

Shelter's response to the CLG Green Paper - Homes for the future: more affordable, more sustainable

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Shelter

Shelter is a national campaigning charity that provides practical advice, support and innovative services to over 170,000 homeless or badly housed people every year. This work gives us direct experience of the various problems caused by the shortage of affordable housing across all tenures. Our services include:

- A national network of over 20 housing aid centres
- Shelter's free housing advice helpline which runs from 8am-midnight
- Shelter's website which provides housing advice online
- The Government-funded National Homelessness Advice Service, which provides specialist housing advice, training, consultancy, referral and information to other voluntary agencies, such as Citizens Advice Bureaux and members of Advice UK, which are approached by people seeking housing advice
- A number of specialist projects promoting innovative solutions to particular homelessness and housing problems. These include 'Homeless to Home' schemes, which work with formerly homeless families, and Shelter's Inclusion Project, which works with families, couples and single people who have had difficulty complying with their tenancy agreements because of alleged anti-social behaviour. The aim of these particular projects is to sustain tenancies and ensure people live successfully in the community.

EXECUTIVE SUMMARY

Green paper's housing vision

Shelter warmly welcomes the Government's commitment to increase the number of new social rented homes per annum to 45,000 by 2010-11 and the goal to reach 50,000 in the next Spending Review. We also welcome the Government's target to deliver 3 million new homes by 2020, of which 2 million are to be delivered by 2016.

We strongly support the Government's desire to ensure that the new homes created are the right ones in the right places. This must involve consideration of:

- Design of homes and neighbourhoods
- Sustaining the environment
- Achieving mixed communities
- Increasing levels of family sized homes
- Providing adequate infrastructure

However, to tackle the affordability crisis, Government's vision for housing must go further than increasing the supply of homes. In particular, this must include:

- Reform to Housing Benefit to tackle shortfalls and poverty trap effects
- Measures to create a more stable and equitable housing market and to contain house price inflation
- Consideration of the role of the private rented sector and key related issues such as security of tenure, accessibility and housing conditions
- Reducing mortgage risks through reform to safety nets and an urgent review of the sub prime sector.

Future levels of housing need

A vital question is how the three million homes to be delivered between now and 2020 will be split between social rented, LCHO and market provision.

Together with the CIH, the NHF, the LGA and the National Federation of ALMOs Shelter called on the Government to provide investment for 50,000 social rented homes per annum to tackle the most urgent need.

However, it is clear that 50,000 homes per annum is only enough to address the tip of the iceberg in terms of addressing housing need. We believe the Government must see achieving this target as a first step in a long- term sustained increased in public investment in social housing over the next decade.

In order to move as quickly as possible to this level we urge the government to commit to social housing figures of 35,000 in 2008/09, 40,000 in 2009/10 and 45,000 in 2010/11. In addition, we call on the Government to clarify the year of the next

spending review period in which it is aiming to meet its goal of 50,000, which we believe should be in 2011/12.

We will be doing more research on the scale and nature of social housing need now and in the future and we would like to work with the Government on this. We urge the Government to evaluate the levels of social housing needed to 2020, set out a clear trajectory for social rented housing and to publish this analysis.

More homes to meet growing demand

To meet its targets for new housing supply we urge the Government to:

- Make further changes to the policy framework to increase the amount of social housing delivered through Section 106 agreements.
- Ensure more innovative national and local policy in its protection of greenfield land by considering alternatives to the traditional green belt model.
- Refine its criteria to ensure that at least 30 per cent of the homes built in the planned eco-towns and using surplus public sector land are for social renting.
- Set out clear arrangements for a smooth and timely transition to the new Single Regional Strategies, and create opportunities for voluntary sector input into the new system.
- Take further action to ensure that local authorities which have yet to complete the process of developing and adopting their Local Development Frameworks do so as a matter of urgency.
- Give local authorities discretionary powers to charge council tax at up to double the normal rate for empty properties.

How to create places and homes that people want to live in

We welcome the Green Paper's recognition that, in the drive to increase the quantity of newly-built dwellings, there must not be a repetition of past mistakes by sacrificing the quality of homes. To improve the design of homes and neighbourhoods and to ensure access to infrastructure we urge the government to

- Ensure that legislation introducing a new statutory planning charge reflects the views of wider stakeholders, particularly in relation to its potential impact on the delivery of social housing.
- Encourage the provision of more family sized social rented homes and consider the reintroduction of minimum space standards for all new homes.
- Promote the roll-out of design review panels at regional and local levels.

More affordable homes to buy or rent

Shelter welcomes the Green Paper's promise of an additional £8 billion for affordable housing including at least £6.5 billion for social housing over the next three years. However, in helping to ensure everyone has access to a decent affordable home we believe the Government must also:

- Set clear targets for each year of the spending review and provide information as to how much funding will be available in each year for both new social rented and LCHO homes.

- Ensure that the LCHO programme is concentrated on new supply rather than the subsidy of purchase on the open market
- Ensure that the FSA is urgently resourced and tasked with carrying out a thorough review of practices and compliance across the entire sub-prime sector.
- Progress discussions on the feasibility of implementing the JRF's proposals for a sustainable home ownership partnership (SHOP) system as a replacement for both the current welfare benefit payment, ISMI (income support for mortgage interest), and the private mortgage payment protection insurance (MPPI) market.
- Extend the scope of FSA regulation to cover mortgage rescue schemes to tackle the high levels of bad practice in this area
- Consider as part of the Thoresen review how the availability of mortgage advice could be improved, both for individuals taking out a mortgage and those with repayment difficulties
- Consider the introduction of a pre-action protocol for mortgage possession cases.

Delivery: how we make it happen

In order help ensure that the new homes committed to are delivered we call on the Government to:

- Develop guidance to demonstrate how housing delivery through Local Area Agreements can be best achieved
- Consider how best to address the issue that a significant proportion of newly built homes are bought by private buy-to-let investors rather than owner occupiers.

INTRODUCTION

Shelter welcomes the opportunity to respond to the Housing Green Paper and the consultative approach that it represents. We welcome the Green Paper, which clearly reflects the Government's recognition of the importance of housing as an issue, and its commitment to a massive increase in the level of housebuilding.

We have structured our response to the Green Paper in three main parts. Firstly, we set out how the Government's vision for housing corresponds to our own. Secondly, we consider the overall trajectory for new social housing between now and 2020. Lastly, we address the detailed policy areas discussed in each chapter of the Green Paper.

THE GREEN PAPER'S HOUSING VISION

Shelter's recent campaigning has highlighted the negative impact of bad housing on the health, education and life chances of children and identified a clear 'housing effect'.¹ Our research has shown that Government investment in housing has a critical role to play in achieving progress over a wide range of Government objectives and priorities², including the following:

- Ending child poverty
- Improving life chances and social inclusion
- Improving health outcomes
- Raising educational achievement
- Promoting race equality and community cohesion
- Reducing crime and antisocial behaviour
- Building a competitive economy

Against this background, Shelter welcomes the focus of the Green Paper in tackling the huge shortage of both market and affordable homes.

Building more homes

Shelter warmly welcomes the Government's commitment to increase the number of new social rented homes per annum to 45,000 by 2010-11 and the goal to reach 50,000 in the next Spending Review, the latter being the level called for by Shelter in our Comprehensive Spending Review submission and supported by numerous other organisations. Shelter also welcomes the Government's target to deliver 3 million new homes by 2020, of which 2 million are to be delivered by 2016. Increasing new supply is key to improving affordability and reducing the pressure on our housing

¹ Harker L, *Chance of a lifetime*, Shelter, 2006

² For more information see Shelter's submission to the Comprehensive Spending Review, 2006 available on request.

stock. However, whilst these announcements are very positive, they leave significant unanswered questions about the overall trajectory for new social housing provision between now and 2020.

New homes and places

We strongly support the Government's vision to ensure that the new homes and communities created are the right ones in the right places. In particular we believe that the following factors are crucial:

Design of homes and neighbourhoods: The design of homes is crucial. We share the view that design of housing must play a key role in cutting carbon emissions but also in ensuring a better quality of life for residents and developing stronger communities. Shelter believes that all new social rented homes should be built to the lifetime homes standard and at least 10 per cent should be wheelchair accessible³.

Environment: We believe that it is possible to meet our future housing needs without undermining our desire to sustain and protect the environment now and for generations to come⁴. We also support the commitment to ensure that all new housing is zero carbon by 2016 and the view that a revolution in the way we build, design and power our homes is needed. However, policies must ensure that those on low incomes are not penalised and indeed are helped to improve the environmental performance of their homes.

Mixed communities: The Government must ensure that the new homes created are in genuinely mixed tenure communities and that concentrations of deprivation are avoided.

Family sized homes: Shelter welcomes the recognition that more family sized homes are needed to help tackle overcrowding. We welcome the target set out in the draft Mayor's Housing Strategy that 42 per cent of new social homes in London should have three bedrooms or more, and believe that the Government should encourage the adoption of similar regional targets as appropriate to levels of overcrowding in other regions. However, we believe the Government must go further in tackling overcrowding. Shelter welcomed the discussion paper in July 2006 about raising the outdated statutory overcrowding standard but we believe that a modernised statutory definition and action plan are urgently needed to tackle this problem.

Infrastructure: The new communities created will need to have the right infrastructure, such as decent schools, water and water management facilities, hospitals, transport, green space and support services. The need for the provision of 'hard' infrastructure, such as water and sewerage, must not overshadow the need for 'soft' infrastructure, such as recreational facilities, libraries and community centres. These facilities create opportunities for social interaction and community-building and are therefore equally vital in building sustainable communities.

³ This reflects the assessment of John Grooms Housing Association, which Shelter supports. See <http://www.johngrooms.org.uk>

⁴ For more information on our ideas of how this can be done see Shelter, *Housing versus the environment – can there be only one winner? A discussion paper*, 2006

Making housing more affordable

We share the Green Paper's vision that everyone should have access to decent housing which is affordable to them and a place they can be proud to call home. However, we believe that making housing more affordable and reducing the risks of affordability problems for householders is not simply about building more social, LCHO and market homes, although this is critical. We believe the Government can and must go further than this in tackling the crisis in housing affordability.⁵ We believe that the Government must take further steps to ensure that the numbers exposed to the risk of mortgage arrears and repossessions as a result of increasing interest rates, for instance through reform to safety nets and better education and advice for householders. Joined up working between CLG and DWP must focus on ensuring that those on low incomes can get support with their rent, which must not result in unreasonable housing benefit shortfalls or create poverty trap effects. We also believe the Government must consider the case for other measures, including property taxation reform, to create a more stable and equitable housing market which acts to contain house price inflation.

Balanced housing strategy

Whilst the focus of the Green Paper is very much on the new homes and communities we hope to create, there is also a need to focus on a strategy for ensuring that the nature of housing tenure contributes to the goal of ensuring everyone has a suitable home. Shelter welcomes the work of John Hills in progressing the debate on reform to the social rented sector. However, we believe that the time has come to also reconsider the role and place of the private rented sector and to assess some of the key issues facing those who seek their homes in the sector, such as security of tenure, housing conditions and accessibility for low income groups. As pressure has grown on social housing lettings and house prices have become less affordable, the private rented sector must play an increasingly important role in meeting our housing needs. We shall be setting out some of our key thoughts in this area in the coming months.

