



House of Commons

ODPM: Housing, Planning,  
Local Government and the  
Regions Committee

---

# **Affordability and the Supply of Housing**

---

**Third Report of Session 2005–06**

*Volume I*





House of Commons

ODPM: Housing, Planning,  
Local Government and the  
Regions Committee

---

# Affordability and the Supply of Housing

---

Third Report of Session 2005–06

*Volume I*

*Report, together with formal minutes*

*Ordered by The House of Commons  
to be printed 23 May 2006*

**HC 703-I**

Published on 20 June 2006  
by authority of the House of Commons  
London: The Stationery Office Limited  
£0.00

## The ODPM: Housing, Planning, Local Government and the Regions Committee

The ODPM: Housing, Planning, Local Government and the Regions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Deputy Prime Minister and its associated bodies. The Office of the Deputy Prime Minister has been succeeded by the Department for Communities and Local Government, the work of which the Committee now scrutinises.

### Current membership

Dr Phyllis Starkey MP (*Labour, Milton Keynes South West*) (Chair)  
Sir Paul Beresford MP (*Conservative, Mole Valley*)  
Mr Clive Betts MP (*Labour, Sheffield Attercliffe*)  
Lyn Brown MP (*Labour, West Ham*)  
John Cummings MP (*Labour, Easington*)  
Greg Hands MP (*Conservative, Hammersmith and Fulham*)  
Martin Horwood MP (*Liberal Democrat, Cheltenham*)  
Anne Main MP (*Conservative, St Albans*)  
Mr Bill Oler MP (*Labour, Nuneaton*)  
Dr John Pugh MP (*Liberal Democrat, Southport*)  
Alison Seabeck MP (*Labour, Plymouth, Devonport*)

The following members were members of the Committee during this inquiry.

Mr Jim Cunningham MP (*Labour, Coventry South*)  
Mr Mark Lancaster MP (*Conservative, North East Milton Keynes*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/parliamentary\\_committees/odpm.cfm](http://www.parliament.uk/parliamentary_committees/odpm.cfm).

### Committee staff

The current staff of the Committee are Jessica Mulley (Joint Committee Clerk), Elizabeth Hunt (Joint Committee Clerk), Charlotte Littleboy (Second Clerk), Ben Kochan (Committee Specialist), Ian Hook (Committee Assistant), Ian Blair (Chief Office Clerk), Emma Carey (Secretary) and Laura Kibby (Select Committee Media Officer).

# Contents

---

<b>Report</b>	<i>Page</i>
<b>Summary</b>	<b>3</b>
<b>1 Introduction</b>	<b>5</b>
<b>2 Housing Supply and Household Growth</b>	<b>7</b>
<b>3 Meeting Housing Needs and Aspirations</b>	<b>13</b>
Meeting Housing Needs	13
The role of shared ownership housing	14
Housing Supply, House Prices and Affordability	18
Catering for different household sizes and needs	25
<b>4 Housing Growth and Urban Regeneration</b>	<b>31</b>
The impact on regeneration initiatives	34
Housing and Employment	36
Empty Homes	36
Rural Areas	38
<b>5 Reducing the House-building Programme</b>	<b>41</b>
Infrastructure	41
<b>6 Managing the Environmental Impact</b>	<b>46</b>
Water and flood risks	50
Building in floodplains	52
<b>Conclusions and recommendations</b>	<b>54</b>
<b>Witnesses</b>	<b>62</b>
<b>List of written evidence</b>	<b>63</b>
<b>Supplementary written evidence</b>	<b>66</b>
<b>List of unprinted written evidence</b>	<b>66</b>
<b>Formal Minutes</b>	<b>69</b>
<b>Reports from the ODPM Committee since 2004</b>	<b>73</b>



## Summary

The Government's plans for a major house-building programme are based on the widespread belief that increasing the volume of housing stock is the most important way to tackle the crisis of unaffordable housing in the UK. There have been long discussions about the scale of the house-building programme required for the growing numbers of households, with different organisations offering a range of projections. During our inquiry, the Government published new housing projections which suggested that the number of households was growing at about 209,000 per year; about 20,000 higher than the previous estimate. Any house-building target has to be sufficient to match household growth. The Government has set a target of 200,000 additional homes per year by 2016, about 40,000 more than is currently built. Bearing in mind the new household growth projections, this target may be inadequate. Several assumptions are however built into the projections which may prove false. As housing policy is increasingly based on household growth projections, it is important that these projections are kept under review as firmer information becomes available.

Promoting homeownership is an underlying objective of the Government's programme. Homeownership offers unparalleled opportunities for households to accumulate wealth, but for many, it is not an option, and the provision of social housing for rent should be given equal priority.

In recent years, there has been an increase in the development of affordable housing funded through the Housing Corporation but the increase has mainly been in shared ownership and equity share schemes. There are about 100,000 households in temporary housing. The balance given to different forms of tenure will vary, according to the needs of different areas. It is important that in the 2007 Comprehensive Spending Review, there is a major increase in funding for social rented housing. Many witnesses pointed to the complexity of the housing market. There are many factors, other than supply, which affect affordability of housing. It is important for the Government to avoid an over-simplistic reliance on one policy and to examine a range of strategies which might influence demand. In addition, it is important that the new house-building programme caters for a wide range of needs. The recent increase in two bedroom flats in town and city centres needs to be balanced by an increase in family housing which ensures mixed sustainable communities. The needs for older people and the disabled should also not be overlooked in the pressure to promote an increase in private housing.

The particular nature of the housing market means a simple supply and demand model cannot be applied to the housing market. With the multitude of factors affecting house prices it is very difficult to support an increase in housing supply simply on the basis of improving affordability. The recent increase in homeownership and growing levels of consumer debt have made many households vulnerable to losing their homes. The Government should look at how it can tackle this situation.

The Government's stated commitment to a major house-building programme offers a one-off opportunity that should provide model housing developments that reinforce the role of our towns and cities by fostering sustainable communities, which are well provided with

the necessary services at the outset, and which achieve very high levels of environment efficiency.

We were struck by the concerns in much of the evidence about the relaxation in planning controls proposed in the new draft PPS3, which could result in urban sprawl and undermine regeneration efforts in established urban centres. There is an argument for responding to market pressures, in particular in areas with more jobs than homes. The opportunity, however, must be grasped, wherever possible, to revitalise areas suffering from low housing demand, where giving in to market pressure to build in high demand areas on the edge of cities would further hollow out those inner city areas. Local authority powers to prioritise developments on brown field sites in urban areas should not be eroded.

Too often in the past housing has been built with the necessary infrastructure being put in place afterwards. Progress is being made to identify funds for the new transport links, health services and schools to serve the new housing developments. To allay local community concerns that the new house-building will put extra strain on existing services, a more structured approach is required with forward funding mechanisms in place to demonstrate that the facilities will be in place as the first residents move in, and that revenue funds are available to support them in the long term. The 2007 Comprehensive Spending Review will be an opportunity for the Government to demonstrate its commitment.

With much of the development being planned in the wider South East, an area with major water shortages and significant flood plains, the house-building programme will have to be carefully managed. Such facilities as reservoirs and sewage works will have to be planned into the programme at the outset as many could take up to 20 years to be developed.

A major house-building programme could have a significant impact on climate change. The Government must have regard to the environmental impact of its plans and not allow its commitment to house building to have undue impact. However, the environmental impacts can be reduced, if the new housing incorporates water and energy saving devices. The Government published the draft Code for Sustainable Homes, which aims to improve the environmental performance of new homes. It is important that the code is sufficiently aspirational and that the Government sets a timetable for incorporating it into the Building Regulations leading the way to even higher environmental standards. Incentives are also required so that the environmental performance of existing homes is improved.

# 1 Introduction

---

1. A decent home at an affordable cost is something which everyone has the right to expect, and it is the responsibility of Government to ensure it is available.<sup>1</sup> The number of homes built each year has declined in most of the last 15 years, while the population and the number of households has continued to grow. The Government is seeking to address this mismatch with major proposals to increase the housing supply. We therefore considered it an appropriate time to examine Government's plans.

2. We adopted the following terms of reference for this inquiry:

- The potential benefits of and scope to promote greater homeownership;
- The extent to which home purchase tackles social and economic inequalities and reduces poverty;
- The economic and social impact of current house prices;
- The relationship between house prices and housing supply;
- Other factors influencing the affordability of housing for sale, including construction methods and fiscal measures;
- The scale of the Government's plans to boost housing supply;
- The relative importance of increasing the supply of private housing as opposed to subsidised housing;
- How the planning system should respond to the demand for housing for sale;
- The scale of housing development required to influence house prices and the impact of promoting such a programme on the natural and historical environment and infrastructure provision, and
- The regional disparities in the supply and demand for housing and how they might be tackled.

3. We received 101 submissions and held four evidence sessions. We would like to thank our specialist advisers, Christine Whitehead, Professor of Housing at the London School of Economics, and Richard Bate from the consultancy Green Balance, for their guidance and assistance and all those who made written submissions or gave oral evidence to this inquiry.

4. There are many definitions of affordable housing. In this report we define it as subsidised housing that meets the needs of those who cannot afford secure decent housing on the open market either to rent or buy. Social rented housing is defined as housing which is provided for rent by a local authority, a housing association or another not-for-profit organisation. Intermediate tenures are homes bought as part of a shared ownership or

---

<sup>1</sup> This right was enshrined in the UN Declaration on Human Settlement, 1976.

equity share scheme, whereby the purchaser (at least initially) buys a proportion of the equity in a home, while the remaining share is owned by a housing association or other agency.

5. As well as examining the amount of new house-building required we have also considered

- Housing needed to meet housing requirements and aspirations;
- How the house-building programme can be linked with urban regeneration, and
- How the development process should be managed to ensure infrastructure is provided and the negative environmental impact is minimised.

## 2 Housing Supply and Household Growth

6. Over the last 15 years the annual supply of housing has declined considerably to the extent that the number of new homes has only just kept up with the increasing number of households. Between 1991 and 2001, the number of dwellings rose by about 1.53 million while the number of households increased by about 1.524 million.<sup>2</sup> Nationally, the excess number of homes over households has fallen from 4% in 1981 to 2.3% in 1991 to 2% in 2001, and by 2003 it had fallen to 1.7%.<sup>3</sup> There are wide regional variations. In the North West there is a 3.4% excess of homes over households but in the South East the excess is only 1.3%, and London has 3.5% more households than homes.<sup>4</sup> **The projections suggest that, unless house-building rates increase, there will be significant housing shortages in the future across many parts of England.**

7. During the course of this inquiry, the Government published new household projections which take account of the headship rates in the 2001 census and the latest population figures.<sup>5</sup> These figures suggest that the number of households is set to increase by 4.8 million, from 20.9 million in 2003 to 25.7 million in 2026, representing an expected annual increase of 209,000. This annual increase is 20,000 higher than the Government's previous projections. There is a major increase in single person households which are projected to make up 38% of all households by 2026 compared to only 27% in 2001. A quarter of the increase in single person households is in the 55-64 age group.

8. Earlier conservative estimates, before the latest household projections, suggested that the number of households would increase by about 175,000 new households per year. More than half the household increase comes from population growth due to increased longevity, accounting for an extra 45-50,000 extra households per year; changing age structure, 40,000; rising divorce and separations, 25-30,000; 40,000 from international migration; and an increase of 20,000 in the number of people living alone.<sup>6</sup>

9. All these recent projections are based on trends, with some of the underlying factors subject to wide annual variations. This is particularly the case with migration. The new figures suggest that net migration will make up about 1.4 million (29%) of the new households between 2003 and 2026, but in recent years there have been huge variations in

<sup>2</sup> Households and Dwellings in 1991 and 2001, CCHPR, 2004, table 21.

<sup>3</sup> Housing Supply and Household Growth, ODPM Statistics

	1981	1991	2001	2003
	(000s)	(000s)	(000s)	(000s)
Dwellings	18025	19671	21207	21467
Households	17306	19213	20780	21109
Excess	719	459	427	358
%of stock	4	2.3	2	1.7

<sup>4</sup> Analysis of ODPM Live Tables 109 and 403.

<sup>5</sup> Headship rate is the term used to define separate households.

<sup>6</sup> Town & Country Planning 2005. As people are living longer they need a home for more years; age structure means that as average ages increase there are higher percentages of each group that have formed households.

the number of migrants and the size of their families. **With the emphasis now being placed on matching new housing requirements with household growth as a basis for policy decisions, it is important that the variations in factors affecting household growth projections are kept under review as policy is implemented.**

10. The household growth figures are based on assumptions about the composition of households. The Office of National Statistics is introducing from 2008 an integrated household survey which will bring together several existing surveys providing detailed information about housing, employment, ethnicity, education and health between censuses. **It is important that information from the new integrated household survey is used to update household growth projections regularly.**

11. The projected growth in the number of households varies considerably from one region to another. Overall in England, the number of households is projected to rise by 25% between 2001 and 2026, however, as the table below shows, the projected rises in the South West and East of England are 31%, while in the North East it is only 13%.

**Table 1: Projected Household change 2001-2026 by region**

	%
England	25
North East	13
North West	19
Yorkshire and Humber	21
East Midlands	28
West Midlands	21
South East	27
East of England	31
South West	31
London	29 <sup>7</sup>

Data source: Analysis of ODPM Household Estimates/Projections 2003 March 2006

### Housing Provision

12. The number of new homes built per year peaked in 1988 at 203,000. Since then it has declined considerably, averaging 148,000 a year between 1989 and 2005. In 2005 there was a significant increase in the number of new homes with 160,000 being built, the highest number since 1994-95. While the scale of private house-building has remained broadly constant throughout this period, the decline has been most marked in the number of affordable homes developed by local authorities and housing associations. In 1994, 32,000 affordable homes were completed: ten years later that figure had halved.

13. The number of families in temporary housing or living in overcrowded conditions has been increasing, mainly as a result of a shortage of social rented housing. House prices have risen at a faster rate than incomes, and buyers have to find far higher deposits to make mortgages affordable. Rising house prices have forced first-time buyers to delay their home purchase.

