

TONBRIDGE & MALLING BOROUGH COUNCIL

STRATEGIC HOUSING ADVISORY BOARD

8 October 2007

**Joint Report of the Director of Health and Housing and Director of Planning,
Transportation and Leisure**

Part 1- Public

**Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken
by the Cabinet Member)**

**1 THE HOUSING GREEN PAPER, “HOMES FOR THE FUTURE: MORE
AFFORDABLE, MORE SUSTAINABLE”**

Summary

The Government’s Housing Green Paper, “*Homes for the future: more affordable, more sustainable*”, was published by the Department of Communities and Local Government (DCLG) on 23 July 2007. The focus of the Green Paper is very much on building new homes to meet demand, including more affordable homes. The proposals should also be seen in the context of other major reviews and CLG policy initiatives around localism and empowerment of communities. A response is recommended which includes endorsement of the response by the LGA.

1.1 Broad Themes

1.1.1 The Housing Green Paper is set around 3 broad themes:

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

1.2 Key Points

1.2.1 This summary begins with bullets of the main proposals and then focuses on Chapter 8 of the paper which deals with social housing.

- two million new homes to be built by 2016, three million by 2020 (housing stock currently growing at 185,000 a year but households growing by 223,000, new target is 240,000 a year).

- delivering new homes where they are needed including new growth points in northern cities and towns and five new eco-towns. Housing and Planning Delivery Grant to councils performing and delivering land sites and new homes (points mean pounds);
- 200,000 new homes to be delivered on surplus public sector land – NHS, Ministry of Defence and Transport (Highways and Railways) and surplus local authority land;
- not just more homes but better homes with high standards and improving those homes that already exist;
- all new homes to be zero carbon by 2016;
- no infringement on the green belt;
- £8bn programme for affordable housing in 2008-11, a £3bn increase compared to the previous three years;
- 70,000 more affordable homes a year by 2010-11;
- 45,000 new social homes a year by 2010-11 – a 50 per cent increase in social housing in three years. 50,000 a year in next Comprehensive Spending Review period;
- conversion of temporary accommodation into settled homes;
- 25,000 shared ownership and shared equity homes a year for key workers.
- the New Homes Agency to be formed taking on English Partnerships, the Housing Corporation's investment function and the CLG delivery role;
- thousands more shared ownership homes through local housing companies;
- local housing companies set up by councils to deliver shared ownership homes and homes for first time buyers using council land;
- first eight ALMOs (Arms Length Management Organisations – organisations set up by councils to manage and improve their council housing stock) and two council special venture vehicles have pre-qualified for social housing grant. More will have a chance to bid next year;
- councils building new homes through ALMOs or local authority companies will be able to retain the full rents and capital receipts;
- greater private sector involvement in increasing social housing; and

- more training for construction workers – using the capital investment for training and social enterprise.

Supply, demand and new build

- at least £6.5 billion government investment in social housing over the next three years; and
- at least £850 million savings from greater efficiencies and better use of housing association assets to deliver major expansion in housing association delivery.

Kate Barker's review of housing need recognised the need for 40,000 new properties a year based on future household projections. However, tenure of choice is seen as owner occupation with the role of social housing being to provide *“affordable homes to rent with security of tenure for families on low incomes, for people with severe disabilities, for frail older people and for other people for whom home ownership is unlikely to be the right option”*.

More social housing is needed particularly to address:

- 87,000 households living in temporary accommodation, including around 4,000 in bed and breakfast; and
- 526,000 households who experience overcrowding.

The government has invited local authorities and developers to propose five new eco-town schemes, with the entire community designed to be able to reach zero carbon standards. Each scheme could provide between 5,000 and 20,000 new homes giving a total of some 25-100,000 homes. Final decisions will depend on the strength, costs and sustainability of the bids received. DCLG has published an “eco-towns prospectus” which sets out key criteria for an eco-town but no deadline has been set for bids for eco-towns. It should however be noted that, in terms of the South East, the SE Plan Examination Panel's report concludes there are no further ‘new town’ options for the South East.

