
Report to
Scrutiny Board 3
Cabinet
Council

Insert Date of meeting
10 September 2007
11 September 2007
18 September 2007

Report of
Director of City Development and Director of Community Services

Title
Consultation Paper "Homes for the future: more affordable, more sustainable"

1 Purpose of the Report

- 1.1 The purpose of this report is to respond to the consultation paper 'Homes for the future: more affordable, more sustainable', published by the Department for Communities and Local Government on 23 July 2007 and ask you to consider the proposed response to the parts of the document where the Government is requesting responses.

2 Recommendations

- 2.1 Scrutiny Board 3 is asked to consider the draft responses and forward comments to Cabinet for their consideration.
- 2.2 Cabinet is asked to consider the draft response set out in the Appendix to this report, together with any comments received from Scrutiny Board 3, and to make the necessary recommendations to Council to enable a response to the consultation papers to be made.
- 2.3 Council is asked to consider the comments of Cabinet and to agree the Council's response.

3 Information/Background

- 3.1 The Housing Green Paper sets out the Government's approach to delivering housing demand, providing for more affordable, sustainable and well-designed homes. The Government has invited general comments on the proposals put forward in the Paper and also posed some specific questions in the document. The consultation deadline is 15 October 2007.

Alongside the Green Paper are 11 supporting documents providing more detail.

This report summarises the proposals and, in italics, identified the implications for Coventry.

Context

- 3.2 The Green Paper indicates that, since 1997, housing has improved for many people. Amidst a climate of economic growth and stability, investment has been made into improving the quality of social housing, addressing areas of low-demand housing and utilising land better by protecting green open spaces around towns. However the Government has identified challenges which still remain as follows:
- house building needs to increase further to meet demand;
 - houses need to be better designed and more sustainable; and
 - houses need to be more affordable.

Providing more homes to meet growing demand

- 3.3 The Green Paper outlines a new housing target for 2016 of 240,000 additional homes a year to be built in England. The housing supply will rise over time towards the 240,000 per year target in 2016, with the delivery of 2 million homes by 2016 and 3 million homes by 2020. In the last three years, housing provision in Coventry has averaged 850 per year, well above the current RSS requirement and in line with its target as a Growth Point.

- 3.3.1 The Government has said, however, that in meeting the targets it wants to "protect robustly" the land designated as green belt and also to build in a much more sustainable way. It sees all new housing having reducing carbon emissions so that by 2016 all new homes will emit zero carbon.

- 3.3.2 The 2 million new homes delivered by 2016 will include the following:
- 1.6 million are already in existing Regional Spatial Strategies (RSS) and plans now in place, including around 650,000 homes in Growth Areas;
 - 150,000-200,000 additional homes in the new round of Regional Plans (RSS) being prepared and plans now under consideration by the Secretary of State;
 - 100,000 extra homes in 45 towns and cities that make up the 29 New Growth Points; (Coventry is one of these)
 - The Government will expand the existing Major Growth Areas and New Growth Points, with additional New Growth Points covering the whole of England.
 - The Government also invites local authorities and developers to propose five new Eco-town schemes. A vision and outline criteria for selecting the eco-towns has been published alongside the Green Paper. (Not appropriate for Coventry since it is designated a Growth Point).
 - The Government also seeks to consolidate Planning Policy Statement 3 (PPS3) giving rural planning authorities power to address the need and demand for housing in rural areas.

- 3.3.3 The growth will be supported through the consolidation of a number of existing approaches but some with new features, namely;

Reducing delays through the planning process

The Paper reaffirms the need and continuation of planning reform to reduce delays in delivering new homes through the planning process.

In the short term, the early review of housing provision in RSSs is encouraged and the Government proposes to issue formal guidance at the beginning of RSS preparations on the ranges of housing provision required over a 15-20 year time period. Members will be aware that the RSS Phase 2 Preferred Option will be published in the Autumn.

In the long term a single strategy is required for each region, embracing the current Regional Spatial Strategy (RSS) and Regional Economic Strategy. Each region will be specified an economic growth objective and the strategy must set out the level of projected housing needed to match the level of projected household growth in the region. The government will consult on this proposal, through the Regional Development Agency.