⁵ Shelter's development of policy solutions in this area has been facilitated by a discussion paper written by Professor Christine Whitehead from the London School of Economics. See *At any cost? Access to housing in a changing financial marketplace*, Shelter, 2007

FUTURE LEVELS OF SOCIAL HOUSING NEED

A vital question is how the three million homes to be delivered between now and 2020 will be split between social rented, LCHO and market provision. This entails looking not only at newly arising need but also at the scale and the nature of the backlog of need for social housing. The Green Paper states that newly arising need for social housing is at least 40,000 per annum. This is consistent with the estimates calculated by the Cambridge Centre for Housing and Planning Research (CCHPR) in 2005 and is the level of newly arising need quoted in Shelter's 2005⁶. However, Shelter believes that this figure significantly underestimates the actual level of newly arising need for the following reasons:

- *Household projections:* The household projection figures on which the 40,000 estimate was based have twice been revised upwards since it was calculated. In March 2006, the-then Office of the Deputy Prime Minister (ODPM) updated its household growth projections from 189,000 to 209,000 per year over the next 20 years.⁷ CCHPR revised this aspect of the estimates produced for Shelter in 2005 on this basis and calculated that the 2006 household projections would add 5,000 social rented homes to the figure for newly arising need⁸. A more sophisticated calculation taking account of household types would produce an even higher figure due to the growth in lone parents who are more likely to live in the social rented sector. In March 2007, CLG again updated its household projections to 223,000 which could be expected to impact on the newly arising need figures for social rented housing in a similar way⁹.
- *Barker's assumption:* Shelter's estimate of newly arising need of 40,000 per annum in our 2005 update incorporated a one third reduction to reflect the assumption made by Kate Barker in her review of housing supply that one-third of the demographic expansion of households requiring social rented housing is not an immediate priority for re-housing. As stated at the time, neither Shelter nor CCHPR agreed with this approach but for the purposes of our updated research this assumption was retained.

On top of newly arising need for social housing, a separate but equally important element of need for social housing is the backlog. The Green Paper states that the Government will need to go further if they are to start clearing the backlog of need for social rented housing and for this reason they are committed to raising the level of social housing to 50,000 during the next spending review. However, it should again be noted that the scale of the problem is huge and we believe that a level of social housing supply well beyond 50,000 per annum will be needed to start making inroads into the backlog. The number of households in temporary accommodation alone

⁶ Holmans et al, *Building for the future – 2005 update*, Shelter

⁷ CLG Statistical Release 2006/0042, 14 March 2006

⁸ This figure would need to be reduced to 3,000 units to take into account Barker's assumption that one third of the demographic expansion of households requiring social rented housing is not an immediate priority for re-housing.

⁹ CLG Statistical Release, 16 March 2007

stood at nearly 85,000 homeless households at the end of June 2007.¹⁰ Shelter's research has found strong evidence of the negative effects that living in temporary accommodation has on people's health, their children's education and their opportunities to work.¹¹ Other elements of the backlog such as overcrowding equally remain a key concern for Shelter. Through our survey of over 500 overcrowded households we revealed the devastating impact of this on family relationships, health and the education and development of children.¹² At present there are about 235,000 households living in overcrowded conditions in the social rented sector¹³.

Table 1 – Estimate of the backlog of unmet need for social rented housing

Households without self-contained accommodation	
(1) Households in temporary accommodation	84,900 (**)
(2) Concealed families	110,000
(3) Households in shared dwellings	63,000
(4) Would be couples living apart	74,000
(5) Single homeless people, hostel residents	110,000 (*)
(6) Adjustment for those saving to buy	-23,000 (*)
Owner-occupiers and private sector tenants needing social sector homes	
(7) Households applying for age or medical reasons	70,000 (*)
(8) Households who cannot afford mortgage payments	20,000 (*)
(9) Expiry of lease or cannot afford rent	30,000 (*)
(10) Overcrowding	20,000 (*)
LA and RSL tenants in unsuitable housing	
(11) Overcrowding	235,000 (**)
(12) Households with children above the ground floor	150,000 (*)
(13) Overlap between categories	-10,000 (*)
Total backlog	913,900

* No new information since Holmans (1996)

** Updated by Shelter for this response

¹⁰ CLG Homelessness Statistics, June 2007

¹¹ Mitchell F et al, *Living in Limbo – Survey of homeless households in temporary accommodation*, Shelter, 2004

¹² Shelter welcomed the discussion paper announced in July 2006 about raising the outdated statutory overcrowding standards and recommended that a modernised statutory definition and target are needed to address overcrowding.

¹³ CLG, Survey of English Housing Live Tables, Table S127, Difference from bedroom standard by tenure, 2005/06.

Overall, as set out in Table 1 the most recent assessment of the backlog of social housing need stands at approximately 910,000 households.¹⁴ However, many aspects of the backlog estimate now need updating and due to the considerable decline in housing affordability over the last decade they could have increased significantly.

Whilst we recognise the constraints on public expenditure and the need for deliverable and achievable targets, it is clear that 50,000 social rented homes per annum is still only enough to address the tip of the iceberg in terms of addressing housing need. We believe the government must see achieving this target as the first step in a long-term sustained increased in public investment in social housing over the next decade. We believe that somewhere in the region of a quarter to a third of the 3 million additional homes to be built by 2020 must be for social renting.

There is, naturally, considerable uncertainty over the figures for the overall level of social housing required, including as a result of the runaway house price inflation over the last decade.¹⁵ As Hills highlighted, there has been a very sharp decline in social housing lettings, and one of the key drivers of this has been the decline in affordability which has made it more difficult to leave the sector. The most recent data suggests that new social housing lettings have declined from 372,000 in 1996/97 to 228,000 in 2005/06¹⁶. At the same time the number of households on housing registers has increased by more than 50 per cent to 1.6 million since 2002¹⁷. Shelter is keen to better understand the scale and nature of social housing need, both currently and in the future. We will be doing more research in this area and would like to work with the Government on this. We urge the Government to now turn its attention to the long term, to evaluate the levels of social housing needed to 2020, to propose a clear trajectory for social rented housing and to publish this analysis so that this can be scrutinised.

Targets for delivery

In the meantime, Shelter believes that more clarity is needed regarding the level of new social housing provision over the next three years. The commitments in the Green Paper are for at least 75,000 LCHO and at least 180,000 affordable homes overall for the 2008 – 2011 spending review period. However, this suggests the commitment to social housing only represents 105,000 for three years. Given that the target for 2010/11 is for 45,000 homes per annum, this could be taken to imply that the commitment for 2008/09 and 2009/10 is only 30,000 per annum. As there are no explicit commitments to the levels of social rented housing for 2008/08 and 2009/10 the situation is currently uncertain, but equally there is also room for the Government to set clear and bold targets for these years to ensure as many households as possible in need are helped.

¹⁴ For full details for the backlog please see p 74 Holmans et al, *Building for the future – 2005 update* (Technical document), Shelter, November 2005.

¹⁵ For a consideration of other variables that could impact on the level of social rented homes required please see Shelter's submission to the 2007 Comprehensive Spending Review – available on request.

¹⁶ UK Housing Finance Review 2006/07, CORE and HSSA.

¹⁷ CLG, Housing Strategy Statistical Appendix, 2006

Shelter's CSR submission called on the Government to commit to social housing figures of 50,000 social rented homes per annum over the 2008 –11 spending review period to tackle the most urgent priorities. This comprised 40,000 homes per annum to meet urgent newly arising need and 10,000 homes to help meet the Government's target to halve the use of temporary accommodation by 2010¹⁸. Together with the CIH, the NHF, the LGA and the National Federation of ALMOs we called on the Government to provide investment at this level of increase to supply as a realistic and deliverable aspiration. This received widespread support from other quarters, including the ODPM Parliamentary Select Committee in their report on affordability and the supply of housing. In order to move as quickly as possible to this level we urge the Government to commit to social housing targets set out in Table 2.

Table 2 – Current and proposed targets

Year	2007/08	2008/09	2009/10	2010/11	2011/12
Nature of target/goal	Current government target	Shelter proposed target	Shelter proposed target	Current government target	Shelter proposed timing for Government goal for next spending review period
Number of new social rented homes	30,000	35,000	40,000	45,000	50,000

This would help ensure a smooth and steady increase towards the target of 45,000 for 2010/11. We would also urge the Government to clarify the year of the next spending review in which it is aiming to meet its goal to reach 50,000 new social rented homes per year, and we believe this should be the first year of the next spending review in 2011/12 to continue a clear and steady upwards trajectory.

In summary, we urge the Government to do the following.

- to evaluate the levels of social housing needed to 2020, set out a clear trajectory for social rented housing/LCHO and to publish this analysis

¹⁸ The Government's work on homelessness prevention is starting to reduce the heavy pressure on both temporary accommodation and affordable rented units to a limited extent. It is clear from the Government's latest homelessness figures that the number of households accepted as being owed a homelessness duty is falling, and this has been accompanied by a reduction in the number of households in temporary accommodation, from 101,000 in Quarter 3, 2005, to 84,900 in Quarter 2, 2007. Much of this progress has been attributed to the success of the Government's homelessness prevention agenda, a key part of which is to make greater use of the private rented sector for households who are homeless or at risk of homelessness. However, we believe there are limits on the ability of the private rented sector to provide settled homes for homeless households and that for many, social rented homes will provide the only long-term sustainable solution. We would therefore urge the Government to be cautious in making assumptions about the potential for homelessness prevention to reduce the size of the temporary accommodation backlog.

- to commit to social housing figures of 35,000 in 2008/09, 40,000 in 2009/10 and 45,000 in 2010/11.
- to clarify the year of the next spending review in which it is aiming to meet its goal of 50,000, which we believe should be 2011/12.

MORE HOMES TO MEET GROWING DEMAND

Chapter 1: Delivering homes where they are needed

Growth Areas and Growth Points

We welcome the announcement that funding for the existing four Growth Areas, twenty-nine new Growth Points and eco-towns will at least double by the end of the next Comprehensive Spending Review period. We note from the recent Comprehensive Spending Review Announcement that there will be £1.7 billion of targeted funding over the three year period for infrastructure in Growth Areas, the Thames Gateway, New Growth Points and eco-towns.

We also welcome the announcement that the Growth Areas, New Growth Points and eco-towns will share in the £300 million continuation of the Community Infrastructure Fund. We await further details of this scheme.

We welcome the announcement that the Government plans to expand the Growth Points Programme by, later this year, inviting additional local authorities to bid to become part of the programme in 2008-09. We note that an additional 10-15 Growth Points might be expected to supply an additional 50,000 new homes. It is vital that these new Growth Points contain high levels of social housing.

We also support the announcement that the Growth Points Programme will be expanded to cover the whole of England, with authorities in the northern regions becoming eligible to submit proposals. As the Green Paper states, many localities in the midlands and the north of England have become areas of high housing demand. As a result, we have seen a sharp rise in the number of clients in these areas experiencing problems with housing costs and homelessness. It is therefore welcome that the Government proposes to meet this demand by earmarking certain localities for housing growth.

Eco-towns

We support the Government's vision for new eco-towns, providing a minimum target of 5,000-10,000 homes, whilst meeting the highest design and environmental standards. We note that construction on two prototype schemes will start next year and that the Government is looking for at least ten new schemes to start within two years.

