped improve demand for homes in some previously blighted urban areas.

## Decent homes

6. This Government has always been committed to the quality of social housing. Since 1997, £20 billion has been invested in making social homes decent for tenants. Since then the number of households living in non-decent social homes has fallen by more than a million<sup>5</sup>; and over a million children have been lifted out of cold, damp and poor housing as a result.

**Figure 2: Fall in non-decent social sector homes 1997-2005**



## Homelessness and rough sleeping

7. The Government has tackled the causes of rough sleeping. The number of rough sleepers has fallen by over two thirds since 1998<sup>6</sup>, reducing the total from 1850 to 500.
8. We have worked with local authorities and other agencies to tackle the causes of homelessness, which is now at its lowest level since the early 1980s.<sup>7</sup>

<sup>3</sup> English House Condition Survey.

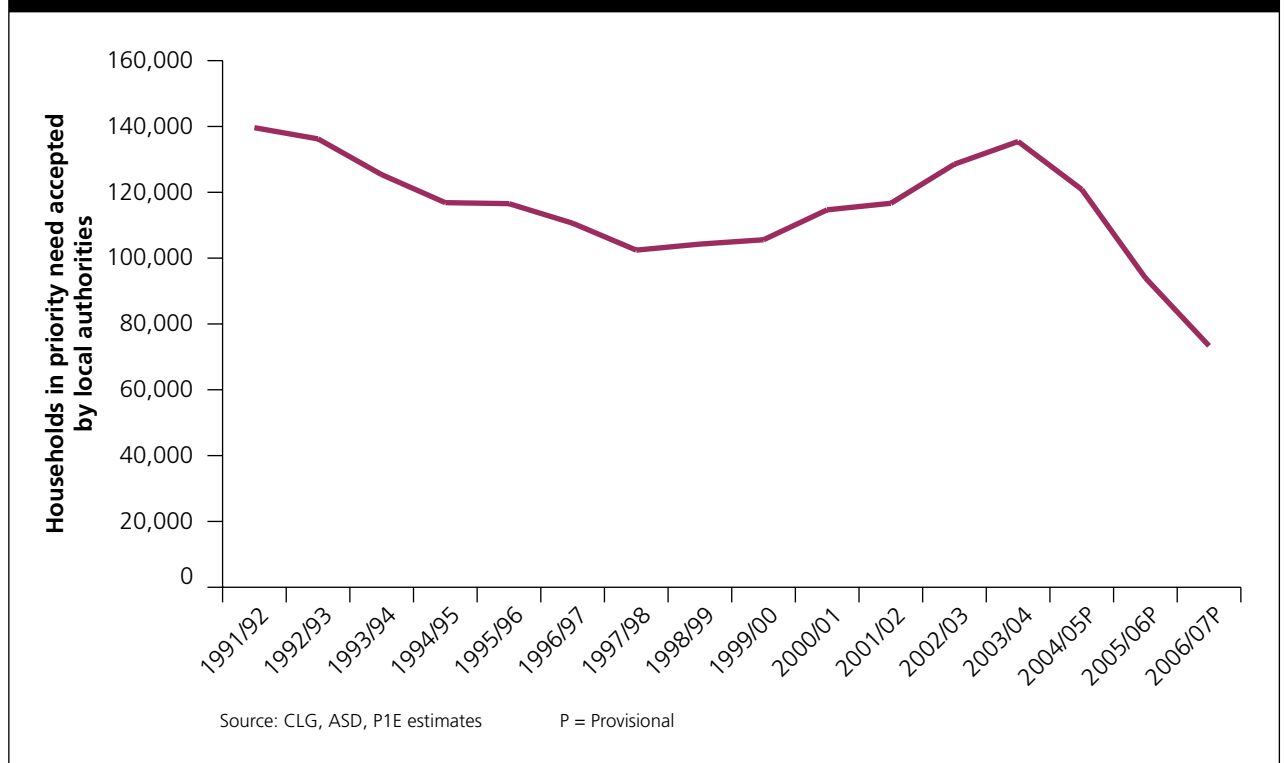
<sup>4</sup> CLG rough sleeping estimates.

<sup>5</sup> English House Condition Survey.

<sup>6</sup> CLG rough sleeping estimates.

<sup>7</sup> CLG homelessness statistics live table 621.

**Figure 3: Statutory homeless acceptances in England**



9. We have also ended the long-term use of Bed and Breakfast accommodation for homeless households with children.

### Tackling low demand

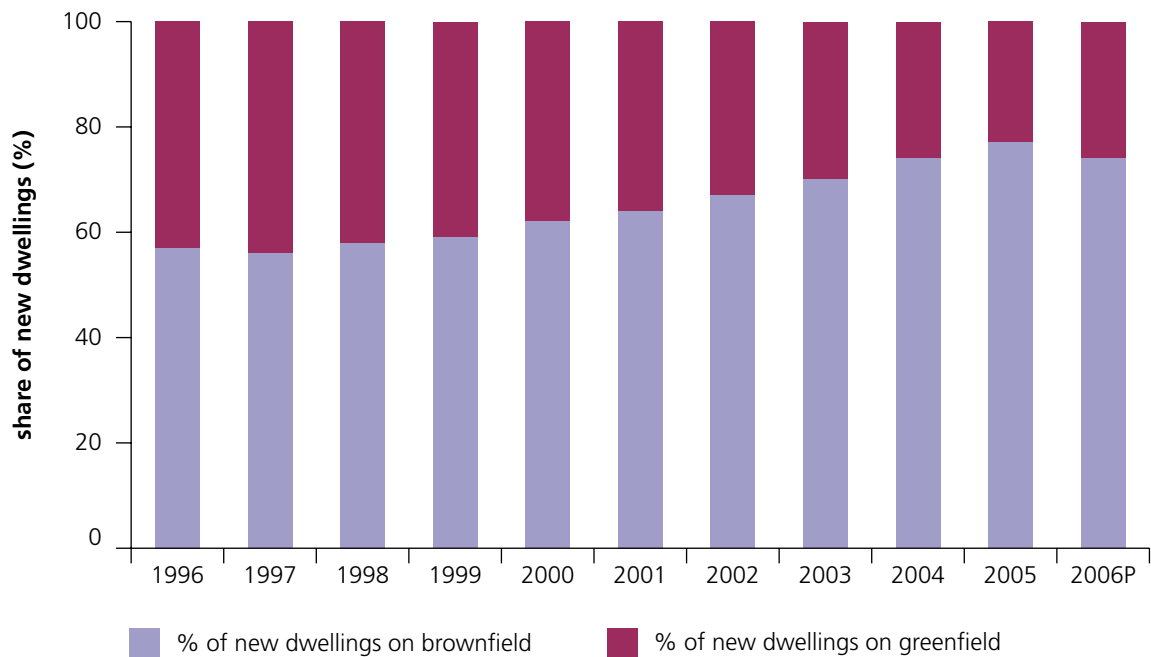
10. The investment made in our Housing Market Renewal Pathfinder Areas has led to increased confidence in areas where neglect had set in. Average house prices in these areas have risen from £46,000 to over £85,000 during the last three years.
11. Pathfinders have also been successful in ensuring communities are not left behind as the regional economy develops. A key success of the programme has been to help local authorities better understand the economic drivers of local housing markets and to invest in long-lasting change.

### Better use of land

12. We have achieved all this whilst protecting the green open spaces around our towns. Clear and consistent planning policies have enabled the proportion of homes built on brownfield land to rise from 56% in 1997 to nearly 75% today<sup>8</sup>. And by using land more efficiently, the density of new housing has been increased from 25 to 40 dwellings per hectare<sup>9</sup>.

<sup>8</sup> CLG planning statistics live table P201

<sup>9</sup> CLG planning statistics live table P203

**Figure 4: New dwellings: greenfield vs brownfield in England**

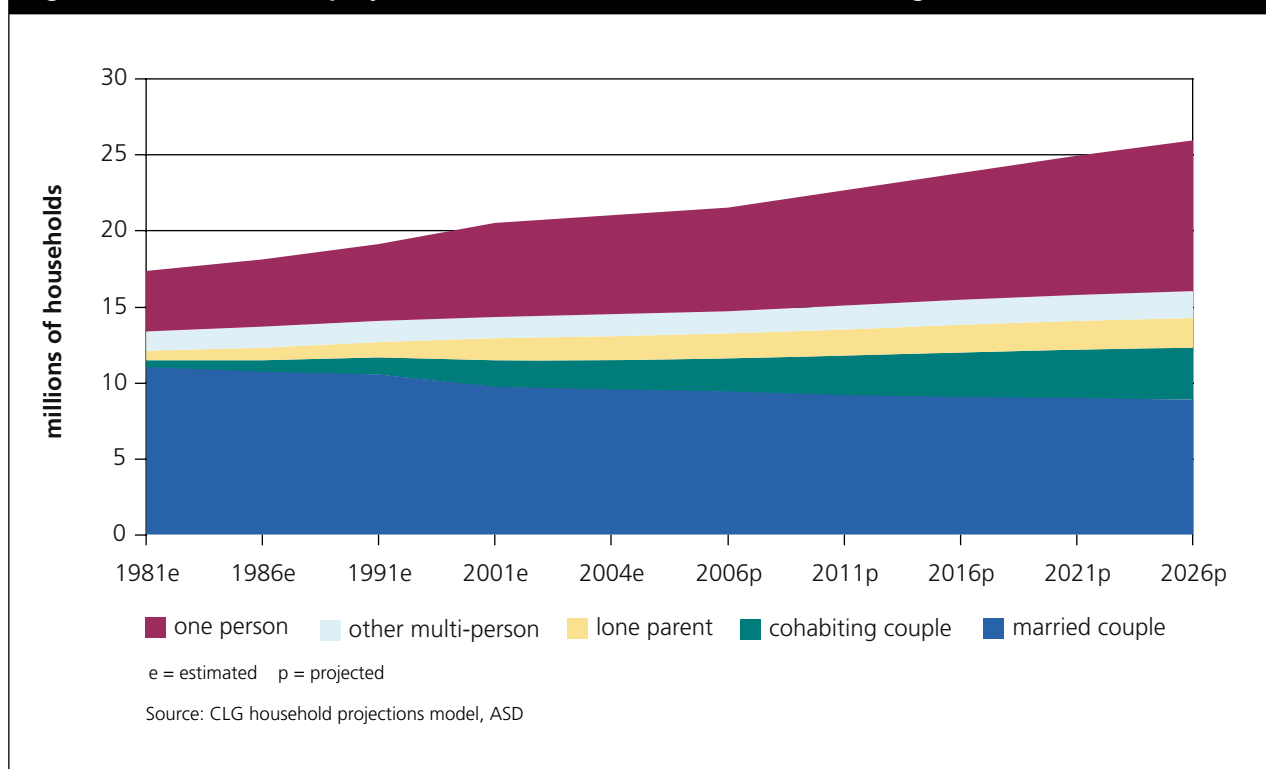
Source: CLG, Analytical Services Directorate, Land Use Change Statistics

## The challenges

13. We need to build on these achievements to meet the challenges and urgent priorities we face. We face new and substantial issues, including affordability of housing, shortages of social housing and climate change.
14. The population is expected to continue to rise and the average household size is falling. In 1971, 19% of households were one-person households. Now 32% are<sup>10</sup>.
15. The latest (2004-based) household projections show that the number of households is projected to grow by 223,000 a year until 2026. This underlines the urgent need to build more homes for this, and future, generations.

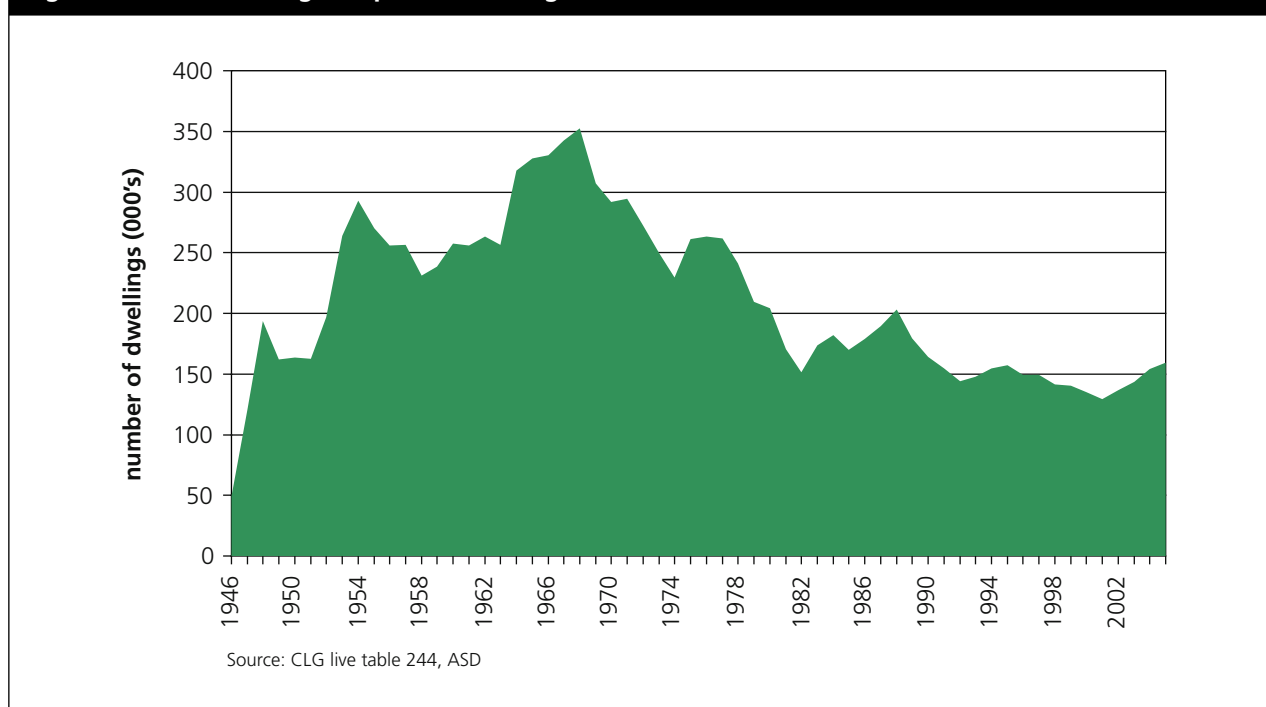
<sup>10</sup> CLG Household Estimates and Projection Model

**Figure 5 : Estimates and projections of the number of households in England**



16. Progress is being made. The level of completions of new homes has increased by 30% since 2002 and is now at its highest level for 17 years.<sup>11</sup> However, it is not yet high enough. More needs to be done to increase the long-term trend rate of growth as well as to respond to the short-term market pressures which affect levels of house building.

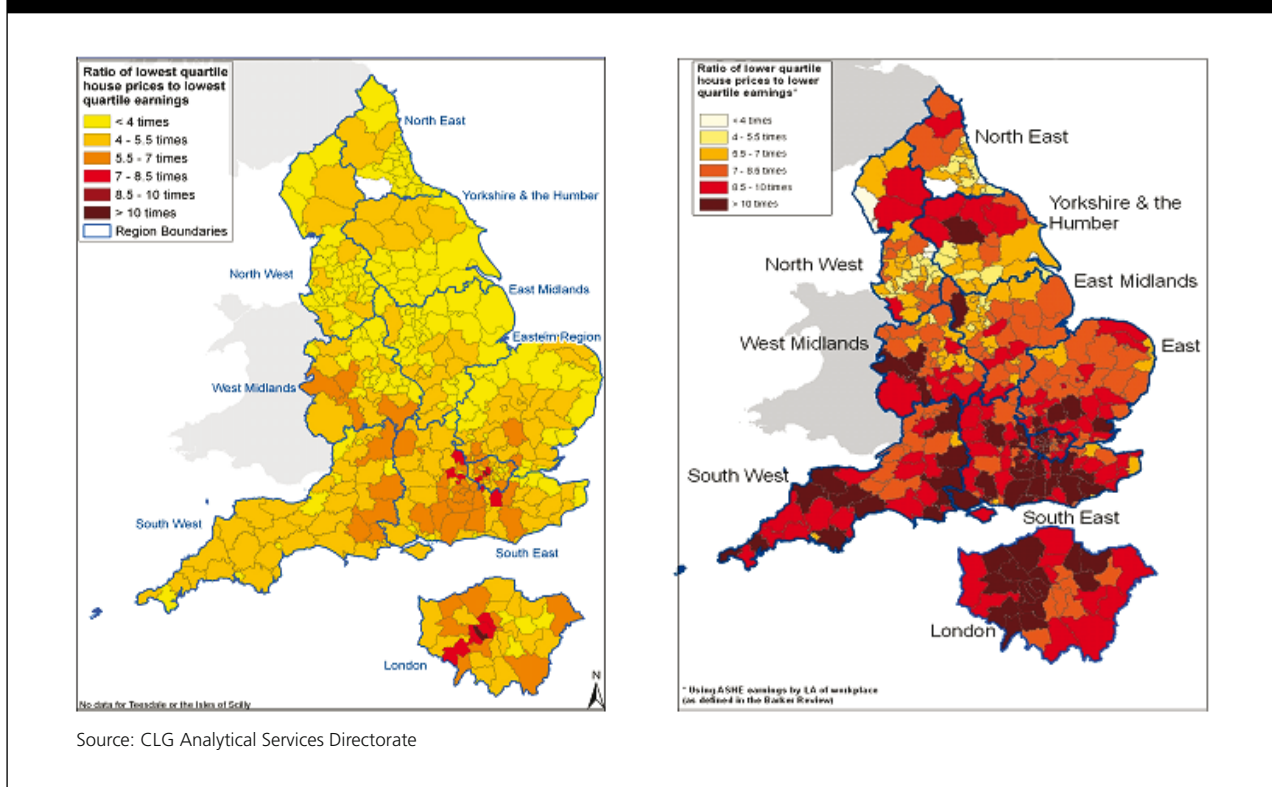
**Figure 6: New dwelling completions in England**



<sup>11</sup> CLG housing statistics live table 244.

17. House building needs to increase further. As demand has grown faster than supply, house prices have risen. They have doubled in real terms over the last 10 years and nearly trebled in the last twenty years<sup>12</sup>.
18. House prices have risen more quickly than earnings in all regions. On average, lower quartile house prices are now more than seven times lower quartile earnings. This is not just a problem in the south. Affordability problems in the northern regions (measured as the ratio of lower quartile house prices to earnings) have risen sharply since 1997. In some areas the ratio has more than doubled. For example in Warrington, affordability has worsened by 140% with the ratio reaching nearly eight times income in 2006<sup>13</sup>. Rural communities also face particular challenges.

**Figure 7: Ratio of house prices to earnings (lower quartile): 1999 and 2006**



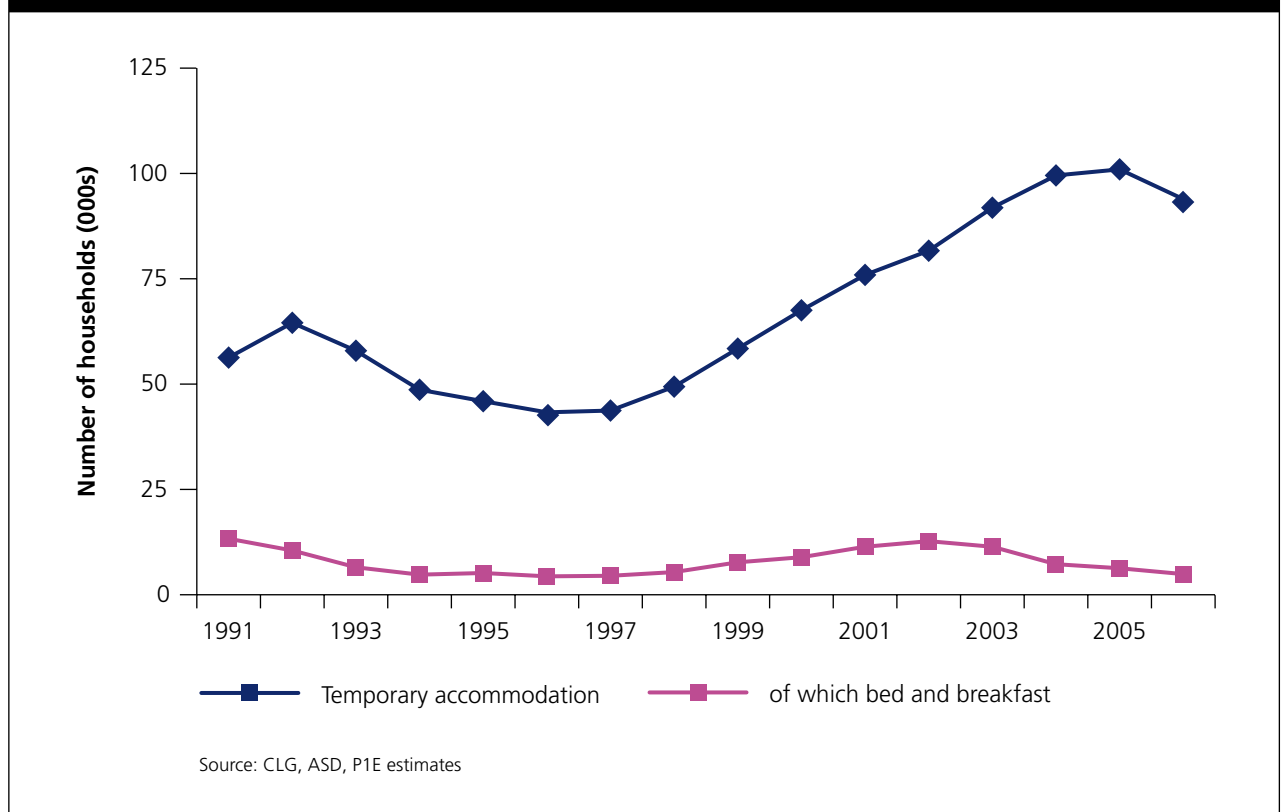
19. Rising house prices create pressure for first-time buyers. Nearly 40% of first-time buyers aged under 30 now depend on help from family or friends to get them started on the housing ladder. In London an assisted young first-time buyer had an average deposit of £57,000 compared to £12,500 for unassisted young first-time buyers<sup>14</sup>.
20. For poorer and vulnerable households there are particularly acute pressures. Despite our achievements, there are 87,000 households living in temporary accommodation, including around 4,000 in bed and breakfast.

<sup>12</sup> CLG ASD analysis of CLG housing statistics live table 503.

<sup>13</sup> CLG housing statistics live table 576.

<sup>14</sup> Council of Mortgage Lenders (CML), Housing Finance, May 2007.

**Figure 8: Households in temporary accommodation and bed and breakfast in England**



21. And the number of households waiting for social housing has risen from 1 million to 1.6 million over the last ten years, both as the number of households has grown and as more families have found they cannot afford a home (although not all these are in urgent housing need)<sup>15</sup>.
22. Provision of new social housing has increased by 50% in 2007-08 since 2004-05. However, it remains significantly lower than the 40,000 households which make up newly arising need each year.
23. We want everyone to have access to a decent home at a price they can afford, in a place where they want to live and work. Good quality, affordable housing enables stable and secure family lives: we are all healthier, happier and wealthier when we have decent homes close to schools, healthcare and transport links.
24. But this is not just an issue for families. Good housing can improve our social, environmental and economic well-being. It helps create better, more cohesive, communities that can attract investment and skilled workers. By getting their design right, we can also improve the environment and reduce our carbon footprint.
25. Therefore, the strategic housing decisions we and our partners take collectively over the next few years are critical to the life chances of the next generation.
26. This Green Paper sets out our plans to improve the housing fabric of our society. We will work with our partners to provide:
  - More homes to meet growing demand;

<sup>15</sup> The Homelessness Act 2002 removed the statutory duty to maintain a housing register as of 31 January 2003 and opened up the right to apply for social housing to everyone (with limited exceptions). The accuracy of the list depends on the extent to which housing authorities keep the register up-to-date.

- Well-designed greener homes, linked to good schools, transport and healthcare; and
  - More affordable homes to buy or rent.
27. These plans envisage levels of additional housing not seen for 40 years. Government action alone will not be enough. This Green Paper sets out how the various stakeholders in the delivery of housing will need to work together to meet this challenge: local communities, local authorities and their delivery partners; the home building industry, regional bodies, and Government and its agencies. Everyone needs to take responsibility and account for the part they play in delivery.



## SECTION II: MORE HOMES TO MEET GROWING DEMAND

The chapters in this section explain how the Government will meet its commitment of building 240,000 new homes a year by 2016. This will help ensure we have enough homes for our growing population and work towards the Prime Minister's goal of 3 million more homes by 2020.

**Delivering 2 million homes by 2016 and 3 million homes by 2020:** Our proposals assume that housing supply will rise over time towards the 240,000 per year target in 2016, delivering approximately two million new homes by 2016 and continuing at around 240,000 homes per annum over the next four years to deliver an extra million new homes by 2020.

The two million new homes that will be delivered by 2016 will include the following:

- **1.6 million homes are already in Regional Spatial Strategies (RSS) and plans now in place including around 650,000 homes in Growth Areas** with support from the 2003 Sustainable Communities Plan (e.g. Thames Gateway and Milton Keynes/South Midlands);
- **150,000-200,000 additional homes in RSS and plans now under consideration**, including many smaller sites and urban area schemes, together with **further, partial RSS reviews** where they are needed;
- **100,000 extra homes in 45 towns and cities** that make up the **29 New Growth Points** which have already come forward in 2006 proposing high growth schemes. Those towns will be eligible for additional support and growth funding – comparable to support which growth areas receive, including access to a £300 million Community Infrastructure Fund for Growth Areas, New Growth Points and eco-towns;
- **An additional round of New Growth Points** including for the first time the North. Our ambition would be to deliver around **50,000 new homes** depending on bids;
- We are launching today an invitation for local authorities and developers to propose **5 new eco-town schemes**, with the entire community designed to be able to reach zero carbon standards. Each scheme could provide between 5,000 and 20,000 new homes. Depending on bids with a potential of some **25-100,000 homes**.

### We will support this growth with:

- **Increased infrastructure support** – in addition to support from the Community Infrastructure Fund, funding for Growth Areas, New Growth Points and eco-towns will double by 2010-11.
- **Reviews of regional plans** – including sub regional reviews, where necessary, to support eco-towns and New Growth Points by 2011 so that plans reflect the need for 240,000 homes a year by 2016.
- A new **Housing and Planning Delivery Grant** which will act as an incentive to reward those councils who are delivering high levels of housing and who have identified at least 5 years worth of available land for homes and the further 10 years worth in plans as required by planning policy.
- **New guidance** to help local councils identify enough land to deliver the homes needed in their area for the next 15 years, as required by planning policy for housing (PPS3).

- **Action** to permit applications for housing where councils have not identified enough land.
- **Action** to encourage private developers to bring forward housing more quickly, and reduce any incentive to hold land back;
- **More use of public sector land**; with a new target of 200,000 new homes to be delivered by 2016, a significant increase from the previous target of 130,000;
- **Better use of disused land** as our new homes agency supports councils in drawing up local strategies to maximise development on brownfield sites;
- **Better use of existing buildings**: bringing long term empty homes back into use, and we will consult on ways to incentivise action on empty homes as part of the Housing and Planning Delivery grant; and
- **Creation of the new homes agency** which builds on current successful delivery of programmes by the Housing Corporation, English Partnerships and the Department in response to rising demands.

## Chapter 1: Delivering homes where they are needed

**Government will provide new homes in urban and rural areas, in the North as well as the South. We will support:**

**200,000 extra homes in the Growth Areas in addition to existing plans (650,000 new homes in total):** The Sustainable Communities Plan 2003 set out this ambition. We will continue to support and invest in delivery in the Growth Areas over the Comprehensive Spending Review period (2008/09 – 2010/11).

**100,000 extra homes in 45 towns and cities** that make up the 29 New Growth Points which have already come forward. Those towns will be eligible for additional support and infrastructure funding – comparable to support which Growth Areas receive including access to a new £300m Communities Infrastructure Fund for Growth Areas, New Growth Points and eco-towns.

Potential for **50,000 extra homes in additional New Growth Points** including for the first time areas in the North. We are launching today a new bidding round for local councils able to support significant increases in homes and jobs in their area.

**Five eco-towns of between 5,000 and 20,000 homes.** We are launching today an invitation to local authorities and developers to propose new eco-towns which are additional to current plans and where the whole development could achieve zero carbon.

**More rural new homes:** The Housing Corporation is investing £230 million to deliver around 6,300 homes in small towns and villages through its 2006–08 affordable housing programme. The Housing Corporation are providing support for seven new potential Community Land Trust pilots, enabling trusts to own land for local communities to provide affordable homes.

1. As we have seen, the biggest challenge we face is providing enough homes to meet growing demand. And because we are committed to reducing our carbon footprint, we want to have a variety of different schemes to deliver sustainable housing growth to meet the needs of different areas.
2. We need to deliver new homes in all parts of the country. Existing programmes that are supporting growth in the South will be extended to cover northern cities and towns. People living in rural towns and villages will have more access to affordable homes through innovative arrangements involving local authorities and their communities.

### Growth Areas and Growth Points

3. The existing four Growth Areas<sup>16</sup> and twenty nine New Growth Points<sup>17</sup> are making a vital contribution to our ambition to increase housing supply. Combined with London, the four Growth Areas and New Growth Points have the potential to deliver 1.1 million homes by 2016 of which 300,000 homes will be additional to previously planned levels. Both programmes are already working to provide greener homes.

