Introduction

The Government published its latest housing green paper on the 23rd of July entitled *Homes for the future: More affordable, more sustainable*¹ and is seeking comments on its proposals until the 15th of October. This Paper lays the foundations for the Government's programme of increasing housing supply in order to cope with the high levels of demand for new housing and to stabilise the spiralling cost of buying a home.

The Paper starts with an outline of recent progress in the housing sector since 1997. It is then split into four sections:

- More Homes,
- Better Homes,
- Making Housing More Affordable, and
- Delivery.

Each section details a raft of proposals to enhance the current housing sector, with particular focus on affordable and sustainable housing and ensuring a decent homes standard.

Key facets of the Green Paper include:

- Targets for house building up to 2020,
- Use of a new housing and planning delivery grant,
- Alternatives to the planning-gain supplement (PGS),
- Building homes on flood plains,
- The level of funding provided for social housing (proposed £8 billion),
- Councils able to retain housing capital receipts from shared ownership schemes to use for provision of affordable housing,
- Commitments to sustainable communities.
This bulletin will provide an overview of the Paper, giving details of all the proposals suggested in the Paper and a focus on a number of the key issues that arise from its publication. The bulletin will conclude with the initial reactions from those within local government and regeneration and will take a look at the consultation questions that arise from the Paper.

Achievements, Challenges and Targets

The paper begins by emphasising what the Government has achieved in housing over the past ten years, identifying that there were 77,000 households able to buy their first house; 1 million more home-owners thanks to the economic stability of the last decade; and 1 million more social homes and 300,000 private homes upgraded to a ‘decent standard’. Whilst this is a positive step, there are still significant, long-standing challenges that have failed to be addressed, and new emerging issues that need immediate attention.

The challenges identified by the Paper relate to the fact that housing demand is outstripping supply at a significant level, leading to inflated house prices and resulting in first-time buyers being unable to afford to buy their first home. Another challenge identified is the need to tackle climate change throughout the construction and life of new housing and to build in sustainability to the new communities that are created. In order to confront these challenges the Green Paper breaks down its proposals into the following strategic headings:

- More Homes to Meet Growing Demand,
- Creating Places and Homes that People Want to Live in,
- Making Housing More Affordable, and
- Delivering More Affordable, More Sustainable Housing.

More Homes to Meet Growing Demand

Key to delivering success on the Government’s new target will be proposals on how to procure the land for the additional housing from the local authorities. The Green Paper proposes an ambitious target of 2 million new homes that are to be created by 2016, and 3 million by 2020. These and are to be comprised of:

- 1.6 million from the Regional Spatial Strategies,
- 650,000 from the ‘Growth Areas’,
- 150-200,000 from additional RSS targets, including smaller sites and ‘urban area schemes’,
- 100,000 in 45 towns in the 29 new growth points,
- 50,000 proposed by the creation of a further round of growth points, for the first time to include northern sites,
- 25-100,000 from the creation of 5 new eco-towns, which will be designed to be carbon neutral,
- 6,300 new rural homes in small towns and villages, with the help of £230 million from the Housing Corporation’s Affordable Housing Programme

This accelerated level of growth will be supported by increased infrastructure; reviews of regional plans; a new housing and planning delivery grant; new guidance for identifying available land; better use of public sector land, disused land and existing buildings; and the creation of a new homes agency through the merger of English Partnerships and the Housing Corporation.

Housing and Planning Delivery Grant

The most contentious of these support mechanisms is the use of a new housing and planning delivery grant. This will see incentives given to reward local
authorities who deliver high levels of housing, who have identified 5 years worth of land for homes and who have 10 years worth of housing outlined in local plans. The repercussions of such a grant will include planning inspectors being more likely to overturn local authorities negative decisions on housing and to grant permission for applications at the appeal stage, in authorities where they have not identified sufficient levels of land for housing. Other proposals to help support the increased growth in housing include reducing the incentives given to developers who hold on to empty land and instead try to encourage them to develop it as soon as possible.

**Public Sector Land Use**
In terms of improving the use of public sector land, the Green Paper proposes the transfer of large swathes of land to English Partnerships from the Ministry of Defence and Department for Health, as well as identification by the Highways Agency and British Rail Residual Body of surplus land that would be suitable for housing. At a local level fourteen new Local Housing Companies (LHC) will be established by Local Authorities and partners, with a national programme of support from English Partnerships, to develop new markets and affordable housing on surplus brownfield land.

**Creating Places and Homes that People Want to Live in**
The Government recognises that merely increasing the number of houses will be a futile effort if standards aren’t put into place that ensure that all new homes are of a ‘decent standard’, and that the communities they create with the new homes need to be both socially and environmentally sustainable.

