

The Government's Response to Kate Barker's Review of Housing Supply

December 2005



HM TREASURY



Office of the
Deputy Prime Minister
Creating sustainable communities



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FOREWORD BY THE DEPUTY PRIME MINISTER AND CHANCELLOR OF THE EXCHEQUER

The opportunity for everyone to live in a decent home – at a price they can afford – is one of the most fundamental goals of this Government. And, thanks to our macroeconomic framework and greater investment, we have seen the number of homeowners rise by 1 million since 1997 – supported by a 20 per cent rise in real incomes and low and stable inflation and interest rates. We have reduced the number of homes failing to meet basic standards by 1 million and increased investment in social and affordable housing.

But over the next decades we face real challenges in securing continued growth in prosperity and opportunity. The number of households rose by 5 million, or 30 per cent, between 1971 and 2001, but the rate of new housebuilding failed to keep pace. As a result, house prices have rapidly risen, making it difficult for many young people on moderate incomes to get into the market. Such prices are putting strain on our social housing supply. And this can affect the competitiveness and productivity of our economy.

Looking forward, we will need to house four generations not three, as we live longer, healthier lives. And our growing prosperity means that people demand more space, and better quality homes. We need to act now if we are to extend the opportunities and quality of life so many of us have enjoyed to future generations.

For these reasons we established the Review of Housing Supply, led by Kate Barker of the Bank of England. This document responds to Kate Barker’s comprehensive and thorough report, and sets out new approaches designed to deliver more and better homes; lock in stability and prosperity; extend opportunities to all and protect and enhance the environment.

In responding to the Review, we have sought to create sustainable communities – not just housing estates, but communities supported by infrastructure, built to high environmental standards in appropriate places, and with the involvement of local communities. This document sets out how we will make a reality of that vision, with important announcements on infrastructure, the environment and social housing.

With these reforms, as well as our shared equity proposals, we will extend home ownership towards 75 per cent. We will deliver new and better homes, to support growth and prosperity in every English region. And we will continue to build on our record of success in building new affordable homes, bringing quality and choice to those who rent.

The choice is clear: meet the needs of future generations, or deny them the opportunities we enjoy. Extend the benefits of home ownership towards 75 per cent of households, or accept that unaffordable housing will constrain our social and economic ambitions. Support affordable housing, or see growing inequalities and disadvantage.

Our response is to support affordable housing, as we set out how we will respond to these challenges and start the next phase in building sustainable communities.



Rt Hon Gordon Brown MP
Chancellor of the Exchequer



Rt Hon John Prescott MP
Deputy Prime Minister

EXECUTIVE SUMMARY

Progress in delivering Sustainable Communities

E1 At Budget 2003, the Chancellor and the Deputy Prime Minister jointly commissioned Kate Barker to produce an independent review of housing supply. Her final report and recommendations were published at Budget 2004 and were welcomed by the Government. This document sets out how Government proposes to respond to, and implement, the Review's conclusions.

E2 The Government's housing policy aims to deliver:

- a step on the housing ladder for future generations of homeowners;
- quality and choice for those who rent; and
- mixed, sustainable communities

E3 The Government has accepted the case set out in the Barker Review for a step-change in housing supply. The measures set out in this response to reform planning and enable timely infrastructure provision will provide for more homes to help meet demand, including the provision of affordable housing through increased social housing supply and the Government's shared equity schemes.

E4 The Government's agenda does not stop there, however. New homes need to be delivered in communities, not soulless housing estates. Such communities need to be inclusive, mixed and well-governed, with excellence in local strategic leadership. Homes need to be well designed, built and maintained.

E5 Critically, new homes must have supporting infrastructure – health, education, transport – and quality services, both public and private. Housing must be connected to economic development and to jobs in order to support greater prosperity. There needs to be access to leisure and recreational facilities. Government must build and plan homes to high-environmental standards – which make best use of water, energy and materials and which are supported by high-quality green spaces.

E6 The Government recognises that improving the affordability of housing is not simply about building more homes – it requires a concerted package of measures that will remove barriers to development, support local communities and provide for those unable to access the market. Here, the Government sets out how, in responding to Kate Barker's Review, it aims to deliver such a broad package of reforms and investment, and create genuinely sustainable communities.

More homes, where they are needed most

E7 Current Government projections show the population of England rising by 5.7 million over the next twenty years, driven partly by longer life expectancy. The pressure of population growth is more acute in terms of housing as household numbers increase faster, resulting from changing patterns in age and marital status and more people choosing to live alone.

E8 Current ODPM household projections suggest an average household formation rate of at least 190,000 per year in England up to 2021. These people and families need homes. Yet despite recent increases, annual net new housebuilding in England has reached only around 150,000.

E9 Achieving the Government's aim to improve affordability and help future generations of homebuyers to get a foot on the housing ladder will require housing supply to become much more responsive to demand. Current projections suggest that if Government is to meet its aim to improve affordability, new housing supply in England will need to increase over the next decade to 200,000 net additions per year, within the range of house building exemplified by Kate Barker. The speed at which this increase can be achieved, and affordability benefits realised, will depend on the provision of investment in the infrastructure necessary to support housing growth, reform to the mechanisms by which new housing and infrastructure are delivered, and a positive response from the house building industry. The Government is therefore announcing:

- further reforms to the planning system to ensure that local and regional plans prepare and release more land, in the appropriate places, and at the appropriate time, to meet our future housing requirements;
- a consultation on the Planning-gain Supplement (PGS) to help local communities fund and deliver the infrastructure necessary to support housing growth and share in the benefits it will bring; and
- in the run-up to the 2007 Comprehensive Spending Review, a cross-cutting review to effectively coordinate the strategic delivery of infrastructure investment across departments, supported in part by the PGS, necessary to enable the additional housing required.

E10 Successfully delivering these reforms will enable the Government to set out its detailed plans at the 2007 Comprehensive Spending Review to achieve its aim for a significant increase in housing supply over the next decade, going beyond the level set out in the Sustainable Communities Plan, helping extend home ownership to another million people in the next five years and taking us towards the Government's aspiration of 75 per cent home ownership.

E11 The Government's proposal to increase housing supply to better meet demand applies to social, as well as market, housing. Many households cannot afford to rent or buy a home of their own, and for these families that would otherwise struggle to access decent and affordable housing, councils and housing associations play a valuable role.

E12 The Barker Review identified a long-term shortfall in social housing provision, manifested through overcrowding and the growing use of unsuitable temporary accommodation for vulnerable households. The Review set out the need for a substantial increase in the supply of social housing in order to keep up with demographic trends and to tackle the backlog of unmet need.

E13 The Government has already made significant progress in meeting this long-term challenge, providing funding through the 2004 Spending Review to help deliver an additional 10,000 new social homes a year by 2007-08 compared to 2004-05 – a 50 per cent increase – and by reducing demand through investment in new approaches for preventing homelessness. The Government intends to go further to respond to the challenges set out by the Barker Review, and will set out its ambitious plans for increasing social housing supply, with new investment alongside further efficiencies and innovation in provision, as part of the 2007 Comprehensive Spending Review.

E14 The Government is also taking forward plans to assist directly at least 100,000 more households into homeownership by 2010 supported by an innovative joint public-private scheme that will stretch public funding further. In addition the Government will be encouraging further growth in the private provision of equity share schemes by builders and other investors.

Providing infrastructure

E15 Delivering this ambitious agenda will require a combination of investment and reform, for flourishing communities are not created by new housing alone. The Government is committed to ensuring that its ambitious plans for a step-change in housing supply are supported by the necessary investment in social, transport and environmental infrastructure at the local, regional and national level.

E16 In order to help finance the infrastructure needed to stimulate and service proposed growth, and ensure that local communities better share in the benefits that growth brings, the Government is today consulting on its response to Kate Barker's recommendation for a Planning-Gain Supplement (PGS).¹ The PGS consultation paper accompanying this response restates the case for capturing land value uplift for the benefit of the wider community and describes how a workable and effective PGS might operate.

E17 To ensure that appropriate infrastructure will be provided to support housing and population growth, Government is also announcing, as part of the 2007 Comprehensive Spending Review, a cross-cutting review to:

- determine the social, transport and environmental infrastructure implications of housing growth in different spatial forms and locations;
- establish a framework for sustainable and cost-effective patterns of growth, including by examining the use of targeted investment through the Community Infrastructure Fund and Growth Areas funding to support the fastest-growing areas; and
- ensure that Departmental resources across government are targeted appropriately for providing the national, regional and local infrastructure necessary to support future housing and population growth.

Delivering through planning

E18 A well-functioning planning system is essential to delivering a responsive housing supply, while also promoting wider objectives, such as environmental protection, good design and regeneration.

E19 In response to the Barker Review's recommendations on planning reform, the Government is bringing forward a number of important changes. The Government is publishing a draft Planning Policy Statement 3: Housing (PPS3) to ensure plans are more responsive to changing demands, and prepare and release more land, in the appropriate places, and at the appropriate times, to meet future housing requirements.

¹ *Planning-gain Supplement: A consultation*, HM Treasury, HM Revenue & Customs and ODPM, December 2005.

E20 The Government accepts Kate Barker's proposal that the planning system should reflect long-term objectives for affordability, set out at both the national and regional level, and will bring forward detailed proposals as part of the Comprehensive Spending Review process. Following consultation, the Government accepts the case for merging the functions of Regional Planning Bodies and Regional Housing Boards, and expects the new merged bodies to be in place by September 2006. In addition, the Government will establish an independent National Advice Unit to strengthen the evidence and analysis on improving housing market affordability available to regional planning bodies throughout the regional planning process. The Government will set up this unit by autumn 2006.

E21 For development to be truly sustainable, Government needs to ensure that the quality of existing homes continues to improve and that new homes contribute to the creation of high quality, well-designed places where people want to live and work. The draft PPS3 sets out a commitment to high quality design for new housing development and encourages the use of design tools, such as design codes, to achieve this. By making this early investment in design, local authorities can improve the speed of planning decisions and accelerate the delivery of high quality development. The Government is also publishing a new Green Belt Direction to further protect against urban sprawl.

Environmental sustainability

E22 This step-change in housing supply represents an opportunity to look again at protecting and enhancing the environment. A lack of affordable homes can in itself contribute to less sustainable lifestyles, such as longer commuting patterns. The Government's new Code for Sustainable Homes will set new standards for resource-efficient, high-quality houses. In recognition of the environmental pressures facing some regions of England, the Government is also announcing a wide-ranging package of measures, including domestic water efficiency measures for new homes, steps to cut construction waste, and improvements to the systems used to plan for sewerage infrastructure and consider flood risk when locations for new homes are chosen.

Well-designed homes, in quality environments

E23 To deliver its goals successfully, the Government needs to raise the quality of what is built and how it is built. Housing needs to be in decent mixed communities, with a range of people and incomes, in quality local environments.

E24 Communities will not accept new homes that are poorly designed and built, or placed in unsuitable locations with a poor quality public realm and without appropriate infrastructure. Good design can help to build a consensus about how best to respond to the need for growth and new development. Well designed homes respect their local context and protect and enhance the local environment, reinforcing local culture and identity and encouraging a positive reaction amongst the local community.

E25 The Government's proposals for accelerating planning applications backed by design codes should, along with the work of the Commission for Architecture and the Built Environment and the Academy for Sustainable Communities, drive forward significantly improved design quality in new build. Government will also examine further cost-effective options for releasing more public sector land to facilitate growth.

A challenge for the industry

E26 A dynamic, successful and customer focused housebuilding industry is vital if a step-change in housing supply is to be delivered. The Barker Review made a number of recommendations to the house building industry, designed to improve customer satisfaction and encourage innovation to drive down costs and increase supply. The Government welcomes the steps that have been taken by the industry in response to these recommendations, particularly the establishment of an annual customer survey and the development of a strategy for increased use of modern methods of construction, led by the Home Builders Federation.

E27 However, the Government remains concerned that the industry continues to show strongly cyclical behaviour, despite rising long-term demand. The Government believes that a continued commitment to innovation and competition can help to further expand supply. Improvements in customer satisfaction also need to be sustained. The Government will continue to monitor the industry's progress in addressing the Barker recommendations as well as the level of overall competition in the sector.

Challenges and opportunities for Sustainable Communities

E28 Delivering this step-change in housing supply, and ensuring that genuinely sustainable communities are built poses challenges for everyone with a stake in increasing the provision of good quality homes.

E29 Government will play its part, setting out detailed proposals through the 2007 Comprehensive Spending Review and by ensuring that action across Whitehall is coordinated to deliver sustainable communities at the local level. Regional bodies and stakeholders also need to rise to the challenge of delivering sustainable communities, through effective decisions based upon rigorous evidence. Local authorities need to reinforce and enhance their critical strategic role, leading and shaping the delivery of this agenda at the local level, through meeting the housing needs of every part of their community. Finally, the performance of the housebuilding industry in raising outputs and quality is also critical. For each of these groups, this document sets out how Government will provide the framework and the tools to deliver.

PROGRESS IN DELIVERING SUSTAINABLE COMMUNITIES

I.1 The Government's core objective for housing policy is both simple and fundamental – to ensure that everyone can live in a decent home, at a price they can afford, in a sustainable community.¹ This requires Government to deliver:

- a step on the housing ladder for future generations of homeowners;
- quality and choice for those who rent; and
- mixed, sustainable communities.

Progress so far

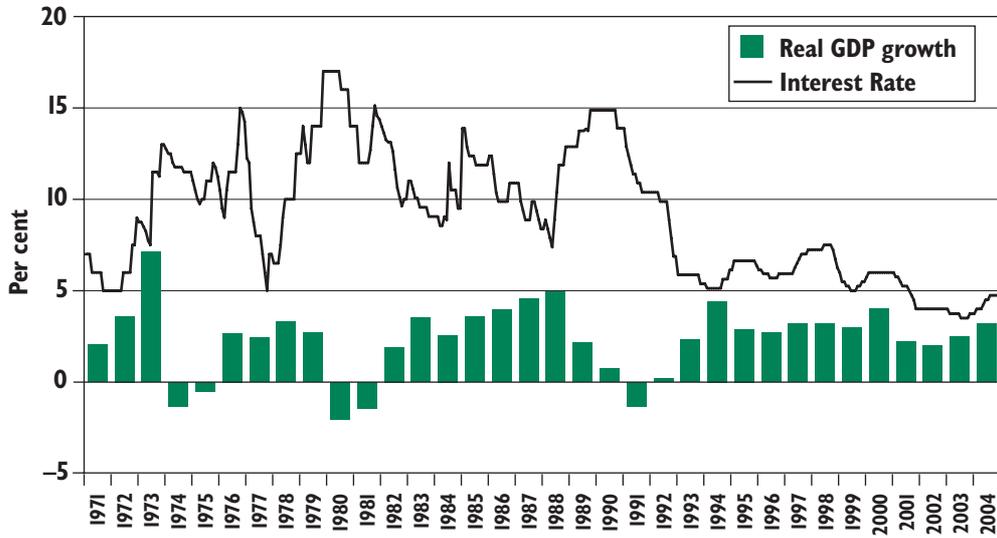
I.2 Since 1997, this Government has made great progress in reversing the legacy of under-investment and neglect it inherited. The Government prioritised the pressing issues of poor quality housing and rough sleeping. Investment of £21 billion has transformed communities and lives across the country, as the number of social homes failing to meet basic decency standards has fallen by over a million. Rough sleeping is now at the lowest ever recorded levels and thanks to new prevention approaches, the number of homeless households has fallen by 20 per cent in the last 3 years.

I.3 As a result of this Government's programmes, the quality of the UK's housing stock has improved and its communities are more inclusive. At the same time, choice and opportunity have been extended thanks to the greater economic stability delivered by this Government's macroeconomic framework, which has resulted in:

- the lowest volatility and levels of unemployment for three decades;
- household incomes growing by over 20 per cent in real terms since 1997; and
- inflation and interest rates at historically low and stable levels (see Chart 1.1).

¹For a broader overview of the Government's housing policy see *Housing Policy: an overview*, HM Treasury and ODPM, 2005.

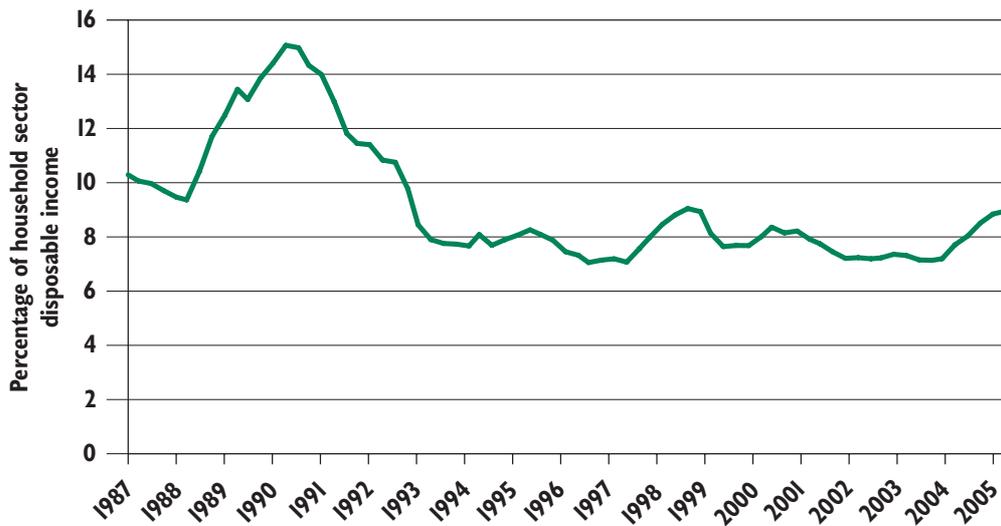
Chart I.1: Recent Economic Stability: Interest Rates and GDP Growth, 1971 to 2004



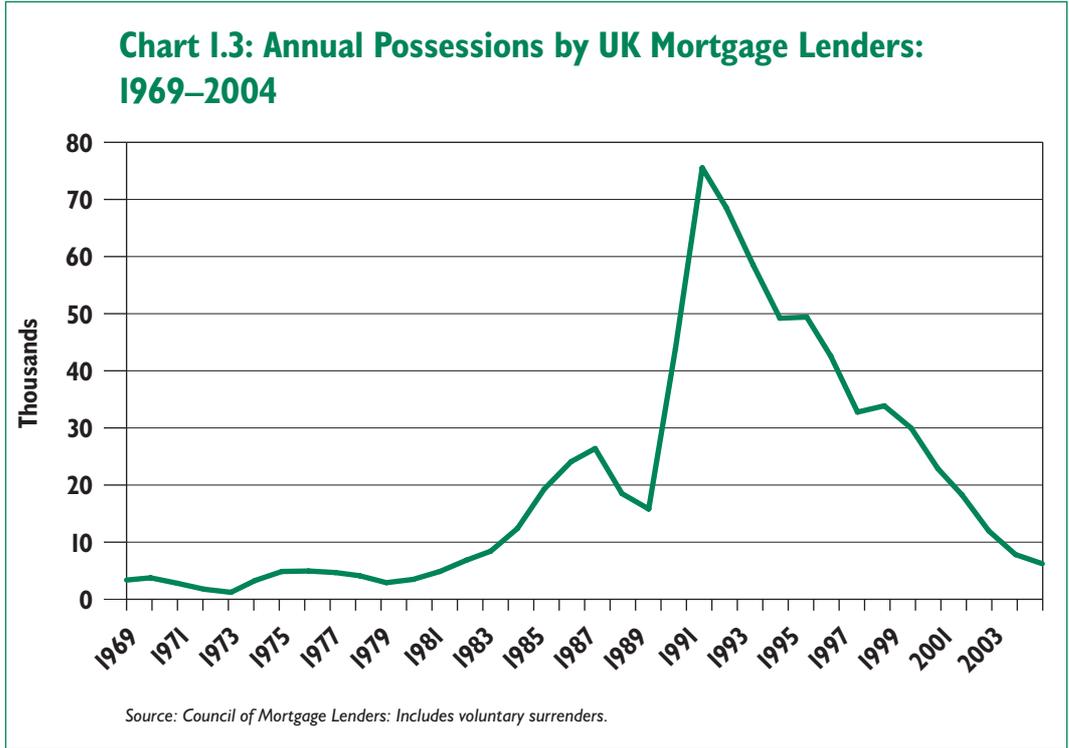
Source: ONS Blue Book and Bank of England.

