Laying the Foundations: A Housing Strategy for England
Laying the Foundations: A Housing Strategy for England

November 2011
Contents

Foreword by the Prime Minister and Deputy Prime Minister v
Executive summary vii
Chapter 1. Housing: the need for a new approach 1
Chapter 2. Increasing supply: more homes, stable growth 5
Chapter 3. Social and affordable housing reform 21
Chapter 4. A thriving private rented sector 33
Chapter 5. Our strategy for empty homes 39
Chapter 6. Quality of housing experience and support 45
Chapter 7. Quality, sustainability and design 55
Annex A: Action Plan 63
Annex B: Policy impact – evidence 69
Foreword by the Prime Minister and Deputy Prime Minister

1. When the Coalition was formed, we pledged that we would be a different kind of government: one that took decisions that were right for the long term, not right for the headline; that always acted in Britain’s national interest; that left this country stronger and fairer for our children. This Housing Strategy is the perfect example of that approach.

2. One of the most important things each generation can do for the next is to build high quality homes that will stand the test of time. But for decades in Britain we have under-built. By the time we came to office, house building rates had reached lows not seen in peace-time since the 1920s. The economic and social consequences of this failure have affected millions: costing jobs; forcing growing families to live in cramped conditions; leaving young people without much hope that they will ever own a home of their own.

3. These problems – entrenched over decades – have deepened over the past few years. The housing market is one of the biggest victims of the credit crunch: lenders won’t lend, so builders can’t build and buyers can’t buy. That lack of confidence is visible in derelict building sites and endless For Sale signs. It is doing huge damage to our economy and our society, so it is right for government to step in and take bold action to unblock the market. That action is detailed in these pages.

4. A new mortgage indemnity scheme will give help to tens of thousands of buyers currently frozen out of the market. We will invite local authorities to come forward with proposals for locally planned large scale development. There will also be a new £400 million funding pot to kick-start construction where it has stalled. Cash rewards will incentivise councils to bring empty homes back into use. A new deal on housing for older people will help them to adapt their homes and stay independent should they wish to. We’ll provide help to people and communities who want to design and build their own homes, and we’ll improve fairness in council housing by increasing rents for the most well-off, recycling the income into new housing.

5. This is a radical and unashamedly ambitious strategy – and it has two main aims. First, to help drive local economies and create jobs. Unblocking the market will provide a much-needed boost to employment. Second, these plans are designed to spread opportunity in our society. For too long, millions have been locked out of home ownership. We want to build an economy that works for everyone, one in which people who work hard and play by the rules can expect to own a decent home of their own. This goes right to the heart of what this Government is about.

6. With this strategy, we will unlock the housing market, get Britain building again, and give many more people the satisfaction and security that comes from stepping over their own threshold. These plans are ambitious – but we are determined to deliver on them.

Rt Hon David Cameron MP, Prime Minister
Rt Hon Nick Clegg MP, Deputy Prime Minister
Executive summary

The case for change

1. A thriving, active but stable housing market that offers choice, flexibility and affordable housing is critical to our economic and social wellbeing.

2. The Government is clear that we need to get the housing market – and in particular new house building – moving again. This is central for our plans for economic growth – but more importantly, it is essential to the hopes and plans of young people, families and older households across the country.

3. But we will not achieve this by attempting to control the market from Whitehall. The system of setting top-down targets for housing, vast amounts of planning guidance and excessive regulation did not deliver the homes we need nor the places that people want to live in. This Government is doing things differently – freeing up local areas to provide the homes needed for their communities and enabling the market to work more efficiently and responsively.

4. We know that the current housing market is not working. We inherited a housing market where:
   - buyers can't buy – with the average age of an unassisted first time buyer continuing to rise and families struggling to ‘trade up’
   - lenders are not lending enough – with high deposit requirements excluding young people and families from home ownership
   - builders are not building – without consumers ready to buy and without enough land for development or access to finance
   - investors are not investing – without the right framework or incentives in place
   - affordable housing can do more – to deliver new homes and support the social mobility and aspirations of tenants and communities
   - tenants are struggling – as pressures increase in the private rented sector

5. The problems we face are stark – we have not built enough new homes for more than a generation and the impact of the credit crunch has simply compounded this challenge.

6. In 2009/10, there were 115,000 new build housing completions in England. Meanwhile, the latest household projections suggest that the number of households will grow by 232,000 per year (average annual figure until 2033).

7. While house building starts in 2010/11 were 29 per cent higher compared with 2008/09, and 17 per cent higher compared with 2009/10, there is still more to do.

8. Without urgent action to build new homes, children will grow up without the same opportunities to live near their families, young people will struggle to get a place to call their own and older people will not have the choice and support they need. Some 60 per cent of projected growth in households to 2033 will be aged 65 and older.

9. Housing is crucial for our social mobility, health and wellbeing – with quality and choice having an impact on social mobility and wellbeing from an early age, and our homes accounting for about half of all household wealth. Social housing
should provide support for those who need it, when they need it, and should help vulnerable people to live independently. And opportunities for wealth must be open to all, with housing choices helping rather than hindering people’s ability to build assets and find employment.

10. Housing is inextricably linked to the wider health of the economy, the financial markets and consumer confidence. The current challenging economic and financial circumstances make action on housing even more important – both to tackle immediate pressures now and to lay the foundations for stronger growth and stability in the future.

11. Getting house building moving again is crucial for economic growth – housing has a direct impact on economic output, averaging 3 per cent of GDP in the last decade. For every new home built, up to two new jobs are created for a year. Without building new homes our economic recovery will take longer than it needs to. The construction workforce has fallen from 2.35 million just before the credit crunch to 2.1 million today and is likely to have been mostly in house building. This 10 per cent fall is around four times greater than the decline in the overall workforce.

Support to deliver new homes and support aspiration

12. We are taking immediate action to get the housing market moving through:

- supporting a new and innovative new build indemnity scheme led by the Home Builders Federation and Council of Mortgage Lenders to provide up to 95 per cent loan to value mortgages for new build properties in England, backed by a housebuilder indemnity fund
- consulting on a proposal to allow reconsideration of those planning obligations agreed prior to April 2010 where development is stalled
- the establishment of a new £500 million Growing Places Fund which will support infrastructure that unblocks housing and economic growth
- launching a new £400 million ‘Get Britain Building’ investment fund, which will support building firms in need of development finance, including small and medium-sized builders. This will help to unlock progress on stalled sites which have planning permission and are otherwise shovel ready
- freeing up public sector land with capacity to deliver up to 100,000 new homes – with Build Now, Pay Later deals on the table, where there is market demand and where this is affordable and represents value for money, to support builders who are struggling to get finance upfront
- supporting and encouraging more individuals to build their own homes through a Custom Homes programme, including making available up to £30 million of new funding to support provision of short-term project finance on a repayable basis.

13. As well as taking action to get house building moving now, we are also laying the foundations for a more responsive, effective and stable housing market in the future.

14. We will provide more support for local areas that want to deliver larger scale new development to meet the needs of their growing communities – through locally planned large scale development – with a programme of support for places with the ambition to support new housing development on various scales.

15. We are putting in place strong new incentives for housing growth through the New Homes Bonus, Community Infrastructure Levy and proposals for local business rates retention.

16. We have consulted on simplifying planning policy through the draft National Planning Policy Framework (NPPF).

17. We are giving communities new powers to deliver the development they want through Community Right to Build.

Supporting choice and quality for tenants

18. To help tenants and to deliver more rented homes, we are supporting growth and investment in the private rented housing market, as the key
Executive summary

To increasing choice, access and standards in the sector. The private rented sector is continuing to grow in size and importance7 – that is why we are supporting landlords and investors to invest – building on measures announced at Budget 2011. There will be an independent review of the barriers to investment in private homes to rent. We are also supporting new Build to Let models of development, where homes are built specifically for the private rental market, with funding from investors with a medium to long term interest. Our work includes pilot projects to develop this approach. This is alongside work with local authorities to tackle the worst properties.

19. We are giving more freedom to local authorities which have retained their housing stock. Local authorities will have, for the first time in generations, direct financial and strategic responsibility for the 1.7 million council homes – and we expect them to grasp the opportunity of self-financing to provide a better deal for current and future tenants.

20. We have introduced a radical programme of reform of social housing through the Localism Act 2011, changing the way in which people access social housing, the types of tenancies which are provided and the way that the homelessness duty is discharged. Social housing must both provide the support that people need, when they need it, and be a springboard for social mobility, rather than trapping people into patterns of worklessness and benefit dependency. And we are doing more to tackle fraud and tenancy abuse – we propose to give social landlords the tools to identify and recover properties that are being used unlawfully; to charge more reasonable market orientated rents from people earning very high salaries; and to prevent people who already own a suitable home from seeking social housing too.

21. And we are considering how we can encourage more affordable housing – supporting greater innovation and competition between social landlords – including encouraging new private entrants into the social housing market, and considering innovative new approaches to funding affordable housing in the medium term.

22. We are reinvigorating the Right to Buy – to support social housing tenants who aspire to own their own home, by raising the discounts to make it attractive to tenants across England. And to support tenants and help build more affordable housing, we are matching this with a commitment that, for every additional home bought under Right to Buy, a new affordable home will be built. Our firm intention is to increase the caps on discounts substantially and hence the average discount received by buyers in England would be up to half the value of their homes – which would be roughly double the current average discount.

Tackling empty homes

23. We are bringing more empty homes and buildings back into use – we are providing £100 million of funding to bring empty homes back into use as affordable housing and are announcing £50 million of further funding to tackle some of the worst concentrations of empty homes. We are also consulting on changes to Council Tax to help tackle empty homes and bring them back into productive use.

Better quality homes, places and housing support

24. We are committed to providing appropriate support, protections and opportunities to struggling households and to making the best use of social housing to provide stable homes for those who need them most. We prioritised protection for the vulnerable in last year’s Spending Review and have established a Ministerial Working Group to tackle the complex causes of homelessness. We are also setting out a new deal for older people’s housing, with a better offer to support older people to live independently for longer.

25. This strategy is not about building more homes at any cost. We know that the quality, sustainability and design of housing are just as important as how many new homes are built, and that getting this right is crucial if communities are going to support new homes.

26. People want to live in a home and a place that they can be proud of. We are committed to improving the design and sustainability of housing in ways which give communities a say over the design of new homes and
neighbourhoods. We are funding the Design Council to support communities in shaping development in their area, improving the energy efficiency of both new and existing homes, and ensuring protection of the green belt and protected areas as part of our commitment to sustainable development.

27. At the heart of this is our commitment to delivering the Zero Carbon Homes standard for all new homes from 2016, which will mean that all the carbon emissions covered by Building Regulations – such as from heating, lighting, hot water and other fixed building services – will need to be abated.

28. This strategy sets out the actions taken across government to support communities (including current and prospective owners and tenants), local authorities, landlords and developers to work together to meet the housing needs of the country – now and in the future.

Notes

1 See: www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housebuilding/. Net additions over the past ten years (2000/01–2009/10) have been around 160,000 per annum on average. See: www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/netsupplyhousing/


5 DCLG analysis (based on Scottish Government estimates of construction employment multipliers and previous English Partnerships guidance). See: www.scotland.gov.uk/Topics/Statistics/Browse/Economy/Input-Output/Multipliers

6 ONS Labour Market Statistics

Chapter 1
Housing: the need for a new approach

Summary
Housing should provide a secure foundation for individuals to live the lives they want to live. Finding the right home, in the right place, can be an essential platform for people seeking to support their families and sustain work.

Housing is an increasingly important asset: families can draw on the wealth stored in housing to open up new opportunities – such as education, or helping the next generation to secure their own homes.

But too many families struggle to meet their housing needs. It has become too difficult for many households who wish to be homeowners to secure the mortgage they require. Many households face rising rents, and social housing is not providing the right support to the people who need it most.

And the slow pace of new housing supply means that we are missing out on economic growth and on jobs.

Previous housing policies have failed. We need a new approach – one that respects local communities and gives them a greater say over decisions on new housing. An approach that works with, not against, the grain of the market. And one that seeks to provide the stable, long-term increase in housing supply which the country needs.

Introduction
1. A fair society is an open society: one in which every individual is free to succeed. Improving social mobility – helping everyone to enjoy that freedom to succeed – is the principal aim of the Government’s social policy. And to achieve this aim, we need to recognise the fundamentally important role that housing can play in supporting social mobility.

2. People will want and need different things from housing throughout their lives. But there are common threads. People need to find housing in the right place – enabling them to find work, to maintain contacts with friends and family, and often to provide care. Housing needs to be suitable for the size and shape of the household – with space for children, or good accessibility in older age. And housing can be a source of wealth – opening opportunities at critical life stages, such as helping children with their education or into home ownership in their own right.

3. When these essential elements are not provided, housing can act as a brake on rather than as an engine of social mobility. Unfortunately, in recent years this has too often been the reality. By looking at four broad categories of household, we can see how the current housing market is failing to help people meet their aspirations:

• Improving affordability is crucial for aspiring homeowners. Seventy per cent of these households are living in the private rented sector – privately rented housing can support...
social mobility by enabling people to move quickly to take up new job and training opportunities, and to live in areas where they could not afford to buy. The private rented sector has grown rapidly in recent years – there are now 3.4 million households privately renting, and 30 per cent of them have children. Eighty-five per cent of private renters are satisfied with their accommodation, but some poor quality rented housing remains. At the same time, rents are rising in many areas, making it more difficult to save. Access to ownership for this group has become increasingly difficult: median house prices are now seven times median earnings, compared with three and a half times in the mid-1990s. Home ownership is becoming increasingly restricted to those with high incomes, or those who receive assistance from family or friends. The proportion of first time buyers aged under 30 requiring financial assistance rose from 36 per cent in 2005 to 77 per cent in 2010.

- Younger recent homeowners, many of who are young families, are finding it harder to ‘trade up’ as their families grow. Over 800,000 households are currently estimated to be in negative equity.
- Half of all households in England are older established homeowners. Some 42 per cent are retired and 66 per cent own their own home outright. As life expectancy increases, more of these households will need support to remain in their homes in later life. Limited choice in the housing market makes it difficult for older households to find homes that fully meet their needs.
- Some households will remain lifelong renters, often by choice – especially in the social rented sector. Demand for social housing has increased significantly, and the stock that is available is not being well used: there is widespread overcrowding and underoccupation, and tens of thousands of properties are occupied by people who ought not to be there. Moreover, mobility in social housing has become increasingly difficult, and there is evidence to suggest that – even after adjusting for other factors such as single parent or disability status – social housing tenants are less likely to be in employment than similar individuals in other tenures.

Growth and jobs

4. Alongside the immediate constraints on social mobility which households experience as a result of failures in the housing market, further impacts arise through missed opportunities for economic activity. Lower housing supply means lower growth and fewer jobs – and this lack of job opportunities is itself a failure to support social mobility.

5. A freer, more responsive housing market can play a major role in delivering economic growth – with housing construction, repairs and maintenance having a direct impact on economic output, accounting for an average 3 per cent of GDP in the last decade.

6. Boosting housing output to pre-recession levels could make a real difference to economic growth in the short term. Total construction output and jobs have suffered during the recession, with the decline accounting for a fifth of the 7.1 per cent decline in GDP from peak to trough on the most recent Office for National Statistics estimates. This has created considerable spare capacity in the house building industry. By implication, restoring house building to pre-recession levels will add to economic growth and create jobs, without creating inflation.

7. Housing construction also supports more jobs compared with investment in many other sectors of the economy, because it supports a large amount of related activity such as concrete production, and glass and brick manufacturing. Every £1 million of new house building output supports 12 net jobs (seven direct and five indirect) for a year. Builders of new affordable homes also provide apprenticeships.

8. A well-functioning housing market is vital to our competitiveness and attractiveness to business, which will drive the economic growth the country needs. The availability of housing in the right places means the supply of workers to firms where they are needed the most – in areas of high economic growth and high labour demand.

A new approach

9. The need for a new approach is clear. To continue with the current system would be to condemn ever greater numbers of families to
unsuitable, often overcrowded housing; to prevent people meeting their aims of home ownership; and to miss out on the economic growth, and jobs, which the country needs.

10. Our new approach is set out in detail in the following chapters; it marks a decisive break with the failed policies of the previous Government. Instead of seeking to drive housing outcomes through central planning, top-down targets and bureaucratic structures, we are supporting individual aspiration. We will respect the freedom of families, neighbourhoods and local communities to make their own decisions about the housing that is needed, and where it should be built.

11. We will work with the grain of the market – encouraging lenders sensibly to give buying power to those willing and able to support home ownership, and allowing housebuilders to respond better to demand.

12. With more creative use of incentives, we can help people to take decisions for the collective good of their communities. Imposing central targets has plainly not worked: communities – predictably – resent being bullied into decisions. But most communities recognise the need for more housing.

13. We will ensure that local communities have the right powers and opportunities to plan and to influence the quality and design of housing in their area. This does not require great volumes of guidance and instruction – simply a more rational distribution of power at the local level.

14. And we will continue to challenge the established complacent consensus around social housing, which has plainly contributed to an inefficient system in which many social housing tenants cannot easily progress in their lives, while many thousands of households in need are excluded from the help that social housing could bring.

15. Details of how this new approach is already driving housing policy are set out in the following chapters – beginning with the greatest challenge, of increasing housing supply.

Notes
1 These four categories of household are derived from the English Housing Survey 2009/10. Lifelong renters: private and social renters who don’t expect to own in the future; aspiring homeowners: private or social renters who expect to own in the future; recent homeowners: 50 per cent or more of current value of home unpaid; established homeowners: less than 50 per cent of current value of home unpaid
2 English Housing Survey Household 2009/10, Table FA5401: Satisfaction with accommodation. See: www.communities.gov.uk/documents/housing/xls/1941509.xls
3 English Housing Survey 2009/10, summary statistics, Table 3.4
4 DCLG Live Table 577
8 ONS (2001) Impact of changes in the National Accounts and Economic Commentary for 2011, Quarter 2
Chapter 2
Increasing supply: more homes, stable growth

Summary

The supply of housing has failed to keep pace with demand over the last 15 years. Fuelled by unsustainable lending, but with ineffective policies to boost supply, prices have been volatile.

New measures are needed, to provide an immediate impact on the housing market:

- We are supporting a new and innovative new build indemnity scheme led by the Home Builders Federation and Council of Mortgage Lenders to provide up to 95 per cent loan to value mortgages for new build properties in England, backed by a housebuilder indemnity fund
- We are helping first time buyers through FirstBuy
- We are releasing public sector land with the capacity for up to 100,000 new homes
- We are launching a new £400 million Get Britain Building investment fund, which will support firms in need of development finance. This will help to unlock progress on stalled sites which have planning permission and are otherwise shovel ready
- We will consult on proposals to allow developers to require local authorities to reconsider those S106 agreements agreed in more prosperous market conditions prior to April 2010
- We are funding essential new infrastructure

And we need strategic reform of the way in which housing is planned and funded:

- Supporting locally planned large scale development
- Planning reforms – giving communities more control over new housing, including through the Community Right to Build
- Powerful financial incentives – through the New Homes Bonus – to allow communities to experience the benefits of additional housing
- Stronger support for Custom Home Building, including making available up to £30 million of new funding to support provision of short-term project finance on a repayable basis
- Proportionate and cost-effective regulation
- Supporting the housing market through economic and financial stability measures
- Sound economic management, providing the context for stability and low interest rates
The need for new homes

1. England’s population is growing, with the number of households set to keep on rising in the years to come. Currently, the number of households in England is projected to grow to 27.5 million in 2033, an increase of 5.8 million (27 per cent) over 2008, or 232,000 households per year.1

2. International migration contributes around 40 per cent towards this projected increase in households. Government has committed to reduce net migration from the current hundreds of thousands to tens of thousands per year. We have already introduced a series of measures in relation to migrant workers and students, including a limit on the number of skilled workers, and will introduce measures on settlement and family later this year.

3. Our population is also ageing fast. Of projected growth in households to 2033, 60 per cent is made up of households aged 65 years and older.

4. If the housing market were working well, strong and sustained demand for housing would prompt a steady increase in supply. However, this has not been the experience of recent decades.

5. House prices in recent decades have been highly volatile, featuring four periods of rapid growth followed by extended downturns and two price falls since the 1970s.

6. Most recently, house prices in England rose in double digits in 2000, 2002, 2003, 2004 and 2007, and fell following the credit crunch (see figure 1). Such volatility means that the timing of a purchase can mean a difference of tens of thousands of pounds.

Figure 1: Annual house price change in England, 1995–2010

7. While rapidly rising house prices have seen homeowners’ wealth increase, it has locked first time buyers out of the market. Price rises have required a greater proportion of households’ income to access the market or to ‘trade up’ and, with wide availability of credit up until the credit crunch, price rises encouraged greater levels of debt.

8. During periods of price falls, recent homeowners, particularly those with a large mortgage or with an interest-only mortgage, become susceptible to negative equity. Over 800,000 households are currently estimated to be in negative equity which, as well as being a worry for many families, prevents them moving for work and makes them more susceptible to repossession if their income falls.