1.3 New Build by Registered Social Landlords

- 1.3.1 It is intended that there will be a big increase in direct Government investment in social housing through the Housing Corporation and the New Homes Agency with many of the new homes provided by housing associations.
- 1.3.2 There is a reference to *“Unlocking the door”* (Housing Corporation, February 2007) which identified how to exploit unused ‘financial capacity’. The inference is that housing associations have their own reserves available to invest, or the potential to borrow more against their existing businesses, with scope for efficiency savings to be secured for new affordable housing. Quality is

emphasised in this part of the paper – presumably to establish that efficiencies for reinvestment should not be delivered by a reduction in quality.

1.4 Private Sector and Private Finance Initiative (PFI)

1.4.1 The private sector will continue to be able to bid for Housing Corporation social housing grant so that developers can access grant and come up with innovative models for delivery, rather than accessing subsidy via housing associations alone. The PFI is also proposed as a resourcing model to be explored.

1.5 Role of local authorities

1.5.1 The role of local authorities is summed up in three main roles. The last of these is quite a shift from the position in the last two decades:

- enabling new affordable supply to be built;
- influencing the decisions that are made; and
- having a direct role in the building of new homes where it provides value for money (this will mainly apply to local authorities that continue to own their own housing stock).

1.5.2 The Green Paper also emphasises the role of local authorities in ensuring that addressing housing need is prioritized sufficiently, both in their strategic documents, such as their Sustainable Community Strategy, their Local Development Frameworks (LDFs), and their Local Area Agreement (LAA), but also throughout their engagement with local people.

1.5.3 The importance of the local authority strategic housing role is recognised given the role housing has to play as a lever for social and economic change and to ensure delivery of the wider sustainable community.

1.5.4 Reference is made to the need for local authorities to:

- work in partnership with neighbouring authorities to address housing needs;
- ensure that a five year rolling supply of housing land is identified, as required under Planning Policy Statement 3 (PPS3); and
- ensure that housing supply or other relevant targets are included within the new Local Area Agreements (LAAs) and that, where particular issues are most pressing or significant (e.g. increasing affordable housing or tackling pockets of poor housing) these may be possible priorities for inclusion among the 35 LAA improvement priorities.

1.6 Social Housing Grant

- 1.6.1 Social Housing Grant is provided as capital subsidy because rent levels are not sufficient to finance the development costs of new homes in the sector. For the last few years, Government has directed its capital support to RSLs/housing associations, in order to lever in additional private borrowing and deliver more housing. The Government now wants to explore whether council-backed schemes could bring in other benefits. Central to this approach is the supply of council-owned land.
- 1.6.2 Bids for Social Housing Grant can now be made through a special venture vehicle or an ALMO. The first ten such bodies have now pre-qualified as eligible for bidding in the next round.
- 1.6.3 The Housing Corporation proposes to have a further pre-qualification round for social housing grant next year. *“This will allow more councils an opportunity to put together partnership vehicles and schemes”*. The Government is clearly keen to extend this route.

1.7 Partnerships and Local Housing Companies

- 1.7.1 The Government intends to increase the support for *“councils and local partners adopting a mixed community approach to securing change in some of our most deprived areas and estates, including capacity building and preparatory projects”*. The idea is to meet much of the capital costs of the schemes with substantial private sector investment. *“A variety of delivery vehicles may be used for mixed communities schemes and the choice should be determined by the nature of the project and the outcomes to be secured. However, for some of the more complex schemes, involving a variety of public and private partners, special purpose vehicles or local housing companies may be the best way forward”*. The local housing company also features in other chapters as a model to deliver affordable homes for sale and on a shared equity basis – again the supply of land by local authorities is seen as a big part of the mix.
- 1.7.2 Local authorities already have the *“powers to set up and become partners to a wide range of programmes which could deliver affordable housing, often alongside other social and economic benefits”*. Further guidance on private/public partnership approaches with councils providing land will be issued in the near future.

1.8 Decent Homes

- 1.8.1 The thrust of the Green Paper is a push for new development but there will also be a requirement to preserve the decent standard in the existing stock. The Government expects that 95 per cent of social housing will be made decent by the end of 2010.