1.4 Total interest payments are now 8.9 per cent of disposable income, compared with a high of over 15 per cent in 1990 (Chart 1.2), while repossessions are at a fraction (6,230 in 2004 according to the Council of Mortgage Lenders) of their peak in 1991 when over 75,000 properties were repossessed (Chart 1.3). In addition, mortgage rates have been at their lowest for forty years – average building society rates were 5.2 per cent in September, compared with 11 per cent between 1979 and 1997.

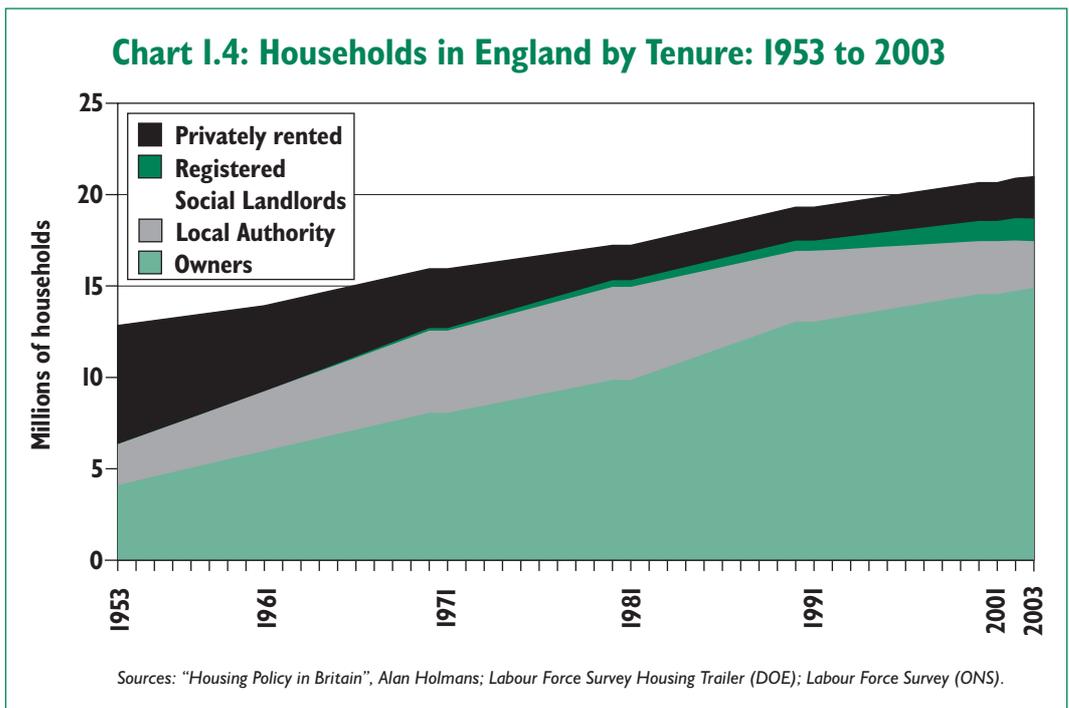
Chart I.2: Household sector total interest payments



Source: Survey of Mortgage Lenders.



I.5 As a result of the economic stability and rising prosperity delivered by this Government, more and more people have had the confidence to become homeowners, leading to more than one million new homeowners since 1997. Over the last 50 years the proportion of households that own their own home has increased substantially – to over 70 per cent in 2004 (Chart 1.4). Even so, nine out of ten households would prefer to own their own home if they could.² Action is needed if the Government is to give more people the opportunity to realise their aspirations for home ownership.



² British Social Attitudes Survey, 2001-02, National Centre for Social Research.

The rising demand for housing

1.6 Improvements to the housing stock and growing home ownership have happened over a period in which the level of housing demand has risen greatly, driven by prosperity and demographic and social change. The number of households in England has risen by 5 million – or 30 per cent – between 1971 and 2001.³ Several factors are driving this growth in household numbers. An ageing population means that four generations must now squeeze into housing stock which previously sufficed for three. At the same time, individual households have fractured and shrunk in size. Later marriage and increasing numbers of people choosing to live alone have been responsible for an estimated 3.4 million extra new households over the last 30 years.⁴ In addition, as incomes grow, people desire more living space.

1.7 Current Government projections show the population of England rising by 5.7 million over the next twenty years, partly driven by longer life expectancy.⁵ The pressure of population growth is more acute in terms of housing, as household numbers increase faster as a result of changing patterns in age and marital status and more people choosing to live alone. Current ODPM household projections suggest an average household formation rate of at least 190,000 per year in England up to 2021.⁶ These people and families need homes.

1.8 Over the last 30 years the number of households has risen by 30 per cent, but housebuilding has failed to keep pace. Despite recent increases, net housing supply in England in 2004 has only reached around 150,000, falling short of the projected increase in households. If this shortfall were to continue, the Government's analysis suggests that affordability would worsen substantially, with just 35 per cent of 30-34 year old couples able to buy their own home in 2026, compared with 54 per cent today and 63 per cent at the end of the 1980s.

Tackling housing supply

1.9 In order to better respond to demand for housing, the Government's Sustainable Communities Plan,⁷ published in 2003, set out plans to increase housing delivery by an extra 200,000 homes above existing plans over a ten year period to 2016. With continued signs of rising demand, in April 2003 the Chancellor and the Deputy Prime Minister asked the economist Kate Barker, a member of the Monetary Policy Committee at the Bank of England, to "conduct a review of issues underlying the lack of supply and responsiveness of housing in the UK".

1.10 The Barker Review set out the long-term upward trend in real house prices experienced in the UK – an average 2.4 per cent per annum over the last 30 years – and how house building had fallen to its lowest level since the Second World War. Simultaneously the social housing stock had also been in decline. The Review examined how this steep drop in output had taken place, despite rising demand and rising prices, and concluded that a more responsive housing supply and a lower trend in house prices would be desirable to deliver greater macroeconomic stability and greater affordability.

³ ODPM Housing Statistics, Live tables, Table 401.

⁴ ODPM household estimates.

⁵ Source: ODPM 2002-based household projections, based on 2002-based population projections.

⁶ *ibid.*

⁷ *Sustainable Communities: building for the future*, ODPM, 2003.

1.11 At the outset it was recognised there could be no ‘one size fits all’ response to the housing shortage. Projected household growth is highest in the four southern regions, with London, the South East, East and South West accounting for two-thirds of the additional households projected in England between 2001-2021.⁸ For these reasons, housing supply can never be a matter of crude numbers at the national level. The Barker Review sought to ensure that the supply of new homes would reflect and support patterns of economic development and be better informed by peoples’ preferences as expressed through prices.

1.12 The Barker Review also sought to prioritise the role of planning, to ensure that new or expanded communities are viable and sustainable. The Review’s options for funding the necessary services and infrastructure were an integral part of the overall package it put forward. A summary of the Barker Review’s recommendations is set out in Box 1.1.

Box 1.1: The Barker Review’s Recommendations

The Review set out a number of recommendations for achieving a step-change in housing supply and improving the functioning of the housing market:

- a long-term national goal for improved market affordability should be set with accompanying regional goals;
- investment in social housing should be increased significantly over time;
- Regional Planning Bodies and Regional Housing Boards should be merged to create a single body responsible for managing regional housing markets, supported by independent advice on the steps required to achieve affordability goals;
- reforms should be made to planning at the regional and local level to ensure that the planning system makes better use of housing market information and releases more land;
- a Planning-Gain Supplement (PGS) should be introduced to capture a portion of the land value uplift created by the planning process to help finance additional infrastructure while preserving incentives to bring forward land for development;
- a Community Infrastructure Fund (CIF) should be established help unlock some of the barriers to development; and
- local authorities should be incentivised to deliver growth and new housing development.

The Government’s initial response was set out at Budget 2004: “The Government agrees that to deliver its commitment to stability and affordability a significant increase in development over time is needed... The Barker review sets out challenging reform proposals to deliver increased supply.... The Government accepts the need for reform and intends to implement a programme of change as recommended in the Review... The Government will review progress against these objectives by the end of 2005.”

1.13 Kate Barker was not tasked with assessing the detailed environmental implications of her proposals. The Government has subsequently commissioned research into these impacts and its response is informed by the findings. The Government regards these sustainability and infrastructure concerns as central to its response.

⁸ODPM 2002-based interim household projections, based on 2002-based population projections.

Progress in implementing the Review's recommendations

I.14 The Government has already made some significant progress in implementing the Review's recommendations. The 2004 Spending Review announced a 50 per cent increase in new social house building by 2007-08 compared with 2004-05 – an additional 10,000 homes a year. It also established a new Community Infrastructure Fund (CIF) of £200 million to 2008 to support the transport infrastructure costs required to enable faster housing development in the four Growth Areas.

I.15 Government has also consulted on its proposals for merging the functions of Regional Housing Boards and Regional Planning Bodies within the reformed Regional Assemblies. Merging the functions of these bodies will give the regions a comprehensive and strategic overview of the housing supply challenges they face and ensure the effective integration of information on regional housing markets and housing needs.

I.16 In July 2005, Government consulted on *Planning for Housing Provision*,⁹ which proposed a new approach to making planning policies more responsive to market pressures. The draft Planning Policy Statement 3: Housing (PPS3) being published for consultation today,¹⁰ sets out how Government intends to incorporate market responsiveness within its overall approach to planning for housing.

I.17 As part of the Government's wider response to the Barker Review, ODPM and Defra have set up the Affordable Rural Housing Commission to look in detail at the specific problems faced by rural communities in securing adequate provision of housing that is affordable. The Commission is due to report in Spring 2006.

I.18 The chapters below set out the Government's preferred approach to increasing housing supply, improving housing affordability and delivering sustainable communities in response to the Barker Review. The Government is publishing a number of consultation papers covering its detailed proposals and invites further responses to these papers. A detailed table of the Barker Review's recommendations, together with the Government's response to each one, can be found at Annex 1.

⁹ *Planning for Housing Provision*, ODPM, 2005.

¹⁰ *Consultation paper on a new Planning Policy Statement 3 (PPS3) – Planning for housing*, ODPM, December 2005.

2

A NATIONAL CHALLENGE, A NATIONAL RESPONSE

Key announcements:

- The UK's ageing, growing population means an average household formation rate of at least 190,000 per year up until 2021. Yet despite recent increases, annual housing supply in England is currently running at 150,000 net dwellings.
- Improving affordability and helping future generations of homebuyers get a foot on the housing ladder will require new housing supply in England to increase over the next decade to 200,000 net additions per year. This will help take home ownership towards 75 per cent.
- The speed at which this increase can be achieved will depend on the provision of investment in the infrastructure necessary to support housing growth, reform to the mechanisms by which new housing and infrastructure are delivered, and a positive response from the house building industry. Detailed plans will be set out in the 2007 Comprehensive Spending Review (CSR07).
- Social housing supply will be a priority in CSR07.
- A conference will be held with developers and investors to encourage further innovation in the development of low cost home ownership products.
- New planning systems and policies will help hotspots in all regions deliver sufficient new housing.
- Continued support will narrow the gap in growth rates between English regions.

More homes, where they are needed most

2.1 The Government has accepted the case set out in the Barker Review for a step-change in housing supply. The measures set out in this Response will provide for more homes to help meet demand, including through the provision of affordable housing through increased social housing supply and the Government's shared equity schemes. This will improve affordability, help the homeless and those in temporary accommodation, and extend the opportunity of home ownership to a new generation.

2.2 Government will take action to increase housing supply in every region where there are affordability problems, with a faster and more responsive planning system, new mechanisms for funding infrastructure, greater support for sustainability and environmental protection, and a clear framework for improved design and quality.

The Government's key proposal

2.3 The country faces clear demographic and social challenges. The population of England is currently projected to grow by 5.7 million over the next twenty years, with an average household formation rate of at least 190,000 per year up until 2021. Yet despite recent increases, net annual housing supply in England is currently running at just 150,000 dwellings.

2.4 Achieving the Government's aim to improve affordability and help future generations of homebuyers to get a foot on the housing ladder will require housing supply to become much more responsive to demand. Current projections suggest that if Government is to meet its aim to improve affordability, new housing supply in England will need to increase over the next decade to 200,000 net additions per year – within the range of house building exemplified by Kate Barker. The speed at which this increase can be achieved, and affordability benefits realised, will depend on the provision of investment in the infrastructure necessary to support housing growth, reform to the mechanisms by which new housing and infrastructure are delivered, and a positive response from the house building industry. The Government is therefore announcing:

- further reforms to the planning system to ensure that local and regional plans prepare and release more land, in the appropriate places, and at an appropriate time, to meet our future housing requirements;
- a consultation on the Planning-gain Supplement (PGS) to help local communities fund and deliver the infrastructure necessary to support housing growth and share in the benefits it will bring; and
- in the run-up to the 2007 Comprehensive Spending Review (CSR07), a cross-cutting review to effectively coordinate the strategic delivery of infrastructure investment across departments, supported in part by PGS, necessary to enable the additional housing required.

2.5 Successfully delivering these reforms will enable the Government to set out its detailed plans at CSR07 to achieve its aim for a significant increase in housing supply over the next decade, going beyond the level set out in the Sustainable Communities Plan, helping extend home ownership to another million people in the next five years and taking the country towards the Government's aspiration of 75 per cent home ownership.

A new generation of home-owners

2.6 As well as increasing housing supply to meet the UK's long-term needs, the Government is taking action now and is currently helping 15,000 people each year into low cost home ownership (LCHO), with increases planned over the next two years. Since 2001, the Government has assisted over 18,000 key workers.

2.7 The Government aims to assist directly over 100,000 households into home ownership by 2010, including through the new HomeBuy scheme which comes into effect in April 2006. The scheme will help many who could not otherwise afford home ownership, will free up demand for social lets and will aid the recruitment and retention of key public sector workers through the Key Worker Living scheme. Social HomeBuy will provide families in social housing who cannot afford (or do not have) the Right to Buy or Right to Acquire with an opportunity to buy a share in their home. The availability of shares as low as 25 per cent for Social and New Build HomeBuy and the capping of rents will ensure that these products remain affordable in the future.

2.8 HomeBuy will help many first time buyers who cannot afford to buy on the open market at present. However, the Government is aware that it cannot meet demand on its own. Private sector companies, large and small, are already developing innovative schemes that offer shared equity products or discounted sale for first time buyers, key workers and others. The Government is keen to encourage such innovation and will be holding a conference with developers and investors to take this forward.

2.9 The Government has agreed plans with a number of lenders to introduce joint public-private financing of equity loans for open market purchase. This new scheme will enable Government to stretch public funds further and help more people into home ownership, contributing to the Government's target to help at least 100,000 households by 2010.

2.10 The Government is keen to explore how it can build on the good progress being made through the development of such financial products. The Government also believes there is further potential to release public equity and make public investment stretch further in support of its housing priorities, such as first time buyers. ODPM and HM Treasury will jointly explore with key stakeholders the opportunities for leveraging in greater levels of private finance.

2.11 However, the Government recognises that this range of schemes will not be appropriate for everyone. Some will struggle to buy even a 25 per cent share in a property, or would not be able to part-own sustainably due to the costs of maintenance. The Government is looking at options for helping those on lower incomes who wish to build up financial assets – for example, through the Savings Gateway pilot scheme, which uses Government matching as an incentive to encourage saving.

Not just market housing

2.12 The Government believes everyone should have the opportunity of a decent home, at a price they can afford within a sustainable community. The provision of housing should meet the needs of the whole community, including those whose housing needs are not met by the market. A good balance of housing types and tenures, including market, shared ownership and social rent, is a foundation for sustainable mixed communities.

2.13 The Barker Review made clear that the lack of overall housing supply was not only an issue for market housing, but also for sub-market housing. The Review set out how social housing provision was important in meeting the lack of overall supply, and argued that making housing more accessible included the provision of decent housing for those who cannot afford market housing. Yet falling investment in housing from the 1980s cut the rate of building and created a backlog of repairs to the existing stock. Despite big increases in social housing investment more recently, provision still lags well behind demand.

2.14 In her Review, Kate Barker identified a long-term shortfall in social housing provision, manifested through overcrowding and the growing use of temporary accommodation for vulnerable households. The Review set out the need for a substantial increase in the supply of social housing in order to keep up with demographic trends and to tackle the backlog of unmet need (see Box 2.1).

Box 2.1: The Barker Review's analysis of social housing

The Barker Review estimated that the newly arising demand for social housing was running at 48,000 households a year and recommended:

“The provision of social housing should be increased. At least 17,000 additional houses are required each year compared with current provision to keep up with demographic trends. Addressing the backlog of housing need would raise this to 23,000 per annum.”¹

¹ *Review of Housing Supply: Delivering Stability – Securing our Future Housing Needs, Final Report – Recommendations*, Kate Barker, 2004. (pp 93-95)

2.15 The Government has already made significant progress in meeting this long-term challenge, providing funding through the 2004 Spending Review to help deliver an additional 10,000 new social homes a year by 2007-08 compared to 2004-05 – a 50 per cent increase – and by reducing demand through investment in new approaches for preventing homelessness. The Government intends to go further to respond to the challenges set out by the Barker Review, and will set out its ambitious plans for increasing supply in social housing, with new investment alongside further efficiencies and innovation in provision, as part of the 2007 Comprehensive Spending Review.

2.16 In addition, the Government is considering a range of options for increasing the supply of new affordable housing, working with housing associations, local authorities and the private sector to draw on a wider range of assets and resources. The Government intends to explore these approaches, and pilot them where appropriate, to evaluate their effectiveness, value for money and wider applicability. The Government will be seeking views on these proposals, which include:

- allowing local authorities with Arms Length Management Organisations (ALMOs) the flexibility to use their own resources (including land) to build and own homes;
- exploring innovative ways in which excellent local authorities with good housing services could build new homes for rent;
- increasing the effectiveness of the housing Private Finance Initiative (PFI) programme, where Government is exploring the possibility of developing some form of partnership model to build new homes, which could speed up procurement and reduce its costs;
- encouraging local authorities undertaking PFI procurements to consider, with the private sector, the opportunities for increased new build for sale or shared ownership, which would be facilitated by the PFI credits. This helps maximise income to the PFI project, helping to reduce the cost to the public sector; and
- examining with local authorities and others the effectiveness of new initiatives and approaches to provide settled, affordable homes in properties that would otherwise be provided as more expensive and insecure temporary accommodation.

2.17 Local authorities seeking to explore these options will need to consider how these can be funded, including through receipts and prudential borrowing. The Government intends to proceed with consultation on these and other proposals during 2006.

Homes where they are needed most

2.18 Housing needs to be connected to the economy, and be provided where there are jobs. Yet all too often housing can be a barrier to prosperity, either lagging behind job growth or failing to respond to economic and demographic change.

2.19 The need for more homes is a reflection of an ageing and growing population, as well as the high rates of economic growth which have been experienced over recent years. Within the Northern and Midland regions, housing demand is rising and there have been large increases in house prices in some areas, although low demand remains a problem in others. The greatest pressures in affordability have been in certain regions: with wages failing to keep pace with house prices in the South West and housing affordability worsening in London and the South East because housing has not kept pace with demand. There is a serious need to increase housing supply to promote economic growth.

2.20 Providing for extra homes and jobs creates new opportunities for places to grow. It is important that in responding to these pressures, Government supports new homes in a wide range of areas. All regions have areas of high demand, although the greatest pressures continue to be felt across the South. This is why Government will look at a wide range of potential locations for increasing the provision of new homes, not just in existing Growth Areas in the South East. The Government will therefore consult with partners on growth proposals in these and other regions in the context of ongoing regional spatial planning.

2.21 Both Kate Barker's Review and the Government's own research into affordability demonstrate a need to increase the total supply of homes for sale and rent. However, the Government believes that in addition to a step change in new provision, it must also make effective use of existing stock. One way of achieving this is to bring more empty property back to the market. Bringing empty properties back into use has fewer environmental impacts than building new homes as such properties will also be located near to existing facilities and infrastructure. The Government believes that Empty Dwelling Management Orders – a new power contained in the Housing Act 2004 – will provide focus for a concerted effort to bring more long-term empty homes back into use.

2.22 The total number of empty homes has reduced by 10 per cent since 1997 – down from 767,000 to 690,000. This equates to 3.2 per cent of the housing stock. However, many of these remaining empty properties are vacant for transactional reasons and will come back into use without intervention. A more accurate picture is the number of private sector homes empty for more than 6 months. This has remained relatively constant throughout that period at around 300,000 (1.7 per cent of the private housing stock). It is into this hard-core of long-term empty property that the Government must make further in-roads.