9. Economic stability gives buyers confidence that interest rates will remain stable in the long run, making the affordability of a mortgage more straightforward to assess. This too will encourage confidence among buyers over the medium term.

10. Housebuilders also suffer from house price volatility since land prices are highly influenced by changes in house prices. Builders who bought land at peak prices cannot currently build on it without making a loss. As a result, the success of house building businesses has not necessarily been based on their ability to innovate or the efficiency of their business, but on their ability to successfully predict house price changes and the rise and fall of land prices.

11. Over the past 15 years, the supply of housing has consistently fallen short of existing demands. In 2009/10, there were 115,000 new build housing
completions in England. Over the last ten years, we have seen an average of only 162,000 net additions to the housing stock per year.

12. Alongside easy access to credit, this has contributed to steep rises in house prices across the country, well ahead of earnings. Average house prices have almost doubled from £114,000 in 2000 to £216,000 in 2010, intensifying longstanding problems of affordability and creating a significant backlog of unmet demand for homeownership, with 2.9 million households currently renting but aspiring to own their own home.

13. New homes are not necessarily being built in areas where they are needed most. As a result, affordability has deteriorated more rapidly in some parts of the country than others. London, the South East and many rural towns and villages are facing particular pressures, although averages mask local pressure points.

14. These affordability issues, alongside general trends to settle down later, mean that young people are increasingly renting for longer, buying their home later in life and tend to be much more reliant on family support to do so. The average age of a first time buyer has been on a general upward trend, from 26 in the mid-1970s to 30 and above since 2000.

15. These trends have been exacerbated in recent years in the wake of the credit crunch. A rapid contraction of lending, both to aspiring homeowners and to housebuilders, has resulted in the housing market seizing up, with the current number of housing transactions taking place in the UK around 70,000 per month, a third lower than the average since 2005 of 100,000.

16. Communities have sometimes not supported new development, feeling that housing was being forced upon them with little consideration of the consequences for quality of the local area or services. For example, recent evidence shows that 46 per cent of people oppose more homes being built in their local area. However, more than three out of four adults in England (76 per cent) would support more houses being built in their local area if the quality of local services such as GP surgeries, hospitals and schools did not suffer.

17. So we have a housing market which is currently failing to deliver the homes that people need, in the places they wish to live – with serious consequences (as we saw in the previous chapter) for social mobility, for jobs and for growth. The reasons for this failure can partly be traced to recent financial turmoil and to the credit crunch. But it would be a mistake to believe that recent difficulties alone are responsible for long-term

Figure 3: Median affordability ratios, 2000 and 2010

![Map of England showing median affordability ratios](image)
failings in our housing market. It is clear that these failings are deep-rooted, and that they are related not simply to the way we plan and pay for new homes but also to wider policies for managing the economy.

18. A new approach is needed. First, there is an immediate need for action to get the housing market moving. We need bold and decisive measures that will deliver thousands of new homes in the lifetime of this Parliament. And going beyond these immediate measures, we need to make long-term, strategic changes to the way in which we plan for housing. We need to end centralised attempts to dictate housing numbers – attempts which have clearly failed to deliver. In their place, we need a system that is driven by the demands and aspirations of local communities, and which can provide the long-term certainty that both communities and housebuilders need.

Measures to deliver an immediate impact

19. To kick-start housebuilding we need demand from first time buyers and others with only a small deposit. These buyers could afford to support a mortgage and would normally form a significant proportion of demand for new properties. They are currently excluded from the market by high deposit requirements. Only 20 per cent of mortgage advances to first time buyers went to those with a 10 per cent (or less) deposit, compared with 60 per cent in 1990–2007.11

20. That is why we are supporting a new and innovative new build indemnity scheme led by the Home Builders Federation and the Council of Mortgage Lenders to provide up to 95 per cent loan to value mortgages for new build properties in England, backed by a housebuilder indemnity fund. Housebuilders will deposit 3.5 per cent of the sale price in the indemnity fund for each home sold through the scheme, and the Government will provide additional security for the loan in the form of a guarantee. In the event of repossession, the lender will be able to recover any losses on mortgages to the maximum covered by the scheme.

21. The scheme will be open to all housebuilders and lenders operating in England who wish to participate, and for new build houses and flats. It will enable home buyers to secure mortgages with at least a 5 per cent deposit and support lenders to offer mortgages for new build, with the first loans available in spring 2012.

22. Government’s support will drive forward an increase in the scale of the scheme and will ensure that the scheme can cover all new build homes. The scheme will be market led, building up in line with the properties that housebuilders wish to offer through the scheme, and with consumer demand. Government has made provision to support up to 100,000 households to buy a new home through the scheme.

FirstBuy

23. The FirstBuy equity loan scheme (announced in the Budget) will see the Government and over 100 housebuilders together providing around £400 million to help almost 10,500 first time buyers purchase a new build home in England, with the help of an equity loan of up to 20 per cent.

24. The equity loan can reduce the level of deposit purchasers need to provide from their own resources. FirstBuy will help to maintain capacity in the house building industry in the short term and support up to 20,000 net jobs in England. In the longer term, the repayment of equity loans will help to provide additional funding for future investment.

Action by lenders

25. We welcome the step change in approach of lenders stimulated by the First Time Buyer Summits held in February and July 2011. Since the first summit, lenders have worked in partnership with government, local authorities and housebuilders to explore new ways of supporting first time buyers and getting the housing market moving again. We have already seen several innovative schemes to support first time buyers announced by lenders and developers, and new partnerships have been formed with local areas.

Supporting infrastructure – Growing Places Fund

26. The Government has prioritised additional investment to support specific growth sites where
the need for more infrastructure is a key barrier to new development. We have recently announced a new £500 million Growing Places Fund.

27. The Growing Places Fund will put local areas in the driving seat, allowing them to invest in the infrastructure needed to boost the local economy, getting people into work and addressing local housing supply issues. The fund will give local areas the flexibility to determine which projects are a priority, and they will be able to establish local investment funds to enable the recycling of funding for other projects once developments are completed.

Tackling stalled sites

28. We are aware that, because of the uncertain market conditions, there are sites in the development pipeline with planning permission that are currently not progressing. The picture is mixed – these sites are a combination of those being managed by small and medium-sized builders as well as more strategic regeneration sites being taken forward by larger housebuilders.

29. Our analysis suggests that there are 133,000 such stalled units, of which 90,000 units have not started and are classified as on hold or shelved. A further 43,000 units have started on site, but have not progressed to completion within the last 12 months.

30. We will encourage action on stalled development by allowing developers to require local authorities to reconsider those S106 agreements agreed in more prosperous market conditions prior to April 2010. We will consult on this proposal shortly. We will ensure that any resulting appeals are dealt with promptly by the Planning Inspectorate, to give certainty to both developers and local communities. The Government will also encourage a flexible approach to planning obligations, to safeguard against substantial and unexpected change in market conditions.

31. We will also launch a new £400 million Get Britain Building investment fund, which will support building firms in need of development finance, including smaller and medium-sized builders. This will help to unlock progress on stalled sites that have planning permission and are otherwise shovel ready. We will publish a prospectus providing more details – and inviting bids – before the end of the year.

Freeing up public sector land

32. Without the right land to build on, there can be no new homes built. But of formerly used land suitable for development, it has been estimated that 40 per cent sits within public sector land banks – including both central and local government. We are committed to accelerating the release of this formerly used public land for new development.

33. On 5 October 2011, four major landholding government departments published strategies to release thousands of acres of surplus formerly used land for development. This builds on the Homes and Communities Agency’s (HCAs) development and land disposal strategy, which was published in June 2011, and will deliver over 11,000 housing starts during the Spending Review period. The Government’s ambition is to release land with the capacity to build up to 100,000 homes over the Spending Review period – which in turn could support as many as 200,000 construction and related jobs during development. Release of land by these four departments and the HCA has the capacity to deliver more than 60,000 homes.

34. In the next phase of the work, the Department for Communities and Local Government is now working with those departments and agencies with smaller landholdings, including the Ministry of Justice, Home Office and Department of Energy and Climate Change, to understand the potential for housing on formerly used land they hold. We will also work with major landholding departments to keep their strategies under review, looking for opportunities to go further.

35. To help get housing delivered, the Government has committed to maximise the use of Build Now, Pay Later models on surplus public land, where there is market demand, it represents value for money and is affordable. This will enable
builders to start work on public land sites, without having to bear the upfront cost of paying for the land. It means developers can use scarce funding for preparatory works, such as obtaining a planning permission and providing infrastructure, and get new homes built more quickly than would otherwise be possible.

36. In addition, we will be looking in detail at how we can unlock the release of and maximise development opportunities on key surplus public sector sites. We will focus on sites that have the potential to deliver significant numbers of new homes but which face infrastructure, planning or site mitigation challenges which are preventing their timely disposal. To help us with this work and provide practical advice, we will bring together a small advisory group of experts led by Tony Pidgley, Chairman of Berkeley Group, in early 2012.

37. To maximise transparency, the Government Property Unit (GPU) will shortly be publishing (on www.data.gov.uk) comprehensive data on almost all government land and property holdings across England. This will enable communities and developers to identify development opportunities and challenge landholders to bring derelict land and property back into productive use. Future updates of the data will enable users to specifically identify surplus public sector land.

Land auctions

38. The land auctions approach seeks to enable local communities to capture a greater share of the land value uplift created by the granting of planning permission than is currently the case.

39. We will pilot the land disposal elements of the land auctions model. With the Ministry of Defence and the HCA, we have identified a number of public sector sites, for example in Catterick, West Lancashire and Hastings, where we will invite local authorities to work in partnership with us in the auction pilot.

40. We will be inviting local authorities to work in partnership with the public sector landowners on sites in their areas and have set aside funding to support the participating local authorities. Working with the landowners, the local authorities would make arrangements for applying for planning permission and selling the sites in open competition, and for the sale proceeds being shared between the local authority and the landowner.

Measures to provide long-term stability and increased supply

Locally planned large scale development

41. Sometimes the supply of new homes may best be achieved through comprehensively planned development — whether through new settlements or extensions to existing villages and towns. Well-planned, large-scale projects can be highly successful and the best examples of these have been a great British contribution to international thinking on planning. The Government will shortly set out proposals to build on this with new planned development.

42. The Government believes it is for local communities to decide the right approach to development for their area, rather than dictating where development should be. We are keen to build on earlier models of large-scale development, securing a better quality development for major new sites based on real community ownership, a clear local vision and stronger incentives for investors. Encouraging large-scale projects of this type will also help increase housing supply over the medium term and demonstrate that we can get above current and recent build levels.

43. While the current market is challenging, with the right incentives there is the potential to bring in new investment, including larger-scale Custom Home developments, related infrastructure, employment and services.

44. To encourage new thinking in this area, we will run a competition to promote the development of a wave of larger-scale projects, including on brownfield sites, where there is clear local support and private sector appetite. We are keen to see innovative approaches and a wide range of models and partnerships come forward, responding to local challenges. We will publish a prospectus setting out more detail of our proposed approach – what the Government is looking for from developers and local communities, and what we can offer in return – in 2012. This will include further detail on:
Streamlined and collaborative planning: we will work with investors and local authorities to promote the use of tools such as Local Development Orders, which will help to streamline planning and reduce the risks and delay in securing planning approval. This approach will also support local authorities and communities by providing stronger mechanisms for getting good design quality and early resources to help shape and manage the community infrastructure. Local Development Orders could be used, for example, to ensure good design quality through requiring that development adheres to codes established with the community. The Government recognises that this will require some upfront investment and is willing to provide support to a number of areas wishing to press this approach forward; and

Infrastructure support and prioritisation: this is a key concern for communities, local authorities and the private sector. Upfront investment in infrastructure that unlocks growth is essential to winning the confidence of communities and the private sector for large-scale, long-term projects. We will prioritise proposals that have a good fit with national infrastructure networks and are sustainable and affordable. Government departments will work together to ensure that new infrastructure provision is well coordinated to support successful proposals. We will also help promoters and local authorities to broker the support of infrastructure providers and statutory consultees to ensure that projects can be delivered over time.

Investment in infrastructure

45. This Government understands that without increased capacity on our transport, energy, communications and utilities networks, communities won’t welcome new housing. They will be understandably worried about the pressure people who live in the new homes will put on existing infrastructure.

46. Where possible, we want to see the best use made of existing infrastructure to provide the necessary additional capacity for the increased population. However, we recognise that new infrastructure will be needed in some cases.

47. Departments across government will continue to work together to provide a coherent package of support to enable infrastructure needs to be met. The Government has prioritised investment in infrastructure throughout the Spending Review period, as key to unlocking growth and supporting new development. This includes major investment in the road and rail network, with high-profile projects such as Crossrail and support for environmental infrastructure such as the London Thames Tunnel.

48. It will be important for utilities providers to work with local communities to plan ahead for water and energy infrastructure to support growth and meet local aspirations.

Community-led planning and design

49. The system of setting top-down targets for housing, vast amounts of planning guidance and excessive regulation under the last Government did not deliver the homes the country needs nor the places that people want to live in.

50. Even at the peak of the last housing boom, new housing fell short of meeting the needs of our population. Top-down targets provoked considerable opposition and seriously delayed the delivery of new housing. For example, in the east of England, the Government received 21,000 representations on the draft Regional Spatial Strategy, of which 78 per cent were objections. Arbitrary targets on brownfield land and density did not deliver the type of homes that people want to live in – instead, we saw too many small flats and not enough family homes; and a surge in ‘garden grabbing’ developments. We have removed density targets, which will enable councils to take a more flexible approach to planning the type of development that is appropriate for their area.

51. Through the Localism Act, we have taken powers to revoke regional strategies, including the top-down housing targets. Instead, communities will receive more of the direct benefits of growth and development in their neighbourhood. And we are empowering individuals, communities and local authorities to take the initiative and make choices to meet their own housing aspirations.
52. To support this new approach, we are introducing Neighbourhood Planning, giving communities a new way to work together and decide the future of the places where they live and work. Neighbourhood Planning will put power back in the hands of local residents, businesses, councils and civic leaders. Communities will be able to:

• choose where they want new homes, shops and offices to be built
• have their say on what those new buildings should look like
• influence the design and functionality of the open spaces around their homes
• grant planning permission for the new buildings they want to see go ahead.

53. These new powers will mean that people can and will get involved in the planning system. They will be able to influence proposals at an early stage and as a result are more likely to support development.

54. We are also putting community views more firmly at the heart of planning policy. Through the Localism Act, we are introducing a new requirement that developers should involve communities at the pre-application stage on large development schemes.

55. We recognise that in order to get involved in shaping the design of schemes in their area, communities will need access to professional design support. As part of the consultation on the draft National Planning Policy Framework, we sought views on a new policy asking local authorities to have local design review arrangements in place to ensure high standards of design, and, when appropriate, to refer major projects for a national design review. The Government has also made funding available to the Design Council to enable it to provide a range of design support services to local communities. A number of local groups across the country are already drawing on seed corn funding from the Design Council to enable them to form a clear vision for how they would like to see their neighbourhood develop.

Community Right to Build

56. For too long, the Government has intervened in areas where communities themselves are best placed to decide what is best for them. That is why the Localism Act introduces a new Community Right to Build. This will give communities a new way to deliver the development they want – be it homes, shops, businesses or facilities – where the benefits of the development will be retained by the community for the community. If they want, communities will be able to build family homes to sell, affordable housing for rent, sheltered housing for older local residents, or low-cost starter homes for young local families struggling to get on the housing ladder. The development will need to meet some basic conditions and have the agreement of local people through a community referendum.

57. The Community Right to Build may be used in rural and urban areas, but will be particularly valuable to rural communities. The Government will make sure that there are sources of support and guidance for communities so that they can use the new right. The new right includes additional mechanisms that will help community organisations ensure that properties continue to be used for the benefit of the community. As such, we think that many Community Land Trusts will want to use this new right in order to retain affordable housing for the community.

58. Community groups, including Community Land Trusts, can seek an Affordable Housing Grant, a portion of which has been held back specifically to support their development needs. In the past, concerns have been expressed that the information requirements to obtain a grant have been disproportionate. The HCA has published a series of short guidance notes which provide advice on how to gain access to funding, with a more proportionate approach to bidding for funds. And the HCA has also provided advice on a more proportionate route for registering as a landlord.
Wychavon New Homes Bonus protocol

In consultation with local communities, Wychavon District Council has developed a protocol for spending the New Homes Bonus, which ensures that the benefits of growth are returned to the communities where growth is taking place.

This includes:

- **regeneration and area partnerships** – £200,000 to support the council’s three area partnerships that promote regeneration and local economic activity
- **grants to the voluntary sector** – £100,000 to support Wychavon’s voluntary sector and put organisations on a more sustainable footing
- **planned growth around the city of Worcester** – 40 per cent for pooled funding to support town infrastructure and other community facilities
- **development in towns and villages** – 40 per cent to reinvest in community facilities to support projects in the towns and parishes – for example, village hall improvements, flood protection, bus subsidies, play areas, allotments and green initiatives
- **supporting affordable housing and investment in new housing** – funding for schemes supporting affordable homes and bringing empty properties back into use
- **supporting the Council Tax** – uncommitted amounts will be used to support services for local communities and reduce the call on Council Tax and reserves.

Powerful financial incentives

59. In April 2011, we introduced the New Homes Bonus, a powerful fiscal incentive for local authorities delivering new housing. The Bonus is paid to local authorities for six years and is based on the Council Tax raised from additional new homes and those brought back into use, with a premium for affordable homes. In 2011/12, the Bonus totalled some £200 million and in 2012/13, we estimate it will be over £400 million, with allocations to be announced shortly. Over the next few years, the total will rise to well over £1 billion, ensuring that it will be a significant part of local authorities’ budgets.

60. Councils and their communities are already responding positively to the incentive, with 43 per cent of councils feeling more able to promote the benefits of housing growth in their community.12 The Bonus is being spent in a variety of ways as best fits local circumstances, such as free car parks in the Vale of White Horse, regeneration schemes in Sefton, and reinvestment in infrastructure in East Devon.

Local incentives for growth

61. We also want local communities to experience the benefit of wider economic growth as well as housing growth. That is why we have set out proposals to allow the local retention of business rates, giving local authorities a direct incentive to promote growth. We have also confirmed that we will give local authorities the powers to carry out Tax Increment Financing. This will allow authorities to carry out borrowing to help deliver key infrastructure to unlock development, and to fund that borrowing from the future uplift in business rates. The Government is considering responses to its consultation on local business rates retention and Tax Increment Financing and will set out next steps shortly.

62. Together, these measures will act as a strong incentive for local areas to ‘go for growth’ and work proactively with their communities, developers and housing associations to build the new housing that local people know they need.
Community Infrastructure Levy

63. We know that communities would be more supportive of new housing if it were accompanied by services and infrastructure.

64. Our reformed Community Infrastructure Levy (CIL) allows local authorities to require developers to contribute towards meeting the costs of addressing the demands that new development creates. The money raised must be used to provide infrastructure to support the development of the local authority’s area. It must address the matters that the council, local community and neighbourhoods identify are needed for it to proceed – for example by providing new roads and transport or new waste management infrastructure. Investing receipts in the local area will ensure that growth is supported and sustainable, which will in turn unlock new development and growth.

65. Through our reforms to CIL, communities that accept new development will be able to decide for themselves how the demands placed on their area are best addressed. By channelling resources close to where development takes place, we will help change attitudes towards development, particularly when neighbourhoods see that the needs arising are being directly met, and they have meaningful control over the funds placed with the community itself.

Community Right to Reclaim Land

66. We want to enable communities to challenge public sector landowners to sell unused or underused land through the introduction of the new Community Right to Reclaim Land. This new right will provide greater transparency and enable citizens to see who owns what land, along with an improved process to get it brought back into use. Reforms to the Public Request to Order Disposal (PROD) will make it easier to use and wider in its application. A new website is available that maps and provides details about public sector assets owned by councils and other public bodies – opening up the books so that local people can see for themselves the assets held by central and local government alike.

More Custom Build Homes

67. We are doing more than ever to support individuals and communities taking the initiative to build their own homes. The Custom Build industry is important for our national economy. It is worth approximately £3.6 billion\(^3\) a year, safeguarding and creating new jobs, strengthening the construction supply chain and making a real contribution to local economies. Currently custom home builders are building as many homes each year as each of our individual volume housebuilders, with around 13,800 custom homes completed in the UK in 2010/11. Custom Build Housing also brings many other benefits, providing affordable bespoke-designed market housing, promoting design quality, environmental sustainability, driving innovation in building techniques and entrepreneurialism.

68. But there is huge untapped potential. Only one in ten new UK homes are custom built – a very low proportion by international standards. There are over 100,000 people looking for building plots across the country and we know from recent market research\(^4\) that one in two people would consider building their own home if they could.

Figure 4: Proportion of all homes delivered by self build, by country

69. The Government recognises that by overcoming the main challenges which are holding back the potential of this sector (lack of land, limited finance and mortgage products, restrictive regulation and a lack of impartial information for potential custom home builders), custom housing can make a stronger contribution to economic growth. By making it easier for ordinary people to build their own homes, there is the potential to deliver wider benefits of affordable, greener
and innovatively designed homes and to make a significant contribution to the number of new homes built in this country.

