



Homes for the future: more affordable, more sustainable

A Green Paper from the Department of Communities and Local Government

Key issues

A consultation paper asking for views on the government future housing paper
Issues covered including the supply of social housing, public sector land use, growing demand, bridging the skills gap and planning reform
Options put forward for greater local authority involvement in house building

1. Introduction

This is a consultation paper covering a breadth of topics including questions of supply and demand, design, access, the planning system, infrastructure, sustainability, social housing, the mortgage market and skills. It is a reflection of the importance of housing in the mind of the Government and the higher profile it has achieved over the past 12 months in the political arena.

Responses to the consultation paper should be received at DCLG by 15 October, 2007.

APSE will be responding on behalf of its members and any responses to this briefing should be returned to APSE by 1 October 2006.

The report can be found at
http://www.communities.gov.uk/pub/967/HomesforthefuturemoreaffordablemoresustainableHousingGreenPaper_id1511967.pdf

2. Background

The foreword by the Housing Minister, Yvette Cooper, notes the fundamental role housing has in the health, wealth and opportunities for happiness of the nation. She outlines the progress made to date including low mortgage rates, increases in home ownership, increases in property values, reduced homelessness and improvements for social tenants. A number of problems remain and are highlighted such as those faced by people attempting to get onto the housing ladder, poor conditions across all sectors, the imbalance between supply and demand and the knock on effects such as widening wealth inequality, frustrated aspirations and damage to the economy.

The Green Paper outlines plans to deliver the homes needed, more social housing, build more quickly, provide more low cost home ownership and build greener homes.

3. Progress and challenges

The first chapter notes the progress made since 1997 focusing on the Decent Homes Standard, increases in the number of home owners, action to tackle rough sleepers and the homeless, action in areas of low demand and the use of brownfield land.

The challenges still needing to be addressed are noted. The number of households has increased significantly with 1 person households increasing from 19% in 1971 to 32% in 2007 with annual household growth being 223,000 a year until 2026. Increases in completions have gone up by 30% since 2002 but are still not high enough.

Rising house prices and the gap between prices and incomes are noted across all regions and within rural areas. Other facts such as the 87,000 households living in temporary accommodation and 4,000 in bed and breakfast accommodation and the 1.6million people on social housing waiting lists are noted. The role that good quality housing has to play in terms of producing cohesive communities, attracting investment and skilled workers, improving the environment and reducing our carbon footprint is highlighted.

The Government states that it will work with partners to provide:

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

4. Meeting growing demand

The report sets out how it intends to deliver 3 million extra homes by 2020 which includes 1.6 million already identified in Regional Spatial Strategies, 150,000-200,000 homes now under construction, 100,000 homes in 29 new growth points, 50,000 in an additional round of growth points and 25,000 - 100,000 in 5 new eco-towns.

This will be supported with increased infrastructure funding, reviews of regional plans, a new Housing and Planning Delivery Grant, new guidance to help councils identify

land for housing, action to encourage developers to bring forward housing more quickly and reduce incentives to hold land back, more use of public sector land, better use of disused land and existing buildings and the creation of the new homes agency.

The eco-towns initiative will be flexible in design and make more use of different models of financing. They will be entirely new towns which are exemplar green developments of between 5,000 and 20,000 homes. They will be designed to meet the highest standards of sustainability, including low and zero carbon technologies, good public transport renewable energy systems, effective flood management, urban drainage systems waste water management, greenspace and enhanced biodiversity. Proposals are being invited and will be judged against zero carbon and environmental standards, sustainable travel criteria, design quality, community involvement and use of land criteria.

5. Public Sector Land Use

The report states that there is a significant amount of land owned by Central Government, its agencies and local government and that they will be reviewing their land holdings to identify land which could be released for housing. It notes that there is potential for 60,000 new homes on surplus brownfield land owned by local authorities. English Partnerships is to set out new standards for housing on surplus Government land and will increase the number of affordable homes developed. A new approach to the use of vacant land owned by local authorities will be launched to provide additional housing and the opportunity for a more active role for local government in the development of these sites.

