INTRODUCTION

1. Government policy objectives should be to
   * increase the overall supply of housing in line with need
   * ensure that the supply of both existing and new housing in all tenures is of good quality and more affordable by households on middle and lower incomes.
   * support the most effective use of both existing stock and new supply
   * ensure that housing is properly supported by accessible infrastructure, facilities and employment opportunities

PUBLIC SPENDING ON HOUSING

2. The focus of Government policy on housing investment and subsidy should be on reducing both the capital and revenue cost of housing to applicants rather than providing financial incentives to existing households to assist them to access market housing which is otherwise unaffordable. However households on low incomes will continue to need assistance through the benefit system to meet rental Payments in rental sectors. The focus of subsidy other than housing benefit should be on ensuring long-term public and private sector investment in bricks and mortar, rather than focused on one off capital grants or short-term returns. For example, the Homes and Communities Agency could provide land or grant for a project linked to an equity stake repayable against completion or onward sale.

3. The Government should seek to create a more stable housing market and regulation of mortgage lending is one of the tools, which can help to achieve this. The Government needs to establish a regulatory framework, which helps to ensure an adequate supply of mortgage finance, offers house purchasers a relatively stable interest rate regime, places appropriate restrictions on loans in relation to both property value and loan/income ratios and puts in place an effective framework for mortgage rescue which as a last resort and in appropriate circumstances allows for defaulting owner occupiers to switch to equity sharing or rental arrangements without loss of home.

4. It should be recognised that a stable housing market is also dependent on conditions, which enable a functioning sub-regional economy. Sustainable communities, whether in terms of pre-existing neighbourhoods or new communities, are dependent on a mix of household types and income groups within an area. Housing and planning policies therefore rely on the implementation of strategies for economic regeneration and a reduction in spatial social segregation. This means ensuring the provision of housing for people on low and modest incomes in higher value areas.

5. Government and local authorities should promote the provision of affordable housing through land disposal at prices which allow added value to be held as equity for future public benefit rather than being a burden to occupiers, to housing associations and developers linked to the provision of affordable housing in accordance with policy targets. Government, public sector agencies and local authorities should review business management assumptions predicated on disposing of land and assets at unconstrained market value. Local authorities in disposing of land for affordable housing should have regard to the revenue savings arising from lower homelessness and related social service and education costs. Use can be made of the powers of the Homes and Communities Agency to acquire land. Local authorities and other public agencies should be supported to acquire land appropriate for residential development where this is cost-effective, or to explore the potential for forming public private
partnerships with private landowners or developers where appropriate to ensure that long term benefits accrue to the local community (for example where change of use results from core strategy implementation).

6. Government should consider re-establishing the previous total cost indicator grant based regime. This will relate subsidy to the need to fund reasonable costs not met by rent income within the target rent framework. This will remove the reliance of the affordable housing programme on cross subsidy from private development, shared ownership receipts and housing association property disposal. This will re-establish a sound business management regime in the affordable housing sector. This approach would however require a significant increase in housing investment beyond the current 2008-2011 programme and contrary to the indicated 50% reduction in net national capital investment indicated in the pre-budget report. In addition, there needs to be regulation of service charges to ensure that total occupation costs of both social rented and shared ownership housing are limited.

7. The Government should support the creation of local Housing Investment Funds to support the provision of transport and social infrastructure in areas of significant new residential development. This would enable the use of private funds including pension funds and local authority or regional agency powers and guarantees to support local infrastructure, which is an essential precondition for sustainable development. The funds would include bonds, which could be purchased by individual private investors, including local residents.

8. Local authorities should be enabled in specific circumstances and if they so wish, to guarantee the mortgages of households whom they have nominated to both shared ownership and outright ownership homes. Housing Associations could provide guarantees in relation to their own shared ownership and low cost sales schemes. However the key provider of mortgages should be banks, including those now substantially owned by the public sector.