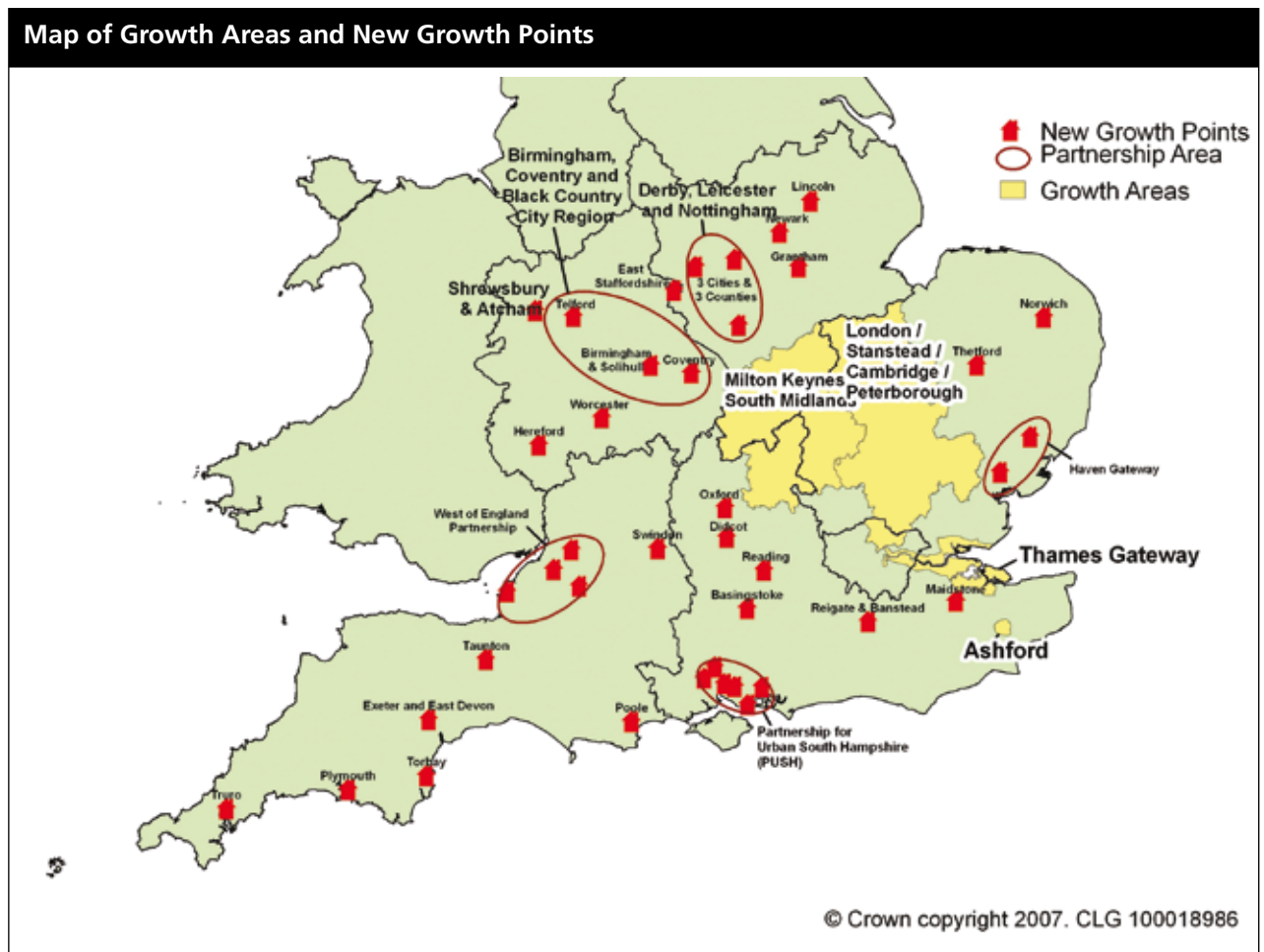
<sup>16</sup> Growth Areas, based on proposals in regional planning guidance for London and the rest of the South East in 2001, have been established in the Thames Gateway; Milton Keynes/South Midlands; London-Stansted-Cambridge-Peterborough and Ashford. Combined with London, their current aim is to sustainably provide 200,000 additional homes above previously planned levels by 2016.

<sup>17</sup> The Government invited local authorities to submit strategic growth proposals which were sustainable, acceptable environmentally and realistic in terms of infrastructure to be assessed by Government and its agencies. 29 areas were named as New Growth Points across the East, South East, South West, East Midlands and West Midlands. If all of the proposed growth were realised existing New Growth Points are expected to contribute around 100,000 additional dwellings by 2016, an increase of around 32 per cent on previous plans for housing supply in these areas.

4. Building on the success of the Growth Areas and New Growth Points, later this year, we will expand the New Growth Points programme by inviting additional local authorities to bid to become part of the programme during 2008-09.
5. As the evidence shows, housing growth is now a national issue not just limited to the South East. This is why we will be expanding the New Growth Points programme to cover the whole of England for the first time. We will ensure areas in northern regions are eligible to submit proposals for New Growth Points. As we extend the programme into the North, we will need to ensure that we continue to revitalise previously blighted urban housing, through the renewal and regeneration objectives of the ongoing Housing Market Renewal Programme.

## The current programme

6. The four existing major Growth Areas are the Thames Gateway, Milton Keynes/South Midlands, London-Stansted-Cambridge-Peterborough and Ashford. Over £1 billion Growth Area funding is being invested in these areas between 2003 and 2008. This is for capacity building, site infrastructure projects, town centre facilities, green infrastructure and wider community facilities. Combined with London, a total of 200,000 additional homes will be delivered through the Growth Areas by 2016, compared to previously planned levels. We will continue to invest in supporting delivery in the Growth Areas.
7. By the end of the Comprehensive Spending Review period, Communities and Local Government funding for Growth Areas, New Growth Points and eco-towns will at least double. Final figures will be announced by the end of the year.
8. In October 2006, 29 local authorities and partnerships covering 45 towns and cities were named as New Growth Points. They have a wide regional spread and include major cities such as Nottingham and Bristol, as well as large and small towns such as Swindon and Thetford. The level of new housing being provided ranges in each area but it is proposed, for example, that Birmingham and Solihull will provide at least 40,000 homes by 2016, Swindon 17,700 and Norwich 15,950. A total of 100,000 additional homes will be delivered through these growth points by 2016, compared to previously planned levels.
9. New Growth Points, Growth Areas and eco-towns will also share in the £300 million Community Infrastructure Fund. Each of the New Growth Points was subject to a cross government assessment to consider sustainability affordability and realism, including environmental assessment and appropriate conditions. This process will be repeated for future New Growth Point and eco-town proposals.



## Expanding the New Growth Points programme

9. As with the earlier round of New Growth Points, we will provide funding to authorities who are ready to take forward rates of growth substantially above previously planned levels for delivery by 2016. These proposals must be sustainable, affordable and realistic.
10. Numbers of new homes will depend on proposals by authorities but for example 10 to 15 New Growth Points might be expected to supply an additional 50,000 new homes. The final number will depend on the strength, costs and sustainability of bids coming forward.
11. Many of the New Growth Points will be in areas of the North where the challenge is to balance growth alongside regeneration. We will continue to invest in Housing Market Renewal alongside growth but we will need the programme to provide greater focus on areas where there are deep seated structural problems whereas the larger cities are now experiencing significant market uplift.

## Eco-towns

12. Eco-towns will build on the UK's rich historic experience of creating planned new settlements. The garden cities are rightly highly regarded across the world. Ebenezer Howard's vision of garden cities was of places to combine 'the health of the country with the comforts of the town'. Green Belts have kept places separate and distinct and

many of the new towns of the second half of the twentieth century have been highly successful. Modern schemes need to be more flexible in design and make more use of different models of financing but many of the lessons of the new towns still apply.

13. Eco-towns will be entirely new towns which are exemplar “green developments” of between 5,000 to 20,000 homes. They will be designed to meet the highest standards of sustainability, including low and zero carbon technologies and good public transport. They should incorporate renewable energy systems such that, overall, the whole development in eco-towns is capable of achieving zero-carbon. The entire community will be designed to have zero or low carbon use, including new schools, community and health facilities. Environmental infrastructure will be a key component of eco-towns including effective flood management, sustainable urban drainage systems, waste water management together with greenspace and enhanced biodiversity.
14. Eco-towns will complement town and city centre renewal, urban extensions and the redevelopment of major sites in existing urban areas. Two prototype schemes, Northstowe in Cambridgeshire and Cranbrook outside Exeter in Devon, are already at an advanced stage of planning and will provide a test bed for informing plans for eco-towns. Construction will start next year.
15. We are looking for at least five new schemes to start within two years, each with 5,000–20,000 homes. As new developments, they provide an excellent opportunity to show how homes can be built to higher environmental standards with potential for lower cost. This will include zero-carbon development and integrated services and transport. Final decisions will depend on the strength, costs and sustainability of the bids received.
16. In line with support provided to Growth Areas and New Growth Points, Government will invest in eco-towns to provide support for delivery capacity, early site infrastructure projects, essential studies and master-planning. Eco-towns will be eligible for support from the Community Infrastructure Fund. £2m has already been made available for preparatory work. A large proportion of future investment in eco-towns will be made by the private sector.

## Selecting eco-town developments

17. Alongside this Green Paper we are publishing a prospectus setting out the vision and outline criteria for eco-towns. We are inviting proposals from local authorities and other interested groups as to how eco-towns could contribute to additional growth. Eco-towns will be judged against the following criteria:
  - zero carbon and environmental standards;
  - sustainable travel;
  - design quality, including through design competitions;
  - community involvement; and
  - use of land.
18. We are committed to preserving green spaces. So, where possible we will use brownfield and public sector land to deliver these new developments.

19. On identifying promising eco-town proposals, we will:

- review them with other Departments and Agencies;
- commit resources where appropriate to enable eco-towns proposals to be dealt with quickly through the planning system using mini RSS reviews and use of the new town powers where necessary to secure implementation;
- provide guidance for developers, prepared by David Lock and the Town and Country Planning Association (TCPA);
- establish a wider reference group to provide input and expert advice into their development; and
- sponsor an architectural competition to stimulate new thinking on design for new settlements.

## Meeting the rural challenge

20. First-time buyers can find it just as hard to get on the housing ladder in rural areas as they do in our towns and cities. Indeed the problem is often exacerbated by a more limited supply of suitable land.

21. Almost a fifth of England's population lives in rural settlements. Many rural areas face a significant shortage of affordable housing. While there are regional differences, in Great Britain more than 50% of local authorities with the highest house price to income ratio are in rural areas. Moreover, only 12% of homes in rural areas are social housing for rent, compared to 21% in urban areas. Despite higher average incomes than urban households<sup>18</sup>, almost 32% of rural households have incomes of less than 60% of the English median<sup>19</sup>. Rural district authorities receive a proportionate share of affordable housing investment. However, most of the investment goes into the towns in the area rather than villages. It is important that local and regional delivery bodies engage with rural people and communities to better identify rural affordable housing needs and work in partnership to deliver homes where they are needed most.

22. Housing growth will therefore be critical for the survival and prosperity of rural areas. And a significant proportion of rural households are likely to need help to enable them to meet their reasonable housing aspirations. But the delivery of housing in rural areas should respect the key principles that now underpin planning policy – to provide for high quality housing that contributes to the creation and maintenance of sustainable rural communities in market towns and villages.

23. In 2005, we set up the Affordable Rural Housing Commission specifically to inquire into the scale, nature and implications of the shortage of affordable housing for rural communities in England and to make recommendations to help address unmet need. The Commission's work was invaluable in helping our objective to improve access to decent accommodation at an affordable price for those living and working in rural areas.

24. Our recent planning policy for housing (PPS3) gave rural planning authorities powers to deliver and was strongly informed by the Commission's work. PPS3 helps local authorities to positively address the need and demand for housing in rural areas.

<sup>18</sup> SOTC 2007, p.67

<sup>19</sup> SOTC 2007, p.68

They can require affordable housing in the sort of smaller developments likely to be built in smaller towns. Sites can also be earmarked solely for affordable housing in rural areas where there is evidence of need and it is practical and viable to do so. This is in addition to housing delivered through the rural exceptions site policy.<sup>20</sup>

25. The Housing Corporation is investing £230 million to deliver around 6,300 homes in small towns and villages through its 2006–08 affordable housing programme. Overall, completions of new affordable homes in rural local authority areas in 2005–06 totalled 10,189 new homes – or 23% of all new units of affordable housing supplied in England, similar to the proportion of people who live in these rural areas. We have commissioned the Housing Corporation to lead a feasibility study over the summer to consider the case for a new time limited funding programme to help local organisations overcome local barriers to the provision of affordable homes in rural areas.
26. In addition, following the Commission’s report, we have also established a Rural Housing Advisory Group within the Housing Corporation to consider further innovative and efficient ways of delivering more rural affordable housing.
27. The Group is also looking at how we can better meet the particular challenges faced by rural communities. The Group is identifying new schemes to increase rural housing supply and finance affordable housing. As part of this, seven pilot Community Land Trusts<sup>21</sup> are being supported in rural areas. These are: Holsworthy in Devon; St Miniver in Cornwall; Buckland Newton in Dorset; Worth Matravers in Dorset; Carhampton and Withycombe in Somerset; Bishops Castle in Shropshire and Chipping in Lancashire.
28. Investment in affordable housing must be based on proper evidence of need and in the context of a wider strategy for the area, which is why we have invited the Regional Assemblies to advise on appropriate levels of rural investment across 2008-11. In the autumn we will be announcing a target over the CSR07 period for the Housing Corporation to seek bids for developments involving affordable housing in rural areas informed by that advice.

#### **Next steps**

- Continue to support delivery in the Growth Areas and New Growth Points
- Identify at least 5 new eco-town schemes by inviting responses to the eco-towns prospectus from local authorities and other interested groups
- Commit resources where appropriate to enable eco-towns proposals to be dealt with quickly through the planning system
- Launch a guide for developers
- Invite bids from individual local authorities and partnerships for New Growth Point status
- Develop a target over the Comprehensive Spending Review (CSR07) period for affordable housing in rural areas
- Continued investing in Housing Market Renewal over the Comprehensive Spending Review period with greater targeting of funding to areas facing deep seated structural challenges

<sup>20</sup> This policy allows planning permission to be granted in exceptional circumstances, where the housing is for local and long-standing residents that could not otherwise be provided.

<sup>21</sup> A Community Land Trust is a mechanism for the democratic ownership of land by the local community. Land is taken out of the market and separated from its productive use so that the impact of land appreciation is removed, enabling long-term affordable and sustainable local development.



## Chapter 2: Delivery without needless delay – continuing planning reform

We will use regional plans, speedier delivery and improved incentives and penalties to deliver many of the new homes we need. This includes:

- **New regional plans:** Current plans being developed by Regional Assemblies and local councils are already identifying broad locations for 190,000 additional homes a year – 30,000 more a year than in previous plans. We will complete this current round of regional plans as speedily as possible so those housing provisions can be implemented.
- **Reviews:** We will set up mini reviews of regional plans to increase regional and local targets and ensure the new eco towns and additional Growth Points are properly identified and planned for. Regional Spatial Strategies (RSSs) will be revised, in whole or part, by 2011 at the latest to reflect plans for 240,000 homes a year by 2016.
- **Single Regional Strategy:** In the future, housing, economic and environmental issues will be much better integrated with infrastructure needs as part of a single regional strategy, prepared by the Regional Development Agency and signed off by local council leaders.
- **Better local incentives and enforcement:** A new Housing and Planning Delivery Grant (HPDG) will reward those councils who are delivering high levels of housing and who have identified at least 5 years worth of sites that are ready for development.
- **Local planning authorities will have to identify enough land** to deliver the homes needed in their area for the next 5-15 years, by rapidly implementing new planning policy for housing. We are publishing new guidance to support this. Where councils have not identified enough land, planning inspectors will be more likely to overturn their decisions and give housing applications the go ahead on appeal and the further 10 years worth in plans as required by planning policy.

### Planning and local delivery

1. The Planning White Paper<sup>22</sup> made clear that increasing the supply of housing is a key outcome for planning. The White Paper has a large number of proposals to streamline the preparation of plans, speed up the handling of planning applications and help strengthen local authorities' strategic housing role.
2. We must ensure that the planning system supports the goal of 240,000 new homes every year. It is at the local level that the planning choices have to be made on where new housing should be located; the quality and mix of housing is needed, and how and when it will be delivered.

### Regional planning can help deliver our goal.

3. The Regional Spatial Strategy (RSS), introduced in 2004, sets out the broad development strategy for 15 – 20 years, identifying the need for additional housing and how they should be distributed. This is the basis for local planning authorities when preparing the Local Development Frameworks (LDFs) for their areas.
4. The current round of RSSs prepared by Regional Assemblies and local councils identify broad locations for around 190,000 additional homes a year – 30,000 more a year than in previous plans. All RSSs (apart from West Midlands Phase 2) have been through the

<sup>22</sup> *Planning for a Sustainable Future* May 2007.

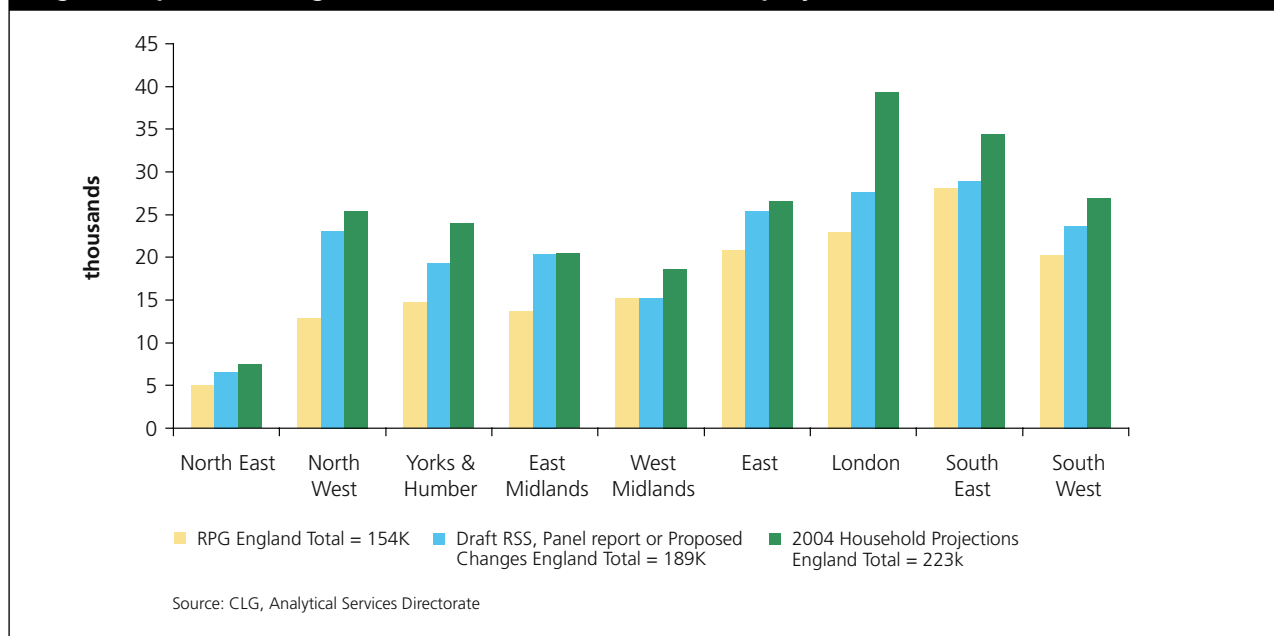
Examination in Public stage, and should be finally approved by the Secretary of State by the end of next year.

- These provide the strategic planning framework for Growth Areas such as the Thames Gateway and Milton Keynes/South Midlands, which are currently working to provide around 650,000 new homes in London and the wider South East over the next ten years.

## Improving the regional planning process

- Regional plans need to be sufficiently flexible to respond to changing demand. The current round of RSSs are likely to fall short of meeting expectations in household growth and housing need, as the table below illustrates.

**Figure 12: Comparison of housing supply levels in current Regional Planning Guidance to the draft Regional Spatial Strategies and the 2004-based household projections**



- We will therefore encourage the early review of housing provision in RSSs, especially in areas of high demand and locations in sub-regions where appropriate. Such mini reviews will also enable the proposals for new eco-towns and additional Growth Points to be properly assessed within the planning system. We expect that all such reviews of RSSs should be completed by 2011 to reflect plans for 240,000 homes a year by 2016.
- We propose to strengthen the evidence base for those early reviews by issuing formal Government guidance at the beginning of RSS preparations (and subsequently where appropriate) on the ranges of housing provision required over a 15 to 20 year time period. This guidance will be based on the independent advice of the National Housing and Planning Advice Unit (NHPAU). We will expect Regional Planning Bodies and Examination in Public panels to test these options so that the Secretary of State can be fully informed when taking the final decisions about appropriate levels of housing provision in approving the RSS.

9. These changes do not require new legislation but should result in quicker processes for bringing forward land for housing development. Detailed proposals for full or partial reviews should be prepared by the Regional Planning Body with the full involvement of local authorities and other stakeholders in the area.

## **Moving to a Single Regional Strategy**

10. In the longer-term, we will make two changes:
  - i. The first, as set out in the Review of Sub National Economic Development and Regeneration (published July 2007), will require a single strategy for each region, embracing the current RSS and Regional Economic Strategy, so we can better plan homes alongside jobs and infrastructure. Executive responsibility for preparing the single strategy will lie with the Regional Development Agency. Local Authorities will play a key role in proposing the vision for their area and in drawing up proposals for the area to feed into the regional strategy. In doing so we would expect them to draw upon the evidence and objectives of their Sustainable Community Strategy which will have been drawn up in consultation with their partners. In addition, local council leaders will need to endorse the final draft strategy before it goes to independent examination. The spatial elements of the single regional strategy will continue to form the regional element of the statutory development plan. Strict timetables will be set by the Secretary of State. We will consult on working arrangements in due course.
  - ii. Secondly, we will specify an economic growth objective for each region, and require the spatial aspects of the regional strategy to set out as one of its central proposals, the level of housing needed to match the level of projected household growth in the region. Where the proposals do not match the level of projected household growth, there will need to be robust justifications.
11. This will place the responsibility on local authorities and regional planners to agree the level of housing growth and require local authorities to consider the best location for the needed housing growth in their areas.

## **New local planning incentives**

12. A key requisite for faster delivery of more housing is more land, so that land availability is not a constraint on the delivery of more high quality homes.
13. Local Councils therefore need to do more to bring forward suitable developable land for housing. As set out in Planning Policy Statement (PPS3), they need to identify at least a 15 year supply of land with 5 years worth that is available to deliver the level of homes that they need.
14. Local planning authorities should plan for the best location of new housing through their Local Development Frameworks, prioritising the use of brownfield land and setting their own local targets which take account of suitable and available sites and support the national target of at least 60% of homes being built on brownfield land. We strongly encourage Local Planning Authorities to move forward quickly to identify broad locations for housing in core strategies and, in parallel, site allocations in development plan documents, to avoid any delay in making sufficient land available in a flexible and responsive way.

15. Some Local Planning Authorities will not currently have enough land identified locally to meet the 5 year requirement, or to respond to higher levels of homes needed should the relevant Regional Spatial Strategy require it in future. These Local Planning Authorities should not wait for the full Local Development Framework before identifying potential additional housing land. We are publishing today guidance to show how to draw up Strategic Housing Land Availability Assessments in line with PPS3. Where there is no core strategy or other Development Plan Documents in place these should be used as a material consideration in determining planning applications and appeals. This will help ensure that the location for new homes is sustainable rather than being decided on a wholly ad hoc basis.
16. Planning Policy Statement 3 also requires local planning authorities to consider whether sites that are currently located for industrial or commercial use could be more appropriately re-allocated for housing or mixed use development. We have published guidance on how to carry out employment land reviews, and guidance on Strategic Housing Land Availability Assessments is being published alongside this Green Paper. Both encourage an integrated approach to carrying out employment and housing land reviews. Our forthcoming consultation paper on Planning for Economic Development will further support a more evidence-based approach to identifying sites for employment and housing.
17. Planning Delivery Grant (PDG) has been a great success in helping local authorities deliver an effective and efficient planning service. We are today publishing provisional allocations of £91m to local authorities as the second tranche of the grant for 2007.
18. But because we regard it as so crucial that authorities maximise the supply of building land in their areas, we intend to replace Planning Delivery Grant with a new grant. From 2008, a new Housing and Planning Delivery Grant (HPDG) will reward the delivery of both new housing on the ground, and the identification of at least 5 years worth of sites ready for development and the further 10 years worth in plans as required by planning policy.
19. The new grant will be paid to those local authorities that meet their agreed development timetables for new housing, based upon the requirements set out in PPS3. To ensure optimum impact, the housing supply element of new grant will be targeted at the areas where housing growth is a priority.
20. If a local authority cannot demonstrate that it has an up to date five year supply of deliverable sites, planning applications for development on other sites should be considered favourably. If applications relate to sites that are allocated in the overall land supply, but which are not yet in the up to date five year supply, local authorities should still consider whether granting planning permission would undermine achievements of their policy objectives. Where councils have not identified enough land, planning inspectors will be more likely to overturn their decisions and give housing applications the go ahead on appeal.
21. Particularly at this time when Local Development Frameworks (LDFs) are still being prepared, the Secretary of State will not hesitate to use her powers to recover planning appeals and take decisions herself, in order to reinforce PPS3 land supply policies.

22. We are also continuing with the reforms to streamline the planning process as set out in the Planning White Paper. Planning Performance Agreements (PPA) between a developer and a local planning authority have been shown to be very effective in providing greater certainty to developers and through the Advisory Team on Large Applications (ATLAS) we are today publishing draft guidance on PPAs which can be used by both developers and LPAs to ensure an efficient and timely and more predictable planning process for large developments.

**Next steps**

- Publication of Practice Guidance for carrying out housing land availability
- Publication of draft guidance on Planning Performance Agreements
- Consultation on the allocation of the Housing and Planning Delivery Grant
- Consultation on revised guidance and regulations on Local Development Frameworks
- Consultation document on the new single regional strategy
- Government guidance for RSS revisions

## Chapter 3: Public sector land use

### This chapter announces:

- Central Government holds surplus land with the potential for up to 100,000 new homes. Local Authorities hold surplus land with potential for a further 60,000 new homes. The review of surplus sites across Central Government and its agencies will continue to identify and bring forward more land to deliver the Government's new target for housing on surplus land.
- Government has therefore raised the target to 200,000 new homes to be delivered on surplus public sector land by 2016, a significant increase from the previous target of 130,000 announced in the Pre-Budget Report.
- The Ministry of Defence will release seven major sites immediately to English Partnerships with potential for 7,000 new and affordable homes, including sites at Aldershot and Chichester. A review is being undertaken to identify further sites.
- A portfolio of Highways Agency and the British Rail Residuary Body surplus sites is to be identified and transferred to English Partnerships and brought forward for new and affordable housing.
- The Department of Health will transfer thirteen new sites into the programme for new and affordable homes. In addition, NHS Trusts are identifying the surplus land they hold with potential for further new housing.
- Government will seek to fund additional shared equity homes by taking a deferred receipt on part or all of the land value. This will be repaid as homeowners purchase additional equity.
- English Partnerships is to take a central role as agent or advisor on all major disposals of Central Government surplus sites for housing, and will review Departments' asset management strategies.
- English Partnerships will set out new standards for housing on surplus Government land, which will increase the number of affordable homes developed, bring forward sites more quickly and ensure that design and environmental performance standards are raised to meet housing policy objectives.
- The Register of Surplus Public Sector Land will be extended to cover all sites held for disposal by Central Government organisations including, for example, NHS Trusts.
- The launch of a new approach to the use of vacant land owned by Local Authorities that will provide additional housing and the opportunity for a more active role for local government in the development of these sites. Fourteen new Local Housing Companies will be established by Local Authorities and partners, with a national programme of support from English Partnerships, to develop new market and affordable housing on surplus brownfield land.

1. The Government has set as an urgent priority the need to increase housing supply and affordable housing. It is essential that Government and the public sector unlock surplus land for additional new and affordable homes.
2. We have raised the target to 200,000 new homes to be delivered on surplus public sector land by 2016. The new target is an increase above the previous PBR announcement (130,000 by 2016) and follows the identification of major additional surplus public sector land holdings which are being brought forward. More surplus public sector sites will be identified and released to contribute to the Government's increased target. This includes the potential for 60,000 new homes on surplus brownfield land held by Local Authorities.

3. As the Prime Minister announced last week, the review of surplus land in Central Government ownership has identified over 550 additional sites. This includes major sites from British Rail Residuary Board (340 sites), Highways Agency (130 sites) and MoD (50 sites). It is estimated that Central Government holds surplus land with the potential for up to 100,000 new homes.
4. Communities and Local Government and English Partnerships, our national regeneration agency, are working with the Departments on a national programme for the early transfer and release of those sites that are available for housing development – both now and in the future.

## Central Government Surplus Sites

5. Agreement has been reached, in principle, to secure the early disposal and development of seven major sites from the Ministry of Defence through English Partnerships with the potential for over 7,000 new homes, providing a minimum of 3,500 new affordable homes, including sites in Aldershot and Chichester. In addition, terms have been agreed for the acquisition of Connaught Barracks in Dover with potential for a further 500 (250 affordable) new homes.
6. In addition, Defence Estates and English Partnerships are actively working on a review of all potential surplus sites owned by the MoD. It is anticipated that this review will lead to the release and disposal of further sites for housing development with English Partnerships either acquiring the sites directly or acting as agent for the MoD.
7. English Partnerships will be undertaking an urgent review of surplus sites held by the Highways Agency and the British Rail Residuary Body to identify those sites that have potential for housing development. These portfolios will then be transferred to English Partnerships which will then prepare the sites for subsequent disposal and development to provide a mix of housing with at least 50% being for affordable housing. This follows a review undertaken by the Department for Transport.
8. A further thirteen additional surplus sites with housing potential have been identified by the Department of Health and will be brought forward in addition to the successful Hospital Sites programme, a partnership between the Department of Health and English Partnerships. In addition, the Department is working with NHS Trusts in an urgent review of surplus land assets with housing potential. Alongside this review, the Department of Health and English Partnerships are developing appropriate mechanisms for the disposal and development of these sites on a programme which will allow the early development of these sites with a minimum of 50% affordable provision and the generation of receipts over a 10 to 15 year period that can be re-invested in health facilities.
9. In addition, there are also Central Government bodies which are actively managing their surplus land. For example, British Waterways development programme will release sites which will deliver a further 15,000 new homes on brownfield land.

## Strategy for Continued Release of Surplus Sites

10. Government will continue to improve its efficiency and planning for the release of further sites over the next 3-5 years and ensure that land disposals meet the Government's housing objectives. To reinforce the drive to release surplus public sector land efficiently, the Register of Surplus Public Sector Land giving details of land for disposal will be extended to cover all Central Government Departments and organisations, such as NHS Trusts. Details of disposals and subsequent development will be recorded to ensure that effective progress in the release of sites is maintained.
11. English Partnerships will work with Departments on a continuing basis to review their asset management and disposal strategies and programmes. They will identify a programme for potential surplus sites, and ensure that these are released efficiently at the earliest opportunity and maximising the opportunities for new and affordable homes.

## Transfer and Management of Sites through English Partnerships

12. English Partnerships has a major role in supporting Central Government in bringing forward surplus sites. English Partnerships will either acquire sites directly or take an agency role, managing or reviewing disposals, to ensure that minimum agreed standards for development are achieved.
13. English Partnerships' standards will include:
  - A minimum of 50% affordable homes, including developer contributions through planning obligations for social rented homes funded in the usual way, consistent with Government housing policy. The balance will be affordable shared equity housing for first time buyers, to be funded by the deferred payment of part of the site value, repaid by staircasing receipts.
  - High design and environmental performance standards.
  - All homes to meet a minimum standard of Level 3 of the Code for Sustainable Homes.
  - Defined development start and completion dates to prevent landbanking.
  - Limits on the scale of buy to let sales on each site.
14. A standard form of agreement for the transfer of sites to EP will be developed, with financial, fiscal and Government Accounting provisions to ensure efficient handling. The budgeting framework for Departments has also been reformed to improve the incentives on Departments to speed the disposal of land. In addition, the Government will consider the case for granting EP an exemption from Stamp Duty Land Tax on intra-Government transfers; an announcement will be made at the Pre-Budget Report
15. Government will reconvene the Surplus Public Sector Land Taskforce to drive forward and report on the progress of the programme to release additional Central Government sites. English Partnerships will establish a new Surplus Public Sector Land Unit to work with Departments to take forward the disposal programme and ensure the efficient release of sites for new and affordable housing.