One of the tools for taking this agenda forward is Local Housing Companies. This initiative will enable local authorities to establish joint venture Local Housing Companies with support from English Partnerships. EP will offer clear incentives for local authorities to become pro-active partners in the delivery of new and affordable homes in their areas. Other partners will be invited to the joint ventures into which authorities will invest public land. They will be able to deliver additional shared ownership without Government grant. They will also be able to include at least 50% affordable housing. EP will assemble a package of financial and technical assistance enabling local authorities to keep a stake in their land and enjoy the benefits of rising values over time. A number of councils are confirmed as having shown interest in this initiative already.

There is national target that over 60% of new homes built should be built on brownfield land. The problem of properties left empty for a long time is also noted and new powers available to councils to tackle this problem are described such as Empty Dwelling Management Orders.

6. Infrastructure, design and greener homes

The Government's commitment to ensuring that housing growth is accompanied by appropriate infrastructure is detailed and the paper goes on to state the importance of engagement, joined up services and evaluation against the aims of sustainable

communities. The paper states that the Government will use the CSR07 performance management framework to move towards a more co-ordinated cross government approach to housing growth ensuring housing growth is a priority for the key infrastructure departments.

The paper highlights that there is a need for effective governance and co-ordination for the delivery of infrastructure to avoid delays and inefficiencies. The government proposes to promote a more consistent approach by ensuring that local planning authorities have lead responsibility for co-ordinating and driving forward infrastructure delivery in partnership with others. Various options about how a planning gain supplement might work are discussed.

The benefits of good design are described and the need to focus on the needs of children including gardens, play areas and green spaces is noted. Local authorities have more flexibility to ensure larger homes are built alongside flats and smaller properties. It points to the London Housing Strategy which states that 35% of new social rented homes should have 3 or more bedrooms. New housing for the elderly should be appropriate for their needs and a National Strategy for Housing in an Ageing Society will be published in autumn.

The paper notes that a fundamental re-appraisal of how we create places will be needed to ensure more zero carbon homes are built, that homes are more resilient to the effects of climate change and that environmental function such as water management and biodiversity and access to the natural environment are achieved.

The paper states that around a quarter of the UK's current carbon emissions (around 150 million tones of carbon dioxide each year) arise from the way we heat, light and run our homes. The target that has been set is that by 2016 all new homes in England will be zero carbon. In order to deliver this target at a time when there is a need to increase supply and speed up delivery is acknowledged as a difficult task in the paper. It states that delivering zero carbon homes will mean new skills, supply chains, partnerships and business models, including for builders and energy suppliers and others. Building Regulations will be updated to reflect energy efficiency requirements.

7. More affordable homes

The Government states that it will support a big increase in affordable housing both social housing and shared ownership investing £8 billion over the next 3 years in affordable housing initially through the Housing Corporation then through the new homes agency. This will help deliver 70,000 affordable homes a year.

At least £6.5 billion will be invested in social housing with the aim of seeing 45,000 new social homes built each year by 2010-11. The reduction in the number of new lets of social houses and the increasing demand from an ageing and growing population and those unable to keep up with rising house prices are quoted as reasons for the need to deliver more social homes. Growing overcrowding and rising social waiting lists could result if this issue is not tackled.

Housing Associations, the Private Sector and Local Authorities

It is noted that although many of the new homes will be provided by housing associations, there is also a need for a greater private sector contribution and stronger council involvement. The Housing Corporation has recently concluded that there is unused 'financial capacity' and that housing associations can borrow more against their existing businesses. The Housing Corporation is also refining and developing its investment processes with the aim of using more competitive bidding so that social landlords can win a bigger programme through offering value for money. They are clear however that quality must not be sacrificed as more homes are built.

The role of the private sector is noted including this sector's ability to bid for Housing Corporation social housing grant and their involvement with PFI schemes. There is a desire to see the sector come forward with innovative ideas.

The paper states that councils have overseen substantial improvements over the last decade and that because affordability and the supply of low cost homes are now such critical issues, councils should play a greater role in facilitating the supply of affordable housing. This will include enabling new affordable supply to be built, influencing the decisions that are made and having a direct role in the building of new homes (within the HRA) where it provides value for money compared with other options. Where this is the case councils should be able to keep the income and capital returns from the additional new homes.