70. That is why we are supporting the industry-led Action Plan\(^{15}\) that has identified a wide range of proposals to help custom home builders and enable the sector to become a mainstream source of housing provision. Work has now begun to implement the Action Plan. An industry-led implementation group was formed in August 2011, with members drawn from government and industry, tasked with tackling the sector’s challenges head on and taking forward the identified actions.

71. The Government wants to make building your own home a mainstream housing option – an affordable way of building a place people are proud to call home. Our immediate aspiration is to unlock the growth potential of the custom homes market and double its size over the next decade, to create up to 100,000 additional Custom Build Homes over the next decade and enable the industry to support up to 50,000 jobs directly and indirectly per year.\(^{16}\) To help kick-start this revolution we will:

- ask councils to establish the demand for Custom Build Housing in their area, and take positive steps to facilitate it
- re-double our efforts to maximise all opportunities for custom home builders to access land which central government is releasing as part of its accelerated public land disposals programme. As part of this we will maximise, where possible, the use of our innovative Build Now, Pay Later model if there is market demand, it presents good value for money and is affordable
- continue to work closely with industry to establish a one-stop-shop for advice and support to would-be custom home builders, helping them to take the first steps in building their futures
- appoint a Custom Homes champion to raise greater public awareness of the benefits of custom home building and ensure that government support and industry guidance give everybody who wants to build their own home a much-needed hand.

72. We will also make up to £30 million available to support provision of short-term project finance to this sector on a repayable basis. This will help to unlock group Custom Build Home projects, which can experience difficulties in accessing conventional loan finance. We will consult with the sector and local authorities on options shortly and publish plans in early 2012.

Case study

Almere is the youngest city in the Netherlands and is built on land reclaimed from the Zuiderzee. Almere is a planned community comparable in some respects to Milton Keynes. The city is planned to double in size over the next 20 years and includes a 100-hectare self build zone on public land owned by the municipality in the south western Poort district. The Homeruskwartier district has been driven forward during the last five years.

The district has been masterplanned and divided into some 15 sub-districts, providing for over 700 individual plots of varying sizes. It also includes a higher density mixed use central area where individuals have grouped to build apartments, retail and office space. Over 300 families are already in residence and the anticipated capacity is about 3,000 homes.

Infrastructure was pre-planned and each residential district is developed around principles of sustainability with particular themes such as live-work, low-rise, terraced and timber-clad housing. Plots were sold with an A4 ‘passport’ specifying allowable design dimensions but allowing freedom in detailed design.

Almere demonstrates a genuinely workable model for large scale, locally led and affordable self build development and is not a development of villas for the wealthy. Because the city does not have to make a profit, plots sold as part of the first phase were fixed at €375/m\(^2\). Some buyers managed to keep their construction costs to less than €100/m\(^2\), making self built custom homes an attractive housing option.
73. An update of the progress with implementing the Action Plan and taking forward the above actions will be reported in March 2012.

**Simpler, more effective planning**

74. As part of the Government’s commitment to reducing bureaucracy, we are streamlining and simplifying the planning system. We need a planning system to support delivery of the sustainable development that the country needs; in the right place, at the right time, and to the right standards, while protecting and enhancing the natural and historic environment for future generations.

75. That is why we are aiming to condense over 1,000 pages of planning policy into around 50 pages of transparent and clear national policy. We published a draft of the National Planning Policy Framework for consultation on 25 July 2011. The draft Framework reflects the imperative for councils to be ambitious in delivering the much-needed new homes for their communities.

76. The draft Framework makes clear that councils should have a robust understanding of housing requirements in their area, and that they should produce local plans, in consultation with people in the local area. Local plans must support delivery of market and affordable housing to meet the needs of their area, unless this would compromise key sustainable development principles in the draft Framework. The draft Framework asks local councils to plan for a mix of housing based on current and future demographic trends and the needs of different groups in the community, including older and disabled people.

77. We are ensuring that local authorities identify a robust land supply. The draft Framework sets out strong expectations that councils should maintain a robust rolling supply of deliverable sites to meet their housing needs for the next five years, ensuring that there is choice and competition in the land market. It will be important to deliver the level of house building that the country needs safely and without exposing people to unnecessary flood risk.

78. The draft Framework introduces a ‘presumption in favour of sustainable development’, which will have a positive influence on housing supply both through local plan-making and the determination of applications. The presumption requires local planning authorities to plan positively for the needs of their area, while safeguarding those things that require protection, such as the natural environment or historic areas. Where plans are not in place or up-to-date, development should be allowed unless this would compromise the key sustainable development principles in the draft National Planning Policy Framework.

79. The draft Framework also recognises the particular challenges faced by some rural communities and suggests that in rural areas local planning authorities should consider whether allowing some market housing would facilitate the provision of significant affordable housing to meet local needs. We are considering what more can be done to support the rural economy through the second stage of the Growth Review.

80. We are removing arbitrary targets that got in the way of delivering the right homes in the right places. Through the draft Framework we propose to move away from an imposed national target for development on previously developed (brownfield) land, which helped to drive up land prices leading to a focus on high density, unpopular development. Instead the draft Framework encouraged the use of land with the least environmental or amenity value, which includes brownfield sites, while also allowing restored green space that was once in industrial use – such as urban nature reserves – to be protected. Where significant development of agricultural land is necessary, the draft Framework asks local councils to use areas of poorer quality in preference to higher quality land.

**Proportionate and cost-effective regulation**

81. The previous Government introduced layers of new bureaucracy and requirements on housebuilders, making it more difficult to build new homes and pushing up costs. But there is a direct
trade-off between regulatory costs and the level of housing supply. That is why in the 2011 Spending Review we committed to reduce the burden of regulation upon the housebuilding industry by March 2015. Our aim is to streamline and simplify regulation while maintaining essential protections.

82. As we set out in chapter 7, this Government is serious about reducing our carbon emissions, but we must do this in the most practical and cost-effective way. A revised definition of Zero Carbon Homes was announced in the Plan for Growth (alongside the 2011 Budget) which is expected to reduce the extra costs of building Zero Carbon Homes by a half compared with the previous administration’s approach.

83. We have also removed all additional centrally imposed standards for houses built on surplus central government land and we have eliminated additional HCA standards for public sector build. Both of these actions will help to stimulate house building in the short term and provide a clear message of our commitment to de-regulate the industry. Alongside this, we are working with an industry and local authority-led group, chaired by Sir John Harman. The group is helping local authorities and developers by developing advice on how they can fulfil the viability policy in the draft National Planning Policy Framework. The group will also provide advice about the simplification, improvement and harmonisation of housing standards, including the Code for Sustainable Homes (see page 59).

84. In January 2012, we will be kicking-off the Red Tape Challenge for housing, planning and construction. This will put the existing body of regulations under the spotlight, aiming to eliminate any that are unnecessary. We will be encouraging individuals, business and the voluntary sector to get involved.

Creating economic and financial stability

85. House prices are inextricably linked to the wider economy – they are affected by the availability of finance, the labour market and construction sector. Measures to support economic and financial stability will be essential in delivering a sustainable housing market. Equally, the housing market has important consequences for the wider economy and financial stability. For example, house price movements change the risk associated with existing mortgages, which affects the balance sheets of lenders and can affect their willingness and ability to lend to households and companies.

86. Recognising the interaction of the housing market with the wider economy and financial system, Government policy therefore needs to promote not just housing market stability but also wider macro-economic and financial stability and the efficient functioning of these connected markets.

87. This is a time of real international uncertainty and instability. The ongoing euro area crisis and US fiscal debate are damaging market confidence. The UK’s open economy and large financial sector mean that it is not immune to risks from weakening global confidence and nervous financial markets. This uncertainty will be contributing to the difficulties that we are seeing in the housing market.

88. The Government has set out three steps needed to restore economic stability and confidence and underpin future housing market stability: sustained deficit reduction, monetary policy and credit easing measures.

89. The Government has set out a credible plan for deficit reduction. The plan is primarily focused on controlling public spending, which the International Monetary Fund and others associate with stronger future growth. The Government has made significant progress in implementing spending and tax measures to deliver the plan. The plan is guided by the Government’s fiscal mandate that is independently assessed by the Office for Budget Responsibility.

90. The UK’s AAA rating has been confirmed by all major rating agencies while market interest rates have fallen substantially, underlining confidence in the UK fiscal plan.

91. Monetary policy is the primary tool for responding to changes in the economic outlook, to ensure that inflation remains on track to meet the inflation target in the medium term. The Government’s credible fiscal plan allows the Monetary Policy Committee to keep the Bank
Rate lower than it would otherwise have been. This provides important support for the housing market; a one percentage point rise in average mortgage rates would add around £10 billion to overall mortgage interest payments.

92. The Chancellor has announced that work is underway on ‘credit easing’. This means supporting private sector assets such as corporate bonds and Small and Medium Enterprises loans in order to inject money directly into the corporate sector and get credit to flow. This will support credit for small and medium-sized housebuilders and others in the construction industry.

93. The Government is overhauling the system of financial regulation in order to deliver financial stability. A key element of the reforms that will help to underpin housing stability is the creation of the Financial Policy Committee (FPC), as part of an ambitious package of reforms to the way that financial firms and markets are regulated in the UK. The FPC will be established within the Bank of England, and will be independent from Government. The FPC's broad financial stability objective will empower it to take action to tackle any sources of systemic risk that it identifies. The legislation will highlight that the FPC should, in particular, focus on risks that arise from:

- ‘structural features of financial markets or to the distribution of risk within the financial system’

- ‘unsustainable levels of leverage, debt and credit growth’.

94. Once the legislation has been passed, the FPC will have a set of different levers, ranging from public pronouncements and warnings to a broad power to make recommendations and to direct the Prudential Regulation Authority or Financial Conduct Authority to implement specific macro-prudential tools. The FPC, which has been set up on an interim basis in advance of legislation, is currently considering a range of tools that it might use to mitigate different types of systemic risk to financial stability.

95. The financial crisis of 2008 laid bare weaknesses in financial markets, which had enabled mortgages to be granted without proper consideration of the affordability or assessment of risk. Though these problems did not cause the crisis, ensuring that mortgages are affordable and that lenders undertake appropriate assessment of risk will ensure sustainable growth in credit. This is vital to the development of a stable housing market in the future.

96. The Government continues to work with international partners and with the Financial Services Authority, the Bank of England, UK industry and consumer groups. Many initiatives are already completed or underway to respond to problems linked to the financial crisis. At an international level this includes work undertaken by the G20 through the Basel Committee and Financial Stability Committee; at an EU level through the Capital Requirements Directive and the Credit Agreements Relating to Residential Property Directive; and at a domestic level through the Financial Services Authority’s (FSA’s) Mortgage Market Review.

97. The Mortgage Market Review is an ongoing wholesale review of the FSA’s regulatory framework for mortgages. The FSA’s objectives are to ensure that the mortgage market is sustainable for all participants and is a flexible market that works better for consumers. The FSA has said that it will seek the right balance between protection for consumers, sustainability of the market and consumer choice.

98. This Government will continue to work at an international and domestic level to ensure a mortgage market characterised by responsible, sustainable lending, in which creditworthy households have access to a choice of mortgages from a range of different competing providers.
Notes


2. DCLG Live Table 593 – England annual house price change

3. DCLG housebuilding; see www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housebuilding/

4. DCLG net supply of housing

5. See: www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housingmarket/livetables/housepricestables/mixadjustedprices/

6. Analysis of 2009–10 English Housing Survey. This group includes all households currently in private or social rented accommodation but who expect to buy their own home in the future

8. Council of Mortgage Lenders


10. DCLG (2011) Public attitudes to housing

11. NHAPU (2010) Public Attitudes to Housing

12. DCLG analysis of the CML’s Regulated Mortgage Survey


14. A recent YouGov survey undertaken in October 2011 for the Building Societies Association found that over half of all respondents said they would be interested in doing a custom build


16. Based on the assumption of one to two new jobs per unit being supported in the house building construction process, taking account of the fact that most self build units will be additional and most (about 90 per cent) are unlikely to be DIY projects.

Chapter 3
Social and affordable housing reform

Summary
Social housing can improve people’s life chances, providing support at a time when they need it, for as long as they need. It also supports mixed sustainable communities and local economies. But the system is not working: waiting lists have grown excessively; social housing is used inefficiently; and many tenants are not provided with the right support and incentives to take up work.

That is why we are:

- implementing a radical programme of reform to make better use of social housing to support those who need it most
- investing £4.5 billion in new affordable housing over the Spending Review period
- encouraging innovation by housing associations and the entry of for-profit providers into the affordable housing market
- delivering a historic self-financing deal for council housing
- re-invigorating Right to Buy with the one-for-one replacement of homes sold
- tackling various forms of tenancy abuse.

The role of affordable and social housing
1. Social housing is of enormous importance, for the millions who live in social homes and for the country as a whole.

2. It can improve people’s life chances, providing the support they need, when they need it, to live safe, healthy and prosperous lives.

3. It can also support mixed sustainable communities and local economies, acting as a springboard to social mobility for those who want to make a better life for themselves.

4. There is a real need for more affordable housing. Numbers on social housing waiting lists nearly doubled under the previous administration so that there are now 4.5 million people waiting for social housing, many of whom currently have no realistic chance of being allocated a home.

5. Rules on access to social housing waiting lists fail to reflect the pressures of the real world. Anyone can register for social housing regardless of need – even if they already own a property.

6. Tenants can continue to enjoy low rents, subsidised by the taxpayer, even if they enjoy an income well in excess of the national average and can comfortably look after themselves. Tens of thousands of social homes are occupied by people who shouldn’t be there as a result of activities like unlawful sub-letting. Meanwhile, many households in real need are unable to obtain the support and stability that social housing can offer.
7. The system can also fail the people it is intended to help. There is a relationship between social housing and disadvantage that is often seen as a block to social mobility. Too many people are effectively trapped – lacking incentives to work, and often unable to move even if they want to. Both under-occupation and overcrowding are widespread. 

Reforming social housing

8. The Government recognises that it is time to change the social housing system. We need to ensure that the system is more obviously fair; that good, affordable housing is available for those who genuinely need it; and that we get the best value from our 4 million social rented homes.

9. We are making radical changes, removing counter-productive rules and allowing local authorities and landlords to take more sensible decisions about how to manage their housing.

10. We are also empowering tenants to take a more active role in the management of their homes, supporting them in tackling anti-social behaviour in their neighbourhood and helping people into home ownership.

11. We have introduced a programme of reform through the Localism Act, which will make changes to the way people access social housing, the types of tenancies that are provided and the way the homelessness duty is discharged.

12. While existing tenants will see no changes to their rights to lifetime tenancy and social rents, for new tenants we will give social landlords the flexibility they need to make the best use of their housing, in a way that best meets the needs of their local area.

13. Local authorities and landlords need to be able to better manage their waiting lists and allocate homes. New provisions in the Localism Act will remove the requirement that councils keep ‘open’ waiting lists.

14. Protection for the vulnerable will still be provided by the unchanged statutory ‘reasonable preference’ criteria, ensuring that households in greatest need because of medical conditions, hardship or the lack of suitable alternative housing should receive priority.

15. Councils and housing associations will be able to offer lifetime security of tenure where it is needed, but to set shorter tenancy terms where that makes more sense. The Localism Act creates a new flexible tenancy for local authorities. This is in addition to, not replacing, secure and introductory tenancies.

16. Through changes to regulation, we propose to provide significantly increased freedom to all social landlords on the tenancies they can grant, subject to appropriate parameters and protections. The normal minimum length of tenancy will be five years, though tenancies of between two and five years will be allowed in exceptional circumstances.

17. Households who are capable of meeting their own housing needs should not be allocated social housing when so many other families are left on waiting lists. Guidance to local authorities will make it clear that we do not expect social homes to be allocated to people who don’t need them (for example those who already own a home that would be suitable for them to use), while at the same time those who are in genuine need should be prioritised (for example the families of armed service personnel – see chapter 6).

18. We are making it easier for people to move – whether to look for work, or because of any other changes in their circumstances. A new programme – HomeSwap Direct – has been introduced, to enable social housing tenants to take greater control and to manage their own moves. Through HomeSwap Direct, tenants will have access to good web-based services that allow them to identify suitable properties anywhere in the UK for the very first time. We intend to link HomeSwap Direct with the Department for Work and Pensions’ online information for people looking for work on Directgov. This will allow people looking for work to easily register for a home swap and search for suitable properties in the area where they have identified employment opportunities.

19. We need a sustained effort to increase opportunities for mobility. Changes we are making through the Localism Act will make it easier for councils to arrange transfers for existing tenants. The introduction of flexible tenure will, over time, increase mobility and encourage tenants and
landlords to consider what is the most appropriate housing at the different life stages of tenants and their households.

20. The Government has supported work by the Chartered Institute of Housing to share good practice among landlords about how to make best use of their housing stock, especially by supporting tenants who wish to move. And we are supporting a new programme of mobility ‘vanguards’: 12 local areas which will invest £1 million to investigate new methods of helping to support mobility.

21. Changes to the homelessness duty will allow greater flexibility and more sensible decision-making when helping homeless families. Currently, families who are accepted as homeless get priority access to social housing whether or not that is the best solution to their housing need. We will allow councils to bring their homelessness duty to an end with offers of suitable private sector accommodation, without requiring the agreement of the person owed the duty. Local authorities will continue to be able to end the homelessness duty with an offer of social housing if they decide that is the most appropriate outcome.

22. Local authorities will be free to use social housing more creatively to help people achieve stability and make progress in their lives. Some authorities have already adapted their allocations policies to provide extra priority for households who are in work, or who make active contributions to their community. We want to see this become more widespread, and will be encouraging councils to make sure that social housing supports work, rather than locking people into dependence.

Investment in affordable housing

23. With 4.5 million people on social housing waiting lists and first time buyers struggling to get a foot on the housing ladder, we also need to deliver more new affordable housing, both for rent and affordable home ownership. We are developing a programme of initiatives to increase the supply of affordable homes.

24. Government investment in affordable housing is an important part of our strategy for meeting the needs and aspirations of a large section of the population. We support a range of different affordable housing options – from affordable rented housing to affordable home ownership options, such as shared ownership and shared equity schemes.

25. To deliver this, we are working with a wide range of partners in both the public and private sectors.

26. We now have a framework in place that facilitates entry into the social housing sector by a wider range of potential providers. Local authorities own 1.7 million homes while housing associations own and manage 2.4 million social rented homes in England; their assets, resources and knowledge of communities and local economies will continue to play a vital role in meeting the country’s housing needs.

27. We have committed nearly £4.5 billion investment in new affordable housing over the Spending Review period that ends in 2015. But the current fiscal environment and the need to address the public deficit means that the former model of funding affordable housing, with its heavy dependence on public grant, is no longer sustainable.

28. Reform and innovation are needed to ensure that our investment delivers more for less, maximising delivery and making the best use of constrained capital expenditure. We need to look beyond the traditional models of affordable housing, building on innovative new approaches to meeting housing need.

29. That is why the Government moved quickly in the Spending Review to introduce radical reforms to how the supply of affordable housing is funded. The new Affordable Rent product gives social landlords the flexibility to charge rents of up to 80 per cent of local market levels, on both new properties and a proportion of re-lets, as part of an agreement to build new homes.

30. Affordable Rent provides additional financial capacity to deliver more new housing than would otherwise be possible. This marks a significant shift in the balance of funding for new affordable housing supply, with a much higher proportion of the cost of delivering each new home coming from private finance, reducing the pressure on funding from the taxpayer. This means that we
can deliver more new homes for every pound of public capital investment and help a greater number of households experience the benefits of an affordable rented home.

31. Under the new Affordable Homes Programme, levels of offers exceeded expectations – 146 providers, including housing associations, local authorities and private developers, will deliver 80,000 new homes for Affordable Rent and Affordable Home Ownership with government funding of just under £1.8 billion.

32. The Homes and Communities Agency (HCA) has ensured that the programme has a good geographical spread, reflecting local priorities. This includes a provisional allocation of 9 per cent of all allocations outside London for rural communities of fewer than 3,000 people. We have also held back some funding to give community groups an opportunity to deliver affordable housing in their areas. The HCA is providing guidance to community groups on how to access these funds.

33. We now expect to provide up to 170,000 affordable homes by 2015, compared with the 150,000 originally estimated. This outcome supports economic growth and means that 80,000 jobs will be provided in construction and related trades.

34. The new homes created under the Affordable Homes Programme will be offered at a range of different rents up to 80 per cent of market levels, according to local circumstances. Affordable rents in London are on average 65 per cent of local market rents, and 95 per cent of Affordable Rent properties in London will be made available at rents lower than 80 per cent of market level.

35. We are also supporting shared ownership schemes through the Affordable Homes Programme 2011–15, where this is a local priority. Shared ownership, under which purchasers may buy an initial share from 25 per cent to 75 per cent, has the flexibility to enable households on a range of incomes to get a first foot on the housing ladder, with the opportunity to increase their share over time when they can afford to do so.