1.9 Empty Homes

- 1.9.1 There are some references to the private rented sector, and there is mention of the need to make better use of existing homes – including bringing empty homes back into use. *“Councils will also be expected to do more to bring long term empty homes back into use. We will explore a range of measures including the new Housing and Planning Delivery Grant to facilitate this. Local authorities need to look at making best use of what already exists as well as securing new supply”.*

1.10 Rural Housing

- 1.10.1 The New Homes Agency will work with rural councils so that they can meet the particular pressures faced by rural communities by supporting social housing and shared ownership homes in villages and rural areas as well as in larger towns. There will be a feasibility study to look at the case for a new, time limited programme to help overcome local barriers to rural affordable housing provision. A target is to be set later this year for provision of affordable housing in rural areas for 2008-11.

1.11 Supported Housing

- 1.11.1 There is no mention of building more supported housing so it is critical that the Government protects the value of the Supporting People programme.
- 1.11.2 A new strategy for housing and the ageing population will be launched in the autumn.

1.12 Infrastructure

- 1.12.1 Announcements on the levels of infrastructure funding to be made in the autumn.

1.13 Affordability

- 1.13.1 At least 25,000 more new shared ownership and shared equity homes each year will be provided, including by local authorities through Local Housing Companies and by private developers, to help first time buyers.
- 1.13.2 The Government states its support of the private sector in financing the Open Market HomeBuy scheme and says that it wishes to see a greater role in offering shared equity mortgages or shared ownership homes. Sir Brian Pomeroy will chair a Shared Equity Task Force to advise on new ways of developing the private sector shared equity market.
- 1.13.3 The Government introduced a new 17.5 per cent Government Equity Loan product in July, which purchasers can use in conjunction with a mortgage from any lender for Open Market HomeBuy.

- 1.13.4 Measures are to be introduced to improve the ability of lenders to finance more affordable long term fixed rate mortgages, which help make the cost of borrowing more predictable for the borrower.
- 1.13.5 Increased opportunities for social tenants to purchase a share in their own home will be introduced, with more detailed proposals in the autumn.

1.14 Delivery

- 1.14.1 There will be improved training, recruitment and retention of key professions, including construction workers and planning officers.
- 1.14.2 In response to concerns about developer land banking, the Government will consider whether further measures are needed to incentivise developers to build out major housing development sites more quickly.
- 1.14.3 Government will look as part of its response to the Cave Review at ways of encouraging more housing association development of market housing alongside social and affordable housing presumably with the intention of the former cross-subsidising the latter.
- 1.14.4 As set out in the sub-national review, the Government is proposing to simplify and streamline regional strategies by merging regional spatial strategies with regional economic strategies.
- 1.14.5 The New Homes Agency will have the goal of increasing the supply of new homes including through leveraging in private finance, building capacity and the more effective use of public sector land, as well as contributing to the regeneration of existing neighbourhoods, tackling worklessness and promoting mixed communities.

1.15 Land for Housing – Comment

- 1.15.1 With the increased housing targets in mind, the Green Paper places a lot of emphasis on securing adequate supplies of land to deliver new provision.
- 1.15.2 There is a clear expectation that Local Planning Authorities (LPAs) will take a proactive role in identifying and securing land for new housing provision. Where LPAs have not identified at least 5 years of sites for development as per PPS3, immediate steps must be taken to identify potential additional sites. Guidance has been issued on Strategic Housing Land Availability Assessments. On several occasions the Green Paper states that, where LPAs have not identified enough land, planning inspectors are more likely to overturn decisions on appeal and allow developments to go ahead. The Paper envisages some employment land being considered for housing.

- 1.15.3 The Green Paper proposes an increased emphasis on the strategic role of the Council in identifying the need for new homes, influencing the debate locally on growth and ensuring a supply of land to meet this growth. This will primarily be done through the LDF process. The proposals do not appear to signal any major shift in the broad direction of the Council's current strategy and policies.
- 1.15.4 The Council is well advanced with its LDF preparation, an essential thrust of which is to provide long term planning for a delivery stream of general and affordable housing needs. This reflects a well practiced approach by the Council of forward planning for the long term housing supply in the Borough. This should be recognized in any new or extended funding mechanisms and in infrastructure funding.
- 1.15.5 The role of the LPAs in identifying land for housing is further emphasised by the replacement of the Planning Delivery Grant with a new Housing and Planning Delivery Grant from 2008. This will be paid to LPAs who meet their agreed development timetables for new housing and have identified at least 5 years worth of sites (with a further 10 years worth in plans). Whilst the continuation of Housing and Planning Delivery Grant is welcomed, Councils will want payment rules to take into account wider sustainability considerations and not simply be based on the numbers of houses planned or constructed, as Councils are not all expected to deliver at the level of Milton Keynes. The proposed Housing and Planning Delivery Grant should reward performance by authorities which have taken a long term and planned approach to housing supply. It should recognise and reward local authorities with a sustainable track record of performance which can evidence certainty in future housing provision and delivery, and not just those who have only latterly responded to recent government initiatives.

