

EXECUTIVE SUMMARY

Progress in delivering Sustainable Communities

E1 At Budget 2003, the Chancellor and the Deputy Prime Minister jointly commissioned Kate Barker to produce an independent review of housing supply. Her final report and recommendations were published at Budget 2004 and were welcomed by the Government. This document sets out how Government proposes to respond to, and implement, the Review's conclusions.

E2 The Government's housing policy aims to deliver:

- a step on the housing ladder for future generations of homeowners;
- quality and choice for those who rent; and
- mixed, sustainable communities

E3 The Government has accepted the case set out in the Barker Review for a step-change in housing supply. The measures set out in this response to reform planning and enable timely infrastructure provision will provide for more homes to help meet demand, including the provision of affordable housing through increased social housing supply and the Government's shared equity schemes.

E4 The Government's agenda does not stop there, however. New homes need to be delivered in communities, not soulless housing estates. Such communities need to be inclusive, mixed and well-governed, with excellence in local strategic leadership. Homes need to be well designed, built and maintained.

E5 Critically, new homes must have supporting infrastructure – health, education, transport – and quality services, both public and private. Housing must be connected to economic development and to jobs in order to support greater prosperity. There needs to be access to leisure and recreational facilities. Government must build and plan homes to high-environmental standards – which make best use of water, energy and materials and which are supported by high-quality green spaces.

E6 The Government recognises that improving the affordability of housing is not simply about building more homes – it requires a concerted package of measures that will remove barriers to development, support local communities and provide for those unable to access the market. Here, the Government sets out how, in responding to Kate Barker's Review, it aims to deliver such a broad package of reforms and investment, and create genuinely sustainable communities.

More homes, where they are needed most

E7 Current Government projections show the population of England rising by 5.7 million over the next twenty years, driven partly by longer life expectancy. The pressure of population growth is more acute in terms of housing as household numbers increase faster, resulting from changing patterns in age and marital status and more people choosing to live alone.

E8 Current ODPM household projections suggest an average household formation rate of at least 190,000 per year in England up to 2021. These people and families need homes. Yet despite recent increases, annual net new housebuilding in England has reached only around 150,000.

E9 Achieving the Government's aim to improve affordability and help future generations of homebuyers to get a foot on the housing ladder will require housing supply to become much more responsive to demand. Current projections suggest that if Government is to meet its aim to improve affordability, new housing supply in England will need to increase over the next decade to 200,000 net additions per year, within the range of house building exemplified by Kate Barker. The speed at which this increase can be achieved, and affordability benefits realised, will depend on the provision of investment in the infrastructure necessary to support housing growth, reform to the mechanisms by which new housing and infrastructure are delivered, and a positive response from the house building industry. The Government is therefore announcing:

- further reforms to the planning system to ensure that local and regional plans prepare and release more land, in the appropriate places, and at the appropriate time, to meet our future housing requirements;
- a consultation on the Planning-gain Supplement (PGS) to help local communities fund and deliver the infrastructure necessary to support housing growth and share in the benefits it will bring; and
- in the run-up to the 2007 Comprehensive Spending Review, a cross-cutting review to effectively coordinate the strategic delivery of infrastructure investment across departments, supported in part by the PGS, necessary to enable the additional housing required.

E10 Successfully delivering these reforms will enable the Government to set out its detailed plans at the 2007 Comprehensive Spending Review to achieve its aim for a significant increase in housing supply over the next decade, going beyond the level set out in the Sustainable Communities Plan, helping extend home ownership to another million people in the next five years and taking us towards the Government's aspiration of 75 per cent home ownership.

E11 The Government's proposal to increase housing supply to better meet demand applies to social, as well as market, housing. Many households cannot afford to rent or buy a home of their own, and for these families that would otherwise struggle to access decent and affordable housing, councils and housing associations play a valuable role.

E12 The Barker Review identified a long-term shortfall in social housing provision, manifested through overcrowding and the growing use of unsuitable temporary accommodation for vulnerable households. The Review set out the need for a substantial increase in the supply of social housing in order to keep up with demographic trends and to tackle the backlog of unmet need.

E13 The Government has already made significant progress in meeting this long-term challenge, providing funding through the 2004 Spending Review to help deliver an additional 10,000 new social homes a year by 2007-08 compared to 2004-05 – a 50 per cent increase – and by reducing demand through investment in new approaches for preventing homelessness. The Government intends to go further to respond to the challenges set out by the Barker Review, and will set out its ambitious plans for increasing social housing supply, with new investment alongside further efficiencies and innovation in provision, as part of the 2007 Comprehensive Spending Review.

E14 The Government is also taking forward plans to assist directly at least 100,000 more households into homeownership by 2010 supported by an innovative joint public-private scheme that will stretch public funding further. In addition the Government will be encouraging further growth in the private provision of equity share schemes by builders and other investors.

Providing infrastructure

E15 Delivering this ambitious agenda will require a combination of investment and reform, for flourishing communities are not created by new housing alone. The Government is committed to ensuring that its ambitious plans for a step-change in housing supply are supported by the necessary investment in social, transport and environmental infrastructure at the local, regional and national level.

E16 In order to help finance the infrastructure needed to stimulate and service proposed growth, and ensure that local communities better share in the benefits that growth brings, the Government is today consulting on its response to Kate Barker's recommendation for a Planning-Gain Supplement (PGS).¹ The PGS consultation paper accompanying this response restates the case for capturing land value uplift for the benefit of the wider community and describes how a workable and effective PGS might operate.