36. In addition, the new FirstBuy equity loan scheme (announced in the Budget 2011) will see the Government and over 100 housebuilders together providing around £400 million to help almost 10,500 first time buyers purchase a new build home in England with the help of an equity loan of up to 20 per cent. The equity loan can reduce the level of deposit that purchasers need to provide from their own resources. FirstBuy will help maintain capacity in the house building industry in the short term and support 5,000 to 10,000 new jobs in England over the two years 2011/12 and 2012/13. In the longer term, the repayment of equity loans will help provide additional funding for future investment.

Supporting innovation and new ways of delivering affordable homes

37. Affordable Rent represents a major shift in the approach to delivering affordable housing. We are closely monitoring the roll-out of the programme and assessing its longer-term implications for the sector and its ability to attract future private investment.

38. We are also considering how we can build upon the positive response to the Affordable Homes Programme to drive the delivery of affordable housing to 2015 and beyond, in a constrained fiscal environment. The key principles of the Affordable Rent model – flexibility, innovation and efficient use of existing assets – will remain the cornerstone of Affordable Housing provision for the future.

39. Increased efficiency in the housing association sector can help free up financial capacity for investment in both existing and new housing stock. The Localism Act is designed to strengthen the economic regulation role of the social housing regulator and includes the aims of promoting new supply and supporting value for money from public investment.

40. Regulation operates on the principle that primary responsibility for driving efficiency and value for money rests with the governing boards of social landlords. But responding to the new arrangements, the regulator is developing a more proactive approach to value for money regulation, to encourage increased focus on operating costs and using assets effectively. The regulator plans shortly to issue a revised value for money standard for consultation, to set out its proposed
approach to increasing efficiency. This will seek to make boards more accountable for how their organisations deliver value for money and enable challenge of those that do not.

41. The new standard will include an expectation that providers should consider a range of options to deliver better value for money from both their asset base and their operations, including alternative delivery mechanisms. An increased focus on value for money could result in more sub-contracting of services, partnership working and mergers. These approaches may offer considerable scope for providers to deliver improvements by working in new ways and with new partners, including through new structures, increased specialisation and economies of scale.

42. By permitting the conversion of some existing social rented properties to Affordable Rent, the new delivery model allows housing associations to unlock financial capacity within their asset base. The sector is beginning to develop a wide range of innovative proposals to build on this approach. We will work with housing providers to identify further scope for such approaches.

43. The Government is also keen to stimulate innovation and greater competition by encouraging entry of new providers into the affordable housing sector. The regulatory framework now permits the registration of for-profit providers and a number of companies have already registered, adding to the sector’s diversity and potential financial capacity.

44. The opening up of the social housing register to for-profit providers, combined with the recent emergence of Affordable Rent and the strength of the wider rental market, has stimulated further interest in social housing registration. As a result, the regulator is in advanced discussions with a number of publicly quoted companies who wish to set up a social housing subsidiary. We are keen to encourage new entrants into the sector and the social housing regulator will work proactively with a range of organisations, advisors, trade bodies and consultants to ensure that the new possibilities are well understood and so to ensure that the potential benefits of greater competition and innovation are realised, while ensuring that tenants and taxpayers continue to get a fair deal.

45. The affordable housing sector can offer a highly attractive opportunity for institutional investors such as pension funds, and many already invest in the sector through the capital markets. We are now seeing investors taking an increasing range of innovative approaches, for example through retail bonds and private placements, to take advantage of this investment opportunity while bringing valuable additional finance to the sector.

46. We have confirmed that social rents will continue to be index linked to the Retail Price Index for the remainder of this Parliament, providing greater security over income streams, and confidence to investors. By 2015, housing association and council social rents will have converged, with landlords able to charge similar rents for similar properties across both sectors.

47. The November 2010 Welfare Reform White Paper noted that there are advantages in paying the housing component of Universal Credit to individuals in the social rented sector, rather than the current system of payments direct to landlords.

48. However, the Government fully recognises the importance of stable rental incomes for social sector landlords, which allow them to access affordable credit and deliver new homes. We will therefore design Universal Credit so that it contains safeguards to help protect social landlords’ income streams, and ensures that sufficient support mechanisms are in place for those who need help managing their finances.

49. The Department for Work and Pensions has announced a series of housing demonstration projects, to be launched in mid-2012, where housing support costs (currently Housing Benefit) will be paid directly to the tenant. These will inform the design of safeguards for landlords under Universal Credit, which are likely to include tenant support, mechanisms to switch payment back to landlords where necessary and arrangements to recoup any arrears.

Council housing finance reform

50. We are also giving more freedom to local authorities to manage their own housing finances in places where councils have retained their stock.
The current Housing Revenue Account (HRA) subsidy system will be replaced with a devolved ‘self-financing’ model. This will increase flexibility and transparency.

51. Under self-financing, councils will keep all the rental income from their homes to reinvest locally. This will replace a system under which the Government redistributes money between council landlords each year on the basis of a complex national formula. This change is in return for a one-off adjustment of housing debt for each council. Councils will only take on extra debt if their council housing will generate sufficient income to support it, after meeting other costs.

52. Self-financing will enable councils to plan long term, based on a predictable income stream. It will support better asset management by providing incentives for councils to look at the whole-life costs of their stock and the current and future housing needs of local people. It will also increase transparency by making a direct link between the money raised locally from rents and how this is spent locally on services for tenants.

53. A consultation on the self-financing determinations to enable self-financing is being launched alongside this Housing Strategy. Final determinations will be published in January 2012, with self-financing commencing from April 2012.

54. About half of all council housing is managed by Arm’s Length Management Organisations (ALMOs). As the management and funding agreements with councils are now drawing to a close, many ALMOs and their councils are considering how best they may deliver investment and management services, and, if possible, also generate new housing supply. The Government will shortly issue strengthened guidance for councils considering the future of their housing management services and ALMOs.

55. Once self-financing is in place, voluntary transfer of the stock remains an option. The Government will actively encourage voluntary transfers that offer good value for money and can leverage additional investment. We will bring forward proposals for a programme of transfers, clarifying the level of financial support (through writing off housing debt) and the criteria to be applied in prioritising such support. The Government is particularly interested in exploring the scope for transfers that deliver a robust, long-term sustainable future for estates and neighbourhoods.

Right to Buy

56. To help more people realise their aspiration of home ownership, and to increase investment in further affordable housing, the Government intends to raise Right to Buy discounts to make them attractive to tenants across England. We will replace every additional home sold under Right to Buy with a new home for Affordable Rent.

57. Under the Right to Buy legislation, council tenants and tenants of housing associations who transfer from council landlords have the right to buy their home at a discount. Since the policy was introduced in 1980, almost 2 million households have exercised this right and can enjoy the benefits of home ownership, including greater independence, security of owning a valuable asset and the right to change their home as they wish. However, the previous Government reduced discounts and the take-up of Right to Buy has fallen to an all-time low.

Figure 5: Right to Buy and Preserved Right to Buy sales 1980/81 to 2010/11

58. We are now determined to reverse this decline and reinvigorate the policy to give a new generation the opportunity of home ownership. We will boost discounts to affordable levels and the money from extra sales will be invested in enabling landlords to pay down the existing housing debt and building new housing for affordable rent.
59. To qualify for Right to Buy or Preserved Right to Buy, tenants must have spent five years as public sector tenants. Once eligible, current discount rates are:

- for houses: 35 per cent of the property’s value plus 1 per cent for each year beyond the qualifying period up to a maximum of 60 per cent
- for flats: 50 per cent plus 2 per cent for each year beyond the qualifying period up to a maximum of 70 per cent.

60. In practice, most Right to Buy discounts are limited by caps set in secondary legislation. These currently range from £16,000 in most of London to £38,000 in the South East. The effect of the caps is that the average discount rate received by buyers in England is around 25 per cent – ranging from 13 per cent in London to 32 per cent in the North West.

61. The simplest and most immediate way of improving the Right to Buy offer is to raise caps from their current low levels. But there is a balance to be made between offering generous discounts and having enough receipts to fund the building of replacement homes. We will consult shortly on the appropriate levels, but our firm intention is to increase the caps substantially and hence the average discount received by buyers in England would be up to half the value of their homes – which would be roughly double the current average discount. Precise details will be published in the forthcoming consultation. We are committed to making sure that tenants are fully informed about the new, improved Right to Buy and we will work with landlords and others to ensure that this happens.

62. Currently, Right to Buy sales of council properties are running at around 2,600 a year. Once the council’s costs relating to the sale have been covered, the council retains 25 per cent of the remaining receipt from the sale, with the other 75 per cent going to the Treasury. The Treasury’s public expenditure forecasts include forecast Right to Buy receipts which are built into the Government’s deficit reduction plan. Councils will also have made assumptions about the receipts they will receive from Right to Buy sales, on the basis of the current Right to Buy rules.

63. We are committed to ensuring that every additional home sold under Right to Buy is replaced by a new home, and receipts from sales will be recycled towards the cost of replacement. The receipt needed to fund replacement will only be a fraction of the cost of a new home. This is because most of the funding for new affordable rented homes comes from borrowing by the provider against the future rental income stream; and, in many cases, cross-subsidy from the landlord’s own resources, including land. For instance in the Affordable Homes Programme for 2011–15, which we announced in summer 2011, government grant is contributing around 20 per cent of the cost of providing the new affordable rented homes. In the same way, it is expected that the Right to Buy receipt will need to cover a proportion of the cost of the replacement home and that the remainder of the costs will be found from other sources.

64. Our proposal is that Right to Buy receipts will first be used to meet debt on additional properties sold, then will meet Treasury and council forecast receipts, and that the balance will be available for investment in replacement properties. Our initial modelling shows that the expected receipts will provide a sufficient contribution to the cost of replacement homes. We will set out detailed proposals in the Right to Buy consultation.

65. The arrangements in the housing association sector are varied and depend on the local agreements made with transferring councils. In most cases, Preserved Right to Buy sale receipts are shared between the housing association and council, but for early transfers housing associations generally retain the full receipt. The element of the receipt retained by the housing association covers sales costs and compensates for lost rental income. This is important so that the sale has a neutral impact on the housing association’s business plan so it can continue to meet loan covenants.

66. As housing associations are independent organisations, we do not wish or intend to mandate what housing associations do with any receipts they retain. In practice, any surplus receipts (after costs and compensation for lost rental income) retained by housing associations are likely to be recycled to support new build and
other public benefits. Where receipts are shared with councils, it is our expectation that housing associations will work with them to develop replacement homes. We will consult on how we can further incentivise recycling of receipts from additional sales into replacement, and will review progress achieved at the next Spending Review.

67. We will consult on the best way to ensure delivery of the replacement homes. There are broadly three models, which are:

- local delivery – where receipts are left with the council for reinvestment locally
- national delivery – where receipts are allocated through a national programme administered by the HCA (in London, this role would be undertaken by the Mayor)
- combined approach – where councils able to deliver one-for-one replacement and secure good value for money in commissioning retain the receipts, while those who prefer not to lead on commissioning replacement surrender receipts for national distribution.

68. Under the local delivery model, councils would generally be better placed to identify local needs and opportunities, but less able to secure the wider efficiencies that could be achieved through a national programme.

69. As set out above, we are committed to letting councils keep the proportion of the receipt needed to cover the housing debt associated with additional Right to Buy sales. This will ensure that the Right to Buy reforms do not have an impact on the viability of self-financing or independent social landlords.

70. Future transfers should not be affected as long as the discounts are applied consistently across both Right to Buy and Preserved Right to Buy, which is our intention. This will provide tenants with the confidence that they will not be disadvantaged by transfer.

71. We will also consult on whether further measures are required to eliminate potential abuse of Right to Buy. For example, we need to safeguard against companies encouraging tenants to use them to administer their Right to Buy purchase, often charging over the odds for their services; and the emergence in the late-1990s of companies offering tenants a lump sum to take up their Right to Buy and agreeing to sell to the company at a later stage. Steps have already been taken to address these (and other) issues, but we will consider whether enough has been done.

Tackling anti-social behaviour

72. The overall aim of social housing reform is to be able to provide the help that people need for as long as they need it. In order that more housing is available for those in greatest need, various forms of abuse need to be tackled.

73. Too many people continue to suffer from the effects of anti-social behaviour in their neighbourhood. We are committed to tackling anti-social behaviour in all its forms and social landlords, the police and local authorities all have a vital role to play in protecting victims and communities. Earlier in 2011, the Home Office consulted on proposals for faster, more flexible and effective powers to tackle anti-social behaviour that will provide a real deterrent to perpetrators, and it will publish the formal response shortly. In the meantime, we expect local agencies to make full use of the existing powers, alongside, as appropriate, interventions to support perpetrators in changing their behaviour.

74. We recognise that landlords and the victims of anti-social behaviour are often frustrated about how complex and slow processes to evict anti-social tenants in social housing can be. While early interventions to change perpetrators’ behaviour often work well, landlords need to be able to move decisively and quickly to evict anti-social tenants, when other remedies have failed.

75. We recently concluded a consultation on proposals, closely linked to the wider review of anti-social behaviour tools and powers, to make it easier and quicker for social landlords to evict social housing tenants where housing-related anti-social behaviour has already been proven by a court, by introducing a mandatory, rather than a discretionary, power of possession for anti-social behaviour in these circumstances.

76. In the wake of riots in summer 2011, we extended that consultation. We want to ensure
that landlords have the same powers to deal with tenants who choose to wreak havoc in other people’s communities that they already have where tenants commit criminality and anti-social behaviour in the locality of their home. We are proposing therefore to widen the grounds on which landlords can seek to evict tenants, to include where they or members of their household have been convicted of the sort of criminality seen in the recent rioting, wherever that took place.

77. We recognise that changes in the law need to be accompanied by good practice on the ground. Working with the Chartered Institute of Housing (CIH), we are supporting a team of advisors who have already offered help to over 130 social landlords. By sharing experiences and providing access to expert advice, these advisors help to make sure that more landlords are taking positive steps to address anti-social behaviour.

Tackling tenancy abuse and ensuring fairness

78. We are committed to protecting the rights of existing social housing tenants. However, this should not prevent councils, housing associations and the Government from tackling the small minority of tenants who abuse their social housing. This includes households earning high incomes who continue to occupy subsidised housing, and households committing tenancy fraud. Both groups are enjoying a resource that is intended to benefit others who genuinely need it. As part of our reforms, we now plan to bring in new measures to end these abuses of social housing. We plan to consult on proposals to charge high earners an increased rent to ‘pay to stay’ and examine how the Government can help social landlords stamp out tenancy fraud.

79. As well as making it clear that social homes should not be allocated to people who already own a home that would be suitable for them to use, we will also take action to tackle the small number of cases in which households with high salaries continue to benefit from a social rent. We have said that we were considering raising rents for households with income in excess of £100,000 (evidence suggests there may be as many as 6,000 such households). It is fair to ask the highest-earning social housing tenants to pay a higher rent when their peers in private housing pay market rents.

80. We propose to consult on provisions that will allow landlords to increase rental income from households with genuine high earners, in order to help fund new affordable homes. The consultation will consider how best to configure the scheme and ensure that it is appropriately targeted. Full implementation may involve primary legislation, and further details will be announced in due course.

81. There are estimated to be at least 50,000 unlawfully occupied social homes in England. In December 2010, the Department for Communities and Local Government announced grant funding of £19 million over four years to local authorities to help them recover unlawfully occupied properties. In addition, we have funded a team of experts, based at the CIH, to offer hands-on, practical advice to social landlords in order to increase their expertise in this area. This has improved landlords’ rates of recovery. As part of our consideration of new measures, we intend to look closely at the case for strengthening powers in existing legislation on tenancy fraud.

82. Full implementation will be likely to involve primary legislation, and further details will be published for consultation shortly.

83. In times of economic hardship it is more important than ever that social housing helps the vulnerable in society. We have outlined how future reforms will ensure that those in greatest housing need are given priority and that as many people as possible benefit from this precious resource.
Notes

1. Right to Buy is available to secure tenants of local authorities and non-charitable housing associations. Assured tenants of housing associations who were secure tenants and have been transferred with their homes as part of a stock transfer from a local authority to a housing association also have the Right to Buy – this is known as Preserved Right to Buy. The same terms apply to both schemes.

2. See: www.communities.gov.uk/documents/housing
Chapter 4
A thriving private rented sector

Summary
The private rented sector plays an essential role in the housing market, offering flexibility and choice to people and supporting economic growth and access to jobs. We want to encourage greater institutional investment into the sector, coupled with tough enforcement against rogue landlords.

That is why we are:

• supporting investment in homes to rent by introducing changes to Stamp Duty Land Tax and legislating on changes to Real Estate Investment Trusts in the 2012 Finance Bill
• marketing new Build to Rent pilot sites through the Homes and Communities Agency (HCA)
• putting in place an independent review of barriers to investment in private homes for rent
• working with industry to drive up standards and improve consumer awareness
• encouraging local authorities to make full use of the robust powers they already have to tackle dangerous and poorly maintained homes.

A better rental offer – growth and quality

1. The private rented sector plays an essential role in the housing market. It offers flexibility and choice to a wide range of people, from students and young professionals, to families and older households. Private renting has grown considerably in recent years, with around approximately 3.4 million households (16 per cent of all) in England now living in the sector, a 30 per cent increase since 2005. Around a third of households in the private rented sector receive Housing Benefit.¹

2. A strong private rented sector supports economic growth and access to jobs, by enabling mobility and choice. People see the flexibility to move home as the key advantage of renting rather than owning a home.² The sector can encourage new types of investment into housing at a time when traditional sources of finance are constrained.

3. Demand for rented homes is high and in some areas rents are rising, affecting affordability. We want to address this by boosting overall housing supply and by supporting landlords to invest. And we are committed to protecting tenants by ensuring that local authorities have tough powers to tackle the minority of landlords who fail to maintain their properties.

Growth in the private rented sector

4. We want to support the private rented sector to grow, to meet continuing demand for rented homes.
5. The 2010 Private Landlords Survey has shown a further shift in the proportion of the sector being owned and managed by private individuals, who now account for almost 90 per cent of all private landlords and are responsible for 71 per cent of all private rented dwellings. Only 1 per cent of residential stock in the UK is owned by institutions, compared with around 10–15 per cent in most European countries. This provides a clear opportunity to grow and diversify the investment base, attracting new types of investor and new sources of funds. In particular, this could help to sustain housing supply at a time when mortgage finance is constrained.

6. Institutional investors are typically interested in large-scale holdings as well as an acceptable and secure rate of return.

7. In the 2011 Budget, we made key changes to support large-scale investors in rented property. Changes to the Stamp Duty Land Tax (SDLT) treatment of bulk purchases of homes addressed a long-standing tax distortion which previously favoured individual purchases ahead of large-scale investment. This will help property management companies to take on larger portfolios. Large-scale investors will now pay a typical 1 per cent instead of 5 per cent on bulk purchases, as Stamp Duty will be assessed on the average value of individual properties instead of on the overall value of the portfolio.

8. Real Estate Investment Trusts (REITs) are a globally recognised model for real estate investment, providing good and low-cost access to capital, and diversified, liquid and efficient exposure for investors. We announced a range of measures in the Budget to support the development and growth of UK REITs, making them more suitable for residential investment. These measures address barriers to entry and investment for new and existing REITs, and promote good business practice.

9. In line with our approach to tax policy-making, we have consulted further on the proposed measures before publishing draft legislation for the Finance Bill 2012. This significant reform of the REITs regime offers the real potential for large-scale residential investment to begin to happen.

10. There is already evidence of increased activity in response to these changes. Leading international property adviser Savills and Willmott Dixon announced the launch of a joint venture to develop a national portfolio of private rented housing on 24 June 2011. They plan to work with landowners to maximise the value of their land assets while bringing forward sites that would otherwise be undeveloped.

11. On 10 October 2011, Bouygues and Grainger announced the creation of, and their co-investment in, a new Build to Let Fund.

Manchester

In Greater Manchester new housing is required in locations well connected to new jobs.

Manchester City Council, along with other authorities, is working up a new delivery model designed to deliver housing growth in a way that is consistent with the Greater Manchester investment strategy. A model is being developed and tested based on the identification of a range of sites with varying values. The basic premise is that there will be two investment partners: the council with land to invest and an investor with cash to invest. Together the investors will procure a housebuilder and a managing agent with whom they will enter into a medium-term lease. The revenue return is generated through market rentals and the capital return through house sales. The new build housing will be offered on a mixed tenure basis (for sale, deferred equity and private rented) and will be targeted at economically active households.

This model begins to demonstrate the linkage between high value sites and more challenging regeneration sites, which are usually low value and still exhibit many of the characteristics of market failure. Soft market testing of a small number of pilot sites is about to start using the HCA’s framework. This work will test out the premise on which the model is based and will identify any investment gap.
fund will provide institutional investors with the opportunity to invest at scale, with a portfolio of development sites in London and the South East.