## Funding Additional Affordable Housing

16. The Government's commitment to increasing the supply of affordable homes will maximise the opportunities for affordable homes on surplus sites. The minimum level of affordable housing provision sought will be 50% of all homes provided on these sites. To achieve this Government will seek to fund additional affordable housing by taking a deferred receipt on the balance of shared equity homes. This will be repaid as homeowners purchase additional equity.

## Local Housing Companies: a new approach

17. The surplus land held by Local Authorities offers a major opportunity for new and affordable homes. Early indications suggest the potential for a minimum of 60,000 homes. To unlock this potential and aim to achieve at least 50% affordable homes will require new ways of working to bring forward these sites and ensure the identification and early release of further additional sites.
18. Local Authorities are keen to play an active role in leading this new approach, to shape the communities that will be created and promote choice and availability of new affordable homes.
19. The proposal set out in this part of the Green Paper provides a new opportunity for Local Authorities to establish joint venture Local Housing Companies with support from English Partnerships.
20. English Partnerships will launch a new national package of support for Local Authorities to enable them to unlock land for new housing and affordable homes and establish the quality and mix of development in their areas. This will offer clear incentives for Local Authorities to become pro-active partners in the delivery of new and affordable homes in their local area, creating exemplar developments, attracting new development partners into the market, and offering more consumer choice and affordable homes.
21. Local Authorities will be invited to set up Local Housing Companies in a joint venture with English Partnerships and other partners into which authorities will invest public land. Each LHC will act as the master developer for new communities within a designated area, working in partnership with other investors and contractors. They will be able to deliver additional shared ownership without Government grant. These Local Housing Companies will develop new mixed communities and meet specific needs such as affordable and family housing, and will be able to include at least 50% affordable housing.
22. The Local Authority will contribute land and assist with planning consent. English Partnerships will assemble a package of financial and technical assistance. This initiative will allow Local Authorities to keep a stake in their land and enjoy the benefit of rising land values over time. The new companies will be designed to suit local circumstances around a common framework, enabling them to be set up quickly. The Local Housing Companies will have responsibility for the design, masterplanning, achieving planning consent and commissioning of development. This programme will complement the wider role for local authority vehicles outlined subsequently (Section V: Delivery; How We Make It Happen).

23. Fourteen Local Housing Companies are to be created this year and Local Authorities are now working with English Partnerships in Leeds, Sheffield, Nottingham, Newcastle, Wakefield, Sunderland, Dacorum, Harlow, Peterborough, Bristol, Plymouth, Wolverhampton, Manchester and Barking and Dagenham. They estimate they have the potential to deliver at least 35,000 new homes, with at least 17,500 affordable homes. We are already inviting more Local Authorities to set up Local Housing Companies to help realise the opportunities for over 2,600 ha of surplus brownfield sites identified with housing potential for 60,000 homes.

**Next steps:**

Departments and English Partnerships will report progress on the immediate transfer of sites and progress on the review of Departments' asset strategies and disposal programme.

English Partnerships will prepare minimum development standards which will apply to all Government surplus land and provide a standard form of agreement for future surplus land transfers.

Government will clarify the potential to increase the proportion of affordable homes on surplus sites through deferred receipts and repayment through staircasing.

Government will reconvene the Surplus Public Sector Land Taskforce to oversee Departments' release and disposal of surplus sites.

English Partnerships will establish a new surplus public sector land unit to drive forward the Central Government programmes for land release.

English Partnerships and the Local Authorities will establish the first fourteen Local Housing Companies and invite additional Local Authorities to join the programme.

## Chapter 4: Recycling homes and land

**The success of our strategy is not just about building new homes, it depends just as much on making better use of existing buildings and maximising the use of brownfield sites for building new homes.**

- Sustainable brownfield land continues to be the priority for development, with a continued national target that over 60% of homes should be built on brownfield sites
- Every local authority will be expected to set their own target for brownfield use
- Councils will also be expected to do more to bring long term empty homes back into use, and we will explore a range of measures including the new Housing and Planning Delivery Grant

### Maximising the use of brownfield

1. We also need to make the most of disused land. Brownfield land should be the priority for development. We have a national target that at least 60% of homes should be built on brownfield land. This remains our goal.
2. Local authorities need to continue to prioritise sustainable brownfield land in their plans, with flexibility to distinguish between different brownfield sites, as some will not be appropriate for development, including those with significant biodiversity value or flood storage functions. They should set their own local targets to reflect available sites and support the national target. Authorities need to take stronger action to bring more brownfield land back into use.
3. English Partnerships are supporting this process, helping us understand and overcome those problems which are preventing some private and public brownfield sites from being brought back into use. They will help local authorities develop robust local brownfield strategies to identify the potential for brownfield land reuse and likely timescales involved.
4. English Partnerships and the Academy for Sustainable Communities will review the existing brownfield skills gap and identify needs for new training programmes. Government is working with all its partners to maximise the use of brownfield sites.
5. The new homes agency will work with local authorities to support them in making best use of brownfield land to lever in private investment and transform communities.
6. The modernisation of empty property relief within business rates announced at Budget 2007 will increase the incentives for efficient use of commercial property and, as Sir Peter Hall has commented provide opportunities for regeneration of brownfield land including for housing.

### Better use of existing buildings

7. There will be times when a property might be expected to be empty, for example when someone is moving and cannot sell their other house. This is part of the churn in the housing market and we respect this. However, when homes are left empty for years, they can undermine communities, be a magnet for crime and a waste of a valuable housing resources. When looking at the need to increase housing supply, local

councils, as part of their strategic housing role, need to reduce the number of homes that are left empty for long periods of time.

8. There are over half a million empty privately owned residential properties in England and half of these have been out of use for longer than 6 months. On average, owners could be losing £8,000 a year by leaving empty a property that could otherwise be rented out.
9. The best performing authorities such as Manchester City Council show what can be done through a proactive strategy and targets.
10. We want to help all local authorities to maximise their impact on reducing empty properties. The Empty Homes Agency and LACORS, the council regulatory services body, will continue to support local authority best practice.

## Incentives and powers for local authorities

11. Councils will also be expected to do more to bring long term empty homes back into use. We will explore a range of measures including the new Housing and Planning Delivery Grant to facilitate this. Local authorities need to look at making best use of what already exists as well as securing new supply.
12. We have strengthened the powers available to local authorities to tackle empty homes. Since 2006, they have been able to issue Empty Dwelling Management Orders (EDMOs) as part of their approach to bring homes into use. A council with housing responsibilities can use an EDMO to take over the management of some residential properties that have been empty for more than six months.
13. For many owners, the threat of an EDMO is sufficient to prompt action. But too many potential homes remain empty – we estimate nearly 150,000 properties have been empty for 2 years or more. There is also evidence of homes being brought as a capital investment and then left empty on a ‘Buy to Leave’ rather than ‘Buy to Let’ basis. At a time when new supply is a priority, local authorities should be working to ensure new properties are being occupied as homes and not remaining empty.
14. To have new developments where units are deliberately kept unoccupied cannot be acceptable at a time of growing demand pressures. Local authorities should make clear to owners and developers the powers EDMOs provide to ensure these properties are occupied.

### **Next steps**

To explore how bringing empty homes back into use through measures including the new Housing and Planning Delivery Grant.

## SECTION III: HOW WE CREATE PLACES AND HOMES THAT PEOPLE WANT TO LIVE IN

The previous chapters set out how we will increase overall housing supply. The provision of infrastructure is fundamental to unlocking the land we need to provide new homes. But we don't just want to provide more homes. We want to ensure they are built to the highest standard, both in terms of design and environmental impact, and that they are part of communities with excellent local facilities. We also want to improve the quality of existing social homes, so that everybody has decent housing.

This section sets out our proposals for infrastructure provision, embedding high quality design and meeting the environmental challenge to create places and homes that people want to live in.

**Greener homes:** A quarter of the UK's current carbon emissions (around 150 million tonnes of carbon dioxide each year) arise from the way we heat, light and run our homes. We want to increase protection of the environment by cutting carbon emissions, and we want all new homes to be zero carbon from 2016. We will be strengthening the Building Regulations in 2010 and 2013 to set the standards we need to help achieve this. We will also set new minimum standards for water use in new homes. We are consulting on how best to rate new homes against our Code for Sustainable Homes to inform consumers and help drive up standards.

We will monitor closely the effectiveness of our new planning policy protecting new homes from flooding, and we will make no fundamental change to planning policy on Green Belts as set out in Planning Policy Guidance note 2.

**Infrastructure funding:** We have already delivered significant investment in infrastructure through mainstream government funding. £14 billion was spent on infrastructure in the three main regions of growth (London, the South East and East) during 2006-07. We are setting out new procedures to ensure mainstream programmes provide proper support for high growth areas.

We will also continue with targeted funding for Growth Areas, New Growth Points and eco-towns including a £300m Community Infrastructure Fund over the next three years.

**Good amenities:** New settlements should also be attractive places with good quality neighbourhoods and green public space. They must provide good local infrastructure – transport, schools, healthcare and community facilities. Such provision will be central to our plans, and we are setting out new procedures for councils and government departments to plan for new schools, new health facilities and improved transport facilities.

The Commission for Architecture and the Built Environment (CABE) is helping authorities provide and use more green spaces for play and recreation. Green spaces are an essential part of our Growth Areas, New Growth Points and eco-towns programmes, where a tenth of growth area funding has been dedicated to improve parks, forests and green spaces since 2003.

Our aim is to eliminate poorly-designed new housing, and make good and very good the norm, by ensuring take-up of Planning Policy Statement 3. This guides housing developments to reflect the needs of all members of local communities. Our *National Strategy for Housing in an Ageing Society*, to be published this autumn, will set out more on ensuring housing growth responds to the needs of an ageing population. We also recognise the inspirational power of the very best, and will be stimulating new thinking using, for example, competitions in eco-towns. We will also continue to develop and test new mechanisms to deliver better design outcomes more efficiently.

We will continue to work with CABE to support delivery of good design, and embed inclusive design principles on the design of new homes and spaces. During the autumn 2007 we, with the Department for Culture, Media and Sport, will conduct a light-touch review of CABE to ensure their work is supporting both departments' priorities most effectively.

## Chapter 5 Infrastructure

1. It is vital that people have access to good schools, healthcare, transport and other community facilities when they move into a new home. Local authorities can often agree how such facilities are provided as part of the planning process, ensuring a fair contribution by developers to the local infrastructure.

### **This chapter sets out:**

- How government departments will work together to provide new communities with the local services they need; and
- The Government's approach to ensuring that local communities share the benefits of planning gain.

### **This chapter announces that over the Comprehensive Spending Review period 2007 (CSR07) we will:**

- Work with Government Departments to implement the recommendations on the delivery of infrastructure emerging from the CSR07 Policy Review into Supporting Housing Growth detailed below
- Continue to invest in supporting delivery in the Growth Areas, New Growth Points and eco-Towns, including providing £300m through the Community Infrastructure Fund.

### **This chapter also announces that:**

- The Planning-gain Supplement (PGS) remains the Government's preferred option for securing more of the benefits conferred by the planning system to support housing growth. However, before legislating, the Government wants to be sure this is the best option. The Prime Minister has indicated to Parliament that the **Planning-gain Supplement Bill** is provisional within the third session legislative programme. If, prior to the Pre-Budget Report, a better way is identified of ensuring that local communities receive significantly more of the benefit from planning gain, including to invest in necessary infrastructure and transport, and it is demonstrated that it is a better alternative, the Government will be prepared to defer next session's legislation. This section summarises the Government's preferred option and lists the main alternative approaches which have been raised by stakeholders. These approaches will form the basis for discussions with key stakeholders prior to the Pre-Budget Report.

## Cross-government commitment to creating sustainable communities

### Sustainable Communities

'Securing the Future', the Government's Sustainable Development Strategy published in 2005, sets out the key ingredients of sustainable communities, as places where people want to live and work, now and in the future. Specifically, sustainable communities should be:

- Active, inclusive and safe
- Well run
- Environmentally sensitive
- Well designed and built
- Well connected
- Thriving
- Well served
- Fair for everyone

2. Delivering the necessary infrastructure is critical to delivering housing. Roads unlock sites and make developments viable. Successful communities require access to schools, health care, roads, public transport, water, energy sources and public spaces. The Government said as part of its response to Kate Barker's Review of Housing Supply it was committed to ensuring that housing growth is accompanied by the social, transport, and environmental infrastructure needed to deliver sustainable development at the local level.
3. Our proposals in this package go a long way towards creating sustainable communities by supporting them with the range of infrastructure they need to meet their economic, social and environmental needs. But we also know that communities need to be properly engaged, that services need to be joined up, and delivery on the ground monitored and evaluated against our broader aims for sustainable communities.

New growth does bring environmental pressures and these need to be planned for in a strategic way to minimise undesired impacts. Improved infrastructure planning will help achieve better environmental outcomes as well as reducing the overall costs. A crucial part of getting this right is to plan effectively to supply and manage the demand for water, provide facilities for waste water and mitigate the risks of flooding, particularly in light of climate change.



Communities and Local Government is working closely with the Environment Agency and others to ensure that our housing supply ambitions are planned early and properly. Our work will be guided by the Environment Agency's advice that growth is planned according to four pillars:

1. Get the location right
  2. Plan for the longer term
  3. Reduce demand for new infrastructure
  4. Secure funding for environmental infrastructure early
4. Later this year, the Government will respond to the report of the Sustainable Development Commission 'Building Houses or Creating Communities' and will set out some of the lessons learned from the 2003 Sustainable Communities Plan, focussing on co-ordination between workstreams and monitoring and evaluation of our policies and programmes.
5. Planning and delivering local and strategic infrastructure is critical to ensuring the Government meets its new commitment to increase housing supply to 240,000 homes per year by 2016. Supporting the timely delivery of infrastructure can help to shape and attract new housing development and is vital for long-term sustainability, including economic sustainability. Conversely, uncertainties about the timing and delivery of infrastructure can cause unnecessary delays in construction.

## **The Role of Central Government**

The Government proposes to use the CSR07 performance management framework to move towards a more coordinated cross government approach to housing growth, ensuring that housing growth is a priority for the key infrastructure departments.

In doing so the Government will publish a clear plan for delivery, setting out how each infrastructure department will work to deliver infrastructure to support housing growth. This plan will demonstrate how each department will be responsible for delivering the housing growth outcome, including:

- setting out the delivery chain, how it operates, and the incentives and levers in the chain to deliver the outcome;
- how each of the key infrastructure departments and their agencies will contribute to the delivery of the outcome, including how they will be held accountable for delivery.
- how delivery will be measured and monitored, including consultation with frontline delivery agents and developers.

This will help ensure that the frameworks set by central government departments for local and regional delivery agents, support and promote effective coordinated infrastructure delivery at the regional and local level.

As part of this approach the Government proposes to ensure the necessary governance arrangements are in place to monitor progress and hold departments to account for infrastructure delivery, and to identify and collectively assist with addressing coordination and delivery issues identified by regions and localities.

6. Further announcements on ensuring the appropriate prioritisation of housing growth across Government will be made as part of the general announcements on the performance framework as part of the 2007 CSR.

## **CSR07 Policy Review into Supporting Housing Growth**

7. As part of its response to Kate Barker's review of housing supply the Government has been conducting a policy review into supporting housing growth. Alongside the work on infrastructure planning above, the review has also been examining how to ensure that departmental resources across Government are targeted appropriately for providing the national, regional and local infrastructure necessary to support future housing and population growth.
8. In addition to the funding that Communities and Local Government will allocate to support the Growth Areas, New Growth Points and Eco-Towns, the review has recommended the following actions for Government Departments which will be taken forward over the CSR07 period to demonstrate their real commitment to supporting growth, by ensuring that their resources are targeted appropriately to ensure that the infrastructure to support housing growth arrives in a timely and efficient manner.

### **Department for Children, Schools and Families:**

- Expanding existing guidance to identify and spread best practice amongst local authorities in school place planning and tackling surplus places.
- In addition to using the most up to date actual pupil data available in Dedicated Schools Grant allocations to local authorities, DCSF will also make available a small grant to local authorities who experience an in-year exceptional increase in pupil numbers, both in overall terms and in the numbers of children for whom English is not the first language. Details of the grant will be set out in the autumn School Funding Settlement.
- DCSF will also consider, in management of its capital programmes, including Building Schools for the Future from wave 7 onwards, how the pressure of housing growth is best addressed.

### **Department for Transport:**

- working with Communities and Local Government and the growth areas, new growth points, and eco-towns to refine, develop and prioritise options for meeting future transport pressures, and maximising the links between housing growth and economic productivity;
- working with Communities and Local Government to develop a methodology to better capture the economic benefits that new housing developments generate, for inclusion in the revised New Approach to Appraisal system, which we use to prioritise transport funding, due in 2008;
- conducting further work with Communities and Local Government, to explore how soft demand management measures can be better implemented in the developing plans for New Growth Points and how Local Planning Authorities can be encouraged to draw on the Highways Agency's revised Circular on Planning and the Strategic Road Network more vigorously through the proposed business planning process.

The Department for Transport estimates recent and planned expenditure on local authority and Highways Agency major transport projects in the four Growth Areas is around £4 billion. For example, improvements to the M1 benefiting Luton and Milton Keynes, to the A14 around Cambridge and to public transport schemes benefiting Northstowe (Cambridgeshire), London Thames Gateway and Kent Thameside. In addition rail investment is benefiting the Growth Areas, for example, the East Midlands rail franchise provides for re-opening a railway line for passenger service which will connect Corby with London.

### **Department of Health**

- Continue working with Communities and Local Government to consider the pressures faced by growth areas and new growth points in Primary Care Trusts when carrying out the work on revenue allocations to PCTs post 2007-08.
- In support of the Growth Areas, the Department of Health provided an extra £20 million of revenue funding to Primary Care Trusts (PCTs) in 2004-05 and 2005-06. In addition, in 2005-06 £20m of capital funding was allocated to Strategic Health Authorities. The Department also included a Growth Area Adjustment in the 2006-07 and 2007-08 revenue allocations to PCTs. This adjustment impacts upon the target position of PCTs within the Growth Areas and, therefore, the distribution of growth funding to these PCTs.

### **Department for Environment, Food and Rural Affairs:**

- Working to ensure early and ongoing consultation with infrastructure providers through the business planning process, ensuring that environmental impacts, including flood risk, water quality and the integration and management of green spaces and biodiversity, are taken into account early on in the planning process.
- Ensuring that the Water Periodic Review 2009 takes into account housing growth sufficiently, working with water companies and Communities and Local Government to determine the appropriate demand forecasts and options for greater efficiency of water resource use.
- Working in partnership with utility companies to ensure that wastewater infrastructure to support housing growth has a longer term planning framework, reviewed regularly, to ensure that housing plans, local resource availability, existing infrastructure capacity and the scope for demand management are better taken into account.

**Department for Culture, Media and Sport:**

- continuing to engage in a partnerships across Government through the Culture and Sustainable Communities Joint Agreement, to plan for cultural provision and good quality building design in sustainable housing growth
- working with local authorities, Local Delivery vehicles and Agencies, DCMS, through its sponsored bodies, will seek to promote policies on the quality of the built environment, heritage protection, sport and other cultural facilities through inclusion in Local Area Agreements. This includes funding decisions on heritage, sport and culture related issues.

**Home Office**

- Ensuring that new housing developments are adequately taken into planning assumptions by police authorities as part of the neighbourhood policing agenda.

**Three month cross-Whitehall reviews on infrastructure and housing growth**

9. The Comprehensive Spending Review 2007 Policy Review into Supporting Housing Growth has set out a framework within which Central Government departments can better co-ordinate infrastructure provision. This will enable departments to better take account of housing growth in their forward plans. Building on this, Communities and Local Government will lead on a programme of three-month bi-lateral reviews with each department to test the outcomes of the Policy Review in specific locations and for specific items of infrastructure eg schools to ensure they will deliver the infrastructure needed on the ground to unlock housing growth. These reviews will report to the Minister for Housing and the relevant Secretary of State.

**The role of local government and regional bodies**

10. Local authorities and regional bodies play a crucial, leading role in supporting housing growth. In particular, they are responsible for the primary mechanisms for statutory spatial planning through Regional Spatial Strategies (RSSs) and Local Development Frameworks (LDFs) and coordination of infrastructure. The challenge of increasing housing supply requires a coordinated approach at the regional and local level, including better coordination between infrastructure provision and housing growth. This is a two-way relationship. For example, public services will need to be available when people move into new houses, providing appropriate confidence for infrastructure providers and home builders, but also means that local planning authorities will need to be more responsive to the plans of public service providers, when deciding where to build houses, including making most efficient use of existing capacity and demand management measures.
11. Local authorities are well placed, through their role in preparing Sustainable Community Strategies and Local Area Agreements, to negotiate with and influence other local and regional partners. They can ensure through existing partnership arrangements that all local partners adopt a co-ordinated approach to creating the necessary infrastructure to deliver housing growth.

## **Building on progress made in the planning system at the regional and local level**

12. The Regional Spatial Strategy (RSS) provides a broad development strategy for a region covering a fifteen to twenty year period, including allocating housing numbers to districts or a group of districts where there is joint planning. At the regional level, Implementation Plans are developed as part of or alongside the RSS. These plans set out implementation mechanisms for each policy, in particular, identifying which organisation is responsible for delivery and the timescales for delivering strategic infrastructure. RSS Implementation Plans are informed by, and subsequently inform, the development of local strategies, plans and programmes as well as the plans of national delivery agencies such as the Highways Agency, ideally through their Local Strategic Partnership.
13. The LDF core strategy, together with other development plan documents, sets out the spatial planning strategy for the Local Planning Authority's (LPA) area. The core strategy provides LPAs with an opportunity to develop strategic approaches to spatial planning.
14. Case studies undertaken as part of the CSR07 Policy Review demonstrated the benefits of a more coordinated and systematic approach to infrastructure planning, including:
  - Effective and consensual prioritisation of infrastructure requirements, and therefore better use of public resources;
  - Better assessment of the wider costs and benefits of the planned growth;
  - Clear understanding of what will be delivered by the public sector and what will be delivered by the private sector; and
  - Clear estimation of current and future need and cost of infrastructure including demand management measures.

### **Robust infrastructure planning in Northamptonshire**

In Northamptonshire, 100,000 dwellings and 100,000 new jobs are planned between 2001 and 2021. Meeting this level of growth requires significant joint working by the range of local authorities and their delivery partners.<sup>23</sup> Joint working has enabled partners to undertake an ambitious series of studies to quantify the needs, costs and phasing of infrastructure required to support housing growth up to 2021.

The purpose of these plans is to secure greater confidence for the private sector and local communities, identify the most effective use of finite private and public sector funding, connect coherently planning, delivery and performance accountabilities and, in turn, provide a catalyst for further economic growth and investment in Northamptonshire as a key national growth area.

The evidence base which underpins these studies, including assumptions on the rate and scale of growth and the formulae used, is crucial to understanding the impact of certain variables on the need for and cost of infrastructure. For example, the County Council commissioned a Pupil Generation Survey which determined the number of children expected from different types of housing development. This found that on an average development with a mix of dwelling sizes, 24 primary pupils would accrue per 100 dwellings. However, a similar sized development comprising 4-bedroom dwellings would accrue 63 primary pupils.

## **Systematic infrastructure delivery planning**

15. Going forward, the Government wants to build on existing processes to promote infrastructure planning across all local areas. LPAs will be required to demonstrate sound infrastructure planning to support the proposals set out in their statutory Local Development Framework. Local infrastructure plans should have regard to the RSS and its Implementation Plan. However, in line with the recent Local Government White Paper, the form infrastructure planning takes should be at the discretion of the LPA. LPAs will report progress on the delivery of infrastructure in their Annual Monitoring Report and should keep their plans under review and update them as necessary.
16. In order to build on this, the Government proposes that the Planning Inspectorate should consider the demonstration of infrastructure availability and planning as part of the test of soundness of a development plan document. We will review the current test of soundness in this light.

<sup>23</sup> North Northamptonshire Development Company (NNDC), West Northamptonshire Development Corporation (WNDC), the borough and district councils, Northamptonshire County Council, Northamptonshire Enterprise, the Highways and Environment Agencies, East Midlands Development Agency and English Partnerships.

## Coordinated infrastructure delivery

17. Once areas have developed robust infrastructure plans, systems need to be in place to ensure delivery of the plans. This is clearly evident in some areas but strong governance is critical to ensuring effective timely delivery of infrastructure to support ambitious levels of housing growth. There is currently no consistent system to coordinate infrastructure delivery across local areas and while different areas will require different approaches, a lack of coordination between processes and stakeholders can have an adverse impact on the timeliness and efficiency of infrastructure delivery.

## Local authority leadership

18. The Government proposes to build on existing processes to promote a more consistent approach to coordinated infrastructure delivery across all areas by ensuring that LPAs have lead responsibility for coordinating and driving forward infrastructure delivery, working in partnership with infrastructure providers and key local partners such as the Highways Agency.

## Funding for Infrastructure

19. Communities and Local Government is already investing over £1 billion in the Growth Areas and £40 million in the New Growth Points between 2003 and 2008 including support for local delivery vehicles to co-ordinate investment and infrastructure. This funding supports capacity building, site infrastructure projects, town centre facilities and wider community facilities including 10% of Growth Area funding being dedicated to the provision of green infrastructure such as parks since 2006.
20. Funding for Growth Areas and New Growth Points complements other mainstream government funding, developer contributions and local authorities own resources to support the high levels of housing delivery in these areas.
21. We will continue our commitment to supporting delivery in the Growth Areas, New Growth Points and in the new eco-towns over the CSR period. The New Growth Points are now gearing up for major investment for delivery and we expect to significantly increase the scale of their funding to reflect the scale of this challenge. In addition to support from the Community Infrastructure Fund, funding for Growth Areas, New Growth Points and eco-towns will at least double by the end of the period and final figures will be announced in the Autumn
22. Providing adequate funding for growth is a Government-wide responsibility, of course, not just resting with Communities and Local Government. Investment in infrastructure in the three regions of growth was £14bn in 2006-07 (London, East, South East).<sup>24</sup>

<sup>24</sup> Figures taken and calculated from *Public Expenditure Statistical Analyses 2006* (May 2006): [http://www.hm-treasury.gov.uk/media/375/5A/cm6811\\_comp.pdf](http://www.hm-treasury.gov.uk/media/375/5A/cm6811_comp.pdf)

To get a better fit between the needs of growth and existing infrastructure capacity, new proposals for growth points and eco-towns will continue to be subject to a high level strategic review to ensure that proposals are sustainable, affordable and realistic. New housing will in some areas stretch the ability of transport and environment infrastructure to cope and needs to be planned in a way which manages or reduces demand, for example by identifying locations which are more likely to become self sustaining centres rather than simply a source of long distance commuting. Equally there is a need to steer away from areas which are subject to severe flood risk or water restraint if better alternatives can be found in the same area.

## Community Infrastructure Fund

23. The Community Infrastructure Fund (CIF) is designed to complement mainstream transport funding, uniquely linking the provision of funding for transport infrastructure to the delivery of housing. This scheme will fund the type of schemes that are vital locally to unlocking large housing development sites or enabling development of housing to be brought forward, but might not be prioritised for funding under the Department for Transport's main programmes. CIF has already provided £200m for 25 transport infrastructure schemes, including upgrades to Milton Keynes station, to enable quicker housing delivery in the four Growth Areas.
24. The £300m Community Infrastructure Fund will be available in the Growth Areas, New Growth Points and eco-towns. Further details on how to bid will be announced in the autumn. This is in addition to other funding from Communities and Local Government to support delivery in these areas.

## Private Sector Funding

25. Substantial funding for infrastructure to support housing growth is provided by the private sector through developer contributions. The business plan produced by the Milton Keynes Partnership, for example, sets out that of a total £1.672bn estimated cost of infrastructure to facilitate its growth, £311m will be contributed by developers through their voluntary tariff arrangement. Similarly, in the Ashford Growth Area, the total estimated cost of infrastructure is £1.665bn, of which around £323m is expected to be sourced from developers.
26. Work is also on going to establish mechanisms to finance infrastructure in the early stages of development in both the public and private sector. Working in partnership with key stakeholders, the Government is keen to draw on this work and develop innovative models for front funding infrastructure. The Government will make further announcements on front funding infrastructure late this year.



## Ensuring local communities share the benefits of planning gain

### The Challenge: Identifying the best way for supporting infrastructure in local communities

27. The Government is committed to ensuring that local communities benefit from growth and are able to obtain the necessary resources to finance the infrastructure needed to support growth. Alongside the reforms to the planning system outlined earlier in this chapter, the planning system has a further crucial role to play, by helping to harness the value of planning permission to generate additional infrastructure funding and thereby unlock housing growth.
28. In some areas, the current system of planning obligations already delivers significant benefits for local communities, through developer contributions towards local infrastructure. Research by Sheffield University<sup>25</sup> estimated that in England, in 2003/04, developers delivered planning obligations worth about £1.15 billion. But the challenge now is to ensure that local communities benefit more from the value uplift that the planning system generates.
29. The Planning-gain Supplement was originally recommended by Kate Barker<sup>26</sup>, alongside a scaled-back system of planning obligations, as a means of generating extra resources through a proposed levy on the value uplift accruing to land granted planning permission. The Barker report followed extensive consultations in 2001 (on a mandatory tariff) and in 2003 (on an Optional Planning Charge). The development industry expressed concerns about these proposed approaches. The Government made clear in response to Kate Barker that we believe that it is right in principle that the public should share in the value uplift that comes when planning permission is granted.

#### **The Planning-gain Supplement**

The Government proposes that key features of PGS would be as follows:

- PGS would be levied at a modest rate to ensure that incentives to develop land are preserved.
- In England, planning obligations agreed under section 106 powers would be scaled back.
- In England, at least 70% of PGS revenues would be paid directly to the Local Planning Authority which granted the planning permission to which the PGS liability is attached. Payments would be made on a regular basis to ensure that local authorities could deploy PGS receipts in a timely way to support infrastructure growth.
- Local authorities would be expected to use PGS resources to secure delivery of infrastructure in pursuit of the objectives identified in their statutory Local Development Framework (LDF).
- The remaining share of all PGS revenues raised in a region would be returned to that region. Regions would have access to a fund for spending in support of regional infrastructure priorities in pursuit of the objectives identified in the Regional Spatial Strategy (RSS). This would enable regional PGS revenues to be spent on infrastructure projects or areas of the region where additional resources, particularly transport, are most needed.
- PGS would not be introduced earlier than 2009.