We welcome the criteria against which proposals for eco-towns will be judged, for instance the requirements for a wide range and distribution of tenures in mixed communities, with a particular emphasis on family sized homes, for community facilities, and for development to be zero carbon.¹⁹ We also welcome the requirement for affordable housing to make up between 30 and 50 per cent of the total number of homes, although we would urge the Government to strengthen this to make the minimum proportion 50 per cent. However, we are disappointed that the Government has made no clear commitment on the proportion or minimum number of social rented homes to be provided by eco-town developments. If eco-towns are to be inclusive communities and contribute toward the housing and homelessness

¹⁹ *Eco-towns Prospectus*, July 2007, Department for Communities and Local Government: London; 13 (iv), p.13

crisis, then it is vital that they provide social rented homes alongside other forms of affordable housing. We urge the Government to refine its criteria to ensure that at least 30 per cent of the homes built are for social renting and would welcome reassurances from the Government that eco-town proposals will be judged against this benchmark.

We support the general intention of community empowerment in both the development and operation of the new eco-towns. We look forward to seeing further detail from the government on how communities might be involved in development issues, when in fact the new towns are to be entirely new settlements. We believe that voluntary sector organisations can play an important role in delivering community involvement in new housing development. We urge the Government to ensure that voluntary sector user groups are represented on both the proposed national stakeholder reference group and as key partners of individual delivery bodies.

We also look forward to the publication of more detailed proposals concerning the ongoing operation of the new towns. The original garden cities cited by the Green Paper were innovative in using Community Land Trust models to ensure on-going community benefit and involvement. For example, Ebenezer Howard's use of a cooperative land society system for the development of Letchworth Garden City captured land values for community benefit, whilst Welwyn Garden City continues to gift £1 million per annum to the local community²⁰.

Rural areas

The lack of affordable housing in rural areas is a particular problem. Shelter's investigation into the rising cost of rural homes concluded 'the severe and growing shortage of affordable housing is polarising communities, forcing families out of the countryside, and removing a labour force needed to sustain rural life.'²¹ We are supportive of investment in social housing being directed at rural areas through the current programme and innovations such as pilot Community Land Trusts in rural areas to give access to land for affordable housing. We also very much support the Green Paper's intention to set a national target for 2008-11 for the Housing Corporation to seek bids for developments involving affordable housing in rural areas, and believe this should include clear targets for social rented housing. However, regional and local delivery bodies will need to determine the most appropriate balance between urban and rural provision for their individual areas, based on their assessments of local need.

Chapter 2: Delivery without needless delay - continuing planning reform

Improving the regional planning process

We note that the current round of Regional Spatial Strategies, which should be approved by the end of this year, are likely to fall short of meeting expected housing

²⁰ *Community Finance Solutions*, February 2005, University of Salford (www.communitylandtrust.org.uk)

²¹ *Priced out: the rising cost of rural homes*, 2004, Shelter.

growth and housing need²². We therefore strongly welcome the early review of housing provision in these strategies in some locations, including areas of high demand. We note that the Government expects these mini-reviews to be completed by 2011 in order to meet the commitment of 240,000 homes a year by 2016.

We look forward to and welcome the publication of formal Government guidance for these mini-reviews, based on advice from the National Housing and Planning Advice Unit, on the range of housing provision required over a 15-20 year period. It is welcome that decisions on regional housing provision will be scrutinised against a stronger evidence base. This should help deliver consistency of approach between different regions. We urge the Government to ensure that evidence of the need for high levels of social rented housing and family-sized accommodation is included in this guidance.

Moving to a Single Regional Strategy

We note that, in the longer term, Regional Development Agencies will be responsible for producing new Single Regional Strategies, embracing the current Regional Spatial Strategy and Regional Economic Strategy. This should mean a more integrated approach towards housing, economic development, environment and infrastructure issues. Shelter strongly welcomes this change, and the presumption set out in the Green Paper that the level of housing set out in the Single Regional Strategies should match the projected household growth in the regions. We also welcome the work already being undertaken in some regions, such as the North West and West Midlands, to start the process of strategic integration, as this will help to ease the transition.

We note that the Government will consult on working arrangements for the new Single Regional Strategies 'in due course' (2.10.ii). However, we believe greater clarity is required as to when the transition to the new system of Single Regional Strategies will take place, and how it will be effected. It is imperative that the process for drawing up the new regional strategies is tightly controlled so that undue delay is avoided. Local authorities and developers must have certainty concerning housing delivery plans and targets as soon as possible if they are to be able to achieve the ambitious levels of housing set out in the Green Paper.

We welcome the intention that local authorities will contribute to the new Single Regional Strategies by making proposals for their areas based upon the evidence and objectives of their Sustainable Community Strategies. However, we are concerned by the Green Paper's suggestion that the final draft regional strategy will need the endorsement of local council leaders before it goes to independent examination. It is important that local authorities are in support of regional strategies. But the inclusion of an endorsement stage into the process could, where there is disagreement about the amount and location of housing, potentially jeopardise the timely delivery of the required level of new homes. We would welcome clarification regarding the nature of the proposed endorsement requirement, and how the Government intends to avoid such consequences.

We are disappointed that no role appears to be envisaged for the voluntary sector in the new processes and structures for determining housing provision at regional level.

²² *Homes for the future: more affordable, more sustainable*, July 2007, Communities and Local Government, p. 31, para. 6, figure 12.

The voluntary sector has played a useful role in the current regional structures by providing expertise on housing and related issues and by giving a voice to marginalised households in the regions. We strongly urge the Government to build similar opportunities for voluntary sector input into the new system.

New local planning incentives

Shelter reaffirms its support for the requirement in Planning Policy Statement 3 (PPS3) that local authorities identify at least a 15 year supply of land with 5 years' worth that is ready for development. We support the Green Paper's suggestion that Planning Authorities should not wait for their Local Development Frameworks to be finalised before identifying potential additional housing land, and its recommendation that, where there is no core strategy or other Development Plan Document in place, local authorities should draw up Strategic Land Availability Assessments in line with PPS3 to be used in determining planning applications and appeals. We welcome the publication of new guidance to assist local authorities in doing this. We also support the Green Paper's statement that, where councils have not identified enough land, planning inspectors will be more likely to overturn local authorities' decisions and give housing applications the go-ahead on appeal.

We note that the Green Paper 'encourages' local planning authorities to 'move forward quickly' (2:14) to identify locations for housing in their Core Strategies and site allocations in their Development Plan Documents. The Planning Inspectorate has reported²³ that, by the end of March 2007, it had received only 97 Development Plan Documents for examination out of an expected total 496 and, of these, only about half were Core Strategies. We believe that the Government needs to create further targets and incentives to ensure that local authorities that are yet to complete the process of developing and adopting their Local Development Frameworks do so as a matter of urgency, to ensure that the framework for housing growth is in place. The uncertainty created by the current vacuum is causing delay and confusion.

The Green Paper states (p.34) that one of the Government's intended next steps is to consult on revised guidance and regulations on Local Development Frameworks. We would welcome more detail regarding the Government's aims here and what changes it is proposing to make.

We note that, from 2008, the Government intends to replace Planning Delivery Grant with a new Housing and Planning Delivery Grant to reward the delivery of more housing on the ground and the identification of local land supply in line with PPS3 requirements. We support this proposal and welcome the Government's recent announcement (14th September 2007) that funding of £500 million has been allocated to this and targeted towards areas where housing growth is a priority. We look forward to further details of this in the Government's forthcoming consultation.

Section 106 Agreements

We note the reference in Chapter 9 (9.5) of the Green Paper to Section 106 agreements, and agree with the Government that there is scope for local authorities to go further in their use of them to secure affordable housing. Such agreements have been successful in delivering affordable homes, and can help to create mixed

²³ *The Planning Inspectorate Annual Report and Accounts 2006/07*, July 2007, The Stationery Office: London

communities by providing social rented and market housing on the same site. It is estimated that section 106 agreements now deliver almost 50 per cent of affordable housing units²⁴.

However, there is evidence to show that there are significant inconsistencies between local authorities in their use of Section 106 planning obligations to provide affordable housing. A Government-commissioned report by the University of Sheffield²⁵ concluded that 'there are tremendous variations in the number of agreements secured by authorities within the same families and regions'. The Audit Commission found that 'significant inconsistencies in approach have developed between authorities with regards to the scale of housing developments that can trigger the inclusion of an affordable housing element through a Section 106 agreement'²⁶. It concluded that local authorities often lack the necessary skills in negotiation [with developers]. A report by the Joseph Rowntree Foundation and Housing Corporation²⁷ also found that housing associations agreed with local authorities and developers that the negotiations associated with Section 106 agreements create delays, which are costly to all parties.

Shelter believes that there are further changes that could be made to the policy framework to release the potential to substantially increase the amount of affordable, and particularly social, housing delivered through Section 106 agreements. We would urge the Government to explore mechanisms that could be introduced to encourage local authorities to make greater use of section 106 agreements to deliver more social rented homes in mixed developments. The fact that section 106 agreements have to be separately negotiated on each site can result in significant delays to the planning process. This is exacerbated when a council has not indicated in advance the type and contribution level expected of the developer. It may be helpful if the Government were to introduce a minimum requirement for the amount of affordable housing required on sites as a starting point for section 106 negotiations.

It would also be helpful if the new Homes and Communities Agency could clarify much earlier in the development process the amount of Social Housing Grant that could be made available to support the provision of social housing development on particular development sites. This would help in negotiations on Section 106 Agreements.

²⁴ Monk, S, Crook, T, Lister, D, Rowley, S, Short, C and Whitehead, C: Land and finance for affordable housing: the complementary roles of Social Housing Grant and the provision of affordable housing through the planning system, Joseph Rowntree Foundation/Housing Corporation, 2005

²⁵ University of Sheffield, *Valuing Planning Obligations in England: Final Report*, May 2006, Department for Communities and Local Government: London

²⁶ *Building more affordable homes: Improving the delivery of affordable housing in areas of high demand*, December 2005, National Audit Office and Audit Commission

²⁷ Monk, s., Crook, T., Lester, D., Rowley, S., Short, C. and Whitehead, C., 2005, *Land and finance for affordable housing: the complementary roles of Social Housing Grant and the provision of affordable housing through the planning system*, Housing Corporation and Joseph Rowntree Foundation

Chapter 3: Public sector land use

We believe that it vital that public sector land is used in a way that supports the Government's policy goals for the delivery of new homes. We welcome the Green Paper's emphasis on bringing forward public sector land for housing development, and its increased target to deliver 200,000 new homes on public sector land by 2016.

We note that the Government plans to ensure a minimum of 50 per cent affordable housing provision on surplus public sector sites. We would urge the Government to ensure that at least 30 per cent of the homes delivered on these sites are social rented homes. This would ensure that local communities benefit from the disposal of publicly-owned land and that the resulting developments create mixed tenure communities. Indeed, we would like to see the introduction of mechanisms for public sector land to be released directly to registered social landlords at below market value in return for their commitment to the delivery of a specified volume of affordable homes for rent.

Strategy for continued release of surplus sites

We also welcome the announcement that the Register of Surplus Public Sector Land will be extended to cover all sites held for disposal by central government departments and organisations, such as NHS Trusts.

Transfer and Management of Sites through English Partnerships

We welcome the announcement that English Partnerships will set out new standards for housing on surplus Government land, and welcome the majority of the requirements mentioned, for instance, that all homes should meet level 3 of the Code for Sustainable Homes; that there should be defined development start and completion dates to prevent landbanking; and that there should be limits on the scale of buy to let sales on each site. However, we strongly believe that there is a need to tighten up the requirement on affordable homes. We welcome the aspiration that a minimum of 50 per cent of homes should be affordable, but are concerned that the Green Paper is vague about the proportion of these that will be social rented homes, and call on the Government to commit to ensuring that at least 30 per cent of the homes built on public sector land fall into this category. In addition, we believe the English Partnerships standards should highlight the importance of ensuring that development on public sector land is genuinely mixed tenure in nature, with pepper potting of homes of different tenure.