12. The Resolution Foundation, in conjunction with Allsop LLP and the Royal Bank of Canada, is also currently developing a framework for a potential institutional investment vehicle. Their focus is to provide long-term housing for those on low to middle incomes while providing investors with an acceptable return.

13. There is a role for the public sector too. As planning authorities and major landowners, the public sector can have a key role in both enabling and testing new models, while meeting local housing demands and needs. We welcome creative thinking in how to meet local housing needs while also getting housebuilding moving.

14. We will support the development of new investment and management models through HCA-led pilots. The HCA has been investigating the potential for marketing sites specifically to include homes to rent. Schemes will be piloted in partnership with local authorities, investing HCA land in the development of new rental homes.

15. The first scheme will be at Spencers Park in Hemel Hempstead. It will include homes for rent and sale, including plots for self builders. The land for rental homes will be put in as an equity investment on a deferred receipt basis. The inclusion of rental homes will also speed up on-site delivery. Following the marketing of the Spencers Park site, further sites will be announced in April 2012.

16. With demand for rental housing likely to continue to rise, we must continue to support innovation and investment. We will therefore put in place an in-depth independent review of investment in private homes to rent. Building on existing work, it will examine the drivers for and barriers to investment and place these in the context of existing landlords’ business models and tenant aspirations. The work will be supported by input from representatives drawn from key parts of the industry, including existing investors, alongside consumers.

**Barking and Dagenham**

The London Borough of Barking and Dagenham is championing a development model that will see the council enter the Build to Let market, while continuing to build homes for social rent.

The council is using institutional cash to build 500 homes with a developer and institutional investor. These will be targeted at people on low incomes and on the council’s housing waiting list by charging below-market rents. The council has donated two plots of land for the development, and is planning to guarantee rents on the scheme for 60 years, after which the council will assume ownership of the homes.

The scheme, which has been agreed by all parties, is expected to complete in summer 2013.

**Quality in the private rented sector**

17. Most tenants have a good experience of renting. Recent English Housing Survey research shows that 85 per cent of tenants in the private rented sector are very or fairly satisfied with their accommodation (compared with 81 per cent of social housing tenants). Seventy per cent of private tenants are also satisfied with the way their landlord carried out repairs and maintenance (compared with 69 per cent of social housing tenants).5

18. Findings from the 2010 Private Landlords Survey6 show that new landlords are much more likely to provide housing of a higher standard, with almost three-quarters of all their properties meeting the Decent Homes Standard. We will continue to support the sector to grow in order to provide more choice and to further drive up standards.

19. The Government is committed to supporting growth and innovation by avoiding unnecessary regulatory burdens on landlords. But we are also looking at measures to deal with rogue landlords and encouraging local authorities to make full use of the robust powers they already have to tackle dangerous and poorly maintained homes.
Liverpool

Liverpool City Council’s housing teams focus on promoting responsible ownership by providing advice and, where necessary, taking enforcement action. This service works closely with landlords through a Landlord Forum and Panel. The council operates a Landlord Accreditation Scheme which runs in partnership with the Liverpool Student Accommodation Scheme. The council takes a robust enforcement approach, carrying out 14 prosecutions in 2010/11.

The council has also entered into partnership with Liverpool Primary Care Trust to tackle health inequalities. The Healthy Homes Programme identifies and addresses poor housing conditions in the private rented sector, prioritising areas by need. Occupiers are also put into contact with a range of health- and wellbeing-related partners (focused around reducing health inequalities) to address other issues that affect their quality of life. The programme has identified over 2,000 serious hazards, and resulting action has led to an estimated investment of over £3 million by landlords into the housing stock, delivering sustainable health improvements and enhancing community wellbeing.

20. We are also providing incentives for landlords to improve the energy efficiency of their properties. From next year, the Green Deal will enable all consumers to install energy efficiency measures at no upfront cost. Householders (whether owners or tenants) will repay the cost of the measures through their energy bill savings.

21. The private rented sector already contains some of the most energy efficient homes — 16 per cent of privately rented homes are in Standard Assessment Procedure (SAP) Bands A–C (the most efficient) compared with 9 per cent of owner-occupied homes. But the sector also contains some of the least efficient homes, and we want to ensure that landlords do all that they can to make improvements. The Energy Act, therefore, contains powers to allow us to make regulations so that, from 2016, reasonable requests by tenants are not refused, and from 2018, it would be unlawful for landlords to rent out properties that do not reach a minimum standard energy efficiency rating. Landlords would be required to reach the minimum standard, or to carry out the maximum package of measures under the Green Deal and Energy Company Obligation. Use of these regulation-making powers are conditional on there being no net or upfront costs to landlords, and the regulations themselves would be subject to caveats setting out exemptions.

Hull

The PEAL (Proactive housing and Environmental Action Locally) project was designed to improve the housing and environmental conditions of two areas of the city. This involved a multi-agency approach with both the public and private sectors. Landlords were trained to assess their own properties using the Housing Health and Safety Rating System. Following training, 155 properties were inspected by landlords and 245 by the council. Some 754 hazards were identified and removed during the project. The council is progressing with the identification of a new PEAL area.

Training is now available for all landlords and self-regulation is city-wide. It has recently been included as a requirement for landlords who are members of the Hull Accredited Landlords Scheme. Landlords who have undertaken training and agreed to a set of criteria have complaints from their tenants to the local authority referred back to them to deal with in the first instance.

22. It is important that landlords and tenants understand their rights and responsibilities. We have recently published fact sheets aimed at both, to help them understand the basics. These highlight the extent to which the law protects tenants:

- Landlords must keep the property they are renting in a good state of repair, including carrying out an annual gas safety check.
- Other than in an emergency, landlords cannot enter the property without giving proper notice.
• Any deposits given in connection with the property must be protected with a government-approved scheme.

• Landlords must give proper notice before seeking possession.

23. We are fully committed to upholding these safeguards and ensuring that they are properly enforced.

24. Industry also has a key role to play in driving up standards and improving consumer awareness. Many consumers, both landlords and tenants, do not realise the importance of choosing a lettings agency with client money protection in place. This ensures that their money is safe if, for example, the agent goes out of business. The SAFE Agent scheme promotes consumer awareness of the issue and helps them to identify agents with protection, through the SAFE Agent badge. It shows how much can be achieved quickly and cheaply through simple and effective ideas driven by industry not the Government.

Notes
1 Department for Work and Pensions estimates
2 Some 26 per cent of all respondents stated the flexibility to move as the key advantage of renting. DCLG (2011) Public Attitudes to Housing in England. www.communities.gov.uk/publications/housing/publicattitudeshousing
4 Williams P (2011) Opportunities for Institutional Investment in Affordable Housing. Salisbury: Caven
5 English Housing Survey 2009–10; Live Table FA5401
6 Some 26 per cent of all respondents stated the flexibility to move as the key advantage of renting. DCLG (2011) Public Attitudes to Housing in England. www.communities.gov.uk/publications/housing/publicattitudeshousing
Chapter 5
Our strategy for empty homes

Summary
We are committed to bringing empty homes back into use, as a sustainable way of increasing the overall supply of housing and reducing the negative impact that neglected empty homes can have on communities.

That is why we are:

• awarding the New Homes Bonus to empty homes brought back into use
• providing information and practical advice to local authorities and communities to help them address empty homes
• investing £100 million funding to bring problematic empty homes back into use and announcing £50 million of further funding to tackle some of the worst concentrations of empty homes
• consulting on options to levy an ‘empty homes premium’ on the Council Tax payable
• proposing changes to Empty Dwelling Management Orders to target their use on the very worst long-term empty homes causing a nuisance to the community.

The importance of tackling empty homes

1. Over 700,000 homes in England are empty, and over 300,000 of those have been empty for over six months.¹ Many empty homes are being renovated or sold, or will otherwise come back into use relatively quickly through the normal operation of the market.

2. But a neglected empty home can quickly start to cause problems for neighbours, depressing the value of adjacent properties and attracting nuisance, squatting and criminal activity. This creates additional burdens on local authorities and the emergency services.

3. The reasons homes are left empty are often complex – and can include inheritance, the cost of financing repairs, inability to achieve a desired sale or rental price, and stalled redevelopment or a decision to retain the property to benefit from house price increases. The impact of empty homes is, however, felt very directly by the people living closest to them, so tackling empty homes is best achieved by locally led interventions.
The Government’s role in tackling empty homes

4. The Government wants to increase the number of empty homes that are brought back into use as a sustainable way of increasing the overall supply of housing, and to reduce blight on neighbourhoods. This means putting in place the right incentives and levers, both practical and financial, to support local authorities, housing providers and community and voluntary groups.

5. Empty homes brought back into use will qualify for the New Homes Bonus. The Government is match funding the Council Tax on long-term empty properties brought back into use for the following six years, using the national average in each band, with an additional amount being provided for those brought back into use as new affordable homes. The New Homes Bonus was introduced in April 2011 and is already proving to be effective in encouraging more local authorities to tackle empty homes in their area. A recent online survey reported that 42 per cent of respondents were now ‘more supportive’ or ‘significantly more supportive’ of tackling empty homes. In the first year of the New Homes Bonus, just under 16,000 long-term empty homes were brought back into use. This equates to a reward to local authorities of around £19 million.

Funding to tackle problematic empty homes

8. We have also announced £100 million capital funding within the Affordable Homes Programme to tackle problematic empty homes — that is properties that are likely to remain empty without extra direct financial support from the Government. This funding will engage local communities in dealing with empty homes in their area. The majority of the funding will be available from 2012–15 and will be administered by the HCA for conventional housing providers such as Registered Providers, and by a national intermediary for self-help, community and voluntary groups. The bidding round for community groups will be announced shortly.

9. The funding available may be used to bring empty homes and other types of property, including commercial property, into use as affordable housing, although existing social housing will not be eligible for funding.

10. Properties will need to have been empty for a significant period of time and the expectation is that they would remain so without the intervention of capital funding. Bidders will need to demonstrate how they will identify and bring forward a pipeline of properties and how this fits in with their local authority’s wider housing strategy.

11. We do not have a fixed delivery model – we are aware that different solutions are appropriate for different areas or even within an area. Through this funding we hope to encourage and foster these innovative and creative approaches. We expect that organisations will need to work in partnership, in order to achieve effective models that deliver value for money.

12. Tackling empty homes often offers opportunities to deliver wider benefits to communities, including new jobs and training opportunities in renovation schemes, and we are

Support for empty homes practitioners and local authorities

6. We have worked with the Homes and Communities Agency (HCA) to launch an online Empty Homes Toolkit and an interactive mapping toolkit which provide information and practical advice on tackling empty homes. The Empty Homes Toolkit is the most popular resource on the HCA website. The interactive toolkit has been accessed over 600 times to date by over 180 local authorities, and work is ongoing to make it available to Registered Providers.

7. We are also considering where we can go further, including through our consultation on giving local authorities the discretion to levy an ‘empty homes premium’ on the Council Tax payable on homes that have been left empty for over two years. As well as encouraging owners to bring empty homes back into use, any additional revenue generated could help councils to reduce bills for other Council Tax payers. The consultation closes on 29 December 2011 and we will publish our formal response early in 2012.
keen to see bids that include such opportunities, including for young people.

13. This programme also provides an opportunity to improve the energy performance and environmental sustainability of homes being brought back into use. We are encouraging Private Registered Providers and private owners to take advantage of the Green Deal as they renovate properties to bring them back into use. This will allow them to include energy efficiency improvements to their properties, with no upfront costs.

14. We are bringing forward over £2 million of this funding to enable local authorities and Private Registered Providers to bring back over 200 empty homes into use as affordable homes this financial year.

15. We will also allocate an additional £50 million of funding to tackle concentrations of poor quality homes in areas of low demand. We will seek match funding from local partners, giving a total investment of £100 million. Tackling empty homes in these areas will require an intensive approach – refurbishing and reconfiguring homes, as well as improving the public realm and tackling wider issues in the local area.

Our partnership with the Mayor of London

16. From next year, the Mayor of London will have new housing and regeneration powers in line with the Government’s broader approach to housing and localism. The Mayor proposes to:

- maintain his target that no more than 1 per cent of London’s homes should stand empty or unused for more than six months
- maintain and update his empty homes audit, to help target action and investment to tackle abandoned and derelict homes
- target a share of London’s funding for empty homes to bring residential buildings on the English Heritage ‘At Risk’ register back into use and explore options to engage the public in this process
- encourage boroughs to remove any financial incentives to leaving homes empty
- encourage the involvement of the community in bringing empty homes back into use, for example self-help organisations
- make investment decisions that prioritise bringing back into use homes for affordable housing.

17. The London share of the funding will be paid to the Greater London Authority when responsibility for housing in London transfers to the Mayor on 1 April 2012.

Empty Dwelling Management Orders

18. Where long-term empty properties have become dangerous or are causing a nuisance to neighbours, the local authority can require owners to carry out repairs. In some circumstances, local authorities can seek to take direct control of the management of the property. The existing legislative framework strikes a balance between protecting the interests of landlords and providing local authorities with the levers they need in order to bring empty homes back into use.

19. We are, however, proposing some changes to Empty Dwelling Management Orders (EDMOs), to protect responsible homeowners and ensure that their use is limited to the very worst long-term empty homes – those that have been empty for a significant period of time and are a nuisance to the community.

20. The proposed changes mean that in applying for an EDMO, the local housing authority will need to provide to the Residential Property Tribunal all the information they have regarding whether the empty property has been causing a nuisance to the community, and whether there is community support of the proposal for the local housing authority to take control of the empty home. The property will also need to have been empty for over two years (rather than six months) and the local housing authority will need to have given property owners a minimum notice period of three months. The intention is to make the changes by the end of 2011 or early 2012.
Tackling squatting in empty residential properties

21. We are concerned about the impact that squatting can have on residential property owners – law-abiding property owners and occupiers should be able to enjoy their property without undue interference from those who have absolutely no right to be there.

22. Although there are civil remedies available to property owners and occupiers under Part 55 of the Civil Procedure Rules, it is not currently a criminal offence to squat, unless the squatter refuses to leave a residential property when required to do so by a displaced residential occupier or protected intending occupier. However, we think that it is right that the criminal law should intervene to offer a greater degree of protection. As a first step, the Government has tabled amendments to the Legal Aid, Sentencing and Punishment of Offenders Bill (currently before Parliament) to criminalise squatting in residential buildings, regardless of whether there is a displaced or intending occupier. This will deal with what we consider to be the greatest distress to victims, that of being unable to use one’s own home, by making it a criminal offence to enter a residential building without intention to leave. It is expected that the Bill will gain Royal Assent in 2012 and the provisions will be implemented following that.

23. We recognise that there are legitimate concerns about the effect of criminalising squatting on vulnerable homeless people who squat. We will help to ensure that the police and local authorities work together to ensure that people found squatting are put in touch with relevant support agencies. The Ministerial Working Group on Homelessness will work to ensure that any local enforcement against squatting is carried out in partnership with local homelessness services, to guard against an associated increase in rough sleeping.

Notes

1. Council Tax data collected by local authorities in England
2. Some 51 per cent of local councils and 44 per cent of county councils completed the online survey, resulting in 286 responses in total
4. This toolkit is available to local authorities
5. As defined by Planning Policy Statement 3; see: www.communities.gov.uk/publications/planningandbuilding/pps3housing
Chapter 6
Quality of housing experience and support

Summary
We are committed to providing choice and opportunity, and ensuring that a stable home, with appropriate support and protections if necessary, is accessible to vulnerable households, families on low incomes and those looking to meet their aspirations through work.

That is why we are:

- supporting the most vulnerable households, through our programmes to prevent and tackle homelessness and provide support for troubled families
- recognising the contribution made by our service personnel by making it easier for them to access housing
- putting tenants more in control
- providing a better deal for older people, with greater choice and support to live independently
- introducing Universal Credit, welfare reforms and support for low income families.

Introduction

1. The Government’s plans for improving affordability and housing market stability will help to ensure that the housing market provides greater choice, opportunity and stability for everyone – including for families on low incomes who are struggling to make ends meet and for vulnerable people who may need additional support to help them achieve independence.

2. A stable home provides a building block for everyone as they try to improve their lives and meet their aspirations for a better future – whether they are looking for work or struggling to bring up their children in a safe and caring environment. More choice and extra support when we need it becomes even more important as we get older.

3. That is why we prioritised protection for the vulnerable in last year’s Spending Review, with homelessness grants maintained at 2010/11 levels and the Supporting People national pot facing a less than 1 per cent annual average cash reduction, with £6.5 billion secured over the Spending Review period. We have made it clear to local authorities that spending reductions should not have a disproportionate effect on vulnerable people. We have also brought together Ministers from across Whitehall to work together to tackle the complex causes of homelessness and rough sleeping.
4. Tackling homelessness is a key priority for the Government. We recognise that this will be a demanding task over the next few years, as the legacy of the recession continues to bite. We know that statutory homelessness acceptances are rising and there are signs that rough sleeping is increasing in key areas such as London. This makes action to grow the economy even more urgent.

5. It is vital that we prioritise the needs of the most vulnerable in order to prevent damage to individuals and communities, and to avoid higher costs for local services later on. It is far better for households – not to mention ultimately far more sensible financially for Government – to focus on preventing homelessness, as well as managing the consequences of an individual homelessness crisis when it happens. That is why we have prioritised spending on homelessness prevention, investing £400 million over the next four years.

6. Our priority is to tackle rough sleeping, the most visible and damaging form of homelessness. We have acted quickly to introduce a more accurate assessment of rough sleeping levels, as we know that we can only tackle rough sleeping effectively if we are transparent about the scale of the problem.

7. The causes of homelessness are complex – not only housing, but also health, work and training – so, for the first time, we have brought together eight departments through the Ministerial Working Group on Homelessness to tackle these. The group published its first report, *Vision to End Rough Sleeping*, in July 2011, which sets out joint commitments to tackle homelessness, and ensure that nobody has to spend more than one night out on our streets – ‘No Second Night Out’. This includes actions to prevent homelessness for those people without a stable home who may be at risk of rough sleeping.

8. The London No Second Night Out pilot is aimed at those new to rough sleeping in London. It is run by the Greater London Authority with initial funding from the Department for Communities and Local Government. It has a 24/7 phoneline so that the public can report someone sleeping rough who can then be referred to an assessment hub to get help. We are encouraging the wider national roll-out of the NSNO standard across the country.

9. We have announced a new £20 million Homelessness Transition Fund for the voluntary sector to help implement No Second Night Out. We are providing £10 million to Crisis in order to support single homeless people, including priority client groups such as recovering drug-users and ex-offenders, to access stable accommodation in the private rented sector.

10. To help prevent increases in rough sleeping, we have also put in place exemptions for some homeless people and a small number of high risk ex-offenders to the Shared Accommodation Rate (SAR). This restricts the maximum Housing Benefit that under 35-year-olds can receive to the published SAR, reflecting rents in non self-contained accommodation in the area.

11. The Ministerial Working Group on Homelessness will publish a second, broader homelessness strategy in spring 2012. This will consider how to tackle the complex underlying causes of homelessness, prevent homelessness at an earlier stage and deliver integrated services that support an individual’s recovery.

12. Our homelessness legislation continues to provide one of the strongest safety nets in the world for families with children and vulnerable people who become homeless through no fault of their own. This includes those who are vulnerable as a result of fleeing accommodation because of violence or threats of violence likely to be carried out, or those leaving care. The legislation provides a consistent, national statutory framework for the provision of homelessness assistance across England.

**Troubled families**

13. Irrespective of significant investment, there remains a large number of families with complex needs that cause problems for communities. These families make up less than 1 per cent of the population yet they are costing the economy billions. Their needs (and the problems they cause others) can be so great that up to 20 different professionals costing up to £250,000–£350,000
can be involved in trying to help them. Intensive family support can help to prevent a family’s situation from spiralling out of control where mental health, worklessness, substance dependency and poverty of aspiration set in, leading to an increased chance of family breakdown, anti-social behaviour and criminal damage taking hold which can blight the whole community.

14. These families, if not supported, can be costly to housing providers and other services. While it might be right in some cases to use eviction powers to tackle problems, an intensive family intervention will often be effective in helping a family to get back on track. This will ensure that the problems one community faces are not just transferred to the next place that the family lives.

15. The Prime Minister has stated his ambition to try to turn around the lives of the most troubled families by the end of this Parliament. A new team has been established to work across government and with local government and other local agencies, focusing on troubled families – and we will continue to develop community budgets as one of the ways of improving how services are provided to the most troubled families.

16. Housing associations are playing a key role in the development of family intervention programmes. Over 80 per cent of local authorities have intensive family intervention projects which have helped them to reduce the number of families getting into rent arrears, and to prevent costly evictions, criminal damage and anti-social behaviour as well as to improve community spirit. As we take forward a new approach to troubled families, we would encourage private landlords to collaborate with local partners to identify such families and deploy evidence based interventions that avoid the costs associated with criminal damage or having their property empty following the termination of a tenancy.

Empowering tenants

17. We are empowering tenants to shape their own lives and the services that they receive, and to take control of local housing.