The paper notes that it wants to test whether some council-backed schemes linked to council owned land could provide value for money. Barriers have been removed allowing councils to access Housing Corporation social housing grant through a special venture vehicle or ALMO.

Reforming the HRA

The document states that local councils will be expected to undertake direct development (within the HRA) only where it offers better value for money than other options. Before extending access to councils in their own right DCLG would need to establish rigorous controls to ensure value for money and deliverability as well as having a way of controlling the public sector spending and borrowing impacts of an increase in council house building. The paper notes that in most cases there would be an expectation of models which offer access to private finance to provide better value for money, delivering more affordable homes for the public investment.

The paper notes that although these changes may encourage more homes to be built by councils there is an intention to look at the case for radical change of the subsidy system in long term. The benefits of 'self financing' outside of the HRA are described and the problem of maintaining fairness for those councils remaining in the HRA subsidy system is also highlighted.

Capital Receipts

There is a proposal to review the rules governing housing capital receipts in particular to incentives local authority shared equity schemes. DCLG will consider allowing local authorities to retain housing capital receipts generated by the disposal of equity shares in local authority dwellings if those retained receipts are used for the provision of affordable housing.

The wider picture

The paper notes that building new homes is only one element of the issue. The provision of improved public services such as schools and health facilities, better links to employment opportunities, support for disadvantaged residents and maintenance of low levels of anti-social behaviour all play their part in achieving sustainable mixed communities. Emerging findings show that mixed communities schemes require work in developing capacity, assembling project teams, design, financing and community engagement. DCLG are looking to increase support for local councils and partners adopting a mixed communities approach.

Decent Homes

The paper notes the importance of improving of the quality of the existing stock whilst it is expected the 95% of social housing should be made decent by 2010.

The paper details some actions which are under consideration with regard to helping first time buyers and improving the way the mortgage market works.

8. Skills and construction

The paper states that to deliver housing growth, higher environmental standards and better places to live, an adequate workforce of skilled workers is needed and goes on to note the existence of recruitment and retention difficulties and skills gaps. Once skills are employment are gained, wider benefits emerge such as improved living standards, tackling child poverty and increasing social mobility. The paper notes some of the difficulties experienced by companies and local authorities in recruiting craft and professional staff and it goes on to note the shortages in certain trades particularly mechanical and engineering.

The national figure of only 25% of construction firms offering apprenticeships is quoted as is the shortage in skills such as leadership, project management and design awareness. Efficient construction, sustainable construction and innovative construction are highlighted as issues having particular reference to the housing growth agenda.

9. Implementation

This chapter looks at the role of a range of stakeholders and highlights the need to involve local communities in the debate about housing growth. The paper notes the

strategic role of local authorities and states that the department wants to see local authorities step up to play a stronger role in addressing the housing needs of all residents and the issues of partnership working with other public bodies and private developers as well as ensuring a 5 year rolling supply of housing land are covered.

A range of local delivery vehicles (LDVs) are considered as ways of working to improve the prospects and pace of housing delivery. The paper states that the different models of LDVs could combine local authority land assets, public funding streams, private finance, the new homes agency and private sector expertise. A number of models are noted in the paper including local authority owned companies, community land trusts, local housing companies limited liability partnerships, single estate transformation models and strategic housing and regeneration partnerships.

The paper states that the benefits these models could offer include establishing a long-term strategic planning development focus between a local authority, the new homes agency and the private sector, reduced procurement time and costs, increased scale and speed of delivery and access to private finance.

The role of private sector developers in delivering homes for low cost ownership and for social renting is stated. The issues of transparency and competition within the sector are also noted as is the importance of data sharing between stakeholders to inform the whole chain of housing supply delivery. The paper also notes that government is keen to see social housing providers as new entrants to providing market housing.

The role of the new homes agency is detailed and includes increasing the supply of housing, regenerating underperforming areas, promoting mixed communities, using public assets more effectively and innovating to improve efficiency. Central governments strategic role is also detailed.

10. Comments

APSE welcomes this consultation paper as part of the debate which has raised housing up to the top of the national political agenda and supports the need to consider the themes running through the paper such as increased supply, sustainability, innovation in construction, the role of the public sector and increases specifically in social and low cost housing as well as the commitment to allocate at least £6.5 billion to social housing with the aim of seeing 45,000 new social homes built each year by 2010-11.