14. The Government's response to the low level of housing supply has been twofold: to seek to stimulate house-building, both market and social housing, and to seek to influence house prices. The Government's response to Kate Barker's Review of Housing Supply,

---

<sup>7</sup> Analysis of ODPM Household Estimates/Projections 2003, based on new Projections of households for England and the Regions to 2026, ODPM, 14 March 2006, Statistical Release 2006/0042.

published as part of its Pre-Budget Statement in December 2005, announced an objective to raise the net number of additional homes built to 200,000 homes per year by 2016 and to increase homeownership from 70% of total households to 75% by 2010.<sup>8</sup> To achieve this target the Government proposed a number of measures:

- To reform the planning system so that more land is released in areas with greatest housing demand; and
- To provide infrastructure to meet the needs of the new housing development.

15. There has been much discussion about the required scale of house-building, and various organisations have made various estimates. Shelter argues that

“an overall total of 203,000 homes are needed each year during the period 2001 to 2021 to keep pace with newly-arising household growth. This includes market, intermediate and social housing”.

16. The Campaign to Protect Rural England suggests that the level of house-building required was lower, arguing that the current proposals in regional spatial strategies for about 170,000 new homes per year should not be increased. It said:

“While the planning system is capable of facilitating more housing, there are significant costs associated with overallocating land and oversupply of housing, such as blight, congestion, land being unavailable for other uses. The current annual house-building rate in England (155,000) is below the level of new homes provided for in adopted and emerging Regional Spatial Strategies (170,000)...We believe that the available evidence does not support the case for significantly increasing the scale of house-building overall, though we believe a greater proportion of homes built should be affordable”.

17. The Government said that “to meet its aim to improve affordability, the new housing supply will need to increase over the next decade to 200,000 net additions per year”.<sup>9</sup> This figure is based on the previous household growth projection of 189,000 additional households per year plus some provision for addressing the backlog in supply. It acknowledges that the impact of increasing the housing supply by some 40,000 a year will depend on the breakdown of tenure types and on the local and regional distribution of any new homes. The Minister for Housing and Planning, Yvette Cooper MP, told us that

“We do need to look in more detail at the regional breakdown also. We have said as well that we think housing pressures are no longer simply pressures faced by the South...the northern regions are seeing growth in population too and there are clearly pressures on housing faced in particular areas, in the South West and East and West Midlands too. We want to do further analysis on what the appropriate increase in housing needs to be in every region and obviously that will be part of the regional planning process as well”.<sup>10</sup>

---

<sup>8</sup> HM Treasury and ODPM, The Government’s Response to Kate Barker’s Review of Housing Supply, December 2005.

<sup>9</sup> The Government’s Response to Kate Barker’s Review, page 16.

<sup>10</sup> Q 454

We consider the issues of tenure breakdown and affordability later in this report.

**18. The number of households is increasing faster than current house-building levels. There are many estimates of the precise number of homes required. Several factors are contributing to household growth, including increased life expectancy, migration, both internationally and between regions, the growth in single households particularly those comprising older people over 55 and the housing market. Each of these could affect future housing demand.**

**19. The Government's objective to raise the net number of additional homes by 200,000 by 2016 may not be sufficient to keep pace with the latest household growth projections. We recommend that it be reviewed and regularly revisited. As part of adopting any revised target, it is important that the Government sets out in some detail what it expects to achieve in terms of tenure by promoting that level of building.**

20. Many of our witnesses emphasised that the operation of the housing market is highly complex and that housing requirements vary both locally and regionally. As the social housing developer First Base pointed out, contrasting challenges in the North and South require different solutions, making any uniform national solutions inappropriate. The Housing Market Renewal (low demand) Pathfinder in Manchester and Salford pointed out that, while in parts of that conurbation there is low demand for housing, in other areas there is a shortage. They told us that

“Balancing supply with demand is not just a problem for London and the South East – it can manifest in other parts of the country, including the Manchester and Salford Pathfinder area. The issues may be different in character, but they are nevertheless real. And whilst lack of affordable housing may not (yet) be as acute a problem, the Pathfinder has adjacent areas (within both cities) where house prices are amongst the highest in the region, and slightly further afield, areas where house prices are amongst the highest in the country”.<sup>11</sup>

**21. No uniform national strategy will meet the housing requirements of every area. Different strategies are needed to reflect the needs of different areas. By making the planning system more responsive to housing demand, the Government risks undermining the regeneration of those areas with surplus housing and low demand, and increasing the building on greenfield sites.**

### *Demand for Second Homes*

22. The housing supply and demand figures do not take account of the impact of second homes. According to the Survey of English Housing, there are about 300,000 households with a second home, which is about 30% more than in 1995. The South West region makes up about 10% of all homes in England, but about 27% of all second homes are there.<sup>12</sup>

---

<sup>11</sup> Ev 235

<sup>12</sup> Survey of English Housing, ODPM Table S366. A recent report from the property agents Savills suggest that the overall level of second home owners could be higher at about 350,000 and is rising at about 3.3% per year.

23. In 2004, the Government gave local authorities the power to reduce the council tax discounts on second homes to 10%. The Council of Mortgage Lenders was concerned that “much of the impact of any new build is likely to be dissipated anyway. This is because it will spur existing home-owners to use more housing services – larger homes, second homes”.<sup>13</sup> The evidence to the Government’s Rural Housing Commission has proposed that additional taxes should be imposed on second home-owners.

**24. There is a danger that if there is an increase in housing supply, a significant proportion of the extra homes in some parts of the country will be taken up by second homes. We recommend that the Government considers further proposals arising from the Rural Housing Commission to discourage the purchase of second homes and to ensure that the new homes are occupied by households as their primary residence.**

25. Much of our evidence highlighted the potential for the Government’s plan for a major house-building programme to contribute to the improvement of urban areas. Several, however, warned that the benefits could be lost if development is too rapid. The Chartered Institute of Housing said that

“The rush to build raises concerns about the quality of property to be developed, ability to integrate the necessary infrastructure, and consideration given to future estate management...current pressures to increase supply quickly can prevent impact minimisation”.<sup>14</sup>

The South East of England Regional Assembly warned that

“with pressure for much faster delivery it will be much harder for local authorities to plan for high quality housing within sustainable communities that successfully meets the needs of the present as well as respecting the needs of future generations. Spatial planning must balance the full range of economic, social and environmental objectives that underpin sustainable development”.<sup>15</sup>

English Heritage said that

“the proposed development should not be seen as a threat to the historic environment. Rather it should be seen as an opportunity to realise the potential of the historic environment to create new sustainable communities and reinvigorate existing ones”.<sup>16</sup>

**26. It is important that the increased house-building programme is not rushed and that the opportunities to produce well designed new housing and to improve the environmental quality of urban areas are maximised. We recommend that the Government ensure that issues relating to the quality of development and infrastructure provision are fully addressed as part of the plans for stimulating significant growth in new house-building within the planned time-scales.**

---

<sup>13</sup> Ev 187

<sup>14</sup> Ev 258

<sup>15</sup> Ev 303

<sup>16</sup> Ev 220

## 3 Meeting Housing Needs and Aspirations

---

27. To achieve sustainable communities, the new housing must

- Cater for different housing needs and aspirations;
- Provide for different household sizes;
- Ensure different tenures are integrated;
- Be built as part of mixed use areas, providing employment locally, and
- Have minimal impact on the natural environment.

28. Strategies to deliver these criteria need to take account of variations between localities in terms of income, housing costs, the nature of the existing housing stock and the requirements of the local economy.

### Meeting Housing Needs

29. Since 1995, the number of families in temporary accommodation has more than doubled to 100,000 families. At the same time, the number of new affordable housing completed fell by almost half, from 32,500 in 1995 down to 16,700 in 2004. We received much evidence relating to the effect of the decline in social house-building on the rise in unmet housing demand over the last ten years. Our predecessor Committee's 2005 report on Homelessness concluded that, while the number of families accepted as homeless was levelling off, the number of families in temporary housing was increasing with associated costs to both society and the family.<sup>17</sup>

30. Shelter has called for a major increase in public investment in social housing to tackle the backlog of need:

“Decades of underinvestment lies at the root of Britain’s housing crisis – we still only spend 0.2 per cent of GDP on providing new social housing. Investment would need to be trebled, bringing it up to around 0.5 per cent of GDP over the long term, to have any prospect of meeting the chronic shortage of affordable housing”.

Shelter pressed for a significant increase in investment in social rented housing to tackle rising needs.

“The failure of successive governments to invest in social housing for rent lies at the root of Britain’s housing crisis and explains why a million children are growing up homeless or in damp, cold and overcrowded accommodation. All the evidence shows that bad housing can have a devastating impact on the health, education and life chances of children, leaving them at risk of permanent social exclusion in later

---

<sup>17</sup> Third Report from the ODPM Committee, Session 2004-05, on Homelessness, HC 61-I.

life. A decent, affordable home has an essential part to play in improving their life chances”.<sup>18</sup>

31. Shelter estimated that 20,000 extra social rented homes were needed annually over and above existing commitments:

“to meet acute newly-arising housing need and ensure the Government meets its very welcome target of halving the number of homeless households trapped in unsuitable temporary accommodation by 2010. We estimate that this increase in output will require additional investment of more than £1 billion a year from 2008, finally bringing real-terms investment up to the level achieved by the Conservative Government in the mid-1990s”.<sup>19</sup>

In response to the Barker report, the Government announced that it would “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”.<sup>20</sup>

**32. We welcome the Government’s commitment to boosting investment in social housing as part of the next Comprehensive Spending Review. Housing needs differ from area to area, and any approach will have to allow flexibility for projects to meet specific local requirements. The overwhelming need is for social rented housing to make up the shortfall in supply and to recoup the very significant losses in social housing that have occurred over the last 15 years.**

**33. It is vital that social rented housing make up a significant proportion of the enlarged house-building programme proposed by the Government. We endorse Shelter’s estimate that 20,000 homes are required above current proposals to achieve the Government’s target to halve the number of homeless households in unsuitable temporary accommodation by 2010 and to meet newly arising housing needs.**

### ***The role of shared ownership housing***

34. The evidence pointed to a second group requiring affordable housing: those who were not eligible for social housing, but could not afford to buy. Two recent research projects, by Professor Glen Bramley of Heriot Watt University and Professor Steve Wilcox of York University, highlight the need for intermediate forms of tenure. The Housing Corporation told us that

“Work by Glen Bramley for the Housing Corporation’s Home Ownership Task Force suggests that of all newly forming households, less than 40% could afford to buy outright in their local market: in London this figure was 22% in the East Midlands and northern regions around 50%.

---

<sup>18</sup> Ev 278

<sup>19</sup> Ev 279

<sup>20</sup> Government Response to the Barker Review, p.4.

The recent Joseph Rowntree Foundation study by Steve Wilcox identifies more than 40 local authority areas where 40% or more of all younger working households can afford to pay more than social sector rent, but still cannot afford to buy at the lowest decile point of local house prices. These authorities are found in London (13), the South East (15) and the South West (11). Ryedale in Yorkshire is also unaffordable for this group. Affordability issues are most pronounced in London where house prices to income ratios exceed four to one in all areas except Bexley and Havering”.<sup>21</sup>

35. Government funding to the Housing Corporation has increased considerably since 1998, and a significant proportion of this additional funding is now being spent on shared ownership and equity share schemes. The Chairman of the Housing Corporation, Peter Dixon, told us that there has been a shift. “At one time virtually everything we did was housing for rent. A few years ago it was probably 85 per cent rent, 15 per cent various other products including some of the home life products. In the current programme it is probably shifting to around 70:30”.<sup>22</sup>

36. The tables below show that up to 2002, the proportion of funding spent on social rented was relatively constant at about 80-90% of the Corporation’s total investment programme. In 2003, the Corporation’s expenditure was increased by £787 million but the share of funding spent on social housing fell by 12%. The trend is more marked with the number of completed homes, because the level of subsidy on shared ownership and equity share products is about half that necessary for social rented housing. In the last two years, more than 40% of the homes completed with funding from the Housing Corporation have been shared ownership or equity share, compared with 25% in 2002. The charts and tables below show the breakdown of Housing Corporation expenditure on shared ownership and social rented housing and the number of homes funded by tenure.