<sup>25</sup> *Valuing Planning Obligations in England*, Department for Communities and Local Government, May 2006

<sup>26</sup> *Review of Housing Supply: Delivery Stability: Securing our Future Housing Needs*, HM Treasury, March 2004

30. The Government has twice consulted formally and in detail on its proposals for PGS<sup>27</sup>. The Treasury Select Committee, in its report on the Pre-Budget Report<sup>28</sup> in January 2007 said “We welcome the measured way in which the Government is consulting on and taking forward proposals for a Planning-gain Supplement.” At Budget 2007, the Government explained that, in considering the responses to these consultations, it was also looking at levels of infrastructure need and the range of mechanisms for delivering this infrastructure. A full summary of consultation responses will be published in due course. The Government has made clear in both the Pre-Budget Report 2006 and in Budget 2007 that it continues to believe that PGS represents a workable and effective instrument, and it remains the Government’s preferred option for capturing additional planning gain.
31. On 11 July, the Prime Minister indicated to Parliament that a Planning-gain Supplement Bill is provisional within the third session legislative programme, because if, prior to the Pre-Budget Report, a better way is identified of ensuring that local communities receive significantly more of the benefit from planning gain, including to invest in necessary infrastructure and transport, and it is demonstrated that it is a better alternative, the Government will be prepared to defer next session’s legislation. The Government is continuing to prepare for legislation on PGS in the next session of Parliament.
32. The Government will however also continue to listen to representations from key stakeholders. Some have raised concerns about aspects of the PGS proposal, notably the proposed scale-back of planning obligations. For example, some stakeholders sought greater clarity on the extent and nature of the scale back if PGS were to be introduced. Others have advocated alternative approaches to capturing more planning gain through a reform of our current policy on planning obligations to enable wider using of standard charges. However, those advocates have themselves recognised publicly that such alternatives also have their disadvantages.
33. The Government, in the light of the representations it has received, is offering local authorities and developers a further opportunity to discuss alternative approaches to PGS.
34. To facilitate discussion the Government proposes to seek views from key stakeholders focusing on the following possible alternative approaches:
- Approach A: A lower rate Planning-gain Supplement, with a lesser scale-back of planning obligations. Planning obligations would continue to be based on the tests in Circular 5/05 ‘Planning Obligations’, rather than scaled-back to the extent proposed in the Government’s 2006 consultation document. The Circular 5/05 tests could be placed on a statutory basis as part of this approach. This would provide the certainty about local revenue streams that local authorities and developers have been asking for. Since PGS revenues would no longer need to compensate for a loss of planning obligation benefits, the rate of PGS could be potentially be lower than would be the case otherwise. Under this option, all PGS revenues would

<sup>27</sup> *Planning Gain Supplement: A Consultation*, HM Treasury, December 2005; *Changes to Planning Obligations: a Planning Gain Supplement consultation*, DCLG, December 2006; *Valuing Planning Gain: a Planning Gain Supplement consultation*, HM Treasury, December 2006; *Paying PGS: a Planning Gain Supplement technical consultation*, HM Treasury, December 2006.

<sup>28</sup> Treasury Select Committee, *Report on the 2006 Pre-Budget Report*, 25 January 2007

continue to be returned to the region from which they were raised for investment in infrastructure. There might, however, be a case for revisiting other aspects of the Government's proposals regarding the allocation of PGS revenues (see box above) as part of this option;

- Approach B: A Planning-gain Supplement limited to greenfield sites. Again, planning obligations would continue to be based on the tests in Circular 5/05. PGS would be levied on greenfield sites only. On average, greenfield sites experience higher value uplift as a result of planning permission. This alternative could require EU State Aids approval;
  - Approach C: A charging mechanism based on an expanded system of planning obligations. The Government would amend Circular 5/05 removing some or all of the policy restrictions. This would make it easier for local authorities to develop policies seeking standard charges to mitigate the impact of development, and fund strategic and sub-regional infrastructure, in particular transport. Charges would be set out in Development Plan Documents, and clearly linked to infrastructure need, with an evidence base justifying the charge level for different types of development; and
  - Approach D: A statutory planning charge The Government could legislate to allow local authorities to require standard charges to be paid for infrastructure need, enabling them to capture planning gain more systematically. This would enable all local authorities to require developers to pay average standard charges, based on the total costs of infrastructure in an area. Milton Keynes is often cited by stakeholders as a model, but in practice it is a very special arrangement which relies on voluntary agreements with developers and on similar land values across a range of sites. A statutory charge would make it easier for local authorities to collect contributions to infrastructure costs in areas in which a large proportion of developments are of smaller-scale.
35. We are clear that the test of an effective approach to planning gain will be its ability to raise significant additional funds to support the infrastructure needed for development, in a fair and non-distortionary way, and in a way that preserves incentives to develop in a variety of circumstances.

#### **Next steps**

- Hold discussions prior to the Pre-Budget Report with key stakeholders to discuss possible changes to the design of PGS, particularly focusing on the proposed scale back of section 106 and on whether the alternatives they have proposed might be better.
- Further announcements will be made at the Pre-Budget Report.

# Chapter 6: Well designed homes and places

**We will work with our partners to ensure that new homes and neighbourhoods are well designed and reflect the changing needs of our society.**

This chapter sets our framework to ensure quality improvements in the delivery of new housing, and the further work that is planned to support effective implementation. In particular, it outlines our approaches to:

- **Eliminating poor development and making good and very good development the norm**, by ensuring effective take-up of Planning Policy Statement 3 (PPS3)
- **Recognising the inspirational power of the very best**, for example through design competitions to encourage leading-edge standards in the eco-towns
- **Speeding up the system**, including a new proposal for a quality assurance pilot project
- **Ensuring that new homes and places meet everyone's needs**, by embedding principles of inclusive design in new development and addressing the needs of particular groups, for example children and older people

## Good Design

### Why design matters

1. This Green Paper makes the case for increased housing supply and improved affordability. But in meeting this challenge it is vital we create places and communities where people want to live and work. We need to build more homes and better homes. In the past, too many new developments have suffered from a lack of attention to quality, safety, energy efficiency, environmental impact or infrastructure. Subsequently, people's quality of life suffered and the cost of repair and renewal was considerable. We must not repeat these mistakes.
2. Good design is not just about how a place looks. It involves ensuring that housing is flexible and responsive to the changing needs of society, including meeting the needs of an ageing population, providing better access for wheelchair users and creating more family-sized units with adequate access for baby buggies and outdoor play space. And there are wider benefits of good design. The Commission on Integration and Cohesion recently published evidence of the link between perceptions of cohesion and positive attitudes about physical spaces, and we know that well-designed places can make a significant contribution to reducing the risk of crime. And it has the capacity to speed delivery, as local people are more welcoming of well-designed schemes and then recognise the positive benefits that new housing can bring to an area.

### Using the planning system to deliver housing mix

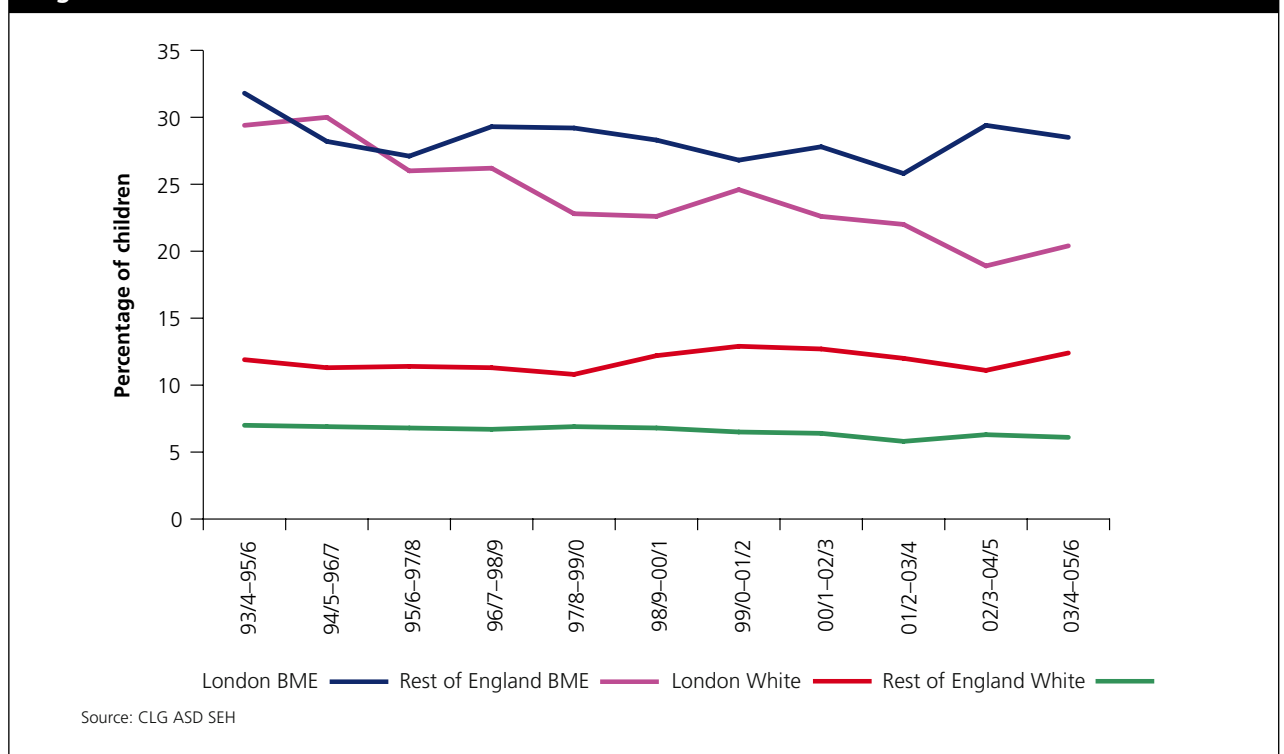
3. Our new PPS3 policy gives local authorities more flexibility to promote and create sustainable, inclusive, mixed communities that meet the needs of all members of the community. This should include a range of housing – to rent and buy and at different levels of affordability, supported by appropriate infrastructure including schools, healthcare services, parks, shops and good public transport links.

- In addition, our new Strategic Housing Market Assessment practice guidance will help provide a good understanding of communities' housing needs and how housing markets work. In addition, the National Housing and Planning Advice Unit can also provide affordability analysis and advice to help local authorities as they undertake their strategic housing role.

## More family homes

- PPS3 also places an emphasis on family homes. For the first time, the planning system must consider the housing needs of children, including gardens, play areas and green spaces.
- Local authorities have more flexibility to ensure larger homes are being built alongside flats and smaller properties. In some parts of the country there are too few homes of sufficient size for larger families, causing overcrowding in all tenures. Black and Minority Ethnic (BME) households are disproportionately found in overcrowded households. As the chart below shows, in London, nearly 30% of children in BME households and over 10% of children in white households live in overcrowded conditions.

**Figure 13: Percentage of children in overcrowded households: all tenures by London/Rest of England and White/BME**

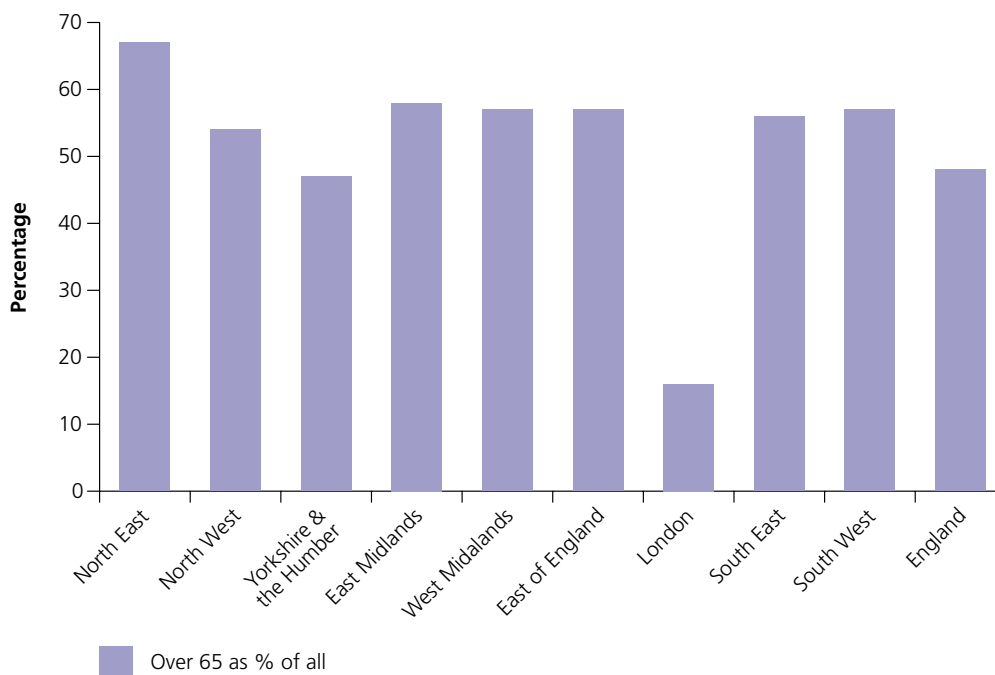


- The regional housing advice process is beginning to address this shortfall. The London Housing Strategy states that 35% of new social rented homes entering the programme should have three or more bedrooms. The Housing Corporation has adopted this target and want a quarter of all social rented homes completed nationally between 2006-08 to meet it. We will look further at ways to provide larger homes in the private sector, shared ownership and social housing.

## Housing for an ageing population

9. Older people will make up 48% of all new growth in households to 2024 and a substantial majority of new households in many regions will be over 65. The largest number of new older households will be in the South East. New housing and its surrounding infrastructure should reflect this demographic change. Houses need to be easily accessible and supported by the right infrastructure, so that people have access to health, housing, transport and care services. Planning is vital and PPS3 now requires Regional Spatial Strategies and Local Development Frameworks to consider demographic trends in terms of the housing requirements of older people.

**Figure 14: Over 65 as % of all household growth**



Source: CLG, 2004 based projection

10. Too many older people still live in housing that does not meet thermal and safety standards and is expensive to adapt. This further adds to the pressures on health, housing and care services. We are taking steps to promote Lifetime Homes Standards to ensure homes properly meet people's needs throughout their lives. These standards include simple things such as ensuring that there is space to install a shower next to a downstairs toilet, that there is room for a wheelchair to turn, and that the layout does not prevent the installation of a stairlift or through-floor lift should it become necessary. Our Code for Sustainable Homes will, in future, encourage builders to adopt these standards and our *National Strategy for Housing in an Ageing Society*, which will be published in the Autumn will also address these issues. We welcome comments on how the adoption of Lifetime Homes Standards can be further encouraged through these routes.
11. We believe that an increased focus on the implications of an ageing society will lead to more attractive options to downsize for older people currently living in larger homes that are difficult for them to manage. In turn this will contribute to improving their health while increasing the supply of larger housing on to the market to meet the needs of new families.

## Greener homes with more green spaces

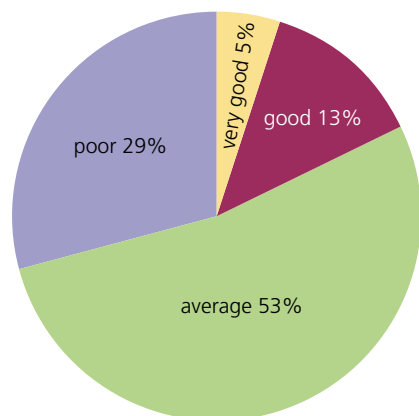
12. Good design is fundamental to building to higher environmental standards and will play a vital role in getting the most out of new technologies and approaches, as well as promoting more sustainable patterns of behaviour. Achieving more zero carbon homes will require more than simply modifying existing house types. It will require a fundamental re-appraisal of how we create places.
13. It is also crucial that homes are designed to be more resilient to the effects of climate change given the climate changes that will be experienced over the lifetime of the home. We are likely to face increased flooding and heat waves across most of the country, as well as water scarcity in some regions. Design principles need to address these issues to minimise and mitigate the risks.
14. A core element of creating sustainable communities is the provision of good quality parks and open spaces which provide environmental functions such as water management and biodiversity, as well as access to the benefits of the natural environment.
15. Government policies and programmes have helped halt the decline in green spaces over the last five years. In order to drive up standards, Government is continuing to support the Green Flag Award Scheme, the national standard for parks and greenspaces, and the number of award winning green spaces is increasing every year.
16. In order to build capacity and skills and to tackle poor-performance we are supporting local authorities through CABI Space. CABI Space is assisting over 100 authorities with their green space strategies and, in line with Planning Policy Guidance 17 requirements, encouraging them to audit all their open spaces and assess the existing and future needs of their community for a variety of open spaces including play areas. We are also encouraging greater and earlier community engagement by local authorities, particularly children and young people, so that they can influence green space policies in their areas.
17. In response to the Barker Report, 10% of Growth Area Funding since 2006-07 has been dedicated towards the provision of green spaces. This includes funding to start the Nene Valley Regional Park, the restoration of ancient fenland at Wicken Fen in Cambridgeshire and the development of community forests working with the Forest of Marston Vale. Such green infrastructure will continue to provide a mechanism for delivering improved environmental outcomes in development, and will be central for our plans for developing sustainable communities and a key feature of eco-towns.
18. The provision of more green spaces is a key component of plans developed in our Growth Areas and the New Growth Points programme focusing on:
  - the rural/urban fringe – to improve the interface between the urban and rural environments by providing improved access for people and wildlife;
  - habitat creation – to restore areas of the countryside back to a more natural state, providing people with more opportunities to experience and interact with their environment first hand;

- habitat protection – to provide rare and sensitive habitat with the increased protection through buffering and habitat enhancement works, securing their biodiversity value for the future; and
- integration of green space within urban development.

## A framework for delivery

19. We know that it is possible to build more homes to higher environmental standards while also improving their quality and we are also clear about the subsequent benefits this brings. This is why good design requirements must be at the heart of the development and procurement system.
20. Our aim is to eliminate poor development and ensure that good and very good development is no longer the exception but the norm. We have put a policy framework in place to deliver this, but know that we need the commitment of all parties, as well as full community engagement, if we are to see the change that is needed on the ground.

**Figure 15: CABE National Housing Audit of new housing developments completed between 2001 and 2006**



Note:

Definition of score:

- **very good:** an overall score of 80 per cent or more
- **good:** an overall score of 70 per cent or more
- **average:** an overall score of 50 per cent or more
- **poor:** an overall score of less than 50 per cent.

“Good” means the benchmark established by government and the industry: it is the minimum standard set for new housing in the Thames Gateway by Communities and Local Government, and the minimum standard set by **English Partnerships** for every one of its sites. It is important to note that “average” is not good enough – it falls below the benchmark established by the industry.

21. We have therefore made supporting tools and guidance available, as well as funding the provision of expert assistance through CABE and the Academy for Sustainable Communities (ASC). CABE is driving up quality and efficiency in the planning system through its design review activities, improving the delivery of sustainable development through its enabling work in deprived areas and those of housing need, and supporting both public and private sectors to make the best decisions about new development. The ASC plays a key role ensuring that we have the right skills in place to deliver an uplift in quality – see Chapter 11 – *Skills and Construction*.



22. We also understand the value of world class, exemplary development that can inspire and demonstrate the benefits that flow from quality, innovative design. Across the country we now have examples of leading-edge developments providing a beacon for regeneration and investment, and we are also learning from the very best from overseas. For example, in the Thames Gateway we will be creating the UK's first Low Carbon Region and improving the quality of green space and the public realm in the Thames Gateway Parklands. This will not only be a platform for inspiring well designed places, but will also pioneer new approaches to water, waste and transport.
23. As part of the eco-towns prospectus launched today, we are announcing competitions to stimulate and capture the very best local, national and international architectural thinking in respect of these proposed new settlements, as well as providing support through CABE to ensure the highest standards at the vital masterplanning stage.
24. Key to supporting improvement will be effective measurement of outcomes. For example, we will work with local authorities to develop robust metrics which they might use to help them measure quality as part of their monitoring processes, building on existing benchmarks, such as Building for Life.

#### **Building for Life**

Launched in 2003, the Building for Life standard is a government-endorsed benchmark for well-designed housing and neighbourhoods. Led by CABE and the Home Builders Federation, and supported by English Partnerships and the Housing Corporation, Building for Life is a cross-cutting tool for assessing design quality at both a planning stage and after completion. Assessment is based on 20 easy to understand questions, covering issues such as identity, street layout, construction, sustainability and community provision. To achieve a Building for Life Silver Standard – the baseline for good design, adopted by English Partnerships and a growing number of local authorities – schemes must demonstrate how they fulfil 14 of the 20 criteria, while Gold Standard schemes must score 16 out of 20.

Guidance for using the criteria at a planning stage is now available, and can be found in the publication *Delivering Great Places to Live*, available to download at <http://www.buildingforlife.org/>.

25. Our policies and programmes of targeted support recognise the importance of ensuring that new development takes into account the needs of all members of society. As well as the work on Lifetime Homes standards and family housing, we are also working with CABE to ensure that inclusive design principles are embedded in the design of new homes and spaces.
26. We also believe that there is scope to speed up the development process whilst safeguarding design outcomes. We therefore propose to explore with local authorities, developers and industry bodies whether it is possible to develop an agreed design quality assurance scheme that could provide a meaningful concession for those who meet this benchmark. Too often time and resources are wasted on all sides in reworking the basic principles of schemes after they have been submitted for planning permission. We want to take this inefficiency out of the system. We propose to work with partners to develop and test a certification mechanism that could operate at local level, and assess its costs and benefits. Any decision to expand this pilot scheme will be subject to further consultation

**Next steps**

- **Continue support for effective application of policy**, working with CABE, to:
  - **Champion** the vital role of good urban design
  - **Improve design quality of regeneration programmes**, including parks and green space
  - **Raise the skills level** of key professionals
  - **Develop and disseminate the evidence**base through research, better information, quality standards and good practice guidance
- **Develop and test new mechanisms**, in particular:
  - work on design quality metrics to ensure that we have sufficiently robust and flexible measurement systems for design quality, such that local authorities are able to monitor progress in achieving higher quality
  - a design quality assurance approach, that would operate in advance of the planning system.
- **With DCMS, conduct a light-touch review of CABE**, during Autumn 2007. This will provide an opportunity for DCMS, Communities and Local Government and CABE to consider together how CABE's programmes can strategically inform and support both departments' priorities most effectively.

## Chapter 7: Greener Homes

**Around a quarter of the UK's carbon emissions arise from how we heat, light and run our homes. This chapter establishes our targets for:**

- All new homes to emit 25% less carbon from 2010;
- All new homes to emit 44% less carbon from 2013;
- All new homes to be zero carbon from 2016.

To do that:

- We will set a clear timetable and process for changing the Building Regulations to set the standards needed to meet these new targets;
- Launch a consultation on mandatory rating for new homes against the Code for Sustainable Homes to drive wider sustainability improvements;
- We will set up a new task group to address obstacles to decentralised energy systems.

And we will address other critical aspects of sustainability by:

- Continuing to work to improve energy efficiency in existing homes;
- Setting new minimum standards to support sustainable water use in new homes – to achieve an improvement of almost 20% on current average usage;
- Emphasising the importance of effective flood risk management

1. Climate change is one of the greatest challenges we face. The potential effects are now well known. The scientific and economic cases for taking action are now overwhelming and have been set out eloquently in the Stern report.
2. Around a quarter of the UK's current carbon emissions (around 150 million tonnes of carbon dioxide each year) arise from the way we heat, light and run our homes. Yet we need more homes so it is imperative that they are built in a way that minimises carbon emissions. We need more sustainable homes as well as more affordable homes.
3. We must also improve the energy efficiency of our existing homes. And we need to tackle other aspects of sustainability, such as water efficiency and flood risk.
4. Last year, we set an example to the rest of the international community, and a challenge to the house building industry, by proposing that by 2016 every new home built in England should be zero carbon<sup>29</sup>. We proposed milestones that by 2010 new homes would emit 25% less carbon than they do now; and that by 2013 they would emit 44% less. Achieving those ambitions should save at least 15 million tonnes of carbon dioxide a year by 2050.
5. We were heartened by the positive response to our proposals. A majority of those responding thought the 2016 target was achievable.

<sup>29</sup> The proposal was made in *Building a Greener Future: Towards Zero Carbon Development*.

6. However, we are under no illusions about the challenge of delivering the twin ambitions of increasing housing supply and raising environmental standards in housing. We need to ensure that the environmental standards we want are not introduced in a way which delays building the homes we need or prevents those new homes from being affordable. So we need to build in a way that helps our strategy to cut carbon emissions – both through reducing emissions from new homes and by changing technology and the markets so as to cut emissions from existing homes too. We want to see a volume of new development which will deliver economies of scale and bring down the costs of environmental technologies that could apply not only to new homes but to existing homes also.
7. Delivering zero carbon new homes will need a revolution in the way we design and build our homes. It means new skills, supply chains, partnerships and business models, including for builders and energy suppliers and other stakeholders. We acknowledge the demands this change places on the industry and its partners but we are certain that we can work together to deliver the twin ambitions.

## Setting the framework

8. We had a positive response to our consultation. So in this Green Paper and in the accompanying *Building a Greener Future Policy Statement* we confirm, in the light of the consultation, our target to achieve zero carbon new homes by 2016.
9. We will introduce the necessary energy efficiency requirements in the Building Regulations in 2010 and 2013. By 2010 standards will be set to achieve a reduction in carbon emissions of 25%; in 2013 standards will be set to achieve a reduction of 44%. And by the time we reach 2016, and are building 240,000 new homes, each year all new homes will be zero carbon.
10. This establishes a long term policy and regulatory framework which will give industry the certainty they asked for and the time to plan, and an incentive to innovate and invest in the technologies needed, so driving down costs over time and enhancing competitiveness.
11. The higher standards and new designs and technologies will bring benefits in terms of reduced fuel bills as well as reductions in carbon emissions. But it will involve extra up front costs for these new homes, although we expect that these will be reduced over time as new technologies develop and economies of scale are achieved.
12. So achieving the 2016 target requires action by Government, house builders, product suppliers, energy suppliers, local authorities and the financial sector amongst others. We set up with the Home Builders Federation the 2016 Task Force, to drive through a programme to identify and tackle the barriers to achieving the target.
13. In order to support the industry in the short term, we are publishing a Forward Look which sets out what the standards might look like in 2010 and 2013. And we will consult fully on all the changes in due course.
14. In December 2006, we published our Code for Sustainable Homes. This is a voluntary code which measures the sustainability of a new home, covering energy and other aspects of sustainability too.

15. We want home buyers to be clear about how a new home rates against the Code. We now believe it should be made mandatory for new homes to be rated against the Code standards. We are launching a consultation alongside this Green Paper on how this policy will work in practice and how it will build on Energy Performance Certificates.
16. Fiscal incentives can help. The Pre-Budget Report 2006 announced the Government's intention to provide a time limited stamp duty land tax relief for the vast majority of zero carbon new homes. We are currently consulting informally with industry on draft regulations to implement this policy.
17. We will work with industry to encourage exemplar developments. The Carbon Challenge and eco-towns programme should provide opportunities for this. The 2016 Task Force has asked the National Centre for Excellence in Housing to coordinate a programme of research to help the house building industry to respond to the 2016 zero carbon target.
18. Given the challenge of climate change we need to go further and ensure that all new development is planned to both mitigate and adapt to this global problem. We published in December a draft Planning Policy Statement (PPS) on Planning and Climate Change, which set out how we expect planning authorities to ensure that new developments have lower carbon emissions.
19. Our proposals attracted significant support, as the consultation analysis published alongside this Green Paper shows. Responses made clear the value put on using planning positively in helping shape and deliver places with lower carbon emissions and which are resilient to the impacts of climate change. We have set out what we expect of the planning system in Building a Greener Future and will publish the final PPS together with a full draft of the supporting practice guide later this year.
20. Our planning policies already provide a strong framework for local authorities to plan for renewable and low carbon energy. Exemplary local authorities are already taking steps to promote the use of renewable and decentralised energy systems locally. Local government can play an important role in bringing together interested parties and facilitating the establishment of decentralised energy systems. We will set up a task group with other Departments and stakeholders including local authorities to look at the barriers to doing this and how these can be tackled, in the context of considering the implications of zero-carbon homes for wider energy policy and the impact on competitive markets.

## Carbon Challenge

21. The Carbon Challenge was launched in February<sup>30</sup> to help accelerate the response to climate change and trial the Code for Sustainable Homes. It will build on the lessons learned from the Millennium Communities Programme and Design for Manufacture Competition which showed that quality homes of high environmental standards can be built cost-efficiently. The Challenge, run on our behalf by English Partnerships, will disseminate lessons about skills and technologies to the home building industry and its supply chain, helping them prepare to meet the new standards.

<sup>30</sup> Further information at: <http://www.englishpartnerships.co.uk/carbonchallenge.htm>

22. Phase 1 of the Challenge will focus on delivering over 1000 homes on a minimum of five sites; two other phases will follow. The first two sites are English Partnerships owned (in Bristol and Peterborough) and the successful developer for the first site will be announced in late 2007 with construction starting summer 2008. The Challenge is open to other public and private sector landowners and we have received an encouraging level of interest from local authorities.
23. English Partnerships will offer sites for sale to developers subject to demanding criteria requiring high standards of sustainable design and construction. These will help to deliver high quality zero and near-zero carbon 'eco-villages' of around 200 homes each. The homes must achieve level 5 or 6 of the Code for Sustainable Homes overall.

## Existing Homes

24. We need also to take action for existing homes given that houses already built now will represent two thirds of the housing stock in 2050.
25. We have a strong programme already to reduce emissions through promoting energy efficiency. The total investment by Government and energy companies in energy efficiency in the existing housing stock now totals over £1 billion per year. The introduction of Energy Performance Certificates will provide detailed information for home buyers about the energy performance of their homes.
26. We want to make it easier for consumers to improve the energy efficiency of their homes. So we are working also with the Energy Saving Trust and other stakeholders to see how we can provide a better service for households that brings together in one place advice on approved local suppliers, information about grants available and advice on microgeneration.
27. And we want to support consumers interested in investing in microgeneration equipment. So we have funded the development of an industry-led scheme to certify installers and manufacturers of microgeneration equipment to build consumer confidence in these technologies.
28. To support work on both new and existing homes, a new programme of work is being initiated across Government, led by the Technology Strategy Board – the Innovation Platform on Low Impact Buildings. It will accelerate the development of cost-effective solutions to building new zero carbon homes, and will tackle key challenges to upgrading the existing stock; for example, the seven million solid-walled homes in the UK which are technically difficult, and often expensive, to insulate. This five to seven year programme will develop technology roadmaps, support research where there are clear innovation gaps, and build on existing work, such as the Energy Saving Trust's Best Practice Programme and the microgeneration and metering field trials. It will act as a technology accelerator by testing clusters of new technologies in a number of Government funded demonstration programmes, such as those run by English Partnerships, and will create markets for successful commercialisation of these new technologies.

## Water

29. Demand for water is growing. Water use in buildings needs to be reduced to maintain an acceptable and sustainable balance of demand and supply. We consulted last year on whether we should set minimum standards for water efficiency in new buildings. Consultation showed widespread support for this. We are therefore publishing alongside this Green Paper a policy statement on how we intend to take this forward. This includes introducing, during 2008, a whole building performance standard for new homes (to be set out in Building Regulations). This will require all new homes to be built to a standard which supports a maximum daily usage of 125 litres per person per day, representing an improvement of almost 20% on current national usage levels. We will also be reviewing the Water Supply (Water Fittings) Regulations 1999<sup>31</sup> during 2008, to see if they provide an appropriate route to achieving improvements in the efficiency of certain fittings. In the context of the new water strategy planned for later this year, we will also be looking at what further measures might be appropriate in areas of water stress.

## Flood risk and development

30. This year's floods once again demonstrated how important it is to ensure that homes are adequately protected from floods. Flood risk is likely to increase in the future, particularly as a result of climate change impacts. Our 2005 *Making Space for Water* strategy established a wide-ranging work programme to address flood and coastal erosion risk management in England.