2.23 In *Homes for All*² the Government committed to reducing the number of long term empty private properties by 25,000 by 2010. The Government will explore the scope to go further than this and more quickly if feasible. The Government will be discussing with local authorities and other stakeholders, including the Empty Homes Agency, how it might achieve an even bigger reduction over the same period.

²*Sustainable Communities: Homes for All – A Five Year Plan from the ODPM*, ODPM, January 2005.

The importance of delivery in rural areas

2.24 The drivers underlying demand for housing in rural areas are complex, and in some regions rural areas face affordability issues which can be as acute as those faced in urban areas. The specific issues associated with the affordability and provision of housing in rural areas are being explored, together with possible solutions, by the Affordable Rural Housing Commission, which is due to report in Spring 2006. Where rural affordability is an issue, regions and local authorities should consider the need to secure growth, in both the affordable and market housing sectors, in rural areas as well as in urban ones.

Prosperity for Every Region

2.25 Housing provision needs to be aligned with, and support, economic development. If additional housing is not provided in high-demand areas, high costs will inhibit growth and productivity. Historically, weak regional economies in the North and Midlands have also led to declining housing demand in certain areas, undermining the sustainability of communities. Now the situation is more complex, with continuing high demand in the South matched by areas of high demand in every region, whilst pockets of low demand or unpopular housing remain. This means that the Government must go further in providing balanced housing growth across regions, whilst meeting needs in every region. Without this balanced growth, the Government risks the UK losing investment and activity to its international competitors, while failing to support the success of growing regions. The policies set out in this document aim to do this, by giving cities and regions the tools they need to bring their economic and housing strategies together.

2.26 The Government will continue to support regional economies. To this end, the Government has set a Regional Economic Performance Target, jointly owned by ODPM, HM Treasury and the Department of Trade and Industry, to help narrow the persistent gaps in economic growth rates between the regions. (Box 2.2 summarises progress being made).

2.27 Recent figures on Gross Value Added (GVA) are encouraging, with GVA growth per head for the bottom six regions at 5.4 per cent compared to 3.6 per cent for the top three regions (in cash terms) in 2003.³ The North, Midlands and West are currently performing well. These regions are also experiencing population growth and housing market change and the Government will respond to these new trends.

2.28 In addition, the three Northern RDAs have come together in a voluntary partnership to form the Northern Way. The primary focus of the Northern Way is to narrow the £30 billion output gap between the North and the UK average by 2025. The Northern Way Growth Strategy focuses on the key areas that will help accelerate the process of economic growth: bringing more people back into work, creating high-quality transport links, strengthening the regions' knowledge base, building a more entrepreneurial North and creating truly sustainable communities by offering a wide choice of desirable places to live. The Government supports this approach and has contributed £50 million to a £100 million Northern Way Growth Fund designed to kick start the strategy.

2.29 Finally, work is ongoing with the Core Cities to help them to build upon their success. The Government's aspiration is that, over time, the northern cities (especially the Leeds-Manchester corridor) will comprise a new growth pole which will support and complement London and the wider South East

³HM Treasury analysis based on United Kingdom National Accounts, *The Blue Book 2004*, ONS.

Box 2.2: Improving regional economic performance

The Government has taken significant measures to improve the economic performance of all the English regions:

- Government is spending £9 billion on further education in England per annum. The three northern regions will receive £3 billion.
- There is increased funding for science across the country, which will be over £1 billion per annum higher in 2007-08 than in 2004-05.
- Government has established Pathways to Work pilots – an initiative to help people on Incapacity Benefit into work. 11 Pathways to Work areas will be established in the three northern regions.
- Government has raised the funding for the Higher Education Innovation Fund (HEIF) to £110 million a year by 2007-08 to increase capacity within the university sector for knowledge transfer.
- Government is trebling the funding for housing market renewal in the North and Midlands, with £450 million available per annum by 2007-08.
- Government is spending £12 billion per annum on transport, including £7.5 billion on the West Coast Mainline project, which directly benefits the Midlands and North West.

Key announcements:

- **Consultation on Kate Barker's proposal for a Planning-gain Supplement (PGS) to help finance the infrastructure needed to stimulate and service proposed housing growth, and ensure that local communities better share in the benefits that housing growth brings.**
- **A cross-cutting review, in the run-up to the 2007 Comprehensive Spending Review, to effectively coordinate across departments the strategic delivery of the infrastructure investment necessary to support the additional housing required.**
- **Wider consultation, in the run-up to the 2007 Comprehensive Spending Review, on local planning and housing incentives, including the Planning Delivery Grant, to enable local areas to invest to support housing growth and to share in the benefits it brings.**

3.1 Housing alone does not create a sustainable community. A growing and changing population needs to be provided with public services, such as schools, health centres, waste disposal, public transport and policing. Where new housing is required to accommodate this population, there is likely to be increasing water and energy demand, while flood defence and transport infrastructure may well be needed. In addition, wider policy objectives require that a proportion of overall housing growth be in the form of affordable housing (social and sub-market housing in various forms).

3.2 The Government is committed to ensuring that housing growth is accompanied by the social, transport and environmental infrastructure needed to deliver sustainable development at the local level. This chapter sets out the Government's response to the Barker Review's recommendations for delivering infrastructure to support growth.

Progress to Date

3.3 The Sustainable Communities Plan, published in 2003¹, set out the Government's plans to focus additional housing growth in four areas in the wider South East (Thames Gateway, London-Stansted-Cambridge-Peterborough, Ashford, and Milton Keynes-South Midlands). By doing so, growth could be accommodated in those areas with the capacity to sustain it, building on existing regional plans and proposed infrastructure. These four areas plus London have the potential to deliver an extra 200,000 homes above existing plans by 2016, and over 300,000 jobs.

3.4 ODPM funding for the four Growth Areas now totals around £1.25 billion from 2003-04 to 2007-08. This funding is being used to support a variety of local and community infrastructure and regeneration projects which will help to promote sustainable growth. Around £850 million of this funding is to be allocated to regeneration projects in the Thames Gateway, with around £400 million to be allocated to support the objectives of sustainable development in the three newer Growth Areas.

¹*Sustainable Communities: building for the future*, ODPM, 2003.

3.5 ODPM is working closely with partners across government to ensure that the necessary infrastructure to support growth is provided. In the Thames Gateway for example, £1.3 billion has been committed to providing transport infrastructure, £1.6 billion on skills, £1.3 billion for education and £400 million for health.

3.6 Good quality and accessible green space is fundamental to achieving the Government's vision of sustainable communities. Funding from the ODPM is supporting the delivery of key components of green infrastructure in each of the key growth locations through the development of:

- the rural/urban fringe – improving the interface between the urban and rural environments by providing improved access for people and wildlife;
- habitat protection – to provide rare and sensitive habitat with increased protection through habitat enhancement works, securing their biodiversity value for the future; and
- habitat creation – to restore areas of the countryside back to a more natural state, providing people with more opportunities to experience and interact with their environment first hand.

3.7 Around £37 million of ODPM's Growth Areas funding has been either allocated or earmarked to schemes which will provide and enhance green infrastructure in the newer Growth Areas, including in the Forest of Marston Vale, the Nene Valley Regional Park and at Dunstable Downs. ODPM has also developed *Greening the Gateway*, a greenspace strategy for the Thames Gateway, which promotes functional green infrastructure, offering a wide range of benefits including healthy recreation, wildlife protection and enhancement, and flood risk management. To date, ODPM has invested £26 million in greenspace projects from its Thames Gateway programme fund.

3.8 To oversee continued inter-departmental coordination and cooperation in delivering housing growth, the Government has accepted the Barker Review's recommendation that an appropriate Cabinet Committee should be created, chaired by the Prime Minister. In addition, senior officials from spending departments meet regularly through an Inter-Departmental Officials Group on Sustainable Communities, while Ministers from across government meet regularly with senior representatives from local government through the Central-Local Partnership on Sustainable Communities.

New measures to support key infrastructure

3.9 Government recognises that achieving its ambitions for increased housing supply requires it to go beyond current commitments and delivery mechanisms. Its analysis of the wider potential infrastructure implications of increased housing supply has identified a number of factors which need to be taken into account in taking this forward. These important considerations are set out in Box 3.1 below.

Box 3.1: Assessing the infrastructure costs of additional housing supply

Assessing the cost of the infrastructure required to support additional housing growth is a complex exercise, which involves significant uncertainties. In assessing potential costs the following points should be taken into account:

- It is particularly difficult to quantify the costs of infrastructure to support housing in general, not least because the magnitude of the costs tends to be so location-specific. The ability of existing services, or of any given spatial location, to absorb additional households can vary hugely.
- While some infrastructure costs may increase, others may be offset by reductions elsewhere. For example, new housing may not necessarily increase congestion, if it enables people to live nearer to their work or in less congested areas.
- Much of the additional infrastructure will be required to support economic and demographic growth with or without housing growth. Some of these costs will already be anticipated in the Government's long-term plans.
- Costs are likely to vary significantly according to the pattern of development, for example development in urban infill is significantly different to urban extensions, or new settlements.
- All of this is against a backdrop of significant investment in infrastructure. For example, identifiable public expenditure in the South East region rose from £28 billion in 1998-99 to £38 billion in 2002-03, a real terms increase of 17 per cent.
- Future investment strategies will also need to look at the scope for demand management, for example in water use, where the effects could be significant.

Cross-cutting review for CSR07 3.10 To address these uncertainties, and ensure that appropriate infrastructure will be provided to support housing and population growth, the Government is today announcing, as part of the 2007 Comprehensive Spending Review, a cross-cutting review to:

- determine the social, transport and environmental infrastructure implications of housing growth in different spatial forms and locations;
- establish a framework for sustainable and cost-effective patterns of growth, including by examining the use of targeted investment through the Community Infrastructure Fund and Growth Areas funding to support the fastest-growing areas; and
- ensure that Departmental resources across government are targeted appropriately to provide the national, regional and local infrastructure necessary to support future housing and population growth.

3.11 The review will ensure that decisions about the specific locations of growth are taken in conjunction with decisions about the specific mechanisms to deliver it. It will aim to achieve more effective partnership and cooperation between a variety of public bodies and service providers, resulting in the efficient delivery of additional housing, supported by timely provision of the infrastructure needed to sustain it.

Planning-gain Supplement 3.12 In order to help finance the infrastructure needed to stimulate and service proposed housing growth, and ensure that local communities better share in the benefits that growth brings, the Government is today consulting on its response to Kate Barker's recommendation for a Planning-gain Supplement (PGS).²

² *Planning-gain Supplement: a consultation*, HM Treasury, HM Revenue & Customs, ODPM, December 2005.

3.13 Kate Barker's Review argued that the Government should actively consider measures to capture a portion of the gains accruing to landowners as a result of the granting of planning permission, so that increases in land values can benefit the community more widely. It argued that these gains could play a useful role in providing a funding stream for the local and strategic infrastructure necessary to support growth.

3.14 The PGS consultation paper accompanying this response restates the case for capturing land value uplift for the benefit of the wider community and describes how a workable and effective PGS might operate. The consultation sets out options for allocating PGS revenues, informed by the following overarching principles:

- as an essentially local measure, a significant majority of PGS revenues will be recycled to the local level for local priorities. This will help local communities to share better the benefits of growth and manage its impacts, and will ensure that local government overall will receive more funding through PGS than was raised through s106;
- PGS revenues will be dedicated to financing additional investment in the local and strategic infrastructure necessary to support growth. The Government anticipates that an overwhelming majority of PGS funds will be recycled within the region from which they derived; and
- PGS revenues will also be recycled to deliver strategic regional as well as local infrastructure to ensure growth is supported by infrastructure in a timely and predictable way. Local and regional stakeholders, including business, will play an important part in determining strategic infrastructure priorities to help unlock development land.

3.15 The introduction of PGS would be accompanied by a scaling back of planning obligations, as recommended by Kate Barker, to make the planning obligations system more efficient and transparent. Reforms to the planning obligations system, which could reduce its scope to matters affecting the environment of the development site itself and the provision of affordable housing, are also set out for consultation. PGS revenues and other alternative sources would help cover the provision of infrastructure previously secured through s106 before scaling back.

Interim reforms 3.16 In the meantime, the Government has initiated interim reforms to streamline the current arrangements for negotiated planning obligations, ahead of the proposed PGS. A new Circular on planning obligations was published in July 2005³ on this subject, and the Government will be encouraging local planning authorities to implement the measures in the Circular in advance of PGS implementation, especially the use of formulaic and standard charge approaches to planning obligations, examples of which are being developed in the Growth Areas.

3.17 Through consultation, Government now seeks to engage the development industry, business, local government, the voluntary sector, professional associations and the wider public in creating a fair, workable and effective system for capturing land value uplift for community benefit, ensuring new housing growth is delivered in a sustainable way.

³ Circular 5/05, *Planning obligations*, ODPM, 2005.

Regional Funding Allocations **3.18** As part of its drive to devolve decision-making, the Government is also taking steps to help regions influence more directly future public spending decisions on infrastructure priorities. The 2004 Spending Review announced that the Government would examine new ways to integrate transport, economic and spatial development strategies. In December 2004, the Government launched a consultation, alongside the 2004 Pre-Budget Report, on how it proposed to implement regional funding allocations (RFAs).⁴

3.19 Building on this consultation, the Government has published guidance inviting regions to give advice on future public spending decisions based on realistic funding assumptions for transport, housing and economic development. The guidance sets out, for the first time, regional transport funding allocations for three years up to and including 2007-08, in line with the regional housing and regional economic development allocations already published. The guidance also provides indicative longer-term planning assumptions for regional allocations, beyond the three years of the current Spending Review, across the three funding streams.

3.20 Decisions on regeneration, transport, housing supply and economic development often entail investment for a number of years, and decisions in one policy area will have implications for the others. Having clearer planning assumptions on future funding should allow effort to be better focused, and allow more realistic and deliverable strategies to be developed.

Local incentives **3.21** The Barker Review also recommended that government should consider ways of incentivising local authorities to meet housing growth targets. In addition to its proposal that the majority of PGS revenues be retained at the local level, Government proposes to consult on further measures to enable local areas to invest to support housing growth and to share in the benefits it brings.

3.22 The Government accepts the case for an incentive scheme to encourage local authorities to deliver housing growth. As a first step, the Government proposes to reform the Planning Delivery Grant (PDG) to ensure it better supports areas which are delivering high numbers of new homes. Government will consult on these allocations in 2006, as part of a wider consultation on local planning and housing incentives, including PDG, for the next spending review period.

3.23 These measures come on top of the change made in the 2005-06 local government finance settlement which helped address concerns expressed by local authorities in areas of growth by abolishing the grant ceiling (a maximum limit on the percentage grant increase from one year to the next received by any authority) with the result that fast-growing areas such as Milton Keynes, Cambridgeshire and Peterborough can now receive increases of more than 10 per cent. The Government has also responded to the Barker Review's recommendation that it should make the formula grant distribution system more forward looking. The Government announced in July that the move to three-year settlements for local government will include the use of projections of changes in population and the council tax base. This will also benefit fast-growing areas.

⁴ *Devolution decision making: a consultation on regional funding allocations*, HM Treasury, Department for Transport, Office of the Deputy Prime Minister, Department of Trade and Industry, December 2004.

4

DELIVERING THIS STEP-CHANGE: PLANNING

Key Announcements:

- **Publication of draft Planning Policy Statement 3: Housing (PPS3) to ensure plans are more responsive to changing demands, and prepare and release more land, in the appropriate places, and at the appropriate times, to meet future housing requirements.**
- **Long-term objectives for affordability to be incorporated within the regional planning process, with detailed proposals being brought forward as part of the Comprehensive Spending Review process.**
- **Merger of regional housing and planning functions by September 2006, to ensure that regions can take a strategic view of meeting housing and infrastructure needs together.**
- **Establishment of a new and independent National Advice Unit by autumn 2006, to provide a common methodology for merged regional housing and planning bodies to use in deciding the right level of housing provision for their region.**
- **New measures to encourage the use of design tools, such as design codes, to accelerate the delivery of high quality development.**
- **Publication of a new Green Belt Direction, to further protect against urban sprawl.**

4.1 A well-functioning planning system is essential to delivering a responsive housing supply, while also promoting wider objectives such as environmental protection, good design and regeneration. The Barker Review concluded that an inadequate supply of developable land in plans was a key constraint on housing supply and attributed this to insufficient account being taken of housing market information within the planning system.

4.2 Housing market indicators can reveal important information about peoples' preferences and can be an important aid to decision-making. In particular, prices can reveal information about the costs and benefits of housing; can provide incentives for development; and can be used to allocate land. In this vein, the Barker Review recommended a series of reforms to planning at the regional and local level. After updating on the wider progress being made in reforming the planning system, this chapter sets out the Government's response.

Progress to date

4.3 Recent changes to the planning system are making planning more robust and more responsive to developing policies and changing circumstances. The new system for plan-making introduced by the Planning and Compulsory Purchase Act 2004 removed a tier from the system by taking out county structure plans. It also created new Regional Spatial Strategies and Local Development Frameworks better suited for planning at the regional and local level. These reforms will bring significant benefits as they continue to be rolled out across the country.

4.4 More effective community involvement has also been promoted, while efforts have been made to speed up planning processes, with more resources for local authorities linked to achieving target outcomes (see Box 4.1).

Box 4.1: Making planning more effective and efficient at the local level

Increased resources and incentives through the Planning Delivery Grant (PDG).

£170 million has been allocated in 2005-06 and a further £135 million and £120 million in 2006-07 and 2007-08 for improved performance. £13 million from this grant was awarded for strong performance in processing major applications in 2005-06.

Targets for planning authorities to speed up development control.

While there remains considerable room for improvement, planning applications are being processed faster now than at any time during the last decade. In 2004-05, 30 per cent more local planning authorities dealt with planning applications within Government targets than in 2001-02, despite an 18 per cent increase in the number of applications over that period. Central and local government share targets that all authorities should process 60 per cent of major applications within 13 weeks and 65 per cent of minor and 80 per cent of other applications within 8 weeks by March 2007. While some councils consistently achieve all these targets, some only process as few as 20 per cent of major applications within the target period of 13 weeks.

4.5 The Government is helping to build capacity in the planning system through the new Academy for Sustainable Communities, the provision of bursaries for planning courses and through the promotion of a programme of culture change in planning more generally. The Planning Advisory Service is now established to promote good practice and support improvement and the Advisory Team for Large Applications (ATLAS) is assisting local authorities in high demand areas deal with major housing applications. ODPM's e-planning programme is also helping to provide more efficient and accessible planning services and information.

4.6 The Government has also sought to make the system of planning appeals more efficient and effective. The last five years have witnessed a 51 per cent increase in the level of planning appeals to the Planning Inspectorate, resulting in a backlog of appeal cases. As a result of action over the last 12 months, the Inspectorate has now eliminated the backlog of written representation cases and the time taken to open inquiries on major cases has reduced from 52 weeks to 32 weeks – a 40 per cent improvement.

Faster appeals

4.7 Additional inspectors are now being recruited to increase the Inspectorate's overall capacity. For housing cases, the Inspectorate will now adopt a target to set up inquiries or hearings within 20 weeks and to issue a decision in a further 10 weeks in 80 per cent of cases. The Government is clear that the Planning Inspectorate must enforce existing procedures rigorously to achieve a fairer, faster and more efficient system. The Government will expect all parties in planning appeals to play their part in meeting these objectives; for example, through accepting dates for inquiries offered by the Inspectorate. The Government will also continue to explore ways in which to make the appeals system more responsive to the needs of its users.

The next stage of reform

4.8 Government recognises the need for further improvements to planning policies and processes and will continue to implement far-reaching reforms to make it quicker, more flexible and more responsive to the wider social and economic needs of the 21st Century.

4.9 In response to the Barker Review's recommendations on planning reform, the Government is bringing forward a number of important changes to ensure that:

- plans and plan policies in relation to housing take greater account of the housing market and of the need and demand for housing, alongside other factors, so that plans and decisions reflect the different circumstances of different areas across the country;
- land supply for housing development is increased with a 15 year plan horizon that identifies land for the longer term and provides at least a 5 year supply of developable land, giving continued priority to developing brownfield where it is available, suitable and viable;
- more affordable housing is provided where it is needed, consistent with the delivery of overall housing numbers, in order to help create communities that are sustainable, mixed and inclusive;
- the quality of new housing development is improved through a commitment to high quality design at the local level, supported by new tools including design codes and the Code for Sustainable Homes; and that
- appeals are accelerated so that housing inquiries and hearings are opened within 20 weeks and a decision issued in a further 10 weeks in 80 per cent of these cases.