**Table 2: Housing Corporation Expenditure and Outputs 1997-2004: Funding by tenure**

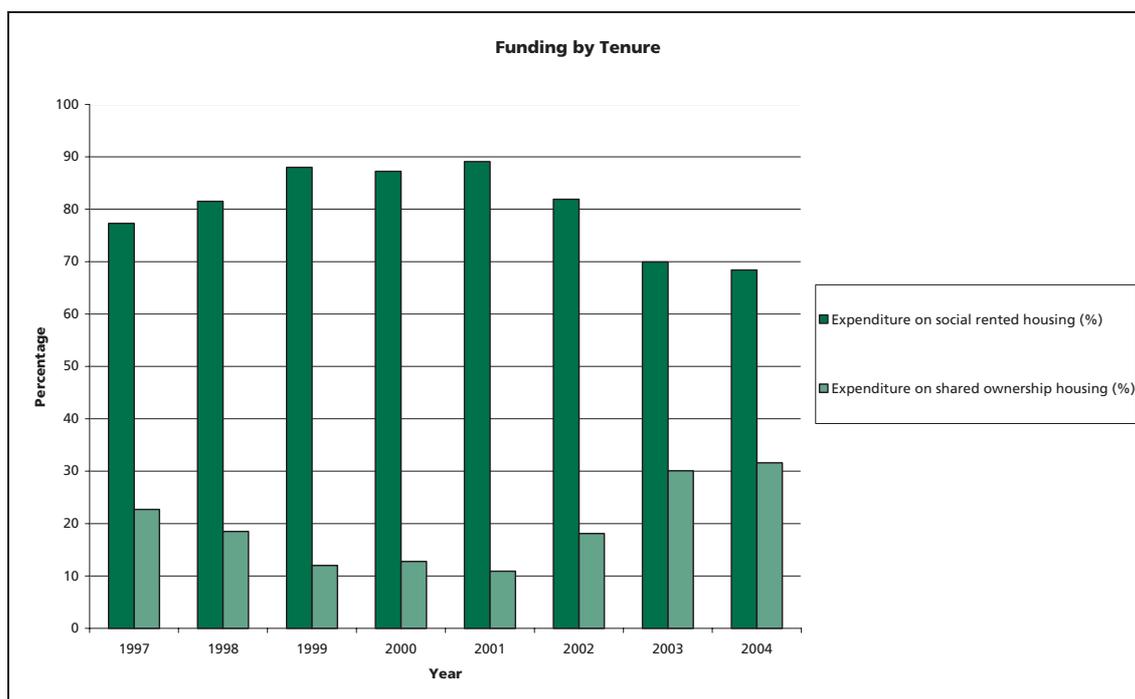
Year	Expenditure on social rented (£m)	Expenditure on shared ownership housing (£m)	Total expenditure (£m)
1997	545	160	705
1998	505	115	620
1999	582	79	661
2000	658	97	755
2001	736	90	826
2002	845	187	1,032
2003	1,272	547	1,819
2004	1,126	520	1,646

Data source: Housing Corporation

<sup>21</sup> Ev 326

<sup>22</sup> Q 426

**Chart 1: Housing Corporation Expenditure and Outputs 1997-2004: Funding by tenure in percentages:**



Data source: Housing Corporation

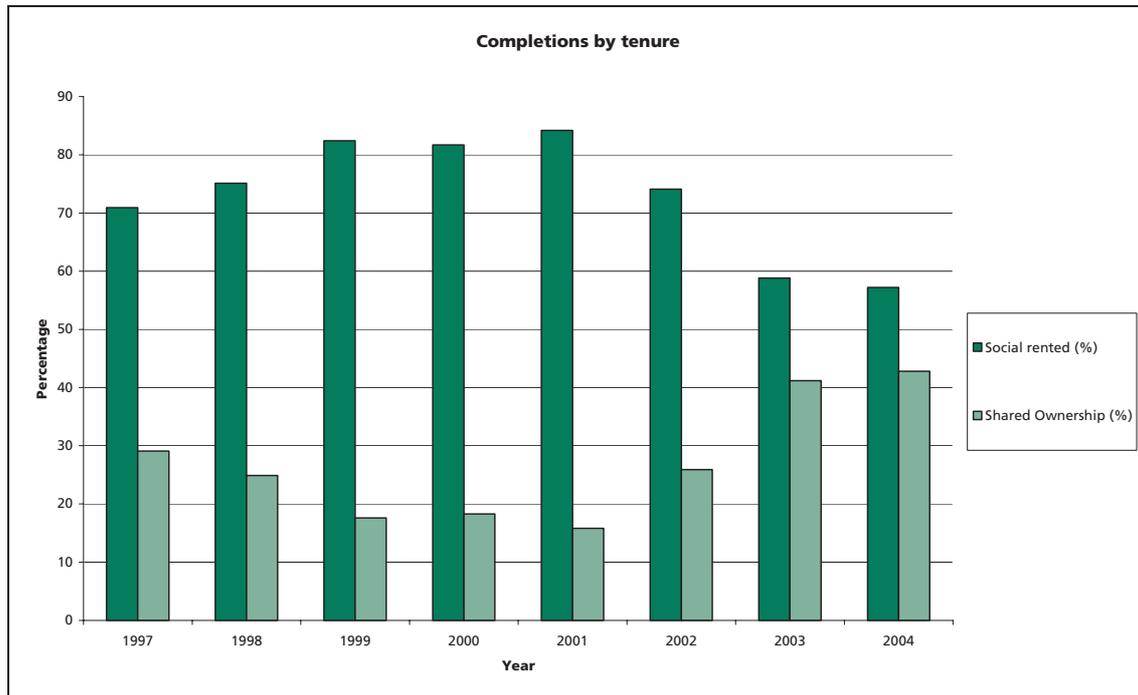
**Table 3: Housing Corporation Expenditure and Outputs 1997-2004: Completions by tenure**

Year	Social rented	Shared ownership	Total
1997	26,313	10,793	37,106
1998	24,737	8,202	32,939
1999	21,160	4,535	25,695
2000	18,724	4,196	22,920
2001	19,892	3,742	23,634
2002	18,515	6,460	24,975
2003	18,031	12,635	30,666
2004	17,114	12,801	29,915 <sup>23</sup>

Data source: Housing Corporation

<sup>23</sup> These figures are higher than the ODPM's live tables because they include the private market homebuy and other schemes under the Government's Starter Home Initiative.

**Chart 2: Housing Corporation Expenditure and Outputs 1997-2004: Completions by tenure in percentages:**



Data source: Housing Corporation

37. One key reason for the Housing Corporation's increasing investment in intermediate tenure housing is to maximise the number of units secured per pound of public funding. Peter Dixon told us that, "what we have to do is to make sure that [funding] goes as far as we can make it...ensuring we are getting value for money in procuring those homes".<sup>24</sup> In future years, the balance of Corporation funding between social rented and intermediate tenure housing is set to continue at the recent levels. About 35,000 homes in the 2006-2008 programme will be part of equity share schemes, which is about 41.5% of the total output, and 49,000 homes will be social rented.

38. The Government and the Housing Corporation are rationalising the intermediate housing programme under three initiatives:

- Social Homebuy, a programme to help social tenants buy their homes;
- New-build Homebuy, a programme to provide new build properties for low cost home ownership, and
- Open Market HomeBuy, a programme to provide an equity loan to purchase a home on the open market.

The Housing Corporation is continuing to manage the Key Worker Housing Programme which targets Homebuy products at specific, usually public sector, occupations in areas with high housing costs.

<sup>24</sup> Q 431

39. Several of our witnesses supported the role of intermediate housing in meeting particular housing needs. The submission by the Mayor of London said the aim of intermediate housing was “to aid retention of key workers and prevent low to middle income families leaving London”.<sup>25</sup>

40. Other witnesses, however, pointed out that the benefits of intermediate housing schemes were limited because they were only affordable to a small group on the margins of homeownership. Surrey County Council estimated that “an income of at least £20,000 would be needed in the South East to purchase a 50% share in a property under this scheme. This is well above the average income for social rented households of £16,000”.<sup>26</sup> The Lake District National Park Authority raised concerns that “the redirection of resources from rented to shared-equity that is occurring raises questions about whether public money is being used to help those in greatest need, or merely subsidising an already over-inflated market”.<sup>27</sup>

41. The Chancellor’s 2006 Budget statement reinforced the Government’s commitment to increasing its shared ownership programme. It established a task force to consider the scope for shared equity products to assist more households into homeownership.

**42. Low cost homeownership schemes can meet the housing requirement of specific groups which housing authorities wish to retain or attract to particular areas. Schemes which subsidise homeownership without increasing the supply of housing risk contributing to increasing house prices. The Government is introducing new shared ownership schemes. We recommend that the Government ensure that all low-cost home ownership schemes operate in such a way as to support increases in overall housing supply rather than intensifying pressure on the existing supply. The benefits arising from the public subsidy should be passed on to future purchasers.**

43. **The increase in funding to the Housing Corporation over the last four years has, in the main, been used to support additional low-cost homeownership schemes. It is important that the Housing Corporation does not lose sight of its fundamental role as the main funder of new social rented housing. We recommend that a limit be set on the proportion of the Housing Corporation’s funding that is allocated for low-cost homeownership schemes. The proportion spent on equity share and shared ownership will vary from one region to another depending on the nature of the priority needs. It is the responsibility of the Regional Housing Boards and Assemblies to identify priorities. The Chancellor’s 2006 Budget statement gave prominence to expanding equity share schemes, but equal importance should be given to increasing the supply of social rented housing.**

### ***Housing Supply, House Prices and Affordability***

44. As confirmed in its response to the Barker Report, the Government is prioritising the increase in the supply of housing for sale, with a view to tackling the recent sharp increases

---

<sup>25</sup> Ev 197

<sup>26</sup> Ev 111

<sup>27</sup> Ev 128

in house prices, and to meet the aspirations for homeownership. It said “improving affordability and helping future generations of homebuyers get a foot on the housing ladder will require new housing supply in England to increase over the next decade to 200,000 net additions per year. This will help take home ownership to 75 per cent”.<sup>28</sup> The breakdown of the enlarged house-building programme between market and affordable housing is as yet uncertain. Some of our witnesses questioned whether the Government's strategy would have the desired impact on house prices, and whether the current level of homeownership was sustainable, or its expansion realistic.

45. The Government's strategy is based on the basic economists' supply and demand model: if you increase the supply, the price will drop. Many, however, believe that the housing market is more complex than this model suggests. The Royal Town Planning Institute said:

“The economics of housing markets are far more complex. Housing has several unique features that make conventional market economics inappropriate, such as a fixed location, with values dependent on many externalities, their long life and the fact that they are (increasingly) regarded as an investment, rather than consumption, demonstrated, for example, by the growth of the buy to let sector”.<sup>29</sup>

46. Economists for the Government have sought to quantify the impact of different increases in housing supply in terms of their impact on price rises using models which take into account various factors affecting the housing market and prices. Kate Barker's study was intended to identify how house price inflation could be reduced to the European average in order to prepare Britain for EMU entry. Her final report said that:

“Taking as the baseline the level of private sector build in 2002-03, 140,000 gross starts and 125,000 gross completions, it is estimated that: reducing the trend in real house prices to 1.8 per cent, would require an additional 70,000 private sector homes per annum; and more ambitiously, to reduce the trend in real house prices to 1.1 per cent, an additional 120,000 private sector homes per annum would be required”.<sup>30</sup>

47. A report prepared for the ODPM by a group of academics led by Professor Geoff Meen from Reading University highlighted the complexity of using housing supply to increase affordability and to develop affordability targets. It concluded that:

“Large increases in construction do have significant effects on affordability, measured in terms of the ratio of lower quartile house prices to incomes. But the increases in construction have to be large. The increases have to be across a whole region and spatial targeting presents practical problems. On the one hand, regions may be considered too large as entities since many regions contain areas of both high and low demand and expansion of construction will have a differential effect

---

<sup>28</sup> Government Response to the Barker Review, p. 15.

<sup>29</sup> Ev 347

<sup>30</sup> Barker, Kate, *Review of Housing Supply – Delivering Stability: Securing our Future Needs, Final Report – Recommendations*, (hereafter “the Barker Report”), March 2004, p. 9.

according to which is chosen. On the other hand, targets for smaller spatial areas are probably impractical because of the induced migration inflows”.<sup>31</sup>

48. The Government’s proposals are generally consistent with the mid scenario tested by the Reading team. This suggests that the rate of increase in house prices would decline but to a limited extent and that the impact would vary greatly between different types of area.<sup>32</sup> With the new housing supply figure so close to the projected increase in the number of households, it is difficult to see how the Government proposed building rate will have any detectable impact on house prices.

49. The Reading team questioned the practicality of setting a date by which an affordability target should be met:

“Although we have been asked to look particularly at 2016 as a target year, we would not recommend the choice of any single year as a target. Affordability is simply too volatile over the cycle for this to be a reliable target. Supply-side policies, linked to the planning system, cannot be used to offset the short-run cycle”.<sup>33</sup>

50. The South East County Leaders group challenged Barker’s figures. An alternative study, which it commissioned from the Institute for Public Policy Research, concluded that price rises could be reduced by 1.1 per cent with half the number of new private homes that Barker suggested was required. The Leaders’ chairman Councillor Keith Mitchell commented that “it simply confirms the scepticism around trying to predict house price behaviour through a model. Neither is correct in my view, but we have a demonstration of the problem”.<sup>34</sup>

51. Many have questioned whether it is in the interests of house-builders to increase supply to the extent that house price rises would be significantly affected and whether there is the capacity in the building industry to support such an increase in output. Surrey County Council told us that it had

“doubts as to whether the house building industry will respond in the way Government intends, e.g. the Chief Executive of Barratt Homes has recently stated that his company will ‘not chase volumes for the sake of it. We would prefer to protect margins and selling prices.’ More practically, questions must also be asked about whether the house builders have the capacity to deliver significant additional levels of housing, given the scale of construction work underway in the region and the potential demands posed by construction of Olympic facilities”.<sup>35</sup>

**52. A simple supply and demand model cannot be applied uncritically to the behaviour of the housing market and house prices. The particular nature of the housing market makes it very difficult to be certain about the effect which a certain level of increase in supply will have on prices and thereby affordability.**

---

<sup>31</sup> Affordability Targets: Implications for Housing Supply, ODPM, December 2005.

<sup>32</sup> Government Response to the Barker Review.

<sup>33</sup> Affordability Targets: Implications for Housing Supply, ODPM, December 2005.

<sup>34</sup> Q 271

<sup>35</sup> Ev 112

53. **It is unclear what impact the Government's objective to increase house building to 200,000 by 2016 would have on affordability. It is likely that a very large number of new homes would be required annually to have a significant impact on affordability. There is no clear reason why house-builders would be committed to increasing housing supply to such an extent as to compromise their profit margins.**

### *Other factors affecting affordability*

54. Demand-side factors, such as income levels, interest rates, the availability of credit and taxes, can also affect the price and affordability of private housing. One model quoted in research from the ODPM measured the impact of several factors. Under this model, assuming all other factors, remain constant:

- “If incomes rise by 1%, house prices will rise by between 1.7% and 3%;
- If interest rates rise by 1%, house prices will fall by between 0.02% and 0.04%;
- If the housing stock increases by 1%, house prices will fall by between 2% and 3%;
- If the stock falls by 1%, house prices will increase by between 2% and 3%, and
- If the number of households increases by 1%, house prices will rise by between 2% and 3%. This relationship is basically the inverse of the relationship with stock”.<sup>36</sup>

The availability of credit and inherited wealth have a considerable impact on house prices but there are problems in quantifying the impact.