31. Whilst physical defences remain the central means for managing flood risk, flood defence infrastructure cannot be continuously expanded and a range of risk management tools are needed. Planning has a crucial role in addressing the flood risks of new development. A robust planning policy which incorporates the latest climate change predictions should enable the risks to be managed without preventing development that has significant wider social and economic benefits.

32. In December 2006, we set out our planning objectives<sup>32</sup> to:

- ensure flood risk from all sources (not just from rivers and the coast but also surface water flooding that can occur in urban areas) is taken into account at all stages in the planning process;
- avoid inappropriate development in areas at risk of flooding;
- direct development away from high risk areas;
- allow development to continue only with suitable protection and mitigation where large areas are at risk of flooding;

<sup>31</sup> SI 1999 No 1148

<sup>32</sup> See Planning Policy Statement 25: Development and Flood Risk

- ensure all local planning authorities take account of Government policy and Environment Agency advice on minimising flood risk to and from new development (we have made the Environment Agency a statutory consultee for applications in flood risk areas); and
  - provide opportunities to reduce existing flood risk to communities, for instance by re-creating and safeguarding functional flood plain and washlands and designing more liveable developments combining sustainable defences, green/recreational space and increased flood storage.
33. In May 2007, we published a guide to industry on how to reduce damage to new buildings in flood risk areas<sup>33</sup>. By developing new evidence on the resilience of different types of materials and construction, the guide offers clear advice to designers and developers on which methods should be employed.
34. Our recently announced review of the lessons learned from the 2007 floods will look, among other things, at why the flooding was so extensive and will establish whether the scale and impact of the flooding could have been predicted, prevented or mitigated and, if so, how. We will consider whether there are any implications from the findings of this review for how the new policy on flooding and new development is implemented.
35. We already know that surface water flooding was a factor in the 2007 floods. As part of *Making Space for Water*, we are funding pilot studies on integrated urban drainage to examine the consequences of new development for surface water run-off and the options available for mitigating these effects.

**Later this year we will:**

- Publish the Planning and Climate Change Planning Policy statement;
- Make stamp duty land tax relief available on the first sale of new zero carbon homes from 1 October 2007;
- Introduce Energy Performance Certificates on a phased basis from August 2007;
- Announce developers for the first Carbon Challenge sites by end 2007;
- Publish the Practice Guidance companion to PPS25 (“Development and Flood Risk”);
- Aim to publish initial findings from the Government’s review of the lessons learned from the 2007 floods.

<sup>33</sup> See “Improving the flood performance of new buildings: Flood resilient construction” published by Communities and Local Government, Defra and Environment Agency – available from [http://www.planningportal.gov.uk/uploads/br/flood\\_performance.pdf](http://www.planningportal.gov.uk/uploads/br/flood_performance.pdf)



## SECTION IV: MORE AFFORDABLE HOMES TO BUY OR RENT

As well as building more homes across the board, this country also needs more homes that are affordable for first time buyers and families on council waiting lists.

Over the next few years, we will support a big increase in affordable housing – both social housing and shared ownership homes to help people get that first step on the housing ladder.

### **This chapter sets out our commitment to deliver:**

- At least £8 billion government investment in affordable homes over the next three years (a 50% increase)
- 70,000 affordable homes a year provided by 2010-11
- 45,000 of those will be social housing – an increase of 50%, and more than doubling the level of new social housing in six years
- A goal of 50,000 new social homes a year in the next spending review
- At least 25,000 new shared ownership and shared equity homes provided each year funded mainly by the Housing Corporation
- Additional shared ownership homes through council backed Local Housing Companies – to help key workers and first time buyers with the potential to provide up to 18,000 homes
- Expansion of shared equity mortgages
- More affordable housing delivered by private sector and planning gain
- More flexibility for councils and ALMOs to be able to build homes on council land where it delivers sufficient value for money, either alone or in partnership
- Continuing the existing decent homes programme to increase the quality as well as the quantity of homes
- Additional social housing and shared ownership housing for rural areas

Government will provide £8 billion over the next three years to invest in affordable housing – initially through the Housing Corporation and then through the new homes agency.

This new investment will help deliver 70,000 affordable homes a year by 2010-11, with an ambition to go further in the next spending review.

That will include delivering 45,000 new social homes a year by 2010-11, with a goal of 50,000 a year in the next spending review. This is a 50% increase in new social housing over three years, and it means that new social housing will have doubled since 2004-05.

It will also include delivering at least 25,000 new shared ownership and shared equity homes a year by 2010-11.

As part of that programme we are consulting the Regional Assemblies on the proportion of investment required for different regions and for rural as well as urban areas.

In addition to direct government funding we are setting out new ways to use public sector land and planning gain to further increase the level of affordable housing, as well as new ways to deliver both shared ownership and social homes – involving the private sector, housing associations and local councils.

## Chapter 8: More social housing

### **This chapter sets out our commitments to deliver**

- At least £6.5 billion government investment in social housing over the next three years
- At least £850 million savings from greater efficiencies and better use of housing association assets to deliver major expansion in housing association delivery
- 45,000 new social homes a year by 2010-11 and a goal to reach 50,000 in the next spending review
- Significant expansion of the “temporary to settled” scheme in London which allows councils and partners to buy back properties for families in temporary accommodation
- The first ten councils approved to bid for Housing Corporation funds to build new council homes through their ALMOs or other vehicles, with another qualification round next year. Eligibility extended to 2\* ALMOs
- New ways for councils and ALMOs to build homes on council land – including keeping the rent and capital receipts from the new homes
- More opportunities for private sector to build social housing
- 14 potential Community Land Trusts pilots selected to receive guidance and technical support from the Housing Corporation and Salford University, seven in rural areas; Community Land Trusts can now bid for Housing Corporation funds to build new homes
- A consultation on councils retaining housing capital receipts from shared ownership schemes to use for provision of affordable housing
- Guidance on delivering affordable housing in rural areas
- Regional Assemblies to advise on provision of rural housing within the affordable housing programme and a target will be set later in the year
- The provision of support to some councils and local partners to adopt a mixed communities approach to transforming some of our most deprived areas
- Continuation with the successful decent homes programme which has already reduced the number of non-decent homes by over one million with at least £2 billion investment in ALMOs
- Increased provision of family homes where they are needed, with Government committed to developing a new indicator to measure people housed, from its funded programmes

1. This Government recognises the need to provide social housing for those unable to afford to rent or buy a home of their own and estimates there will be a newly- arising need for at least 40,000 new social rented properties per annum. This estimate is based on the methodology used by Kate Barker in her 2004 Review of Housing Supply and reflects the latest household projections.
2. Social housing is needed to provide affordable homes to rent with security of tenure for families on low incomes, for people with severe disabilities, for frail older people and for other people for whom home ownership is unlikely to be the right option. We want to ensure that everyone has access to a decent home at a price they can afford.

3. We need more social housing to address the poor conditions that many households currently experience. For although our policies are having a positive impact and bringing these numbers down, there are 87,000 households living in temporary accommodation, including around 4,000 in bed and breakfast<sup>34</sup>. There are currently around 526,000 households who experience overcrowding, 216,000 of which exist in the social sector<sup>35</sup>.
4. Demographic change and other factors have reduced the number of available lettings for households newly entering the social sector. Our latest estimates<sup>36</sup> show that the number of new lets<sup>37</sup> has fallen from over 420,000 in 1998 to 276,000 in 2006. At the same time there has been an increasing demand for social housing from an ageing and growing population and from families unable to keep up with rising house prices. The proportion of private renters aged between 30 and 44 who can afford to buy a starter home has fallen from 48% to 21% over the past ten years<sup>38</sup>.
5. If we do not provide more social housing we will see growing overcrowding and rising social housing waiting lists. Many families with children wait for years in overcrowded or inadequate accommodation to get a secure home of their own. Overcrowding damages health, wellbeing and the educational prospects of children and young people. We need to build more new affordable family homes.
6. That is why we are proposing a major programme of building new social housing, including stronger roles for local councils as well as housing associations and the private sector. This chapter sets out new ways to improve the supply and quality of social housing.
7. We will take forward advice from the Regional Assemblies on the level of social housing needed for rural areas and the Housing Corporation's Rural Housing Advisory Group will work to support delivery of social housing in rural areas and in particular considering small villages. We want to see more delivery of affordable housing in rural areas alongside market housing.
8. In the autumn we will set out new proposals in response to John Hills's Review of social housing; and how we will take forward Martin Cave's Review on how we regulate social housing – including responding to issues around mobility, allocations, worklessness and tenant accountability.

## Current situation

9. When the current Government came into office in 1997, its first priority was to improve the quality of social rented homes. Since then £20 billion has been spent on making homes decent for social tenants in the local authority and housing association sectors. The number of households living in non-decent social homes has fallen by more than a million.

<sup>34</sup> Communities and Local Government, P1E estimates.

<sup>35</sup> Survey of English Housing (three-year moving average for 2005/06, as measured by the Bedroom Standard).

<sup>36</sup> Communities and Local Government, HSSA and RSL CORE.

<sup>37</sup> i.e. excluding those to existing social tenants. Includes both general need and supported lets.

<sup>38</sup> Communities and Local Government Analytical Services Directorate.

10. But we also need to increase the number of new social rented homes. We made that a priority in the last spending review. This year – 2007-08 – the number of new social rented homes will reach 30,000, a 50% increase on 2004-05.

## **Our new commitments**

11. But we need to go further. We have again made investment in new social rented homes a priority in the latest Comprehensive Spending Review. Over the next three years we will invest a total of at least £6.5 billion through the Housing Corporation and the proposed new homes agency. We will set a target of at least 45,000 new social homes a year by 2010-11, the last year of the Spending Review period. That will mean another 50% increase in 3 years, and more than doubling new social completions since 2004-05.
12. We will need to go yet further if we are to meet newly arising need for social renting and start to clear the backlog of households who need this form of housing. That is why our goal now is to increase the number of new social homes to 50,000 per annum in the next spending review.

## **Delivering the new social rented homes**

13. This means that there will be a big increase in direct government investment in social housing through the Housing Corporation and the new homes agency. Many of the new homes will be provide by Housing Associations. But we also need to get a greater private sector contribution and stronger council involvement.
14. This chapter sets out our thinking on how we can best achieve our aims, including:
  - how Housing Associations can help supply more affordable housing;
  - the renewed role local authorities can take in facilitating the supply of affordable housing;
  - options for local authority new build within and outside the Housing Revenue Account (HRA) and the potential to reform the HRA in the longer term so local authorities can move out of the subsidy system; and
  - the continuation of the decent homes programme.

## **Increasing Housing Associations' contribution**

15. Housing associations have provided the great majority of new social housing in recent years. They have a strong track record in delivery, in working with the for profit sector and in developing new and innovative services alongside their core activities of social housing management and new provision.
16. Since 1988 Housing Association investment has been funded by a mixture of grant and private borrowing. Current investment funding by the Corporation accounts for 44% of total scheme costs (with Registered Social Landlords raising 56% though borrowing and their own surpluses). Indications are that in London social landlords contribute about 13% of the cost of the new supply from reserves.

17. In March 2007, the Housing Corporation published 'Unlocking the Door: Delivering more homes from the Comprehensive Spending Review 2007', analysing how previous investment locked up in stock can be used to help finance more affordable housing. The Corporation concluded that there is unused 'financial capacity' and that Housing Associations can borrow more against their existing businesses, with scope for efficiency savings to be secured for new affordable housing. Housing Associations themselves believe that savings that absorb likely land and build cost inflation of 6% annually are possible over the next 3 years. Housing Corporation modelling supports this analysis, and suggests that more can be done.
18. In parallel with undertaking this analysis, the Housing Corporation is refining and developing its investment processes. The aim is to use more competitive bidding so that social landlords (and potentially other landlords) can win a bigger programme if they offer better value for money. Increasingly, the Housing Corporation will not allocate grant in a single "big bang" but only when there is good value for money. The Government believes the single allocation round approach has missed opportunities to increase the level of outputs. For developing Housing Associations we will be looking towards the Corporation and in due course the new homes agency to use bidding processes to incentivise higher borrowing.
19. Regulation can help Housing Associations to make the most of their existing assets and ability to borrow. The Housing Corporation has recently consulted on proposals to introduce a "traffic light" assessment on associations' investment strategies<sup>39</sup> – assessing the extent to which they have financial, development, and asset management strategies that make best use of their financial capacity. The Housing Corporation expects to invest in those organisations that effectively use their resources to deliver more new homes.
20. But building more homes and stretching resources does not mean sacrificing quality: the Housing Corporation recently demonstrated its continuing commitment to raising design quality standards in establishing a Commission on Design of Affordable Housing in the Thames Gateway. It will be giving full consideration to implementing the recommendations of their report.

## Working with the private sector

21. The private sector has a strong role to play in the delivery of this higher level of social housing both as a developer and a contractor. First of all we continue to seek social housing within market housing development as part of the private sector developer contribution. Secondly, since 2005 we have enabled the private sector to bid for Housing Corporation social housing grant so that they can directly access grant and come up with innovative models for delivery, rather than accessing subsidy via housing associations alone. We are keen to see greater investment, innovation and involvement from the private sector in affordable housing. Private Finance Initiative Schemes are another way in which the private sector gets involved in providing new supply. Finally, Martin Cave's review of social housing regulation stressed the benefits that would come from a diversity of providers and set out ways that this could be encouraged by the regulatory system. We are currently consulting on how this can be taken forward and are clear that we want to see innovation from both the for profit sector as well as the not for profit sector in this area.

<sup>39</sup> Revision of Housing Corporation Assessments: Housing Corporation Consultation Paper, March 2007

## **A renewed role for local authorities**

22. Local authorities are keen to focus on improving the quality of their existing housing, and there has been substantial improvement over the last decade. Because affordability and supply of low cost homes to rent are now such crucial issues, we also want councils to play a greater role in facilitating the supply of affordable housing, through:
- enabling new affordable supply to be built;
  - influencing the decisions that are made; and
  - having a direct role in the building of new homes where it provides value for money.
23. Earlier sections describe the enabling role, which is primarily achieved through the planning system. Through their strategic housing role and by aligning housing plans with the planning framework, Local Authorities can bring considerable influence to bear on the delivery of the supply of affordable housing. The present chapter considers the opportunities for councils to take a more direct role in the building of new homes.

## **Access to social housing grant through a local authority company**

24. Social housing requires some capital subsidy because rent levels are not sufficient to finance the development costs of new homes. For the last few years, Government has directed its capital support to Housing Associations, in order to lever in additional private borrowing and deliver more housing. We now want to test whether some council-backed schemes could bring in other benefits, not least when linked to council-owned land, which would offer good value for money in comparison with traditional Housing Association development.
25. This year we removed barriers to councils accessing Housing Corporation social housing grant through a special venture vehicle or an Arms Length Management Organisation (ALMO). The first ten such bodies have now pre-qualified as eligible for bidding in the next round. Council backed bids will compete on equal terms with other schemes, allowing us to compare the costs and benefits.
26. The Housing Corporation proposes to have a further pre-qualification round for Social Housing Grant next year. This will allow more councils an opportunity to put together partnership vehicles and schemes. We also propose to extend pre-qualification to 2 star ALMOs.

## **Rental income and capital receipts**

27. Alongside access to capital subsidy, a viable new build scheme needs to retain the rental income and capital value from the investment. At present if new social homes are built within the Housing Revenue Account (HRA), around one quarter of the rent – after allowances are made for the costs of managing and maintaining the homes – is recycled nationally through the HRA subsidy system. If the homes are subsequently sold under Right to Buy, 75% of the capital receipt is also pooled and redistributed nationally.

28. By developing through a local authority company or ALMO, the new properties are held outside the HRA. This means that the full rents can be used to finance the development costs and if a property is sold to a tenant, the council gets its capital investment back.

## **Local authority new build within the HRA**

29. Councils and others who secure subsidy through social housing grant must demonstrate their capacity to deliver, bringing together partners and effectively managing their business. However, a few councils continue to use their own resources, without additional support from Government, to build new homes within the Housing Revenue Account.
30. We expect councils to undertake direct development only where it offers better value for money than other options. But where they choose to invest their own money in new supply, we think councils should be able to keep the income and capital returns from those additional new homes. We would welcome views on the practicalities of making these changes, as well as the potential for them to encourage more local investment in new housing.
31. If these changes were made, we might have less reason for restricting access to social housing grant only to councils developing through an ALMO or other vehicle. However, before we considered extending access to social housing grant to councils in their own right, we would need to establish rigorous criteria for selecting potential local authority developers. These would have to ensure value for money and deliverability, but also have a means of controlling the public sector spending and borrowing impacts of an increase in council house building, as any increase would have to be affordable within national as well as local public expenditure and borrowing limits. In most cases, we would expect models which offer access to private finance to provide better value for money, delivering more affordable homes for the public investment.

## **Reforming the HRA**

32. These changes would provide incentives for more councils to build within the HRA subsidy system or by using vehicles which hold the new homes outside the HRA. In the longer term, we want to examine the case for more radical change to the redistributive subsidy system itself.
33. We are currently examining the costs and benefits of 'self-financing' – allowing some councils to in effect leave the HRA subsidy system and retain their rental incomes. To ensure fairness to those who remained within the system, self-financing councils would have a one-off adjustment to their HRA based on the present value of anticipated future subsidies or surplus payments were they to remain within the HRA subsidy system.
34. A group of councils has shown potentially significant benefits by modelling this approach. They believe it would assist long-term planning and improve asset management. It could also lever in more private sector investment to support estate transformation, mixed communities and an increase in supply.
35. Further work is needed to establish the affordability of self-financing schemes both to the councils and to Government. This work should establish the viability of a self-financing business plan with a level of resources that reflects the transfer of risk, but also maintains fairness for those councils who remain within the HRA subsidy system.



Subject to this being demonstrated, we see the next stage as a pilot of the self financing approach.

36. The self-financing work will help us understand the potential benefits and risks of wider reform of the HRA subsidy system. The case for more local control over income and investment decisions has been strongly made. But dismantling a redistributive system would risk creating winners and losers. This is a sensitive issue and we will need to understand how changes could protect those who depend on subsidies generated by the surpluses of others within the current system.

## **Other changes to rules on capital receipts**

37. We propose to review the rules governing the treatment of housing capital receipts, in particular to incentivise local authority shared equity schemes. We will consider allowing local authorities to retain housing capital receipts generated by the disposal of equity shares in local authority dwellings if those retained receipts are used for the provision of affordable housing.
38. We do not propose to revisit the capital receipt rules in regard to the Social Homebuy shared equity scheme. These are already built into the regulations governing the treatment of housing capital receipts, and any changes would have to maintain the current approach to the treatment of Right To Buy receipts. We would welcome suggestions of how changes to the treatment of shared equity receipts might be achieved without undermining the principles of the pooling process.

## **Temporary to settled homes**

39. We will build on the success of the pilot schemes in London for converting temporary accommodation into settled social housing, known as the Settled Homes Initiative. These schemes use rental income to repay borrowing that has been used to buy a home, instead of going to a private landlord to pay for renting a property as temporary accommodation. After 10 to 15 years, the borrowing has been repaid to a level that allows the properties to be converted to social housing, let at affordable rents.
40. The £30 million pilot will provide an additional 900 homes in London. This will be significantly expanded to provide more settled homes in each year up to 2010.

## **Delivering new supply as part of a wider strategy**

41. Building new homes is only part of the picture. Local authorities are looking for opportunities to increase the supply of affordable housing with a better mix of quality, type, distribution and tenure of housing in localities, to give people greater choice should they wish to change homes but stay in the locality.
42. Some estates are also taking the opportunity to develop more sustainable mixed communities by supporting housing regeneration with broader social and economic regeneration, for example through provision of improved public services (including schools and health facilities), better links to the city and employment opportunities, pathways for disadvantaged residents to access opportunities and secure support and advice and high quality preventative services to support at-risk families and maintain low levels of anti-social behaviour.

43. Estate transformation can be a complex process and the mixed communities demonstration projects are bringing together a body of good practice which is being widely disseminated. One of the key emerging findings is that mixed communities schemes require significant preparatory work in developing capacity, assembling project teams, masterplanning/design, structuring financial packages and community engagement and that effective preparation can make a substantial difference to the quality of vision and ambition of mixed communities schemes.
44. We are looking to increase support for councils and local partners adopting a mixed communities approach to securing change in some of our most deprived areas and estates, including capacity building and preparatory projects. Much of the capital costs of the schemes will be met by substantial private sector investment. A variety of delivery vehicles may be used for mixed communities schemes and the choice should be determined by the nature of the project and the outcomes to be secured. However, for some of the more complex schemes, involving a variety of public and private partners, special purpose vehicles or Local Housing Companies may be the best way forward.

## **Models for delivering new supply with a local authority lead**

45. Local authorities have the powers to set up and become partners to a wide range of programmes which could deliver affordable housing, often alongside other social and economic benefits. In choosing the right model, councils need first to consider the outcomes they want to achieve. A relatively simple structure may be appropriate for a small-scale project but a wider range of partners and financing might be needed for estate transformation schemes or projects which combine new supply with economic and social regeneration.
46. We do not intend to be prescriptive about which approach is used for different purposes. This will depend on local circumstances and preferences. But we would like to work with councils and others to develop tools and guidance which would facilitate the assessment, selection and setting-up of the right vehicle for their task. We have described in Chapter 12 some of the outcomes that councils might want to achieve and the types of vehicles that might best suit these. We are seeking views on the strengths of these models and ideas for other models which could effectively secure the outcomes.

## **Guidance and Support**

47. Individual public private joint venture partnerships have been undertaken in the past, based on transfer and development of local authority land. However a lack of practical technical guidance and best practice available may have led to limited development and use.
48. We think there is value in producing further practical technical guidance for local authorities. The guidance would cover powers, limitations, risks and risk management, financial and legal technical issues, procurement, commercial matters and also provide examples of good and recommended practice. The guidance would not be a standardised vehicle template but will highlight the issues local authorities need to take into account when considering alternatives. It would be produced in close co-operation with local government and other stakeholders.

49. The practical tips would facilitate the assessment, selection, development and setting-up of housing development and regeneration vehicles. The approach taken by individual authorities will depend on local needs and circumstances.
50. After the guidance has been produced, we will explore the potential for the development of a number of exemplar pilot projects. We will also look to establish an advisory service and a practical support service for councils interested in developing local authority or public private joint vehicles.
51. We set out in Chapter 12 the range of local authority models for taking forward affordable housing.

## Continuing the decent homes programme

52. Supporting the delivery of more social rented accommodation is a significant challenge for both councils and Housing Associations. But whilst rising to this challenge it is important for their existing tenants that both councils and Housing Associations maintain their focus on improving the quality of their existing accommodation and delivering on decent homes.
53. All local authorities have chosen their delivery routes and we expect 95% of social housing to be made decent by the end of 2010. Last year we recognised that in some places local authorities would need to continue beyond 2010 in order to deliver value for money or achieve wider objectives. Some social landlords have now extended their programmes and the proposals outlined above to support capacity building and preparatory projects ahead of and during physical transformation for some of the more deprived areas, will help in this process.
54. The vast majority of councils and Housing Associations will continue with their original plans. We expect councils to complete their stock transfers, take their PFI projects to completion and get their ALMOs up and running. For ALMOs we will be making at least £2 billion available over the CSR period.

### Next steps

- The Housing Corporation launches bidding round for 2008-11 affordable housing programme in September 2007
- The Housing Corporation will implement improvements to investment processes to increase efficiency, value for money and design quality standards in affordable housing
- A further pre-qualification round for social housing grant will be held next year, opened up to a wider range of council-backed vehicles
- We will announce the conclusions of our work on self-financing in the autumn and, if it is positive, set out the process for taking this forward
- We will consider responses to our proposals to allow councils to retain the full rental income from, and capital receipts on disposal of, additional new properties financed from local resources
- We will consider responses to our proposal to change the pooling regime for receipts from shared equity schemes that local authorities develop and consult further on any detailed proposals

## Chapter 9: Helping first time buyers

### **This chapter announces that we will:**

- Provide at least 25,000 more shared ownership and shared equity homes funded mainly by the the Housing Corporation each year to help key workers and families who can't afford to buy unassisted
- Support local councils to build additional shared ownership homes on their land through new Local Housing Companies
- Deliver additional shared ownership homes on public sector land without grant – with the potential of up to 18,000 additional shared ownership homes
- Deliver shared ownership and affordable homes through the private sector and through developer contributions
- Increase opportunities for social tenants to purchase a share in their own home, with further proposals later this year
- Appoint Brian Pomeroy to advise us on the development of the private shared equity market
- Launch a new initiative through the Housing Corporation based on innovative approaches to shared equity from the private sector. This follows a competition entered by over thirty organisations including Housing Associations, financial institutions and private developers
- Immediately expand the range of Open Market HomeBuy products to offer a 17.5% Government equity loan which can be used with any lender to help first time buyers and key workers

1. Many people want the chance to own a home of their own but cannot afford to get that first step on the ladder. Key workers, including nurses, teachers, police officers and service personnel, can find it particularly difficult to buy homes in some parts of the country and some people renting social housing may want to own their own home and would be able to do so if they are given assistance. We want to back young families aspirations.
2. To focus support on first time buyers and those on low incomes, the Government doubled the starting residential threshold to £120,000 in Budget 2005, and increased it to £125,000 in Budget 2006. As a result, an additional 310,000 homebuyers will pay no stamp duty land tax in 2007-08. Close to half of first time buyers and about two-fifths of all buyers will pay no stamp duty in 2007-08. About four-fifths of all homebuyers will pay either the 1% rate or will be exempted by the starting threshold of £125,000 or the higher £150,000 threshold available in 2000 disadvantaged wards.
3. Our low cost home ownership programme helps people to get a step on the housing ladder by enabling them to buy a share in their own home: we want to offer this opportunity to more people.
4. Over the next three years we will deliver at least 25,000 low cost homes each year through the programmes of the Housing Corporation and English Partnerships and in other ways. Through greater efficiencies and better use of Housing Associations' own resources this will mean an increase on current delivery for the same level of investment as there is currently. We will ensure that all homes are built to a high standard and that the programme meets the particular needs of key workers and

families on modest incomes. Together with other programmes we will deliver over 25,000 such homes each year.

5. National policy guidance on housing now requires Local Planning Authorities to have clear affordable housing targets, including separate targets for social rented and intermediate affordable housing where appropriate. We will increasingly be looking to secure provision of that affordable housing as part of private sector development through developer contributions. Over 40% of Housing Corporation funded housing currently receives some developer contribution as part of a planning obligation (a 'section 106 agreement'). We believe there is scope for going further. In many parts of the country there is a strong foundation of securing affordable housing in this way, but in other parts, especially in northern regions, practice is much less advanced. Local authorities need to ensure there is good quality, affordable housing in their area.
6. Rural communities present particular issues for meeting the needs of first time buyers. We agreed with the Affordable Rural Housing Commission report that we need more affordable homes in rural areas to help families stay in the countryside. That is why we have already changed the planning guidance to secure more affordable homes, particularly on smaller sites in rural areas.
7. In March 2007 we invited the Housing Corporation to set up the Rural Housing Advisory Group. This will explore genuinely innovative mechanisms to increase the supply of affordable homes in rural areas. Schemes like Community Land Trusts, Land Swap Levies and community bonds could help deliver more affordable rural housing with more effective use of public funding. And we believe there is increasingly greater scope for securing Section 106 agreements for affordable housing in rural areas linked to market development. We will bring together guidance on how affordable housing can be provided so that rural local authorities and other delivery partners can fully access the range of delivery options available including planning obligations.
8. Government will seek to ensure that opportunities for affordable homes on surplus public sector sites are maximized. New standards for surplus sites are to be developed by English Partnerships, including a target of a minimum of 50% affordable new homes. For example seven major sites to be released from the Ministry of Defence will supply 7,000 new homes, with a minimum of 3,500 affordable homes including additional low cost shared equity homes delivered without grant.
9. The programme of new Local Housing Companies created by Local Authorities with English Partnerships will unlock additional Local Authority surplus sites to develop new homes with an aim for a minimum of 50% affordable housing, including additional low cost shared equity homes delivered without grant.
10. We also want to offer more social tenants the opportunity to buy a share in their own home. The Social Homebuy scheme enables social tenants to buy a share in their existing home while paying rent on the part they do not own. It also enables reinvestment of the proceeds from the sales in affordable housing. This scheme is currently operated on a voluntary basis by 78 housing associations and seven local authorities. But we want to go further and see this opportunity offered more widely and will announce proposals later this year as part of our response to John Hills' review of social housing.

## Working with the private sector

11. We set out above schemes provided with public subsidy which will enable us to meet out targets over the next three years. But we want to go beyond this to help as many people as we can into home ownership. We set out in Chapter 10 the steps we are taking to improve the way that mortgage markets work. In addition, first time buyers will be amongst the bigger beneficiaries from the introduction of the home information pack: they will receive from the seller much of the information they currently have to pay for and will stand to lose much less if transactions fall through.
12. The private sector is already playing an important role in financing our Open Market HomeBuy scheme. And we want to see it playing a greater role in offering shared equity mortgages or shared ownership homes, both to meet market needs and to improve financing of subsidised products. We believe the private sector can play a greater role in offering shared equity mortgages or shared ownership homes, and we want to see far more competitive products on offer. The Government is appointing Brian Pomeroy, to help it follow up on the Shared Equity Task Force and advise us on ways to develop in the private sector shared equity market.
13. In June of this year the Housing Corporation launched a competition to develop additional shared equity products that would be simple and affordable for customers, and provide good value for Government. The successful participants will launch their products as part of the 2008 programme of Open Market HomeBuy.
14. The Housing Corporation has already received initial expressions of interest in response to its prequalification questionnaire from over thirty organisations, including Housing Associations, financial institutions and private developers. The proposals include:
  - Products which allow buyers to purchase as little as 50% of a home chosen on the open market. Current Open Market HomeBuy products require purchasers to raise finance of 75%;
  - Equity loans provided by Housing Associations;
  - Joint venture or special purpose vehicle structures; and
  - Use of shared equity models to deliver new supply.
15. In the short term we are immediately expanding our range of Open Market HomeBuy products. At present purchasers are offered an equity loan of up to 25% of the property price with one of the four participating lenders. However, we believe that current products are not sufficiently flexible for first time buyers. But we recognise that this scheme is not currently flexible enough. From 23 July we will therefore also be offering a new 17.5% Government Equity Loan product, which purchasers will be able to use in conjunction with a mortgage from any lender.

## Chapter 10: Improving the way the mortgage market works

### This chapter announces:

- HM Treasury has published today a consultation document on new legislative proposals for a covered bond regime in the UK, which will help to assist mortgage firms finance more affordable longer term fixed rate mortgages.
- The Government will continue to back a Private Member's Bill, currently working its way through Parliament, which will increase the proportion of funds which may be raised in wholesale markets, allowing building societies more flexibility in financing their mortgages.
- HM Treasury will undertake a review, working closely with the industry, to identify any further barriers to lenders wanting to raise funds in wholesale markets, and reporting at Budget 2008.