**Greener, More Sustainable Homes**
In terms of building ‘greener homes’ the Paper suggests that the implementation of new building regulations in 2010 and 2013 will go a long way to reducing the carbon emissions that houses produce through inefficient heating and lighting of homes, and will help the Government to ensure that all new homes are zero carbon by 2016. There will also be a new minimum standard on water usage intended to reduce wasted water, and a consultation taking place on how best to rate new homes against the *Code for Sustainable Homes*², which will inform consumers and help drive up standards.

Despite recent events, the Green Paper makes no reference to increasing restrictions on building on flood plains, but merely states that there will be continued monitoring of the effectiveness of the new planning policy on protecting new homes from flooding. The Paper directs readers to the previously published *Planning Policy Statement 25: Development and Flood Risk*³ and the use of the DCLG’s guide to industry, *Improving the flood performance of new buildings: Flood resilient construction*⁴. The Paper does establish the Environment Agency as a “statutory consultee” for applications in flood risk areas, but is keen to prevent refusal of development that has significant wider social and economic benefits.

Also, contrary to the recommendations made in the *Barker Review of Land Use Planning*⁵, but with much support from many sides of the debate on Green Belt policy, the Housing Green Paper states that there is to be no change to current Green Belt policy.

**Planning-gain Supplement**
Many people involved in regeneration and local government were keen to find out what plans the Government had proposed in relation to the Planning-gain Supplement (PGS), with many keen to ensure that benefits are maintained locally, and others anxious that it did not seek to ransom developers. The Green
Paper stated that the PGS is the Government’s preferred option for securing more of the benefits conferred by the planning system to support housing growth. The Government proposes that key features of a PGS would be as follows:

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

Despite this and the fact that the PGS Bill has been tabled for the third session of the legislative programme, the Government is keen to stress that it is still only provisional, and that if a better alternative is demonstrated before the pre-budget report, the Government will be prepared to defer next session’s legislation. To facilitate discussion on alternatives, the Paper sets out proposals for four different approaches:

- **Approach A** - A lower rate Planning-gain Supplement, with a lesser scale-back of planning obligations,
- **Approach B** - A Planning-gain Supplement limited to greenfield sites,
- **Approach C** - A charging mechanism based on an expanded system of planning obligations, or
- **Approach D** - A statutory planning charge that the Government could legislate to allow local authorities to require standard charges to be paid for infrastructure need, enabling them to capture planning gain more systematically.

**Infrastructure Investment**
Creating better places obviously requires the Government to ensure that the proper infrastructure e.g. transport networks, health and community facilities and energy and water provision, is in place. The Government will continue to invest significant amounts in infrastructure funding, including providing £300 million through the Community Infrastructure Fund (CIF), and is keen to work with the necessary departments to ensure the money is spent on the right things in the right areas. The Government will work with the:

- **Department of Children, Schools and Families**, to expand existing guidance for identifying and spreading best practice amongst local authorities in school place planning and tackling surplus places,
- **Department for Transport and the Department for Communities and Local Government**, to develop and prioritise options for meeting future transport pressures, and maximising the links between housing growth and economic productivity,

- **Department for Health**, to consider the pressures faced by growth areas and new growth points in Primary Care Trusts (PCTs) when carrying out the work on revenue allocations to PCTs post 2007-08,

- **Department for Environment, Food and Rural Affairs**, to ensure that environmental impacts, including flood risk, water quality and the integration and management of green spaces and biodiversity, are taken into account early on in the business planning process,

- **Department for Culture, Media and Sport**, to plan for cultural provision and good quality building design in sustainable housing growth,

- **Home Office**, to ensure that new housing developments are adequately taken into planning assumptions by police authorities, as part of the neighbourhood policing agenda.

**Well-Designed and Good Quality Homes**

Following on from the proposals on greener and more sustainable housing, the Paper stresses the need to ensure quality provision of housing, in particular social housing. The key proposals laid out by the Paper are:

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

There is emphasis from the Paper that local authorities should harness their ability to manipulate the housing mix to ensure that all areas offer a range of different tenures and affordability levels. There is also concern at the provision of housing for an ageing population, with the Paper recognising the need to provide extensive new housing for those over 65, with adequate links to the right infrastructure.