55. Surrey County Council pointed out that as interest rates rose during 2004 and early 2005, the rate of house price inflation in Surrey slowed:

“Although figures have not yet been published for the 3rd quarter of 2005, nationally there is evidence from the Nationwide Building Society and the Halifax Bank that the easing of interest rates in August 2005 has stimulated the housing market, with house price inflation beginning to rise again”.<sup>37</sup>

56. **There are many factors, other than supply, which affect the affordability of housing. The Government needs to examine a range of strategies which might influence demand such as interest rates, the availability of credit and taxation, as possible approaches to stemming price rises and improving affordability.**

### *Potential to sustain and increase current homeownership levels*

57. Between 1981 and 2005 homeownership levels in England rose from 57% of households to 70%. The ODPM says that, since 1997, there have been an additional one million homeowners. These increases can be attributed to council tenants exercising their right-to-buy, the availability of mortgage finance at low interest rates and rising incomes.

---

<sup>36</sup> A sustainability impact study of additional housing scenarios in England, ODPM, December 2005, p.122.

<sup>37</sup> Ev 113

However, it is becoming more difficult for younger people to get a foot on the homeownership ladder. The ODPM points out

“that among couples in their early thirties who are currently renting, just over half can afford to buy their own home. If we carry on building at current rates that figure will fall to only a third being able to buy within the next 20 years. First time buyers are getting increasingly older and their average deposit has gone up from £5,000 in 1996 to £34,000 in 2005”.<sup>38</sup>

This increase in deposits is a result of parental contributions and inherited wealth supporting home purchases.

The Council of Mortgage Lenders argued that the high levels of borrowing and higher price to income ratios were affordable because of low interest rates. Bob Pannell, their Head of Research and Information, said that

“For first-time buyers, the median income multiple was 3.2 in the middle of this year. That compares with something like 2.4 ten years ago, and of course, what has happened in the intervening period is the macroeconomic backdrop has changed dramatically, particularly in terms of the interest rate environment. Interest rates are well below half the level that was prevailing 10-12 years ago”.<sup>39</sup>

58. Other witnesses were concerned that the high levels of borrowing meant that households were overstretching themselves and made them vulnerable to changes in the economic climate. The Cheshire Housing Alliance said that

“The UK has one of the highest rates of personal debt in the developed world, largely due to mortgage debt, equating to over 60 per cent of annual GDP. It is inevitable that promoting greater home ownership will result in higher levels of borrowing and there is a danger that it will encourage those on the lowest incomes to take on levels of debt that will cause hardship in the long term, particularly given the current low interest rates”.<sup>40</sup>

Similarly, Housing Justice was concerned that “Government policy aimed at expanding home ownership will increasingly bring into owner occupation more marginal groups who may find it harder to keep up mortgage repayments if interest rates were to rise in the future or if unemployment increases significantly. It suggested that “interest rate rises, coming on top of the record levels of consumer debt, might result in large numbers of repossessions”<sup>41</sup> Shelter points to the recent increase in repossessions:

“After a period of over a decade, when the number of court possession actions for mortgage arrears was falling, possession actions are now rising alarmingly. Nationally, between the third quarter of 2004 and the third quarter of 2005, there was a 55 per cent increase in possession actions...If trends continue at this rate through

---

<sup>38</sup> Ev 285

<sup>39</sup> Q 48

<sup>40</sup> Ev 160

<sup>41</sup> Ev 263

2005, it will mean that over 50,000 more households will be at risk of repossession and homelessness this year compared to last”.<sup>42</sup>

59. Some witnesses suggested that more effective safety nets were required for homeowners who had problems in servicing their mortgages. The Housing Corporation said that

“More could be done to make home ownership sustainable for those on the margins of affordability if there was greater investment in flexible tenure, such that there was funding for associations to buy back shares from owners allowing buyers to flex the share they own downwards (or upwards) to suit their personal circumstances, perhaps, due to a loss of household income due to divorce or sickness”.<sup>43</sup>

Professor Glen Bramley called for “a more adequate safety net based in insurance, social security benefits or a widened housing allowance would reduce the risks of homeownership for a substantial group of households”.<sup>44</sup>

60. There are also concerns that the Government’s emphasis on promoting homeownership will further marginalize the social rented sector. The Chartered Institute of Housing argued that an excessive emphasis on promoting homeownership could create perceptions of exclusion amongst those who could not afford it. It said that

“It is inappropriate to ‘promote’ greater ownership as the best option to people who will clearly not benefit from it, and it is important that renting is seen as a positive choice for some households either throughout or at some point in their life. The emphasis on developing schemes to help more people into ownership, and references to a ‘home owning democracy’, run the risk of creating a perception of exclusion of those who chose not to or are unable to become owners”.<sup>45</sup>

**61. We recognise that homeownership is popular and is an important means of increasing personal wealth. The recent increase in homeownership has been achieved as a result of increasing household formation, right-to-buy purchases, higher incomes and low repayments. There will always be a sizeable number of households which either cannot afford to buy or choose not to. The rights and security for people who rent either in the private or social sector, and issues of exclusion, will be considered in a further report.**

**62. Some households have accumulated high levels of debt from buying their homes and borrowing for other purchases, making them vulnerable to interest rate rises and economic downturn. The high levels of consumer debt make households more vulnerable to losing their homes. The Government should investigate the effect of easy access to consumer credit and its connection to home repossessions and take appropriate action. It should also look at offering opportunities through the Housing Corporation for homeowners to reduce the equity they own in their homes to avoid them losing their homes.**

---

<sup>42</sup> Ev 277

<sup>43</sup> Ev 330

<sup>44</sup> Ev 373

<sup>45</sup> Ev 255

### *Achieving current house-building targets*

63. Existing house-building targets are not being met. The emerging and adopted regional spatial strategies have an overall target of about 170,000 new homes per year. This target is not being achieved: in 2005 only 160,000 homes were built. In some areas there are large numbers of unimplemented outline planning permissions and sites allocated for housing which have not been taken up. In the South East, for instance, seven years' supply of land has been identified. There are several reasons why these sites have not been developed. Kate Barker's report highlights the problems of securing infrastructure and her interim report suggested that 40,000 homes were being held up in the South East due to the lack of suitable infrastructure.<sup>46</sup> We consider infrastructure issues later in this report.

64. Some witnesses drew attention to the fact that developers are holding back sites from the market to maintain prices. The Campaign to Protect Rural England told us that

“Measures are needed to discourage housing developers from sitting on landholdings which have planning permission. The 14 leading UK house-builders held around 240,000 housing plots with full or outline planning permission in 1998. This figure rose by more than a third to 331,000 plots in 2004”.<sup>47</sup>

The Government shares this concern over land-banking. The Deputy Prime Minister, Rt Hon. John Prescott MP, told *The Guardian* that "A lot of ruddy builders shout about planning, but find it more profitable to hold on to land in tremendous land banks. They are on to a damn good thing. They blame planning, but I wish they would tell us how much land they have got in the bank".<sup>48</sup>

65. The Planning and Compulsory Purchase Act 2004 reduced the time allowed to implement planning permissions. Developers now have three years, rather than five years, from gaining outline planning permission to apply for approval of the reserved matters and two years from the date of approval of the last of the reserved matters to implement the planning permission. Planning permissions are no longer automatically renewed and fresh applications are required once they expire.

**66. Existing house-building targets are not yet being achieved. There are a large number of sites which have been allocated for housing, some with outline planning permission. There is potential to increase the take up of these sites. Local authorities need to investigate any housing sites not being developed in their areas and identify the reasons for the delay; where infrastructure problems or other reasons are holding it up, Councils should be encouraged to work with the Regional Development Agencies and English Partnerships to unlock the development potential.**

**67. If house-builders are holding on to sites which are ready for development, Councils should be encouraged as a last resort to use their compulsory purchase order powers and to find an alternative developer.**

---

<sup>46</sup> Barker Review Interim Report, HM Treasury, 2003, p.160.

<sup>47</sup> Ev 252

<sup>48</sup> *The Guardian*, December 2, 2005.

### ***Catering for different household sizes and needs***

68. With the Government's commitment to boost the housing supply, it is important that a diverse range of housing requirements are met, including the needs of families, elderly people and the disabled. With reliance on a wide range of providers, there is a greater challenge to meet all those needs. Demographic pressures vary from region to region and this should be reflected in the mix of new housing planned.

69. Evidence suggests that there is a preponderance of flats being built rather than family housing, particularly in town and city centres. This is a result of Government policies seeking to achieve a higher density development in urban centres and agencies, including the Housing Corporation and local authorities, interpreting current trends in household sizes too literally. Developers may also maximise their profits by building smaller homes.

70. The East London Housing Partnership pointed out that the concentration of smaller units does not help create stable communities. It told us that

“It is inevitably more economically attractive for developers to build high density one and two bedroom units for sale than family housing. We are therefore concerned that much of this housing will be occupied for relatively short terms by childless couples who are then more likely to purchase family housing elsewhere at a later date”.<sup>49</sup>

The Mayor of London highlighted a major shortage of larger homes in the private and social rented sectors:

“Housing products must change across tenures. In social housing, the GLA's Housing Requirements Study identified that 42% should be 4-bed plus, to tackle the backlog in family housing provision. This need for larger homes holds for intermediate housing, where the policy driver is to aid retention of key workers and prevent low-to-middle income families leaving London. The need is for family-sized dwellings, rather than the 1-bed/studio homes developers often see as the primary intermediate/key worker product. Although the percentage of 3 bedroom or larger social rented dwellings increased from 16% to 20% between 1991/2 and 2003/4, this is well below the required figure and analysis of schemes under development indicates that this proportion is falling. In the market sector, output of 3 and 4 bedroom homes fell from 28% to 19% between 1991/2 and 2003/4 – against the trend in all other regions except the North East”.<sup>50</sup>

71. Many witnesses argued that while there was an increasing number of smaller households, this did not necessarily mean that more smaller houses or flats were required. Peter Lee, from the Centre for Urban and Regional Studies at Birmingham University, commented that “we are in danger of developing too many monolithic one and two bedroom apartments on the assumption that households will be smaller. Households will

---

<sup>49</sup> Ev 133

<sup>50</sup> Ev 197

still have friends and, where they have been divorced and have families, they will want their kids to stay over”.<sup>51</sup>

72. The Minister for Housing and Planning, Yvette Cooper MP, pointed out that housing needs varied across different areas and that local authorities should make proper assessments. She told us that the Government was keen to encourage higher density development to create more sustainable communities, but that this did not necessarily preclude family housing.

“I think it is very possible to meet the density targets and have a wide range of different housing. For example, I think we underestimate the terraced house. You can have very large terraced houses with plenty of bedrooms which are relatively high density. I think people think the only way to deliver density is through blocks of flats and that is simply not true”.<sup>52</sup>

We note that while Planning Policy Guidance Note 3 (PPG3) on Housing set a minimum density target of 30 dwellings per hectare (dph) for new housing development, the recent draft Planning Policy Statement 3, which will replace PPG3, proposed a range of densities depending on the location, with 30dph as a minimum. It also proposes that planning authorities should stipulate the balance between different household types to be provided for across the plan area.

**73. Higher density development does not have to comprise smaller units or a preponderance of flats. To create sustainable areas, a range of unit sizes which caters for a range of needs is required. Funding priorities and local authority policies need to be sufficiently flexible to enable the new housing supply to reflect the range of needs and household sizes in their particular areas.**

74. The Government’s policy to concentrate mixed development in town and city centres has successfully encouraged increasing numbers of new homes in many urban centres. In some areas the housing market is distorted by significant levels of buy-to-let investments, which have driven up prices and not created stable communities. In these areas, the fact that housing offers a higher return on capital investment than equities has driven up prices artificially and is making home purchase unaffordable for local buyers, forcing them into rented accommodation. The London Borough of Barking said that, as a result, it was concerned that

“much of this housing will be occupied for relatively short terms by childless couples who are then more likely to purchase family housing elsewhere at a later date. The social impact of this is that communities are very transient and people are not encouraged to establish long term roots in an area. Whilst the market is flooded with smaller units, the prices of larger family homes will continue to rise.

---

<sup>51</sup> Q 87

<sup>52</sup> Q 479

The secondary impact is that much of this housing will be purchased as part of the vibrant buy to let market, which whilst a necessary part of the growth of a developing economy does not contribute to the social benefits of homeownership”.<sup>53</sup>

75. The Welsh Street Homes Group in Liverpool told us that

“The increased borrowing power available to Southern, or Irish property owners has enabled the purchase of ‘buy to let property’ in regenerating Northern cities. This has affected supply, and the cost of buying and renting accommodation in Liverpool”.<sup>54</sup>

These views were supported by Sunderland City Council, which told us that

“Another concern for the city, which stems from market movement is the increased amount of investor buyer from people who live outside the city and North East region. This is especially common in the new-build apartment market. The trend has contributed to pushing up purchase prices and prevented more local people from buying such properties”.<sup>55</sup>

**76. The buy-to-let market is attracting additional investment and new opportunities for private renting in many town and city centres. In some areas, however, the transient population living in the private rented housing adds to the instability of the area; the activities of investment funds can skew, albeit temporarily, any indicators of affordability as the house prices reflect the expected financial return rather than what the local population can afford. The local population is thus excluded from homeownership.**

**77. Local authorities should be encouraged to take account of the potential impact of housing developments being used as buy-to-let schemes when giving planning approval. If necessary, the Government should consider whether local authorities need additional powers to ensure a broad range of family housing units are available in inner cities.**

### *The needs of the elderly and the disabled*

78. There is an increasing number of people with special housing needs such as the elderly and disabled people. There are concerns that with the increasing emphasis on promoting homeownership the needs of these groups will be neglected. The specialist housing association John Grooms highlights the low level of homeownership among disabled people. It told us that

“The Government’s emphasis on pursuing policies to promote homeownership will further reduce the opportunities which disabled people have for living independently in a house which is accessible and adapted to their needs”.<sup>56</sup>

---

<sup>53</sup> Ev 133

<sup>54</sup> Ev 335

<sup>55</sup> Ev 413

<sup>56</sup> Ev 147

The Disability Rights Commission points out that “The crisis we face is not just about affordability. It is, crucially, also about a chronic dearth of housing which is accessible to disabled people and designed to meet and adapt to the needs of occupants over their lifetime”.<sup>57</sup> According to the Commission, many local authorities require all new homes to be built to the lifetime home standards and many homes funded by the Housing Corporation also provide it. It is not, however, a standard requirement for new house-building. The lifetime home standard is included in the draft Code for Sustainable Homes but only at the very highest level. John Grooms called for all housing to be built to lifetime homes standards, with 10% built to the higher wheelchair standard.<sup>58</sup>