4.10 These outcomes will be achieved through the reforms to planning processes and institutions set out below. Further detail on a number of these reforms is set out in the separate ODPM consultation on a draft Planning Policy Statement 3: Housing (PPS3).¹ The requirement for Sustainability Appraisal² to inform plans and plan policies will ensure that housing is distributed and located in a way which contributes to sustainable development, taking account of environmental, as well as social and economic considerations.

Improving affordability

Affordability objectives

4.11 One of the consequences of a long-term undersupply of housing has been worsening affordability for households, particularly for first-time buyers. The Government remains concerned about the impact of diminished housing affordability on the opportunities available for young people and others and is committed to addressing it.

¹ *Planning Policy Statement 3: Housing (PPS3)*, ODPM, December 2005.

² Under the Planning and Compulsory Purchase Act 2004, Sustainability Appraisal is mandatory for regional spatial strategies and local development documents. Further details are set out in paragraphs 24-26 of Planning Policy Statement 1.

4.12 The Barker Review identified some significant concerns with the process by which the appropriate level of house building is decided upon for the forthcoming plan period. Regional and local housing targets tend to have insufficient regard to housing demand, in both high and low demand areas, and tend to be unresponsive to changing housing market conditions over time. One consequence of this is that the UK's supply of new housing responds relatively little compared to other countries to changes in house prices.

4.13 To address these concerns, the Barker Review recommended that the Government should set a long-term national goal for affordability in the housing market and regional targets. The objective of this goal would be to increase the focus on the key outcome of improving access to market housing over the housing market cycle, by making the implicit trade-off between housing affordability and new supply more explicit in the debate about housing numbers and by building in greater responsiveness to market conditions over the plan period.

4.14 The Government accepts Kate Barker's proposal that the planning system should reflect long-term objectives for affordability, set out at both the national and regional level, and will bring forward detailed proposals as part of the Comprehensive Spending Review process. In future, Government will expect regions to determine the level of housing provision in their regions, taking account of both the Government's overall ambitions on affordability and advice from the National Advice Unit (outlined below), to set their own clear objectives for affordability over the medium term. This will place the long-term challenge of improving affordability as a central consideration in planning for housing.

4.15 As an initial measure, the objective of improving affordability in the housing market has been incorporated into ODPM's Public Service Agreement (PSA) 5 (balancing housing markets).³ This uses long-term trends in the ratio of lower quartile house prices to lower quartile earnings as a headline indicator.

Reforming planning institutions

4.16 The Barker Review also recommended reforms to the institutions that operate within the planning system. It recommended that the functions of the Regional Planning Bodies (RPBs) and Regional Housing Boards (RHBs) be merged into single bodies responsible for managing regional housing markets, and that these new bodies be supported by strong and independent Regional Planning Executives in each region to provide expert analytical support.

Merging RPB and RHB functions **4.17** Following consultation,⁴ the Government accepts the case for merging the functions of RPBs and RHBs, and expects the new merged bodies to be in place by September 2006. Merger will help ensure regions can take a more strategic view of meeting housing and infrastructure needs.

National Advice Unit **4.18** In addition, the Government will establish an independent National Advice Unit (NAU) to strengthen the evidence and analysis on improving housing market affordability available to regional planning bodies throughout the regional planning process. The Government will set up this unit by autumn 2006.

³ ODPM PSA5: "Achieve a better balance between housing availability and the demand for housing, including improving affordability, in all English regions while protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities".

⁴ *Housing and Planning in the Regions*, Consultation Paper, ODPM, September 2004.

4.19 The National Advice Unit's objective will be to advise Government and the regional planning bodies on the implications of the Government's long term affordability objectives for the level and broad distribution of future house building. The NAU will provide the regional planning bodies with a common methodology to inform regional levels of housing provision in support of the preparation of Regional Spatial Strategies (RSS) and other housing related regional strategies. It will also provide authoritative advice to the Examination in Public of RSSs, including advice on the affordability implications of proposals for housing levels put forward by the Regional Planning Body in the RSS, and their relationship to other relevant regional strategies.

The role of regions

4.20 At the regional level, Regional Assemblies will remain key decision makers. Government's proposals for merging the functions of RHBs and RPBs will give the regions a comprehensive and strategic overview of the challenges they face in housing supply and ensure the effective integration of information on regional housing markets and housing needs. Their role will be to understand what is needed in the region and to develop draft RSSs that include housing policies which will improve long-term affordability. The Secretary of State will remain responsible for approving the RSS following its public examination.

4.21 Delivering improved affordability is not a crude numbers game. Regional housing strategies will set out the appropriate roles of renovation, conversion and replacement of housing in delivering improved housing outcomes. Success in bringing empty homes back into use is also vital. In some areas this will mean managing the provision of new housing alongside changes to existing housing, to improve the quality of the housing stock and address problems of low demand.

4.22 Individual regions will continue to be responsible for developing policies to address their own particular housing issues, drawing on the knowledge and experience of strategic housing authorities. Regions should develop RSSs that respond to their particular challenges in the most sustainable way, drawing upon the expert advice of the NAU and taking account of the impact of and on adjacent regions.

The importance of sub-regional housing markets

4.23 The draft PPS3 identifies sub-regional housing markets as a more meaningful basis for planning for housing than local administrative boundaries. These are the areas within which people search for a house and are often closely aligned with travel-to-work areas. The draft PPS3 sets out how, within a sub-regional housing market, regional planning bodies will need to estimate housing need and demand (including the needs of specific groups), and determine the distribution of housing provision to local authorities, taking account of a sub-regional land availability assessment. These reforms, already being trailblazed in some regions and local authorities, will also improve planners' understanding of how different housing markets interact – especially where areas of high and low demand exist in close proximity.

Delivery at the local level

4.24 Under the new arrangements set out in the draft PPS3, local authorities will be responsible for allocating a five year supply of land for housing development, while identifying land for the longer term to deliver housing provision. The draft PPS3 also envisages a more proactive approach to development, with local authorities bringing forward brownfield sites for development and working in partnership with public and private sector partners to secure high quality development. Local authorities are also encouraged to work together across boundaries, and, where appropriate, to develop joint planning documents across administrative boundaries within a sub-regional housing market.

4.25 The draft PPS3 recognises that housing markets vary greatly within regions, with some areas suffering from severe affordability constraints, while others face localised low demand, with a range of circumstances between these two extremes. As land is developed for housing, local authorities will need to monitor delivery against planned provision, taking account of housing market information alongside wider social, economic and environmental concerns, so that as plans are reviewed and updated, housing delivery reflects changing circumstances appropriately.

4.26 The draft PPS3 also attaches high importance to the design and mix of housing that is delivered in new developments, in order to improve the quality of residential environments and contribute to the delivery of sustainable, mixed communities. As part of this approach, it sets out how design codes, which are one of a range of tools that can achieve high quality design, can best be used by local authorities and their development partners (see Box 4.2 below).

Householder consents **4.27** The Barker Review also recommended that the volume of minor, householder, planning applications should be reduced in order to release resources in the system to deal expeditiously with larger development proposals. The number of householder planning applications has doubled in the last ten years and now makes up a half of all applications. To address this, the Government set up the Householder Development Consents Review in January 2005. The review has considered the scope for cutting bureaucracy and improving procedures and will publish its final report in the new year.

Planning and design

4.28 Delivering sustainable communities is about more than simply meeting targets for the number of homes. If development is to be truly sustainable, Government needs to ensure that the quality of existing homes continues to improve and that new homes contribute to the creation of high quality, well-designed places where people want to live and work.

4.29 Good design is not just about aesthetics, although the look and feel of development is an important consideration. Design quality is founded on principles that ensure places and spaces are attractive, usable, durable and adaptable.

4.30 Good design quality is achievable on developments of all sizes. There are many examples around the country of places that have become loved by their communities as a result of innovative and distinctive design that respects the local context. Many are celebrated by the ODPM sponsored Housing Design Awards.⁵ However, as the Commission for Architecture and the Built Environment (CABE)'s recent Housing Audits⁶ demonstrate, the majority of new development remains mediocre in terms of design quality. The challenge is to ensure every new home is built to the same high standards as the award winners.

4.31 The Barker Review highlighted the need for the house building industry to work with CABE to raise design standards across the board. Government welcomes the fact that the Home Builders Federation have been working closely with CABE to develop and promote the Building for Life Standard⁷ (a joint initiative between CABE, the Home Builders Federation and the Civic Trust) which provides a clear guide to help house builders achieve high design quality. Government is supporting CABE to achieve a target of a hundred new developments gaining a Building for Life award for their high quality.⁸

A clear policy framework

4.32 There is a strong policy framework in place to support the achievement of well-designed and sustainable communities. Planning Policy Statement 1: Delivering Sustainable Development (PPS1)⁹ makes clear that good design is indivisible from good planning, and that design which fails to take advantage of opportunities for improving the character and quality of an area should not be accepted. This policy guidance is backed by good practice publications. In 2006, Government will issue further guidance on improving the quality of the public realm by publishing a design manual for residential streets, enabling improvements in the design quality of the local street environment that compliments our housing policies.

4.33 Government also promotes and encourages the local achievement of these policies through its support to CABE, as well as through demonstrating and disseminating innovation such as that being developed through the Millennium Communities and design coding programmes (see Box 4.2), and through the Design for Manufacture competition. Government will continue to work with industry and other stakeholders to deliver high quality development across the country.

⁵ www.designforhomes.org/hda

⁶ *Housing Audit: Assessing the design quality of new homes* (CABE 2004); and *Housing Audit: Assessing the design quality of new homes in the North East, North West, Yorkshire and Humber* (CABE 2005).

⁷ www.buildingforlife.org

⁸ *Sustainable Communities: Homes for All – A Five Year Plan from the ODPM*, ODPM, January 2005.

⁹ *Planning Policy Statement 1: Delivering Sustainable Development (PPS1)*, ODPM, 2005.

Box 4.2: A future for design codes

The draft PPS3 sets out a commitment to high quality design of new housing development and encourages the use of design tools such as design codes to achieve this.

A design code is a form of detailed design guidance which sets out specific requirements to guide the physical development of a site or place. The aim of a design code is to provide clarity as to what constitutes acceptable design quality and thereby a level of certainty for developers and the local community to facilitate the delivery of good quality new development. The draft PPS3 encourages local authorities to use this early investment in design to improve the speed of planning decisions and accelerate the delivery of high quality development.

In May 2004, ODPM initiated a nationwide programme of pilots to assess the potential of design coding in England in a range of different contexts, including private and public led development, different land ownership arrangements and different scales of development.¹⁰

Monitoring and evaluation of the pilot programme is near completion and full research conclusions will be published early in 2006. Early conclusions of the evaluation suggest that developments produced with design codes are of notably higher quality, so much so that they are setting new quality benchmarks in the locations where they are used, and acting as flagship developments for their developers. Development values are also improved on design coded sites.

ODPM and CABE are producing guidance that will be available next year to provide more detail on design coding, the circumstances in which they can be used successfully and how to develop design codes that respond to varied local circumstances.

4.34 The policies contained in the draft PPS3 reflect the essential need to achieve a step-change in the design quality of new homes if Government is to create genuinely sustainable communities, and will further strengthen this policy framework.

Protecting the Green Belt

4.35 The Government agrees with the Barker Review's recommendation that the principle of containing urban sprawl through green belt designation should be preserved. To reinforce the application of strict controls over development in the Green Belt, the Government is issuing a new Green Belt Direction,¹¹ requiring certain planning applications on Green Belt sites to be referred to the Secretary of State to decide whether he wishes to call in the application for his own determination. This will ensure that the most significant and potentially most harmful development proposals in the Green Belt are subject to additional scrutiny before they can be approved.

¹⁰ *Design Coding. Testing its use in England*, CABE (2005).

¹¹ *The Town and Country Planning (Green Belt) Direction 2005, Circular 11/2005.*

Promoting delivery on brownfield land

4.36 The Government also agrees with the Barker Review that a more sophisticated understanding of the relative environmental and amenity value of brownfield and greenfield land is needed. The draft PPS3 highlights how Sustainability Appraisal provides local authorities with a valuable mechanism for considering economic, social and environmental costs and benefits in considering different options for development. It continues to make developable brownfield land the priority for development and requires local planning authorities to work in partnership with public and private sector partners to bring forward brownfield sites as part of a local brownfield strategy. This will include local authorities setting out targets for development on brownfield land to be delivered over the plan period, contributing towards achieving regional targets for brownfield development, and enabling the Government to achieve its objective of 60 per cent of new housing development on brownfield sites. Together, these policies will work to maximise the reuse of brownfield land.

4.37 The Government's commitment to achieving 60 per cent of new development on brownfield land, and more efficient use of land through higher densities where appropriate (as described in the draft PPS3), will ensure that land take and potentially adverse environmental impacts are minimised. This has resulted in 70 per cent of new development in England being on brownfield land in 2004, up from 56 per cent in 1997.¹²

4.38 In addition, the Government is considering a number of options to further incentivise brownfield development. Due to the importance the Government places on regeneration, it will consider introducing a lower rate of PGS for brownfield sites, as suggested by Kate Barker in her Review. Government is also considering the Review's recommendation to extend the Contaminated Land Tax Credit (CLTC) to long term derelict land and will announce its decision at Budget 2006, once commissioned research to evaluate the effectiveness of CLTC has been completed. More generally, work is continuing with English Partnerships on a national brownfield land strategy to identify and bring forward sites. The Government expects this work to be completed in Spring 2006.

¹²Land Use Change Statistics, ODPM.

5

ENVIRONMENTAL SUSTAINABILITY

Key Announcements:

- **Launch of a new draft Code for Sustainable Homes covering energy, water, materials and liveability. All homes built by English Partnerships and the Housing Corporation will meet Level 3 of the Code.**
- **New planning policies to help manage flood risk (PPS25) and a new Flooding Direction to call-in proposals with inadequate flood risk assessment.**
- **Commitment to regulate to achieve water efficiency savings.**
- **Cutting construction waste by mandating Site Waste Management Plans.**
- **10 per cent of growth area funding earmarked for greenspace projects.**

5.1 The need for new housing, in response to social, economic and demographic pressures, represents both a challenge and an environmental opportunity. By 2026, it is estimated that there will be 5.7 million extra people in England. These people need homes. Shortages of housing can lead to larger commutes and less sustainable lifestyles. The Government's ambition is to ensure that the homes and communities that these people will inhabit are well-planned, resource-efficient and environmentally sensitive. This should deliver sustainable development at the local level, protecting and enhancing the environment.

5.2 The Government has already driven up the energy efficiency of new homes by 40 per cent through changes to building regulations since 2002. It has made Sustainable Drainage Systems mandatory where feasible, and committed to offering kerbside recycling to all by 2010. Here Government sets out proposals to go further to improve the quality of what is built, and where, to deliver sustainable communities.

The Code for Sustainable Homes

5.3 The Government is today publishing its draft Code for Sustainable Homes for consultation. The central objective of the Code is to improve the resource efficiency of new buildings, saving water and energy. The Code is designed to be a simple way to inform homebuyers about the sustainability of their new homes, and their running costs. A new home meeting the minimum standards of the Code will use around 20 per cent less energy and water per occupant than a home built to 2002 standards – this would save around £100 per year for an average family.

5.4 The Code covers energy (and carbon emissions), water, drainage, materials and important aspects of liveability, such as soundproofing for flats and access to natural light. Level One of the Code is more comprehensive and demanding than current building regulations, and the industry can use a tradeable points scheme to reach higher levels, with the highest level being carbon-neutral development, using cutting-edge technology, such as microgeneration.

5.5 The Code, once finished will set out the Government's preferred standard for sustainable homes. It will continue to be underpinned by building regulations and provides the opportunity to set out a coherent direction for future reviews and improvements to statutory building requirements over time. Government estimates that making a new home compliant with Level 1 will cost as little as £600 – less than 1 per cent of the price of the average new home last year. Over time, the costs of meeting higher levels of the Code are likely to fall as techniques and products used become more commonplace.

5.6 From next year when the Code is introduced, all new homes supported by English Partnerships or the Housing Corporation will meet the proposed Level Three of the Code. In addition, the Government intends that any other housing provided by the public sector should be built to Code standards. It is also the Government's ambition to achieve high levels of take up by the private sector and the Government is offering housebuilders the opportunity voluntarily to deliver significant improvements to the sustainability of new dwellings by widely adopting the Code. In addition, the draft PPS3, published today, requires local planning authorities to encourage applicants to apply the Code for strategic sites. Finally, the Government will monitor Code take up on an annual basis and this will inform the future development of statutory building standards.

Locating growth sustainably

5.7 Environmental sustainability will be a key criteria in determining the location of new homes. The availability of water supplies and the scope to discharge treated sewage are particularly affected by the location of development. The Government's planning policies help ensure that new developments are sited in the most sustainable locations – where there is good access to public transport, where water management is considered at the earliest stage possible and where green spaces are protected and enhanced where possible.

5.8 ODPM is working closely with Defra, the Environment Agency (EA) and Natural England to identify up front any pressures that new housing may place on the environment in particular locations, especially for flood risk, biodiversity, water and sewage. The Government will also seek the advice of OFWAT and the water companies early in the process to ensure that the environmental and cost implications of water abstraction and treatment are considered. Through the arrangements described in Chapter 6, Government will extend this process to any additional growth points created as a result of its proposed step-change in housing supply.

Additional measures

ODPM-DEFRA research **5.9** The ODPM-DEFRA commissioned research into the sustainability implications of new homes (see Box 5.1), shows that building new homes will have environmental impacts across a range of issues, but that these can be managed. Here, Government sets out further measures to address these impacts and maximise the environmental sustainability of new housing.

Box 5.1: ODPM-DEFRA research into the sustainability implications of new housing

In response to the Barker Review, ODPM and Defra jointly commissioned a project to examine the sustainability implications of different levels and distributions of additional housing supply.

As part of the project, a nine-region model was developed to examine the relationship between housing supply and various environmental impacts, including waste production, water use and energy use. In order to ensure consistency, the modelling was based on the same scenarios and inputs as used in the affordability model (see Annex 2).

The work highlights two important aspects of the sustainability impacts of house building. First, the impacts are highly location specific, and will depend critically on not only the scale of development, but also the pattern and distribution of development. Secondly, many of the environmental impacts derive from the people living in the houses and not from the houses themselves. A full version of the Final Report of this project is available from the ODPM website.

Water supply and waste water treatment

5.10 Water is a key factor in ensuring the sustainability of new housing developments. Water companies are already planning new house building into their water resources plans, using projections from ODPM and local authorities. OFWAT have already assumed in their current price limits that almost one million new properties will be connected to the water and sewerage service by 2010 and plans will be revised once proposals for additional growth are finalised.

Water efficiency **5.11** However, the Government believes that it can and should go further to achieve water efficiency savings that are cost-effective and straightforward. The Government is therefore announcing that it will use water fittings and building regulations to improve water efficiency and sanitation in all new homes. The Government will propose the fitting of dual-flush toilets, or low flush toilets, as standard. Government estimates that this reform will save around 10 per cent consumption of water for the average household. The Government will consult with the industry and others on the best option for regulation early in 2006.

5.12 Housing-related infrastructure can have long lead times, and plans need to look as far forward as the availability of information allows. To date, Ofwat's system of price limits with a 5 year review period has shown itself able to accommodate longer-term programmes. However, there have been concerns that the current planning period may not give sufficient time to deliver the sewerage and waste water infrastructure new or expanded communities may need.

5.13 OFWAT is contributing to a UK water industry research project to develop an acceptable industry planning framework and will be consulting shortly on the period to be covered by future price reviews and the interaction with longer term investment planning.

Flooding

PPS 25 5.14 The Government has a robust planning policy (PPG25) in place to minimise flood risks in new developments. It takes a sequential approach to building in areas of flood risk, ensuring that lower risk sites are developed first and requires that strategic flood risk assessments are carried out for new developments. While this is already working well and the number of developments being approved in areas of flood risk is declining, Government wants to improve the position further by strengthening and clarifying the policy in a new Planning Policy Statement 25: Flooding (PPS25), which it is now issuing for consultation.¹

Flooding Direction 5.15 The Government will consult on a standing Flooding Direction in respect of major development² where permission is proposed, despite there being a sustained objection from the Environment Agency on flood risk grounds. This gives Government Offices the opportunity to call in such applications for decision by the First Secretary of State.