1. The previous chapters set out our plans to increase the number of more affordable homes to buy or rent. These include our plans to help first time buyers access the homes they need.
2. In addition to these plans to improve access to housing for first time buyers, we want to look at ways to help mortgage lenders finance mortgages, including more affordable longer-term fixed rate mortgages. These can help to provide some homeowners with stability about the cost of meeting their housing need over the long term. This chapter considers how to improve the way that mortgage markets work, so that borrowers are able to make informed choices about products that are suitable for them, and lenders have the best access to mortgage finance. HM Treasury is also publishing a separate consultation paper on the details of new legislative proposals for a covered bonds regime in the UK.

### Introduction

3. Choosing a mortgage is one of the biggest financial decisions that homebuyers will make in their lifetimes. It is important that markets work effectively so that borrowers are able to make informed choices about their purchases, and lenders have the best access to cost-effective funding and are able to offer a diverse range of affordable mortgages.
4. The majority of mortgages in the UK are at variable rates or rates fixed for around two years. Relatively few people take out longer-term fixed rate mortgages today.
5. The Government and the independent Financial Services Authority (FSA) have done much in recent years to improve the way that mortgage markets work. However, there are still issues affecting both the demand for longer-term fixed rate mortgages and the supply of them. Borrowers may benefit from longer-term fixed rate products, which could help to make the cost of borrowing more predictable over the life of the mortgage. Of course, these products will not be right for everyone. Their suitability will depend on interest rate levels, the borrower's own circumstances, which may change in the future, and their attitude to risk. In order to make these choices, borrowers must be able to rely on high quality information and advice.

6. For lenders, offering longer-term fixed rate products may help them to diversify their mortgage portfolios. But fixed rate mortgages also expose lenders to the risks of variable rates moving against them, and borrowers repaying their loan earlier than the agreed mortgage term. In order to provide longer-term mortgages at competitive rates, lenders must be able to access sources of funding that help them to manage these risks.
7. Building on progress to date, the Government is announcing further initiatives to improve the way that mortgage markets work, so that consumers are able to make informed choices about their purchases, and lenders have the best access to capital market finance.

## The Government's Macroeconomic Framework

8. The Government's macroeconomic framework has continued to deliver an unprecedented period of stability, with low inflation and sustained economic growth. The UK economy has continued its longest unbroken expansion on record – and the longest unbroken expansion of any G7 economy in post-war history – now with 60 consecutive quarters of growth, and has shown greater stability and stronger GDP growth than most of its major competitors.
9. The UK's economic stability has helped to make buying a home more affordable for more people. Homeownership has risen by 1.8 million since 1997 to 18.4 million in 2005 and is among the highest in the world, with home ownership rates higher than the USA, Japan, France and Germany.

## The Structure of the UK Mortgage Market

10. The UK mortgage market has also developed significantly over the last decade in terms of:
  - **market growth** – gross mortgage lending in the UK amounted to approximately £77 billion in 1997, rising to approximately £345 billion in 2006, with thousands of products now available to consumers.<sup>40</sup>
  - **market participants** – including a growing number of non-banks, supported by a large credit intermediary sector (consumers use intermediaries for approximately 60% of all mortgage business).<sup>41</sup>
  - **market sectors** – including a growing sub-prime market (lending for consumers with impaired credit histories or fluctuating incomes) and a market for home financing arrangements compatible with Shari'a law.<sup>42</sup>

<sup>40</sup> Council of Mortgage Lenders (CML) data

<sup>41</sup> See FSA Mortgage Product Sales Data Trends Report, June 2007  
[http://www.fsa.gov.uk/pages/doing/Regulated>Returns/psd/pdf/mortgagetrends\\_jun07.pdf](http://www.fsa.gov.uk/pages/doing/Regulated>Returns/psd/pdf/mortgagetrends_jun07.pdf).

<sup>42</sup> Following the Regulation of Financial Services (Land Transactions) Act 2005, HM Treasury consulted on and introduced secondary legislation last year to bring these arrangements within scope of FSA regulation. The FSA's regime took effect from 6th April 2007.  
 See [http://www.hm-treasury.gov.uk/media/F/C/responses\\_homereversion\\_130906.pdf](http://www.hm-treasury.gov.uk/media/F/C/responses_homereversion_130906.pdf)



- **product innovation** – including growth in flexible mortgages, which help consumers to manage their repayments, and offset mortgages, which combine the balances in a borrower’s mortgage and savings accounts, with the potential to allow consumers flexibility in the way they make repayments.
  - **diversity and innovation in mortgage funding** – including retail deposits, residential mortgage backed securities and covered bonds. Diversity in funding helps to drive innovation in the market. According to industry figures, mortgages worth more than £90 billion were securitised and sold on to investors last year. Overall, it is estimated that between 15-25% of outstanding mortgage balances have been sold to capital markets.<sup>43</sup>
11. This growth in diversity and innovation in the market is welcome. Following on from these developments, the Government is committed to making the market work even better, so that consumers can make informed choices and lenders have the best access to cost-efficient funding, while all appropriate regulatory standards are maintained.

## FSA Regulation

12. The Government and the independent Financial Services Authority (FSA) have done much in recent years to improve the way mortgage markets work for consumers and mortgage firms.
13. Buying a mortgage is a huge financial decision, with an ever-increasing range of products available in the market to choose from. This choice, although welcome, brings in its wake complexity. The consequences of making the wrong choice can be serious for consumers, who may buy products they subsequently cannot afford and may ultimately lose their homes.
14. In order to provide consumers with suitable safeguards, the Government introduced statutory mortgage regulation for the first time in the UK in October 2004, covering the sale and administration of mortgages, and administered by the FSA. The FSA’s regime affords important consumer protections, helping ensure that lenders lend responsibly and prudently, and that consumers are able to make informed decisions and have a means of redress if things go wrong.

## David Miles Review

15. It has been a feature of the UK market that most borrowers take out variable rate mortgages. Unlike in some other developed economies, there has been very little mortgage debt that is at interest rates fixed for more than a few years.
16. Recognising that some people may be looking for greater certainty in their mortgage repayments, in 2003, the Chancellor of the Exchequer announced in his Budget statement that Professor David Miles would investigate the potential demand and supply factors that may be hindering the development of the longer-term fixed rate mortgage market.<sup>44</sup>
17. In his 2005 report, Professor Miles found that the UK market was competitive, with

<sup>43</sup> Mintel, Mortgages, Financial intelligence, March 2007 p.73

<sup>44</sup> [http://www.hm-treasury.gov.uk/media/3/C/miles04\\_470\[1\].pdf](http://www.hm-treasury.gov.uk/media/3/C/miles04_470[1].pdf)

great diversity in the types of lending available for consumers, and in the sources of funding. His analysis confirmed that the majority of homeowners were taking out mortgages with variable rates or rates fixed for the short term. His report made a number of recommendations with the aim of helping to make markets work better, in order to affect both the demand and supply for longer-term fixed rate mortgages.

18. On the demand side, Professor Miles found that consumers found it difficult to understand the risks and features of different products, including the impact of changes in the interest rate on their repayments. In addition, he suggested that the structure of mortgage pricing lacked transparency, playing to the tendency of many borrowers to focus on the initial monthly payments on a mortgage, and too little on the likely overall cost of borrowing over the life of a loan.
19. On the supply side, Professor Miles found that there were a number of potential barriers to the cost effective funding of longer-term fixed rate lending. The way that mortgages are funded is crucial to lenders being able to providing better and cheaper loans to consumers, including longer-term fixed rate mortgages.
20. The Government and the FSA have made good progress in implementing Miles' recommendations. A full statement on progress was set out in the Government's Budget 2005 report:<sup>45</sup>
  - FSA regulation includes a number of elements of David Miles' recommendations on advice and disclosure, including the introduction of an improved mortgage information leaflet and consumer guidance on switching mortgages.
  - David Miles also recommended that the Government assess possible taxation barriers to the development of products that give interest rate protection for borrowers. At present, these products are not attractive for lenders, and the lack of a market has meant that it is not possible to assess their potential tax treatment. The Government remains ready to engage with lenders considering the development of these products in the future.
  - In 2004 HM Treasury introduced legislation to remove a constraint on building societies' ability to securitise assets as a source of funding.<sup>46</sup> This has been followed by further changes in 2007 to remove anomalies in the calculation of building society funding limits.<sup>47</sup> These changes give building societies added flexibility to use wholesale funding to finance mortgage lending.
  - The Government agreed the Capital Requirements Directive (CRD), which introduces a supervisory framework in the EU for banks and some investment firms, and which is a step towards helping to make covered bonds more attractive as a source of funding for longer-term fixed rate mortgages, by reducing firms' capital costs.

<sup>45</sup> Budget 2006, paragraph 3.116 See [http://www.hm-treasury.gov.uk/media/3/E/bud05\\_chap03\\_229.pdf](http://www.hm-treasury.gov.uk/media/3/E/bud05_chap03_229.pdf)

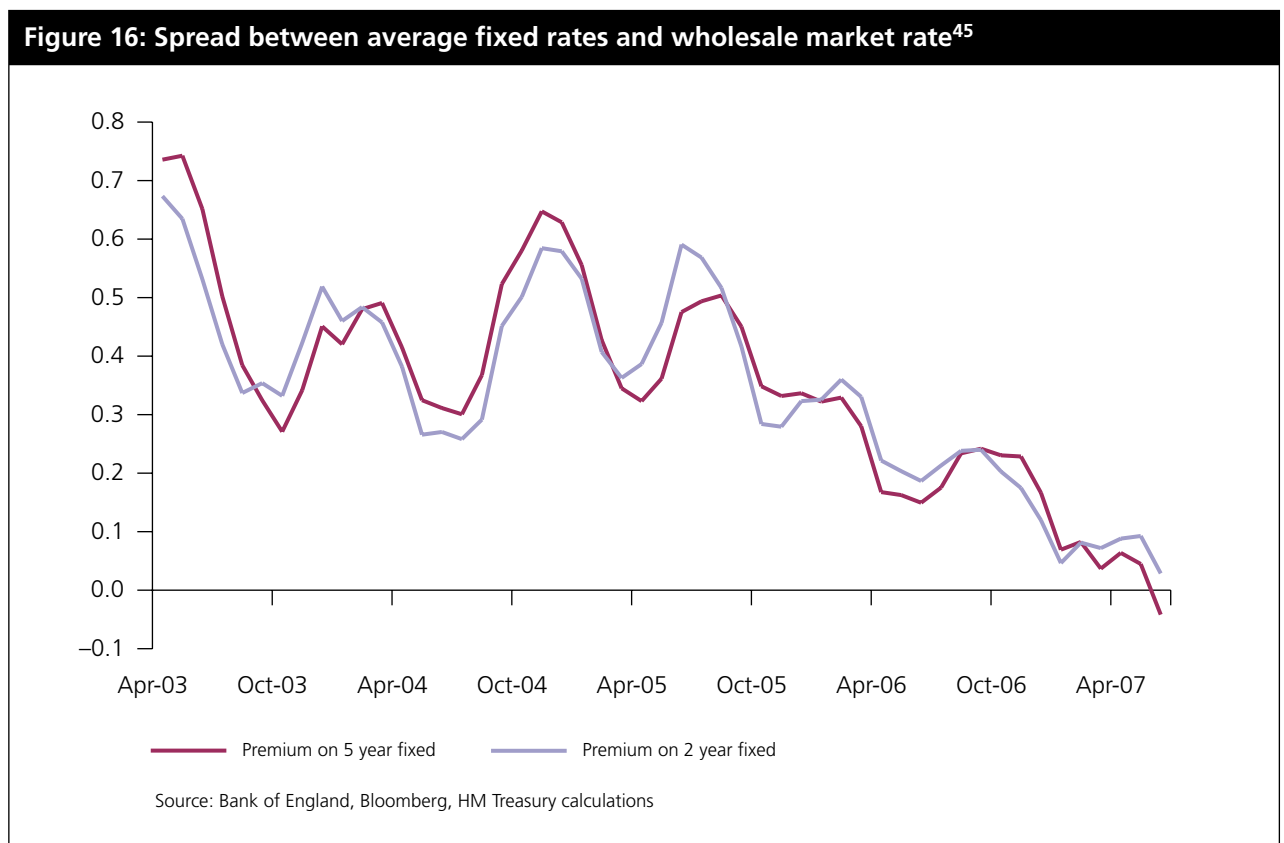
<sup>46</sup> The Building Societies Act 1986 (Modification of the Lending Limit and Funding Limit Calculations) Order 2004 (2004/3200).

<sup>47</sup> The Building Societies Act 1986 (Substitution of Specified Amounts and Modification of the Funding Limit Calculation) Order 2007 (2007/860)

- David Miles also noted that there may be an incomplete market in relation to interest rate options or ‘swaptions’<sup>48</sup> for hedging mortgage prepayment risk. As Miles recommended, the Government considered the potential cost and benefits of using these instruments to better manage its debt. The results of this assessment were set out in the Debt Management Office’s (DMO) Annual Review 2004-05, with the conclusion that the case for using these instruments had not been made.<sup>49</sup>

## Recent Market Developments

21. Since the Miles Review, there have been significant developments in the UK mortgage market. Miles highlighted that lenders in November 2003 were charging a much larger interest rate premium over the wholesale interest rate available on fixed rate mortgages than on short term discounted variable rates. Although the premium may be expected to increase with longer fixes to cover the risk to lenders of consumers repaying loans early, these could have been excessively large, raising the cost of fixed rates and reducing their popularity.
22. Figure 16 shows that this premium on 2 and 5 year fixes has progressively declined since 2003, which would make long term fixes seem better value in comparison to short term, variable discounted rates. This could be due to a number of factors, including increased competition among lenders and better consumer information.



<sup>48</sup> A financial instrument that gives the holder the option, but not the obligation, at a point in the future, to enter into a swap contract, at an interest rate that is agreed now.

<sup>49</sup> DMO Annual Review 2004/05, published by DMO in July 2005

<sup>50</sup> In line with the Miles Review, wholesale market rate is taken to be 2 year swap rate for the 2 year fixed, and 4 year swap rate for the 5 year fixed. Four month rolling average is used as series is volatile.

23. In addition, the average price level of fixed rate mortgages compared to variable rate mortgages has declined. This is primarily due to movements in long-term wholesale interest rates. Fixed mortgage rates are priced off long-term wholesale interest rates, so if long-term rates are lower than short-term rates (known as an 'inverted yield curve') they will become relatively cheaper.
24. In the light of these developments, more and more consumers are taking out fixed rate mortgages today. 78% of new mortgages are now fixed for 2 years or more, accounting for 50% of total mortgage lending. The figures are even higher for first time buyers, with 90% of all new loans at fixed rates. Five years ago only 28% of new mortgages were fixed. Figure 17 shows how their popularity has increased since 2003.

**Figure 17: Funding type of new loans**



## Improving Market Efficiency

25. The Government and the FSA have done much in recent years to improve the way that mortgage markets work. And there have been significant recent developments in the UK mortgage market, including the growth in fixed rate mortgages. However, it remains the case today that few UK homeowners are purchasing fixed mortgages beyond five years.
26. Following on from the David Miles report, and following the expansion in fixed rate mortgages already seen to date, on 11th July 2007 the Chancellor announced further steps to improve the way that mortgage markets work, so that:
- consumers are able to make informed choices in buying a mortgage, including longer-term fixed rate mortgages if it is suitable for them to do so; and

- lenders have access to capital market finance, which facilitates offering longer-term fixed rate mortgages.

## Informed Consumers

27. Borrowers need to receive clear information and have access to high quality advice, so that they can make decisions that are right for them, including on whether a longer-term fixed rate mortgage would be a sensible option. On its own information and advice is not enough – in order to make informed choices, borrowers must also have the financial capability to understand the information they receive.

## FSA regulation – next steps

28. There have been important steps in this direction. Since mortgage regulation was introduced in 2004, the FSA has undertaken significant work to assess whether firms are meeting the required standards and to review the effectiveness of its rules.
29. Last year, the FSA published initial findings of its post-implementation review, focusing on whether the FSA's conduct of business rules are delivering the intended benefits for consumers in the mainstream market. Overall, the FSA found that regulation is working effectively; consumers are actively shopping around for their mortgages and are able to understand the risks and features of the mortgages they take out. In 2008, the FSA will bring forward findings of the next phase of its post-implementation review.
30. In early July, the FSA published a review of the way mortgage lenders and brokers are selling to the sub-prime market. The review has highlighted some deficiencies in some firms and brokers' compliance with the FSA's regime, in particular in relation to the ability of mortgage brokers to demonstrate the suitability and affordability of the products they are recommending. The review has also raised concerns about lenders' responsible lending policies.
31. Going forward, the FSA will build on its work to ensure that firms improve the quality of advice and information given to potential customers, including a second review of the processes firms have in place for giving advice to consumers, to report next year, and further work on affordability, self-certification and responsible lending.
32. If evidence of problems emerges, the FSA will also consider whether the financial incentives for mortgage brokers operate against the long term interests of those they are advising.

## Raising financial capability

33. More generally, raising the financial capability of consumers is a key priority for the FSA, which leads the UK's national strategy for financial capability. The FSA is currently working with stakeholders across the financial services industry, the third sector and Government to deliver the strategy.<sup>51</sup> The Government also recognises that it should play a full and active role in building financial capability. In January 2007, HM Treasury published *Financial Capability: the Government's long-term approach*.<sup>52</sup>

<sup>51</sup> See FSA, *Financial Capability in the UK: Delivering Change*, March 2006

<sup>52</sup> [http://www.hm-treasury.gov.uk/documents/financial\\_services/financial\\_capability/fin\\_cap\\_longtermapproach.cfm](http://www.hm-treasury.gov.uk/documents/financial_services/financial_capability/fin_cap_longtermapproach.cfm)

34. As part of this work the Government has asked Otto Thoresen, Chief Executive of AEGON UK, to lead a feasibility study into the provision of generic financial advice, which will report around the end of the year. Buying a mortgage is one of the most important financial decisions that an individual will make in their lifetimes, and the Thoresen review will include in its work mortgage guidance and information, along with other key financial issues, for example, pensions, credit and savings.

## Lenders' Funding Options

35. The Chancellor has announced significant new initiatives establishing a covered bonds regime in the UK and supporting changes to building society funding limits, in order to enhance lenders' opportunities to finance mortgages, including longer term fixed rate mortgages. In addition, the Chancellor has announced a Treasury review to determine whether anything else is needed to help lenders finance longer term fixed rate mortgages.

### Covered bonds

36. David Miles identified the development of a covered bonds regime in the UK as an important component of developing a deeper market in longer-term fixed rate mortgages.<sup>53</sup> HM Treasury has been working closely with FSA and industry in drawing up legislative proposals for a new covered bonds regime. The Treasury is publishing today a consultation document on these proposals alongside the Green Paper.<sup>54</sup> The new regime is expected to be in place by the end of this year.
37. The new regime will allow lenders to take advantage of the special status that covered bonds which meet specified criteria are accorded under EU law, and adjust the risk weightings accordingly. This has the potential to increase diversity and innovation in UK funding markets by giving UK firms access to the £1.5 trillion European market in covered bonds. This will provide firms with further opportunities to match their borrowing and lending over the longer-term, helping them to finance more affordable longer-term year fixed-rate mortgages.

### Building society legislation

38. One of the observations of the Miles Report was that the legislative requirements imposed upon building societies' funding structures could act as an obstacle to the development of longer-term fixed rate lending. The Government is supporting a Private Member's Bill currently before Parliament that will allow the limit on how much building societies can borrow in wholesale markets to be raised.<sup>55</sup> The proposals in the Bill will allow the Treasury to amend the current requirement for building societies to raise at least 50% of funds in the form of shares held by individual building society members, with the effect that they may raise funds from other sources up to a 75% limit. This will give building societies more flexibility to develop cost-effective funding strategies, which in turn will make it easier for them to offer longer-term fixed rate mortgages.

<sup>53</sup> Covered bonds are a class of corporate bond issued by credit institutions and secured against collateral, typically mortgages and public sector loans.

<sup>54</sup> [http://www.hm-treasury.gov.uk/consultations\\_and\\_legislation/ukrec\\_covbonds/consult\\_ukrec\\_covbonds.cfm](http://www.hm-treasury.gov.uk/consultations_and_legislation/ukrec_covbonds/consult_ukrec_covbonds.cfm)

<sup>55</sup> The Building Societies (Funding) and Mutual Societies (Transfers) Bill

39. The passage of the Private Member's Bill will depend on the Parliamentary timetable, following the Report stage in the House of Lords later this month. If it receives Royal Assent, HM Treasury will launch a public consultation on implementation, and following that consultation will make an implementing statutory instrument.

## **HM Treasury review of barriers to supply of funds to mortgage lenders**

40. As the Chancellor of the Exchequer announced on 11th July 2007, HM Treasury will also undertake a review to identify any further barriers to lenders wanting to raise funds in wholesale markets.
41. For lenders offering longer term fixed rate mortgages, they face the risk that borrowers may repay early, leaving lenders with costly finance in place that no longer matches their mortgage book. At present lenders charge borrowers a premium on their mortgage rate to help cover these potential costs. The review will examine other ways for lenders to manage this risk, for example, by purchasing derivatives and assess whether there are any actions that could be taken in this market. Following recent developments in the mortgage market, and changes in DMO modelling techniques,<sup>56</sup> there will be an up to date assessment of whether the DMO could issue interest rate swaptions, a derivative that lenders could use to hedge this risk. The benefits of improving lenders' ability to manage this risk could be that more of them are able to offer longer-term fixed rate products, and at a lower rate and with lower penalty charges for early repayment.
42. The review will also look at the development of the mortgage backed securities market. Mortgage backed securities are another way that lenders may raise wholesale funding, in order to finance mortgages. In the UK, the mortgage backed securities market is growing but still relatively under-developed, compared with the US for example. The review will assess whether there are any barriers to the development of this market and action that could be taken.
43. When people buy houses they are typically making one of the biggest financial decisions of their lives. Although homeownership can provide many benefits, there are also risks attached to it. These include the risks that house prices decline, interest rates increase or a member of the household becomes unemployed or experiences a decline in income. Taking out a long-term fixed rate mortgage can protect against interest rate risk, but not against other sorts of risk. Recent financial market innovations in property backed assets, such as residential property futures and options, could offer one way for households to manage these wider risks. For example, at the very high end of the housing market types of financial insurance are available for house purchasers to cover some of these risks. The review will look at whether there is action to be taken to remove any potential barriers to the further development of property backed assets.
44. The terms of reference of the review are set out below.
45. HM Treasury will work closely with the financial services sector and will report its findings at Budget 2008.

<sup>56</sup> As set out in the 2007 Debt and Reserves Management Report

**The review's Terms of Reference will include an assessment of:**

- the supply of and demand for financial instruments to allow the risks of mortgage pre-payments to be hedged efficiently. This will include an up to date assessment of whether the DMO could use 'swaptions' to manage better the Government's debt portfolio;
- the rapidly developing residential asset backed securities market, and assessing whether there are remaining obstacles or inefficiencies preventing further improvement in liquidity allowing securitisation to become a greater source of housing finance; and
- the recent financial innovations aimed at re-packaging housing and funding related risks which tend to be aimed at consumers on higher incomes, and assessing whether there may be important obstacles that prevent these opportunities from becoming more widely available.

**Next steps:**

- HM Treasury has published today a consultation document on new legislative proposals for a covered bond regime in the UK, which will help to assist mortgage firms finance more affordable longer term fixed rate mortgages.
- The Government will continue to back a Private Member's Bill, currently working its way through Parliament, which will increase the proportion of funds which may be raised in wholesale markets, allowing building societies more flexibility in financing their mortgages.
- HM Treasury will undertake a review, working closely with the industry, to identify any further barriers to lenders wanting to raise funds in wholesale markets, and reporting at Budget 2008.



## SECTION V: DELIVERY: HOW WE MAKE IT HAPPEN

This section sets out how we will build capacity to meet the skills and construction challenges of this new agenda and explains the roles of Government and our partners to pursue this shared agenda.

### Chapter 11: Skills and Construction

**We need enough appropriately skilled workers to deliver our ambitious targets, recognising existing skills shortages and regional recruitment and retention difficulties.**

**This chapter:**

- sets out the work underway to ensure appropriate capacity and capability within the key sectors supporting housing growth (particularly built environment professionals including architects, construction workers and local authority planning staff) and help ensure that local people can get the skills they need to compete for jobs in housing construction;
- proposes increased joint working between government departments, with other relevant industry bodies and unions, liaising with training providers and colleges, to improve training in construction and other vital skills and to develop more Apprenticeships and new Diplomas for young people; and
- commits us to bringing together the key partners in a major drive to ensure that we have the skills to meet future demand.

### Context

1. To deliver the Government's ambitions for housing growth, higher environmental standards and better places to live, we need enough skilled workers. However, recruitment and retention difficulties in key areas, as well as skills gaps, present significant obstacles.
2. Government has an important role to play in providing the right framework and in working with employer organisations and trade unions to ensure that education, vocational training and occupational standards and qualifications deliver the right skills. However, it is for employers to compete for the most able recruits, manage their own recruitment processes effectively, and ensure that the workforce is equipped with the work-specific skills they need.
3. Wider skills initiatives are important, not least Apprenticeships and the new diplomas being developed by Department for Children, Schools and Families (DCSF) and the focus on ensuring that vocational courses provided by colleges and other training providers are responsive to employers' needs. In addition, gaining skills and employment can play a powerful role in raising living standards, tackling child poverty and increasing social mobility. We must therefore make every effort to ensure that the opportunities opened up by the housing proposals in this Green Paper can contribute to these wider benefits, and support local people.

4. We are particularly concerned with improving the skills and supply of workers in construction, as well ensuring we have enough built environment professionals and local government officers to ensure speedy, high quality, environmentally efficient delivery of our goals.
5. Our priority is to support capacity and capability in these key sectors, as well as efforts to promote cross-occupational working. This latter point was a key finding of the 2004 Egan Review of Skills for Sustainable Communities, which identified a lack of understanding across the professions and occupations involved in the planning, designing, creating and maintaining the built environment as a key factor restricting effective delivery.
6. Despite some data gaps, there is compelling evidence of recruitment and retention difficulties. For example, 94% of local authorities reported recruitment and retention difficulties in January 2004 (up from 30% in March 1995)<sup>54</sup>, and 80% of built environment professional service firms are experiencing skills problems within their existing workforce<sup>57</sup>. Too few young people are becoming construction workers. ConstructionSkills (the Sector Skills Council for the construction industry) estimates that the sector needs 87,000 new entrants each year to replace those leaving the industry, and for new programmes<sup>58</sup>, that place further demands on the workforce.
7. Although there are regional differences, nationally only 25% of construction firms offer apprenticeships. The involvement of the housebuilding sector in training is equally patchy. Many companies play their part. But the fragmented nature of the sector, with many micro-contractors working on a project basis with short term time horizons, makes participation in training a real challenge. ConstructionSkills are challenging and supporting more firms to get involved in providing work experience, and training generally, to help address the whole industry's skills needs. As key partners of ConstructionSkills, the unions also have an important role to play in assisting the provision of construction workplace learning, with exemplar projects such as the Canary Wharf learning centre.

#### **Skills and capacity: construction workers**

Increasing the number of apprenticeships in the industry is a high priority for ConstructionSkills. They have introduced a Programme-led Apprenticeship route, alongside traditional apprenticeships, with a target of 1,000 placements planned for the third cohort in 2007. These provide an effective progression route for college construction students, providing essential work experience to enable them to complete their qualifications. Construction Legacy – Housing (formerly known as Sustainable Training for Sustainable Communities), is a partnership between ConstructionSkills and the Housing Forum. The project promotes the best demonstration projects, where good construction training is used to fill skills gaps, and make an investment in the local communities they serve. They include a portfolio of social housing contracts including new build and large regeneration schemes. The case studies illustrate approaches taken to the engagement of local people, especially women and those from Black and Minority Ethnic (BME) groups, and the successes achieved in terms of employee retention. More information is at: – <http://www.constructingexcellence.org.uk/resources/publications/view.jsp?id=7521>

<sup>57</sup> Construction Industry Council/David Langdon *Built Environment Professional Services Skills Survey 2003/04* (CIC 2004).

<sup>58</sup> Construction Skills Foresight Report, 2006

### **Skills and capacity: training schemes**

National Grid's pioneering Young Offender's Programme has established an award-winning scheme offering win:win benefits for society and employers. Trainees undertake industry-standard Gas Network Operative training from which they progress to jobs on release, with support and mentoring, with National Grid and its contractors. The programme helps to break the cycle of crime while simultaneously meeting business needs. This industry led programme has expanded out under the leadership of Sir John Parker, Chairman National Grid, with 80 companies in six industry sectors: Gas/Electricity, Engineering/Construction, Cement Aggregates, Utility Contractors, Logistics and Support Services.

8. New housing is a significant element of growth in the construction industry, but the industry also has to provide for the needs of other construction programmes, including infrastructure and the repair and maintenance of existing housing stock. A recent capacity study<sup>59</sup> concluded that, while general shortages in the sector have been alleviated somewhat since the expansion of the European Union (EU), the UK construction industry would not face significant capacity constraints up to 2015.
9. However, skills gaps and shortages remain in key areas – particularly in professional disciplines and skills such as leadership, project management and design awareness<sup>60</sup> – and these pressures are the most acute in London and the South East. Certain trades are also facing pressures, particularly mechanical and electrical. In taking action to meet those skills gaps and shortages it is essential that we make it a top priority to ensure that local people – especially the many without skills and qualifications – can get the skills they need to access the new jobs that will flow from this strategy. The Government's recently published plan for implementing the Leitch Review of Skills, and Green Paper on Welfare Reform, will make a direct impact to this.
10. In terms of materials, the construction market is influenced by global factors which are likely to have a greater impact than demand levels in the UK market. The capacity study found that the overall supply of materials is flexible and adaptive, and does not present general capacity constraints for the industry. However, increases in management skills and efficient use of resource would be of benefit. The Office of Government Commerce continues to monitor construction inflationary pressures.
11. However, the report raised concerns that there was insufficient collaboration at the pre-construction stage. The most effective approach to addressing many capacity-related issues is multi-disciplinary working from the earliest stages of delivery programmes. This approach was strongly endorsed by the National Audit Office in its 2005 report *Improving public services through better construction* which also identified that greater uptake of an integrated team approach had potential to save some £2.6 billion each year. As a result, both Communities and Local Government and BERR activities are aiming to drive greater integrated working. For example, BERR are working with the Strategic Forum to identify actions to aid integration and develop a demonstration programme.

<sup>59</sup> OGC: 2005 – 2015 Construction Capacity Study, June 2006

<sup>60</sup> Chapter 8 expands on the issues of design awareness and design skills.

### **Skills and capacity: local government**

Communities and Local Government is preparing a Joint Improvement Strategy that will be agreed by central and local government, to respond to the key challenges of the future, support local decision making and help achieve efficient local delivery of services. The strategy will be a key component of the arrangements being put in place to support the delivery of ambitious Local Area Agreements and the new performance framework, and secure improvements in efficiency. It will support the new role of local authorities as strategic leaders of their areas, provide more coherent support to councils and their partners and give greater responsibility to local authorities to secure improvement.

Once agreement to the framework is reached, we would then look to regional partnerships and other improvement bodies responsible for providing support to prepare strategies and plans in line with the framework. Following on from this, we would look to agree and publish a more detailed statement which sets out agreed priorities and resources for improvement available for 2008-11.