79. The charity Scope emphasises that to cater for the needs of disabled people, land for housing development

“must be near or easily connected to public transport infrastructure ... and should be in close proximity to essential services, shops and facilities or if not that these elements should be contained within the development proposals with guarantees from the relevant stakeholders that they will be in place before planning permission is granted”.<sup>59</sup>

80. A report by the House of Lords into the economics of an ageing population noted the increasing proportion of the population over 65.<sup>60</sup>

“In 1971, persons aged 65+ comprised 13.2 per cent of the total UK population, and persons aged 80+ comprised 2.3 per cent of this total. By 2000, the 65+ population had grown to 15.6 per cent of the total, but the 80+ population had almost doubled its proportionate share to 4.0 per cent. Over the 50 years to 2050, the Government Actuary’s Department projects that the 65+ age group will have expanded to 24.4 per cent of the total UK population, but that the 80+ age group will have more than doubled to reach 9.1 per cent of this total”.<sup>61</sup>

81. There is some evidence that older homeowners tend to under-occupy their homes and some have problems maintaining them because they are ‘asset rich and cash poor’. The Survey of English Housing has developed a ‘bedroom standard’ by which it has assessed whether occupants are under-occupying or are living in overcrowded conditions. Analysis of the Survey, by the Elderflowers Projects, shows that under-occupancy rises with age:

“In the 45-49 age group 31% of households are under-occupying, this rises to 42% in the age category 50-54, to 52% in the age category 55-59, to 56% in the age categories 60-64 and 65-69”.<sup>62</sup>

---

<sup>57</sup> Ev 358

<sup>58</sup> Ev 147

<sup>59</sup> Ev 207

<sup>60</sup> House of Lords, *Aspects of the Economics of an Ageing Population*, Fourth Report from the Select Committee on Economic Affairs, Session 2002-03, Paper 179.

<sup>61</sup> *Aspects of the Economics of an Ageing Population*, p.12.

<sup>62</sup> Ev 155

82. The Cheshire Housing Alliance highlighted the results of a survey which shows that many older people had to sell their homes to finance residential care in later life, and there is evidence that the responsibility of maintaining a property in old age creates financial hardship. “Homeowners cannot always access grants and benefits that may be available to those in the social sector and many are not aware of or mistrust equity release schemes”.<sup>63</sup> The Chartered Institute of Housing point out that

“In theory home purchase should reduce poverty experienced by established homeowners in later life, because equity can be released from the property. In reality 70% of poor homeowners own their home outright – even when the property is debt-free, ownership does not lift the household out of poverty. It is difficult for many people to turn property-based wealth into income because of the extremely poor terms offered by many equity release products and the lack of suitable property (e.g. bungalows) for relocation/downsizing”.<sup>64</sup>

**83. With the Government’s emphasis on promoting home-ownership, there is a danger that the needs of disabled and older people, and those with other special housing needs are neglected. It is important that the housing, in both the private and social rented sectors, is built to a standard which can be easily adapted to meet the lifetime needs of their occupants. We recommend that the Code for Sustainable Homes be amended to give greater priority to ensuring homes are built to lifetime home standards. We further recommend that the Government ensure that housing for disabled people is provided on sites with easy access to essential services.**

**84. Many older people are occupying homes which are too big for them. We recommend that the Government work with the Housing Corporation, house-builders and local authorities to increase the provision of smaller homes suitable for older people.**

**85. Many equity release schemes offer poor terms. We believe that the Government should work with financial services providers to develop more appropriate schemes which enable older people to realise some of the capital tied up in their homes.**

### *Mixed Communities*

86. Much of our evidence emphasised the importance of creating mixed communities with a mix of tenures if we are to achieve sustainable communities. Mixing homeowners with social residents helps to avoid stigmatisation. Providing a range of unit sizes caters for the changing needs of residents. Social rented, affordable and private housing need to be fully integrated in terms of layout and indistinguishable in terms of the design. Appropriate strategies will vary from one area to another depending on the tenure balance and unit mix. The Chartered Institute of Housing said that

---

<sup>63</sup> Ev 161

<sup>64</sup> Ev 255. The Survey of English Housing has developed the “bedroom standard” which is the number of bedrooms that a household is calculated to need on the basis of the household composition. Households with fewer bedrooms than the bedroom standard are over-crowded. Those with 2 or more bedrooms above the standard are deemed to be under-occupying. (The bedroom standard does not allow for a spare bedroom which is now generally considered not to be a luxury.)

“Some areas with a high concentration of social housing may wish to increase the supply of private housing to rebalance the housing market and alter the local economic profile. Areas with a dearth of social housing where local residents have to leave to secure affordable accommodation may wish to prioritise social or intermediate housing over private provision...There is a need to provide more expensive housing for wealthier households as well as ensuring that lower income households can secure accommodation”.<sup>65</sup>

It also argued that a PSA target for mixed communities would help to promote this strategic approach.<sup>66</sup>

87. Both Barking and Dagenham Council and the West Midlands Regional Assembly emphasised the need for ‘aspirational’ housing to retain the population in inner urban areas. Ken Jones, Head of Housing Strategic Development at Barking Council, told us that

“we need to attend to the needs of the existing community, so we are looking at a balance between social rented, intermediate forms of home-ownership and also aspirational housing, because currently there is a shortage of that sector of housing in Barking and Dagenham. Barking and Dagenham has, I think it is, the second highest percentage of social rented homes in outer London”.<sup>67</sup>

Steve Gregory, Chair of the West Midlands Regional Housing Partnership, highlighted the importance of providing aspirational housing to stop executives fleeing to the suburbs. “Our strategy is built around initially retaining the existing population and making sure there are adequate aspirational housing opportunities for the existing population, with an ambition for the executives to remain in the conurbation”.<sup>68</sup>

**88. The higher level of house-building being promoted by the Government should be delivered in a way that ensures the overall tenure mix is appropriate to an area. Local authorities need to develop evidence-based approaches which ensure that new housing development provides for the full range of needs of local residents, especially families, the elderly and disabled people. We recommend that Government guidance also encourages the provision of private housing to meet the aspirations of all those living and working in the area.**

---

<sup>65</sup> Ev 257

<sup>66</sup> Ev 257

<sup>67</sup> Q 216

<sup>68</sup> Q 196

## 4 Housing Growth and Urban Regeneration

---

89. Over the last five years there has been a strong policy and development focus on regenerating urban areas. The policy instrument which targeted urban areas was the revised version of PPG3, published in 2000. It said:

“The housing needs of all in the community should be recognised, including those in need of affordable or special housing in both urban and rural areas. To promote more sustainable patterns of development and make better use of previously-developed land, the focus for additional housing should be existing towns and cities. New housing and residential environments should be well designed and should make a significant contribution to promoting urban renaissance and improving the quality of life...

“The Government is committed to promoting more sustainable patterns of development, by:

concentrating most additional housing development within urban areas;

making more efficient use of land by maximising the re-use of previously-developed land and the conversion and re-use of existing buildings;

assessing the capacity of urban areas to accommodate more housing;

adopting a sequential approach to the allocation of land for housing development;

managing the release of housing land, and

reviewing existing allocations of housing land in plans, and planning permissions when they come up for renewal”.<sup>69</sup>

In July 2005 the Government published a discussion document, *Planning for Housing Provision*, that was to provide the basis for a replacement of PPG3 to be called PPS3.<sup>70</sup> This was followed by the publication of draft PPS3 in December 2005. While submissions to our inquiry referred mainly to the Planning for Housing Provision document, we have related their comments where relevant and our recommendations to the proposals in draft PPS3.

90. The fundamental change introduced in draft PPS3 is to make the planning system more responsive to market demand. Draft PPS3 identifies the major challenges facing the planning system as worsening affordability, land supply constraints and providing an adequate response to the housing market. In draft PPS3, the ODPM sets out reforms

“which will require local authorities to take account of affordability and housing market information alongside other factors such as the environment and infrastructure when deciding how many homes to build.

---

<sup>69</sup> PPG3 Housing, ODPM, 2000, paras 1 & 21.

<sup>70</sup> Planning for Housing Provision Consultation Paper, ODPM, July 2005.

Improve affordability in the housing market by allocating and identifying sufficient land for housing where it's needed. Local authorities will be required to identify a rolling supply of at least five years' worth of developable land for housing, with a further 10 years supply identified for future development".<sup>71</sup>

91. Several of our witnesses raised concerns that the Government's proposals would compromise the role of the planning system as a mediator between a large number of pressures on the physical environment by requiring it to give greater consideration to the needs of the housing market; and could undo much of the good work which has been achieved over the last five years with PPG3 in supporting the regeneration of urban areas and the re-use of brownfield sites. The Royal Town Planning Institute said that it was their belief that

"the Government's plans go too far, and instead of making the planning system responsive to housing markets, we risk making the planning system subservient to housing markets. Housing allocations, as proposed, will follow housing demand, not need...Housing demand is directed by housing aspirations, therefore allowing development to follow demand will place further pressure on areas of existing growth, and will ignore areas of market failure that have a recognised need for new development".<sup>72</sup>

**92. The planning system has traditionally played a key role in mediating different pressures on the physical environment. With current proposals, it is expected to give particular weight to market considerations and as a result there is a risk that environmental and social issues may be overlooked. We recommend that PPS3 ensure that economic, environmental and social issues are given equal weight when housing sites are first considered.**

93. Bolton at Home suggested that the role of planning was to help regenerate areas where demand is not yet present: "The spatial dimension of housing demand is of immense importance. Planners have a crucial role to play in working with housing in delivering Regional Plans that not only locate present and future demand, but also, help to shape and direct demand away from hotspots so as to contribute to regeneration of areas in decline".<sup>73</sup> The Campaign to Protect Rural England's Director of Policy, Neil Sinden, told us that its concern was that "in making the planning system more responsive to the market, we will lose sight of the long-term strategic objectives of promoting urban renewal and making best use of existing infrastructure".<sup>74</sup> The West Midlands Regional Assembly made similar comments.<sup>75</sup>

94. The proposals for the release of land would reduce the powers of local authorities to target development on urban brownfield sites. PPG3 introduced a sequential approach to the release of land with urban brownfield sites being released first. The future of the

---

<sup>71</sup> FACTSHEET 3: Planning Draft Planning Policy Statement 3: Housing.

<sup>72</sup> Ev 349

<sup>73</sup> Ev 145

<sup>74</sup> Q 253

<sup>75</sup> Ev 239

sequential approach is not clear. In oral evidence to the Committee's inquiry into the Ministerial Informal on Sustainable Communities, the Deputy Prime Minister assured us that it would remain but it is not included in the draft PPS3, with Councils being required to identify a five year supply of developable housing land, and not allowed to phase the release of sites.<sup>76</sup> Draft PPS3 places emphasis on the use of brownfield sites but it appears to deny local authorities the tools necessary to implement that objective.

95. The Royal Society for the Protection of Birds was critical of the Government's proposals to weaken the sequential approach to prioritising housing sites:

“This policy has made an important contribution to urban renaissance and the protection of greenfield sites around settlements. Although the proposed approach retains elements of the sequential test, its general emphasis is to identify sites which are developable in the short term...greenfield sites are more likely to be developable in the short term, thus leading to a bias in favour of greenfield sites. This effect will be exacerbated by the ability of developers, in high demand areas, to bring any sites in the 5 year land supply forward for development at any time. This approach does not give local authorities and other public agencies the necessary encouragement to tackle the constraints which may exist on previously-developed land and to bring this land forward for development in preference to greenfield sites”.<sup>77</sup>

96. The Planning Officers Society warned that the inability of local authorities to phase the release of sites could lead to developers cherry picking easily developable sites:

“There is clearly a risk in the current ODPM thinking that addressing supply side factors out of context could lead to a serious risk of the market losing its focus on brown field sites as it cherry picks longer term phases of later reserve green field sites and responds to demand rather than need”.<sup>78</sup>

Friends of the Earth warned that development could be diffuse and poorly coordinated if Councils cannot phase the release of sites:

“Phasing is a vital part of plan, monitor and manage. Where significant growth is intended it is even more important that phasing delivers such development in a rational sustainable way. Public understanding and confidence in the planning system is undermined if the five year supply is effectively a free-for-all. This may result in a whole series of individual local authorities' early releasing land in areas of high demand. There must be a clear view of how this new form of diffuse urban growth will deliver a wider pattern of sustainable development both inside and between high demand regions”.<sup>79</sup>

97. The West Midlands Regional Assembly was particularly concerned that the Government's proposals to weaken council powers to prioritise brownfield sites could

---

<sup>76</sup> Oral evidence taken before the ODPM Committee on 7 February 2006, HC (2005-06) 702, Q 18.

<sup>77</sup> Ev 237

<sup>78</sup> Ev 203

<sup>79</sup> Ev 353

undermine its initiatives to retain households in urban areas. It is seeking to halt the out migration of households from the conurbation.