5.16 Sustainable Drainage Systems (SUDS) can have a major role in reducing flash flooding caused by run-off in heavy rain. They are now mandated in building regulations wherever technically viable. However, in the past, barriers to the adoption and maintenance of SUDS have constrained and disincentivised their design and implementation. Yet, the benefits to water quality, flood management, biodiversity and amenity space they can provide are widely recognised.

Sustainable Drainage 5.17 As such, the Government is working to resolve these issues and is committed to encouraging their adoption in new developments. The Government has already acknowledged concerns raised by respondents to the *Making Space for Water* consultation,³ that Section 106 of the Water Industry Act 1991 may be a disincentive to the design and implementation of SUDS by developers. The Government will consider this issue in the context of broader work on integrated drainage management.

Waste

5.18 The Government is also planning for the waste needs of new developments and striving to minimise waste arising during construction. The Government's waste planning policy (PPS10) requires increased integration of waste management alongside other spatial planning concerns including housing. Moreover, Site Waste Management Plans will bring waste planning to the fore, securing an improvement in resource efficiency within the construction industry.

¹ Planning Policy Statement 25: Flooding (PPS 25), ODPM, 2005.

² A major development is one in which the number of dwellings to be constructed is ten or more, or the site area is equal to or greater than 0.5Ha. Non-residential developments are defined as major if they involve a floor space equal to or greater than 1000m², or a site area equal to or greater than 1Ha.

³ *Making space for water*, Defra, 2005.

5.19 PPS10 requires regional planning bodies to prepare Regional Spatial Strategies (RSS) which provide sufficient opportunities to meet identified needs for waste management for all waste streams and ensure that the design and layout of new development should support sustainable waste management.

Site Waste Management Plans **5.20** Construction waste represents a major part of UK waste streams, with some 13 million tonnes of materials used on English construction sites being wasted. Site Waste Management Plans can cut this waste by emphasising waste minimisation in the design process, planning for waste recovery and recycling during construction and ensuring that residual waste is dealt with properly. Such plans will help tackle fly-tipping by ensuring that only legitimate waste carriers are employed by developers. Although the cost savings from such plans should help broaden their adoption, Government will make Site Waste Management Plans a statutory requirement from 2007. A consultation on this will be issued in 2006.

Renewable and low carbon energy

5.21 With nearly 50 per cent of the UK's emissions of carbon dioxide attributable to constructing, maintaining and occupying buildings, it is vital that homes are as energy efficient as possible. The Government is committed to cutting emissions of carbon dioxide by 20 per cent by 2020 and 60 per cent by 2050 below 1990 levels in order to tackle and respond to climate change. The Government has already raised energy efficiency standards by 40 per cent over four years, but making greater progress requires it to consider not only the fabric of new buildings, but microgeneration of renewable energy and behavioural change (such as using inefficient domestic appliances) which threatens to negate efficiency gains. The proposed new Code for Sustainable Homes tackles these issues.

5.22 New housing developments can provide a major opportunity for the introduction of renewable energy generation. Planning Policy Statement 22 (PPS22), launched in 2004, sets out the Government's national policies for renewable energy in land use planning. PPS22 states that local planning authorities should consider the opportunity for incorporating renewable energy projects in new developments and that planning authorities should set targets for on-site renewable energy in new developments.

5.23 The Government wishes to see more diverse and local energy production. Technologies such as micro-wind, micro-hydro, photovoltaic cells, heat pumps and fuel cells have the potential to supply individual homes while generating carbon savings. Many renewable technologies, including heat pumps and solar hot water systems, are already cost-effective. But others require a larger market if costs are to fall and technologies are to become mainstream. The Government hopes that the higher levels of the Code, which aim for carbon-neutral housing developments, will provide a market pull to increase volumes and drive down costs for consumers.

5.24 Finally, the Government has recently been reviewing whether homeowners should still need to obtain planning permission for certain minor changes to their homes. The Government envisages consulting next year on amendments to the General Permitted Development Order, including provisions that would make it easier for householders to install micro-generation equipment.

Green spaces

Green Space Funding 5.25 The Government recognises the importance of protecting and enhancing the local environment, and the provision of high quality green spaces is an integral component of its vision for Sustainable Communities. To ensure that green spaces remain a high priority in the delivery of new housing developments, ODPM will earmark a minimum of 10 per cent of current Growth Areas funding for green space projects.

5.26 Ensuring that green spaces are a fundamental part of new developments will also help improve air quality, improve the local environment and help mitigate the risk of flooding. For example, the Government is using green spaces creatively in the Thames Gateway, where it is leading the way in the creation of a 'green grid' to provide green space for recreation for local people, protect and enhance biodiversity and help to minimise the risk of flooding in the Gateway.

Lifetime homes

5.27 A key part of creating sustainable communities, particularly in response to an ageing population, is providing homes that meet people's needs throughout their lives. This is currently achieved through building regulations, which are designed to ensure that the needs of disabled people are met, and through help from social services and housing authorities to provide aids and adaptations to allow disabled people to live independently in their own home.

5.28 The lifetime homes standard will also be incorporated into the Code for Sustainable Homes. It is very important that there is progress on increasing take up of the lifetime homes standard. The Government will monitor take up and review the future need for regulation if appropriate.

6

MEETING LOCAL NEEDS, RESPONDING TO NATIONAL CHALLENGES

Key Announcements:

- **ODPM is inviting expressions of interest from local partnerships for an initial round of pilot projects in potential new areas of growth for £40 million in 2007-08. This funding will help new growth points overcome local infrastructure problems, unlock new sites for new housing and improve the environment.**
- **The Government will consider through a new cross-cutting review the scope for delivering additional growth through sustainable growth points, including the use of large-scale brownfield sites to deliver additional homes.**
- **A cross-government process will advise on potential locations for growth to ensure that growth proposals are realistic in terms of the supporting infrastructure they require, and are socially, environmentally and economically sustainable.**
- **English Partnerships has been given a clarified remit in delivering major schemes.**
- **A new HM Treasury/ODPM Taskforce with inter-departmental input will be established to examine cost-effective options for releasing more public sector land to facilitate growth.**
- **The Government will offer continued support for the Housing Market Renewal Pathfinders as they submit revised schemes.**

6.1 The Government believes that its proposed reforms to regional housing and planning, alongside its proposals for enhanced infrastructure provision, provide powerful tools to deliver housing supply which is more responsive to demand in every region. However, some areas of the country face specific challenges, in areas of both high and low demand.

More sustainable, better-planned growth

6.2 Many areas of high demand face significant environmental pressures, particularly in respect of water, sewerage and flooding. Despite high levels of investment, these areas can also face great pressure on their transport networks. Government's response therefore needs to ensure well-planned, high quality development, validated through the statutory planning system.

6.3 Chapter 3 set out how the Government's cross-cutting review, as part of the 2007 Comprehensive Spending Review, will establish a framework for supporting sustainable and cost-effective patterns of housing growth. Through this, Government will examine the scope for delivering additional housing supply by working with and supporting local partners who are developing well-defined projects based on the urban renewal of towns and cities, particularly where this will help strengthen their economic potential and promote large scale regeneration.

6.4 These additional growth projects may be located not only within the wider South East, but wherever pressures are greatest. Much of the growth is likely to be delivered through town centre redevelopment or densification, reusing previously developed land, and through sustainable urban extensions. Such 'growth points', although generally smaller than the Government's existing four Growth Areas, will build on experience to date of housing and infrastructure delivery in these areas. Concentrating some of the additional growth within designated growth points will help protect the environment from inappropriate development and reduce the pressure on greenfield land.

6.5 However, in some areas the capacity for doing more in town centres and through urban extensions is limited. One option in these areas may be to look instead at large brownfield sites, such as disused former public sector land (for example, former hospital sites and redundant army barracks) which could be the focus of a viable and sustainable community, with high quality transport and other links to larger communities nearby. The ways in which Government will explore these options further are covered below.

New growth points

6.6 ODPM is issuing criteria and bidding guidelines for an initial round of pilot projects in potential new areas of growth worth £40 million in 2007-08. This Government funding will be provided to help new growth points overcome local infrastructure problems, unlock sites for new housing and improve the environment. Government will therefore be inviting expressions of interest from local partnerships in terms of the criteria published today. The long-term proposals for growth which partnerships are developing will be considered as part of the Government's overall approach to delivering a step-change in housing supply, and will be informed by the work of the Government's cross-cutting review.

6.7 In assessing proposals for growth, the Government will engage with the relevant Regional Assemblies and Regional Development Agencies on potential new growth points. Proposals for additional growth should be compatible with proposals in existing or emerging Regional Spatial Strategies and Regional Economic Strategies and will be subject to the statutory planning system. ODPM will continue to work across government departments to ensure that growth proposals are realistic in terms of the supporting infrastructure they require and are socially, environmentally and economically sustainable.

6.8 Sustainability Appraisal, a requirement of the statutory new regional planning process, will be vital to the determination of potential new locations of growth. Proposals from local partners will need to demonstrate that growth could be achieved without unacceptable environmental impacts, analysing, for example, the implications for flooding, water supply and sewerage. Government will engage with the Environment Agency from an early stage when assessing the environmental dimensions of these proposals.

6.9 Government will also build on its experience in the four Growth Areas to ensure that appropriate delivery structures are in place to unblock barriers to delivery. In most locations Government would expect the main local authorities to take the lead, in conjunction with the private sector, but there may be circumstances where a statutory delivery vehicle is needed.

Large brownfield sites

6.10 There is a good case for reusing large brownfield sites where they can be brought into use sustainably, alongside town centre schemes and urban extensions. Some of these may be sites previously used by the armed forces, by the health sector and by statutory undertakers and other utilities, such as former railway land. With the right design, good infrastructure and high quality links to neighbouring communities, these sites have considerable potential.

6.11 However, recent experience indicates significant delay and problems in delivering homes on many of these large sites, particularly in relation to infrastructure and local delivery capacity. Great care needs to be taken that sites are sustainable. Some may be too far from existing settlements to be viable, or have no prospect in the near future of securing the necessary public and private infrastructure. There may be other environmental factors which make such sites unviable. The key considerations are:

- can the site support a viable community in terms of facilities and amenities;
- can it secure excellent design, sustainable buildings and a quality environment;
- can it secure high-quality infrastructure, including good public transport;
- for services not available on the site, are the links to nearby centres viable and appropriate.

6.12 The Government's cross-cutting review will examine the scope for additional growth through the use of large-scale brownfield sites. Where large-scale development is proposed, and where necessary, Government will consider the need for additional local delivery vehicles and statutory development corporations.

The role of English Partnerships

6.13 The Government will draw upon the expertise of English Partnerships to help manage and bring forward these proposals. The Barker Review recommended that Government should provide greater certainty on the principles by which English Partnerships (EP) would determine whether it should intervene in land and property markets. Following consultations on this recommendation, EP has drawn up a statement of principles committing it to focus its activity where it can add value. The principles are intended to ensure that EP does not replicate or crowd out the activity of private, public or voluntary bodies with the capacity to deliver the same results. The principles highlight EP's strategic role in the reuse of surplus public sector land and in delivery on its existing sites. The principles are summarised in EP's Corporate Plan.¹

Making better use of surplus public sector land

6.14 The Government believes that the efficient reuse of surplus public sector land has a vital role in delivering new affordable housing. Many surplus sites have the potential to provide new homes with good access and attractive locations. English Partnerships, the national regeneration agency which has a particular remit to make better use of brownfield and surplus land, has already made significant progress in reusing former operational public sector sites. A register of surplus land was established in 2003 and currently holds details of over 700 central government sites covering over 4,600 hectares. This provides the opportunity for sites to be reused to deliver other government objectives such as new housing.

¹ English Partnerships Corporate Plan 2004-2008 – Annex 2. Available from www.englishpartnerships.co.uk.

6.15 In April 2005, the Department of Health and the ODPM concluded an agreement to transfer a portfolio of 96 former hospital sites covering about 1,600 hectares to English Partnerships. The sites are estimated to have the potential to deliver about 14,000 new homes, up to half of which could be affordable, as well as new employment floorspace and the reuse of 500 hectares of brownfield land. The first of these sites at Park Prewett, Basingstoke, has already been put to the market and will deliver over 1,000 homes in its first phase.

6.16 EP has also now agreed a framework agreement with the Ministry of Defence (MoD) to facilitate the effective re-use of former MoD sites. EP has acquired the former RAF staff college in Bracknell and is working to bring forward more former military land for redevelopment for housing and other uses.

Public Sector Land Taskforce

6.17 The Deputy Prime Minister and Chancellor announced in May that more surplus public sector land would be identified and released for housing. Work is therefore underway to:

- provide a more comprehensive picture of surplus public sector land by widening the coverage of the Register to cover land held by other public sector bodies and linking with information already collected on land held by local government bodies;
- explore with land owners how more of this land might be utilised to increase the supply of new homes, particularly affordable homes; and
- establish a new HM Treasury/ODPM Taskforce with inter-departmental input to examine cost-effective options for releasing more public sector land to facilitate growth.

Housing Market Renewal Pathfinders: Tackling the worst low demand

6.18 The Government remains committed to tackling the blight of low demand. Before the recent upturn in house prices, parts of some of our Northern and West Midlands towns and cities saw a downward spiral of falling house prices, abandonment and dereliction, leading to growing crime and antisocial behaviour. Some of the most disadvantaged in society were trapped in areas which had been deserted by those who could afford to move. This was an extreme symptom of a more general trend caused largely by long term reductions in population in areas affected by economic restructuring. The problem has been exacerbated by a lack of choice of housing types or tenure to meet today's aspirations.

6.19 The Government is delivering over £1.2 billion of funding up to March 2008 through the Housing Market Renewal Fund in order to transform twelve of these areas – nine housing market renewal pathfinders and three other sub-regions with low demand. In these areas the Government is working with public and private sector partners to improve demand and to provide housing which people will want now and for the future. These partnerships seek to stimulate demand, by improving economic prospects and education, reducing crime and creating a better environment – as well as by tackling housing problems. Pathfinders have generally incorporated a mix of refurbishment, demolition and new build, with refurbishment being predominant.

6.20 Government is currently assessing the pathfinders' updated plans for 2006-08, which take account of the changes to housing markets in the North and Midlands since the inception of the market renewal programme. In this second phase of the programme, partnerships will need to adopt strong economic strategies alongside housing strategies. They are also expected to demonstrate links to their strategies to the changing local housing market conditions and to respond to changes in demand.

6.21 Areas which have experienced low demand present great opportunities for the development of new housing to meet expected household growth and potentially to relieve pressure on areas where demand is running ahead of supply. They are often close to city centres with rapid economic development and present considerable opportunities for the reuse of brownfield land. It will take time and continued investment by public and private sectors to bring these areas fully back into the market. There is a big role to be played by regional and local planning authorities who Government expects to grasp the opportunity presented by areas which have experienced low demand when considering the location of additional housing. Good planning decisions can accelerate the pace of housing market renewal; poor decisions can make matters worse.

7

DELIVERING THIS STEP-CHANGE: THE INDUSTRY AND SKILLS

Key Announcements:

- Government welcomes as a first step the new annual customer satisfaction survey from the Home Builders Federation and awaits further progress on developing a code of conduct following industry engagement with the OFT.
- Government welcomes the positive work of the industry on modern methods of construction and commits to further engagement to overcome remaining barriers.
- Construction will be the focus of 1 of 4 new academies benefitting from £40 million investment in national skills academies.
- The Government will keep the industry's progress and the level of overall competition in the sector under review.

7.1 The UK construction sector constitutes a significant part of UK industry with turnover of £152 billion in 2003 and employment forecast to reach over 2 million by 2010. It is characterised by a predominance of smaller firms that come together in differing combinations on a project basis. House building and regeneration make up a particular subset of the industry. The Barker Review identified a number of challenges for the industry in order to respond to the changed policy environment and deliver improved responsiveness. The Review set out a number of recommendations relating to customer satisfaction, innovation, skills, training and design.

7.2 The Government has been working with house builders to look at how best to meet these challenges, and to ensure that other Government activities can support these efforts. Progress has been made, but Government remains concerned about access to the market for new entrants, and that the industry continues to show a strongly cyclical response to the market, despite long-term increases in demand. The Government will continue to keep the industry's progress and the level of overall competition in the sector under review.

Raising Levels of Customer Satisfaction

7.3 The Barker Review noted the low levels of customer satisfaction and a lack of adequate customer protection. It set out how customer satisfaction levels had fallen since 2000, with only 46 per cent of customers saying that they would recommend their housebuilder. The need to improve standards applies right across the industry: of the nine companies that performed worse than the industry average on this indicator, four – Persimmon, Barratt, Wilson Connolly and Westbury – were among the top ten housebuilders in 2002.¹

7.4 Low levels of consumer satisfaction have been underpinned in the past by a lack of adequate customer protection. Land contracts are partially exempt from the Unfair Contract Terms Act (1977) and, until earlier this year, some in the industry questioned whether the Unfair Terms in Consumer Contract Regulations (1999) applied to consumers buying new homes. The Office of Fair Trading (OFT) intervened in a recent legal case and the Court of Appeal Judgement handed down in that case has resolved that these Regulations do indeed apply. The Regulations implement European Union law and therefore take precedence over the exemptions in the Act. Even then, the historic lack of protection means that contracts are often unclear and include wide ranging exclusions of liability, which can be detrimental to customers.

¹ *Review of Housing Supply: Delivering Stability – Securing our Future Housing Needs*, Final Report – Recommendations, Kate Barker, 2004 (p112).

7.5 The Barker Review recommended that the housebuilding industry must demonstrate increased levels of customer satisfaction. It challenged the Home Builders Federation (HBF) to develop a strategy to raise satisfaction and a code of conduct to meet the Office of Fair Trading's Consumer Codes Approved Scheme and comply with the Unfair Terms in Consumer Contracts Regulations 1999 (recommendation 32).

7.6 Government welcomes, as a first step, the HBF's commitment to develop an annual customer satisfaction survey which will be published. This will allow progress to be measured, although the survey will need to be developed over time to meet the standards set by the previous Housing Forum surveys. The survey will be of practical benefit to the industry and its customers, and will demonstrate the industry's commitment to increasing customer satisfaction.

7.7 Government is awaiting HBF's proposals for a model form of contract, which it is advised will be submitted to the Office of Fair Trading shortly. HBF is also charged with developing a code of conduct in full compliance with the framework provided by OFT's Consumer Codes Approval scheme.

7.8 If the industry can meet these challenges, it will create a strong platform for achieving a significant improvement in customer satisfaction within the three year period laid down by the review. The Government will continue to monitor progress against these challenges as well as the overall level of competition in the sector.

The Skills Challenge

7.9 Responding to evidence that the construction industry was being held back by workforce and skills issues, the Review recommended increased investment in construction sector training and apprenticeships. The Government has recently announced that construction would be the focus of one of four new employer-led National Skills Academies, able to benefit from a share of £40 million funding. This initiative is being driven by well-known companies in the industry who will work with Learning and Skills Councils (LSCs) to develop detailed business plans.

7.10 The Government has secured the commitment of the HBF and the Major Home Builders Group to a significant new initiative aimed at getting young people on full-time construction courses the on-site experience they need to complete their qualifications. The programme is piloting this year (with around 120 candidates) and is planned to grow to around 1,000 candidates in 2006-07.

7.11 In addition, the Government's new Academy for Sustainable Communities, based in Leeds, is establishing a learning framework in partnership with training and education providers, to identify specific needs, influence course content and develop learning opportunities to promote generic skills, such as site management, which are in short supply.

The Innovation Challenge

7.12 The Review identified innovation as an important factor in the industry's ability to increase housing supply. In particular, it recommended that an industry strategy be developed to address barriers to greater use of modern methods of construction in order to provide more and better quality houses in less time.

7.13 The industry has responded positively to this recommendation, with a large group of representatives actively engaged, led by the HBF. Both ODPM and DTI have been kept informed of progress, and are involved in the work. The Government looks forward to receiving the final report later this year, and will consider carefully any recommendations made.

7.14 The Government welcomes the recent report of the National Audit Office into how modern methods of construction could be used to build homes more quickly and efficiently. The report shows clearly that the use of modern construction can bring efficiency benefits. It demonstrated that up to four times as many homes can be built with the same on-site labour; that building performance can be at least as good as other construction methods and that a reasonable degree of cost comparability can be achieved depending upon the approach adopted.