## **Current priorities and actions**

12. The Leitch Review of Skills puts employers at the heart of a demand led skills system. Amongst its recommendations was the creation of a UK Commission for Employment and Skills. The chair of the commission, Sir Michael Rake, has now been appointed. The Commission will play a critical part in securing a highly skilled, productive workforce and increasing employment levels, particularly for those from disadvantaged backgrounds. It will advise Ministers on strategy and policies relating to employment and skills; assess progress towards achieving national employment and skills ambitions for 2020; and monitor the performance of Sector Skills Councils. The Government's Leitch Implementation Plan was published on 18th July 2007 and sets out in more detail steps to reform the adult skills system, ensuring that, as a nation, we will have skills that are world class.
13. The Local Government White Paper announced the creation of Local Employment and Skills Boards (ESBs) in the core cities that want one. These will assist with gaining active involvement and participation of employers, as well as responding to identified gaps in skills capacity and capability. Since then, some local partners in the core cities have already started forming ESBs. The Sub-National Review of Regeneration published on 17th July set out that Government sees value in locally-led boards and will work to share and identify good practice in improving the interaction of employment and skills services. It makes clear that any new ESB's should build on what already exists and one of their key goals should be to simplify the range of existing local bodies.
14. ConstructionSkills, has worked closely with the Office of Government Commerce to develop and share data forecasting future labour requirements, and identify suitable strategies for action. Work carried out in 2005 by ConstructionSkills with the Home Builders Federation that looked at the implications for the industry of a significant growth in housing output identified the need for more skilled workers. Other Sector Skills Councils also have a role to play, particularly Summit Skills for building services engineering and Asset Skills.

15. In 2006, ConstructionSkills launched the Construction Skills Network. This is a radical change in the way research, data and information on the future employment, skills and training needs of the construction industry is collected and produced. It draws on the knowledge and experience of Government, Sector Skills Councils, construction companies, education and training providers, regional agencies and customers across the UK. This results in a cross industry consensus view of the current and future skills and training needs of the industry.
16. Other government departments and agencies have programmes supporting the construction industry. The Department for Innovation, Universities and Skills and the Learning and Skills Council help co-ordinate our collective understanding of current and future skills needs of the construction industry. Programmes such as Train to Gain and apprenticeships will help to provide more skilled construction workers. DCSF is also developing new diplomas, which will equip young people with the applied skills valuable in construction and engineering. The Department for Business, Enterprise and Regulatory Reform encourages the industry to invest in training in skills related to innovative construction techniques, and materials, to avoid potential barriers to the successful exploitation of such innovations.

#### **Skills and capacity: employer led partnerships and actions**

The Government backed National Skills Academy for the Construction sector was launched in October 2006. This employer-led partnership involving ConstructionSkills, colleges and the Learning and Skills Council is expected to train 100,000 adults and enable them to gain NVQs at levels 2 and 3 as well as facilitating 10,000 apprenticeships by 2010. With the commitment of all concerned, this partnership will make a real difference.

Government is also encouraging every employer in the housing construction industry to signal their commitment to their workforce by making a Skills Pledge – a voluntary agreement to train their staff to have at least the equivalent of 5 good GCSEs, and beyond where the industry standard requires higher. In return, employers making a skills pledge will have access to an impartial skills broker who will work with them to diagnose their particular skills needs and help them source available public funds.

17. Communities and Local Government's interventions are focused both on addressing skills gaps (particularly in relation to a set of cross-cutting, interdisciplinary skills that need to be fostered and shared across a wide range of professionals and occupations) and on increasing capacity. Some of this can be done directly, but the Department also recognises the vital importance of working in partnership with the independent bodies that are responsible for a large proportion of the workforce involved in delivering our priorities.
18. In response to the main recommendation of the Egan Review, the Department has established the Academy for Sustainable Communities (ASC) as the national centre for the skills and knowledge needed to make better places. The ASC is tasked with helping those delivering new and revitalised places to work with more effectiveness and efficiency, and focuses on broader, generic skills such as project management, visioning, communication, partnership working and community engagement. It is not a major training provider, rather looking to influence other providers and to lead the market where gaps exist.

19. The main emphasis of the ASC's current programme of work is on built environment professionals, seeking to bring more people into the professions and to improve training to ensure that technical expertise is complemented by a broader set of generic skills that can facilitate and improve delivery. It is also leading on a programme of research that will help us to understand better what the nature of the skills and learning gaps is, where shortages are most acute and how we might best tackle issues of capability and capacity in order to support delivery.
20. We are separately consulting on whether the new homes agency should take on responsibility for the ASC<sup>61</sup>. We believe that inclusion of the ASC would strengthen the expertise available to the new homes agency in respect of skills and knowledge issues across the broad range of functions involved in the delivery of better places, including housing. It would also aid the wider dissemination of the best practice generated by the new homes agency's housing and regeneration activities across all sectors and professions.

#### **Skills and capacity: built environment professionals**

In 2002, a report prepared for the (then) Department of Transport, Local Government and the Regions DTLR 'Resources of Local Planning Authorities' highlighted the serious reduction in supply of qualified planning graduates since the mid-1990s. However, the capacity building support that has since been put in place working with all stakeholders to improve recruitment into the planning profession and the training and education of planners is now paying dividends. From the low point in 2001/2 of only 618 students on RTPI accredited planning courses, the situation has improved dramatically. In 2005/6 there were 3,390 students enrolled, and 1,904 graduating. In addition to the increased numbers of new planners being trained, the capacity of planning schools has grown and more continuing professional development opportunities are now available for existing planning practitioners. The Planning White Paper strongly endorsed the need to increase the number of qualified planners and to raise the status of the Chief Planning Officers within local authorities.

21. At a local level a critical related area is in housing management. And housing providers such as registered social landlords and local authorities can play a key role in helping their tenants into training and employment – at the same time as helping to fill skills gaps.
22. Many registered social landlords already run such programmes for their tenants. These can provide tenants with routes into accredited qualifications and work and local employers with skilled employees. This is particularly important for social tenants, as nearly 55%<sup>62</sup> of households of working age in the social rented sector are workless.
23. Additionally, funding streams such as Neighbourhood Renewal, the European Social Fund, the Local Area Business Growth Initiative, the Local Enterprise Growth Initiative and the New Deal for Communities programme have been successfully used by local authorities and partners from the private, voluntary and community sectors to provide renewed focus on tackling worklessness, and low levels of skills within their areas.
24. Effective partnership working can offer significant scope to deliver local solutions to tackle low employment. LSPs provide a forum for local partners – including the local authority, Job Centre Plus and Learning and Skills Councils – to work together to ensure they meet the needs of local residents and employers.

<sup>61</sup> Delivering Housing and Regeneration: Communities England and the future of social housing regulation: CLG 2007

<sup>62</sup> John Hills *Ends and Means: The Future Roles of Social Housing in England* (2007), Table 10.1

### **Skills and capacity: local people**

In Newcastle-upon-Tyne a group of hostel residents have built their own hostel and office extension. All people involved in the scheme are studying for NVQ Level 2 in Construction which makes them eligible for their Construction Skills Certification Scheme Card – the construction industry’s “passport” for site workers. Within the first 20 weeks of the project almost all of the self builders had moved into their own homes and now live independently.

## **Efficiency, innovation and sustainability in the construction sector**

25. Successive reviews of construction have identified areas for improvement, and put in place a range of construction improvement initiatives and support services. These are delivering results, for example a significant increase in the percentage of public sector projects meeting time, cost and quality targets.
26. The Egan report ‘*Rethinking Construction*’ set a number of recommendations and targets to improve construction practices. The performance of the Constructing Excellence demonstration projects show what can be achieved. The 2005 achievements of these projects include, for example, a 61% reduction in accidents which equates to a saving of £363 million. If this efficiency was replicated across just one third of the industry it would result in a saving of £1.2 billion. Similarly, the demonstration projects showed a 6% reduction in projects costs, which if replicated across one third of the industry would result in savings of £1.4 billion.
27. In driving forward delivery of housing growth, higher environmental standards and better places, we want the UK housebuilding industry to be a world leader, not follower. We must build confidence for the future by focussing on delivering high quality homes, tackling climate change and meeting the needs of customers. It is therefore important to continue with initiatives that aim to improve the efficiency and effectiveness of housing construction, whilst also capturing and harnessing the benefits of emerging technologies. For example, encouraging the incorporation of “smart technology” to improve home security and management, enhance care and assisted living or improve access to services.
28. There is activity underway across the construction sector. Three areas that are of particular relevance to the housing growth agenda are highlighted here.

## **Efficient construction**

29. Improving the quality and sustainability of construction is not merely about using greater resource for delivery, or conversely just about efficiency. It is about getting it right from the start, which is reliant on having the right skills in place at all points in the development chain. As an example, the 1970’s Holly Street Estate in London had to be demolished and rebuilt only 20 years into its planned 60 year life, at an additional cost of £92 million.
30. BERR, Communities and Local Government, and their delivery agents, have sought to prioritise improved efficiency in the housebuilding sector across all forms of construction. There is also a continued focus on modernising construction processes to build more, better quality homes in less time. Government believes that, although not a panacea, modern construction techniques have an important role to play in delivering the step change needed in housing supply.

31. In November 2005 the National Audit Office<sup>63</sup> published a study that concluded that greater use of Modern Methods of Construction (MMC) could mean that:
- Four times as many homes can be built with the same on-site labour;
  - On-site construction time can be reduced by over a half;
  - Building performance can be at least as good as traditional build; and
  - A reasonable degree of cost comparability can be achieved depending upon the approach adopted.
32. English Partnerships and the Housing Corporation have recently published “Modern Talking”, which sets out the success that both organisations have had in driving up the quality of new social and private for sale housing through greater use of MMC. “Modern Talking” is an excellent example of collaborative working in the run up to the creation of the new homes agency. A number of other programmes described elsewhere in this paper, such as the Carbon Challenge, are designed to aid in driving these innovations forward.

## Sustainable Construction

33. Following publication in October 2006 of a Review of Sustainable Construction, a forward looking strategy for sustainable construction is now being developed. There has been extensive dialogue with industry representatives, and the resultant consultation document for this strategy is soon to be published.
34. This strategy will not be about introducing new legislation: rather, its emphasis will be on making existing regulation work better. The aim is to improve the sustainability of the built environment with a focus on the following key areas:
- Greater uptake of training programmes, improving skills and increasing retention rates of skilled workers within a safer industry;
  - Reduced carbon footprint of activities within the construction sector, and better use of resources;
  - Reduced daily water consumption per head;
  - Zero net waste, at construction site level;
  - Effective use of Government procurement power as an enabler to transform the market for innovative and sustainable solutions; and
  - Development of voluntary agreements and initiatives by the construction industry and its clients with the aim of reducing the carbon footprint and use of resources within the built environment.

<sup>63</sup> Using Modern Methods of Construction to build homes more quickly and efficiently, NAO Nov 2005



## Innovative construction

35. The recent Energy White Paper set out in some detail the need for and approach to supporting innovation as one of the keys to mitigating climate change. Chapter 7 emphasises the need to ensure that new housing contributes to reducing emissions and sets out a number of measures to achieve this. Other actions to drive innovation in the wider construction industry and bring new products to market will also assist in this aim.
36. An Innovation Platform on Low Impact Buildings is being led by the Technology Strategy Board, and will accelerate the development of cost-effective solutions – identifying and filling innovation gaps. It will act as a technology accelerator.
37. The new Innovative Construction Skills Forum brings together government departments, sector skills councils, academia and other research bodies to work together on new research to understand the drivers – the demand and supply aspects – and focus on skills issues to be able to realise the benefits of innovations in construction. This is closely linked to the wider work on sustainable construction.

### **Skills and capacity: moving from worklessness into construction**

Notting Hill Housing established their construction training scheme in 1995. It provides a two year accredited training scheme for unemployed people over the age of 18 who live in one of five London boroughs. People taking part in the scheme receive:

- Support to secure a college place and access to work placements;
- Help with college fees, fares, books and stationery and free professional tools and equipment;
- Free health and safety tests;
- The opportunity to earn as you train; and
- Professional advice, guidance and support.

Since the CTI began some 700 people have been supported into work, giving them skills that will last a lifetime.

**Fortunegate Community Housing** in partnership with BOSS (Building One Stop Shop) is working to deliver a construction training initiative in Brent. More than a thousand Fortunegate residents have used these services. Over 180 trainees have gained permanent employment and 120 have achieved a recognised qualification in construction. Free training is offered on:

- Bricklaying, carpentry and joinery, painting and decorating;
- Electrical installations, plastering, plumbing;
- Maintenance operations, refrigeration and air conditioning;
- Heating and ventilation;
- Plant operations: dumper, telescope handler;
- Gas service (for people with experience and or an offer for a job);
- Welding and fabrication, scaffolding;
- New roads and streetworks, multi-trade operators; and
- Groundworking, labouring, rail – PTS and LUL.

38. The Departments of Innovation, Universities and Skills; Business, Enterprise and Regulatory Reform, Communities and Local Government; and Children, Schools and Families are each playing their part in providing the right framework to ensure that we have the right people, with the right skills to support the housing agenda. These approaches have been successful as the examples given in this chapter show.
39. With the new challenge of the increased ambitions set out in this Green Paper, we propose that these Departments should come together (with other relevant bodies from across the sector) to explore improvements to the delivery skills base to support housing growth, whilst also supporting local people's skills needs. This could, for example, include
- We will bring together the key partners – the construction industry, Industry Training Boards, Sector Skills Councils, the Sector Skills Development Agency, the Learning and Skills Council, and Local Authorities – in a major drive to ensure that we have the skills to meet future demand. And, reflecting the important role of Trade Unions in the construction industry in meeting these challenges, we want them to play a full part through their involvement with ConstructionSkills and other Sector Skills Councils;
  - Building on ConstructionSkills' Sector Skills Agreement, which sets out the sector's future skills needs, and exploring with ConstructionSkills, and with the other relevant Sector Skills Councils, how we can maximise the overall impact for the housing sector of the different actions on skills we are now supporting. This includes action through the Skills Pledge, Train to Gain (including Higher Level Skills Pilots);
  - We are committed to boosting the number of Apprentices in England. To deliver this the LSC and SSCs have drawn up a joint action plan, and SSCs have been asked to make an assessment of the potential for Apprenticeship expansion in their sectors. We will work with ConstructionSkills and the other relevant SSCs on the opportunities for expanding apprenticeships that this strategy will present;
  - Exploring whether an employment and skills 'Compact' approach to meet the needs of the individual and the employer could be adopted by the construction industry. This could aid better integration of employment and skills services, and tackle social disadvantage and the needs of the workless more effectively as well as meeting the needs of employers; and
  - Exploring whether to put an increased focus on identifying the new skills needed to support the drive towards zero carbon across all professions and occupations supporting housing growth.

## Chapter 12: Implementation: a shared endeavour

1. This Green Paper sets out a scale of ambition to provide more housing than has been seen in this country for a generation. At the national level, Government has made the case for more housing, and built a consensus around the case for new homes. However, Government support alone is not enough. Delivering the ambition will require strong commitment from both the private and public sectors, and at all levels. Political buy-in from local leaders, engaging with their communities and third sector organisations, will be particularly important. As set out in the Local Government White Paper, Government must also free up local authorities and their partners to respond to particular local circumstances in relation to housing. That is why we are closing this Green Paper with a call on each group to sign up to and take responsibility for the part they play in achieving our ambition.

### The role for local communities

2. It is imperative that local people are genuinely involved in the debate about housing growth and that their concerns on supporting infrastructure are addressed. It is wrong to think that communities are naturally resistant to new homes. When involved properly in the development of local policies and throughout the planning process and reassured about the provision of infrastructure, communities can welcome growth. Independent research in the South East shows how this kind of consultation can be highly effective.<sup>64</sup>
3. Ensuring that new homes and developments are designed and built to the highest standards with good local facilities, is crucial to making the case for growth. Meeting local communities' expectations for good quality homes is vital to winning their acceptance and support for higher levels of housing delivery. The consensus we have now achieved at the national level on higher environmental and design standards has helped increase support for more housing. This national consensus now needs to be made real to communities on the ground.

#### **Case study: Farringdon, Vale of White Horse**

The Farringdon area, within the Vale of the White Horse District Council, underwent a Market Town Health Check carried out in partnership with the local authority, The Countryside Agency and the South East England Development Agency (SEEDA). One of the clear messages to come out of the Health Check was that the local community wanted more residential and employment development to support services in the town.

The local authority was very supportive of the community and the Town Council taking the initiative in requesting more housing. The Town Council held an exhibition where developers were invited to present potential sites for development around the town to the public. The exhibition was attended by over 130 people. The District Council considered all the sites put forward and opted for a greenfield site of 400 homes and employment development on the edge of the town. A Town Council funded MORI poll showed that the majority of local people supported the proposal which was then included in the Local Development Plan. The local plan was adopted in July 2006 and contains a site allocation for 400 new homes and employment development. The community led initiative was a key factor in this site allocation being included.

<sup>64</sup> Housing Futures Informed Public Opinion (Joseph Rowntree Foundation 2004) <http://www.jrf.org.uk/knowledge/findings/housing/674.asp>

## Empowering local communities in decisions about housing

4. The Local Government White Paper (October 2006), along with ongoing planning reforms, underlines the importance of involving communities in an integrated and inclusive process. In particular, strengthening the relationship between the Sustainable Community Strategy and Local Development Framework's core strategy will ensure a coherent approach.<sup>65</sup> The forthcoming Statutory Guidance on Place Shaping will strengthen this through a new duty to inform, consult or otherwise involve citizens and communities.
5. Local authorities and local strategic partnerships must reach out to their communities. If local people and their representatives are to be effectively involved in the debate about housing growth, they are entitled to be equipped with the evidence about local housing pressures, demand, and supply and to know the processes that shape decisions on housing locally. As announced in the Planning White Paper, applications for large scale development can be taken forward through Planning Performance Agreements, which should include provisions for community involvement
6. The Government intends to bring together evidence and information into a single place to ensure that local communities are equipped to resolve the problems of housing locally. This "toolkit" will include:
  - house prices and affordability data
  - projections of household demand
  - information on the local waiting list for council housing
  - data from local housing market assessments
  - details of the local authority's five year supply of land
  - examples of successful forms of community engagement events
  - opportunities for local people to engage in emerging local development frameworks
7. The toolkit will be linked to resources such as [www.communityplanning.net](http://www.communityplanning.net), a web resource providing detailed information on ways to encourage local people to get involved in the planning process.
8. We will consult with the Local Government Association (LGA) and others on this toolkit and envisage making it available widely locally – to local people and their representatives – both members of the local authority and Members of Parliament. This toolkit will be in addition to our on-going support for the Advisory Team for Large Applications (ATLAS).

<sup>65</sup> Planning Together: Local Strategic Partnerships and Spatial Planning - a practical guide (CLG 2007) <http://www.communities.gov.uk/index.asp?id=1505906>

### **Case Study: Woodberry Down, Hackney, London**

The Woodberry Down Estate is currently undergoing redevelopment. It has an ethnically diverse community of approximately 5000, the majority of whom wish to stay on the estate after the existing buildings and infrastructure have been rebuilt. Regeneration will include the provision of new homes, parks, public space and new streets and will put people first. A wide variety of homes will be built to significantly higher CO<sub>2</sub> standards (the existing population of 5,000 people produce approximately 13,000 tonnes of CO<sub>2</sub> a year, the future population of 10,000 people will produce around 3,500 tonnes).

Formal and informal consultation and involvement with the community has been an important part of the process and has contributed to an integrated approach to both social and physical interventions. To ensure the whole community had a chance to be engaged, professionals did not just rely on formal consultation techniques – they also used appropriate workshops, focus groups, roadshows, youth projects, fun days and resident’s site visits.<sup>60</sup>

## **The role for local leadership**

9. Just as central Government is responding to unmet housing needs at the national level, elected local leaders need to take responsibility for how these needs are expressed in their areas. Councillors in many areas have already demonstrated strong leadership on this issue and communities across the country now need this approach to be adopted more widely, particularly in areas of greatest need. Young families can no longer afford for national ambition to be met with local opposition.
10. Council leaders need to ensure that addressing housing need is prioritised sufficiently, both in their strategic documents, such as their Sustainable Community Strategy, their Local Development Frameworks, and their Local Area Agreement, but also throughout their engagement with local people. Leaders also need to balance the interests of people who need new housing in the area with the interests of existing communities. This does not mean imposing unacceptable development, but does mean making the case for growth, engaging with how it is delivered and ensuring it is of good quality. Front-line councillors too need to ensure that the often unheard voices of would-be first time buyers are represented in their own work.

## **The wider local authority strategic role**

11. Housing is a fundamental part of how places are shaped. The Local Government White Paper placed housing at the heart of the local authority place-shaping role. Housing strongly influences how a place looks and feels. Successful places depend on housing that is built to a high standard of quality and that remains at that standard. Failure to do this will make it more difficult to attract wealth-creators and families who will put down roots in an area to make it sustainable over the long term.

<sup>66</sup> RTPi Guidelines on Effective Community Involvement and Consultation - Case Study 1 <http://www.rtpi.org.uk/item/1007/23/5/3>

12. We want to see local authorities step up to play a stronger role in addressing the housing needs of all residents. We want to see them develop their strategic housing role by using the full range of housing and land use planning powers. They should be working with partners to meet needs by ensuring the delivery of new market and affordable housing and by making the best use of existing stock. We want to see local authorities engaging the police and police authorities at the earliest opportunity to ensure that safety and security are an integral part of the planning process. Local authorities currently have a range of tools – duties, influences, guidance and powers – which enable them to play this role.
13. The White Paper recognised that the local authority strategic housing role “is at the heart of achieving the social, economic and environmental objectives that shape a community and create a sense of place”. The White Paper also acknowledged that housing should be a lever for social and economic change.
14. Housing markets do not respect local authority boundaries, and we would expect joint working, in sub-regional groups of local authorities, to be the norm. The Sub-National Review, published on 17 July, promotes voluntary Multi-Area Agreements (MAAs) and commits Government to exploring the potential for allowing groups of local authorities to establish statutory sub-regional authorities. Elsewhere, voluntary sub-regional groups will be more appropriate, and in some areas these are already helping to address housing issues. The Review also proposes streamlining and simplification at the regional level (which will be the subject of consultation), with the aim of improving joining-up and integration, while retaining a strong involvement and scrutiny role for local authorities.
15. The local authority strategic housing role is made up of the strategic decisions and activities associated with effective planning and delivery, in order to meet the housing needs of all residents across all tenures. Strong performance in this role will support effective place shaping and help ensure delivery of the wider sustainable community. This requires vision, leadership, planning and delivery at a strategic level to:
  - assess and plan for the current and future housing needs of the local population across all tenures;
  - make the best use of the existing housing stock;
  - plan and facilitate new supply;
  - plan and commission housing support services which link homes to the support and other services that people need to live in them;
  - work in partnership to secure effective housing and neighbourhood management on an ongoing basis.
16. While many local authorities are addressing strategic housing challenges very effectively, all authorities can benefit from well-targeted support. Central and local government are working together to develop and implement a joint improvement and efficiency strategy, providing support to local authorities and their partners to help them in their place-shaping role and in the delivery of excellent Local Area Agreements (see below). In addition, we have identified the need for support in a number of more specific housing-related issues, including assisting authorities in identifying and making

available surplus land, tackling the problems of empty properties, and identifying the right vehicles for regeneration. English Partnerships, the Housing Corporation, LACORS and other bodies will develop proposals, within the framework of the joint improvement and efficiency strategy.

17. In addition, over the coming months, Communities and Local Government will continue to develop further support for local authorities' housing role. We will be working with English Partnerships, for example, to help local authorities draw lessons from its competition to build homes for a construction cost of £60,000 or less, so that local authorities are able to run similar competitions on their own land, should they choose to do so. Also, we have commissioned IDeA to develop a suite of good practice publications to help strengthen local authorities' capacity to undertake their strategic housing role. The first such publication, *Community leadership and the strategic housing role in local government*, was published in June.<sup>67</sup>

## Bringing Land Forward

18. The key way local authorities can quicken delivery of more housing is to provide more land. For too long, too many local authorities have relied on speculative windfall development to deliver housing. We have seen the effects of this failure to plan positively in some of our urban areas where unplanned, unpopular development has become an unwelcome phenomenon.
19. Local authorities must take responsibility for embedding the new market-responsive approach to the delivery of land for housing, as set out in Planning Policy Statement 3 (PPS3). A key element of PPS3 is that local authorities should have a 5 year rolling supply of housing land. This is critical to providing confidence about future development and should act as the starting point for a decision about planning permission, not as a maximum limit to prevent it.
20. A responsive approach to the housing market will not be achieved solely by having a 5 year supply of land. There may be scope for developers to bring forward land more quickly, in cases where blockages to releasing land are removed. We would expect developers and local authorities to work together to free up such additional land. More information is available in Chapter 2 'Delivery without needless delay'.

## Using Local Area Agreements for Improved Housing

21. An important new tool in raising the profile and improving the delivery of housing will be the new Local Area Agreements (LAAs), currently in development as part of the Local Government Performance Framework. LAAs will bring local and central government together in developing a shared commitment to tackle up to 35 improvement priorities (plus 18 statutory DCSF indicators) with targets in an area covered by a county or unitary authority.
22. We expect local areas, working with Government Offices, to consider carefully how housing supply or other relevant targets should feature in their new LAAs. Where particular issues are most pressing or significant, whether these be around increasing affordable housing or tackling pockets of poor housing, these may be possible priorities for inclusion among the 35 LAA improvement priorities.

<sup>67</sup> <http://www.idea.gov.uk/idk/core/page.do?pagelId=6132520>

23. We will complement this framework by maintaining or introducing new incentives and funding to enable local authorities to deliver across their strategic housing role, such as Housing and Planning Delivery Grant and funding for Growth Points and new eco-towns. As part of the CSR, we are considering the case for a future round of LAA reward grant and how HPDG would interact with this. In cases of sustained under-performance, the Government would be prepared to intervene – as was set out in the Local Government White Paper.

## The role of Local Delivery Vehicles

24. Local authorities also have available to them a range of ways of working together, and with other local stakeholders, in order to improve the prospects and pace of housing delivery. These ways of working are broadly termed as ‘Local Delivery Vehicles’ (LDVs). There are several forms of LDVs, such as Urban Regeneration Companies (partnerships of local/regional/national stakeholders), Special Venture Vehicles (focused on social rented or shared ownership), Urban Development Corporations (statutory bodies with special powers and funding) and City Development Companies (city or city-region wide economic development). Where local authorities need to work across boundaries, they can work in partnership and their planning roles and powers can be exercised across the whole area. Cambridgeshire Horizons, for example, is an LDV that brings together five local authorities (Cambridge City, South Cambridgeshire, East Cambridgeshire, Fenland and Huntingdonshire) and has recently agreed to help plan, manage and deliver housing growth, including infrastructure
25. Where there is a need to form close ties with other local stakeholders and regional or national bodies to ensure priorities are brought into line they can form more formal bodies such as an urban development corporation. Part of the challenge for local stakeholders, including the private sector, is to design and form the local delivery arrangements that best suit their circumstances and improve their chances of success. One innovative approach has been undertaken by Ashford Landowners Group, an informal partnership of landowners and developers that has been helping to plan for growth in partnership with Ashford Borough Council and its delivery team. Government is willing to work with local stakeholders in these choices.
26. Different models of LDVs could combine LA land assets, public funding streams, private finance and the new homes agency and private sector expertise, as appropriate. They could offer benefits, in addition to increasing new housing supply, such as:
- establishing a long-term strategic planning development focus for an estate or wider area between LAs, the new homes agency and the private sector;
  - providing a long-term spatial framework for investment and prioritisation of phased development;
  - reducing procurement time and costs;
  - increasing scale and speed of delivery;



- giving LAs the ability to secure any increase in rising land and asset values over the long-term, as opposed to a fixed value in the form of up-front capital receipts;
  - access to private finance; and
  - being off balance sheet, as appropriate.
27. We would welcome views on the range of models which might be used. We have set out a few of these below, in order to stimulate a discussion. These are indicative examples of the range of special or joint venture vehicles and should not be taken as Government endorsement or approval of any particular structure.

### **Local Authority-Owned Company**

28. A wholly-owned local authority company could build and own new affordable housing. Councils looking at this model have focused on delivery of additional social rented or shared ownership housing using land held in the Housing Revenue Account (HRA) to support the development. Where LAs have Arms Length Management Organisations (ALMO) these could fulfill the same role.

### **Community Land Trust**

29. A Community Land Trust (CLT) is an independent non-profit trust which owns or controls land and housing in perpetuity for the benefit of the community. A wide range of corporate structures are possible including housing association models. CLTs already operate in some areas.
30. Following seminars earlier this year, Salford University and the Housing Corporation have chosen seven rural and seven urban CLT pilots, based on their likelihood of success. The pilot CLTs will receive technical support and guidance from the University and the Corporation to help them get up and running. The Housing Corporation will be inviting bids for financial support later in the year from CLTs as part of its National Affordable Housing Programme.

### **Local Housing Company**

31. Joint venture Local Housing Companies could act as the master developer for new communities within an area, working in partnerships with builders and funders. Local Housing Companies would develop new homes and meet specific needs such as affordable and family housing. Chapter 3 sets out our proposals to support local authorities to establish Local Housing Companies.

### **Limited Liability Partnership**

32. A Limited liability partnership (LLP) is a form of legal structure which could be established between housing associations and private developers for the purpose of developing and providing new housing supply: market sale, low cost home-ownership/equity share and social rented housing. There is potential for local authority involvement in LLPs as partners with a view to the development of local authority land.

## Single estate transformation model

33. The purpose of an estate transformation venture would be the creation of a sustainable mixed community. This would be likely to involve selective demolition; provision of new housing supply for home-ownership, market sale and low-cost home ownership; social rented and possibly council housing. Provision of new local infrastructure would also be likely, such as a community centre, health centre, recreational facilities and open space.

## Strategic Housing and Regeneration Partnerships

34. A flexible Public Private Partnership joint venture vehicle could focus on housing and regeneration. This could also deliver PFI funded housing development. Such partnerships would provide all types of new housing, and attract wider social infrastructure investment together with the physical, social and economic regeneration of an estate or wider local authority area.

## The role for the home building industry

35. Raising housing delivery to 240,000 net additions per year by 2016 represents both a major opportunity and a significant challenge for the home building industry. The majority of homes will need to be built by private home builders for outright home ownership, but home builders will also provide a significant amount of homes for low cost home ownership schemes and for social renting as part of schemes agreed with local authorities and with other bodies.
36. The Government's proposals in response to the Barker Review of Housing Supply, published in December 2005, had already raised the bar on the amount of homes to be delivered. Since that time, net housing supply has increased significantly – indeed it has risen 40% since 2001 – and is now at its highest level for over twenty years. We welcome the work the house building industry has done to increase supply and also the work by a series of companies to deliver more affordable housing. We believe the private sector can play an important role delivering social and shared ownership homes – including competing with housing associations and councils for government grant and helping increase innovation and competition. However, we are now raising the bar again, placing a further challenge on home builders to accelerate delivery, lifting net supply to levels not seen for 40 years.
37. Many housebuilders and developers have also responded well to the Design for Manufacture challenge and the Carbon Challenge which are promoting higher standards with new ways to design and manufacture homes and are working to promote higher standards and accelerate the development of low and zero carbon technologies.
38. But we want to do more to encourage developers to bring forward land more swiftly. There is anecdotal evidence of a practice among developers of taking options on land or buying it, obtaining planning permission, but then delaying build out of the scheme in the hope of the land value increasing. In order to retain the validity of planning permission, development needs to have commenced within a limited period, but this can be no more than digging a trench or laying the foundations of a single building. This delay in development ties up the land and frustrates the aim of delivering substantial housing supply quickly.