Case study

‘Our residents told us that we should stop evicting families in crisis because that just moved the problem on. Instead they said we should challenge families who wanted to keep their homes and work with them to change their behaviour once and for all.’ They decided to forgo a community festival or landscaping and voted to fund a Family Intervention Project (FIP), where an experienced professional works intensively with the whole family, building their trust and coordinating the range of services they need – including help for parents to access training and get into work, budget coaching to improve financial management and parenting support to help parents set boundaries for their children. This leads to savings for the landlord, social services, schools, health and the police. ‘FIPs have succeeded beyond all our hopes – they have changed lives for generations.’ Andrea Baker, Director of Housing, Poplar HARCA

18. Through the Localism Act, we are giving tenant panels power to help resolve complaints at the local level. Through Directions to the Social Housing Regulator, we are encouraging landlords to offer opportunities for tenants to form tenant panels and to get involved locally. We are also giving tenants new opportunities to take control of the repairs budgets for their homes through tenant cashback. This scheme allows residents to take more control of the repairs budget for their homes, for example by carrying out their own DIY.

19. We are providing support to tenants through an £8 million tenant empowerment programme. This includes residential training at Trafford Hall that inspires tenants to set up tenant panels and scrutinise landlords’ performance, as well as local training courses that encourage tenants to work with landlords. Tenant Management Organisations wishing to take over the management of local authority housing services in their locality can also receive support and training. The National Tenant Organisations are developing a framework for establishing tenant panels so that tenants can hold their landlord to account.
20. This approach is helping social housing tenants to gain the skills and confidence to participate at the local level. Recognising the considerable benefits of community controlled services, we plan to make it easier for tenants to exercise their Right to Manage. By cutting red tape and streamlining processes, we will encourage more local authority tenants to take over housing management services, and deliver more responsive and cost effective services.

Empowering independence

21. Over the Spending Review period, £6.5 billion will be made available for Supporting People services that help vulnerable people to live more independently and maintain their tenancies.

22. We are working with several councils and other partners to explore personal budgets for Supporting People services – providing people with cash budgets that they can then use to choose services that best suit their lives, needs and aspirations. These areas are currently developing their own local methodologies with a view to the delivery of the first Supporting People personal budgets in 2012.

23. We continue to work with local authorities to deliver improvements in the commissioning of housing support services.

24. Ten local authorities will be testing out a range of innovative Payment by Results models with provider partners in relation to Supporting People services. These models are being tested until 2013 and are focusing on approaches which aim to improve innovation, outcomes and the value for money of housing-related support services.

A new deal for older people’s housing

25. The Government is committed to ensuring that housing and planning policies positively reflect the wide range of circumstances and lifestyles of older people, who already occupy nearly a third of all homes. Nearly two thirds (60 per cent) of the projected increase in the number of households from 2008–33 will be headed by someone aged 65 or over.

Figure 6: Household projections by age group, 2008 and 2033

26. Planning homes and communities that enable older people to remain economically active, involved with their families, friends and community and able to choose where and how they live not only makes financial sense but also results in a better, more inclusive society.

27. Good housing for older people can enable them to live healthy, independent lives and reduces pressure on working families in caring for older relatives. It can also prevent costs to the NHS and social care. For some older people a move to a smaller, more accessible and manageable home can also free up much-needed local family housing. The government is committed to enabling people to make an informed choice about their housing and care in later life. That is why we are investing £1.5 million in the FirstStop information and advice service.

FirstStop is a free, independent service for older people, their families and carers and aims to help older people make informed decisions about their housing, care and support options and to help them maintain independent living in later life. FirstStop also runs a training programme for housing and other professionals, and a programme for older ‘peer-to-peer’ volunteers. It is developing partnerships with local authorities and charities in order to offer more intensive local advocacy and support-to-move services.

28. We have protected funding for the Disabled Facilities Grant (DFG) within the 2010 Spending
Review. DFG helps to fund the provision of adaptations that enable disabled people to live as comfortably and independently as possible in their homes, including in private and social rented housing. By the end of the Spending Review period, the national allocation to local authorities for DFG will increase from £169 million in 2010/11 to £185 million in 2014/15. We are also supporting industry-led good practice and have invited the Home Adaptations Consortium to take the lead in publishing a good practice report. This offers a real opportunity for the sector to highlight what works well in the delivery of home adaptations.

29. Help with small repairs, security and safety in the home can make a significant difference to older people’s lives, reducing accidents and falls and the health and care costs that follow. We have provided £51 million of funding for handyperson schemes (2011–15) to deliver small home repairs and adaptations. The independent evaluation report, to be published shortly, will show the cost–benefits and popularity of such schemes as well as how some can adopt social enterprise business models and showcase innovation.

30. Home Improvement Agencies (HIAs) help around 250,000 older and disabled people to maintain independence and live comfortably and safely in their own homes every year. HIAs deliver around half of all DFG-funded adaptations together with other services, including:

- housing advice, including help with moves to more suitable accommodation
- handyperson services, including small home repairs, home safety and security adaptations
- hospital discharge services
- falls prevention interventions
- energy efficiency advice and remedial action
- coordinating adaptations and home repairs to enable independent living, from grab rails to stair-lifts and major work such as ground-floor extensions.

31. We are going further through a new deal for older people’s housing. The deal includes work to help extend the reach of HIA services, encourage efficiency, innovation and social enterprise in service design, and to ensure that the Green Deal works for older people. It also includes further Government support for Foundations, the national body for HIAs.

32. We are working with industry to stimulate attractive financial products in order to help older homeowners release equity safely to maintain or adapt their homes; and to produce sector-led guidance on giving financial advice for HIAs and local authorities working with older homeowners.

33. Many older people choose to move home to enable them to remain independent, to release equity and to access appropriate support and care. We will encourage local authorities to make provision for a wide range of housing types across all tenures, including accessible and adaptable general-needs retirement housing, and specialised housing options including sheltered and ExtraCare housing for older people with support and care needs.

34. We are working with planners and developers to facilitate industry-led guidance to enable local strategic planning and delivery of a wider range of innovative, high quality housing for older people based on robust data and needs analysis, including demographic projections and profiling.

35. New housing developments also need to make suitable provision for our ageing population in the long term. Ensuring a mix of property types, including Lifetime Homes, will help to provide the diversity and choice needed to support longer term independent living. The Lifetime Homes standard is widely adopted in mainstream housing developments and incorporates a range of features which makes homes more accessible and easily adaptable. However, we do not intend to introduce national regulation. Future needs will vary considerably at a local level and we believe that decisions on the number of Lifetime Homes within each development should be made at a local level, in proportion to local need and aligned with other local housing support and information services. To help local authorities in understanding their future needs, we will publish results in summer 2012 of research undertaken by DCLG to be used by local authorities and we will explore how these can be developed into a toolkit to assist local policy development.
36. The Government welcomes the continued work of the independent Housing our Ageing Population Panel for Innovation (HAPPI)\(^4\) to raise the profile of good quality specialised housing for older people and to promote innovation in this sector. We are also exploring the feasibility and economic benefits of new housing options models, and how we can support the development of innovative solutions, such as Homeshare.\(^5\) Homeshare involves matching someone who needs some companionship or a little help to carry on living in their own home, with someone who is willing to give a little help and needs accommodation.

37. The design of neighbourhoods is also vital in enabling independence in later life. This is why we are publishing the independent Lifetime Neighbourhoods report to share good practice and enable local partners to create age-friendly, inclusive neighbourhoods.

38. The Department of Health is currently engaging with the care and support community on the priorities for social care reform to inform the development of a White Paper next spring. As part of the engagement (Caring for our Future: shared ambitions for care and support), it is seeking views on the priorities for supporting prevention and early intervention to maximise health and wellbeing.

Welfare reform and the creation of a Universal Credit

39. The Government’s ambitions to improve the affordability, stability and quality of housing are inextricably linked to the benefits system. The best way to help people build a secure future for themselves and their families is to help them find a job.

40. The Government has introduced a radical package of reforms through the Welfare Reform Bill, which will make the most fundamental reforms to the social security system for 60 years. It will deliver a system that is simpler, fairer and ensures that work always pays, helping to break the cycles of deprivation that trap people in poverty and unsuitable housing.

41. Housing Benefit expenditure has risen sharply in the last decade, with a 50 per cent increase in real terms from 1999/2000 to 2010/11. The changes we are making will reduce Housing Benefit expenditure by over £2 billion by 2012–15. This will prevent further above-inflationary increases in costs, and ensure that expenditure is sustainable in the longer term.

42. Many organisations concerned with housing, welfare and employment have criticised Housing Benefit in particular for trapping people in benefit dependency. Sometimes Housing Benefit has supported claimants to live in accommodation that ordinary working families could not afford. The changes we have made will restore fairness to the system and are intended to exert downward pressure on rents while ensuring that around a third of properties in the private rented sector remain accessible to benefit claimants.

43. To help ease the transition for those affected, we are providing additional funding totalling £190 million over the Spending Review period. This includes £130 million Discretionary Housing Payments, £50 million transition funding and £10 million for homelessness prevention in London.

44. A number of the changes to the Local Housing Allowance – the most common form of Housing Benefit in the private sector – came into force in April 2011. It is too early to draw any conclusions about the impact of these changes but we have commissioned a major independent review of the reforms that will report its interim findings in spring 2012.

45. Benefit dependency has also been encouraged by steep withdrawal rates of Housing Benefit on finding or increasing work. Universal Credit, planned to be introduced from 2013, will replace current means tested working age benefits and tax credits with a single welfare payment that rewards people for moving into work.

46. Universal Credit will provide a standard allowance with additional elements for children, housing and other needs, replacing Working Tax Credit, Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker’s Allowance and income-related Employment and Support Allowance.
47. The aim of Universal Credit is to ensure that work will pay. Marginal deduction rates (the rate at which benefits are withdrawn) will, under current policy proposals, be lower for around 1.2 million people on benefit with the maximum marginal deduction rate falling to 76.2 per cent compared to 91 per cent currently. Some 500,000 people facing the highest marginal deduction rates will see them fall.

48. Under Universal Credit, a lone parent with two children could be around £60 per week better off taking up ten hours of employment compared with around £18 under the current system. Non-financial work incentives will improve too – under Universal Credit there will be no need to ‘sign off’ benefits when moving into work, as support seamlessly continues based on dynamic financial need rather than crude employment status.

49. There will be no cash losers at the point of change, and 2.8 million households will have higher entitlements than under the current system. Under current assumptions, 350,000 children and 550,000 working-age adults will be lifted out of poverty and we estimate that there could be 300,000 fewer workless households.

50. The Government is also taking radical action to ensure that people get the intensive, personally tailored help and support that they need to get back into work. The Work Programme was launched on 10 June 2011 and is now in place nationally. This is the biggest single Payment by Results employment programme that the UK has ever seen, providing personalised support to an expected 2.4 million claimants over the next seven years.

51. The integration of housing costs into a Universal Credit is a major simplification and offers opportunities to help claimants to take responsibility for their finances. This will encourage more people, especially in the social rented sector, to manage their own budget in the same way as other households. However, we also recognise the importance of stable rental income for social landlords to support the delivery of new homes and will develop Universal Credit in a way that protects their financial position.

52. The Department for Work and Pensions (DWP) intends to run around half a dozen demonstration projects from June 2012, which are designed to get into the detail of how direct payment to claimants of support for housing costs will work in Universal Credit. They will test out how to support people to manage their finances and make rent payments (through use of advice channels and dedicated financial tools), and how to protect the financial position of landlords. The latter will look at maintaining direct payments to landlords for those who may be unable to manage (exemptions to the policy) and mechanisms to switch payment back to landlords. The projects will also gather evidence to inform the recouping of arrears through Universal Credit where necessary. Pensioners and vulnerable tenants will not be required to take part.

53. We are also reforming how Housing Benefit is calculated for working age tenants in the social rented sector, moving away from a system in which benefits pay for any size of accommodation, even where this accommodation is too large for the household’s needs. Inevitably this will mean that some tenants choose to downsize so that the state does not pay for spare rooms. This will create movement in the social housing stock to allow people living in overcrowded conditions or who are on the waiting list to access appropriate social homes. This will work in tandem with our tenancy reforms to help make sure that social housing is used more effectively and better targeted at those who need it most.

54. Beyond the social sector size criteria, we have committed that Housing Benefit (and the housing element of Universal Credit) will continue to be based on actual rents in the social sector, including the new Affordable Rents of up to 80 per cent of market levels. This will ensure that social landlords can continue to deliver new affordable housing.

55. In the round, our welfare reforms will work hand-in-hand with our plans for social housing to help reduce overcrowding, shorten waiting lists and increase mobility, incentivise work for tenants and ensure that more affordable housing is built and accessible to those who need it the most.
56. Recognising the outstanding contribution made by our service personnel, we are helping service personnel to get the housing that they deserve. Following a housing summit held on 16 May 2011, chaired by the Minister for Housing and Local Government, Grant Shapps MP, and involving representatives from the military, charity, local authority and housing sectors, we are making it easier for service personnel to own their own home and to access social housing.

57. Families of Armed Forces personnel have not always received fair and proper treatment in the allocation of social housing. We are determined to put this right. It is simply unacceptable that the families of service personnel – who put their lives at risk for the defence of the country – should then face any disadvantage when seeking help with their housing needs.

58. We will consult on a change to the law to ensure that service personnel with urgent housing needs should receive ‘additional preference’ (ie high priority) in allocation schemes – so that they should always be at or near the top of any waiting list. At the same time, we will consult on regulations which make sure that service personnel who have to move from base to base do not lose their qualification rights to social housing. More generally, we will issue clear guidance to local authorities on the different ways in which proper provision can and should be made for service personnel, including through the use of local preference criteria.

59. We are also encouraging serving and ex-service personnel to achieve their aspiration of home ownership. We are placing members of the Armed Forces at the top of the priority list for all government-funded home ownership schemes, including FirstBuy, and are instructing government housing agents to visit military bases to promote such schemes to military personnel. Priority status will be retained for 12 months after service personnel leave the Armed Forces and, in the event of death in service, priority can be transferred to a bereaved spouse or civil partner.

60. Some ex-service personnel find it difficult to make the transition to civilian life, so we will provide enhanced resettlement support for early service leavers; and we will work with voluntary homelessness organisations, the new Veterans’ Information Service, and the Service Personnel and Veterans Agency to promote through-life support for former members of the Armed Forces.

61. Securing a mortgage can also be difficult for personnel who served overseas or lived on army bases with non-standard British Forces Post Office (BFPO) postcodes which are not listed on UK credit referencing agencies’ databases. To address this, the Government is working with the credit reference agencies and the Royal Mail on standardising BFPO addresses to ensure that service personnel are not disadvantaged when applying for a mortgage.

62. We are also launching a £1.5 million fund to support the successful integration of retired Gurkha soldiers and their dependants who, having served in the British Army, now wish to settle in the UK.

63. A house purchase is usually by far the biggest single purchase of a person’s lifetime. Good quality, independent advice to support this decision is key to enabling individuals to take responsible decisions and supporting sustainable home ownership. Good quality independent debt advice is also key to preventing repossession and subsequent homelessness. We are concerned to ensure that such debt advice is accessible to all, including the most vulnerable, such as those at risk of homelessness. In July 2011, we announced that the Money Advice Service will coordinate debt advice from April 2012 and that it will develop a delivery model to achieve this.

64. We know that existing homeowners have not escaped the impacts of the current recession. Reduced income as a result of job losses or reduced hours and pressure on food and fuel bills have meant that many households are struggling to pay their mortgages. Some have fallen into arrears and in the most serious cases are at risk of repossession by their mortgage lender.
65. The single most important part that Government can play to keep the pressure off stretched household budgets is to keep interest rates low. That is why we have acted decisively to tackle the deficit and promote economic growth in order to avoid rapid increases in interest rates, thereby helping millions of homeowners.

66. High lender forbearance, regulation and legal checks have also played their part in protecting borrowers who are having difficulty in keeping up with their mortgage repayments. We are also providing support to homeowners through services such as independent debt advice, free legal advice at possession hearings and access to information and advice. These measures of support sit alongside the Mortgage Rescue Scheme and Support for Mortgage Interest. Mortgage repossessions in 2010 were 36,300, much lower than the 53,000 predicted. Mortgage repossessions in 2011, as reported by the Council of Mortgage Lenders (CML), were 27,300 at the end of September 2011. It now appears likely that the total number of repossessions in 2011 will be lower than the CML’s forecast of 40,000.

67. Support for Mortgage Interest is paid to certain benefit claimants to help people maintain existing and reasonable mortgage interest commitments so that they can remain in their homes. We will be consulting later this year on reform of Support for Mortgage Interest to ensure that it is simplified in line with the principles of Universal Credit and wider welfare reform.

Notes
1 Part 7 of the Housing Act 1996
3 FirstStop Advice is available on 0800 377 7070 or by visiting www.firststopcareadvice.org.uk
4 See: www.homesandcommunities.co.uk/housing-ageing-population-panel-innovation
5 See: www.sharedlivesplus.org.uk
6 Excluding Council Tax benefit
7 Calculation based on DWP modelling. Assumes lone parent with two children and £80 per week rent working for ten hours at the National Minimum Wage
Chapter 7
Quality, sustainability and design

Summary
This Government recognises that our homes need to be well designed, of the highest quality and environmentally sustainable. This applies to both new and existing homes which, where possible, should be more energy efficient and help to reduce our carbon emissions, be resilient to a future climate and protect our natural environment. High quality homes in high quality natural environments will support our plans for growth and are necessary for social, environmental and economic sustainability.

That is why we are:

- providing strong leadership on design through national planning policy that promotes imaginative, locally distinctive, well-designed new homes and neighbourhoods
- creating opportunities for communities to shape the design of their areas through planning reforms such as Neighbourhood Planning and compulsory pre-application engagement
- strengthening design support for communities through funding via the Design Council and government-funded support for Neighbourhood Planning projects
- supporting industry to encourage innovation and creating a new offer for communities through an industry-led review, as well as hosting a Ministerial-led design summit to scope a cross-sector package of design support
- committed to delivering Zero Carbon Homes from 2016
- reviewing Building Regulations to further improve energy efficiency and carbon emissions standards for new buildings
- launching a Green Deal in late 2012 to revolutionise the energy efficiency of British properties
- including the built environment as a theme in our National Adaptation Programme for resilience to a changing climate, which we are planning to publish in 2013.

Introduction and context
1. This Government recognises that what we build is just as important as how many homes we build. Too often, new housing has been seen as a threat both to communities and the environment. However, if done in the right way, with communities on board from the start, it presents many opportunities and benefits.

Careful attention to the design of new homes and neighbourhoods can create places that offer improved quality of life for communities, encourage investment by residents and businesses and are environmentally sustainable.
2. The challenge of climate change means that we must ensure that both our new and existing homes are of a good quality, sustainable, fit for a future climate and also reduce our carbon emissions. This is a crucial part of our plans for protecting our natural environment and supporting the transition to a green economy. Decisions now will determine whether new homes will be safe and comfortable in a changing climate which will see increasing future flood risk, coastal change, pressures on water resources, increasing risk of polluting the local environment and more extreme weather, including hotter summers.

What is good design?

3. Well-designed homes and neighbourhoods are those that are attractive – reflecting local character and identity while featuring good architecture and landscaping – and also functional and durable.

4. New homes and neighbourhoods that function well will balance people’s needs for privacy, community and economic activity in a way that promotes wellbeing. Light, spacious, quiet homes, with adaptable and flexible indoor and outdoor spaces that connect well to local community amenities — including parks and squares — as well as wider economic opportunities, can help to achieve this. Well thought-through design can also improve the safety and security of homes and neighbourhoods as well as creating accessible and inclusive environments.

5. Successful new homes and neighbourhoods also offer durability – being long-lasting, yet economical to manage and maintain — ensuring good returns on investment. Tools such as Building for Life¹ set out some of the features that are useful to consider when designing new homes and neighbourhoods.

6. The perception of new-build housing among communities and consumers is mixed. Although customer surveys report high levels of satisfaction with newly built homes,² communities have expressed concerns about the impact of new-build housing on the character of their neighbourhoods. Public attitude surveys have reported that 73 per cent of people said that they would be more supportive of new housing in their area if it was well designed and in keeping with the local area.³

7. Evidence from the 2010 British Social Attitudes Survey⁴ shows that if new homes were to be built in the local area, the majority of people expressed a preference for new houses rather than flats. Since the late 1990s the balance of new homes has shifted towards flats rather than houses, though this has begun to shift back in recent years.⁵ In market surveys, potential purchasers have expressed negative opinions about the design of private new-build housing, in particular its size, build quality and lack of character and outside space.⁶

8. The performance of housebuilders in delivering sustainable development is also mixed. Evidence from the 2010 Next Generation benchmark, which looks at the extent to which housebuilders are adopting and embedding sustainability, including design, measures into their corporate policies and procedures, indicated that although some homebuilders have developed sustainability strategies, the objectives of these need to be further embedded into the schemes that they design and build. The Berkeley Group, Crest Nicholson and Miller Homes all emerged as leaders in the 2010 benchmark, with Willmott Dixon and Keepmoat Group completing the top five performing companies.⁷

Opportunities

9. There is an opportunity to encourage wider support for new homes and neighbourhoods by evolving their design to take account of local community needs and consumer preferences as well as changing demographics, in particular an ageing population. This creates benefits for all — a win-win situation. Communities will experience new development that is appropriate and beneficial for their local neighbourhood, consumers will enjoy improved choice and diversity in the availability of new homes and developers will experience enhanced reputation and increased marketability of their products and services.