7.15 The report, and associated material that will be available on the internet, provides useful guidance and a practical tool for housebuilders to help them get the best use from these approaches and reduce the risk of inappropriate use.

Towards higher building standards

7.16 The Government has set out its case for the voluntary Code for Sustainable Homes, and will work with the industry to promote higher rates of take up. The Government challenges the industry to take this opportunity to raise the environmental performance of what is built.

7.17 However, the Government also needs to better align future reviews of statutory building regulations with this voluntary Code. It will therefore develop a revised process for updating Building Regulations, which will ensure that it can continue to make improvements to statutory standards in a simpler, more transparent and less piecemeal manner. This will make it easier for the industry to adapt to changes and should improve compliance.

8

CHALLENGES AND OPPORTUNITIES FOR SUSTAINABLE COMMUNITIES

Challenges for all

8.1 Through the measures set out in this response, the Government has laid down a framework within which the UK's future housing needs can be met through the creation of sustainable communities.

8.2 The Government's consultation on its response to Kate Barker's recommendation for a Planning-gain Supplement (PGS), and subsequently on local incentives, will help ensure that local communities share the benefits resulting from housing growth, and that the infrastructure needed to support housing is delivered at the local and regional level.

8.3 The Government's planning reforms, many of which are encapsulated in the draft PPS3, will help make local and regional plans more responsive to the needs of local communities, while encouraging good quality design.

8.4 The Government's response on social housing demonstrates its commitment to increase support for those for whom the market may never provide solutions, not only through the 2007 Comprehensive Spending Review process, but also through encouraging new and innovative approaches to delivering additional affordable homes.

8.5 The announcement of a cross-cutting review and interdepartmental processes to examine the location and delivery of new growth, signals the Government's commitment to an environmentally and socially sensitive approach to locating growth. The Government's draft Code for Sustainable Homes and its measures on water efficiency and flooding reinforce its commitment to the environment and will drive up the standards of homes across the industry.

8.6 This broad package of measures provides a comprehensive framework for the creation of places where people will want to live and work, now and in the future. This is a compelling vision, but turning it into reality requires more than simply central government support: it also requires reform and commitment from all delivery partners.

A challenge for regions

8.7 The UK's regions cannot thrive unless housing is closely aligned with economic development planning and transport strategies. The Government now looks to regional decision makers to respond to PPS3 and the accompanying institutional reforms, by setting a level of housing that better meets the demands of sub-regional housing markets. With the merger of the functions of the regional housing and planning bodies within reformed assemblies, regions should have the capacity to deliver better and deeper strategic integration, planning the homes and thriving communities needed for prosperity.

A challenge for local authorities

8.8 Local authorities have a crucial role to play in meeting the housing needs of their communities as a whole. Their strategic housing role must be revitalised, reflecting the closer working needed between housing and planning functions at every level. Local authorities are in a unique position to take an overview of local housing need across all tenures, not just to act as providers of social housing. The Government expects them to assess what is needed locally, to put the right strategy in place to deliver it and to work with appropriate partners to make it a reality. Housing markets do not always respect administrative boundaries, and the Government expects local authorities to work in partnership to deliver the best outcome for their sub-regional area.

8.9 The Government also believes that local authorities can have a major impact in developing effective strategies and services for making the best use of existing housing, providing housing advice, preventing homelessness and providing housing support to increase the number of families and vulnerable individuals who are helped to live independently in settled, affordable homes. This includes exploring innovative approaches to utilise existing housing and cut the financial and social cost of temporary accommodation for homeless families. Finally, as this document makes clear, the Government believes that local authorities must explore ways of making better use of their land and other assets to support the delivery of more market and affordable housing.

A challenge for social housing providers

8.10 Social housing provision will be a priority in the 2007 Comprehensive Spending Review, but additional public investment is only one route for increasing supply. The Government will be looking to the sector to make the best use of its substantial assets to deliver more homes. Delivering greater efficiency across all aspects of social housing provision, building on the significant gains already made, will free up more resources for reinvestment in more affordable housing. The Government also looks to the sector to innovate and come forward with imaginative proposals for attracting private finance into all forms of affordable housing. The sector has a key role to play in fulfilling peoples' aspirations – be they to own, part-own, or rent a decent home.

A challenge for house builders

8.11 The package of planning and infrastructure measures that Government is outlining in this response represents a major opportunity for housebuilders and the Government looks to the industry to engage positively. The Government welcomes the progress that has been made in improving customer satisfaction and making use of innovative building techniques. But the industry still needs to raise its game to increase supply to meet rising demand. The Government will continue to keep customer satisfaction and competition in the sector under review. Finally the Government's new Code for Sustainable Homes represents a major opportunity for the industry to voluntarily raise the sustainability standards of what they build. The Government expects that the Code will lead to greater consumer demand for better homes, and hopes that many firms will see the advantages that the Code can bring to their business.

A challenge for the finance sector

8.12 Government resources are finite and there will always be limits to what it can deliver by itself. Delivering a step change in housing supply, and opening up home ownership opportunities to many more households, will require the development of innovative financial products. The challenge to the financial sector is to help individuals better realise their housing aspirations – be that directly, such as through new and innovative equity loan products, or indirectly, by developing attractive investment products that support the development of new affordable housing, or which release public sector equity for reinvestment in more new homes.

CONCLUSION

8.13 The Government has set out the case for more and better homes. In this response it has identified a framework for delivering its future social, economic and environmental ambitions, with new homes provided in sustainable communities. Over the months and years to come, Government will work with its partners at all levels to make a reality of this vision, and deliver the prosperity, stability and quality of life for this and for future generations.

ANNEX I: SUMMARY OF RECOMMENDATIONS AND THE GOVERNMENT'S RESPONSE

Recommendation 1

Government should establish a market affordability goal. This goal should be incorporated into the PSA framework to reflect housing as a national priority.

Government Response

The Government accepts Kate Barker's proposal that the planning system should reflect long term objectives for affordability, set out at both the national and regional level, and will bring forward detailed proposals as part of the Comprehensive Spending Review process. In future, Government will expect regions to determine the level of housing provision in their regions, taking account of both the Government's overall ambitions on affordability, and advice from the National Advice Unit in order to set their own clear objectives for affordability over the medium term. This will make the long-term challenge of improving affordability a central consideration in planning for housing.

Recommendation 2

Local Authorities should charge more for second homes to improve efficiency of the use of stock.

Government Response

Since April 2004, local authorities have had the power to reduce the council tax discount on second homes to 10 per cent, taking account of local housing market conditions. In 2004–05 local authorities raised an additional £88 million for spending locally through reducing the second homes discount. The Government looks forward to receiving the report of the Commission for Rural Communities on how the additional monies raised have been spent, and to any possible recommendations arising from the work of the Affordable Rural Housing Commission.

Recommendation 3

Further research should be undertaken to improve the evidence base for housing policies, for example on the relationship between housing, economic growth and deprivation at a micro level.

Government Response

The Government agrees that improving the evidence base for housing policy will continue to be a key priority over the next few years. To this end, the ODPM has commissioned two large research projects (published alongside this response document) to understand further the affordability and sustainability implications of additional house building, at the national and regional level. These projects represent a major step forward in understanding the impacts of additional housing supply and provide a good basis for the Government's response to the Barker Review. A continuing programme of research has been established to build on, and improve, this evidence base over the coming years.

Recommendation 4

Government should establish a review of the housing market to report in no more than three years time. The purpose of this review would be:

- To measure Government's progress in implementing the recommendations set out in this Report; and
- To assess progress towards achieving a more flexible housing market and to identify any further obstacles.

This assessment might become a regular review of the UK housing market. To assist any future reviews and to help improve the evidence base for assessing the effects of policy, Government should consider a range of data improvements to enhance understanding of the housing market, the effect of policy changes and planning processes.

Government Response

The Government will continue to monitor progress in achieving a more flexible housing market. The Government has today published the findings of two research projects on affordability and sustainability, and will continue to improve the evidence base for housing policy drawing on expertise from the relevant sectors.

Recommendation 5

Each region, through the Regional Planning Body (RPB) should set its own target to improve market affordability. Taken together, the regional targets should be consistent with the Government target (Recommendation 1), although individual regions will differ. There is also merit in RPBs specifying sub regional targets which may include floors and ceilings.

Indicative net housing targets for the region and local authorities should be produced, by the Regional Planning Executive (Recommendation 6), in order to aim to achieve this market affordability target. Government should provide regions with clear guidance on the methodology to achieve this. These housing targets would be set over a 5-10 year period as a trajectory. However, the targets and trajectory would not be fixed and would vary as a result of increased flexibility at the local authority level (Recommendation 9). They would also be revised in either direction if monitoring of the affordability target demonstrated that the region was not moving towards the desired outcome.

Government Response

The Government will expect regions to set their own clear objectives for affordability over the medium term, taking account of both the Government's overall ambitions on affordability and advice from the new National Advice Unit. The Government will establish an independent National Advice Unit by Autumn 2006, to advise the Government and the regional planning bodies on the implications of the Government's overall ambitions on affordability for the level and broad distribution of future house building. The NAU will provide the merged regional housing and planning bodies with a common methodology to inform regional levels of housing provision in support of the preparation of Regional Spatial Strategies (RSS) and other housing-related regional strategies.

Recommendation 6

The Regional Planning Bodies and Regional Housing Boards should be merged to create a single body responsible for managing regional housing markets, delivering the region's affordability target and advising on distributing resources for social housing and sub market housing. The Regional Planning and Housing Bodies (RPHBs) would continue to be responsible for the Regional Spatial Strategy (RSS) and the integration of housing with other regional functions.

These merged bodies should be supported by a strong and independent Regional Planning Executive in each region which would be the expert analytical body responsible for:

- providing public advice to the RPHB on housing numbers and allocation of housing within the region in order to achieve the region's market affordability target;
- advising on other technical aspects of the Regional Spatial Strategy (RSS) and investment in social and sub market housing;
- identifying strategic growth areas and the need for special purpose vehicles;
- creating strong links with key stakeholders;
- monitoring the regional housing market and local authority performance on both completions and responsiveness to the market; and
- signalling the need for a review of the RSS where the market is not functioning well and the affordability target is unlikely to be met.

The regional planning executive would require new appointments, including a chief executive appointed through an independent public appointments process.

Government Response

Following consultation, the Government accepts the case for merging the functions of Regional Planning Bodies and Regional Housing Boards and expects the new merged bodies to be in place by September 2006. The merger will help regions to take a more strategic view of meeting housing and infrastructure needs.

Recommendation 7

Government should set out guidance, accompanying a revised Planning Policy Guidance 3 (Housing), for determining the scale and allocation of housing provision at the regional level to ensure that methodologies reflect a full consideration of the economic, social and environmental costs and benefits of housing at the regional and local level. This guidance should be based on the following principles:

- Transparency over the calculations, assumptions and policies that determine the scale and distribution of housing numbers, so that the trade-offs between different outcomes are made explicit.
- Consistency in the approach of different regions to the use of information and to the weight given to different variables; in particular, consistency in the method used to translate the region's affordability target into indicative housing targets across the region.
- Application of market information and signals, including house prices and house price growth and market affordability in decisions made about the scale and distribution of housing targets.
- Decisions about the scale and distribution of housing numbers that over-ride market information, should be based on sound evidence and should set out the costs associated with the decision.
- Decisions about the scale and distribution of housing numbers should be informed by sub-regional and Local Housing Assessments (which should include analysis of house price growth and affordability, as well as local housing need).

Government Response

The Government will establish an independent National Advice Unit by autumn 2006, to advise the Government and the regional planning bodies on the implications of the Government's overall ambitions on affordability for the level and broad distribution of future house building. The NAU will provide the merged regional housing and planning bodies with a common methodology to inform regional levels of housing provision in support of the preparation of Regional Spatial Strategies (RSS) and other housing-related regional strategies.

Recommendation 8

Government should set out guidance on the composition of Regional Planning and Housing Bodies. This guidance should include the following:

- Guidance on training and skills requirements for members of the Regional Planning and Housing Body to enable them to act in a regional (and supra-regional) capacity.
- Guidance on the optimal make up of the non-elected component. Although the ideal make up will differ from region to region, Government should specify the organisations and agencies that should be represented. The Review recommends that organisations and agencies responsible for planning and funding infrastructure and services should be on the Regional Planning and Housing Bodies.

Government Response

The Minister for Communities and Local Government has written to the Regional Assemblies inviting them to put forward proposals for how they will carry out the new functions flowing from the Government's response to recommendation 6. This request was made alongside broad guidance on how the Regional Assemblies should operate more generally. Government will examine the regions' proposals in the new year and will offer more detailed guidance, if appropriate, at that time.

Recommendation 9

Local plans should be more realistic in their initial allocation of land, and more flexible at bringing forward additional land for development. When allocating land sufficient to meet their targets for additional dwelling, local authorities should allow for the proportion of sites that prove undevelopable, often as a result of site-specific problems. In drawing up their plans, local authorities should identify their own historic shortfall and allocate an equivalent amount of land to fill this implementation gap.

Local authorities should allocate a further buffer of land to improve their plan's responsiveness to changes in demand. Additional land for development would be brought forward from this buffer when there was evidence of local housing market disequilibrium. It would be inappropriate to be unduly prescriptive at this stage about the appropriate size of this buffer, but it seems reasonable to assume that an additional 20-40 per cent of land sufficient to meet an authority's housing target would provide enough headroom to respond to signals of market disequilibrium.

Developers should be able to submit applications for any site allocated in the plan, subject to the conditions of the revised sequential test being met. Once sufficient land is being developed to meet an authority's housing target, then it could, as now, refuse additional applications. However, if predefined indicators of housing market disequilibrium were triggered then authorities would not be able to refuse additional applications on the grounds that their housing targets had been met. These triggers could include:

- worsening market affordability for newly-forming households and/or lowest quartile earners;
- local house price increases relative to the regional average;

- an increasing premium in land prices for residential use over other uses;
- employment growth significantly outstripping housing growth; and
- rising numbers of housing transactions.

The new Regional Planning Executives should play a central role in developing an evidence base and in advising on setting these triggers. Triggers should be sensitive to the differing circumstances of housing markets across the country, including those parts of the country where low demand for housing is leading to problems of dereliction.

Government should revise PPG3 to set out how this process would work.

Government Response

Following consultation, the Government is publishing a draft Planning Policy Statement 3: Housing (PPS3). Under the new arrangements set out in the draft PPS3, local authorities will be responsible for allocating a five year supply of land for housing development, while identifying land for the longer term to deliver their housing objectives. The draft PPS3 also envisages a more proactive approach to development, with local authorities bringing forward brownfield sites for development and working in partnership with public and private sector partners to secure high quality development. Local authorities are also encouraged to work together across boundaries, and, where appropriate, to develop joint planning documents across administrative boundaries within a sub-regional housing market.

The draft PPS3 recognises that housing markets vary greatly within regions, with some areas suffering from severe affordability constraints, while others face localised low demand, with a range of circumstances between these two extremes. As land is developed for housing, local authorities will need to monitor delivery against planned provision, taking account of housing market information alongside wider social, economic and environmental concerns, so that as plans are reviewed and updated housing delivery reflects changing circumstances appropriately.

Recommendation 10

Planning guidance should be amended to advise regional and local planning authorities on assessing the value of land to society. This would enable planners to take account of the relative values that society places on different types of land use when allocating land in local development frameworks, recognising the inevitable difficulties with interpretation of this data.

The general principle of containing urban sprawl through greenbelt designation should be preserved. However, planning authorities should show greater flexibility in using their existing powers to change greenbelt designations where this would avoid perverse environmental impacts elsewhere. Any change in the designation of greenbelt land should require a strong evidence base, taking full account of the value that society attaches to different types of land use in an area.

Government Response

The draft PPS3 highlights how Sustainability Appraisal provides local authorities with a valuable mechanism for considering economic, social and environmental costs and benefits in considering different options for development. It continues to make developable brownfield land the priority for development. The Government agrees with the Barker Review's recommendation that the principle of containing urban sprawl through green belt designation should be preserved. To reinforce the application of strict controls over development in the Green Belt, the Government is issuing a new Green Belt Direction, requiring certain planning applications on Green Belt sites to be referred to the Secretary of State to decide whether he wishes to call in the application for his own determination. This will ensure that the most significant and potentially most harmful development proposals in the Green Belt are subject to additional scrutiny before they can be approved.

Recommendation II

Housing developments differ in their nature. It is not appropriate to apply the same planning process to all developments. The Government should introduce two additional routes for developers to choose between, when applying for planning permission:

- Outline only route – applicants would put forward an outline application which contained more detail than is currently required. Local councillors would grant outline permission, but the granting of outline permission would mark the end of both the formal consultation process and of councillors' involvement. Any outstanding issues or reserved matters would be dealt with by planning officers.
- Design code route – applicants would put forward a proposal for development supported by a design code. Local councillors would satisfy themselves that the code had been drawn up in accordance with planning guidance on both design and community consultation and, if so, would adopt a Local Development Order (LDO) to cover the identified site. This would automatically waive the need for permission to be granted. Planning officers would then monitor to ensure that the conditions set out in the code were met.

To achieve these changes, PPG3 should be revised to:

- outline the choice of routes available to developers and the minimum requirements in each case;
- indicate that councillors should delegate the discharge of certain functions to officials;
- set out the principles which urban design codes should meet, including clear guidance on community consultation; and
- provide a mechanism for the use of LDOs to fast-track applications supported by a design code.

Government Response

The Government consulted on outline planning permission proposals earlier this year and the responses are under consideration. In May 2004, ODPM initiated a nationwide pilot programme to assess the potential of design coding in England in a range of different contexts, including private and public led development, different land ownership arrangements and different scales of development.

Monitoring and evaluation of the pilot programme is near completion and full research conclusions will be published early in 2006. Early conclusions of the evaluation suggest that developments produced with design codes are of notably higher quality, so much so that they are setting new quality benchmarks in the locations where they are used, and acting as flagship developments for their developers. Development values are also improved on design coded sites.

ODPM and CABE are producing guidance that will be available next year to provide more detail on design coding, the circumstances in which they can be used successfully, and how to develop design codes that respond to varied local circumstances.

The draft PPS3 sets out a commitment to high quality design of new housing development and encourages the use of design tools such as design codes to achieve this. It encourages local authorities to use this early investment in design to improve the speed of planning decisions and accelerate the delivery of high quality development.

Recommendation 12

Government should take a rigorous approach to revising PPG3. Future revisions should be grounded in an evidence base and should be subject to scrutiny from a panel of housing and planning stakeholders, including the development industry. Restrictions on development should have an identifiable and evidenced benefit that outweighs their costs.

Government Response

The Government has published a draft PPS3 for consultation following extensive discussions with a widerange of housing and planning stakeholders. Following consultation the Government will publish a final PPS3 and accompanying practice guidance in 2006.

Recommendation 13

Government should allow Regional Spatial Strategies to deviate from PPG3 where there is clear evidence to support a different approach within the region. While the agreement of the Secretary of State should be essential, it should only be possible for Government to reject an application to deviate on the grounds that the evidence is not strong enough.

Government Response

These proposals have been taken forward in the draft PPS3. Following consultation the Government will publish a final PPS3 and accompanying practice guidance in 2006.

Recommendation 14

PPG3 should be revised to require local planning authorities to be realistic in considering whether sites are available, suitable and viable. Any site which is not available, suitable and viable should be disregarded for the purposes of the sequential test.

Government Response

These proposals have been taken forward in the draft PPS3. Following consultation the Government will publish a final PPS3 and accompanying practice guidance in 2006.

Recommendation 15

Government should assess whether consideration of appeals levels in the distribution of Planning Delivery Grant (PDG) could help correct the potential perverse incentive for local planning authorities to reject planning applications in order to meet their performance targets. In future, the PDG should take greater account of outcomes, as well as processes.

Government Response

In 2004–05 the Government introduced a measure of abatement into Planning Delivery Grant for authorities whose performance on defending appeals against refusals of permission was poor. Where an authority's performance on appeal was 40 per cent worse than the national average, 10 per cent of their development control allocation was abated. In 2005–06 this measure was strengthened, and where performance was 50 per cent worse than the average, this abatement increased to 20 per cent of the development control allocation. This condition underlines the continuing importance Government places on the quality of outcome in planning decision making.

