

THE HOUSING GREEN PAPER 2007 *HOMES FOR THE FUTURE*

Introduction: the latest Green Paper on Housing¹ was published July 2007 and presents the Government's agenda for housing. It is not a definitive statement of Government policy for there remain a number of related matters which are still under review. One instance is the Hills review of social housing and its future.

Comments are invited and must be submitted to Communities & Local Government by 15 October. This report include an appendix which summarises the Green Paper's ideas. The City Council's proposed response is presented in three ways:

- A - General issues and questions arising from the Green Paper
- B - Green Paper - comments by section
- C - Response to specific Green Paper questions.

Recommendation: that the following text be agreed as the city council's observations on the Housing Green Paper for emailing to the Communities & Local Government.

A - GENERAL ISSUES & QUESTIONS ARISING FROM THE GREEN PAPER

- 1) Portsmouth welcomes the opportunities in the Green Paper to enhance our ability to provide more affordable housing. The suggested new vehicles for doing this, whilst sustaining the Housing Revenue Account, are very helpful.
- 2) Flexibility is needed so that places facing exceptional challenges can be allowed to benefit from the Green Paper's opportunities. In Portsmouth, we are an island with large areas of potential sites affected by flooding issues. We also have a lot of land outside our boundaries in the adjacent authority of Havant which could be developed. As the land owner the city council needs incentives to develop this land, but at present it seems that all the financial benefits would be in favour of the adjacent authority.
- 3) All of the incentives in the Green Paper seem to relate to volume rather than the quality of new homes. For example, there are penalties for local authorities not providing enough land and financial rewards for doing so, but no reward for quality. We do not want a 'one size fits all' quality standard, but an expectation that Local Authorities will set their own standards for quality which can then be checked by central Government.
- 4) The Government has given priority to 'Lifting the Burden' and reducing the number of targets set for Local Authorities. How does this fit with imposing new targets in the Green Paper?
- 5) The Planning Inspectorate should not be given the responsibility for inspecting local authorities on whether or not the objectives in the Green Paper are met. A more neutral inspection regime is needed.
- 6) The proposed review of the Planning Service is required speedily so that the barriers to the development of new affordable housing can be removed.

¹ Homes for the Future: more affordable and sustainable

B - GREEN PAPER - COMMENTS BY SECTION

Section 2 on housing supply issues:

- 1) The proposed **Housing and Planning Delivery Grant** (HPDG) is to be welcomed. But we would draw to your attention that planning a 15 year development land bank, with a five year supply available for immediate development, is likely to be extremely difficult in a dense urban community like Portsmouth. Sites are scarce as there is no green field development land available. Many sites become available as windfall sites. It is expected that development in Portsmouth will be 100% brownfield. In exceptional circumstances such as these we feel that the award of HPDG should be calculated flexibly.
- 2) A **single regional strategy** will simplify the regional planning process. However we would hope that the new regional arrangements do not give undue emphasis to economic issues at the expense of social and environmental sustainability.
- 3) Releasing **surplus public land** owned by agencies such as the MoD and NHS will make a significant contribution, especially in south Hampshire.
- 4) We welcome the encouragement given to local authorities to establish **Local housing companies** to develop affordable housing on council owned sites. We are enthusiastic to take up the challenge by bringing forward a five year plus development programme of social rented housing and shared equity purchase.
- 5) The Green Paper's emphasis on **brownfield land** for housing development, and the 60% national target, is noted - but we would point out that in Portsmouth we have achieved 100% for some years. We would hope that the additional costs involved in managing the Planning system will be recognised when the Housing and Planning Delivery Grant is awarded.
- 6) The importance of a viable **empty homes strategy** is accepted and that it is a part of a local authority's strategic housing role. Government needs to be aware that for such programmes to be effective intensive input is needed which, in an era of extreme budgetary pressures, means required resources are rarely available. Financial assistance through the Housing and Planning Delivery Grant (or similar) would be of considerable assistance.