New Housing and Planning Delivery Grant

The Paper also reaffirms the requirement in PPS3 to identify at least a 15 year supply of land with 5 years worth that is available to deliver the level of homes that they need. From 2008, a new Housing and Planning Delivery Grant will reward the delivery of both new housing on the ground and the identification of at least 5 years worth of sites ready for development and a further 10 years worth in plans. The Paper indicates that where Councils have not identified enough land, planning inspectors will be more likely to overturn their decisions and give housing applications the go ahead on appeal. In the interim period while the Local Development Framework is being prepared, the Secretary of State will use powers to recover planning appeals and make decisions, in order to reinforce PPS3 Land Supply Policies. The 2006 Annual Monitoring Report showed that Coventry has an identified housing land supply of almost 8 years: this does not yet include major regeneration schemes.

Surplus Public Sector Land

Central Government has identified a target of 200,000 new homes to be delivered on surplus public sector land by 2016, This figure has increased from 130,000 announced in the Pre-Budget Report. New Local Housing Companies (LHCs) will be established by Local Authorities and partners, with a national programme of support from English Partnerships, to develop new market and affordable housing on surplus brownfield land. Fourteen LHCs are to be created in 2007 and the Government are inviting more Local Authorities to set up such companies.

The Council is already looking at its land holdings to ensure always that land is brought into productive use as soon as possible.

The proposal that Local authorities should become providers of 'Affordable Housing' through local housing companies has attracted considerable media attention but the Green Paper refers specifically to special purpose vehicles or 'Arms Length Management Organisations' (ALMO's).

ALMO's evolved after Coventry completed its stock transfer and the direct provision of new housing through ALMO's is not, therefore, inappropriate for Coventry.

The Green Paper does not give any detail about the concept of Local Housing Companies but there is nothing to suggest that the Government believes that Local Authorities can construct houses any cheaper than specialist house builders. It is likely, therefore, that what is envisaged is a partnership arrangement where-by Local Authority land is developed in partnership with a house builder. The principal of a public/private partnership to build new houses is not dissimilar to what has been developed in the NDC area.

The evolution of Government thinking will, however, be monitored to see whether it can be applied to developments in Coventry – perhaps as part of the Swanswell initiative.

Better use of Brownfield Land

The Paper reiterates the national target of 60% of new homes to be built on brownfield land.

The Paper also encourages Local Authorities to look at brownfield sites in its area that are designated for industrial purposes to see whether that is appropriate and whether they should be re-designated for housing.

Delivery of the sort of growth envisaged in the Green Paper without building on land designated as 'Green belt' either within major cities like Coventry, or the surrounding rural areas, will be very challenging.

Brown field sites alone are unlikely to provide sufficient land to enable the scale of building being proposed to be delivered.

Not only for Coventry, but for all areas, the call to re-designate land for housing will require a very difficult balance to be struck. Most important it is that new homes are built, jobs must be created as well.

The Council has always sought to ensure that sufficient land is retained for commercial and industrial use, at-times having to resist developer pressure for residential development.

Better use of Existing buildings

The new Housing and Planning Delivery Grant aims to facilitate Local authorities to bring back long term empty houses back into use.

Although the Council already has an active programme of work designed to do that it will monitor what is proposed with interest, to see whether it is given any new powers that it can use.

The concept of a grant to bring back long term empty houses into use is an interesting one as the Council has determined previously not to give grants to people who have kept their houses empty to encourage them to bring their property back into use. Instead, it has sought to persuade them to initiate action themselves, offering purchase by a Housing Association as an alternative.

Creation of New Homes Agency

The creation of a new homes agency building on previous programmes of the Housing Corporation and English Partnerships.

To facilitate the delivery of houses, the Paper also considers whether the definition of commencement of development in the Town and Country Planning Act (2004) should be made more rigorous for certain types of development such as major housing, for example requiring substantial development of the infrastructure for the site. This would create a clear incentive for builders to begin building in order to get a return on their investment and prevent developers delaying the build of the scheme for which they have permission, and hence result in delivering more homes.

Creating better homes and places

- 3.4 In constructing more homes, the Government seeks to build homes to a high standard that form coherent communities. Three main areas of improvement are identified:
- greener homes;
 - infrastructure funding; and
 - well designed homes and places

3.4.1 Ensuring the construction of greener homes involves:

- Establishing emissions targets backed up by changes to Building Regulations so that they reflect that timetable;
- Emphasising the importance of effective flood risk management;
- Launching a consultation on mandatory rating for new homes against the Code for Sustainable Homes;
- Continuing to work to improve energy efficiency in existing homes; and
- Setting minimum standards to support sustainable water use in new homes.

Making the Code for Sustainable Homes mandatory is welcomed as the only really effective way of achieving its implementation.

The Code operates by setting standards and awarding points for the achievement of those standards enabling dwellings to be rated, rather than by setting down obligatory standards that have to be followed.