**Making Housing More Affordable**

The Paper unveils an £8 million programme for affordable housing in 2008-11, and identifies the main targets as the creation of:

- 70,000 more affordable homes a year by 2010-11,
- 45,000 more social homes a year by 2010-11, and
- 25,000 shared ownership and shared equity homes a year, funded mainly through the Housing Corporation with thousands more being delivered through the new LHCs.
Social Housing
This section of the Green Paper is concerned with continuing to improve the 'decent standard' of social housing (see Fig.1) and the transfer of households from temporary to settled accommodation (see Fig.2).

The roles and contribution of various actors concerned with social housing is to be altered starting with Housing Associations (HAs). HAs have played a big part in the Government’s drive to increase and improve social housing provision. This is to be furthered through proposals made in the Paper, which include an increase in the level of borrowing against their existing businesses and regulation to extend this ability. The Paper also proposes boosting the level of input from the private sector, furthering their contribution through the social housing grant and through private finance initiatives.

Local authorities are to be given a renewed role in social housing provision. With social housing grant now available to local authorities through a special venture
vehicle or arms-length management organisation (ALMO), the Green Paper proposes extending the pre-qualification for the grant to those ALMOs rated as 2 star. ALMOs can also be used in order to retain the rental income and capital value from investment in new social housing. By developing through a local authority company or ALMO, new properties are held outside the Housing Revenue Account allowing the local authority to use the full rents to finance the development costs and if a property is sold to a tenant, the council will get its capital investment back. There is also the suggestion that housing capital receipts, generated by the disposal of equity shares in local authority dwellings, could be retained by local authorities, if they are used to provide further affordable housing.

**Helping First Time Buyers and Improving the Way the Mortgage Market Works**

The Green Paper’s proposals and targets for more affordable housing are aimed at allowing more people to make the first step onto the property ladder. However, the Paper recognises the significant issues in rural areas, where making this step can be increasingly more difficult than in urban areas. That is why the Government has already changed the planning guidance to secure more affordable homes, particularly on smaller sites in rural areas, and why they have set up the Rural Housing Advisory Group, in order to explore genuinely innovative mechanisms to increase the supply of affordable homes in rural areas.

The Green Paper also proposes that the private sector should play a greater role in offering shared equity mortgages or shared ownership homes for first time buyers. The Government is appointing Brian Pomeroy CBE, a former Senior Partner of Deloitte Consulting and the current Chairman of the Treasury’s Financial Inclusion Taskforce, to help it follow up on the Shared Equity Task Force and to advise on ways to develop in the private sector shared equity market.

In order to alleviate some of the financial burden of acquiring a new home, the Government has launched three initiatives to assess how to make the mortgage market more conducive to homebuyers:

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

**Delivering More Affordable, More Sustainable Housing**

Delivering these proposals successfully will require work from across Government, with the DCLG and planners unable to act alone. The Green Paper identifies a need for appropriately skilled workers to deliver their ambitious targets, recognising existing skills shortages and regional recruitment and retention difficulties. The Paper therefore proposes increased joint working between government departments, with other relevant industry bodies and unions, liaising with training providers and colleges, to improve training in construction and other vital skills and to develop more Apprenticeships and new Diplomas for young people. This would tie in with the recommendations from *The Egan Review: Skills for Sustainable Communities*, published in 2004, which advocated the need to work with all the relevant skills development agencies to ensure that the right
people have the right skills for the right job, an agenda that is being advanced by the Academy for Sustainable Communities.

The Green Paper acknowledges that putting these proposals on housing growth into place successfully requires a ‘shared endeavour’ between communities, local government, local delivery vehicles, the home building industry, regional planning bodies, the new homes agency and central government.

**Local Communities**
Emphasis is placed on ensuring that communities are fully involved in the process, and that through good design it is possible to prove to local communities that housing growth can be a positive step. New powers will not be granted in order to do this, but the Paper suggests that strengthening the link between the Sustainable Community Strategy and the Local Development Framework (LDF) will help developments gain local support. Where issues do arise, the Government will provide a ‘toolkit’ to allow local communities to resolve the problems themselves, this toolkit will include:

- Data on house prices,
- Projections of household demand,
- Waiting lists for local council housing,
- Local housing market assessments,
- The local authority’s five-year supply of land,
- Examples of community engagement events,
- Opportunities to engage in emerging LDFs.

**Local Authority**
While the Paper seeks to empower local communities, it suggests that local authorities should become more strategic, making better use of the current raft of duties, influences, guidance and powers they have to place shape. Following on from the *Review of sub-national economic development and regeneration*⁷, the Housing Green Paper furthers calls for sub-regional joint working, recognising that housing markets do not respect local authority boundaries, and that voluntary Multi-Area Agreements (MAAs) represent the best method for cross-boundary delivery of housing. Local delivery vehicles are also touted as a means to a cross-boundary working solution, but also as a way for local authorities to engage with other stakeholders in housing growth.