9. The Government, through the Homes and Communities Agency, should provide support through guarantees and in collaboration with the Department of Work and Pensions, direct payment of housing benefit to providers to support a regulated private rented sector for existing stock and new provision. Regulation would relate to standards, quality of management, rent and service charges. Such a regime would increase supply through generating additional private sector investment and good quality housing would be made available to middle income households at a cost significantly below the revenue cost of home ownership.

10. Local authorities should be financially supported to carry out development directly where such provision meets a need and is demonstrably cost effective. This will involve increasing the professional capabilities of local authorities and delivery partnership arrangements with other agencies. However there are circumstances in which it is most cost effective for local authorities to retain ownership of land and to control both the type and quality of housing provision to meet identified prioritised needs.

11. Government should provide grant for estate regeneration schemes, which are no longer viable as they depend on private finance or cross-subsidy which is no longer available.

Making best use of the existing housing stock

12. 70% of owner occupiers over 50 are under-occupying larger family homes. More of this housing could be made available to younger families if there was a wider choice of good quality accommodation for older people to move into. The Government should also consider reform of the taxation system with the aim of encouraging more efficient use of the housing stock and providing practical alternative investment options for older home owners who are under-occupying large family homes. One option would be the replacement of stamp duty,
which is a tax on purchase, with an annual tax on value increment. Such a reform could increase the incentive to more efficient occupation of property and could generate sales transactions, which lead to more effective use.

13. There remains an urgent need to upgrade the quality of the existing housing stock in all sectors, both in terms of energy efficiency and reducing carbon emissions but also in terms of achieving adequate internal standards and amenities. Where existing stock cannot be upgraded, demolition and replacement may need to be considered. VAT treatment of refurbishment should be equivalent to VAT treatment of new building.

Planning and Land

14. There needs to be an effective **spatial planning system** at national, regional and local level, which incorporates comprehensive assessment of housing required for all household types and in all sectors, and where targets for new housing supply are based on a consistent approach to identify capacity for residential development which meets the criteria for sustainable residential quality.

15. Implementation of the **Community Infrastructure Levy** should be dependent on it being demonstrated that its introduction will neither delay appropriate development, nor reduce the quantum and quality of affordable housing output. Local authorities should consider as an alternative to levying CIL or planning contributions at commencement, the possibility of taking an equity stake in any future value appreciation. While this can be achieved through land disposal covenants or through the establishment of joint venture vehicles, the Government should amend planning powers to allow local authorities to take an equity stake in a private development as a condition or planning consent. This would be a constructive alternative to both the current system of planning obligations through s106 agreements and the proposed Community Infrastructure Levy, and could replace both regimes. This would ensure that a development is not delayed by onerous initial obligations. It will protect the public sector interest in terms of benefiting from any long-term value appreciation.

16. The current position of the market is leading to a restructuring of the private house-building sector. This presents new opportunities for land assembly and the procurement of development contracts. The parcelling up of land for development by a range of developers rather than reliance on a single developer can both spread development risk and ensure a range of types and styles of housing provision. It could also reduce the negative impact of local land ownership monopolies. The UK could benefit from the experience of some other European countries.

17. The Government should establish minimum qualitative and space standards applicable to all new residential development, with exceptions only permitted in clearly specified exceptional circumstances. New development and refurbishment should be to the highest energy standards consistent with value for money principles, using available demonstrable experience from other countries (particularly European) to inform how best to reduce carbon emissions, energy bills and fuel poverty.

18. New skills are needed by planners and by those in related professions. Planners need to be fully aware of all the factors which impact on delivery of housing and deliverability of planning applications. This includes knowledge of housing market factors, funding arrangement and development viability. Government and academic institutions should focus on supporting relevant higher education courses and CPD provision.

19. Government must ensure that planning policy and guidance is realistic. The plan making system needs to be speedier with the ability for plans to be reviewed quickly in response to changing external factors.
20. Government should promote the positive role of planning and the importance of collaboration with other professions. There is also a need to recognise the importance of both development management and effective plan making, monitoring and developing appropriate mechanisms for plan implementation.

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