10. What is needed will be different in different parts of the country and that is why, as set out in chapter 2, the Government wants to see a localist approach to shaping the design of new homes and neighbourhoods. We want to see communities taking the lead in shaping the design
of development in their area so that the right housing gets built in the right places. The actions set out below are aimed at helping to facilitate a community-led approach to designing homes and neighbourhoods.

Community-led design

11. Government is providing strong leadership on design. We have called for more imaginative, distinctive designs that reflect local character and identity; through the draft National Planning Policy Framework (NPPF), we are putting in place strong policies that promote good design through a locally driven, plan-led approach that draws on expert advice available through, for example, design review.

12. Government is also creating opportunities for communities to shape the design of their areas. The new Neighbourhood Planning proposals described in chapter 2 will help to achieve this, as will the Localism Act requirement that developers involve communities at the pre-application stage of large schemes. To complement this, the draft NPPF encourages councils to favour schemes that have been designed in collaboration with communities.

South Gate, Totnes, Devon – ‘Turning community resistance into acceptance’

The original proposals put forward by the developer for a mixed-use residential development on the edge of town were strongly opposed by the local residents group ‘Save our Space’. The Council listened to the residents group who, feeling empowered, changed their name to ‘Design our Space’ and worked with the council and the local architect to design a scheme that the locals wanted. This brought the community on side and allowed planning permission to be granted quickly, delivering houses that people wanted to buy.

14. We are also supporting industry to encourage innovation, for example through the Housing Design Awards that promote innovative approaches to the design of new homes that are suitable for older people.

15. In addition, the Design Council, working with the Royal Institute of British Architects (RIBA), the Royal Town Planning Institute (RTPI), the Royal Institution of Chartered Surveyors, the Landscape Institute, the Home Builders Federation and others, has been exploring new approaches towards providing design support for communities. The findings of this work have recently been published in the Bishop Review and include innovative ideas such as decentralising design support services, making design advice and toolkits more accessible for communities and funding design support in new ways in the future, for example through planning fees.

16. In taking forward these ideas, we recognise the vital role of councils, built environment professionals and developers who have the planning powers, design and commercial expertise to support communities in new and innovative ways to achieve their aspirations for new homes and neighbourhoods.

17. There is a range of positive examples of where this is happening. For example, developers and communities worked closely together to develop successful housing schemes at Woodberry Down and St Andrews in London. We see an opportunity for an increased focus across the sector on communities as the new clients.

18. In making design advice more accessible for communities, we see an opportunity for built environment professionals – planners, architects and urban designers – supported by their professional institutions and other relevant partners, to step forward to offer design support for communities in order to help them shape their local area. As a next step, government will be hosting a Ministerial-led summit, in partnership with the Design Council and involving RIBA and RTPI and other partners, to scope how best to support built environment professionals in creating a nation-wide network of neighbourhood designers that can help communities to influence design locally.

13. We are strengthening design support for communities by making funding available via the Design Council. This complements support for Neighbourhood Planning projects and is already being embraced by the most innovative local communities.
19. We also see an opportunity to adapt existing successful toolkits, such as Building for Life, to support communities. We welcome the move by industry bodies – the Design Council, Home Builders Federation and Design for Homes – to work with communities, local councils and developers to develop a refreshed Building for Life for launch next year.

Greener places

20. Greener neighbourhoods are also important to support communities and encourage acceptance of development. Design of new homes and neighbourhoods can incorporate positive opportunities for biodiversity and green infrastructure, providing increased ecological connectivity with the natural environment. In existing communities, careful green infrastructure interventions can bring great environmental and social benefits.

21. Benchmarking quality of public open spaces is possible through the Green Flag Award scheme – a government accreditation scheme widely recognised among the green sector and communities alike – and also in a social housing context from demonstration projects in good practice guidance published on 15 November 2011 by the ‘Neighbourhoods Green’ partnership in association with the National Housing Federation.10

22. We will work with civil society partners, local government and professional bodies through the Green Infrastructure Partnership11 to look at improving the quality of the environment in the most deprived communities. This will demonstrate the benefits that green infrastructure can provide and support local areas in planning and developing their green infrastructure.

Our commitment to Zero Carbon Homes

23. We know that climate change requires urgent action and that we all need to play our part. Ensuring that both existing and new homes are sustainable now and in the future is crucial to delivering resilient, adaptable built environments, enhancing the natural environment and people’s quality of life.

24. Substantial and cost-effective reductions in carbon emissions from buildings are an essential part of our effort to reduce greenhouse gas emissions by at least 80 per cent from 1990 levels by 2050.12

25. In 2009, homes accounted for 25 per cent of UK greenhouse gas emissions, so action to tackle emissions from both new and existing buildings will be critical to the transition to a low-carbon economy. The Government has recently set a fourth carbon budget13 requiring emissions reductions of 50 per cent on 1990 levels in the period 2023–27, and will shortly publish a report on options for meeting this target – including through improvements to the energy efficiency of our homes.

26. Homes are becoming steadily more energy efficient. There has been a 26 per cent improvement in the average energy efficiency of the housing stock since the mid-1990s.14

27. But the Government believes that more can and should be done. The Government’s approach

---

**Moston Vale – Newlands (New Economic Environments via Woodlands) regeneration**

At Moston Vale, located in North Manchester’s Housing Market Renewal Area, the conversion of a former landfill site to a new community woodland park with recreation space, native woodland, wildflower meadows and recycled gravel footpath has led to regeneration of the surrounding area. Derelict housing has been brought back into use and increased investment by residents has raised the quality of their homes. Anti-social behaviour and low-level crime, such as vandalism and illegal motorcycling, have been actively discouraged and prevented by intelligent landscaping and lighting.

The partnership-led project has provided high quality community woodland that links communities, enhances the natural environment and provides a sustainable setting for investment from businesses and the public sector.
to zero carbon, which will apply to all new homes coming through the planning system from 2016 is a practical way of doing that for new homes. The zero carbon standard will require high levels of fabric energy efficiency in all new homes and we are taking forward requirements for this and other on-site measures through successive improvements to the Building Regulations. Revisions introduced in October 2010 delivered a 25 per cent improvement on 2006 carbon emissions standards for new buildings. Our current review of the Building Regulations is looking at opportunities for further improvements planned for 2013 where these can be achieved while meeting our deregulatory aim – we will consult on these changes shortly.

28. This approach will allow developers to support off-site carbon reduction measures like district heating schemes, where it is not technically feasible or commercially viable to abate all carbon emissions through fabric energy efficiency or other measures on the house (eg solar panels). The Government set out in May 2011 some general principles for the delivery of off-site measures. The independent Zero Carbon Hub published a report in July which set out how delivery mechanisms for these measures might work. The Government welcomes this report and is working to see how the delivery approach suggested could be applied in line with the principles set out in the May statement. By supporting investment in local priorities for renewable energy and energy efficiency, this approach can work closely with local planning to empower communities and drive local growth. The Government is working to set out its detailed thinking in due course.

29. But this is not just a question of changing regulations. Industry needs to deliver Zero Carbon Homes. The Government welcomes the work of the Zero Carbon Hub to help industry prepare for the Zero Carbon Homes standard in 2016 and, through the Technology Strategy Board, is supporting projects like AIMC4, which aims to develop and apply innovative materials, products and process to meeting the Code for Sustainable Homes Level 4 energy standards through innovative fabric solutions alone.

30. The Code is the voluntary national standard for the sustainable design and construction of new homes and offers a range of sustainability benchmarks in order to help focus developer and industry innovation. Over 43,000 Code homes have been completed since the scheme began in 2007, with over 86,000 at the design stage. On average, a Code Level 3 home (midway on the scale) costs around £1,200 more than a building regulation minimum standard home.

31. New and existing homes should also encourage the efficient and prudent use of other natural resources, particularly water. More energy and water efficient homes are also cheaper to run, saving consumers money on their fuel bills and water bills in the 40 per cent of homes that are currently metered. Government is committed to tackling fuel poverty, when a household spends more than 10 per cent of its income on fuel bills, and improved energy efficiency has a key role to play.

The Green Deal

32. Improving the energy performance and sustainability of new homes is only one part of the story. Britain has some of the oldest housing stock in Europe and around three quarters of the homes that will be standing in 2050 have already been built. Improving existing homes to improve their environmental performance is vital to achieving the emissions reductions we need, reducing the cost of running our homes and protecting our natural environment.

33. Through the Green Deal, due to launch in late 2012, companies will offer energy efficiency investments to householders and then recoup payments through their energy bills. This will mean that consumers face no upfront installation costs, enjoy the benefits of warmer homes and cheaper fuel bills, and only make the payments while they stay at the property. As the charge is attached to the energy meter, it stays with the property and is taken on by the new resident.

34. Households who are interested in a Green Deal will receive a ‘Green Deal assessment’ of the energy performance of the building, for which an Energy Performance Certificate (EPC) will be issued, plus a new occupancy assessment of the
actual energy use of the household to show the saving that they are likely to make from installing measures. This will be the basis for determining a tailored package of energy efficiency measures and the financial offer. To ensure that the EPC is both informative and engaging, and supports the Green Deal, government has improved its content and format and has developed a free online tool – the EPC Adviser – which enables households to model packages of energy efficiency improvements based on their EPC and then see the effect on their carbon emissions and fuel bills.\textsuperscript{16}

35. The Green Deal assessment will be carried out by Green Deal Advisors, who must be active members of an EU Energy Performance or Building Directive Accreditation Scheme in order to produce EPCs, as well as meet new standards of competence and certification to deliver the additional requirements of the Green Deal assessment.

36. The Green Deal assessment will be portable – the household will be able to take it to any Green Deal provider to arrange installation and finance.

37. EPCs will also serve as the vehicle for making sure that people considering buying or renting a property are aware of the new Green Deal charge at an early stage.

38. The Green Deal will be complemented by a new Energy Company Obligation (ECO), which will set targets to be met by energy companies by delivering energy efficiency measures, in particular for hard to treat homes and to households at risk of fuel poverty.

39. The consultation on changes to Part L of the Building Regulations in 2013 will also look at ways of generating take-up of greater levels of energy efficiency measures in existing buildings in order to help support demand for the Green Deal.

41. Local authorities already have a significant track record of partnership with energy companies and others to deliver energy efficiency improvements, and we expect that they will build on this under the Green Deal. Many local authorities and other social landlords are actively looking to become Green Deal providers themselves, and a number are already undertaking trailblazer retrofit projects. We are working with local government and other bodies to draw together information and advice that could assist local authorities on ways to achieve their ambitions for cutting local carbon emissions.

Adapting to future climate change

42. The impact of future climate change is important for the housing sector, given the life expectancy of buildings. We may, therefore, need to adapt our existing homes to deal with a climate that may be significantly different from that in which they were originally built. In future, we are likely to see more frequent water shortages, greater risks of floods and droughts, and warmer homes in hot summers. The National Adaptation Programme will set out how we plan to address the key impacts that climate change will have on our homes and other buildings.

Through its Design for Future Climate competition, the Technology Strategy Board has funded a number of design teams to develop climate change adaptation strategies for current housing projects, including both commercial developers and social housing projects. This funding will help to improve the projects’ resilience to climate change by identifying key climate risks, favourable adaptation measures and will encourage appropriate investment by clients through evidence of costs and value.\textsuperscript{17}

Preparing for the Green Deal

40. Supporting landlords across all sectors to improve the energy efficiency of homes through the Green Deal will not only help to protect the environment but will also support affordability by reducing household energy bills.
Notes

1. See: www.buildingforlife.org
3. NHAPU (2010) *Public Attitudes to Housing*
4. DCLG (2011) *Public Attitudes to Housing in England*
5. DCLG Housebuilding Statistics (2011)
6. Eg RIBA, YouGov poll 2011 and Savills Occupier Demand Survey 2007
8. See: www.hdawards.org/
10. Greener Neighbourhoods (2011) *A good practice guide to managing green space*; see www.housing.org.uk/publications/find_a_publication/housing_management/greener_neighbourhoods_reside.aspx
12. As required under the Climate Change Act 2008
17. See: www.innovateuk.org/ourstrategy/innovationplatforms/lowimpactbuilding/adapting-buildings-to-climate-change.ashx
## Annex A
### Action Plan

<table>
<thead>
<tr>
<th>Action</th>
<th>Key milestone(s)</th>
<th>Owner(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chapter 2 – Increasing supply: more homes and growth</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New build indemnity scheme</td>
<td>Spring 2012 – Launch scheme</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HM Treasury</td>
</tr>
<tr>
<td>Get Britain Building programme</td>
<td>Dec 2011 – Issue prospectus</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Homes and Communities Agency</td>
</tr>
<tr>
<td>Allow developer challenges to s106 agreements signed before April 2010</td>
<td>Dec 2011/Jan 2012 – Issue consultation</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Growing Places Fund</td>
<td>Nov 2011 – Prospectus issued</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td>Dec 2011 – Proposals returned</td>
<td>Department for Transport</td>
</tr>
<tr>
<td></td>
<td>Jan 2012 – Confirmation of allocations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Feb 2012 – First payments made</td>
<td></td>
</tr>
<tr>
<td>Action</td>
<td>Key milestone(s)</td>
<td>Owner(s)</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Freeing up public sector land</td>
<td>Spring 2012 – Update on progress (including the Homes and Communities Agency's</td>
<td>Department for Communities and Local Government, Homes and Communities Agency, Ministry of Defence, Department of Health, Department for Transport, Department for Environment, Food and Rural Affairs, Other departments and agencies with smaller land holdings</td>
</tr>
<tr>
<td></td>
<td>land disposal strategy and the potential for housing on surplus land held by</td>
<td></td>
</tr>
<tr>
<td></td>
<td>departments and agencies with smaller land holdings</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dec 2011 – Confirm sites</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td>Mar 2012 – Secure heads of terms and fund local authorities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mar 2012 – Report on progress and learning</td>
<td></td>
</tr>
<tr>
<td>Locally planned large scale developments</td>
<td>Spring 2012 – Issue prospectus</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Community Right to Build</td>
<td>Apr 2012 – Introduce new Right</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>New Homes Bonus</td>
<td>Feb 2012 – Final year 2 allocations</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Review housing, planning and construction regulations</td>
<td>Jan 2012 – Launch Red Tape Challenge</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Custom Build Homes programme</td>
<td>Early 2012 – Publish plans to support provision of short-term project finance on</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td>a repayable basis</td>
<td></td>
</tr>
</tbody>
</table>

**Chapter 3 – Social and affordable housing reform**

<table>
<thead>
<tr>
<th>Action</th>
<th>Key milestone(s)</th>
<th>Owner(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocating social homes</td>
<td>Dec 2011 – Issue guidance for consultation</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Flexible Tenure</td>
<td>Apr 2012 – Commence Localism Act powers</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Mobility</td>
<td>Jan 2012 – Link HomeSwap Direct to online information on jobs</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Action</td>
<td>Key milestone(s)</td>
<td>Owner(s)</td>
</tr>
<tr>
<td>--------</td>
<td>-----------------</td>
<td>----------</td>
</tr>
<tr>
<td>Social housing regulation</td>
<td>Nov 2011 – Issue consultation on revised standards for social landlords, including on tenure, mobility and value for money</td>
<td>Social Housing Regulator</td>
</tr>
<tr>
<td>Housing Revenue Account reform</td>
<td>Nov 2011 – Issue consultation</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Transfer of local authority housing stock to Registered Providers</td>
<td>Apr 2012 – Issue updated guidance</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HM Treasury</td>
</tr>
<tr>
<td>Reinvigorated Right to Buy scheme</td>
<td>Dec 2011 – Issue consultation</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Tackling anti-social behaviour</td>
<td>Jan 2012 – Issue response to consultation</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Tenants on high salaries</td>
<td>Dec 2011 – Issue consultation on provisions to increase rents</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Tenancy fraud</td>
<td>Dec 2011 – Issue consultation</td>
<td>Department for Communities and Local Government</td>
</tr>
</tbody>
</table>

**Chapter 4 – A thriving private rented sector**

<table>
<thead>
<tr>
<th>Action</th>
<th>Key milestone(s)</th>
<th>Owner(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>REITs changes</td>
<td>Finance Bill 2012 – Introduce legislation</td>
<td>HM Treasury</td>
</tr>
<tr>
<td>Build-to-Rent pilot sites</td>
<td>Nov 2011 – First site announced</td>
<td>Homes and Communities Agency</td>
</tr>
<tr>
<td></td>
<td>Apr 2012 – Phase 2 sites announced</td>
<td></td>
</tr>
<tr>
<td>Review of the barriers to investment in the private rented sector</td>
<td>Summer 2012 – Review completed</td>
<td>Independent Review supported by Department for Communities and Local Government</td>
</tr>
</tbody>
</table>

**Chapter 5 – Our strategy for empty homes**

<table>
<thead>
<tr>
<th>Action</th>
<th>Key milestone(s)</th>
<th>Owner(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£100 million of funding for bringing empty homes back into use as affordable housing</td>
<td>Apr 2012 – Funding allocations in place</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>£50 million of additional funding to tackle concentrations of poor quality empty homes</td>
<td>Spring 2012 – Funding plans announced</td>
<td></td>
</tr>
<tr>
<td>Council Tax for empty homes and second homes</td>
<td>Early 2012 – Publish response to consultation</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Empty Dwelling Management Orders</td>
<td>Spring 2012 – Changes complete</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td><strong>Action</strong></td>
<td><strong>Key milestone(s)</strong></td>
<td><strong>Owner(s)</strong></td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Criminalising squatting</td>
<td>Summer 2012 – Commence Legal Aid, Sentencing and Punishment of Offenders Act powers</td>
<td>Ministry of Justice</td>
</tr>
<tr>
<td>Chapter 6 – Quality of housing experience and support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tackling homelessness</td>
<td>Spring 2012 – Publish second report from the Ministerial Working Group</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Housing allocations for Armed Forces service personnel</td>
<td>Dec 2012 – Publish consultation on guidance and regulations</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Supporting People</td>
<td>Spring 2012 – Payment by Results models live in pilot areas</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td>Spring 2012 – Complete scoping of personal budgets in possible pilot areas</td>
<td></td>
</tr>
<tr>
<td>New deal for older people’s housing</td>
<td>Dec 2011 – Publish handyperson schemes evaluation</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td>Dec 2011 – Publish Lifetime Neighbourhoods report</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Summer 2012 – Publish research on Lifetime Homes Standard</td>
<td></td>
</tr>
<tr>
<td>Demonstration projects to test direct payment of Housing Benefit</td>
<td>January 2012 – Preparations with areas and tenants for the demonstration projects</td>
<td>Department for Work and Pensions</td>
</tr>
<tr>
<td></td>
<td>June 2012 – Demonstration projects start</td>
<td></td>
</tr>
<tr>
<td></td>
<td>June 2013 – Demonstration projects conclude</td>
<td></td>
</tr>
<tr>
<td>Research into the impact of Housing Benefit changes in the private rented sector</td>
<td>Spring 2012 – Interim report published</td>
<td>Department for Work and Pensions</td>
</tr>
<tr>
<td></td>
<td>Summer 2013 – Final report published</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td>Devolved Administrations</td>
<td></td>
</tr>
<tr>
<td>Support for Mortgage Interest scheme</td>
<td>Dec 2011 – Consult on reform of scheme</td>
<td>Department for Work and Pensions</td>
</tr>
<tr>
<td>Action</td>
<td>Key milestone(s)</td>
<td>Owner(s)</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------------------------------------------------------------------</td>
<td>------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Chapter 7 – Quality, sustainability and design</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Regulations</td>
<td>Dec 2011 – Issue consultation on revisions to Part L 2013 (conservation of fuel and power)</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td>Community-led design</td>
<td>Spring 2012 – Ministerial-led Design Summit</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Design Council</td>
</tr>
<tr>
<td>Zero Carbon Homes</td>
<td>Budget 2012 – Policy statement on off-site allowable solutions</td>
<td>Department for Communities and Local Government</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HM Treasury</td>
</tr>
<tr>
<td>Green Deal</td>
<td>Autumn 2012 – Launch</td>
<td>Department of Energy and Climate Change</td>
</tr>
</tbody>
</table>
## Annex B
### Policy impact – evidence