The Paper suggests that in order for local authorities to maximise their potential for sustainable, and welcomed growth, they should ‘bring land forward’, identifying at least 5 years worth of land for development, and using this as a starting point, not as an upper limit. Local Area Agreements (LAAs) are also seen as a vital tool in raising the profile of housing, and specific targets on housing, be it levels of affordability, or tackling pockets of poor quality housing, should be included in LAA priorities.

**The Home Building Industry**
Central to the successful delivery of the Green Paper’s target of 3 million new homes by 2020, will be the home building industry, without whom there would be no housing growth. Praise has been given to the industry by the Paper for meeting the twin challenges of accelerating supply and the carbon challenge, however, the Paper proposes new powers for planning authorities to be able to reduce the time that planning permission stays valid for, and suggests redefining the definition of ‘commencement of development’ in the Town and Country Planning Act (2004), in order to remove the tendency for developers to apply for planning permission on land, but then leave it empty until it rises in value. There is also the suggestion to allow local planning authorities to serve a ‘completion
notice’ that require developers to fully complete a development within a given time frame, potentially as short as one year.

Regional Planning and Central Government
The regional level is promoted as a way of shaping priorities in a more strategic way and for achieving better economies of scale. Housing should be at the heart of the preparation of Regional Spatial Strategies and they should be based on robust evidence on housing demand and need through strategic land availability and housing market assessments.

The Department for Communities and Local Government (DCLG) is the central body for housing, but there should be joint responsibility across departments for the delivery of Public Service Agreement targets on housing. These departments should commit to delivering the infrastructure needed to increase housing supply, and to ensure this, the DCLG will conduct three-month bi-lateral reviews with each department to test specific locations and items of infrastructure.

If these proposals for delivery are adopted then there should be greater potential for local government, home-builders and regeneration agencies, and communities to contribute to the identification of land and to develop sites according to a shared agenda. There may be added pressure on local authorities to identify sites, but an increased opportunity for them to be involved in decisions related to the development of the site, by utilising further their abilities as place-shapers. For home-builders and regenerators, the identification of more land will provide them with more space for development, and an increased emphasis on community involvement should ensure that all stakeholders have their say in the shape of new development.

Reaction to the Green Paper
Despite the announcement that the Government will be spending £8 billion on its new affordable and social housing programme, 50% more than current spending levels, there have still been calls for more money. The National Housing Federation claims that in order to deliver on their targets, the Government will need to invest £11.6 billion over the next three years, however, they do acknowledge that the current proposals represent a radical step towards more, and better social and affordable housing from the Government. David Butler, Chief Executive of the Chartered Institute of Housing was delighted that the Government had paid attention to the whole housing sector’s calls for more money for affordable housing and stated that "The scale of the crisis is such that no one solution will be sufficient so I’m also pleased to see a role for local authorities and Arms Length Management Organisations in providing the much-needed new homes".

The proposal to fund council planning departments based on how many homes are built, through the Housing and Planning Delivery Grant, came under criticism from the Policy and Research Director at the Royal Town Planning Institute, Kelvin MacDonald, for being focused on numbers rather than other aspects such as place-shaping. And Local Government Association Chairman Sir Simon Milton said that "Financial incentives for councils to identify potential building sites will help free up land, but it is important that densely populated areas are not penalised just because they have less land for development". On the other hand, Yvette Cooper, Minister for Housing defended the measure as being part of a drive to reduce the number of planning applications that are turned down based on a perceived lack of need. Instead planners should only turn down applications that display low quality design. Ms. Cooper was backed in her call to incentivise the freeing up of land, by the Home Builders Federation Executive Chairman.
Stewart Baseley, who said that "we recognise the incentives that will flow through the Housing Planning Delivery Grant. We need confirmation of the details and totals to ensure the Grant is a serious incentive for authorities to deliver sufficient land for new homes"14.

Practitioners were also pleased with the possibility for local authorities to be able to retain money from housing capital receipts, with Sir Simon Milton adding that "New powers to allow councils to keep rent from social housing and profits from right-to-buy would represent an historic break with the past"13, with this sentiment seeming to have been echoed, unsurprisingly, throughout local government. And in response to the proposed PGS, there has been much debate surrounding its implementation with those who wish to see it introduced adamant that benefits should be kept 100% local.