The paper provides justification for increases in the numbers of houses to be delivered and the improvements in construction that can be used to deliver them.

Local authorities' role

Over the past twenty years, the growth in housing associations and trusts, transfer of council properties, take up of Right to Buy and the establishment of ALMOs have all reduced the level of direct management over the nations housing stock by local authorities. They have not been given the resources to build homes so the

responsibility for ensuring an adequate national supply now sits with housing associations and the private sector. Although there is little point in apportioning blame for the current situation for the sake of it, there is a need to learn lessons to avoid recurrence. There can be no doubt that the market can not provide an adequate supply of decent affordable simply because some people can not afford to pay. This is the point at which public bodies must step in to help. The recent Hills report (Ends and means: the future of social housing in England) concludes that social housing will have a role to play in the foreseeable future for precisely this reason. Current arrangements have not been able to stop the emergence of supply problems and so the need for social housing remains. APSE believes local authorities must play a fundamental role in providing this supply.

The paper calls for more providers to be encouraged into the housing supply chain at the same time as noting the strategic role of local authorities. Their role however is not limited to the strategic – local authorities are able to take a much more active role in the provision of houses. They often have appropriate land, they have detailed knowledge of local demand, have the leadership and place-shaping responsibilities as well as holistic duties such as community cohesion, environmental services and community safety and neighbourhood management. Furthermore increasing numbers of tenants are voting to remain with the local authority as landlord when given the choice. The argument for excluding local authorities as a direct provider of homes (rather than via a company or trust) holds no water if it is solely based on rules for allocating financial resources. There is an argument in favour of local authorities based upon them being a provider who is in an ideal position to promote the whole concept of sustainable and mixed communities. There are examples of local authorities working in partnership to provide homes on a small scale where they have been able to find the resources to do so and they have had successful outcomes. APSE feels that local authorities can play a significant role in the provision and management of new social homes if given access to the resources to do so.

APSE approves of the statement noting direct involvement in house building by local authorities. However, it states that local authorities will be allowed to intervene directly in terms of housing supply but only “where it offers better value for money than the other options”. The criteria upon which this decision will be based must be clarified and made open to consultation if they are not to be viewed as deliberate barrier over which councils will not be allowed to pass. This option is a step in the right direction but it must be made based on the need to house the population. Putting barriers in the way is not a helpful approach and they should apply to all providers or none.

One of the alternative models noted in the paper is local housing companies and 14 local authorities are identified as having shown some interest. They are all in a relatively early stage of development but they do reflect the ambition of local authorities in this area. The schemes themselves are different in nature and will emerge to suit local circumstances. ‘Local housing companies’ is a catch all category applied to a range of schemes but those involved are local authorities who are taking the issue forward and reflect the abilities of many other councils.

Clearly the involvement of private developers in the provision of the extra numbers of homes is essential. Public /private partnerships have shown that they can provide successful outcomes in terms of housing developments but the scale on which they have done so has not stopped the current supply problems from occurring. There will always be a conflict between the demand for low cost housing and the aims of the private sector. The gap that results needs to be filled and direct provision by local authorities is one effective way of doing so.

Skills and training

The issue of a significant gap in the construction sector regarding skills is highlighted within the paper and the point is made that nationally only 25% of construction firms offer apprenticeships. Clearly solving this problem is a fundamental requisite for ensuring adequate housing is in place. The supply of craft workers has become a national issue over recent years with the demand for joiners, plasterers, electricians, plumbers and many other trades people far outstripping supply. This is compounded by the fact that construction methods are moving on rapidly, new plant and equipment is being introduced and materials are also changing. It is not only imperative that there are enough skilled workers in the construction workforce but also that they are skilled in the application of modern methods of construction.

Those local authorities who have retained their own workforce to maintain the housings stock or public buildings and have managed to retain apprenticeships are providing a steady supply of well trained experienced workers. This is a role which local authorities can continue and expand both under their own steam or in partnership with other organisations. Those private companies who are maintaining council homes or other public sector stock are limited by the length of the contract. For example they will not invest in training workers who will only reach their potential when the end of the contract is looming. This level of uncertainty is not something which local authorities are subject to – they have a long term interest. They are able to produce skilled workers, maintain their housing stock to a high level, add to the national supply of skilled construction workers and help to maintain a sustainable local economy. They should be encouraged to continue these apprenticeships, with financial support if necessary.