We support the reconvention of the Surplus Public Sector Land Taskforce to drive forward and report on the progress of the programme to release additional central government sites. We also welcome the establishment by English Partnerships of a new Surplus Public Sector Land Unit to work with Departments to undertake the disposal of surplus public sector land and ensure the efficient release of sites for new and affordable housing.

Chapter 4: Recycling homes and land

Maximising the use of brownfield

We strongly support the Government's target that over 60 per cent of homes should be built on brownfield sites. It is important that where land is available in urban areas, this is used for housing development rather than green sites. This is

particularly true of social housing development: we would not want to see social housing development pushed to the outskirts of towns and cities when much of the need for this type of accommodation is in central locations. People who are in need of social housing may be less likely to have access to a car and therefore more likely to benefit from living in a central location where they can easily walk to services.

We support the Government's expectation that local planning authorities should support the national target for brownfield development by prioritising the use of brownfield land when selecting the best location for new housing through their Local Development Frameworks and when setting their own targets.

We note the Green Paper's confirmation that the Government will make no fundamental change to planning policy on green belts as set out in Planning Policy Guidance Note 2²⁸. We generally support the principle of the green belt as a way to protect valuable rural land, prevent urban sprawl and to ensure that residents of towns and cities have ready access to the countryside. This is particularly important for households with children. We believe that, in addition to the traditional greenbelt model of a concentric circle of protected land around an urban centre, there is merit in other models of green space provision, such as 'green wedges' and 'green corridors' integrating green space into the urban environment. We would like national and local policy to be more innovative in its protection of greenfield land by considering these alternative additions to the traditional green belt model.

It would also be extremely helpful if there were to be a clearer assessment of the quality of both 'brown' and 'green' land. For example, some brownfield sites in urban areas may in fact be green, open space valued by the local community as a recreation area and a haven for wildlife. On the other hand, some 'greenfield' agricultural land may be of low environmental value and be ideally situated for housing development. There also needs to be a clearer assessment of green belt land: eleven per cent of previously developed, 'brownfield' land in the UK is actually within the green belt²⁹.

We note the recent consideration by Natural England of its policy position in relation to housing growth and green infrastructure³⁰. We note that one option being considered is a review of green belt policy, including an initiative for greening the green belt. We support Natural England's suggested positive approach to the management of green belt land, particularly the suggested provision of a programme of financial incentives for the better use and management of greenbelt land. We call on the Government to consult on a new national framework for the green belt, including guidance on the processes and criteria that planning authorities should apply when taking decisions about whether to allow greenbelt development.

²⁸ Communities and Local Government, *Homes for the Future: More Affordable, More Sustainable*, July 2007, page 42

²⁹ Barker, K, *Review of Housing Supply – Delivering Stability: Securing our Future Housing Needs*, page 44, 2006, HM Treasury

³⁰ *Natural England's Policy Position on Housing Growth and Green Infrastructure: Pre-scoping paper on principles*, 10 October 2007, Natural England Board

Empty homes

Shelter strongly supports the aim of bringing empty dwellings back into use, and welcomes the commitment to this stated in the Green Paper.

We warmly welcomed the new measure of Empty Dwelling Management Orders (EDMOs) in the 2004 Housing Act, and believe they have great potential in reducing the wastage and community damage caused by homes standing empty, or derelict. We want to see local authorities incentivised and given sufficient resources to make best use of their powers to impose EDMOs on long-term empty properties. Naturally, this should not be done in a heavy handed way, or in isolation from other work in this area; it should be used as part of a comprehensive strategy for bringing potential homes into use which includes such initiatives as employment of empty homes officers, partnership working with RSLs in the district, development of Private Sector Leasing schemes, and making information and grant/loan funding easily accessible for owners of empty properties.

We would also like to see some incentive placed on local authorities to make use of the power they have to collect Council Tax at the 90 per cent of the full rate on second homes and 100 per cent of the full rate on empty properties. The Institute for Fiscal Studies has reported that in 2006–07, only around 60 per cent of billing authorities in England reduced the discount for second homes in their districts, and less than half reduced the discount on empty properties³¹. We believe that there is no justification for local authorities to continue to give the full 50 per cent rebate on Council Tax on empty homes and homes which are not used as someone's main residence, and we would like to see this addressed. We note that the Government has recently stated (in the 2007 Pre-Budget Report and Comprehensive Spending Review³²), that they will look into the operation of the discretionary system in practice, and we very much welcome this. The under-supply of homes is great, and the damage being done to some communities by the proliferation of second homes, empty properties, and units bought by investors and left empty, is unprecedented. Whilst we acknowledge that there may be some areas where pockets of low demand for housing mean that discretion needs to be used on how to charge Council Tax on empty properties, it is the case that the vast majority of local authorities should be using their power to charge Council Tax at 90 per cent of the full rate. Indeed we would go further than this and call for local authorities to have discretionary powers to double Council Tax on empty properties or those not used as somebody's main home³³.

We would argue that any funds raised through reducing discounts should be ringfenced and available to local authorities to use in increasing the supply of affordable housing in their district, whether this is through bringing empty homes back into use, or building new homes. Such ring-fencing of funds might encourage local authorities to develop and resource a comprehensive strategy for bringing empty homes into use. In 2000, the Government's Rural White Paper which originally proposed the discretionary reduction of discounts for second and empty

³¹ Adam, S, Emmerson, C and Kenley, A: *A survey of local government finance (briefing note no 74)*, IFS, 2007

³² *Meeting the aspirations of the British people: 2007 Pre-Budget Report and Comprehensive Spending Review*, HM Treasury, October 2007, p101

³³ *Priced out: the rising cost of rural homes*, Shelter, 2004

homes³⁴ included the recommendation that any extra proceeds received from bringing in this change should be ring-fenced in order to increase the supply of affordable homes. Although, in time, the discretionary regime was brought in, the issue of ringfencing of receipts seems to have been passed over. We recommend that it is brought back into consideration and looked at as part of the review of the use of the discretionary reduction in discounts which is proposed in the Pre-Budget Report and Comprehensive Spending Review. The ring-fencing provision has existed in Scotland since 2005³⁵ and we are not aware that it has had any negative effects or proved difficult to administer.

Our strong support for bringing empty homes into use does not prevent us from being concerned at some arguments being made at local level which suggest that the number of new homes built should be limited to take into account those existing homes which are standing empty. The Empty Homes Agency accepts that there is a need to build new housing to increase the overall supply, and that bringing empty homes back into use is vital, but that it will not be enough to increase supply to the extent needed³⁶ - we agree with this view. We urge the Government to do all it can to ensure that local authorities play their full role in ensuring that the increase in housing supply set out in this Green Paper is delivered on the ground, and not allow the issue of empty homes to become a diversion from this.

³⁴ *Our countryside – the future: A fair deal for rural England*, DETR/DEFRA, 2000

³⁵ Under The Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2005 SSI No. 2005/51, councils are required to channel extra receipts from reduction in discounts via Registered Social Landlords for the provision of new affordable housing.

³⁶ The Chief Executive of the Empty Homes Agency, David Ireland, was approached for a response to pressure from some councillors in Reading to avoid building any new homes but instead bring empty homes back into use. He said "If existing homes were brought back into use it would not resolve the housing crisis, but it would be a significant contribution. We need to start getting these homes back into use although there is no doubt new homes will still need to be built." Source: IC Berkshire website, news report 13th September 2007 – carried on the website of the Empty Homes Agency.

HOW WE CREATE PLACES AND HOMES THAT PEOPLE WANT TO LIVE IN

Chapter 5: Infrastructure

Cross-government commitment to creating sustainable communities

We agree that the planning and delivery of local and strategic infrastructure is critical to ensuring the Government meets its new commitment to increase housing supply to 240,000 homes per year by 2016.

We look forward to the Government's response to the report of the Sustainable Development Commission *Building Houses or Creating Communities* later this year.

The Role of central Government

We welcome the use of the Comprehensive Spending Review 2007 performance management framework to move towards a more coordinated cross-Government approach to housing growth. In particular, we support the Government's intention to publish a clear plan for delivery, setting out the delivery chain, how it operates, the contribution of key infrastructure departments and their agencies, and how delivery will be measured, progress monitored and departments held to account for infrastructure delivery.

CSR07 Policy Review into Supporting Housing Growth

We welcome the Comprehensive Spending Review 2007 Policy Review on Supporting Housing Growth, which has examined how to ensure that departmental resources across Government are targeted appropriately to provide the necessary infrastructure – transport, schools, healthcare – to support housing and population growth. We support the measures proposed to ensure that mainstream Government departmental expenditure is aligned to housing growth plans and the idea of three monthly reviews with each Government department.

Systematic infrastructure delivery planning

We welcome the requirement for Local Planning Authorities to demonstrate sound infrastructure planning to support the proposals set out in their statutory Local Development Framework, and the proposal that the Planning Inspectorate should consider the demonstration of infrastructure availability and planning as part of the test of soundness of a development plan document. We agree too that it is important for local authorities to work with other partners to co-ordinate infrastructure delivery plans across different areas. However, we believe that it will also be important for Regional Development Agencies to play a strong role in this regard.

Funding for Infrastructure

We note that the Community Infrastructure Fund will be continued over the period of the 2007 Comprehensive Spending Review with £300 million of funding included in the £1.7 billion of targeted funding for infrastructure in the Growth Areas, the Thames gateway, New Growth Points and eco-towns.

We are also concerned that the funding for community infrastructure does not overlook community leisure, sport and entertainment facilities – for example, leisure centres and libraries – which play an important role in building social interaction between households in new neighbourhoods and are a vital resource for households with children, young people or older people.

Ensuring local communities share the benefits of planning gain

Shelter supports the principle that the planning system should help to harness the often very large increases in land value that arise from planning permission to generate additional infrastructure funding and thereby encourage housing growth.

As the Green Paper states, the Government-commissioned 'Barker' review of housing supply recommended the introduction of a Planning Gain Supplement as a means of generating extra resources. As the Green Paper also states, this recommendation followed extensive consultations in 2001 and 2003. Following Barker's recommendation, the Government conducted a further two formal consultations on its proposals for Planning Gain Supplement³⁷. Shelter's response to both these consultations was that we broadly supported the introduction of Planning Gain Supplement as a means to deliver much-needed infrastructure funding through the planning system.

The Green Paper also reiterated that a Planning Gain Supplement remained the Government's preferred option for capturing planning gain, and that it intended to legislate for Planning Gain Supplement in a Planning Reform Bill in the forthcoming parliamentary session. This was stated with the caveat that the Government would continue to listen to representations from key stakeholders and that, if better alternatives were subsequently identified, it would be prepared to defer the legislation. The Green Paper set out four possible alternative approaches for discussion, one of which was a statutory planning charge.

We were therefore surprised by the Government's announcement in the Pre-Budget Report³⁸ that it intends to legislate in the forthcoming Planning Reform Bill to empower local planning authorities to apply a new statutory planning charge, without any process of prior consultation with wider stakeholders. Clearly, we would not like to see the discussion of alternatives to Planning Gain Supplement to lead to interminable delays in legislating for changes to the funding of infrastructure provision, which is needed in order to deliver vital extra homes. However, we believe that it is vital that the proposed legislation reflects the views of stakeholders regarding the impact that the introduction of a planning charge might have, particularly in relation to the delivery of social housing.