1.16 Provision of Affordable Housing – Comment

- 1.16.1 The Green Paper continues to promote the ill conceived view that increasing housing supply will improve affordability and there is confusion between affordability issues and the supply of affordable housing. The view that building many more houses will increase affordability was of course rejected by the SE Plan Panel in its recently published report. The Panel refute the suggestion that by simply providing more housing overall this will address market affordability issues in the region, confirming that far more local sensitivity needs to be given to the programme for funding and delivery of real affordable homes.
- 1.16.2 The Government needs to appreciate that new stock will always be a small proportion of the total and that prices are primarily driven by the price of existing stock. It is also clear from various parts of the Paper that the Government fails to appreciate the difference between genuine need and demand for housing and the fact that a significant proportion of the latter is fuelled by a desire to use the housing market for investment purposes.

- 1.16.3 Funding of £8 billion will be provided for new affordable housing provision during the 2008 to 2011 period (an increase of £3 billion on previous levels), the aim being to deliver 70,000 new affordable homes per annum by 2010/ 11. The Green Paper has been published in advance of the Comprehensive Spending Review and it is unclear to what extent the announcements on investments represent a repackaging of previous commitments or genuinely new money. The Government's ambition to sustain funding for affordable housing to 2020 is encouraging, but if it is to deliver, it will need to go beyond the rhetoric and provide a substantial increase in new funding. The next bidding round for Registered Social Landlords (RSLs) (for the 2008-2011 period) will be a competitive process focussing on value for money. The more value for money that an RSL can offer, the more subsidy it will receive. The implication of this is that RSLs will be seeking to keep land costs down as far as possible, which may be a problem in high cost areas of the south east. RSLs will also be subject to a "traffic light" assessment of their investment strategies, with subsidy being directed at those with robust strategies.
- 1.16.4 For first time buyers, the Green Paper is seeking more involvement from the private finance sector to support schemes such as Homebuy and develop other initiatives. There must be a question mark over how successful this will be, as the current Homebuy scheme had a significant downturn in applications after banks became involved in delivering some of the loans (rather than the scheme being wholly publicly subsidised). The paper also wants high street lenders to develop more affordable longer term fixed rate mortgages.

1.17 LGA Concerns

The LGA comments as follows:-

- 1.17.1 *"The Secretary of State's plans to step in and override council decisions. This should be clarified to ensure it does not undermine the planning white paper commitment of reducing ministerial involvement in planning appeals and call-ins.*
- 1.17.2 *The need to ensure that infrastructure will be sufficiently funded.*
- 1.17.3 *The amount of extra money for affordable housing. The Government has said it will invest £8 billion in affordable housing over the next three years, £6.5bn of which will be through the Housing Corporation and the new homes agency (Communities England). However, this is somewhat lower than the £11.6bn investment identified in the LGA's joint CSR submission for new-build affordable homes over the same period.*
- 1.17.4 *Ensuring that we also pay attention to managing and maintaining existing homes and communities. While the Green Paper acknowledges the difficulty some authorities face in attaining Decent Homes Standard by 2010, we believe government should investigate additional ways for councils to access funding for their retained housing stock."*

1.18 Responding to the Green Paper

1.18.1 The Government has invited responses to the proposals set out in the Green Paper by 15 October 2007. A summary of responses received will be published by 29 February 2008.

1.19 Legal Implications

1.19.1 None arising from this report.

1.20 Financial and Value for Money Considerations

1.20.1 None arising from this report.

1.21 Risk Assessment

1.21.1 None arising from this report.

1.22 Recommendation

1.22.1 Cabinet is **RECOMMENDED** to **ENDORSE** the comments in paragraphs 1.15 to 1.17 above, in addition to the views expressed by Members at the meeting, as the basis of this Council's response to the Green Paper.

The Director of Health and Housing and Director of Planning, Transportation and Leisure confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:

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