Section 3 on quality and sustainability issues

- 7) The importance of **infrastructure** is well made. However the proposed £40 million investment for New Growth Points over 5 years is quite inadequate, even allowing for the £300 million Community Infrastructure Fund. To illustrate, £300 million shared among 100,000 new homes is only £3,000 per property. Yet the Milton Keynes development tariff pilot suggests that investment in new and updated infrastructure programmes ought to be at least three times current estimates. This degree of public investment will be essential if plans for New Growth Points such as south Hampshire are to be successfully realised.
- 8) A **planning charge or tariff** would be preferable to Planning Gain Supplement for reasons of simplicity and transparency. We look forward to receiving guidance on the options for implementing a tariff system and how this can achieve the essential infrastructure investment.
- 9) We fully support the priority given in the Green Paper to increasing the amount of **family housing** and note this is reflected in Housing Corporation policy for social rented housing. This need is also expressed in the Housing Market Assessment for south Hampshire. The single biggest limitation to achieving this objective will be insufficient social housing grant, despite the proposed increase in Government

investment. We therefore ask that this aspect of public policy be monitored closely, and extra funding allocated if required.

- 10) A **design quality assurance scheme** has great potential and ought to have statutory backing. If administered locally by planning authorities then funding through the Housing and Planning Delivery Grant will be essential
- 11) Developing **green space strategies**: the principle is good but many schemes suffer from lack of subsequent aftercare. Perhaps CABE could investigate and promote options as part of their work?
- 12) Encouraging more and earlier **community engagement** through CABE and Academy for Sustainable Communities (ASC): this is the right approach but it is costly and time consuming with long lead-in periods. How will ambitious development targets be realised given this?
- 13) Improving **energy efficiency in existing homes**: a huge challenge as inefficiencies in the existing stock is worse than for new dwellings. A variety of fiscal incentives are needed because the existing grant schemes are inadequate.
- 14) **Energy efficiency initiatives for new housing**: new technologies will be more affordable on large developments due to economies of scale. But there are difficulties in cities like Portsmouth with relatively small scale development on in-fill sites. Hence Government grants or fiscal incentives for small schemes of, for example, under 20 homes (especially when part of good practice pilots) would make sustainable targets more achievable.
- 15) To summarise, there is a potential clash between the desire for quantity (240,000 homes annually from 2016), and increased quality (of which zero carbon targets are only one part). Which has priority? There are fiscal, planning and design implications which must be understood and refined in further Government guidance. Increased housing output alone is not sufficient but must be matched by a mix of tenure and dwelling types which reflect identified needs.

Section 4 on increasing the supply of affordable housing

- 16) We applaud the 50% increase in public investment in housing over the next three years and look forward to working actively with the Housing Corporation and its successor New Homes Agency to deliver the affordable housing so urgently needed in this city.
- 17) We welcome the opportunity given to create a Local Housing Company for this will provide a renewed role for local authorities.
- 18) The Green Paper does not provide sufficient development incentives to local authorities like Portsmouth who have retained a well maintained stock with good customer satisfaction rating (eg 79% score for the BVPI 79 indicator). A more level playing field with housing associations would be a fair recognition of the sound work done quietly by many local authorities to provide well regarded housing services in their communities. We have not walked away from challenges through the stock transfer process but have continued to invest in the city for generations. That commitment ought to be recognised by actively encouraging a housing development role.
- 19) The need for greater stabilisation in the mortgage market is important and we support the Government's efforts to assist the financial services industry to develop long term fixed rate mortgage products.

Section 5 on delivering the Green Paper aspirations

- 20) We note that the Green Paper recognises the growing role of local authorities in developing and implementing active housing strategies for their communities and would ask Government to reflect this when calculating the proposed Housing and Planning Delivery Grant.

21) Skills shortages in the construction industry have the potential of thwarting the Green Paper's targets for new homes and we would ask that funding to local vocational colleges be increased to ensure teaching capacity and student numbers can be increased to respond to increased demand. Similar investment in related house building professions and disciplines is also vital if all the Green Paper's aspirations are to be realised within the next generation.

C - GREEN PAPER SPECIFIC QUESTIONS BY CLG

Chapter 6: Well designed homes and places

Question: any additional tools and/or mechanisms needed to an improve design?