The Milton Keynes 'roof tax' model is cited as a model of planning charges. However, as the Green Paper itself states, in practice this model is specific to the area and relies on voluntary arrangements with developers and similar land values across a range of sites. Where this model is used in Milton Keynes and other areas the preconditions for its success are very demanding, such as the willingness of

³⁷ *Planning Gain Supplement: A Consultation*, HM Treasury, December 2005; *Changes to Planning Obligations: a Planning Gain Supplement consultation*, DCLG, December 2006

³⁸ *2007 Pre-Budget Report and Comprehensive Spending Review*, 9 October 2007, HM Treasury, chapter 6, page 103

infrastructure and service providers to assess and cost future provision over many years.

We look forward to the publication of more detail of how the Government envisages statutory planning charges to work in practice. At this stage, we have two main areas of concern about the use of such a system, which we would like to see addressed.

Firstly, a system of charges is designed to recover a share of the infrastructure costs of a development rather than of general betterment. Our underlying concern about a Planning Gain Supplement system was that any change to planning contributions must build on the provision of on-site, in-kind affordable housing contributions through Section 106 and not work against it. However, under both the existing (whilst inefficient) system of planning obligations and under the proposed Planning Gain Supplement, there is a possibility for the provision of affordable housing to have first call on planning gain. Under the proposed new statutory planning charges, the provision of infrastructure will be the overriding priority.

Secondly, statutory planning charges would bear more heavily on developers where there was a smaller increase in land value resulting from the planning consent. It appears that the intention would be for local planning authorities to apply standard planning charges across their entire area of jurisdiction. At the same time, charges would vary from one local planning authority area to another. We are concerned that this may lead to developers gravitating towards either localities within the local authority area where the land value increases were higher (i.e. stronger market areas) or local planning authority areas that set a lower planning charge. In both cases, the outcome could be that much-needed affordable and social housing that might have been delivered via Section 106 agreements could be lost because the developer decides that the land value gains, after planning charges, make development in that locality less financially viable.

We also note the concerns of the Town and Country Planning Association in relation to planning charges. Firstly, that local authorities could set high charges in order to discourage development, thus frustrating the Government's desire for a quick improvement in completions. Secondly, the burden of proof needed to justify a particular scale of charges is likely to be heavier than any requirements for showing that the proceeds of Planning Gain Supplement had been spent on infrastructure, potentially requiring a complex and burdensome process involving infrastructure and service providers. Charges would also be likely to be open to the influence of local pressure groups wishing to keep the charges low.

We note that the Minister for Housing has stated that where appropriate local authorities will be able to use planning charges to supplement a negotiated agreement and that negotiated agreements will still be necessary to secure affordable housing and to address costs relating to specific development sites³⁹. According to the Town and Country Planning Association, only seven per cent of planning consents are currently subject to a Section 106 agreement, and it is vital that the statutory planning charges do not work against the provision of on-site, in-kind affordable housing provision by private developers through this mechanism. Indeed, as noted above, we would like the Government take further steps to ensure that local authorities make much better use of Section 106 agreements to provide social housing.

³⁹ Hansard, 9 October 2007, Column 25WS, Written Ministerial Statements: Planning

Chapter 6: Well designed homes and places

Why design matters

We welcome the Green Paper's recognition that, in the drive to increase the quantity of newly-built dwellings, there must not be a repetition of past mistakes by sacrificing the quality of homes. It is vital that newly-built dwellings meet the living needs of the households for which they are designed. For example, all new dwellings should have enough space for the occupants to sit at a table together to eat meals; entertain friends and family; store their belongings; and accommodate equipment now seen as essential to modern life – television, computer, washing-machine etc. It is also important that, wherever possible, dwellings include some form of private outside space so that residents have easy access to fresh-air and an area to dry laundry and – if they desire – grow plants and vegetables. It is vital that homes intended for growing families provide enough inside and outside space for children to play and study; for the storage of pushchairs, bicycles, toys, books and other essential childhood equipment; and for all members of the household to feel they have some opportunity of peace and privacy.

We are encouraged that the Green Paper makes the link between well-designed housing development and social cohesion by citing recently published evidence from the Commission on Integration and Cohesion. It is essential that new housing developments contain elements that encourage neighbourliness and provide opportunities for social interaction: local shops, cafes, playgrounds and green spaces should all be a short walk from every dwelling, with other community, leisure and entertainment facilities within walking distance. Efforts must be made to ensure that it is easy and safe to walk or cycle at least part of the way to town and city centres as a measure to encourage social interaction, reduce crime and avoid the isolation of households without access to a car.

Without such minimum design standards, occupants will quickly become dissatisfied with their homes and will be looking to move to more suitable accommodation that provides all of these elements. This will in turn create a transient population, with no social stake in their neighbourhood. Households that lack the opportunity to move may be at risk of a detrimental impact on their mental, physical and social well-being.

More family homes

We welcome the emphasis placed by the Green Paper and Planning Policy Statement 3 on the provision of family sized homes. Since 1997, there has been a chronic reduction in the proportion of newly-built family sized homes in England. In 1997/98, sixty-six per cent of newly-built dwellings were homes with three or more bedrooms. In 2005/06, this had fallen to only forty-eight per cent. Completions of family-sized dwellings by registered social landlords fell from thirty-nine to twenty-five per cent, whilst in the private sector, completions of three bedroom plus dwellings fell from seventy to fifty per cent⁴⁰. At the same time, the number of overcrowded households has increased from 500,000 in 1997/98 to 544,000 in 2005/06⁴¹.

⁴⁰ Housebuilding: permanent dwellings completed, Communities and Local Government Statistics, November 2006

⁴¹ Survey of English Housing, Live Tables, Table S132, Trends in difference from bedroom standard

In addition to the reduction in the number of bedrooms in newly-built homes, we are also concerned about the overall size of newly-built dwellings. RIBA has recently highlighted the fact that England and Wales are the only countries in the European Union with no minimum space standards for housing. As a result, much of the housing built today fails to meet the Parker Morris space standards set out in the 1960s for floor and storage space: the average floor space of family-sized dwellings is 76m², compared with 92m² in Japan and 115m² in Holland. RIBA also cite anecdotal evidence that the average size of homes in the lower and middle end of the housing market has decreased sharply in recent years. We urge the Government to facilitate research into this issue.

A framework for delivery

We believe that good design should be an integral part of housing delivery. We therefore strongly support the work of CABI in driving up the quality and efficiency of the planning system via its design review activities and the joint CABI/Home Builders Federation *Building for Life* standard.

Q5. Do you consider that any additional tools and/or mechanisms are now needed to deliver the design policies in order to achieve our aspirations for an uplift in quality and improve inclusive design?

We are extremely concerned by the results of the CABI National Housing Audit featured in the Green Paper⁴², which show that only 18 per cent of new housing completions between 2001-06 met minimum standards by ranking as 'good' or 'very good'. These results indicate that the Government must be proactive in pushing up the standard of new housing development.

We believe the Government should consider the reintroduction of minimum space standards for all new homes so that residents of new developments are guaranteed minimum standards of living and storage space. We think it would be useful for the Government to support the RIBA and CABI, along with other housing organisations, in the development of what these standards might be, in order to inform national policy development on space standards.

We also suggest that information on newly-built homes in both the private and social sector includes overall space standards in square metres rather than just the number of rooms. This would enable households to be better informed about size when deciding whether to take up housing. It would also ensure that the housebuilding industry provides more statistical information on space standards.

Q6. Do you agree that further work to explore and evaluate quality assurance approaches would be worthwhile?

We support the idea of developing an agreed design quality assurance scheme to speed up the development process whilst safeguarding design outcomes. This would encourage proactive, pre-application discussion of the design of new developments, outside the time-constraints of the formal application process, which often allows little time to consider important design issues. Pre-application

⁴² Homes for the future: more affordable, more sustainable (the Housing Green Paper), July 2007, Communities and Local Government: London, page 61

discussion should save on time and resources, which are often spent on reworking the design principles later in the process. We suggest that the *Building for Life* standard would be a useful starting point for developing the criteria for a design quality assurance scheme.

We support the proposal that the Government should work with partners to develop and pilot a certification mechanism that could operate at a local level. We hope that partners will include groups representing housing consumers, as well as architects, developers and planners.

It is important that local planning authorities retain the ability to achieve the best specific design outcome for the community that each housing development will serve. For this reason, we would be wary of the development of a self-certification scheme. It is important the granting of certification under such schemes should rest with an independent body. We suggest that this independent assessment of design could be based on the Design Review Panels, developed regionally by the RIBA and CABE.

We support the RIBA in calling for such panels, bringing together experienced design professionals, planning officers and others to review schemes at the pre-application stage, to be comprehensively introduced at a local and regional level. We urge the Government to ensure that the views of local communities, including young people, are represented on Design Review Panels.

We believe that voluntary sector organisations should be enabled to build capacity within local communities to become involved in local and regional design review panels. This would avoid lip-service style consultation of local people much later in the development process, when many design decisions have already been made.

Chapter 7: Greener homes

Shelter believes that it is possible to meet the United Kingdom's housing needs while protecting and sustaining our environment⁴³. However it is essential that the vision of more environmentally sustainable housing does not exclude the poorest people in our communities. Whilst many environmental measures can be of benefit to poorer households because, for example, they help to reduce fuel bills, other measures can have a detrimental effect on poorer households.

For example, Shelter is aware of a scheme whereby a communal boiler uses waste products to supply energy to local social housing units. The energy charges associated with the scheme are high and residents have no choice of an alternative energy supplier. We have advised on cases where residents are facing prosecution and eviction for fuel bills arrears because the fuel service charges are prohibitive to households in receipt of welfare benefits.

Whilst it is important that the 3 million new homes promised by the Government meet high standards of environmental sustainability, it is also important that government takes further steps to improve environmental standards in the existing stock. For

⁴³ *Delivering environmentally sustainable housing growth: a discussion about how to meet housing needs while protecting and sustaining the natural environment*, Shelter Policy: briefing, July 2007, Shelter: London

example, we would like to see the further development of equity release and loan schemes to allow homeowners, particularly those on low incomes, to improve the energy efficiency of their homes.

Setting the framework

We strongly support the Government's proposals to progressively tighten the building regulations in order to ensure that all new homes are zero carbon by 2016. However, it is important that this is achieved in a way that avoids any further upwards pressure on house prices, thus exacerbating current affordability problems. We hope that innovation and new technology will make this possible.

We also support the proposal to introduce in 2008, via the Building Regulations, a whole building water efficiency standard for new homes, requiring all new homes to be built to a standard that supports a maximum daily usage of 125 litres per person per day. We believe that this proposal has the potential to reduce water consumption substantially via, for example, the installation of dual-flush toilets and spray taps. In addition, we support the work of Ofwat in looking at the potential for providing developers with incentives to exceed water efficiency standards set out in the Building Regulations. For example, the level of fees paid by developers for connection with the water infrastructure could be reduced in accordance with the installation of further water efficiency measures within new homes.

As highlighted in our response to the Government's Building a Greener Future, we broadly supported the contents of the Government's draft Planning Policy Statement on Planning and Climate Change. We look forward to the publication of the final version of the Planning Policy Statement, together with a full draft of the supporting practice guide later this year.

Flood risk and development

We welcome the measures contained in the Green Paper to mitigate against flooding of both new and existing homes. The flooding during 2007 caused a great deal of temporary homelessness and low-income households suffer disproportionately as a result of flood damage to their homes.