<table>
<thead>
<tr>
<th>Policy</th>
<th>Evidence of impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increasing supply – more homes, stable growth</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Creating demand for new homes</strong></td>
<td></td>
</tr>
</tbody>
</table>
| **New build indemnity scheme:** This scheme aims to support those who have a small deposit (at least 5 per cent) to buy a new home. The scheme will enable people to secure up to a 95 per cent Loan to Value (LTV) mortgage on all new build (houses and flats) in England, and would be available to all mortgage lenders and housebuilders. The initiative is being led by the Home Builders Federation (HBF) and Council of Mortgage Lenders (CML) but government has agreed to support the scheme to maximise its scale. The scheme fits with the Government’s objectives to increase housing supply, while at the same time releasing existing constraints on demand by removing barriers for those who are frozen out of the housing market. | The new build indemnity scheme is an innovative use of government resources which adds to a private sector scheme with a manageable risk for government. The main benefactors of the scheme will be households that will now be able to access up to 95 per cent Loan to Value mortgages. The final scheme design will be based around:  
1. Housebuilders contributing a set percentage of sale price to an indemnity fund for each transaction, with this fund taking the first loss in the event of repossession; and  
2. Government then providing an additional guarantee to increase the total security against each loan.  
The scale of the scheme will depend on new housing supply, buyer demand and the availability of funding for mortgages. The cost of the scheme will depend on house prices, repossession rates and the size of the indemnity fund. Given the innovative nature of the Government’s support there will be a review after two years. |
| **FirstBuy:** The Government and 100 housebuilders are together providing around £400 million to assist almost 10,500 first time buyers to purchase a new build property in England by spring 2013 with a 20 per cent equity loan. | FirstBuy (announced Budget 2011) is a fixed term measure designed to support the housing market given the constrained credit availability and challenging economic conditions. It is aimed at maintaining capacity in the housebuilding industry in the short term, while assisting deposit-constrained first time buyers to realise their home ownership aspirations. FirstBuy will support 5,000 to 10,000 additional jobs in England over 2011/12 and 2012/13. |
### Building the right incentives and supporting infrastructure

<table>
<thead>
<tr>
<th>Policy</th>
<th>Evidence of impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Homes Bonus:</strong> Rewards local authorities financially for housing growth by providing a reward equivalent to six years’ Council Tax for each net additional home from April 2011. The incentive also applies to long-term empty properties brought back into use. The Spending Review has set aside almost £1 billion for the scheme, and if additional funding is required then this will be top-sliced from the formula grant.</td>
<td>The scheme represents a fundamental change in the way that housing delivery is supported in this country, recognising that communities will be less inclined to object to suitable development if they see some of the benefits from that development. Scenario-based behavioural modelling estimates an increase in net additions of between 8 and 13 per cent over the ten years from the start of the scheme. See Impact Assessment: <a href="http://www.communities.gov.uk/documents/housing/pdf/1767788.pdf">www.communities.gov.uk/documents/housing/pdf/1767788.pdf</a></td>
</tr>
<tr>
<td><strong>Community Infrastructure Levy:</strong> The Community Infrastructure Levy allows local authorities to charge a levy on new developments in their area. The funds can be used towards infrastructure, for example new or safer road schemes, park improvements or a new health centre. The levy is particularly useful when individual developers lack the incentive or the resources to fund such infrastructure by themselves.</td>
<td>The Community Infrastructure Levy will enable local authorities to raise more funding to support development, and is expected to unlock additional housing and wider economic benefits. The levy could generate up to £1 billion per year by 2016. The levy also offers developers greater certainty and predictability about their potential contributions (compared with Section 106) and could speed up the development process and result in administration savings for those firms. Contributions, through increased transparency and better coordination, should ensure funding for vital infrastructure projects for communities that might otherwise not be delivered. This can help to deliver further development and its associated benefits. See Impact Assessment: <a href="http://www.communities.gov.uk/documents/localgovernment/pdf/1829714.pdf">www.communities.gov.uk/documents/localgovernment/pdf/1829714.pdf</a></td>
</tr>
</tbody>
</table>

### Promoting growth

<table>
<thead>
<tr>
<th>Policy</th>
<th>Evidence of impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Growing Places Fund:</strong> The Growing Places Fund will support strategic infrastructure projects through a £500 million fund on a loan/investment basis. Funding will be for projects that can have a significant positive impact on immediate and surrounding areas, but which are larger than a single local authority is able to fund and too small to qualify as national projects.</td>
<td>Strategic infrastructure projects can facilitate economic growth, including by increasing housing supply. As individual developers do not have an incentive to deliver infrastructure, there can be coordination failures which make it difficult for authorities to take schemes forward. The consequence is that otherwise viable growth does not proceed, leading to lower levels of construction, business growth and new housing. The private sector’s ability to finance strategic infrastructure is limited by balance-sheet and borrowing constraints. Reductions in development values have also reduced available developer contributions.</td>
</tr>
<tr>
<td>Policy</td>
<td>Evidence of impact</td>
</tr>
<tr>
<td>--------</td>
<td>--------------------</td>
</tr>
</tbody>
</table>
| **Putting communities in control** | **Abolishing regional strategies and introducing a Duty to Cooperate:** The Localism Act provides for the abolition of regional strategies outside London. The action to abolish regional strategies has two stages. The first is to remove Part 5 of the Local Democracy Economic Development and Construction Act, which provides the architecture of the regional planning tier. This first stage prevents new strategies from being created. 

The second stage is to abolish each existing regional strategy and remaining saved county structure plan policies by Order. It is the Government's clear intention to lay the revocation Orders in Parliament but this process is subject to the outcome of environmental assessments that the Government is undertaking on a voluntary basis. Decisions on revocation will not be made until Ministers and Parliament have had the opportunity to consider the outcome of the environmental assessment process. 

The Duty to Cooperate is a new requirement on local authorities and other public bodies to work together constructively, actively and on an ongoing basis in relation to planning for strategic cross-boundary matters in local plans. The Duty forms a key element of the Government's proposals for strategic planning. | Regional strategies form part of an expensive ‘top down’ system which includes housing targets. Abolishing the system will save unnecessary expenditure. It will be replaced by new powers which put local communities back in control. 

By abolishing regional strategies the Government will save up to £17 million per year (including £16 million on Leaders’ Boards which were established to oversee the revision, implementation and monitoring of the strategies). Regional targets were ineffective and the reality is that construction has slowed down to the lowest peacetime housebuilding rates since the 1920s. 

Regional targets turned communities against development and introduced perverse incentives. The regional strategy process was lengthy as a result of strong local opposition, and this created uncertainty for investors. 

Local authorities are best placed to plan for sustainable development that meets the aspirations of communities. The revocation of regional strategies will mark the first step towards giving communities their say and letting them manage development so that it delivers their vision for neighbourhoods. By removing the antagonism created by imposed targets, the planning system is expected to support the delivery of more new homes. 

The Impact Assessment considered a range of illustrative scenarios for housing growth as a result of the revocation of regional strategies. Impacts should be seen in the context of other policies which will provide additional support for locally led housing growth. 

### Policy

**Neighbourhood Planning, Community Right to Build:** Neighbourhood Planning provides for community groups, in partnership with the local planning authority, to instigate and promote a binding spatial plan for the area in which they live, and at a level much lower than the local authority.

### Evidence of impact

Neighbourhood Plans will enable communities to establish general planning policies for the development and use of land in a neighbourhood. Developments that have been given full planning permission through a Neighbourhood Development Order or Community Right to Build Order should not require a further planning application to be made to the local council. This will provide: greater certainty for developers; development that is in line with local needs; and increased community engagement and involvement.

It is anticipated that there could be additional housing units delivered – a central estimate of 26,000 new homes over ten years. Analysis is based on a scenario with 5 per cent neighbourhood take-up, per annum, for ten years. Some 126 communities across England, working with their local planning authorities, are gaining insights into how the Localism Act provisions for Neighbourhood Planning will work in practice through the Neighbourhood Planning Front Runners scheme.


### Reducing regulation

**Reducing burdens on homebuilders:** In the Comprehensive Spending Review a commitment was given to reduce the total regulatory burden on homebuilders over the Spending Review period. This measure will provide developers with greater certainty about the future regulatory landscape and help to promote investment.

**Evidence of impact**

Additional costs which are not met by corresponding additional revenues will, other things being equal, lead to reductions in investment, be it in housing or for any other capital purpose. The extent to which additional costs result in lower investment depends on the viability of the site and, specifically, on what part of the costs can be absorbed by land values, without making the site non-viable.
<table>
<thead>
<tr>
<th>Policy</th>
<th>Evidence of impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Simpler and quicker planning</strong></td>
<td><strong>National Planning Policy Framework:</strong> The draft National Planning Policy Framework consolidates over 1,000 pages of planning policy statements, spread across some 40 documents, into a single document of 52 pages. Consolidated and streamlined national policy that is clear and understandable to all those who use the planning system will result in time savings for both local councils and business (applicants). Other potential benefits include reduced transaction costs and improved coverage of up-to-date local plans to guide development investment decisions that can deliver net benefits. Removing prescriptive national targets is likely to increase community engagement, as research has shown that national targets decrease the attention decision-makers give to community groups. See Impact Assessment: <a href="http://www.communities.gov.uk/documents/planningandbuilding/pdf/1951736.pdf">www.communities.gov.uk/documents/planningandbuilding/pdf/1951736.pdf</a></td>
</tr>
<tr>
<td><strong>Planning obligations:</strong> Powers in secondary legislation can reduce the amount of time that developers have to wait before asking for the renegotiation of Section 106 planning obligations. The proposal is to reduce that period from five years to two years for planning applications agreed on or before 6 April 2010. We will consult on the policy and publish an impact assessment.</td>
<td></td>
</tr>
<tr>
<td><strong>Asking more of industry</strong></td>
<td><strong>Pre-application consultation:</strong> A new requirement for prospective developers to engage communities and take their views into account, prior to the submission of large and strategically important planning proposals. Community consultation prior to the submission of large-scale planning applications will have benefits for all parties concerned. Communities will benefit by having a greater say on planning applications that affect them. Developers should also benefit from the measure, through the identification of issues at an early stage which can be resolved prior to the formal submission of an application. It is expected that this will have the impact of speeding up the formal planning application process, reducing instances of applications being amended and re-consulted upon, or withdrawn and then resubmitted. This will lead to benefits for local authorities and will assist them in making timely decisions, and reduce the number of appeals, hearings and enquiries for affected developments. See individual Impact Assessment: <a href="http://www.communities.gov.uk/documents/localgovernment/pdf/1829781.pdf">www.communities.gov.uk/documents/localgovernment/pdf/1829781.pdf</a></td>
</tr>
</tbody>
</table>
### Social and affordable housing reform

#### Investment in affordable housing

**Affordable Homes Programme:**
There will be nearly £4.5 billion for affordable housing over the Spending Review period to deliver 170,000 new affordable homes. Around 80,000 of these will be for affordable rent and affordable home ownership.

The positive response to the Affordable Homes Programme means that government now expects to deliver up to 170,000 new affordable homes over the Spending Review period – 20,000 more homes than expected at the time of the Spending Review.

A full Impact Assessment of the new Affordable Rent model was published in June 2011. This assessment pre-dated the announcement of the Affordable Homes Programme in July 2011, and expectations of delivery are now greater than at the time the Impact Assessment was published. Nevertheless, the Impact Assessment demonstrates that, for a given level of capital subsidy, the Affordable Rent model could produce greater levels of new affordable housing supply than the previous system, with consequently greater economic and social benefits. The programme is still at an early stage in its roll-out and there will be a full evaluation of the policy in due course.


#### Reforming social housing

**HomeSwap Direct:** This new national home swap scheme has been launched to tackle the barriers facing social tenants who wish to move home. For the first time ever, social tenants wanting to swap their home will easily be able to see details of all available matches, giving them more choice over where they live and boosting their chances of moving. Ministers intend to support HomeSwap Direct through a new Mutual Exchange Standard, which will apply to all social landlords in England and will ensure that, from April 2012, all tenants have access to HomeSwap Direct.

HomeSwap Direct will increase opportunities for social tenants to move. Around 5 per cent of social tenants moved within the sector (either through a transfer or a swap) in 2009/10 compared to 20 per cent of private tenants. These low levels of mobility mean that social tenants can find themselves trapped in accommodation that no longer meets their needs, perhaps because it is in the wrong place for their job or prospective work, or because they need to move to be closer to family members.

HomeSwap Direct was launched on 27 October 2011: [www.communities.gov.uk/news/housing/2016097](http://www.communities.gov.uk/news/housing/2016097)
<table>
<thead>
<tr>
<th>Policy</th>
<th>Evidence of impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Right to Buy and one for one replacement of sales with affordable rented homes:</strong> Right to Buy sales have been in long-term decline and minimal in recent years. Right to Buy sales across the local authority and housing association sectors combined amounted to less than 4,000 units in 2010/11. This is compared to a peak in the early 1980s of over 160,000 sales per annum and a high of over 80,000 sales per annum in the 2000s. The Government would like to see 100,000 additional Right to Buy (and Preserved Right to Buy) sales in the coming years, allowing more social tenants to gain access to home ownership and to meet their aspirations. Replacement with Affordable Rent homes will build on the successful Affordable Rent programme. This will ensure that our ability to meet housing need is not impaired in any way by additional Right to Buy sales. Funding the replacement programme with Right to Buy sale proceeds is also a creative way to stimulate construction activity to support economic growth, without the need for extra central government borrowing.</td>
<td>According to the Department for Communities and Local Government affordability model, developed by leading housing economists at the University of Reading, a more generous discount will increase Right to Buy sales. The impact will depend on the discount applied and also on economic and financial (mortgage market) conditions. Additional housing supply from a replacement programme will help us to meet unmet housing need (see: <a href="http://www.communities.gov.uk/documents/housing/pdf/1776873.pdf">www.communities.gov.uk/documents/housing/pdf/1776873.pdf</a>). Alongside the Affordable Rent programme, this will ensure that the stock of social and affordable homes will rise over the Spending Review period. We will consult on the policy and publish an impact assessment.</td>
</tr>
<tr>
<td>Policy</td>
<td>Evidence of impact</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Empty homes</strong>&lt;br&gt;The strategy includes a package of measures to support local authorities to bring empty homes back into use. For example, empty homes are included within the New Homes Bonus. On 31 October we published a consultation on Technical Reforms to Council Tax. This includes proposals for a Council Tax Premium for empty homes. With the Homes and Communities Agency we have launched online Empty Homes Toolkits. We have also set aside £100 million capital funding for registered providers of social housing (housing associations and local authorities) and community and voluntary groups to tackle the most difficult empty homes, and have announced an additional £50 million to tackle some of the worst concentrations of empty homes.</td>
<td>( \text{There are currently over 700,000 empty homes in England, the majority of which are private sector dwellings; almost half have been empty for more than six months. There are challenges involved in bringing these homes back into use, notably the fact that many empty homes are located in areas of lower demand. For example, Council Tax records show that only 1 per cent of homes in London have been empty for more than six months, compared to 2.1 per cent in the North West.} ) ( \text{We expect that incorporating empty homes into the New Homes Bonus will encourage local authorities to tackle long-term empty properties in their area.} )</td>
</tr>
</tbody>
</table>

<p>| Quality of housing experience and support |  |
| <strong>Tackling homelessness</strong> |  |
| <strong>Homelessness Transition Fund</strong>: Funding will be delivered by Homeless Link. It will be targeted at strategically critical services and support the introduction of No Second Night Out. | The £20 million Homelessness Transition Fund is an important part of our overall strategy for preventing rough sleeping – a key government priority. Over this Spending Review the fund aims to: prevent strategically critical services from closing at a time of increasing pressures on services, in particular crucial rough sleeper services; to support a smooth transition for smaller voluntary sector services to a sustainable funding arrangement; and to help deliver the cross-Ministerial Working Group ‘No Second Night Out – Nationwide’ approach to preventing rough sleeping. |
| <strong>Supporting People</strong>: Supporting People provides frontline housing support services to disadvantaged and vulnerable people. It is locally implemented, with the majority of services provided by the voluntary and community sector. | Investment in Supporting People services enables vulnerable individuals to live independently, avoiding crises, and means better outcomes and reduced costs for the state. The overall net financial benefit is estimated to be £3.4 billion from an investment of £1.6 billion per annum. See financial benefits assessment report: <a href="http://www.communities.gov.uk/publications/housing/financialbenefitsresearch">www.communities.gov.uk/publications/housing/financialbenefitsresearch</a> |</p>
<table>
<thead>
<tr>
<th>Policy</th>
<th>Evidence of impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Preventing repossessions</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Mortgage Rescue Scheme:</strong> The government Mortgage Rescue Scheme is aimed at homeowners with dependent children and elderly and vulnerable groups at risk of repossession who have exhausted all other options to remain in their home.</td>
<td>Eligible households are those that can no longer afford their mortgage and would be legally entitled to homelessness assistance if the house is repossessed. The Spending Review in October 2010 confirmed £200 million funding to enable us to deliver a new two-year scheme from March 2011. This will help up to 2,500 more households, plus thousands of other households who will benefit from advice and support from their local authority or money advisor as a result of the scheme. Since the scheme began, over 3,000 households have already completed the full process to remain in their homes, in most cases as social tenants.</td>
</tr>
<tr>
<td><strong>Support for Mortgage Interest:</strong> Support for Mortgage Interest is a benefit available to eligible out-of-work homeowners. It makes a contribution to their mortgage interest based on the Bank of England published average mortgage rate.</td>
<td>Support for Mortgage Interest plays a key role in preventing repossessions and is currently claimed by around 215,000 households.</td>
</tr>
</tbody>
</table>

**A better offer for older people**

<table>
<thead>
<tr>
<th>A new deal for older people’s housing:</th>
<th>The Government is committed to providing improved housing choices and support to older people. We know that our population is ageing fast, with 60 per cent of the projected growth in households to 2033 among those aged 65 and older. Good housing for older people can reduce caring pressures on working families. It can also prevent costs to the National Health Service and social care providers. Attractive choices to move to smaller, more suitable homes can free up much-needed local family housing.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment includes: £1.5 million in the FirstStop information and advice service, to help older people make informed decisions about their housing, care and support options; increasing the Disabled Facilities Grant in line with inflation, to deliver home adaptations; £51 million of funding for Handypersons schemes, to deliver small home repairs and adaptations; and working with planners and developers to facilitate industry-led guidance, to enable strategic planning of high quality homes for older people.</td>
<td></td>
</tr>
<tr>
<td>Policy</td>
<td>Evidence of impact</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Quality, sustainability and design</td>
<td></td>
</tr>
<tr>
<td>Community-led design</td>
<td></td>
</tr>
<tr>
<td>Ministerial Led Design Summit: The measures proposed in the Strategy aim to provide support for communities to enable them to influence and shape the design of new housing. They can help to encourage more communities to embrace, rather than oppose, new housing. The Summit will aim to scope out a cross-sector package of design support for communities in order to achieve this.</td>
<td>Recent surveys suggest that housing developments have failed to progress, often because of opposition from local communities. Communities are more likely to support housing development if they are involved in the design to ensure that it responds to local community needs (including offering amenities such as parks and shared community facilities).</td>
</tr>
<tr>
<td>Greener homes</td>
<td></td>
</tr>
<tr>
<td>Zero Carbon Homes: This policy will ensure that new homes will not add additional carbon to the atmosphere. This will be achieved by a combination of improving the fabric energy efficiency of homes, driving increased use of low or zero carbon technologies and reducing some emissions off-site (Allowable Solutions). We are taking forward these requirements incrementally by requiring successive improvements to Building Regulations. Our current review of these Regulations looks at opportunities for further improvements planned in 2013 where these can be achieved while meeting deregulatory aims.</td>
<td>The Zero Carbon Hub carried out detailed analysis on the optimal level of on-site emissions reductions as part of the Zero Carbon Homes policy. While the oldest homes in the housing stock represent some of the biggest challenges in terms of reducing emissions, new homes could be expected to last 60 to 100 years or more. It is crucial to act at the point of build so that we do not need to expensively retrofit new homes in the future. In the absence of a Zero Carbon Homes policy, approximately 30 million tonnes of carbon dioxide could be added to the UK’s carbon account. The additional energy demand would place an increasing strain on the UK’s energy infrastructure and would not contribute to improving UK energy security. See Impact Assessment: <a href="http://www.communities.gov.uk/documents/planningandbuilding/pdf/1905485.pdf">www.communities.gov.uk/documents/planningandbuilding/pdf/1905485.pdf</a></td>
</tr>
<tr>
<td>Green Deal: The Green Deal is a financing mechanism which will enable Green Deal providers to offer consumers energy efficiency improvements to their homes at no upfront cost. Payments will be recouped through energy bill savings. The Green Deal will be available in all housing tenures.</td>
<td>The primary impact of the Green Deal will be on the quality of the existing housing stock, through improved thermal efficiency and heating systems. But reducing the percentage of household income spent on fuel bills and providing greater protection against rising energy prices will also have knock-on social impacts. In low-income households high heating costs can leave vulnerable people subject to dangerous health risks. The Green Deal, supported by the new Energy Company Obligation, should help reduce these risks. Impact Assessment: <a href="http://www.decc.gov.uk/assets/decc/legislation/energybill/1002-energy-bill-2011-ia-green-deal.pdf">www.decc.gov.uk/assets/decc/legislation/energybill/1002-energy-bill-2011-ia-green-deal.pdf</a></td>
</tr>
</tbody>
</table>