“The proposed approach by ODPM is market led with the potential for increased development on Greenfield sites in areas of high demand. The West Midlands Regional Spatial Strategy may be ambitious, but is realistic and there is now good evidence of it beginning to work, e.g. developers increasingly providing more new housing in the Major Urban Areas. West Midlands Regional Assembly fears that ODPM proposals will undermine developer confidence in the growth of the Major Urban Areas and lead to demands for an ever increasing rural residential land release and further out migration to the Shire Counties. This approach would be highly unsustainable and wholly against the principles of the West Midlands RSS”.<sup>80</sup>

98. Every year about 80,000 people move out of London. The Greater London Authority is seeking to promote housing development within the urban core to stem the loss of middle income families to surrounding suburban areas and satellite towns. Alan Benson, The Head of Housing and Homelessness, Greater London Authority told us:

“We do not expect to stop all the people that migrate out of London, but we may be able to stop some of those people. One thing you notice is that we have the richest people in the country and poorest people in the country living cheek by jowl in London. What we are losing are those people in the middle – the second, third or fourth income quintiles, who are moving out of London...If we can stem [the loss of] some of those people we would have a sustainable community”.<sup>81</sup>

99. **We welcome the Government’s commitment in draft PPS3 to promote house-building on brownfield sites but we do not consider that as currently drafted it gives Local Authorities the tools necessary to implement this commitment. The sequential approach to prioritising brownfield sites in PPG3 has contributed to the revitalisation of many urban sites, increasing the proportion of housing developments on them. We are very disappointed, despite assurances from the Deputy Prime Minister, that the draft PPS3 appears to abolish this approach. We recommend that draft PPS3 be revised to provide for the retention of the sequential approach.**

100. **We accept that Local Authorities should ensure an adequate land supply to meet their housing targets: proposals in draft PPS3 to restrict their ability to phase the release of sites could undermine their ability to prioritise brownfield urban sites and allow developers to cherry pick the easier sites. These sites may be on the edge of towns and cities, so promoting urban sprawl and encouraging flight from urban centres. We recommend that draft PPS3 be revised to provide Local Authorities with the power to manage effectively the release of sites.**

### ***The impact on regeneration initiatives***

101. Some of our witnesses argued that the demand-led approach to locating new housing development could undermine urban regeneration objectives and initiatives, particularly in

---

<sup>80</sup> Ev 239

<sup>81</sup> Q 403

the North and the Midlands, where there are areas of low demand adjacent to cities suffering from excess demand. Agencies in areas suffering from low demand raised concerns that their efforts to rebuild their housing markets would suffer if more housing development was allowed in nearby places with affordability problems because of high demand. The Yorkshire and Humber Housing Forum pointed out that

“There is not enough recognition of low demand markets and how these need to be addressed, e.g. restraint in areas adjacent to low demand markets and support to reengineer urban areas needing to deliver significant land use change due to economic restructuring and functionally redundant social housing provision”.<sup>82</sup>

102. Sefton Metropolitan Borough Council, for instance, suggested that by regenerating low demand areas, the pressure can be taken off the areas of Liverpool suffering from high demand. It could also reduce commuting into Liverpool from suburban areas.

“The issue in Sefton and the wider Merseyside sub regional area is more related to the dangers of an excess supply of new housing potentially damaging the urban regeneration of the fragile housing markets in and around the HMRI Pathfinder areas. Hence Sefton (as with Liverpool and Wirral), on the firm advice of Government Office for the North West, has introduced a housing restraint policy to, in major part, ensure that too many houses are not built, thereby supporting the HMRI process in South Sefton and Liverpool and to a lesser extent in Wirral. On the other hand, a lot of people in the North of the Borough commute into Liverpool. If the right housing, retail, leisure, and environmental ‘offer’ was made available for these people, so that they chose to live in South Sefton, that would reduce pressure on the housing market in the North of Sefton. The important thing here is that regeneration of low grade areas can help rebalance markets”.<sup>83</sup>

103. The latest household projections reveal considerable growth not only in the southern regions but also in areas in the North and the Midlands. According to the ODPM, “The projections are higher than previous projections due to higher household growth in the North and the Midlands with 20,000 additional households a year compared to previous forecasts”.<sup>84</sup>

**104. The Government’s proposals to boost house-building in areas with high housing demand could undermine attempts to regenerate nearby areas with low demand, particularly in the Midlands and the North. Many of these areas include under-utilised housing, which, with some improvement, could make a significant contribution to meeting housing demand and to reducing the pressure on those nearby areas with high demand. The evidence of growing demand in the Midlands and the North points to the need for strategic planning to ensure meeting housing demand is managed in such a way as to utilise the spare housing capacity in nearby low demand areas.**

---

<sup>82</sup> Ev 319

<sup>83</sup> Ev 116

<sup>84</sup> More single households and growth in the Midlands and North increase housing demand, ODPM News Release 2006/0044, 14 March 2006.

### **Housing and Employment**

105. Responding to housing demand, where it arises, could take households away from major employment centres and cause longer commuting times. As Devon County Council argued

“The use of market information to signal the release of land does not have regard to the wider issues of “balanced” development – in particular the desire to locate housing close to employment and areas of employment potential, in locations where opportunities for sustainable transport can be maximised”.<sup>85</sup>

The West Midlands Regional Assembly pointed out that by responding to demand for housing in the shire counties and greenfield sites, households would be encouraged to move away from the major conurbations, which are also the major employment centres.

The Town & Country Planning Association suggests that concentrating new house-building in urban centres can actually improve the quality of life by bringing jobs and housing closing together. It said

“Extended commuting patterns and the high carbon emissions they entail can be drastically reduced by new housing provision. In Milton Keynes the excess of commuting coming into that city (over those commuting out) makes it an excellent location for housing expansion”.<sup>86</sup>

**106. If new house-building is concentrated in areas of high housing demand on the edges of towns and cities, there is a danger that commuting times will be increased and quality of life will suffer. It is vital that urban sprawl is avoided and, where possible, the new housing is concentrated in existing urban centres offering employment opportunities nearby.**

### **Empty Homes**

107. There are currently about 680,000 homes standing empty which is about 3% of the overall housing stock. Some of these could be used to help meet the increasing demand for housing. About half of those homes have been empty for more than six months and about 80% are in the private sector. A higher proportion of the empty homes are in the North in areas suffering from low demand, but more than half are in the South with 90,000 homes in both London and the South East.<sup>87</sup>

108. The total number of empty homes has declined over the last five years, but the Government recognises that greater progress could be made. In its Five Year Housing Plan published in January 2005, the Government set a target to reduce the number of long-term empty private properties by 25,000 by 2010.<sup>88</sup> In its response to the Barker report, the Government said it would explore the scope to go further than this. In its response to the

---

<sup>85</sup> Ev 175

<sup>86</sup> Ev 313

<sup>87</sup> See Empty Homes Agency website <http://www.emptyhomes.com/resources/statistics/statistics.htm#source>

<sup>88</sup> *Sustainable Communities: Homes for All – A Five Year Plan from the ODPM*, ODPM, January 2005.

Government's response to the Barker report the Empty Homes Agency welcomed the commitment to review the target suggesting that it should be more demanding. It urged the Government

“To develop a more demanding target for bringing long-term empty homes back into use. We would like to see a 50% reduction in the number of homes empty for more than 6 months by 2010 (in practice reducing the long-term number from 300,000 to 150,000) and

To net-off all long-term empty homes brought back into use against the number sought for new build”.<sup>89</sup>

109. The Government is giving Local Authorities powers to take over empty dwellings through the 2004 Housing Act. The Act allows Local Authorities to issue empty dwellings management orders on homes which are empty and where the owners have refused any assistance to have them occupied. Local Authorities will then bring the houses back into use. Many of our witnesses welcomed these new powers.

110. Our predecessor Committee's reports on Empty Homes and the Role of Historic Buildings in Urban Regeneration have highlighted a perverse fiscal incentive, which favours new housing development over refurbishment and renovation.<sup>90</sup> Renovation and refurbishment work on existing homes is generally subject to VAT while new-build housing is zero-rated. In the 2001 Budget, the Chancellor introduced lower levels of VAT on works to bring empty homes back into use, with works on homes empty for more than ten years being zero rated, and five per cent being charged on homes empty for more than three years. For property that has been empty for less than three years there is still 17.5% VAT on renovation work.<sup>91</sup>

111. The Royal Institution of Chartered Surveyors said:

“There must be a level playing field between the levels of VAT levied on new build and that levied on repair and refurbishment. A more equitable regime would encourage the use of existing properties and assist in rejuvenating existing urban areas. It would also encourage the better maintenance of the existing stock, provide less of an incentive for the black economy and support the broader objective of maximizing the use of brownfield land”.<sup>92</sup>

**112. The Government's target to reduce the number of long-term empty private properties by 25,000 by 2010 is insufficient. We recommend that it should set a more ambitious target of a 50% reduction in the number of homes empty for more than 6 months by 2010.**

**113. The Government has gone some way to reduce the VAT on refurbishment and renovation to promote the reuse of empty homes and to redress the preference given to**

---

<sup>89</sup> Empty Homes Agency statement *Barker Response - a good start on Empty Homes*, 7 December 2005.

<sup>90</sup> ODPM Committee, Eighth Report of Session 2004-05, *Empty Homes and Low-Demand Pathfinders*, HC 295; ODPM Committee, Eleventh Report of Session 2003-04, *The Role of Historic Buildings in Urban Regeneration*, HC 47.

<sup>91</sup> VAT Notice 708, HM Revenue and Customs, July 2002.

<sup>92</sup> Ev 218

**new housing. It should now consider reducing the VAT on all empty properties to five per cent.**

### **Rural Areas**

114. Some rural areas are suffering from severe housing affordability problems and a shortage of affordable homes as a result of inward migration from elsewhere in the UK, an increasing number of second homes and low local incomes. The stock of social housing has been depleted as a result of right to buy more than in urban areas. They also have a disproportionately high number of elderly people. There are high levels of homelessness among young people who cannot afford the high property prices.

115. As a result of these factors, the provision of affordable housing within rural areas is a source of particular concern. According to the Commission for Rural Communities, the proportion of social rented housing in rural areas is lower than that in urban areas: “Overall in rural areas public sector housing continues to comprise a smaller proportion of overall housing stock...13.4% compared to 22.4”.<sup>93</sup> The Commission suggests that the loss of Local Authority Housing Grant cut off an important source of funding for social rented housing. In terms of private housing for sale, it said that the scale of increase in the supply of housing for sale is unlikely to have any impact on affordability. “The modest scale of new development envisaged for rural towns and villages to meet environmental and design criteria is unlikely to have a strong impact on local house prices by itself”.<sup>94</sup>

116. Devon County Council illustrated the way in which planning policy supports urban areas but does not give sufficient regard to the needs of rural areas.

“National policy preferences for urban concentration underplay the realities of life in rural counties where the need for affordable housing is high, yet the application of national policy through Regional Spatial Strategy restricts greenfield supply. Many of the rural households requiring affordable housing are already living and working in the countryside and are essential to the social and economic fabric of their communities”.<sup>95</sup>

117. The Government’s Rural Housing Commission looked at the housing needs of rural areas in greater detail and published its report towards the end of our inquiry.

**118. The level of demand for private housing in some rural areas fuelled by migration from elsewhere in the UK and the desire for second homes exceeds the potential supply to the extent that any increase in house-building would be unlikely to affect affordability. The provision of social rented and affordable housing is therefore particularly important in these areas. We recommend that the Government increases its allocation to the Housing Corporation for rural areas.**

**119. Government housing and planning policies must be flexible enough to allow new housing to take place in smaller settlements to support their regeneration and to enable**

---

<sup>93</sup> Ev 393

<sup>94</sup> Ev 394

<sup>95</sup> Ev 177

**them to support a wider range of services. We endorse the objectives of the report by the Government’s Rural Housing Commission and urge the Government to consider its recommendations seriously.**

### *The design and maintenance of the new housing*

120. It is important that the new homes are well-designed, mortgageable and easily maintained. To streamline the construction of new housing the Government is encouraging the use of modern methods of construction (MMC), which involve producing many of the components off-site on a production line, thus reducing activity on-site mainly to assembly. The Government underlined the advantages of MMC also in terms of achieving higher quality products and environmental efficiency. About 40% of the Housing Corporation’s development programme uses this system of building.

121. Some of our evidence recalled the mistakes made when prefabrication was last widely used in the 1960s, raising issues about the design quality, durability and ease and costs of maintenance. Bolton at Home said that

“The need to use modern innovative construction methods to produce housing at a price between £60,000 and £70,000 is both admirable and pertinent. The danger to be avoided is to produce housing without a reasonable shelf-life. One salutary lesson from the 60s is that cheap dense low cost housing may solve an immediate problem but without tough quality control during construction and a consideration of impact of infrastructure it can become obsolete very soon. This is evidenced by the demolition of so many ‘modern’ high rise and deck access property. Perhaps the solution is to look at providing housing that may be low cost but has the potential for growth, flexibility, and continued development along the lines of a lifetime home”.<sup>96</sup>

122. To achieve the advantages of mass production, the components have to be standardised. This standardisation can constrain design. Paul Pedley, Executive Deputy Chairman of the construction company Redrow, told us that

“The social rented sector is probably one of the most advantageous places to use [MMC] because the Registered Social Landlords generally have a standardised form of housing. Therefore you can use it... It is more expensive than using brick and block. ...The only way you can make it work commercially is to have a fairly high volume going through which means you need the planning system to limit their comments to elevational treatment, not looking at the fabric of the house. Once they get to the fabric of the house, if you are changing the dimensions, you have to go through the whole process again of re-engineering the house. That just means it is totally cost disadvantageous to us to do”.<sup>97</sup>

123. An early review by the Commission for Architecture and the Built Environment of housing schemes funded by the Housing Corporation using MMC concluded that

---

<sup>96</sup> Ev 144

<sup>97</sup> Q 146

“Although some were satisfactory, none of the schemes reviewed exhibited outstanding design quality. Performance standards likewise were generally not exceptional... There are substantial risks for all those involved in pioneering construction techniques. These inhibit take up and hence reduce the potential for improvements to be developed”.<sup>98</sup>

124. Concerns about the build quality achieved with MMC were raised by the Council of Mortgage Lenders (CML), who referred particularly to previous experiences of prefabrication:

“Lenders are supportive of moves to create conditions in which innovation can thrive but are conscious that past generations of innovative housing construction have not always produced happy results. Much pre and post war prefabricated housing has been characterised by long-term defects and there appears to be some connection between the use of such techniques and low demand. Lenders have a long-term interest in property that has to stand as security for a mortgage of up to 35 years term”.<sup>99</sup>

Peter Williams, the CML’s Deputy Director General, said that a certification standard for modern methods of construction was being developed with the Building Research Establishment, known as LPS 2020, to guarantee the build-quality which, he urged, should be widely adopted:

“We are waiting for the publication of LPS 2020, which will be the new certification standard for modern methods of construction. We would like to see ODPM and the Housing Corporation embrace that fully in a way that they have yet to do...In the absence of that standard, the risk is that we will be getting people into new homes which then have no long-term life and our concern is that, if we are not careful, we will repeat past mistakes”.<sup>100</sup>

125. The Report from the Committee in the last Parliament on the role and effectiveness of the Housing Corporation, published in June 2004, also highlighted the need for such a standard.<sup>101</sup>

**126. The experience of previous house-building programmes using prefabrication demonstrates the potential problems of poor design and the major maintenance problems which can arise. We agree that MMC has some benefits, but it is important that design considerations are not again compromised. We recommend that the Commission for Architecture and the Built Environment monitor closely the design quality of homes emerging under the Housing Corporation’s new programme.**

**127. It is important that both house buyers and house builders are confident that their new homes are mortgageable. We recommend that the Government make the building standard LPS 2020 a requirement for all homes built using off-site manufacturing.**

---

<sup>98</sup> CABE Design and Modern Methods of Construction Review, June 2004, page 15.