PCC response: A variety of fiscal incentives are needed both to encourage and develop new energy efficiency technologies, especially for millions of existing homes: in Portsmouth around 40% of dwellings date to before the First World War. Government grants to local authorities managing small scale design competitions for specific (smaller) in-fill sites would be valuable - because the English Partnership's Carbon Challenge scheme is intended for larger developments of around 150 dwellings.

Question: further work to explore and evaluate quality assurance approaches?

PCC response: Yes, consult on proposals and then test, as set out in the Green Paper. A Quality Assurance Scheme has potential but its use ought to be standardised and mandatory rather than discretionary.

Chapter 8: more social housing

Question: should councils retain revenue and capital income for developing new homes?

PCC response: Yes, this is the only way to allow newly created Local Housing Companies (or the equivalent) to build up financial viability and to ring-fence funds for future housing development - to the benefit of future generations. Please consult on details.

Question: change pooling regime for receipts from shared equity sales by councils?

PCC response: Yes, such changes are fundamental to successful development by councils. Please consult on details.

Question: what are the merits of the development models? Are other models known?

PCC response: this is a complicated subject and considered guidance would be welcome in due course from CLG. The principle, however, is that some models are more appropriate to particular development situations than others (eg an emphasis on regeneration compared to building general needs housing). Each has its merits. We know of no other models other than those referred to in the Green Paper.

Margaret Geary
Strategic Director of Health, Housing & social Care

HOUSING GREEN PAPER 2007 - SUMMARY OF KEY TOPICS

The table below only reviews policy proposals relevant to the Portsmouth situation and thus ignores issues such as rural development or initiatives pertinent to areas with low housing demand.

SECTION	CONTENT & POLICY PROPOSALS	OBSERVATIONS
<p>1st Section (pages 14-21)</p> <p>Sets the scene</p>	<p>The Green Paper reviews the housing situation in England since 1997. Highlighted trends include:</p> <ul style="list-style-type: none"> • New households are forming at a much greater rate than new homes are being built • House prices 'have doubled in real terms over the last 10 years' • 87,000 households are living in temporary accommodation. 	<p>Portsmouth's property prices for buying or renting are lower than much of the South East. But affordability and housing supply continue to be serious causes for concern - as illustrated by the Portsmouth Housing Register which recorded about 8,000 households in August 2007.</p>
<p>2nd Section (pages 22-41)</p> <p>Housing supply issues in general</p>	<p>More new homes are planned:</p> <ul style="list-style-type: none"> • an extra 2 million by 2016 and 3 million by 2020 • 240,000 annual output by 2016 	<p>The planned 240,000 new homes each year (a 50% increase on current output) will make a real difference. But it is still only two thirds of numbers achieved in the 1960s - when the nation's population was smaller.</p>
	<p>Existing Planning Delivery Grant to be replaced from 2008 by a Housing and Planning Delivery Grant (HPDG) for local authorities who successfully</p> <ul style="list-style-type: none"> • increase the supply of new homes • identify development land for new housing for 15 years ahead with sufficient for immediate use over 5 years • reduce the number of homes 'left empty for long periods of time'. 	<p>Proposed HPDC is welcome. But making its award subject to creating a mandatory 5 year land bank for new housing development will disadvantage Portsmouth. This is because 'windfall' sites (rather than 'greenfield') are the primary source for new housing.</p>
	<p>Increasing the number of growth points and creating eco-cities as a way of focusing new housing development.</p>	<p>Priority for growth points is relevant to the role of PUSH - the Partnership for Urban South Hampshire.</p>
	<p>Single regional strategy - housing, economic and environmental issues to be combined into a single strategy prepared by the Regional Development Agency</p>	<p>This proposal has the potential for simplifying regional planning and therefore allocating housing targets to local authorities more quickly than in the past.</p>
	<p>Releasing surplus sites owned by public agencies (including local authorities), to create 200,000 new homes by 2016, of which a minimum 50% to be affordable</p>	<p>Potential in Portsmouth and south Hampshire due to the amount of land owned by the MoD and NHS.</p>