Recommendation 16

In order to allow local planning authorities to focus on key development decisions, resources need to be released or strengthened. This could be achieved in a number of ways:

- (a) Government should review the scope to increase the range of permitted development rights for householder applications, whereby certain types of development are allowed to proceed without planning permission.
- (b) In the meantime, local authorities should bear in mind their power to vary these rights, once the Planning Bill has become law, through establishing Local Development Orders (LDOs).
- (c) Government should also consider increasing planning fees as an additional means of increasing resource.
- (d) When dealing with large-scale developments, local planning authorities should follow existing best practice and form dedicated project teams, bringing together key public sector stakeholders.
- (e) Where it is not practicable for authorities to develop the capacity necessary to manage large-scale developments, they should have access to additional planning and legal expertise or resources. This could be achieved through the Planning Advisory Service developing a team of 'trouble-shooters'.

Government Response

(a) The Householder Development Consents Review (HDCR) was set up at the start of 2005 to assess how to respond to a doubling in the past ten years in the number of householder planning applications. The review has considered the scope for cutting bureaucracy and improving procedures and will publish its final report in early 2006.

(b) Provisions on Local Development Orders (LDOs) were included in the Planning and Compulsory Purchase Act 2004. Commencement is expected in 2006.

(c) The Government consulted on increases to planning fees in 2004 and, as a result, raised fees by an average 39 per cent in April 2005 to allow authorities to recover more of the costs of handling planning applications. This raised an estimated £68 million in resources for planning authorities. The Government is committed to an ongoing review of the levels and scope of planning fees, and may consider further increases in future.

(d) The Government is currently looking with the Planning Advisory Service at piloting 'planning delivery agreements', a project-based approach to large applications, with the timetable and process agreed between planning authorities and developers. Further action will depend on outputs of these pilots.

(e) The Government provided additional funding to English Partnerships to set up the Advisory Team for Large Applications (ATLAS) as an arm of the Planning Advisory Service (PAS). ATLAS offers direct support to local planning authorities on large-scale housing developments and regeneration projects in London and the wider South East. The main PAS works with ATLAS to disseminate the lessons learnt.

Recommendation 17

Central government funding settlements for local authorities should be made more forward-looking. The Government should include in its calculations of Formula Spending Shares a variable to reflect expected housing growth in an area, drawing on housing targets set by the reformed regional planning process.

Government Response

The 2005–06 local government finance settlement helped address concerns expressed by local authorities in areas of growth by abolishing the grant ceiling (a maximum limit on the percentage grant increase from one year to the next received by any authority) with the result that fast growing areas can now receive increases of more than 10 per cent. The Government announced in July 2005 that the move to three year settlements for local government will include the use of projections of changes in populations and the council tax base.

Recommendation 18

Building on the broadly positive response to its Local Authority Business Growth Incentive proposal, the Government should consider ways of incentivising local authorities to meet housing growth targets.

One way would be to disregard, for a period of possibly up to three years, some or all of the council tax receipts generated by new housing from the calculation of a Local Authority's grant allocation. This additional revenue should not be ring-fenced.

Government Response

The Government accepts the case for an incentive scheme to encourage local authorities to deliver housing growth. As a first step, the Government proposes to reform the Planning Delivery Grant (PDG) to ensure it better supports areas which are delivering high numbers of new homes. Government will consult on these allocations in 2006, as part of a wider consultation on local planning and housing incentives, including PDG, for the next spending review period.

Recommendation 19

All Government Departments and agencies should assess the demands implied by the Government's housing targets in their spatial planning and funding decisions. Departments' contributions to meeting ODPM's housing targets should be recognised within their own priorities, including Public Service Agreements.

The Ministerial Committee on housing and growth issues across the wider South East (MISC22), chaired by the Prime Minister, should be expanded to cover housing delivery in general, and be used to facilitate cross-Departmental co-operation.

Those Departments with responsibility for allocating funds for infrastructure development, such as the Department for Transport, the Department of Health and the Department for Education and Skills, should take account of planned housing and population growth in making spatial allocations.

Government Response

In order to assist authorities with rapidly growing populations, the formulae that determine funding allocations in a number of areas including health and local government revenue support have been modified to better reflect population growth. In addition, the Government is today announcing, as part of the 2007 Comprehensive Spending Review, a cross-cutting review to:

- determine the social, transport and environmental infrastructure implications of housing growth in different spatial forms and locations;
- establish a framework for sustainable and cost-effective patterns of growth, including by examining the use of targeted investment through the Community Infrastructure Fund and Growth Areas funding to support the fastest-growing areas; and
- ensure that departmental resources across government are targeted appropriately to provide the national, regional and local infrastructure necessary to support future housing and population growth.

Recommendation 20

To minimise delays to development, infrastructure providers, such as the Highways Agency and water companies, should be involved from an early stage in developing both the regional spatial strategy and the local development plan:

- As part of the work involved in drawing up the local and regional plan, providers should be as clear as possible about the sort of infrastructure improvements that would be required. Having been involved in the drawing up of the local and regional plan, providers should reflect the outcome in their operations as far as possible. They should not seek to block applications for planning permission compliant with local and regional plans, unless compelling changes in the situation – for example a failure to agree a Section 278 agreement – justify a different approach.
- An infrastructure provider's objection to a development should only be allowed to block the granting of planning permission if the benefits of the new development are clearly outweighed by the costs in infrastructure terms. Where infrastructure providers, such as the Highways Agency, have powers to direct refusal of planning permission, they should only exercise their powers in this way. Government should commit itself to only using these powers under the same restraint.
- To help mitigate the impact of infrastructure costs on developers' cash flow, the Highways Agency should allow developers to begin building houses in parallel to road construction, even where the implications for congestion are such as to rule out allowing occupation until construction is complete.
- Ofgem and Ofwat should develop and publish guidance on establishing a fair price for developer charges for extensions or alterations to energy, water and sewerage networks required for new housing development. Where feasible, this should be achieved through promoting competition. In the absence of effective competition, water and energy network providers should advertise and exhibit a development-servicing plan, describing the area covered and assets used, and describing the basis on which a developer charge has been calculated.

Government Response

Under the new planning system the Highways Agency is an active participant in the preparation of Regional Spatial Strategies and a statutory consultee for local development documents. Together with other infrastructure providers it is able to contribute to how spatial development proposals are drawn up, rather than simply reacting to individual proposals to particular sites. In the Growth Areas, local delivery bodies are working closely with the Highways Agency and other infrastructure providers to ensure that they have the best available information to assess the impact of growth. The Highways Agency is also pioneering a more flexible approach to capacity release in some locations. The Government's cross-cutting review will consider these issues further.

Recommendation 21

English Partnerships (EP) should have a lead role in delivering development through partnering with public and private sector bodies in assembling complex sites, masterplanning, remediating land and developing supporting infrastructure. At the same time, Government should provide greater certainty as to the principles by which EP would, or would not, intervene, so as to avoid crowding out private sector activity, or stunting the development of new markets.

Devolved administrations may wish to assess the roles of their own housing and regeneration agencies in the context of this Review's recommendations.

Government Response

English Partnerships (EP) is a key agency in delivering sustainable communities, working in partnership with the private sector. It has been asked to take on a more strategic role in bringing forward development, in particular on brownfield sites and surplus public sector land.

Following consultations, EP has drawn up a statement of principles committing it to focus its activity where it can add most value. The principles are intended to ensure that EP does not replicate or crowd out the activity of private, public or voluntary bodies with the capacity to deliver the same results. The principles highlight EP's strategic role in the re-use of surplus public sector land and in delivery on its existing sites. These principles are summarised in EP's Corporate Plan.

Recommendation 22

A Community Infrastructure Fund (CIF) of £100-200 million should be established within ODPM. Regions should be encouraged to submit bids for support towards the up-front costs of medium-sized utilities and transport infrastructure schemes, which would bring forward otherwise unviable development. Bids for support towards gap funding schemes, such as the ringmaster approach for transport infrastructure, should be particularly welcome. In these instances, Government should seek to operate clawback mechanisms where this is practicable.

To enable local and regional authorities to maximise the impact of the CIF by leveraging in private sector capital, ODPM should publish a Delivering Development Toolkit to provide guidance for local and regional authorities seeking to access the fund. Drawing on experience in the growth areas and elsewhere, this would provide practical guidance on:

- models for partnership between the public and private sector;
- ways in which the public sector input into new developments can be co-ordinated; and
- options for recovering the up-front costs of gap funding from subsequent developments.

Government Response

The 2004 Spending Review established a new Community Infrastructure Fund, as recommended by Kate Barker, of £200 million to help unlock additional housing supply in key growth areas. Ahead of the 2007 Comprehensive Spending Review, the Government's cross-cutting review will seek to establish a framework for sustainable and cost-effective patterns of growth, including by examining the use of targeted investment through the Community Infrastructure Fund and Growth Areas Funding to support the fastest-growing areas. The provision of a 'toolkit' will be considered as part of this process.

Recommendation 23

Central and regional government should be more strategic in its use of area-based special purpose vehicles to deliver housing development. Where problems of land acquisition, servicing and infrastructure provision are identified through the regional planning process, Government should engage with English Partnerships to identify the most appropriate vehicle for delivering development. Greater use should be made of both Urban Development Corporations and New Towns, taking advantage of their ability to deliver both additional housing and the infrastructure necessary to support it.

New guidance on the circumstances to which different vehicles are most suited, and on using compulsory purchase powers, should be included in the proposed delivering development toolkit.

Government Response

The Government's cross-cutting review will examine the scope for additional growth through the use of large-scale brownfield sites. Where large-scale development is proposed, and where necessary, Government will consider the need for additional local delivery vehicles and statutory development corporations.

Recommendation 24

Section 106 should be reformed to increase the certainty surrounding the process and to reduce negotiation costs for both local authorities and developers.

If the Government accepts the recommendations outlined in Chapter 4 concerning the capture of development gains:

- Section 106 should be 'scaled back' to the aim of direct impact mitigation and should not allow local authorities to extract development gain over and above this, except as indicated below. ODPM should issue guidance, or new legislation, to this end.
- Section 106 should retain its current affordable and/or social housing requirements as set out in Circular 6/98, and other specific regional guidance.

- Local Authorities should receive a direct share of the development gain generated by the Planning-gain Supplement in their area, to compensate for a reduced Section 106. Local Authorities should be free to spend this money as they see fit. This share should at least broadly equal estimates of the amount local authorities are currently able to extract from Section 106 agreements.

If the Government decides to maintain the current fiscal framework as it is, then it should press ahead with the Section 106 reforms, on which it has recently consulted, that aim to introduce an optional planning charge in place of a negotiated agreement. However, this would be second best and leaves open the possibility of prolonged and costly Section 106 negotiations for large developments.

Government Response

In order to help finance the infrastructure needed to stimulate and service proposed housing growth, and ensure that local communities better share in the benefits that growth brings, the Government is today consulting on Kate Barker's recommendation for a Planning-gain Supplement (PGS).

The introduction of PGS would be accompanied by a scaling back of planning obligations, as recommended by Kate Barker, to make the planning obligations system more efficient and transparent. Reforms to the planning obligations system, which could reduce its scope to matters affecting the environment of the development site itself and the provision of affordable housing, are also set out for consultation. PGS revenues and other alternative sources would help cover the provision of infrastructure previously secured through s106 before scaling back.

Recommendation 25

Government should consider the extension of the contaminated land tax credit and grant scheme to land that has lain derelict for a certain period of time. This should be done on the basis that extra public money levered into the market through such a scheme would encourage genuine new investment in brownfield remediation, and not simply subsidise development that would take place in any case.

Government Response

The Government is considering the Review's recommendation to extend the Contaminated Land Tax Credit (CLTC) to long term derelict land and will announce its decision at Budget 2006, once commissioned research to evaluate the effectiveness of CLTC has been completed.

Recommendation 26

Government should use tax measures to extract some of the windfall gain that accrues to landowners from the sale of their land for residential development. Government should impose a Planning-gain Supplement on the granting of planning permission so that landowner development gains form a larger part of the benefits of development.

The following principles might be considered:

- Information would need to be gathered as to the value of land proposed for development in each local authority. Sources of data could include actual transactions and/or Valuation Office Agency estimates as to the land prices in various local authority areas.
- Government would then set a tax rate on these values. This tax should not be set so high as to discourage development, but at a rate that at least covers the estimated local authority gain from Section 106 developer contributions and provides additional resources to boost housing supply.
- The granting of residential planning permission would be contingent on the payment of the Planning-gain Supplement of the proposed development.
- Government may want to consider the operation of a (substantially) lower rate for housing development on brownfield land, and the possibility of varying rates in other circumstances, e.g. for areas where there are particular housing growth strategies, or where other social or environmental costs may arise.
- A proportion of the revenue generated from the granting of planning permissions in local authorities should be given directly to local authorities. Government should also amend the operation of Section 106 planning obligations, as set out elsewhere in Chapter 3 (of Kate Barker's Review), to take account of this new charge.
- The Government may want to consider allowing developers to pay their Planning-gain Supplement in instalments over reasonable time periods so as to ensure that housebuilder cash flow pressures are sufficiently accounted for.

The introduction of a tax would need to be accompanied by transitional measures to ameliorate the impact on developers already engaged in land sales contracts that were drawn up before this charge was introduced, or for those who hold large amounts of land already purchased, but where planning permission has yet to be secured.

Government Response

In order to help finance the infrastructure needed to stimulate and service proposed housing growth, and ensure that local communities better share in the benefits that growth brings, the Government is today consulting on its response to Kate Barker's recommendation for a Planning-gain Supplement (PGS).²

Kate Barker's Review argued that the Government should actively consider measures to capture a portion of the gains accruing to landowners as a result of the granting of planning permission, so that increases in land values can benefit the community more widely. It argued that these gains could play a useful role in providing a funding stream for the local and strategic infrastructure necessary to support growth.

The PGS consultation paper accompanying this response restates the case for capturing land value uplift for the benefit of the wider community and describes how a workable and effective PGS might operate. The consultation sets out options for allocating PGS revenues, informed by the following overarching principles:

- as an essentially local measure, a significant majority of PGS revenues will be recycled to the local level for local priorities. This will help local communities to share better the benefits of growth and manage its impacts, and will ensure that local government overall will receive more funding through PGS than was raised through s106;
- PGS revenues will be dedicated to financing additional investment in the local and strategic infrastructure necessary to support growth. The Government anticipates that an overwhelming majority of PGS funds will be recycled within the region from which they derived; and
- PGS revenues will also be recycled to deliver strategic regional as well as local infrastructure to ensure growth is supported by infrastructure in a timely and predictable way. Local and regional stakeholders, including business, will play an important part in determining strategic infrastructure priorities to help unlock development land.

Recommendation 27

The provision of subsidised housing should be increased. At least 17,000 additional houses are required each year compared with current provision to keep up with demographic trends. Addressing the backlog of housing need would raise this to 23,000 per annum (assuming substitution from sub-market to market housing, as market affordability improves).

Based upon current costs of provision, additional investment building up to £1.2 to £1.6 billion per annum would be needed to support this expansion, not all of which will be from Government.

Government Response

The Government has already made significant progress in meeting this long-term challenge, providing funding through the 2004 Spending Review to help deliver an additional 10,000 new social homes a year by 2007-08 compared to 2004-05 – a 50 per cent increase – and by reducing demand through investment in new approaches for preventing homelessness. The Government intends to go further in responding to the challenges set out by the Barker Review, and will set out its ambitious plans for increasing supply in social housing, with new investment alongside further efficiencies and innovation in provision, as part of the 2007 Comprehensive Spending Review.

Recommendation 28

Government should explore the scope to achieve both greater RSL efficiency and higher funding through debt finance, to increase the level of housing through the most cost effective means.

Government Response

The Housing Corporation has taken steps to secure more efficient delivery of social housing. It has opened up competition for social housing grant to unregistered bodies from March 2005 and published its procurement strategy in August 2005. The 2006–08 Housing Corporation bidding round, launched in August 2005, sets out the objectives of delivering real savings of £140 million in 2006–07 and £160 million in 2007–08 in real terms. In addition, ODPM is continuing to explore the scope for encouraging greater debt finance by RSLs in support of housing priorities.

Recommendation 29

Government should explore moving to an alternative scheme to Right to Buy and Right to Acquire, which is provided at lower cost and enables greater recycling of revenues to increase the social housing stock.

Government Response

The Government is committed to the continuation of the Right to Buy and Right to Acquire, but a new option for social tenants is being introduced as part of the new extended HomeBuy scheme. Under Social HomeBuy, tenants of local authorities and Housing Associations can buy a minimum 25 per cent share in their home at a discount even if they cannot afford to buy all of it. Social landlords offering the scheme will be able to reinvest the proceeds from Social HomeBuy sales in replacement social homes. This will free-up earlier social lets for others in housing need.

Recommendation 30

Government should deliver its proposals to promote greater interaction between institutional investors and the residential property market, through the introduction of tax transparent property investment vehicles.

Government Response

Alongside Budget 2005, the Government published a discussion paper on the creation of Real Estate Investment Trusts (UK-REITs) in the UK, to improve the efficiency of both the commercial and residential property investment markets by providing liquid and publicly available investment vehicles for investors to access. This reform will encourage increased institutional and professional investment to support the growth of new housing. The Government will set out next steps in the 2005 Pre-Budget Report.

Recommendation 31

PPG3 should require local planning authorities to have regard to the impact on competition when allocating sites in their Local Development Frameworks. For example, if there is a choice between allocating a number of small sites or a single large site for development, competition considerations would favour a larger number of smaller sites.

When granting planning permission on large sites, local planning authorities should discuss build-out rates. To encourage faster build-out, planning authorities should use their discretion in setting time limits on planning permissions and seek to agree an expected build-out rate, as a condition of planning permission.

If the rate of build-out has not increased appreciably by 2007, subject to conditions in the housing market, Government should review all available policy options to address this issue.

Government Response

The draft practice guidance, *Housing Land Availability Assessments*, accompanying the draft PPS3 advises on this issue. The Government will continue to monitor build-out rates.

Recommendation 32

The housebuilding industry must demonstrate increased levels of customer satisfaction:

- The House Builders Federation should develop a strategy to increase the proportion of house buyers who would recommend their housebuilder from 46 per cent to at least 75 per cent by 2007. Over the same period, levels of customer satisfaction with service quality should rise from 65 per cent to at least 85 per cent.
- The House Builders Federation should develop a code of conduct by the end of 2004 for new house sales in full compliance with the framework provided by the Office of Fair Trading's Consumer Codes Approval Scheme. This code of conduct should require fair contracts complying with the Unfair Terms in Consumer Contracts Regulations 1999.

If progress is unsatisfactory, or if consumer satisfaction levels do not rise substantially in the next three years, the Office of Fair Trading should conduct a wide-ranging review of whether the market for new housing is working well for consumers.

Government Response

The Government welcomes the HBF commitment to take forward an annual customer satisfaction survey and to develop it further. Government is awaiting the HBF's proposals for a model form of contract, which it is advised will be submitted to the Office of Fair Trading shortly. The Government will continue to monitor progress against these challenges and the overall level of competition in the sector.

Recommendation 33

The House Builders Federation, in conjunction with National House Building Council (NHBC), Construction Skills and other interested parties, should develop a strategy to address barriers to modern methods of construction. This strategy should be developed to fit alongside existing initiatives, working closely with Government to identify further measures that can be taken. A range of approaches should be explored, in particular actions by industry, and changes to NHBC policy and practice, as well as representations to Government on areas such as changes to Building Regulations.

Government Response

The industry has responded positively to this recommendation, with a large group of representatives actively engaged in the process led by the Home Building Federation. Both ODPM and DTI have been kept informed of progress, and involved in the work. The Government looks forward to receiving the final report later this year, and will consider carefully any recommendations made.

Recommendation 34

The Construction Industry Training Board (CITB – ConstructionSkills) and the House Builders Federation should work together to develop a strategy for substantially increasing the take-up of apprenticeships from the current level of three apprentices per 100 workers, to bring the UK to the levels of leading international competitors, such as the Netherlands and Germany. The development of this strategy should also explore whether the appropriate number and range of courses exist, and whether housebuilders are investing sufficiently in their own workforce training, as well as addressing the skills needed for modern methods of construction.

In the short term, Government should consider increasing support for skills in the construction sector, alongside any increases in the training levy.

If skills constraints are not adequately addressed by March 2007, Government should conduct a review of the effectiveness and impact of CITB-ConstructionSkills in the housebuilding industry.