It is very important that the planning system takes proper account of flood risk when considering where to locate new homes.

MORE AFFORDABLE HOMES TO BUY OR RENT

Chapter 8: More social housing

Social housing investment

Shelter welcomes the Green Paper's promise of an additional £8 billion for affordable housing, including at least £6.5 billion in social housing over the next three years. However, this commitment should be seen in context. Our joint CSR submission with the NHF, LGA, CIH and NFALMOs called for investment of £11.6 billion over the CSR to deliver 150,000 social rented homes as a realistic and deliverable level of investment, whilst making clear that this level would only go a fraction of the way in addressing the high level of housing need⁴⁴.

The Green Paper states that the increase in investment for affordable housing is £3 billion compared to the previous three years. Again, this should be seen in context. Investment over the two-year 2004-06 Approved Development Programme (ADP) was heavily weighted towards the first year, with only about one third of the £3.3 billion total falling in 05-06. This very low figure brings down the total level of investment for the 05-08 spending review period, casting the programme for 2008-11 in a favourable light. If the average level of investment over the current National Affordable Housing Programme (NAHP) 2006-08 was compared to the average for the proposed programme for 2008-11, the results look somewhat different. Over the period 2008-11, investment in new social homes will average at £2.2 billion per annum and investment in LCHO at £0.5 billion per annum. This compares to a total of approximately £2.9 billion social rented and £1 billion for LCHO under the current NAHP for 2006-08. These figures represents an average increase of an additional £0.7 billion per annum on new social housing with investment expenditure on LCHO will remaining about the same.

Overall the government's programme clearly represents a major increase in investment for social housing, and we welcome the Government's PSA 20 on housing supply, which specifically reflects its commitment for the number of new social rented homes built. However, as set out earlier in this response we believe that the Government should set clear targets for each year of the spending review and provide information as to how much funding will be available in each year for both new social rented and LCHO homes.

Delivering the new social rented homes

The role of housing associations

Housing associations have played a central role in the provision of new social housing since the late 1980s and we support their continued place as agents of delivery. We welcome the progress that has already been made in increasing the proportion of new social housing funded through private borrowing, and we support the Housing Corporation's work to identify financial capacity amongst housing

⁴⁴ *Building for the future, A programme of housing investment for the 2007 Comprehensive Spending Review*, NHF, Shelter, LGA, CIH, National Federation of ALMOs, November 2006

associations to go even further. We support the Housing Corporation's decision to move to a rolling programme of investment and hope this helps the aim to achieve better value for money and also helps to increase the overall level of social housing delivery.

Social housing development by the private sector

Shelter has previously expressed some concerns over the Government's decision to allow developers to bid for Social Housing Grant. Whilst the scale of this still limited it is obviously key that where developers gain access to housing grant it is because they can deliver decent affordable homes in sustainable communities more efficiently. We believe that, where private sector developers bid for social housing grant, they should do so on a level playing field with housing associations and other not-for-profit providers and hope that the Government's review of social housing regulation will ensure this happens. In addition, we believe that this area should be closely evaluated to ensure that efficiency gains are delivered by the private sector without compromising on quality.

ALMOs and Local Authority Companies

Shelter supports the use of wholly-owned local authority companies or Arms Length Management Organisations as a mechanism for delivering new social homes. We welcome the Government's recent changes to allow Special Purpose Vehicles and ALMOs to bid for social housing grant and hope that the first ten such bodies pre-qualified as being eligible for bidding in the next round will be successful in securing SHG to enable this approach to be properly tested. We also support the proposal to extend pre-qualification to two-star ALMOs and hope that more SPVs and ALMOs will be given pre-qualification status next year.

Local authority new build within the HRA

Shelter welcomes the proposal that, where local authorities choose to invest their own funds in new supply, they should be able to keep the income and capital returns from those additional new homes. It is clear, that to some extent, the housing subsidy system has been a disincentive to those who might have otherwise considered using their own land and capital receipts to build extra council housing. The Green Paper also floats the possibility that, if the above change were made, there might be a case for extending access to social housing grant to local authorities in their own right. However, it cautions concerning the need to ensure that any increase in direct council house building is affordable within national borrowing and expenditure limits, and expresses the view that in most cases models which offer access to private finance could be expected to provide better value for money. Clearly, however, if it is expected that some local authorities would be able to deliver within these parameters it would only seem reasonable to allow access to social housing grant in the same way as other providers.

Reforming the HRA

We welcome the opportunity to comment on the option of allowing local authorities to become "self-financing" by leaving the housing revenue account subsidy system altogether and retaining their rental income. We assume that those councils who are net contributors are the most likely to leave, and anticipate that this could have an impact on the funding available for those remaining. We would not want to see

councils with relatively high management and maintenance costs, resulting for example from having an above-average proportion of flats in tower blocks, being penalised. The proposal that those leaving the HRA subsidy system should face a one-off adjustment to their HRA, based on the present value of anticipated future subsidies or surplus payments were they to remain, appears sensible. However, this is clearly a sensitive area and fairness for those who remain within the HRA subsidy system is crucial.

Changes to rules on capital receipts

The Green Paper says that the Government will consider allowing local authorities to retain housing capital receipts generated by disposal of equity shares in local authority homes, as a means of incentivising the development of local authority shared equity schemes, conditional on the capital receipts being spent on the provision of affordable housing. Shelter is supportive of the general principle that capital receipts from the sale of local authority property are reinvested in affordable housing. However, as discussed later in this response, it is crucial that the LCHO products on offer are well designed and meet the housing needs that exist.

Chapter 9: Helping first time buyers

Shelter believes that, whilst Low Cost Home Ownership (LCHO) has a valuable role to play in addressing the crisis in the under-supply of housing in England, the most acute need is for an increase in the supply of social rented units. A suitable proportion of the available funding, land and other resources must always be set aside for delivering numbers needed in the social rented sector and we would not like to see a situation where diversion of any resources to LCHO prevented this from taking place. In particular, as set out elsewhere in this response, we believe that it is vital that at least 30 per cent of homes built on surplus public sector land released for housing are for social renting. With this proviso, we welcome the commitment to deliver at least 25,000 more shared ownership and shared equity homes per year over the 2008-11 period, particularly in view of the Government's intention that this should be delivered through the same levels of investment as currently.

We are anxious to ensure that the LCHO programme concentrates on new supply rather than subsidising purchase on the open market. As our joint CSR submission with CIH, NHF, LGA and NFALMOs highlighted:

“Nationally our housing market is characterised by a shortage in the development of new housing leading to a restricted supply of properties for sale, increased price pressure and associated affordability problems. Subsidised purchase of existing properties does little to address this problem and in some regions or localities may actually exacerbate it.”

We therefore urge the government to ensure that reporting and counting mechanisms are in place to separate out new supply from other moves into LCHO, for example under Social Homebuy. It would also be helpful if the government would set out what proportion of the 25,000 more homes are to be acquired under Open Market Homebuy.

We particularly encourage the Government to retain their aim of encouraging existing tenants of social rented housing to take up the LCHO offer, so that their previous accommodation can be freed up for a new letting when they move out. That this

should be a priority for LCHO subsidy was a recommendation of the Shared Equity Task Force last year⁴⁵.

We note the Government's commitment to increase the availability of Social Homebuy from its current base. It seems clear from the low take up of Social Homebuy amongst tenants of landlords who have elected to offer it, that this product is not proving very attractive to tenants. We suggest that, before any steps are taken to make it compulsory for landlords to offer Social Homebuy (something which is hinted at in the Green Paper, though not actually stated), the Government should investigate what the reasons are which have led to the low take-up. If tenants are not considering the product in its current form to be an attractive (or perhaps affordable) offer, then there will be little benefit to making it more widely available.

Shelter welcomed the introduction of Social Homebuy in 2005, mainly because the Government promised that the receipts from the scheme would be put straight back into building replacement social rented housing stock. We have been very disappointed in the intervening period to see the Government dilute this requirement for use of receipts, so that the requirement became simply that the receipts are used for a housing purpose which addresses homelessness or overcrowding in some way. We were pleased to see, in the 2007 Capital Funding Guide, that the rules on spending of Social Homebuy Receipts have again been tightened up so that there is a presumption that receipts will be used to obtain replacement lettings⁴⁶. We are keen to ensure that all receipts from Social Homebuy are used to best effect and, in particular, to increase the supply of social rented housing. This is particularly important if Social Homebuy is to be further extended, and the sums generated in receipts start to become significant.

It should also be noted that Shelter's support for Social Homebuy was based on the primary advantage that it was less damaging than the Right to Buy, principally in terms of the loss of housing stock, but also in a number of other ways such as the affordability check before purchase. We have always maintained that the introduction of Social Homebuy should have been accompanied by the ending of the Right to Buy and the Right to Acquire, because these schemes do not have provisions for receipts to be used to build replacement units. If, as is hinted in the Green Paper, Social Homebuy is to be made universally available across all landlords, then Social Homebuy should now replace the Right to Buy and the Right to Acquire.

We would make a further observation about LCHO products, particularly those which involve Shared Equity, such as Social Homebuy. This is that we are currently in a climate of steeply rising numbers of repossessions⁴⁷, and worries about irresponsible mortgage lending in the sub-prime sector⁴⁸. Clearly this is something about which the Government is concerned and we are pleased to see the attention being given in

⁴⁵ Report of the Shared Equity Task Force, HM Treasury/CLG, 2006

⁴⁶ *Capital Funding Guide*, Housing Corporation, 2007

⁴⁷ Since 2004 there have been rapid increases in numbers of repossessions. CML figures show that there were around 8,000 repossessions in 2004. In 2006 there were more than 22,000, a three-fold increase over two years.

⁴⁸ See Whitehead, C: *At any cost? Access to housing in a changing financial marketplace*, Shelter, 2007

Chapter 10 of the Green Paper to improving the mortgage market and providing more security for consumers. In this context we must point out that such evidence as is available indicates that drawing more of those at the margins of affordability into homeownership leads to higher levels of risk⁴⁹, and that the rate of repossessions amongst LCHO purchasers may be more than three times as high as that amongst all purchasers⁵⁰.

Whilst the affordability checks in place on purchase of the initial share of Social Homebuy are a valuable safeguard, we note that there is no corresponding requirement for an affordability check by the scheme provider when further shares are purchased. The purchase of further shares under Social Homebuy is something which is being actively encouraged under the scheme, with the introduction in 2008 of further discounts when the subsequent shares are purchased. We therefore propose that each purchase of a further share in the property should proceed only after a thorough check on the financial position of the purchaser, to determine whether or not the purchase is genuinely affordable in the long term. This will be particularly important if Social Homebuy is to be made more widely available.

We welcome the proposals outlined in the Green Paper to look at new ways in which the private sector can get involved in increasing the range of Shared Equity products available. We support the continuation of the work of the Shared Equity Task Force under the leadership of Brian Pomeroy, and will, of course, be glad to contribute to the work of this group as needed.

We view the expansion of the Open Market Homebuy range, to offer Government funded equity loans of 17.5 per cent, which purchasers will be allowed to use in conjunction with any mortgage, as a positive step. This will provide more flexibility for purchasers compared to the previous offer, under which they had to use one of only a small number of lenders who were working in partnership with Government, and were restricted to specific mortgage products which were sometimes at higher rates of interest than those available to open market purchasers. This new offer should allow purchasers to find the mortgage which is most affordable and suitable for their needs. We would, though, make two points.