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	<p>Local Housing Companies - local authorities will be invited to establish LHCs in partnership with English Partnerships (and its successor), subject to at least 50% of the dwellings being affordable</p>	<p>The City Council is keen to establish an LHC as a way of creating new homes on PCC sites.</p>
<p>3rd Section (pages 42-69)</p>	<p>Community Infrastructure Fund will invest £300 million for new transport infrastructure linked to new housing - focused in particular on the new Growth Points and Eco-Towns.</p>	<p>Portsmouth and local authorities of the PUSH consortium could benefit from this initiative.</p>
<p>Quality and sustainability issues</p>	<p>The Green Paper emphasises the importance of creating good infrastructure and devotes several pages to how this can become a priority across the entire public sector (central, regional and local government and associated agencies). This is the context for proposing a Planning Gain Supplement (PGS) which may be introduced from 2009. It would apply to all new development, with the aim of capturing the increase in values created by planning gain. The income thus generated would fund new infrastructure. PGS, managed by central government, may replace the current system of developer contributions paid under planning agreements. At least 70% of receipts would be paid to the local planning authority granting the planning permission.</p> <p>The Government accepts that the PGS is controversial. It may defer legislation pending further consultation on four options, or approaches, set out in the Green Paper.</p> <p>These include a PGS and its variants administered by central government; and development charges (tariffs) administered by local planning authorities, either variable and discretionary, as with the Milton Keynes experiment, or standard and statutory.</p>	<p>The Green Paper's proposal for a standard statutory development charge, or tariff, has the merit of simplicity and transparency for funding local infrastructure. Compared to the alternatives it would be more easily understood and simpler to administer. The income would be seen to immediately benefit the local community - provided it is 'ring fenced' solely for investment in community infrastructure projects.</p>
	<p>The Green Paper underscores the importance of local authority planning and strategic housing roles to ensure new communities are sustainable, and in particular are</p> <ul style="list-style-type: none"> • well designed, using CUBE² criteria • have a mix of tenures, dwelling types and sizes • provide more family sized housing • respond to the needs of an aging population <p>To increase the achievement of these aims and standards the Green Paper proposes to consult on developing and testing a design quality assurance scheme to be administered by local authorities as an adjunct to the planning system</p>	<p>The advantage of a design quality assurance scheme as that it would provide a widely available benchmark for assessing development proposals at the pre-application planning stage. The scheme ought to have statutory backing to ensure universal application. Administrative costs should be eligible for funding by the proposed new Housing & Planning Delivery Grant.</p>

² Commission for the Built Environment - the agency with a remit to champion good design and architecture

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	<p>The Green paper brings together several recent Government initiatives (eg Code for Sustainable Homes) which aim to reduce carbon emissions produced by the nation's homes. One target is that by 2016 all new homes will be designed and built to zero carbon standards. Mandatory energy ratings are proposed. Other programmes focus on the nations existing dwellings.</p>	<p>About half of Portsmouth's homes are over a century old, and improving their energy efficiency is a costly challenge. Govt policy needs to be more proactive in this area. See also appendix 2 with this report.</p>
<p>4th Section (pages 70-93)</p> <p>Affordable housing</p>	<p>A step change in public investment with £8 billion over next three years proposed, of which two thirds will be targeted to the provision of social housing. Spending will be channelled via the New Homes Agency, created by merging English Partnerships and the Housing Corporation. Outcomes from this 50% increase in investment will include:</p> <ul style="list-style-type: none"> • one in three of <i>all</i> new homes to be affordable • 50,000 social rented homes a year • 25,000 assisted purchase eg shared ownership 	<p>This is good news for Portsmouth and all the councils in the PUSH consortium whose commissioned Housing Market Assessment confirms the need for a greatly increased supply of affordable (but especially social rented) housing.</p>
	<p>One of several proposals for improving affordable housing supply is to allow councils a more active development role, especially regarding their own land holdings. They would be permitted to bid for social housing grant. A council backed local housing company, such as an Arms Length Management Organisation (ALMO), or similar body could be used. In consequence the new homes, and thus income from rents and sale of equity shares, would be held separately. Reforms to the Housing Revenue Account system would be needed. Income from new housing would be retained for future reinvestment, which could include estate regeneration. Councils are not expected to seek this independent development route unless it 'offers better value for money than other options'.</p>	<p>The power to build affordable housing through a local development company poses a real opportunity for Portsmouth - and all similar councils who have retained a substantial landlord role. Such a company would complement new provision from housing associations. It could also have potential for estate regeneration such as the Somerstown scheme.</p>