APSE welcomes the intention to reduce carbon emissions from the existing stock but realises that this will never be achieved without an appropriately skilled workforce to make the necessary adaptations to existing properties. Skills and training will be as important for those involved in maintenance of existing properties as it will for new build.

Standards

APSE has been calling for a wider 'Better Neighbourhoods Standard' to replace the current 'Decent Homes Standard' which will cover issues such as energy efficiency, communal facilities and environmental sustainability as well as others including community cohesion, crime and disorder reduction, neighbourhood empowerment and sustainable construction. Such an agenda is relevant for all housing providers but

especially so for local authorities who can fulfil their leadership role through housing provision and a range of related services. It is important to realise that although there is a need to build more homes, the quality of the neighbourhood they are located in is vital to ensure a good quality of life for the local population. This paper notes the importance of physical infrastructure but does not highlight the importance of the combined influence of the range of factors which APSE feel are vital for a successful community. Without full consideration of the wider social, environmental and community issues and the role that local authorities can play in delivering them, the focus purely on the bricks and mortar of new homes will only be looking at half of the picture.

Financial resources

The element in the paper which refers to reform of the HRA notes those pilot authorities operating outside the HRA. Although they will see greater control over their own finances and ability to invest in the longer term there remains a question over their ability to pay the one-off payments needed to leave the scheme and the ongoing cost of providing support to those who currently receive large subsidies from the HRA. This may be a solution to the quandary some find themselves and will enable them to build new homes on a limited scale. The initiative has a role to play in the grand scheme but those who leave the national HRA are unlikely to make a significant impact in terms of the numbers they are able to build.

There are a number of significant omissions in the paper. It does not refer to the issue of those local authorities whose tenants have voted to stay with the council as landlord or those ALMOs with restricted access to funding to complete improvements under Decent Homes Standard. This is an ongoing problem which needs attention if the benefits of this paper are not to be overshadowed. Now is an ideal time to tackle this issue head on and build a solution (based on local accountability, improved performance, some extra funding and a need to allocate public money to some of the poorest stock) which can be seen as part of a new approach to a wider problem over a longer term.

Nor does the paper recognise stock retaining councils, either via successful business plans or tenant vote, as an alternative to other management approaches. Again the time is appropriate to make this statement and confirm stock retention as a valid method amongst many others of moving forward to solve the housing supply problem.

The paper does not go so far as allowing councils to keep capital receipts from Right to Buy. Although the numbers of properties involved have reduced this is a long standing issue for councils and it seems a petty omission bearing in mind the scale of the topic under discussion. Again the Government has missed an opportunity to address this issue as part of a series of changes.

Conclusion

Social housing is currently considered by many as a safety net for the most deprived. The scale of the shortfall in supply points to millions of people being unable to get a

home, not just the most deprived. The paper does not challenge this view even though the statistics point to it. Government must make it known that if all who seek a home are to get one and if social housing is to meet that need (as the paper states), then those expecting to live in social housing will be a far wider section of the population than just the most deprived. Getting this message across may well be the hardest challenge the Government faces.

Consultation

There is an invitation from the DCLG for comments on all areas in the paper. Specific questions are also noted and these include the following:

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

APSE also welcomes comments from its members specifically on the following issues in order to put together a comprehensive response to DCLG:

- local authorities' role in providing social housing in its own right (rather than via a Local Housing Company)
- alternative arrangements to the current HRA
- options for financing stock retaining councils
- a future standards regime to replace Decent Homes Standard
- the role of local authorities in providing skills and training

APSE will be sending a formal response to the consultation paper on behalf of members and would appreciate comments from members on any matters in the paper. Please send comments to Phil Brennan at pbrennan@apse.org.uk by **1 October 2007**.

The final date for receipt of comments to the paper is **15 October 2007**. These should be sent to housinggreenpaper@communities.gsi.gov.uk

Phil Brennan
Principal Advisor