Firstly, our view is that the private sector should be the main contributor of subsidy involved in Shared Equity schemes, whilst Government subsidy should, in the main, be spent on increasing the supply of social rented housing. In our opinion it would have been preferable for the funding for this 17.5 per cent equity loan to come from the private sector (perhaps the mortgage lenders themselves), rather than for it to be Government subsidy. We urge the Government to continue discussions with private sector lenders with a view to pursuing this aim, and to make this a priority of the continued work of Brian Pomeroy's task force.

⁴⁹ *Social mobility and home ownership: a risk assessment*, DCLG, 2007

⁵⁰ The Department for Communities and Local Government, in a review of evidence for publication as part of the outputs of the Shared Equity Task Force in 2006, were only able to find one piece of research from 2002 which addressed this issue. This research (Bramley, G et al: Evaluation of the low cost home ownership programme, ODPM, 2002) found that amongst LCHO purchasers, the rate of repossession was 0.77 per cent, over three times as high as that for all borrowers (0.21 per cent), and nearly twice as high as the rate for all first time buyers (0.44 per cent).

Secondly, for as long as public subsidy is involved in offering this product, we would be keen to ensure that the criteria for allocation of this new kind of Open Market Homebuy is closely defined and monitored, to ensure that public subsidy is directed in a just, transparent, and efficient way. The customers of this new form of Open Market Homebuy will, inevitably, be at the higher end of the range of income levels amongst those who benefit from LCHO products⁵¹ and in a position where they can afford over 80 per cent of the purchase price of the property they choose. There is an argument to be made that this group should not be a priority for public subsidy. There is also a risk that, when this small proportion of purchase price is covered by an equity loan, households will be using the subsidy to enable them to afford a bigger or better property, or somewhere in more expensive area, rather than to enable them to access home ownership when they would not otherwise be able to do so. The use of LCHO schemes in this way was criticised by the National Audit Office in their report on LCHO schemes in 2006⁵², and is something which any new products need to seek to prevent.

Chapter 10 – Improving the way the mortgage market works

Shelter's main concern in this area is with mortgage borrowers, and the level of risk which they are taking on when they enter into arrangements for mortgage borrowing, or other financial products. As mentioned above, this Green Paper is published in a climate of rapidly rising repossessions. Shelter sees every day the consequences on individuals and families when the systems which are supposed to protect consumers are inadequate to the task. We would like to see the Green Paper take the opportunity to explicitly acknowledge that there are rising levels of repossessions, and associated hardship, poverty, and homelessness. We would like the Government to devote appropriate resources to investigating and remedying the factors which lie behind this rise in repossessions. In particular, we believe the following aspects of the mortgage market need to be a focus of Government research, and policy intervention:

- The way in which the industry has diversified in order to enter new markets amongst households with damaged credit histories, or households who wish to borrow a larger amount, or an amount secured on a different basis, from that available under traditional mortgage lending. This needs to have particular regard to the growth of the "sub-prime" sector.
- The extent to which the current system of Financial Services Authority (FSA) regulation and monitoring is effective in policing practices in the sector and ensuring compliance with the Conduct of Mortgage Business and Treating Customers Fairly regimes. This area of review should also encompass whether or not these regimes are in themselves adequate to provide the protection consumers need, even if all firms were to abide by them.
- Whether reform of the safety net available for homeowners needs to take place, and, if so, the format which such reform should take.

⁵¹ Low cost home ownership products are typically helping households with incomes from £20,000 to £38,000 for non-key workers and £24,000 to £40,500 for key workers. Source: *A foot on the ladder – low cost home ownership assistance*, National Audit Office, 2007

⁵² *A foot on the ladder: Low Cost Home Ownership Assistance*, National Audit Office, 2006

We welcome the fact that, following its review of selling and advice in the sub-prime sector in 2007, the FSA will conduct a further review of practices in the sector next year. The FSA's findings highlighted a number of serious concerns. In one third of cases investigated amongst intermediaries, inadequate assessment of affordability had been made. In half the cases surveyed amongst intermediaries, assessment of the suitability of the product sold to the customer's needs had not been carried out. None of the lenders surveyed had lending policies that covered all relevant responsible lending considerations. Intermediaries, i.e. brokers, were found to be a particular risk when it came to selling of products which were unaffordable or otherwise unsuitable to the customer's needs. We are pleased to see the Government acknowledging in this Green Paper that the investigation raised some concerns.

We welcome the commitment to consider whether the financial incentives for mortgage brokers operate against the long-term interests of those they are advising. However we are disturbed to see that this consideration will only be given if the further investigations of the FSA brings evidence of problems. Shelter considers that enough evidence to prompt immediate action has already emerged from the initial FSA investigation, and urges the Government to begin this consideration now.

It is notable that, to date, the FSA's investigation into the activities of businesses in the sub-prime sector have only encompassed that aspect of the business which covers the marketing and contracting of mortgages and other products. There has been no output published by the FSA of any investigation into standards once a customer has taken out a mortgage, and whether they are being treated fairly if they fall into arrears. This is despite the fact that the FSA have stated that ongoing practices over the lifetime of the mortgage will be part of the focus of stage 2 of their Mortgage Effectiveness Review, which also looked at the sub-prime sector⁵³. It is possible that the weight of the concerns which emerged around the sub-prime sector have pushed the review of lifetime treatment of customers into the background. However, we believe that the situation is urgent. The rapid rise in repossessions cannot be allowed to continue without all efforts being made to investigate and address its causes. There are increasingly authoritative reports of differences between the outcomes for customers of prime and sub-prime lenders when they fall into arrears⁵⁴. We recommend that the FSA be urgently resourced and tasked with carrying out a thorough review of practices and compliance in all areas, across the entire sub-prime sector.

We note the Government's intention to look at whether there is any action that could be taken to remove potential barriers to the development of property backed assets, as a way of mitigating against mortgage risks. However, we do not believe that such developments are the most effective way to safeguard mortgage borrowers – this can only be done by a suitable universal system with an element of public welfare at its heart. The current safety net available to mortgage borrowers is inadequate, having been cut back in stages up until the most recent restrictions in 1995. State provision through the ISMI (income support for mortgage interest) scheme leaves borrowers with a shortfall between what ISMI will pay, and what is owed to the mortgage

⁵³ Mortgage Effectiveness Review – Stage one report, FSA, 2006

⁵⁴ Stephens, M and Quilgars, D: *Managing arrears and possessions*, CML, 2007. This research involved a survey of lenders in both prime and sub-prime sectors.

lender⁵⁵ and its ability to deal with the effects of economic recession, or a collapse of the housing market, is untested. Many fear that the current arrangements would lead to significant hardship and rapid rises in repossessions in such circumstances.

Private insurance products, intended to be a means whereby individual households manage their own homeownership risks, are proving an inadequate substitute for a proper welfare safety net. Recent studies have found that only about one quarter of mortgages are covered by MPPI policies, and that those who are not insured tend to be those households who are least able to cover the cost of lost income themselves out of other resources⁵⁶. MPPI policies have been criticised for being an inadequate tool in that they do not cover many common reasons for falling behind with payments⁵⁷, and concerns have been expressed about possible mis-selling. The payment protection insurance sector was criticised in a recent Market Study by the Office of Fair Trading⁵⁸ and referred to the Competition Commission.

Shelter believes that an effective safety net needs to include the following features:

- It should be realistic. It should be able to cover the actual costs incurred by households in paying their mortgages when the household faces loss of income, rather than notional costs, or costs at a level which leaves borrowers to make up shortfalls out of resources they may not have. Similarly, it should provide some protection against those occurrences which actually account for the bulk of the cases of households being unable to meet mortgage payments, rather than against a limited range of occurrences which exclude the most common causes of arrears.
- It should strike the right balance between ensuring that households are covered against common causes of inability to meet mortgage payments, and ensuring that it does not provide perverse incentives for households to borrow recklessly.
- It should be simple, transparent and universal in its application, with the level of cover not varying depending on which product a consumer has taken out with a private company, and not relying on consumers to navigate their way through the small print of contracts to discover exclusions and limits to their cover.
- It should be funded through a mixture of channels, with payments being contributed by Government, lenders, and borrowers.

⁵⁵ ISMI will pay only on the first £100,000 of a mortgage loan, and will only cover the interest element of the payments, not capital repayment. Borrowers who lose their income have to wait for 39 weeks before the first payment will be made, leaving them to meet substantial costs out of savings or other resources.

⁵⁶ Ford, J, Quilgars, D, Burrows, R, Rhodes, D: *Homeowners Risk and Safety-Nets: Mortgage Payment Protection Insurance and beyond*, ODPM, London, 2004.

⁵⁷ Tutton, P and Hopwood Road, F: *Protection Racket – CAB evidence on the cost and effectiveness of payment protection insurance*, Citizens Advice, 2005. This report highlighted the fact that many MPPI policies specifically exclude common causes of loss of income or employment such as mental illness and back problems.

⁵⁸ *Payment Protection Insurance – report on the market study and proposed decision to make a market investigation reference*, Office of Fair Trading, 2006. This study found that the sector has low claims ratios when compared to other insurance products.

Shelter believes that the proposals for a “Sustainable Home Ownership Partnership” (SHOP), put forward by the Joseph Rowntree Foundation⁵⁹, have a great deal of merit and manage to satisfy most of the criteria set out above. We recommend that the Government progress discussions and investigations on the feasibility of implementing this system as a replacement for both the current welfare benefit payment, ISMI (income support for mortgage interest), and the private mortgage payment protection insurance (MPPI) market.

Shelter welcomes the Government's proposed measures to improve the availability and affordability of longer term fixed interest mortgages, although we think that this is far from the most effective or most urgent step which needs to be taken to reduce risk to customers in the mortgage market – these are outlined above. As well as looking at longer-term fixed rate products, the Government should also explore measures to encourage the development of other types of mortgage products that transfer risk away from individual consumers. A much greater degree of capped rate interest rate products is available in Denmark⁶⁰.

We warmly welcome the review commissioned to look at the feasibility to providing generic financial advice. Problems are caused by the lack of independent financial advice at the point of product purchase, or when circumstances change leading to an inability to afford the mortgage payments due. This is particularly so for the most vulnerable. Similarly, many individuals and families could benefit from general “preventative” financial advice which helps them to get a better grasp of the basic rules of financial management, and raises their awareness and confidence when considering credit and financial offers from brokers and others who may be acting in their own, rather than the customers' best interests. We commend the body of work carried out on this subject by the Resolution Foundation, which sets out compelling spend-to-save arguments for the universal provision of such basic preventative advice⁶¹. We hope that the Thoresen Review will conclude that the setting up of a national generic financial advice service targeted at the financially excluded will be of great value.

We also recommend that consideration is given to ways of improving access to independent advice for customers who are either existing mortgage customers, or who are on the point of taking out a mortgage. Whilst many mortgage lenders have as part of their arrears management policy, a suggestion that the borrower should consult independent advice providers, there is a real issue of capacity and funding amongst such advice providers and sometimes the advice people need is not available when and how they need it. A dedicated mortgage advice service could provide information on the characteristics of the different types of mortgage product available, as well as providing specialist advice for households who are having

⁵⁹ Ford, J and Wilcox, S: *Managing risk and sustainable home ownership in the medium term: re-assessing the options -A consultation document*, JRF, 2004. SHOP would bring together homeowners, lenders and the government in partnership, each contributing to a fund used to purchase block insurance. This block insurance – cheaper than individual policies – would pay out on loss of income arising from specific risks.