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	<p>The Green Paper proposes several ideas for expanding affordable home purchase schemes to meet aspirations for home purchase. Some of these are already being implemented. These include</p> <ul style="list-style-type: none"> • funding for over 25,000 homes each year using shared ownership leases, or similar • adapting the Open Market Homebuy (OMHB) scheme to offer (from July 2007) 17.5% Government equity loans to supplement loans from mortgage lenders • encouraging the use of planning agreements and developer contributions on market housing developments • encouraging local housing companies, created by councils, to work with English Partnerships for developing local authority land with at least 50% affordable housing, including shared equity purchase schemes • using surplus public land for shared ownership homes with no public grant 	<p>All these options have a part in the Portsmouth housing market. The expansion of <i>Homebuy</i> should be popular, based on the success to date of the scheme in the city. If local housing companies are to include shared equity purchase then some form of partnership with another housing body may be necessary since planning and marketing this form of tenure requires specialist expertise.</p>
	<p>The Green Paper develops proposals for 'improving the way the mortgage market works', in particular ways of making loans more affordable, with minimal interest rate fluctuations. One solution is greater use of long term fixed rate mortgages. Most UK loans are fixed rate contracts for well under 5 years. Discussions are in progress between the Treasury and mortgage lenders on possible solutions.</p>	<p>The development of a stable fixed rate mortgage contract is to be welcomed and encouraged, for it would directly assist first time buyers in the Portsmouth and south Hampshire housing markets.</p>
<p>5th Section (pages 94-116)</p> <p>Delivery</p>	<p>This section of the Green Paper discusses potential barriers to achieving a dramatic increase in the country's supply of housing. These include skills shortages and the need for a shared commitment and consensus by everyone (local political leaders, public agencies, the house building industry etc) on the Green Papers proposals.</p> <p>Skills shortages: skills shortages in construction, local government (eg Planners) and the professions are most acute in London and the South East. Vocational training and education programmes are reviewed but the emphasis is on the importance of increasing the supply of construction craft skills, - especially by increasing the number of apprenticeships.</p> <p>A shared commitment and contribution: this last section of the Green Paper comments on the contribution all sections of society can make. Some mentioned are:</p> <ul style="list-style-type: none"> • <u>Local authorities and their strategic housing role</u> is given full emphasis, as well as collaborative working between sub regional groups of councils • <u>Purpose created development bodies</u> are encouraged and examples described include Local Delivery Vehicles (LDVs), Local Housing Companies, Community Trusts: views are 	<p>The combined message from this section is that the opportunities created by the Green Paper (and its successor White Paper) will together make it more likely that the supply of homes will be increased in this area. The importance of the City Council's strategic housing function is reinforced and expanded, especially for ensuring an adequate supply of development sites. Resources may have to be increased. A Local Housing Company will be a particular opportunity for the city council as a development vehicle. The New Homes Agency's duty to co-operate in setting LAA housing targets will be beneficial. More entrants in the non subsidized housing market should, in the long term, do much to assist households who cannot at present be assisted through the usual routes such as the Housing Register.</p>

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	<p>requested on the best models</p> <ul style="list-style-type: none"> • <u>The house building industry</u>: ways are being reviewed on how to 'incentivise developers to build out major housing development sites more quickly through the development control process' • <u>Housing associations</u>: most social housing is developed by associations although in the last two years commercial developers and council ALMOs have also been encouraged to develop affordable housing with public grant. Housing associations are to be encouraged to develop market housing • <u>New Homes Agency</u>: this new agency is being created by merging the Housing Corporation, English Partnerships and parts of the Communities Department. It will have a duty to co-operate with local authorities to determine targets for Local Area Agreements. 	