<sup>99</sup> Ev 187

<sup>100</sup> Q 53

<sup>101</sup> ODPM Committee, Eighth Report of Session 2003-04, *The Role and Effectiveness of the Housing Corporation*, HC 401.

## 5 Reducing the House-building Programme

---

128. The way in which the housing programme is implemented will determine its long-term success. Issues which need to be addressed include:

- The provision of adequate, well-funded infrastructure to enable development on brownfield and other prioritised sites which is in place as the housing is completed;
- The impact on the natural environment, and
- That sustainable lifestyles are encouraged by ensuring that services and employment are provided at a local level so helping to create communities.

### **Infrastructure**

129. There are major concerns that in the rush to boost house-building issues around the provision of infrastructure will be overlooked, or that it will not be in place in time for when new housing is completed. For instance, the South East of England Regional Assembly said

“Work on the draft Regional Spatial Strategy for the South East has highlighted wide ranging concern about the inadequacy of existing physical and social infrastructure and its inability to respond to scales of growth proposed over the next 20 years. A particular concern is that there has been a serious time lag, with infrastructure provided several years after development has taken place. The timely and assured provision of infrastructure will determine the deliverability and sustainability of the Government’s proposals for improving the supply of housing”.<sup>102</sup>

130. With the new housing likely to be concentrated in the wider South East, the costs are likely to be very high, particularly as many of the existing facilities are already overstretched. A report for the South East County Leaders Group (SECL) by Roger Tym & Partners suggests that the costs of providing appropriate infrastructure across the wider South East to support the construction of about 40,000 homes per year up to 2026 would be in the region of £46 billion. The SECL, however, suggests that the final costs could be even higher:

“The costs of providing transport infrastructure in the South East can not be easily identified for the second half of the 20 year period. Nevertheless, these findings demonstrate the seriousness of the challenge facing the Greater South East and the increased pressure which would be created were house building on the scale advocated by Barker to be pursued”.<sup>103</sup>

131. The major elements accounting for these costs are social housing, transport provision and education services. Some of the additional costs would have occurred anyway as they

---

<sup>102</sup> Ev 303

<sup>103</sup> Ev 200

are a result of population expansion rather than an increase in households and house-building. Bill Brisbane from Roger Tym & Partners told us

“Fundamentally, most of the social services, health and education is driven by population increase, not household increase or housing increase, so you still have to provide for the additional population. It is the increase in households that drives the requirement for affordable housing but all the other community, socially based things are driven by population change”.<sup>104</sup>

132. There are three kinds of infrastructure each of which requires a different funding mechanism:

- those that require a high initial capital outlay and limited revenue costs – such as transport schemes;
- schools and health provision which require limited amounts of capital funding upfront and long-term revenue contributions, and
- environmentally dependent infrastructure such as water which have large initial capital costs and where availability could pose constraints on new development.

**We believe that the Government must accept that, as development proposals are brought forward, an appropriate mix of revenue and capital funding mechanisms need to be identified to meet the requirements of different kinds of infrastructure.**

133. The Government has started targeting funds towards the four growth areas -Thames Gateway, Milton Keynes/South Midlands, Ashford and London-Stansted-Cambridge - across the South East, where additional house-building is being encouraged. A special £200m transport fund has been set up for 2006/2007 and 2007/2008 while the Sustainable Communities Plan, published in February 2003, committed a further £446m for Thames Gateway and £164m for the other three Growth Areas over three years between 2004 and 2007. There is some evidence that these funds are heavily oversubscribed. Bids for the transport fund totalled £600m. The South East Council Leaders commented that “The sums so far committed by Government – such as the £200m Community Infrastructure Fund – do not give confidence that this challenge will be met”.<sup>105</sup>

134. There have been some revisions in the funding formulae used by various central Government departments. The Department of Health has introduced a Growth Area Adjustment for distributing funds to Primary Care Trusts in the Growth Areas. The Department for Education and Skills has introduced a ‘safety valve’ mechanism whereby local authorities can apply for additional capital support to meet new school places not otherwise covered by its ‘basic needs’ or other funding systems. Similarly, the Department for Transport has a £3.5bn spending programme across the Growth Areas.

135. Even so, the Government has yet to make a full estimate of the infrastructure costs of increasing house-building. As part of its response to the Barker Report, it announced that

---

<sup>104</sup> Q 298

<sup>105</sup> Ev 200

the 2007 Comprehensive Spending Review would include a cross-cutting review which would:

- “• 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 to provide the national, regional and local infrastructure necessary to support future housing and population growth”.<sup>106</sup>

136. A number of innovative funding packages are being designed and tested to ensure that developers make an appropriate contribution towards the costs of infrastructure to support their developments. Any such mechanisms will need to allow for a degree of forward-funding, if development is not to be delayed or deterred through untimely or uncertain infrastructure provision. In December 2005, the Government published a consultation document on its proposals for a planning gain supplement, which is designed to capture for the public good a proportion of the land value uplift which can result from the granting of planning permission.<sup>107</sup> **We recognise that the timely provision of infrastructure is essential for successful and sustainable development and acknowledge the Government’s commitment to finding an appropriate funding mechanism. We are examining the Government’s proposals for a planning gain supplement through a separate inquiry.**

137. **There has been progress in identifying additional funds for infrastructure in areas where there are major house-building programmes. However, the current funding for infrastructure to support the house-building programme is insufficient. The formula-based funding mechanisms for revenue services are inadequate. Some Government Departments have made revisions to cope with the increased number of households in some areas. Nevertheless, we recommend that the Government conduct a comprehensive review to identify how it can better ensure the provision of adequate infrastructure to support its ambitious house-building programme both in the South East and nationally. The Cross-Cutting Review, which is part of the 2007 Comprehensive Spending Review, offers an important opportunity to make a clear assessment of the costs and to identify funds. It is vital that all Government Departments are committed to it.**

138. **Much of the scepticism towards the Government’s house-building programme arises from concerns about the provision of essential services. We recommend that the Government demonstrate that services in existing housing areas will not suffer because funding and local services are diverted to the new developments or additional demands**

---

<sup>106</sup> Government response to the Barker Review, p.25.

<sup>107</sup> ODPM and HM Customs & Excise, *Planning Gain Supplement: A Consultation*, December 2005.

**are to be placed on existing services. This may require a reassessment of local government finance formulae and a revision of funding formulae used by central government departments when distributing funds to local service providers.**

139. Some witnesses argued that the provision of infrastructure should be used to facilitate development and act as a stimulant to demand, rather than just simply following agreed developments. The Royal Town Planning Institute, for instance, suggested that

“The planning system has a duty to help stimulate demand in existing communities through upgrading social infrastructure, creating better environments and improving the perception and appearance of an area”.<sup>108</sup>

Similarly, the Environment Agency argued that

“spatial planning should direct homes to places where the necessary environmental resources are already in place. It should flag up where new facilities – like waste handling facilities and sewage treatment works are needed and signal where these types of infrastructure are a precondition of housing growth”.<sup>109</sup>

The West Midlands Regional Assembly pointed out that it was encouraging housing development in inner urban areas because some of the infrastructure was already in place and it was easier to provide what was missing rather than start afresh in a new location.

140. The Government has started to consider how it might support increased housing supply beyond the main growth areas. It has allocated £40m to support a number of ‘growth points’ in 2007-2008. According to the ODPM

“These additional growth projects may be located not only within the wider South East, but wherever pressures are greatest. Much of the growth is likely to be delivered through town centre redevelopment or densification, reusing previously developed land, and through sustainable urban extensions. Such ‘growth points’, although generally smaller than the Government’s existing four Growth Areas, will build on experience to date of housing and infrastructure delivery in these areas. Concentrating some of the additional growth within designated growth points will help protect the environment from inappropriate development and reduce the pressure on greenfield land”.<sup>110</sup>

Yvette Cooper MP, Minister for Housing and Planning, told us that

“We have areas, towns and cities, that are saying they think it is important and in their local interest for them to expand, it will improve the town centres, it will better sustain their local economies as well and the £40 million is just initial funding to get those areas developing. Clearly, there will be much more infrastructure needs for those areas in future”.<sup>111</sup>

---

<sup>108</sup> Ev 349

<sup>109</sup> Ev 385

<sup>110</sup> Government Response to the Barker Review, p.45.

<sup>111</sup> Q 526

141. The Government needs to adopt a more strategic approach to the provision of infrastructure; one which takes full account of differing local circumstances, requirement and aspirations. The existing availability of services should be a factor in determining the location of new house-building. By encouraging new house-building in existing urban areas, the need for new infrastructure is reduced, and, where it is required, it can be provided more easily. The provision of infrastructure should be used to open up areas which have surplus housing or potential sites and thus disperse demand to a range of urban areas.

142. The Government's new programme to fund 'growth points', with its emphasis on improving infrastructure provision in smaller urban areas, although initially very small, is welcome. The programme needs to be expanded to encompass not only areas with excessive housing demand but also those areas where new housing can be more easily accommodated but demand needs to be stimulated.

## 6 Managing the Environmental Impact

---

143. The housing growth plans could have a major impact on the environment in terms of increasing energy consumption, demand for water and generating additional car journeys so contributing to climate change.<sup>112</sup> A report for the ODPM into the impact of various levels of housing development on the environment emphasises the extent to which these are associated with population rather than household growth and stresses the varying capacity of the environment to receive new housing in different regions and within regions. It calls for environmental impacts to be considered as national and regional frameworks are developed. It argues that

“Whilst the net environmental pressures and impacts that arise from changes in the number of dwellings and occupancy rates are broadly uniform, it is the capacity of the receiving environment that varies. The availability of land, water and waste management capacity is most constrained in the south, when compared to other parts of the country...While the implications for affordability are greatest where additional development is concentrated in the south (or within those areas of greatest need), affordability in other regions may also be improved by other regional distributions. The balance of these impacts will need to be considered and resolved within national and regional planning processes and frameworks”.<sup>113</sup>

144. At regional and local levels, the Planning and Compulsory Purchase Act 2004 requires Local Development Documents to be subject to a sustainability appraisal. Similarly the application of EU Directive 2001/42/EC requires plans to be subject to strategic environmental assessments.<sup>114</sup> Even so, the Environment Agency is concerned that the cumulative impact of developments might be overlooked and needs careful monitoring:

“Current levels of housing growth in the South and East of the country are already putting pressure on some resources. It is important that the cumulative impacts of existing and new levels of house building and occupation are fully understood. We are not aware that this assessment has yet been undertaken by Government”.<sup>115</sup>

### *Climate Change*

145. Friends of the Earth point out that housing policy will be essential for delivery of the Government’s targets on climate change—particularly in terms of standards and targets for energy efficiency and micro-renewables. “Housing accounts for around a third of the UK’s carbon emissions. If we don’t prevent dangerous levels of climate change there will be massive economic costs.”<sup>116</sup> Several witnesses argued that the Government should demonstrate a strong commitment to tackling climate change. The Town and Country

---

<sup>112</sup> The Environmental Audit Committee considered this issue in greater depth in its report *Sustainable Housing: A Follow-up Report*. Fifth Report of Session 2005-06, HC 779.

<sup>113</sup> “A sustainability impact study of additional housing scenarios in England”, ODPM Press release, Dec 2004, page 157.

<sup>114</sup> Directive 2001/42/EC of the European Parliament and of the Council on the Assessment of the Effects of certain plans and programmes on the Environment, June 2001.