⁶⁰ Dubel, A: *ECB Roundtable on European mortgage market development*, 2006. See also Whitehead, C: *At any cost? Access to housing in a changing financial marketplace*, Shelter, 2007

⁶¹ *Resolution Foundation: In Brief - Financial Capability*, 2007

difficulty meeting mortgage payments. We would be keen to ensure that such a service should not duplicate any advice capability of the generic financial advice agency referred to above, or cause confusion amongst those it was designed to help, in making it unclear who was the best agency to turn to. However, we do consider that tailored advice has value as well as generic advice. The details of how the availability of mortgage advice could be improved, both for individuals taking out a mortgage and those with repayment difficulties, is something which needs further consideration, and we recommend that this is reflected in the Thoresen review.

We would like to take this opportunity to highlight some other areas around the operation of the current system for mortgages and reducing the risk to homeowners, where Shelter has concerns:

- A recent concern has been the proliferation of bad practice amongst some companies running “mortgage rescue” schemes, where a company offers to buy the property from the borrower who is facing mortgage arrears and then rent it back to them so they can stay in their home. Shelter supports mortgage rescue schemes in principle as an option to provide flexible tenure for those who can no longer afford homeownership. However they must be subject to adequate regulation and scrutiny, and result in long-term security of tenure for the former owners, and the option of future flexibility to buy back all or part of the equity if their circumstances recover. This is not currently the case. Advertising for many of the mortgage rescue schemes state that they offer to borrowers facing repossession a way of getting them out of financial trouble, releasing equity from their property, and allowing them to stay in their homes. However the reality is often that the company will buy the property at a price far below full market value, and rent it back to the former owners on an Assured Shorthold Tenancy which gives no long-term security of tenure. After six months there is nothing to stop the new owner evicting them, leaving them homeless. The company can then sell the house with vacant possession for the full market value, making a significant capital gain. Such arrangements currently fall outside FSA regulation. There have not, as yet, been any investigations into the verity of these firms' advertising claims or into whether customers are given all relevant information and treated fairly. We recommend that the Government extend the scope of FSA regulation to include these mortgage rescue schemes.
- We also recommend that the Government extend the scope of FSA regulation of the mortgage industry. Second Charge lending needs to be brought under regulation alongside First Charge lending. The omission of Buy-to-Let lending from the regulatory system is also a concern. Shelter's advice services are seeing growing numbers of tenants of Buy-to-Let landlords being evicted because their landlords fall into arrears and are repossessed. These tenants are losing their homes. The possibility that what lies at the root of their homelessness is irresponsible borrowing and lending in the world of Buy-to-Let mortgages should be a matter of concern to the Government and to the FSA.
- Tenants in the social housing sector have the protection of a Pre-Action Protocol for rent arrears cases, which requires the landlord to have taken certain steps (such as a referral to independent housing advice, home visits, and ensuring that information is provided in a format which the customer can understand), before a possession order can be granted for rent arrears. If the

protocol has not been followed, the judge in tenancy possession cases has the option to dismiss the case, or award costs against the landlord. There is no such Pre-Action Protocol in operation for mortgage possession cases, and we recommend that consideration is given to introducing such a Pre-Action Protocol.

DELIVERY: HOW WE MAKE IT HAPPEN

Chapter 12: Implementation: a shared endeavour

The role of local communities

We strongly support the importance the Green Paper places on genuinely involving local people in debates about housing growth and the provision of supporting infrastructure. We welcome the decision to include a new duty to inform, consult or otherwise inform citizens and communities in the forthcoming statutory guidance on place shaping. We look forward to seeing more detail on this.

We also welcome the intention to bring together evidence about local housing pressures, demand and supply and the local decision-making process to ensure that local people and their representatives are effectively involved in the housing growth debate.

As a national, regional and local representative of homeless and badly-housed people, Shelter is keen to continue to be involved in debates on housing growth. Shelter, along with many other third sector organisations has a vital role to play in representing the views and needs of local communities and particularly some of the most marginalised households who are often overlooked in local and regional consultations. Shelter and other third sector organisations should continue to play an important role in shaping regional policy in the new decision-making structures.

We would add that if local communities are to be effectively involved in housing development issues, then there is an urgent need for capacity-building amongst local people, so that they are fully aware of the drivers and mechanisms for housing development, including: Growth Areas, Growth Points and Eco-Towns; the operation of the planning process; and the role of local, regional and national strategies. If consultation and involvement is to be genuine and meaningful, then local people need to have a clear idea of their role within these systems and strategies.

The role of local leadership

We welcome Green Paper's emphasis on the need for council leaders to prioritise housing need in their strategic documents and through their engagement with local people. We support the suggestion that leaders should ensure that the often unheard voices of would-be first-time buyers are represented in their work. We would, however, urge the Government to call on council leaders to ensure that the often equally unheard voices of homeless and badly housed people, and particularly those living in insecure tenancies in the private rented sector are also represented in their work. Because of the temporary nature of their accommodation, homeless people and assured shorthold tenants face barriers to becoming settled stakeholders in the community and consequently to organising themselves as a local lobby.

Using Local Area Agreements for Improved Housing

We welcome the Green Paper's expectation that local authorities consider carefully how housing supply should feature in their Local Area Agreements. We welcome the inclusion of several housing supply indicators in the National Indicator set for Local

Authorities⁶² and particularly support the suggestion that specifically housing-related targets may be included in a Local Area Agreement's 35 improvement priorities. The selection of such targets can enable local areas to fulfil the Local Government White Paper requirement to place housing at the heart of the local authority place-shaping role. We recommend that guidance is developed to demonstrate how housing delivery through Local Area Agreements is best achieved and to outline the available funding mechanisms for delivery.

However, we are disappointed to note that there is no indicator to reduce the number of empty homes in an area. We are also disappointed that, whilst there is an indicator on net additional homes provided (National Indicator 154) and the number of affordable homes delivered (gross) (National Indicator 155), there is no indicator on the delivery of social homes.

Because Local Area Agreements will be the performance management regime for the implementation of Local Sustainable Community Strategies, and will be based on the contents of these strategies, it is important that the Sustainable Community Strategies are, in turn, informed by Local Housing Strategies and Local Homelessness Strategies. This should help to ensure that the strategic duty of local authorities to tackle homelessness is complemented by Local Area Agreement improvement priorities. The role of the home building industry

We question the Green Paper's statement that the majority of homes will be built by private home builders for outright home ownership. There is evidence to suggest that a significant proportion of newly-built homes are bought by private Buy-to-Let investors rather than outright owner occupiers. These are usually let on insecure assured-shorthold tenancies, in some cases to households who cannot access other forms of tenure. For example, statistics collated for the Greater London Authority⁶³ suggest that 45 per cent of new homes in London are bought by Buy-to-Let investors, with only 30 per cent bought directly by owner-occupiers.

The role of the house-building industry

We note the Green Paper's statement that there is anecdotal evidence of developers delaying the completion of housing development on land that already has planning permission in the hope that the land value will increase. This is despite the time limit on the validity of planning permission being reduced from five to three years. We are concerned that such practices, should they occur, can frustrate the delivery of new housing. Shelter does not have any evidence of its own of such 'landbanking' practice by developers but we are aware of persistent reports that this is the case and believe that if developers are delaying construction in the hope of land values increasing, this must be stopped.

The Royal Town Planning Institute estimated that, overall, the top nine housebuilders are holding land with planning permission for nearly 225,000 homes, enough for 2.7

⁶² *The New Performance Framework for Local Authorities and Local Authority Partnerships: Single Set of Indicators*, October 2007, Department for Communities and Local Government: London

⁶³ Craine, T. and Mason, A., December 2006, *Who buys new market homes in London?*, London Development Research Limited for the Greater London Authority with the support of the London Development Agency.

years of building at their current rates of completion⁶⁴. Three of these housebuilders hold land with planning permission for four or more years of building. The Institute concluded that these firms will either need to increase their annual build rate in order to avoid the expiry of the planning permission or, more likely, build less on the site than the permission allows. This second outcome could significantly reduce housing delivery.

We welcome the Government's commitment to consider whether further measures, via the development control process, are required to incentivise developers to build out major housing development sites more quickly. We would support both suggestions in the Green Paper, namely that the permission expiry period is further reduced or a tighter definition of commencement of development. We also welcome the Office of Fair Trading's ongoing study into house building in the UK, due to report in summer 2008, and John Calcutt's review of housebuilding delivery, which is due to report this autumn. We strongly support the Green Paper's proposal to work to develop a more consistent and comprehensive method for disclosing developer land holdings as a first step towards establishing a better picture regarding the extent of any problem.

Role of the Homes and Communities Agency

We strongly support the proposed objectives for the New Homes Agency (now re-named as the Homes and Communities Agency) and believe the Agency will have a critical role to play in the delivery of new homes and area regeneration. We would, though, like to make the following two points with regard to the way in which the Green Paper sets out its proposed responsibilities.

Firstly, whilst we believe that it is right that the new Agency's objectives should encompass increasing the supply of housing across all tenures, it is important that the strategic priorities of the new organisation place a strong focus on social housing delivery. This is particularly vital given that the Agency will be replacing the Housing Corporation as an advocate for the social rented sector.

Secondly, we note that the Agency's role in regeneration and the transformation of existing communities is presented in the Green Paper as focusing on the creation of mixed communities, tackling worklessness, promoting community cohesion and addressing antisocial behaviour. The importance of creating sustainable communities by meeting the needs of vulnerable groups and providing supported housing - included in the Housing and Regeneration consultation paper⁶⁵ - is not repeated. We would be keen to ensure that this crucial aspect of community-building is given appropriate emphasis in the Agency's remit.

We believe that it is important that the Homes and Communities Agency plays a strong role in working with regions and local authorities to drive forward progress. The Agency's role will be partly one of coordination and liaison, and partly one of facilitation, using powers as a regeneration agency to intervene as necessary. In our

⁶⁴ MacDonald, K. and Kliman, A., June 2007, *Opening up the debate: exploring housing land supply myths: a report based on evidence presented by the Royal Town Planning Institute (RTPI) to the Calcutt Review of House Building Delivery*.

⁶⁵ Delivering Housing and Regeneration: Communities England and the future of social housing regulation, CLG, 2007. For Shelter's response, see www.shelter.org.uk.

response to the CLG consultation paper on the remit of the Agency⁶⁶, we welcomed proposals for it to receive powers to coordinate and free up development in urban areas. We agreed that this could be done either through an existing institutional structure such as an Urban Development Corporation, or Urban Regeneration Agency, or, preferably, through a new designation tailored to its responsibilities. It should be noted that we consider that the Agency's powers to facilitate housing delivery targets should be extended to cover all areas, not just those which can be classified as "urban".

The liaison side of the Agency's role could usefully be in several different arenas:

- Liaison between all the various bodies and fora involved in sub-national government, whether at regional or local level
- Ensuring that other partners take on board the views of local voluntary and statutory agencies
- Liaison between the various private and statutory organisations involved in development, such as developers, utility companies, the Highways Agency, and others.

The facilitation side of the Agency's remit is no less important. We believe the Agency should have a duty to investigate and, if appropriate, take action, where representations are made to it that a local authority is failing to engage fully in achieving its housing targets.

More detailed views on how the Agency should work are contained in Shelter's response to the Government's recent consultation "Delivering Housing and Regeneration"⁶⁷.

Policy contact:

Mark Thomas

Head of Policy

Tel: 020 7505 2003

E-mail: mark_thomas@shelter.org.uk

⁶⁶ ibid

⁶⁷ ibid