Government Response

The Government has recently announced that construction would be the focus of one of four new employer-led National Skills Academies, able to benefit from a share of £40 million funding. This institution is being driven by well-known companies in the industry who will work with the Learning and Skills Councils (LSCs) to develop detailed business plans.

The Government has secured the commitment of the Home Builders Federation (HBF) and the Major Home Builders Group to a major new initiative aimed at getting young people on full-time construction courses the on-site experience they need to complete their qualifications. The programme is piloting this year (with around 120 candidates) and is planned to grow to around 1,000 in 2006-2007.

The Government has no role in setting the training levy rates for the industry. The Industrial Training Act 1982 provides for the industry to determine the level of levy subject to Parliamentary approval. The Skills for Business network is subject to ongoing review of the capacity and capability of SSCs, including Construction skills. While there are no plans for additional review of CITB-Construction skills, there is an opportunity for Government to influence the direction of workforce development strategy in the construction sector through the Sector Skills Agreement process overseen by CITB Construction skills.

Recommendation 35

The industry should work together with the Commission for Architecture and the Built Environment (CABE) to agree a code of best practice in the external design of new houses. Where planners and housebuilders disagree on specific design issues, they should seek arbitration, possibly through CABE, to resolve these matters.

Government Response

Government welcomes the fact that the Home Builders Federation has been working closely with CABE to take forward this recommendation and has agreed to focus on promotion of the Building for Life Standard (a joint initiative between the Home Builders Federation and the Civic Trust) to provide a clear guide to help house builders achieve high-quality design.

Recommendation 36

The House Builders Federation, in consultation with its members, should draw up a best practice guide for voluntary compensation schemes to directly compensate those immediately affected by the transitional effects associated with development. This might include cash payments to individual households.

Government Response

The Government looks forward to the HBF's response to this recommendation.

ANNEX 2: TECHNICAL ANNEX – AFFORDABILITY AND SUSTAINABILITY RESEARCH

This appendix provides further information on the analysis that supported this response. The Government commissioned two major studies to provide the necessary evidence base on the benefits and impacts of various levels of additional housing supply. The two reports are published at the same time as this document. The Government believes that these represent a major advance in the analysis of housing supply policy and, along with the models produced as part of the projects, and further analysis within Government, provide a good basis for decision-making.

AFFORDABILITY ANALYSIS

Modelling lower quartile prices to lower quartile earnings

The first of the two major projects researched the relationship between housing affordability and housing supply. As part of the affordability project, a nine-region model was developed to examine the relationship between housing supply and affordability (specified as the ratio of lower quartile house prices to lower quartile earnings). The model consists of three interrelated modules: a demographic module, a housing module and a labour market module.

This model is a step forward from previous analyses, including that in the Barker Review. For the first time it is possible to model nationally and regionally the relationship between housing supply and affordability. Previous analyses looked only at prices at national level and were not able to take into account the interactions between demographics and housing and labour markets.

The affordability model includes two sets of equations based on different views of how housing and labour markets operate, in order to produce a range of possible outcomes. Reassuringly both sets of equations produce similar results. The research has been peer reviewed by leading international housing economists and found to be of the highest quality.

The research report, published alongside this document, considered a limited set of housing supply scenarios. The scenarios are illustrative only and based on those considered as part of the Barker Review. In developing the evidence base to inform Government decisions, ODPM has extended the model in a number of ways, in order to produce analysis to consider the impacts of a range of realistic housing supply scenarios and to analyse them in different ways, not only in terms of simple ratios of prices to earnings.

Housing supply scenarios

The housing supply scenarios considered by the affordability research made the following simplifying assumptions:

- In the baseline, house building occurs as expressed in current plans i.e. at approximately a constant annualised rate.
- Scenarios for additional housing supply assume that there can be an instantaneous 'step change' to a higher annual rate.

ODPM has however based its analysis on more realistic housing supply scenarios, where the rate of housing supply builds up over time. Scenarios for additional housing supply have been developed based on judgements about how additional numbers could be delivered, given the likely construction response and the planning system.

The implication of this is that it takes time to build to a higher annual rate. This means that, while efforts can be made to increase supply quickly, within a given period of time (e.g. by 2016), inevitably additions to stock are to some extent ‘back-loaded’, with implications for affordability.

Modelling of 30-34 year olds able to afford

In order to help understand how improvements in affordability benefit groups of people, ODPM has carried out further analysis that looks at 30-34 year old households – a key group for whom access to the housing ladder is becoming increasingly difficult. This has been based on the Affordability Model, but has been developed based on a number of assumptions.

This analysis takes as a starting point the Affordability Modelling. It then considers how the changes in prices to earnings would impact on households’ ability to afford an average flat, based on income alone.

The analysis makes a series of simplifying assumptions:

- To be able to afford to buy, a household needs to be able to borrow enough to cover the cost of an average flat. For example, if the price of an average flat is £100,000 then a household with income of £25,000 would need to be able to borrow four times their income ($4 \times 25,000 = 100,000$). Clearly, a higher mortgage multiple allows households to borrow more. But higher borrowing implies higher mortgage repayments, which might not be sustainable. For this analysis, we have therefore assumed household borrowing is limited so that mortgage repayments are no more than 25 per cent of income.
- We assume a repayment mortgage, with a 25-year term.
- The Survey of English housing provides information on 30-34 households, including tenure, numbers and incomes. Average house prices are taken from the Survey of Mortgage Lenders (Council of Mortgage Lenders).
- Affordability projections are made on the basis of price and earnings growth estimates derived from ODPM’s ‘Affordability Model’. We assume price and earnings distributions remain constant.
- ‘Couples’ is shorthand for households where the Household Representative Person (aged 30-34) and spouse (any age) are both working at least part-time.

Key results

For the base case the modelling finds that, for England as a whole, prices and earnings grow at a similar rate between 2004 and 2016. Most short-term forecasters expect house prices to grow more slowly than earnings in the next two to three years; the disagreement amongst forecasters is the extent of the dip. The projections are based on the view that any downturn will be modest. Therefore, the affordability ratio in 2016 is similar to that in 2004. Beyond 2016 affordability worsens. However, the regional profiles do show some variation in house prices.

In some high demand regions in the base case, affordability worsens markedly over the period to 2016. The modelling suggests that increasing housing supply by 100,000 net additions across the South in the period up to 2016 would help to halt this worsening affordability. The England lower quartiles ratio falls only slightly, from 6.2 in 2004 to 6.1 in 2016. Higher levels of building would be required to have a positive impact on affordability.

However, this compares to considerable worsening of affordability in the baseline case. In the baseline, the percentage of couples aged 30-34 able to buy worsens significantly in the long term, falling from over a half today to around 35 per cent in 2026.

SUSTAINABILITY ANALYSIS

Although the Barker Review addressed the implications of supply and prices, it did not assess all of the environmental, social and broader economic implications of the proposed growth. It was recognised by the House of Commons Environmental Audit report¹ and an earlier Defra study² that further analysis was required to inform policy decisions. To fill this gap, ODPM and Defra jointly commissioned a major research project, to consider the environmental, social and economic impacts of additional housing supply.

The sustainability project was undertaken by a large consortium led by Entec UK Limited, in association with Economics for the Environment Consultancy (Eftec), Richard Hodgkinson Consultancy, Mott MacDonald, and the Cambridge Centre for Housing and Planning Research. These institutions brought together the broad range of skills and expertise required for this project.

As part of the project a nine-region model was developed to examine the relationship between housing supply and various environmental impacts, including land take, waste production, water use and energy use. In order to ensure consistency, the modelling was based on the same scenarios and inputs as used in the Affordability model.

The work highlights two important aspects of the sustainability impacts of additional housing supply. First, the impacts are highly location specific, and will depend critically on not only the scale of development, but also the pattern and distribution of development. Secondly, many of the environmental impacts are created by the people living in the houses, and not by the houses per se (housebuilding versus occupation impacts).

¹ House of Commons Environmental Audit Committee (EAC) (2005), *Housing: Building a Sustainable Future*, First Report of Session 2004-05, Volume I

² Entec in association with Richard Hodgkinson Consultancy and Eftec (2004), *Study into the Environmental Impacts of Increasing the Supply of Housing in the UK*, report to Defra.

The report models two categories of environmental impacts - those related to building and those related to people (occupancy).

- Housebuilding impacts – these are the impacts associated with the building of the additional homes.
- Occupation impacts – these are the environmental impacts created by the people living in the houses. Generally these impacts have a fixed per household element and an additional per occupant element. Which of these two components dominates varies by the type of impact. The observed pattern is that smaller households have a higher average impact than larger households.

Additional housing supply does not create new people, only new (generally smaller) households. There are therefore two effects from increased supply: the first from the new households, the second from existing households shrinking in size. The research is an advance on earlier work in trying to account for both of these effects.

Environmental impacts depend both on population changes and new housing supply. Population growth is taken as given and will lead to greater environmental pressures, regardless of the level of housing supply.

Key impacts

In order to provide an assessment of the environmental impact, the research needed to make working assumptions on the number and location of new homes. Government has stated an aim of reaching an annual net addition rate of 200,000 in England in the next decade. The rate at which this level is reached will depend on the provision of investment in the infrastructure necessary to support housing growth, reform of the mechanisms by which new housing and infrastructure are delivered, and a positive response from the house building industry. ODPM analysts assumed a build level consistent with these parameters for the sustainability research. The impacts presented below are all consistent with this scenario.

Land take The Government's national target is that by 2008, 60 per cent of additional housing should be provided on previously developed land and through conversions of existing buildings. Assuming that additional previously developed land continues to become available at the same rate as at present, the Entec analysis indicates that the national target could be met up to 2008.

Domestic CO₂ emissions Currently domestic sector CO₂ emissions account for 27 per cent of total UK emissions. Based on current design standards and dwelling performance, CO₂ emissions up to 2016 will constitute an additional 6.4 Million tonnes of carbon equivalent in the baseline (4.2 per cent above current domestic emissions). In the scenario developed by ODPM an additional 0.38 Mt of CO₂ would be generated above baseline. This totals 4.4 per cent above current domestic sector CO₂ emissions; only marginally higher than 4.2 per cent in the baseline.

The recently announced changes to Part L of the Building Regulations are estimated to reduce CO₂ emissions from buildings by up to 20 per cent. The impact of this new regulation has not been accounted for in the modelling, and as such the actual impacts are likely to be even smaller than those presented.

Household waste It is estimated that households in England currently produce 25.4 million tonnes of waste per year. Under the baseline scenario, this is set to go up by 12.9 per cent (to 28.8mt/year) with the scenario developed by ODPM analysts producing only 0.2 Mt/year more waste than in the baseline case.

Water use According to the research, the demand for water is projected to rise from 12,000 megalitres/day to 12,728ml/day under the baseline, an increase of 6.1 per cent. Under the scenario developed by ODPM analysts, this could increase by a negligible 12 ml/day. The reason this increase is so small is that water demand is driven primarily by population rather than household size.

ANNEX 3: GLOSSARY OF KEY TERMS

affordable housing (or sub-market housing) housing provided at prices below those of the market to some eligible households whose housing needs are not met by the market. It can include *social rented* and *intermediate* housing. It is usually but not always part-funded with *social housing grant* from the *Housing Corporation*.

arms length management organisations (ALMO) A company set up by a local authority to manage and improve all or part of its housing stock.

Audit Commission The independent public body responsible for ensuring that public money is spent economically, efficiently, and effectively in the areas of local government, housing, health, criminal justice and fire and rescue services.

Barker Review Kate Barker's review of housing supply commissioned by H.M. Treasury and the Office of the Deputy Prime Minister (ODPM): *Delivering stability: securing our future housing needs*, March 2004.

beacon councils Scheme introduced in 1998 to identify centres of excellence in local government from which others can learn.

brownfield land Formally "previously developed land that is unused or may be available for development". It includes both vacant and derelict land and land currently in use with known potential for redevelopment. It excludes land that was previously developed where the remains have blended into the landscape over time.

Building for Life Award An award for new housing projects that demonstrate a commitment to high design standards and good place making.

call in The Deputy Prime Minister can "call in" certain planning applications which local authorities propose to approve, for example those which are not in accordance with the development plan or have larger than local significance. These will then be subject to a public inquiry presided over by a Planning Inspector who will make recommendation to the Deputy Prime Minister who will decide the application instead of the local planning authority.

capital spending Spending by local authorities or other housing providers on repairs, maintenance and the provision of new affordable housing.

code for sustainable homes A proposed new code to improve the sustainability of new homes that includes improvements to energy and water efficiency.

commission for architecture and the built environment (CABE): A Non-Departmental Public Body, funded by both the Department for Culture, Media and Sport (DCMS) and ODPM, to act as a design champion for the built environment.

Community Infrastructure Fund A £200 million fund to deliver transport infrastructure in the *Thames Gateway* and the other *Growth Areas*.

Comprehensive Performance Assessment (CPA) A performance management framework for local government covering a range of local authority services and their organisational capacity.

decent home A home that is warm, weatherproof and has reasonably modern facilities.

dwelling A self contained unit of accommodation where all the rooms and facilities available for the use of the occupants are behind a front door.

EcoHomes environmental assessment An environmental assessment method for homes. EcoHomes considers the broad environmental concerns of climate change, resource use and impact on wildlife and balances these against the needs for a high quality, safe and healthy internal environment.

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

Government Offices for the Regions (GOs) Representatives of central Government in the regions, bringing together the work of ten government departments.

green belt A designation for land around certain cities and large built-up areas which aims to keep this land permanently open or largely undeveloped. Most new building development is not permitted in the green belt, in order to restrict the spread of built-up areas into the surrounding countryside.

greenfield land Land which has never been built on before or where the remains of any structure or activity have blended into the landscape over time.

greenhouse gas emissions Emissions such as carbon dioxide and methane which contribute to climate change.

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

HomeBuy Government *intermediate housing* schemes to commence April 2006 under which existing and potential *social rented* tenants, key workers (under *Key Worker Living*) and others can purchase a home on the open market with an equity loan. Includes proposals to allow social rented tenants to buy a share in their 'rented' home and move up to full ownership as they feel ready.

home information packs Reform introduced in the Housing Act 2004 to bring together, at the start of the home buying and selling process, important information (such as a home condition report) which, at present, is collected piecemeal in the weeks and months after an offer has been accepted.

home ownership task force Established by the Deputy Prime Minister in the *Sustainable Communities Plan* to look at ways of helping social tenants and others in housing need into home ownership, while minimising the loss of social housing.

household One person living alone or a group of people who share common housekeeping or living room.

housing associations Common term for the 2000 or so independent, not-for-profit organisations registered with and regulated by the *Housing Corporation*. Housing Associations are able to bid for funding from the *Housing Corporation* (see also *Registered Social Landlord*).

Housing Corporation The Housing Corporation's role is to fund and regulate *housing associations* in England.

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

intermediate housing *Affordable housing* available to eligible groups such as key workers at prices lower than the market but higher than *social rented* homes. Includes shared equity low cost home ownership (e.g. *HomeBuy*) where a purchaser buys a share of a home and a housing provider holds the remainder. Also includes 'intermediate rented' homes.

key worker living (KWL) A Government scheme running since 2004 helping key workers in London, the South East and East of England to buy a home, upgrade to a family home or rent a home at an affordable price. Replaced the Starter Home Initiative (2001-04), which had similar goals.

local development frameworks (LDF) The local development documents, set out in the form of a portfolio, which collectively deliver the spatial planning strategy for the local planning authority's area.

millennium communities New developments, mixing homes, shops, workspaces and community facilities. They incorporate good public transport links, innovation in building technology, energy efficiency and ecological and environmental strategies. They aim to create good sustainable jobs as well as education and training opportunities and are worked up in close consultation with the communities they relate to.

mixed development A well integrated mix of land uses (retail, employment, leisure and other service uses) with decent homes of different types and tenures to support a range of household sizes, ages and incomes.

modern methods of construction Construction that uses modern processes to help provide more, better quality houses in less time.

multiple deprivation There are distinct forms of deprivation which are experienced by people in an area and which can be measured separately. A multiply deprived area is one containing people who experience several of these distinct forms of deprivation.

Northern Way A cross-regional strategy created by the three *Northern Regional Development Agencies* and their partners in response to the ODPM's *Sustainable Communities Plan* progress report *Making it Happen: the Northern Way*, the purpose of which is to create a step-change in economic growth across the North of England.

Office of the Deputy Prime Minister (ODPM) ODPM's aim is to create sustainable communities. It is responsible for housing, planning, regional and local government, regeneration, social exclusion, neighbourhood renewal and the fire and rescue service. It is also lead sponsor department for the *Government Offices for the Regions*.

planning delivery grant A performance reward initiative designed to incentivise planning performance, paid annually to local planning authorities as a reward for good performance in the previous year.

planning policy statements Statements issued by Government setting out planning policy and the main land uses. They are supported by a range of good practice and other documents providing guidance and advice on the application of policy.

Private Finance Initiative (PFI) In a PFI transaction, a private sector service provider is given responsibility for designing, building financing and operating assets, from which a public service is delivered.

Regional Development Agencies (RDAs) Set up by Government to promote sustainable economic development in England. They are business led. Their main tasks are to help the English regions improve their relative economic performance and reduce social and economic disparities within and between regions.

regional housing board (RHB) The *Sustainable Communities Plan* introduced new regional arrangements to help deliver sustainable communities, including the creation of Regional Housing Board in each of the nine English regions. The Board is responsible for drawing up the Regional Housing Strategy and making recommendations to Ministers about the Regional Housing Pot.

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

Regional Planning Guidance (RPG) 9 Guidance for the preparation of local authority development plans in the areas covered by the shire county, unitary and district councils for Bedfordshire, Berkshire, Buckinghamshire, East Sussex, Essex, Hampshire, Hertfordshire, the Isle of Wight, Kent, Oxfordshire, Surrey and West Sussex, and, in Greater London, for the Mayor's Spatial Development Strategy.

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

registered social landlord (RSL) Technical name for bodies registered with the Housing Corporation. Most RSLs are *Housing Associations*. They own or manage some 1.4 million *affordable* homes, both *social rented* or *intermediate*.

right to acquire A scheme which enables some housing association tenants to purchase their *social rented* home with the benefit of a discount, subject to a Government-specified maximum amount depending on the local authority area. The scheme only applies to properties built or acquired by housing associations, both charitable and non charitable, with public funds from 1 April 1997 onwards. (Properties transferred from a local authority to a housing association after 1 April 1997 are also eligible.) Some properties are exempt from the scheme including those in small rural settlements and sheltered housing.

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

shared equity A means of helping people into home ownership. The buyer purchases a share of their home, with the remaining share being held by another party, for example a *housing association*. When the homeowner comes to sell the home, the other party would be entitled to some of the proceeds of the sale. Many shared equity homes are *intermediate housing* provided in part through *social housing grant*.

social exclusion Social exclusion happens when people or places suffer from a series of problems such as unemployment, poor skills, low incomes, poor housing, high crime, poor health and family breakdown.

social housing Housing provided by *Registered Social Landlords* or the local authority at a rent lower than market rent.

social housing grant Capital grant provided by the *Housing Corporation* to fully or partially fund investment in providing new *affordable housing*. Available to *Registered Social Landlords* and (since 2004) to other bodies including private developers (called 'non-RSLs').

social rented housing *Affordable housing* provided for rent at or close to target rents below market levels to eligible groups on housing waiting lists. Provided and managed by local authorities, *Registered Social Landlords* or other bodies.

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

statutory homeless households *Households* that local authorities must, by law, ensure have somewhere suitable to live.

stock transfer Process under which a local authority transfers some or all of its housing to *housing association*.

supporting people A programme which provides support services that help vulnerable people live independently in their accommodation.

sustainable communities Places where people want to live and work, now and in the future (see appendix one for a full definition).

sustainable communities plan A long term programme of action, published in February 2003, to tackle the shortage of housing in London and the South East and low demand and abandonment in the North and Midlands and to create *sustainable communities*.

temporary accommodation Accommodation arranged by local authority in order to meet a homelessness duty.

tenant management organisations (TMOs) Formally constituted organisations, made up of tenants who take on responsibility for day to day management of their housing from their landlords. TMOs can be in the local authority or the housing association sectors.

tenure The nature of the structure by which people own or rent their home. Categories are usually broken down as follows: Owner Occupied, Private Rented, Local Authority or *Registered Social Landlord*.

Thames Gateway A growth area situated around the Thames in the east of London, North Kent and South Essex.

urban development corporation Non-departmental public body created to help deliver urban renewal.

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