The Green Paper has been welcomed for its attempts to tackle climate change and create sustainable communities. The Royal Institute of Chartered Surveyors stated that "we support the Government’s view that in order to be sustainable communities should be supported by significant investment in infrastructure, should be attractive places to live as a result of well designed and good quality homes and should contain a mixture of property types and tenures. In addition the importance of making new homes energy efficient must be central to the Government’s programme"15. Friends of the Earth support the call for all new homes to be carbon neutral, but think that this should be achieved by 2010 rather than 2016. They have also called for homes to be ‘water neutral’, with water-efficient appliances and payments made to improve existing homes water efficiency as part of a scheme to offset the water their developments use16. However, despite recent events across the UK, there have been few calls to protect flood plains from development, and instead flood defences and drainage should be strengthened. Many are supportive of the Government’s decision to put social housing needs above flood risk fears and National Housing Federation chief executive David Orr said that "Ministers should be applauded for recognising that there’s simply no way we could tell the thousands of key workers and low income families, desperate for a decent home, that we can’t build any more new homes because of concerns about flood plains"17.

A sentiment that many of the commentators above re-iterated was the need to ensure that the housing reforms do not wholly focus on new homes. The Green Paper appears to lack any real commitment to improving existing homes, both in terms of its decent standard or its carbon footprint. And with the ever-ageing society, there will be a substantial need for supported housing improvements to existing dwellings. There is also a danger that with the new funding incentives, grants and extended planning powers being focused largely on the proposed eco-towns and new growth points, there will be neglect of some of the recent progresses made elsewhere in the country.
Conclusion

The Housing Green Paper has succeeded in garnering much support from a number of stakeholders involved in housing. Despite calls for more money the commitments laid out in the Green Paper set out a giant step in the right direction from Government towards improving the state of social housing and the issue of affordable housing. The Green Paper sets out clear plans for introducing new ways of supporting local authorities to implement the reforms needed to boost housing growth, and some of the key questions that the Paper poses are:

- Which method should the Government employ to ensure that local communities receive significantly more of the benefit from planning gain, including to invest in necessary infrastructure and transport, than they currently do?

- Should incentives, such as the Housing Planning Delivery Grant, be provided to local authorities to encourage them to free up more land for development?

- Should local authorities be able to retain housing capital receipts for investment in more affordable housing?

- How should the term “commencement of development” be redefined in the Town and Country Planning Act (2004) and should planning authorities be able to issue developers with a ‘completion notice’ to ensure that land is not left undeveloped after planning permission has been granted?

- Should flood plains be left open, or flood defences and drainage improved, or should both methods be implemented, and who’s decision should it be?
Notes

1 Homes for the Future: More affordable, more sustainable, DCLG. Available at www.communities.gov.uk/index.asp?id=1511890 <23rd July 2007>


7 The Egan Review: Skills for Sustainable Communities, DCLG. Available at www.communities.gov.uk/embedded_object.asp?id=1502264 <19th April 2004>

8 Review of sub-national economic development and regeneration, HM Treasury. Available at www.hm-treasury.gov.uk/media/9/5/subnational_econ_review170707.pdf <17th July 2007>

9 50 per cent boost for affordable housing as Corporation’s largest ever funding programme for a generation announced, Housing Corporation. Available at www.housingcorp.gov.uk/server/show/ConWebDoc.11565 <23rd July 2007>


12 Councils to be rewarded for hitting home targets, Regeneration & Renewal, p.2 <27th July 2007>

13 Council leaders say housing green paper signals 'historic break with the past', LGA. Available at www.lga.gov.uk/PressRelease.asp?id=A7846514 <23rd July 2007>


15 RICS Public Affairs Brief, RICS. Issue 28, p.2 <27th July 2007>

16 All new homes must be carbon zero by 2010, Friends of the Earth. Available at www.foe.co.uk/resource/press_releases/all_new_homes_must_be_carb_23072007.html <23rd July 2007>

17 Green paper targets can be met by housing associations - without increased flood risk, National Housing Federation. Available at www.housing.org.uk/default.aspx?tabid=503&mid=828&ctl=Details&ArticleID=597 <23rd July 2007>

Bulletin is one of a series of regular policy reports produced by the Centre for Local Economic Strategies (CLES). CLES is a not-for-profit think-doing organisation, consultancy and network of subscribing organisations specialising in regeneration, economic development and local governance. CLES also publishes Local Work, Rapid Research and bespoke Briefings on a range of issues.

Centre for Local Economic Strategies & CLES Consulting
Express Networks • 1 George Leigh Street • Manchester M4 5DL • tel 0161 235 7036 • fax 0161 236 1891 • info@cles.org.uk • www.cles.org.uk