In response to recent consultation document issued by the Government, the Council has stressed how important it sees the requirement to construct new homes to 'Life-time Homes' standards, thus avoiding the need for expensive adaptation if the occupier becomes less mobile.

It is suggested, therefore, that this point should be especially emphasised in the response to Government.

3.4.2 The Government considers that access to good infrastructure, namely schools, healthcare, transport and other community facilities is vital when they move into a new home. The Government proposes to:

- continue to invest in Growth Areas, New Growth Points and eco-towns; and
- consult further on the future for planning obligations. The Government states that the planning gain supplement remains a preferred option for securing infrastructural benefits through the planning system, however before legislating, the Government wants to ensure that this is the best option. Several alternative options are put forward and are the subject of other discussions with key stakeholders prior to the Pre-Budget Report. The possible alternative approaches put forward in the Green Paper are as follows:
 1. A lower rate Planning-gain supplement, with a lesser scale-back of planning obligations
 2. A planning-gain Supplement limited to Greenfield sites
 3. A charging mechanism based on an expanded system of planning obligations – Local Authorities to develop standard charges and incorporate them into Development Plan Documents
 4. A statutory planning charge – the government could legislate to allow local authorities to levy a standard charge on developments – the developer would be required to pay a share of an average charge covering infrastructure costs in a particular area.

It is understood that there will be a further consultation document published on this subject.

Providing more affordable homes

3.5.1 The Paper sets out that the Government will invest £8 billion over the next 3 years to provide more affordable homes. Much of this investment will be delivered through the housing associations but the Government also want greater private sector and council

involvement. The Government wants 70,000 affordable homes a year to be built by 2010/11, of which 45,000 (a year) are to be for social housing (to increase to 50,000 in the next CSR round). However, the Government also expect £850 million savings from greater efficiencies and better use of HA assets to deliver major expansion in delivery. The Housing Corporation believe that HA's can borrow against their existing asset and that savings will absorb the inflation in land and building costs. The Housing Corporation is also refining and developing its investment processes. The aim is to use more competitive bidding so that social landlords can win a bigger programme if they offer better value for money. The HC will also now be looking for developing associations to use the bidding process to incentivise higher borrowing. However, they do not wish HA's to sacrifice quality.

Expansion of Housing Association activity is likely to be a major opportunity for providing more affordable homes in the city and officers already work closely with the Housing Corporation to maximise development in the city, such that the allocation to Coventry is second only to that of Birmingham in the West Midland region. That close working will continue even when the Corporation becomes part of the new 'Communities England' organisation.

It should be acknowledged, however, that the proposals favour long-established housing associations who have been able to build up considerable assets rather than associations like Whitefriars who after a huge modernisation programme financed by borrowing, are less able to sustain still more borrowing.

3.5.2 The Government also want to provide 25,000 shared ownership and shared equity homes (a year) funded mainly by the Housing Corporation. They are also proposing thousands more shared ownership homes through local housing companies and public sector land as well as through the private sector and developer contributions.

3.5.3 The Government also wants to encourage mortgage lenders to consider more affordable longer term fixed rate mortgages and is exploring how that can be achieved.

3.5.4 To focus support on first time buyers and those on lower incomes, the Government doubled the starting residential threshold for stamp duty to £120,000 in 2005 and increased it to £125,000 in 2006, with a figure of £150,000 applying to property in disadvantaged areas.

3.5.5 The Government will immediately expand the Open Market HomeBuy products on offer by offering a 17.5% Government equity loan that can be used with any lender to help first time buyers and key workers.

This is a particularly interesting idea as the present scheme has been limited to a small number of clearly defined 'Key Workers' - nurses, teachers, etc. Help for any 'First Time Buyer' is therefore attractive and as soon as details are in-place arrangements will be put in-hand to publicise it.

3.5.6 The Government are now considering the criteria for extending Social Housing Grant to Councils in their own right but would expect Local Authorities to access private finance to provide better value for money.

The proposal that Local authorities should become providers of 'Affordable Housing' through local housing companies has attracted considerable media attention but the Green Paper refers specifically to special purpose vehicles or 'Arms length Management Organisations' (ALMO's). ALMO's evolved after Coventry completed its stock transfer and

the direct provision of new housing is not, therefore, an obvious route for this Council to follow, but the position will be kept under review as more details emerge.

4 Proposal and Other Option(s) to be Considered

4.1 The Homes for the Future Green Paper consultation includes a set of questions and also invites other comments on the content of the Paper. Draft responses to the questions and other comments are set out in Appendix 1.