39. We have recently reduced the period for which a planning permission remains valid from five years to three years. If development has been started but not completed within that time, a local planning authority can serve a completion notice, requiring the developer to complete the development within a specified period, which can be as little as 12 months. However, this could still mean a wait of at least four years before the homes are completed, and so is not a particularly sharp instrument.
40. We will consider therefore, whether further measures are needed to incentivise developers to build out major housing development sites more quickly through the development control process. Local planning authorities already have the power to vary the period of validity for planning permission. If the need to increase housing is particularly urgent, it may be reasonable for a shorter period than three years to be imposed. We will also consider whether the definition of commencement of development in the Town and Country Planning Act (2004) should be made more rigorous for certain types of development such as major housing, for example requiring substantial development of the infrastructure for the site. This would have the effect of requiring a much earlier commitment of substantial resources to development on site, and creating a clear incentive for developers to begin building in order to get a return on their investment.

## **The Callcutt Review of housebuilding delivery**

41. In recognition of the important role of the housebuilding industry in stepping up to the challenge of producing a further increase in housing supply, Government commissioned John Callcutt (previously Chief Executive of the major housebuilder Crest Nicholson plc and English Partnerships, the Government's national regeneration agency) to undertake a review of housebuilding delivery and to provide the housebuilders' perspective on the issues the industry faces. The review was launched in February 2007. Its terms of reference are to:
  - examine how the supply of new homes is influenced by the nature and structure of the housebuilding industry, the business models and its supply chain, including land, materials and skills;
  - consider how these factors influence the delivery of new homes to achieve the Government's target, meet homebuyers' requirements and aspirations, achieve high standards of energy efficiency and sustainability as set out in the Code for Sustainable Homes, and progress to a zero carbon standard; and
  - to make recommendations.
42. Subject to the review, the challenge to home builders will be to explore new delivery models in order to increase outputs. The review is due to report in Autumn 2007.

## **Office of Fair Trading study of the housebuilding market**

43. On 22 June 2007 the Office of Fair Trading (OFT) announced a market study into house building in the UK which will focus on potential competition and consumer concerns within the market. The OFT is working in close liaison with the Callcutt housebuilding review but its study concentrates on two particular areas:

- Delivery of housing – whether land which is suitable for development is being effectively brought through to the planning approval stage and whether land with planning permission is being converted effectively into homes; and
  - Customer satisfaction – homebuyer’s level of satisfaction with the new homes they purchase.
44. This market study has been set up in response to the recommendation in the Barker Review of Housing Supply which said that the OFT should intervene if the industry did not significantly increase levels of customer satisfaction and introduce a code of conduct. The study is expected to report in summer 2008.<sup>68</sup>
45. The building industry needs more land through the planning system and the proposals in earlier chapters will help deliver this. However, it remains of concern that many in the building industry still respond more strongly to short-term cyclical factors than to long-term rising demands and that limited slow down in the rate of house price increases can lead to house builders slowing production even when overall prices remain very high. We are also concerned that mergers in the industry should not slow delivery. We are keen to promote greater transparency and competition and new entry into the industry.
46. We believe more needs to be done to share data more systematically about public sector land, developer-owned land, progress through the planning system, and implementation of planning permissions, in order to better monitor the whole chain of housing supply delivery, and identify and tackle quickly any operational barriers to delivery.
47. An emerging finding from the Callcutt Review of Housebuilding Delivery suggests that there may be an inconsistent approach to the disclosure of landholdings held for future housing development by housebuilders, developers and other landowners. Working with the accounting profession, we therefore, propose to explore further how developers account for housing development land in accordance with relevant accounting standards. The purpose is to ensure that housebuilders, developers and landowners provide a uniform base disclosure within their accounts in a form that provides a consistent and comprehensive declaration of total residential land holdings (both owned and under their control e.g. unde option).

## **The role of social housing providers**

48. Most new social rented housing is provided using funding through the Housing Corporation to Registered Social Landlords. They make a vital contribution to the supply of affordable housing and have a good record in maximising the amount of development we get in return for public investment. Since 2005, other unregistered bodies such as developers and Arms Length Management Organisations (ALMOs) have been eligible for grant funding. This has encouraged a greater range of providers and has increased competition and innovation. More information on social housing can be found in Section IV.

<sup>68</sup> Further information can be found on the OFT website at <http://www.of.gov.uk/news/press/2007/90-07>

49. We are keen to see new entrants to providing market housing. Some housing associations already undertake new developments of market housing alongside their social housing and affordable housing developments. We want to see innovation and greater provision in this area with more housing associations getting involved where it makes sense to their businesses while ensuring there is still focus on the core social housing management and ongoing viability and managing risks to their established stock. We will look further as part of our work on the Cave review at ways of facilitating an expanded Housing Association role in delivering mixed communities.

## **New approaches to the development of surplus public sector land**

50. Strengthened arrangements will help to ensure that suitable surplus public sector land owned by central government departments, agencies and other public sector bodies such as local authorities and hospital trusts is released for home building as efficiently as possible. Details on this are set out in Chapter 3: Public Sector Land Use.

## **The role of the new homes agency**

51. The new homes agency will play a key role in supporting local government to realise its place-shaping role. It will bring together English Partnerships, investment functions from the Housing Corporation and key delivery roles from Communities and Local Government to create an expert partner for local government, working jointly and imaginatively with local authorities to develop a vision for an area and then make it happen. Successful delivery also demands skills and capacity that are in short supply. The new homes agency will have the skills in negotiating, brokering, and partnering to underpin delivery.
52. To this end, the Government proposes that the new homes agency should be bound by the duty to co-operate to determine targets in the Local Area Agreement, and then to have regard to those targets that relate to it in accordance with the provisions of the Local Government and Public Involvement in Health Bill.
53. The Government proposes that the new homes agency should help to deliver a range of core outcomes, which would include:
- increasing the supply of housing – including delivering ambitious plans to increase the supply of affordable housing for rent and shared ownership and increasing low cost home ownership;
  - regenerating underperforming urban centres and neighbourhoods to contribute to the achievement of sustainable development in England;
  - transforming disadvantaged estates through promoting mixed communities;
  - sustaining strong and stable existing communities by promoting a mix of income, tenure housing type, tackling worklessness, promoting community cohesion and the Respect agenda;

- using public sector assets (particularly land) more effectively;
- innovating to improve efficiency, outcomes, leverage, spreading best practice, building capacity in partners and developing skills and knowledge needed to make better places;
- leveraging in significant increases in private finance from existing lenders and new institutional investors; and
- driving the adoption of high and rising environmental standards across the whole market.

## The role of Regional Planning Bodies

54. Collaboration across all spatial levels is essential if we are to achieve our new national ambition. This means ensuring that housing is properly taken into account at a regional level as well as at local and sub-regional levels. Housing must be at the heart of the preparation of Regional Spatial Strategies (RSS) which sets out the broad development strategy for a region for a fifteen to twenty year period for each of the eight English regions.
55. Regional Assemblies are currently responsible for preparing draft RSS revisions and monitoring RSS implementation. This preparation should be informed by a robust evidence base, including evidence of housing demand and need through strategic housing market assessments and land availability through strategic housing land availability assessments.
56. The regional role in housing provision is crucial because working at this spatial level provides an opportunity to help shape priorities in a strategic way. This also helps achieve economies of scale and encourages joining up between local areas for a better response to overlapping housing markets. For example, Government can assist less prosperous areas to link into growth in neighbouring areas and can also ensure that infrastructure needed to support growth in individual authorities is coordinated at the regional level. It also enables Government policy and guidance to be delivered in a way that is appropriate for the different economic contexts of each region. Proposals put forward in the Sub-National Review (SNR) seek to streamline and simplify regional strategies by merging the RSS with the Regional Economic Strategy. Further information on this can be found in Chapter 2, *Delivery without needless delay*, and in the Sub National Review itself, published on 17 July.

## The role of central Government

57. Central Government is responsible for setting clear policy and strategic direction and allocating funding to focus delivery on priority programmes. It provides a vision for achieving a range of economic, social and environmental objectives that it helps to deliver by bringing government departments' agendas together to ensure a coherent approach to creating sustainable communities. It is Government's role to set the overall housing ambition country and for the regions, acting upon the advice of the independent National Housing and Planning Advisory Unit and considering the national interest in the round. The role of the Secretary of State in "calling-in" planning applications reflects the importance of this wider duty.
58. Communities and Local Government also has an important operational role. It will lead the new cross-government PSA on housing supply. It also has responsibility for many of the major policy programmes vital to delivering the PSA, such as Planning, Building Control and major growth programmes such as the Growth Areas and new Growth Points schemes. The Department is also responsible for devising, devolving and supporting Low Cost Home Ownership programmes and for investing in new social housing.
59. Departments will share responsibility for delivering additional homes through joint responsibility for the PSA delivery agreement. Communities and Local Government and English Partnerships are working with the Prime Minister's Delivery Unit to design a delivery mechanism to ensure this ambitious, cross government programme is realised.
60. Departments will commit to delivering the infrastructure necessary to increase housing supply, and to find solutions to any problems encountered. To support this, Communities and Local Government will lead on a programme of three-month bi-lateral reviews with each department to test the outcomes of the Policy Review in specific locations and for specific items of infrastructure eg schools to ensure they will deliver the infrastructure needed on the ground to unlock housing growth. These reviews will report to the Minister for Housing and the relevant Secretary of State. Departments will also work to ensure that all of surplus public land is put to best use in providing new homes.

# ANNEXES

## Annex A: Responses to consultation

### Purpose of consultation

This consultation seeks views on a range of proposals relating to housing supply in England.

We welcome responses to the specific questions posed in this document as well as any general comments that you may have. A summary of these questions is set out below. Please ensure that responses to the specific questions posed clearly identify the question number to assist with the compilation and analysis of responses. It would also be helpful if responses were submitted electronically. This will help reduce the time needed to compile and analyse the comments received. If you are replying by e-mail, please include the words 'consultation response' in the subject or title.

Responses and comments, to be received by 15th October 2007, should be sent to:

Housing Green Paper Team  
Communities and Local Government  
Zone 2/J9, Eland House  
Bressenden Place  
London SW1E 5DU  
E-mail: [housinggreenpaper@communities.gsi.gov.uk](mailto:housinggreenpaper@communities.gsi.gov.uk)  
Fax: 020 7944 3647

### After the consultation period

A summary of responses to this consultation will be published by 29 February 2008 on our website: [www.communities.gov.uk](http://www.communities.gov.uk)

### The consultation criteria

The Government has adopted a code of practice on consultations. The criteria below apply to all UK national public consultations consisting of a document in electronic or printed form.

- i) Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy.
- ii) Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses.
- iii) Ensure that your consultation is clear, concise and widely accessible.
- iv) Give feedback regarding the responses received and how the consultation process influenced the policy.



- v) Monitor your department's effectiveness at consultation including through the use of a designated consultation co-ordinator.
- vi) Ensure your consultation follows better regulation best practice, including carrying out an Impact Assessment if appropriate.

The code does not have legal force but is regarded as binding on UK departments and their agencies unless Ministers conclude that exceptional circumstances require a departure from it.

The full consultation code may be viewed at:

[http://cabinetoffice.gov.uk/regulation/consultation/consultation\\_guidance/consultation\\_guidance/index.asp#codeofpractice](http://cabinetoffice.gov.uk/regulation/consultation/consultation_guidance/consultation_guidance/index.asp#codeofpractice)

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

If you are not satisfied that this consultation has followed the above criteria or you have any other observations about ways of improving the consultation process, then please contact:

Albert Joyce,  
Communities and Local Government Consultation Co-ordinator,  
Zone 6/H10, Eland House, Bressenden Place, London, SW1E 5DU;  
or by e-mail to:  
[albert.joyce@communities.gsi.gov.uk](mailto:albert.joyce@communities.gsi.gov.uk)

Please note that **responses to the consultation itself** should be sent to the contact shown within the main body of the consultation.

## Summary of Consultation Questions

We invite your views on the range of ideas and proposals contained in this Green Paper. We particularly welcome your views on the following questions.

### Chapter 6: Well designed homes and places

5. Do you consider that any additional tools and/or mechanisms are now needed to deliver the design policies in order to achieve our aspirations for an up-lift in quality and to improve inclusive design?
6. Do you agree that further work to explore and evaluate quality assurance approaches would be worthwhile?

### Chapter 8: More social housing

7. What are your views on our proposals to allow councils to retain the full rental income from, and capital receipts on disposal of, additional new properties financed from local resources and consult on detailed options?
8. What are your views on our proposals to change the pooling regime for receipts from shared equity schemes that local authorities develop and consult further on any detailed proposals?
9. What are your views on the strengths of the models for delivering new supply set out in chapter 12?
10. Are there other models you know of which could effectively secure the outcomes sought?

## Annex B: Territorial extent of the policy proposals in the Green Paper

1. The majority of the policies in the Green Paper relate to devolved matters and will, therefore, only apply in England. The exceptions to this are as follows:
2. **Chapter 4:** The legislation on Empty Dwelling Management Orders is set out in Chapter 2, Part 4 of the Housing Act 2004 and Schedule 7 of the Act and the Housing Act 2004 applies to both England and Wales. So where the Green Paper discusses use of Empty Dwelling Management Orders, this applies to both England and Wales.
3. **Chapter 5:** Planning-gain Supplement (PGS), if introduced, will be applied throughout the UK. The Government confirmed at the Pre-Budget Report 2006 that PGS revenues generated in the Devolved Administrations would be returned to the country in which they were generated. The use of PGS funds in the Devolved Administrations would be determined by the administrations and would not be subject to many of the conventions prescribed for the use of PGS revenues in England, although it is proposed that PGS revenues should be dedicated to infrastructure throughout the UK.
4. The Government will continue to engage with the Devolved Administrations on the interaction of PGS with devolved policy areas, in particular, the Devolved Administrations' own developer contribution regimes, i.e. section 75 of the Town and Country Planning (Scotland) Act 1997; separate policy guidance on the use of s106 in Wales (Welsh Office Circular 13/97); and Article 40 of the Planning (Northern Ireland) Order 1991.
5. The PGS section also outlines four alternative approaches to the Government's PGS proposals. Approaches A and B are variants of PGS, and would apply throughout the UK. PGS Approach C would be a variant of the current regime of planning obligations and would be an England-only measure. Approach D, a statutory planning charge, could either be an England wide or a UK wide measure, depending on how it was structured and how it would interact with the existing systems of planning obligations.
6. **Chapter 7:** Building regulations cover England and Wales but not Scotland or Northern Ireland. So, our policies on zero-carbon homes implemented through building regulations, though not those implemented through planning, will apply to both England and Wales, as will the Building Regulations Part L Forward Look. As long as assessment against the Code for Sustainable Homes remains voluntary, it applies only in England, but proposals on making rating against the Code mandatory through building regulations would apply in both England and Wales.

## Annex C: Glossary

**2004 Egan Review of Skills for Sustainable Communities** – a review of the skills and training, undertaken by Sir John Egan, that built environment professionals require to deliver sustainable communities.

**Affordable Rural Housing Commission** – body launched by DEFRA and ODPM in July 2005 to identify ways of improving access to affordable housing for people in rural areas. The Commission reported in May 2006 and was wound up shortly thereafter.

**Academy for Sustainable Communities (ASC)** – Government-established national centre of excellence to improve the skills, knowledge and behaviours needed to deliver and maintain sustainable communities. The establishment of a national skills centre was a key recommendation of the Egan Review of Skills for Sustainable Communities, to drive forward a new, integrated approach to skills development.

**Advisory Team for Large Applications (ATLAS)** – body funded by Communities and Local Government to help unblock the issues holding up decisions on large planning applications, increase the knowledge and expertise of local authorities in handling such projects, share good practice across the sector and act as a partner to local authorities and independent reviewer of large applications and issues.

**Affordable Housing Development Trust** – See: [Local Housing Company](#).

**Affordable Housing** – includes social rented, low cost home ownership and intermediate rented housing, provided to specified eligible households whose needs are not met by the market.

**Affordable Housing Programme** – See: [National Affordable Housing Programme](#).

**Arms Length Management Organisation (ALMO)** – a company set up by a local authority to manage and improve all or part of its housing stock.

**Barker Review (Housing Supply)** – Kate Barker review of housing supply commissioned by HM Treasury and what was the Office of the Deputy Prime Minister: *Delivering stability: securing our future housing needs, March 2004*.

**Barker Review (Land Use Planning)** – Kate Barker review of land use planning that focused on the link between planning and economic growth. Published in December 2006.

**Bedroom Standard** – a proposed standard used to assess whether a dwelling is overcrowded. A dwelling will be overcrowded where the number of bedrooms available to the occupiers is less than the number of bedrooms allocated to them in accordance with a simple formula.

**Brownfield Land** – previously developed land which is or was occupied by a permanent structure, including the curtilage of the developed land and any associated fixed surface infrastructure.

**Building Schools for the Future Fund** – new approach to capital investment bringing together significant investment in buildings and in ICT (Information and Communications Technology) to support the Government's educational reform agenda.

**Carbon Challenge (eco-villages)** – run on behalf of Communities and Local Government to accelerate the housebuilding industry's response to climate change by fast-tracking the creation of a number of zero and near zero carbon communities. The key objective is to raise the environmental performance of new communities while still delivering quality and high standards of design.

**Code for Sustainable Homes** – a new national standard for sustainable design and construction of new homes launched in December 2006.

**Commission for Architecture and the Built Environment (CABE)** – a non-Departmental public body, funded by the Department of Culture, Media and Sport (DCMS) and Communities and Local Government, to act as a design champion for the built environment.

**Commission on Design of Affordable Housing** – independent report from Dr Tim Williams, commissioned by the Housing Corporation, on the way affordable housing is delivered and sustainable communities created.

**Community Infrastructure Fund** – fund designed to support the transport infrastructure costs required to enable faster housing development in the four growth areas (Thames Gateway; Milton-Keynes/South Midlands; London/Stansted/Cambridge/Peterborough; and Ashford) as announced in the Sustainable Communities Plan. It will complement, not replace mainstream transport spending in the four growth areas.

**Community Land Trusts (CLTs)** – independent non-profit trusts which own or control land and facilities in perpetuity for the benefit of the community.

**ConstructionSkills** – the Sector Skills Council for construction.

**Construction Products Association** – represents the UK's manufacturers and suppliers of construction products components and fittings. It acts as the voice of the construction products sector representing the industry-wide view of its members.

**Decent Home** – Communities and Local Government standard which states that a home must be warm, weatherproof and have reasonably modern facilities in order to be classed as 'decent'.

**Design Code** – a set of illustrated design rules and requirements which instruct and may advise on the physical development of a site or area. The graphic and written components of the code are detailed and precise, and build upon a design vision such as a masterplan or other design and development framework for a site or area.

**Design Coding pilot programme** – in May 2004 the Government announced seven Design Coding Pilots which would be part of a nationwide programme to investigate various models and approaches for developing, adopting and implementing Design Codes to assess the potential benefits of Design Coding in the British context.

**Design for Manufacture** – competition run by English Partnerships aiming to demonstrate that it is possible to build a high-quality home for a construction cost of £60,000. It was launched in April 2005 to address the major increases in construction costs in recent years.

**Development Plan Documents (DPDs)** – prepared by local planning authorities, they outline the key development goals of the Local Development Framework. All DPDs must be subject to rigorous procedures of community involvement, consultation and independent examination, and adopted after receipt of the inspector's binding report. Once adopted, development control decisions must be made in accordance with them unless material considerations indicate otherwise.

**Eco-towns** – exemplar “green developments”. They will meet the highest standards of sustainability, including low and zero carbon technologies and quality public transport systems. They will make use of brownfield land and surplus public sector land where practical and lead the way in design, facilities and services, and community involvement.

**Energy Performance Certificates (EPCs)** – launched by Communities and Local Government. The certificates will give home buyers and sellers A to G ratings for their home's energy efficiency and carbon emissions.

**Energy Saving Trust (EST)** – non-profit organisation, funded both by government and the private sector set up to address the damaging effects of climate change. Its aim is to cut emissions of carbon dioxide by promoting the sustainable and efficient use of energy.

**English Partnerships (EP)** – the national regeneration agency helping Government to support high quality sustainable growth in England.

**European Social Fund (ESF)** – one of four main structural funds set up to help reduce differences in living standards between the regions of the European Union by: reducing unemployment; improving and developing the skills of employed people; investing in industrial or rural areas which are in decline; and investing in areas with low economic development.

**Examination in Public (EiP)** – (also known as a public examination at the local level) – The stage at which a draft RSS (or a Development Plan Document) is independently tested for soundness.

**First Time Buyers Initiative** – part of Communities and Local Government's HomeBuy low-cost home-ownership initiative. It is positioned to target key workers and other eligible groups that have sufficient income to sustain home ownership but are currently prevented from entering the housing market by the prevailing demand/supply conditions.

**Growth Areas** – four areas in the South East where additional growth is being managed in a sustainable way. They are: Thames Gateway; Milton Keynes – South Midlands; London-Stansted-Cambridge-Peterborough; and Ashford.

**Housing Associations** – common term for the 2000 or so independent, not-for-profit organisations registered with and regulated by the Housing Corporation. Housing Associations are able to bid for funding from the Housing Corporation. *See also:* [Registered Social Landlords](#).

**Housing Corporation** – the national Government agency that funds new affordable housing and regulates housing associations in England.

**Housing Design Awards** – Communities and Local Government’s recognition of excellence in the design and planning of new homes.

**Housing Market Renewal Pathfinders** – nine sub-regional projects to tackle low moving demand and abandonment, each administered by a group of local authorities working in partnership and in receipt of funding from the Housing Market Renewal Fund.

**Housing Revenue Account subsidy system (HRA)** – system based on a notional measure of authorities’ income and expenditure. If need to spend is assumed to be greater than assumed income, then the authority is assumed to have a deficit and HRA subsidy is paid to the authority to make up that shortfall.

**Improvement and Development Agency for local government (IDeA)** – body owned by the Local Government Association that works for local government so councils can serve people and places better. It enables councils to share best practice, promote the development of local government’s management and workforce, advise councils on customer service and value for money and also helps councils work through local partnerships to tackle local priorities such as health, children’s services and economic development.

**Key Worker Living** – a Government scheme running since 2004 helping key workers in London, the South East and East of England to buy a home, upgrade to a family home or rent a home at an affordable price. It replaced the Starter Home Initiative (2001-2004) which had similar goals.

**Learning and Skills Council (LSC)** – body whose goal is to improve the skills of England’s young people and adults to ensure the workforce is of a world-class standard. The LSC is responsible for planning and funding high quality education and training for everyone in England other than those in universities.

**Leitch Review** – the Government commissioned the Leitch Review to identify the UK’s optimal skills mix in 2020 to maximise economic growth, productivity and social justice, and to consider the policy implications of achieving the level of change required.

**Lifetime Homes Standards** – criteria developed by a group convened by the Joseph Rowntree Foundation in 1991 to help house builders produce new homes flexible enough to deal with changes in life situations of occupants e.g. caring for young children, temporary injuries, declining mobility with age.

**Local Area Agreement (LAA)** – a three year agreement, based on local Sustainable Community Strategies, that sets out the priorities for a local area agreed between Central Government, represented by the Government Office (GO), and a local area, represented by the local authority and other key partners through Local Strategic Partnerships (LSPs).

**Local Development Frameworks (LDFs)** – the local development documents, set out in the form of a portfolio, which collectively deliver the spatial planning strategy for the local planning authority's area.

**Local Enterprise Growth Initiative (LEGI)** – announced in the 2005 Budget. Aims to release the economic and productivity potential of the most deprived local areas across the country through enterprise and investment, thereby boosting local incomes and employment opportunities, and building sustainable communities.

**Local Housing Company** – a local authority-promoted housing development and management organisation, possibly with wider regeneration objectives, likely to be established in partnership ownership between a local authority with other public and/or private sector organisations.

**Local Planning Authorities** – the local authority or council that is empowered by law to exercise planning functions – usually the local borough or district council.

**London-Wide Initiative** – scheme launched in 2003 by English Partnerships aimed at fast-tracking more affordable homes in Greater London.

**Low Cost Home Ownership programme** – an important mechanism for delivering a variety of government objectives since the 1980s. The programme has consisted of a number of schemes with differing characteristics and objectives, which have evolved over time.

**Modern Methods of Construction (MMC)** – the term used to embrace a range of technologies and processes involving various forms of supply chain specifications, prefabrication and off-site assembly. MMC makes use of more effective materials, speeds up housing delivery, enables high standards of design quality and can help to reduce resource consumption.

**National Affordable Housing Programme** – a Housing Corporation programme that will see Government investment of £3.9bn for 2006-08 to deliver 84,000 new homes.

**National Brownfield Strategy** – developed by English Partnerships, the strategy provides a coherent national vision for the future development and use of brownfield land and will act as a toolkit for site owners and developers.

**National Centre for Excellence in Housing** – body whose underlying objective is to achieve a step change in housing quality and to achieve a stable and sustainable UK housing market by 2010.

**National Housing and Planning Advice Unit** – established in response to Kate Barker's Review of Housing Supply (2004). Its task is to help make market housing more affordable and to address the trend in the rise in the number of people prevented from getting onto the property ladder. This is done through providing independent advice to both government and regions about the impact of planned housing provision on affordability, as well as researching specific practical and policy issues.

**Neighbourhood Renewal Fund (NRF)** – a special non ring-fenced grant which has been made available to England's most deprived local authorities to enable them, in collaboration with their Local Strategic Partnership, to improve services, narrowing the gap between deprived areas and the rest of the country.



**New Approach to Appraisal** – Government framework to appraise and inform the prioritisation of trunk road investment proposals. Based on five criteria: environmental impact; safety; economy; accessibility; and integration.

**New Deal for Communities** – a key programme in the Government's strategy to tackle multiple deprivation in the most deprived neighbourhoods in the country, giving some of our poorest communities the resources to tackle their problems in an intensive and co-ordinated way. The aim is to bridge the gap between these neighbourhoods and the rest of England.

**New Growth Points** – initiative designed to provide support to local communities who wish to pursue large scale and sustainable growth, including new housing, through a partnership with Government.

**Planning Performance Agreement** – idea put forward in a Communities and Local Government consultation paper in 2007. It proposes agreements between developers and local planning authorities that are designed to give applicants more certainty about the time-scale and requirements for processing large-scale major applications.

**Planning Policy Statement 3: Housing (PPS3)** – sets out how the planning system supports the growth in housing completions needed in England. This replaces Planning Policy Guidance 3: Housing (published March 2000).

**Planning White Paper** – Communities and Local Government publication setting out our detailed proposals for reform of the planning system, building on Kate Barker's recommendations for improving the speed, responsiveness and efficiency in land use planning, and taking forward Kate Barker's and Rod Eddington's proposals for reform of major infrastructure planning.

**Regional Development Agencies (RDAs)** – nine English agencies that aim to co-ordinate regional economic development and regeneration, enable the English regions to improve their relative competitiveness and reduce the imbalances that exists within and between regions.

**Regional Housing Boards** – established as part of the Sustainable Communities Plan published in February 2003 to ensure that housing policies would be better integrated with the regional spatial, transport, economic and sustainable development strategies and to ensure delivery of the policies set out in the Sustainable Communities Plan. In 2006, responsibility for the work of the Boards passed to the Regional Assemblies and in London the Mayor.

**Regional Planning Body (RPB)** – body with the principal responsibility for the preparation of draft revisions to a Regional Spatial Strategy. As of April 2003, the RPB, in all regions outside London, is the Regional Chamber (known as the Regional Assembly).

**Regional Spatial Strategy (RSS)** – a strategy formerly known as Regional Planning Guidance (RPG), for how a region should look in 15-20 years time and possibly longer. It identifies the scale and distribution of new housing in the region, indicates areas for regeneration, expansion or sub-regional planning and specifies priorities for the environment, transport, infrastructure, economic development, agriculture, minerals and waste treatment and disposal.

**Registered Social Landlord (RSL)** – technical name for a body registered with the Housing Corporation. Most Housing Associations are RSLs. They own or manage some 1.4 million affordable homes, both social rented and intermediate. *See also:* [Housing Association](#).

**Respect Agenda** – a cross-Government strategy to tackle bad behaviour and nurture good, and so help create the modern culture of respect. It is about central government, local agencies, local communities and ultimately every citizen working together to build a society in which we can respect one another – where anti-social behaviour is rare and tackled effectively, and communities can live in peace together.

**Respect for People** – initiative intended to address some of the issues that were identified in the report by Rethinking Construction (Construction Industry Task force, 1998). In particular, this report suggests that ‘everyone in the process’ of construction suffers from serious deficiencies with respect to training, education and working conditions.

**Right to Buy** – a scheme under which most council tenants and some housing association tenants may buy their homes at a lower price than the full market value. Only properties that are particularly suitable for occupation by elderly or disabled people, or are let in connection with the tenant’s employment, are exempt. People qualify for a discount on the basis of the number of years that they have been social rented housing tenants, subject to a Government-specified maximum amount that varies region by region.

**Sector Skills Councils** – employer-led, independent organisations that cover specific sectors across the UK. The four key goals are: to reduce skills gaps and shortages; improve productivity business and public service performance; increase opportunities to boost the skills and productivity of everyone in the sector’s workforce; and improve learning supply including apprenticeships, higher education and National Occupational Standards.

**Stamp Duty Land Tax** – transaction tax on the purchase of land and property, or any consideration for the acquisition of an interest in land or property. Payable by the buyer and amount of tax is related to value of land or property being purchased.

**Starter Home Initiative** – Government funded scheme to help key workers, primarily teachers, health workers and the police, to buy a home in areas where high house prices were undermining recruitment and retention. The Initiative was available from 2001 to March 2004, and has been replaced by Key Worker Living.

**Stern Report** – report, commissioned by Gordon Brown in July 2005, by Sir Nicholas Stern on the economics of climate change and development. It was published in October 2006.

**Sub National Review of Economic Development and Regeneration** – review on how to further improve the effectiveness and efficiency of existing sub-national structures in England and identify options going forward that maximise value for money and deliver changes on the ground to strengthen economic growth and deliver regeneration and neighbourhood renewal.

**Sustainable Communities Plan** – Office of the Deputy Prime Minister plan launched in 2003 setting out a long-term programme of action for delivering sustainable communities in both urban and rural areas. It aimed to tackle supply issues in the South East, low demand in other parts of the country, bring all social housing up to the Decent Homes standard, protect the countryside and improve the quality of urban spaces.

**Sustainable Development** – development which meets the needs of the present without compromising the ability of future generations to meet their own needs.

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