E17 To ensure that appropriate infrastructure will be provided to support housing and population growth, Government is also announcing, as part of the 2007 Comprehensive Spending Review, a cross-cutting review to:

- determine the social, transport and environmental infrastructure implications of housing growth in different spatial forms and locations;
- establish a framework for sustainable and cost-effective patterns of growth, including by examining the use of targeted investment through the Community Infrastructure Fund and Growth Areas funding to support the fastest-growing areas; and
- ensure that Departmental resources across government are targeted appropriately for providing the national, regional and local infrastructure necessary to support future housing and population growth.

Delivering through planning

E18 A well-functioning planning system is essential to delivering a responsive housing supply, while also promoting wider objectives, such as environmental protection, good design and regeneration.

E19 In response to the Barker Review's recommendations on planning reform, the Government is bringing forward a number of important changes. The Government is publishing a draft Planning Policy Statement 3: Housing (PPS3) to ensure plans are more responsive to changing demands, and prepare and release more land, in the appropriate places, and at the appropriate times, to meet future housing requirements.

¹ *Planning-gain Supplement: A consultation*, HM Treasury, HM Revenue & Customs and ODPM, December 2005.

E20 The Government accepts Kate Barker's proposal that the planning system should reflect long-term objectives for affordability, set out at both the national and regional level, and will bring forward detailed proposals as part of the Comprehensive Spending Review process. Following consultation, the Government accepts the case for merging the functions of Regional Planning Bodies and Regional Housing Boards, and expects the new merged bodies to be in place by September 2006. In addition, the Government will establish an independent National Advice Unit to strengthen the evidence and analysis on improving housing market affordability available to regional planning bodies throughout the regional planning process. The Government will set up this unit by autumn 2006.

E21 For development to be truly sustainable, Government needs to ensure that the quality of existing homes continues to improve and that new homes contribute to the creation of high quality, well-designed places where people want to live and work. The draft PPS3 sets out a commitment to high quality design for new housing development and encourages the use of design tools, such as design codes, to achieve this. By making this early investment in design, local authorities can improve the speed of planning decisions and accelerate the delivery of high quality development. The Government is also publishing a new Green Belt Direction to further protect against urban sprawl.

Environmental sustainability

E22 This step-change in housing supply represents an opportunity to look again at protecting and enhancing the environment. A lack of affordable homes can in itself contribute to less sustainable lifestyles, such as longer commuting patterns. The Government's new Code for Sustainable Homes will set new standards for resource-efficient, high-quality houses. In recognition of the environmental pressures facing some regions of England, the Government is also announcing a wide-ranging package of measures, including domestic water efficiency measures for new homes, steps to cut construction waste, and improvements to the systems used to plan for sewerage infrastructure and consider flood risk when locations for new homes are chosen.

Well-designed homes, in quality environments

E23 To deliver its goals successfully, the Government needs to raise the quality of what is built and how it is built. Housing needs to be in decent mixed communities, with a range of people and incomes, in quality local environments.

E24 Communities will not accept new homes that are poorly designed and built, or placed in unsuitable locations with a poor quality public realm and without appropriate infrastructure. Good design can help to build a consensus about how best to respond to the need for growth and new development. Well designed homes respect their local context and protect and enhance the local environment, reinforcing local culture and identity and encouraging a positive reaction amongst the local community.

E25 The Government's proposals for accelerating planning applications backed by design codes should, along with the work of the Commission for Architecture and the Built Environment and the Academy for Sustainable Communities, drive forward significantly improved design quality in new build. Government will also examine further cost-effective options for releasing more public sector land to facilitate growth.

A challenge for the industry

E26 A dynamic, successful and customer focused housebuilding industry is vital if a step-change in housing supply is to be delivered. The Barker Review made a number of recommendations to the house building industry, designed to improve customer satisfaction and encourage innovation to drive down costs and increase supply. The Government welcomes the steps that have been taken by the industry in response to these recommendations, particularly the establishment of an annual customer survey and the development of a strategy for increased use of modern methods of construction, led by the Home Builders Federation.

E27 However, the Government remains concerned that the industry continues to show strongly cyclical behaviour, despite rising long-term demand. The Government believes that a continued commitment to innovation and competition can help to further expand supply. Improvements in customer satisfaction also need to be sustained. The Government will continue to monitor the industry's progress in addressing the Barker recommendations as well as the level of overall competition in the sector.

Challenges and opportunities for Sustainable Communities

E28 Delivering this step-change in housing supply, and ensuring that genuinely sustainable communities are built poses challenges for everyone with a stake in increasing the provision of good quality homes.

E29 Government will play its part, setting out detailed proposals through the 2007 Comprehensive Spending Review and by ensuring that action across Whitehall is coordinated to deliver sustainable communities at the local level. Regional bodies and stakeholders also need to rise to the challenge of delivering sustainable communities, through effective decisions based upon rigorous evidence. Local authorities need to reinforce and enhance their critical strategic role, leading and shaping the delivery of this agenda at the local level, through meeting the housing needs of every part of their community. Finally, the performance of the housebuilding industry in raising outputs and quality is also critical. For each of these groups, this document sets out how Government will provide the framework and the tools to deliver.