4.2 Your officers would also make a few general points on the implications for the City.

- o Work on the Growth agenda and in the preparation of the Local development Framework will identify a supply of housing land, but current indications are that the identification of a 15 year supply is achievable
- o The designation last year of Coventry as a New Growth Point is expected to be a way of increasing the level of infrastructure to support the delivery of housing
- o In its response to the consultation paper on the Proposed Housing and Planning Delivery Grant (September 2006), the City Council expressed its concern about the greater emphasis being placed on housing delivery, compared to other objectives and that rewards appears to be focused on numbers rather than quality.

5 Other specific implications

5.1

	Implications (See below)	No Implications
Best Value		<input type="checkbox"/>
Children and Young People		<input type="checkbox"/>
Comparable Benchmark Data		<input type="checkbox"/>
Corporate Parenting		<input type="checkbox"/>
Coventry Community Plan		<input type="checkbox"/>
Crime and Disorder		<input type="checkbox"/>
Equal Opportunities		<input type="checkbox"/>
Finance	<input type="checkbox"/>	
Health and Safety		<input type="checkbox"/>
Human Resources		<input type="checkbox"/>
Human Rights Act		<input type="checkbox"/>
Impact on Partner Organisations		<input type="checkbox"/>
Information and Communications Technology		<input type="checkbox"/>
Legal Implications		<input type="checkbox"/>
Neighbourhood Management		<input type="checkbox"/>
Property Implications		<input type="checkbox"/>

	Implications (See below)	No Implications
Race Equality Scheme		<input type="checkbox"/>
Risk Management		<input type="checkbox"/>
Sustainable Development		<input type="checkbox"/>
Trade Union Consultation		<input type="checkbox"/>
Voluntary Sector – The Coventry Compact		<input type="checkbox"/>

5.2 Finance

The consultation refers to proposed changes to the future of the Planning Delivery Grant (PDG) as outlined in section 3.3.3 above. From 2008 the PDG will be replaced by a new Housing and Planning Delivery Grant (HPDG) rewarded based on "delivery of both new housing on the ground, and the identification of at least 5 years worth of sites ready for development and the further 10 years worth in plans as required by planning policy".

Whilst details of the replacement of PDG are welcomed, this is cause for concern because an authority can make allocations and grant permissions, but it cannot require without changes in legislation, that developers deliver on the ground.

The PDG has historically provided one source of funding for the Councils Planning Department. With the changes proposed by this Green Paper and the various recent Planning White Papers, the financial situation will remain under review as further details are released.

It is also clear that the government is still pursuing the principles of Planning Gain Supplement (with 2009 being the earliest introduction date) where serious reservations have previously been identified, although it does seem willing to look at alternatives including retention of section 106 as a source of funding for infrastructure related to development. It also acknowledges the growth points initiative, but uncertainty remains locally as to how infrastructure to meet the growth agenda will be funded and delivered. A number of potential solutions are proposed in the paper with further details to be released later in the year.

6 Monitoring

6.1 New policies will be monitored through the Council's monitoring arrangements.

7 Timescale and expected outcomes

7.1 Responses are required by 15 October 2007. The Government's response to consultation will be published by 29 February 2008.

	Yes	No
Key Decision		√
Scrutiny Consideration		

(if yes, which Scrutiny meeting and date)	Scrutiny Board 3 10 Sept	
Council Consideration (if yes, date of Council meeting)	18 Sept	

List of background papers

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Papers open to Public Inspection

Description of paper	Location
Nat 1	CC4/3./01

APPENDIX 1

DRAFT RESPONSE: HOMES FOR THE FUTURE: MORE AFFORDABLE, MORE SUSTAINABLE CONSULTATION PAPER

(Note the consultation questions begin at question '5')

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 up-lift in quality and to improve inclusive design?

Additional tools and mechanisms will be required to influence private developers. We see no evidence of a general readiness to accept the standards in the voluntary Code for Sustainable Homes'.

We have already commented in a previous consultation relating to Disabled Facilities Grants that we would like to see Life Time Home standards become mandatory rather than as one element amongst many as proposed in the Code. We believe this to be essential if costly adaptations in the future are to be avoided – new homes should be constructed so that they can continue to provide effective housing for occupants if their mobility diminishes.

Some notionally applied space and broad development standards for new housing in all sectors would assist in raising quality. This could either be through Building Regulation (and we are pleased to see that the Regulations may be changed to align with targets for carbon emission) or through a 'notional design guide for residential development' (similar perhaps to the Parker Norris standards for public sector housing).

Thought will need to be given by Government as to how they will implement policies that will potentially conflict with one another. For example lifetime homes (which incorporate larger space standards) and the density requirements for build under PPS3.

Thought will also need to be given to the implementation of the zero carbon standard. At the moment the jump between 44% in 2013 and 100% in 2016 is a concern. Should there be more phases in between now and 2016 to ensure achievement?

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

The Council would agree that a design quality assurance approach working prior to the submission of a planning application would be a positive step to reducing delays in the planning process and enabling developers to understand acceptable standards of design and contribute to sustainable development priorities.

It would be important for this benchmark to be across the private as well as the social sector since there are already starting to be marked differences between the two in terms of design quality (social housing often being better).

Q7. What are your views on our proposals to allow councils to retain the full rental income from, and capital receipts on disposal of, additional new properties financed from local resources and consult on detailed options?

Coventry is a stock transfer authority and would not envisage the direct management of any new properties provided through this route.

It would imagine, however, that the proposed changes are essential if authorities still managing property through a Housing Revenue Account are to enter into arrangements to build new homes.

Q8. What are your views on our proposals to change the pooling regime for receipts

from shared equity schemes that local authorities develop and consult further on any detailed proposals?

Again, Coventry as a stock transfer authority and would not envisage the direct management of any new properties provided through this route but would consider that cross-subsidisation across the portfolio would be much better than requiring each development to be self-financing.

Q9. What are your views on the strengths of the models for delivering new supply set out in chapter 12?

Local Authority Owned Company

The option does not seem to be open to Authorities who, like Coventry, have undertaken stock transfer.

Community Land Trusts

We believe that this would potentially complicate the process of delivery by the involvement of a further interest group. It would seemingly only ever be appropriate for relatively small developments where it could be a potential way of carrying through a regeneration project where the local community is unsure about its attractiveness.

Local Housing Company

We would not envisage that any local housing company would be able to undertake house construction any more effectively than the specialist national house-builders.

We can see them operating as a partnership between a land-owning Local Authority and a house-builder, but their limited asset base may be problematical in generating funding.

We see limited value in the creation of large numbers of new properties when housing associations already have development expertise, bringing together land, finance and a specialist construction company.

There may, however, be advantage in using such a company in a local regeneration project.

Limited Liability Partnerships

Some local housing associations are already exploring whether this could be a model for working with housing developers.

Strategic Housing and Regeneration Partnership

Coventry has experience of such an arrangement in its regeneration of the NDC area of the city.

The ease with which such partnerships can be instigated and made to operate should not be under-estimated.

Q10. Are there other models you know of which could effectively secure the outcomes sought?

No response

In addition to the above question responses, the City Council would also like to make the following comments on several features of the Green Paper.

1. Coventry City Council welcomes the attempts of the Government to provide additional affordable housing, and improve the design standards of new homes. These are viewed as positive steps forward to achieving the new homes required.
2. *The Planning Gain Supplement*
The City Council does not support this proposal and considers that it will not deliver essential infrastructure to support sustainable growth.

S106 is one of the major sources of affordable and social housing in the City. Therefore there is some concern about this being scaled back proposed under 'alternative 1'. There

is also the question that if the Local Authority is meant to give precedence to infrastructure, does this mean that PGS will not be used for affordable housing?

The Paper also indicates 30% of PGS will go to the region. It is necessary to ensure that money paid to Region supports the major growth areas and hence delivers Government policy.

3. *The identification of 15 years of housing land supply*

The support for the planning system as the core mechanism of delivery is welcome. However, there seems to be a contradiction in monitoring supply and it needs to be made clear that the 15 year supply will be on-going and that release will be dependent on the infrastructure being able to deliver.

4. *Definition of 'commencement of development' within the Town and Country Planning Act 2004*

In an attempt to encourage house builders to bring forward land more swiftly, the Government has suggested there may be a need to revise the definition of 'commencement of development' for certain types of development. This would apparently have the effect of requiring a much earlier commitment of substantial resources to development on sites creating a clear incentive for developers to begin building in order to get a return on their investment.

If this relates to landbanking by developers then this is one of key reasons why permissions now only last 3 years. If this is about commencing to keep permission live and about introducing further stages between implementation and completion then this could be a useful tool. At present, the completion notice effectively stops any more work. However the mechanisms would be very interesting to work out if this is what it is about. Maybe there is an argument for requiring that schemes over x number of houses be phased and then there could be timescales within which phasing had to be implemented. Any scheme would need detailed consideration to find a practical approach that did not deter investment or produce an even more complex system.