<sup>115</sup> Ev 384

<sup>116</sup> Ev 428

Planning Association is calling for “a cross-departmental statement outlining the crucial role that planning should play in tackling climate change”.<sup>117</sup> Nick Skellett from the South East Council Leaders suggested that

“It would be helpful if ODPM was a signatory to the Climate Change Public Service Agreement. The problem is that there is a tendency at the present time for them to push the number of houses, and the price and the cost of houses, without looking at the quality and environmental protection provided by that housing. Defra and the Department for Transport are signatories to the Public Service Agreement on keeping CO2 emissions to a certain level; ODPM is not. I think it would be very helpful if that were to be changed because we have seen a tendency for ODPM to push numbers and to push costs at the expense of the environmental impact.”<sup>118</sup>

**146. Housing makes a very significant contribution to climate change. The DCLG has important responsibilities alongside other Government departments for tackling climate change. It should consider signing up to the Climate Change PSA and identify how the planning system can contribute to tackling climate change.**

### *The Design of New Settlements*

147. The design of new settlements is an important factor in encouraging sustainable lifestyles, creating an attractive environment and mitigating the negative environmental impacts. There is a widespread concern that, if the new development takes the form of ‘urban sprawl’, there will be greater car dependency than at present. As The Royal Institution of Chartered Surveyors pointed out

“Low density, urban sprawl, if permitted on a large scale and based around the use of private transport, will defeat many of the Government’s aims to promote healthy, sustainable and inclusive communities as reliance on private transport increases and more land is taken for secondary uses such as roads and car parks”.<sup>119</sup>

148. Natural England, the new organisation being formed from English Nature, the Rural Development Service and the Countryside Agency, emphasises the importance of considering the impacts of development on natural resources, land use, landscapes, habitats and species. It points out that

“Biodiversity cannot be maintained through protected sites alone. Past and present human activity and human-population pressures have damaged the natural environment and disrupted ecosystems (the complicated relationship that exists between animals, plants and their natural environment which maintains the variety of life). We need to actively manage our natural environment to help these damaged ecosystems recover so they can continue to function effectively and support economic productivity. It is also important to retain and enhance the character and

---

<sup>117</sup> Ev 314

<sup>118</sup> Q 299

<sup>119</sup> Ev 219

distinctiveness of our countryside. The character of all landscapes should be taken into account when making decisions on future development”.<sup>120</sup>

It urges that “tools such as landscape character assessment should be used to inform decisions on the location of development and set the conditions for the nature of development that respect and enhance landscape character”.<sup>121</sup>

149. Natural England highlighted the importance of providing quality open space but also raised questions about implementation:

“Green infrastructure, delivered through a planned network of multifunctional greenspaces, provides multiple benefits such as sustainable drainage, flood storage, recreation, access and wildlife, contributes to a high quality natural and built environment, and enhances quality of life for present and future residents. The Green Infrastructure concept has been incorporated within the Milton Keynes South Midlands Sub-regional Strategy and is also being adopted in the Thames Gateway. Much will depend on how these concepts are translated into practice on the ground”.<sup>122</sup>

150. The Government is encouraging the use of masterplans and design codes to provide certainty for developers, to streamline the planning process and to ensure high-quality design. According to draft PPS3, “Detailed design guidance such as urban design guidelines, design codes, detailed masterplans or site briefs can help to improve the quality and value of residential development and, once in place, can accelerate the development control process”.<sup>123</sup> The Government is to publish guidance on the use and preparation of masterplans and design codes to take forward the policies in PPS3.

151. Natural England presses that masterplans, design briefs and Local Development Documents consider the environmental quality of the development. It told us that

“We believe that if significant additional housing development is to take place, far greater emphasis should be placed on the quality of development. The quality of development includes its scale, its location, its design, its mix of uses, its energy and resource efficiency and its long-term flexibility to adapt to changing needs and circumstances. High quality development incorporates landscape, greenspace, biodiversity, recreation and other community benefits, which should be designed into the development from the outset. The planning system needs to go further in setting out the quality standards that development must meet to enhance local character and distinctiveness and deliver sustainable development. Area Action Plans, development briefs, master plans, design codes, design guides and concept statements all have a role in setting out detailed development requirements”.<sup>124</sup>

---

<sup>120</sup> Ev 124

<sup>121</sup> Ev 124

<sup>122</sup> Ev 125

<sup>123</sup> ODPM, *Consultation on PPS 3*, December 2000, p.17.

<sup>124</sup> Ev 125

152. The scale of house-building proposed by the Government could have a major impact on the natural environment, particularly in terms of affecting biodiversity and generating increased car use. The Government is encouraging the use of masterplans and design codes to ensure high quality development and that the impact on the environment is minimised. It is set to publish guidance on the use of these planning documents. We recommend that this guidance require planning authorities to consider the impact of housing development on the physical and natural environment, resource efficiency and the promotion of sustainable lifestyles. Landscape character assessments should also become standard on major schemes.

### *The environmental performance of homes*

153. The Government is taking steps to improve the environmental performance of new housing. Changes to the Building Regulations since 2002 have sought to improve the energy efficiency of buildings by about 40%. Following the cross-departmental Sustainable Buildings Task Group, the Government published, alongside its response to the Barker report, a Draft Code for Sustainable Homes<sup>125</sup> which was intended to improve further the sustainability of new homes, saving water and energy. It sets out five levels of environmental performance for new homes. All homes built through English Partnerships and Housing Corporation programmes will be expected to meet level three, which is significantly higher than the standard prescribed in current Building Regulations. For other schemes however the code is only voluntary. As Friends of the Earth told us “the Code is voluntary for private sector development, and so no matter what the standards within it, there is no guarantee that house-builders or anyone else will pay adequate attention to it”.<sup>126</sup>

154. There is also concern that the Code does not set out highly ambitious targets at the lower levels. Friends of the Earth told us that

“The minimum standards within the Code are entirely inadequate, particularly regarding climate change. For energy use, the Code’s minimum standard does not even go beyond the new building regulations despite the fact that far greater efficiency is technically possible”.<sup>127</sup>

155. These concerns are shared by Sir John Harman, the chairman of the Environment Agency, who chaired the Sustainable Buildings Task Group. In a letter to the Prime Minister, he argued that “the current proposed standards should be pegged higher.” He also pressed for “inducements to get the house building industry to adopt it [the Code]. Past performance of the industry shows that without these measures, the Code will simply not be put into practice”.<sup>128</sup>

156. Since the consultation, the Government has made a statement suggesting that it will strengthen the Code for Sustainable Homes, that the revised Code will form the basis for

---

<sup>125</sup> ODPM, *Proposals for introducing a Code for Sustainable Homes : A consultation paper*, December 2005.

<sup>126</sup> Ev 428

<sup>127</sup> *ibid.*

<sup>128</sup> Letter to the Prime Minister, Rt Hon. Tony Blair MP, dated 14<sup>th</sup> February, re: Code for Sustainable Buildings.

the next wave of improvements to Building Regulations and that the lowest levels will be raised above the level of mandatory building regulations.<sup>129</sup> As yet it is unclear how the different levels will be incorporated into the Building Regulations.

**157. We support the Government's objective to increase the environmental performance of new housing but the proposals in the Draft Code for Sustainable Homes are not sufficiently ambitious. We are disappointed that the basic level proposed in the Code does not exceed current Building Regulations. We welcome the Government's commitment to revise the Code in the light of the consultation. We believe it to be vital that the Code delivers an improvement in environmental performance by being aspirational and including a basic level which is higher than the Building Regulations.**

**158. There is no certainty that the Code will be applied by the private sector if it remains voluntary. This is a significant weakness. We recommend that the Government set a timetable for the incorporation of the Code for Sustainable Homes into Building Regulations. The requirements taken forward from the Code and incorporated into the Building Regulations in this manner should be sufficiently challenging to deliver a major improvement in the environmental performance of new homes.**

### **Water and flood risks**

159. The majority of the new housing is being promoted in the wider South East, the area of the UK with the most severe water shortage and also flooding risks. These concerns have been set out in more detail by the Environment Audit Committee's follow-up report on the Government's house-building programme.<sup>130</sup> It is possible to reduce water consumption by introducing efficiency measures but new water storage and sewage facilities will be required, and these need to be planned for.

160. Similarly water consumption can be reduced in existing housing, mitigating their impact, through the incorporation of various fitments. The Environment Agency points out

“The demand for water created by new and existing homes could partly be met through improved standards of water efficiency. Our work shows that water efficiencies of up to 25 percent per household can be gained by ensuring pipework, fittings and appliances maintain standards of performance while using less water. ...High water efficiency standards applied to all the one million new homes currently planned for South East England could save 60 million litres a day – enough to supply water for 500,000 people”.<sup>131</sup>

The costs of procuring and installing such equipment is relatively modest says the Agency.

161. The ODPM's sustainability impact study highlighted the likely need for additional provision of water services to achieve even the baseline development scenario. It said

---

<sup>129</sup> ODPM News Release, 2006/0038.

<sup>130</sup> Environmental Audit Committee, Fifth Report of Session 2005-06, *Sustainable Housing: A Follow-up*, HC 779.

<sup>131</sup> Ev 385

“The implications of additional growth can be accommodated; however, the research has indicated that there may be insufficient provision in Water Resource Plans for population growth under the baseline scenario. Water companies may have to review existing provisions for supply and waste water treatment to ensure adequate provision is made for the anticipated increase in demand.”<sup>132</sup>

162. The Environment Agency is particularly concerned that housing should not be developed without the necessary water infrastructure. It urges that

“Environmental infrastructure and some basic services like sewage and drainage must be a precondition of growth if the quality of life of residents is to be secured. Environmental infrastructure must be planned and delivered in parallel with housing growth”.<sup>133</sup>

163. The Agency argues that the use of sustainable urban drainage systems can make a difference in reducing the need for more traditional forms of waste water facilities.

“If...There are to be large extensions to existing settlements, our experience shows that existing waste water and sewage facilities may be inadequate. A strategic and well planned approach to new facilities will be required which flags the contributions needed by individual developers.

The use of Sustainable Urban Drainage Systems (SUDs) can reduce the need for more traditional forms of waste water facilities”.<sup>134</sup>

**164. Water consumption can be reduced through improved standards of efficiency in new and existing housing. However, new water and sewage facilities will be required to meet the demand from the new homes. Water infrastructure is a precondition of growth yet spare capacity in water and sewage facilities in the wider South East is extremely limited. There is a long lead-in time for the provision of water facilities such as reservoirs and sewage treatment works. We recommend that the Government strengthens the measures to ensure that adequate water and sewage facilities are planned as part of the infrastructure to support housing growth. We recommend that sustainable urban drainage systems become a standard requirement in all new housing developments.**

### *Improving environmental performance of existing homes*

165. New homes only add about 1% to the housing stock each year. To make a greater impact on the use of natural resources, there is enormous scope to improve the environmental efficiency of the existing stock and to reduce the running costs. The

---

<sup>132</sup> ODPM, *A sustainability impact study of additional housing scenarios in England*, Dec 2005, page 161. A report by the House of Lords Science and Technology Committee questioned the methodology used by this report to estimate the level of additional water demand as a result of the new house-building programme and the nature of the data on which the assumptions were based. House of Lords Science and Technology Committee, Eighth Report of Session 2005-06, *Water Management*, HL 191-I.

<sup>133</sup> Ev 387

<sup>134</sup> Ev 388

Environment Agency highlighted the potential for reducing water consumption by fitting efficient appliances.

“The majority of households could save up to one quarter of their current water use. Houses constructed more than five years ago are likely to present water efficiency opportunities. For example toilets are the single biggest water use in most homes and offices. Retrofit or replacement of toilets can save between 8% and 16% of household consumption”.<sup>135</sup>

166. Achieving environment standards does not only reduce the use of natural resources, but also helps to reduce running costs and thus create more viable communities. Friends of the Earth pointed to the Bed Zed Development in South London, which has been built to a very high environmental standard. It told us that

“Better designed and more efficient homes have greatly reduced running cost - a major benefit, particularly for lower income households who spend a greater percentage of their income on electricity, heating and water. In the first year of the Bed Zed development in London, running costs were almost £500 a year lower than the average UK home - savings of £80 on electricity, £225 on heating and £170 on water”.<sup>136</sup>

167. The Government is considering supporting the use of the energy-saving fitments such as micro-generation. It is mentioned in the Code for Sustainable Buildings as a means of reducing carbon emissions and the Department for Trade & Industry is consulting on a Microgeneration Strategy. Currently microgeneration installations require a high initial capital cost with a relatively long pay-back period. The Government is offering some fiscal incentives with 5% VAT on some forms of microgeneration. Evidence to this Committee suggested that greater incentives were required.

**168. New homes add only 1% to the housing stock each year. There is huge potential to improve the environmental efficiency of existing homes. If housing growth is well-planned and high environmental standards are achieved there are real benefits in reducing running costs to individual homeowners. The Government should consider introducing incentives to reduce the water use and energy consumption of existing homes. It should consider offering additional incentives for the installation of micro-generation.**

### ***Building in floodplains***

169. The areas where new house-building is being concentrated involves many sites in floodplains. Research by the Association of British Insurers has shown that one-third of designated development sites (up to 108,000 homes) in the Government’s South East growth areas are located in a floodplain, and 10,000 properties may be built in areas with

---

<sup>135</sup> Ev 385

<sup>136</sup> Ev 428

significant flood risk.<sup>137</sup> The Agency says that these additional risks and costs could be reduced if new building in high flood risk areas is carefully managed.

170. The Government has published a consultation draft of PPS25 which aims to ensure that flood risks are fully taken into account when planning proposals are considered. The Environmental, Food and Rural Affairs Committee has recently completed an inquiry into the Environment Agency. Its Report welcomed the proposals to make the Agency a statutory consultee on all planning applications in areas of flood risk, and called for the Agency to be allocated additional funds to perform this function. The report also urged that developers and investors should be given more information about the risks posed by building in flood plains.<sup>138</sup>

**171. We endorse the recommendations in the Report by the Environmental, Food and Rural Affairs Committee into the Environment Agency which welcomes the proposals to make the Environment Agency a statutory consultee on all planning applications in flood risk areas. We support the Committee's call for additional resources being allocated to the Agency to fulfil this role. We also support its call that developers and investors should be given more information about the risks posed by building in flood plains.**

---

<sup>137</sup> Association of British Insurers, *Making Communities Sustainable Managing Flood Risks in the Government's Growth Areas*, (2005), p.7.

<sup>138</sup> Environment, Food and Rural Affairs Committee, Seventh Report of Session 2005-06, *The Environment Agency*, HC 780-I.

# Conclusions and recommendations

---

## Housing Supply and Household Growth

1. The projections suggest that, unless house-building rates increase, there will be significant housing shortages in the future across many parts of England. (Paragraph 6)
2. With the emphasis now being placed on matching new housing requirements with household growth as a basis for policy decisions, it is important that the variations in factors affecting household growth projections are kept under review as policy is implemented. (Paragraph 9)
3. It is important that information from the new integrated household survey is used to update household growth projections regularly. (Paragraph 10)
4. The number of households is increasing faster than current house-building levels. There are many estimates of the precise number of homes required. Several factors are contributing to household growth, including increased life expectancy, migration, both internationally and between regions, the growth in single households particularly those comprising older people over 55 and the housing market. Each of these could affect future housing demand. (Paragraph 18)
5. The Government's objective to raise the net number of additional homes by 200,000 by 2016 may not be sufficient to keep pace with the latest household growth projections. We recommend that it be reviewed and regularly revisited. As part of adopting any revised target, it is important that the Government sets out in some detail what it expects to achieve in terms of tenure by promoting that level of building. (Paragraph 19)
6. No uniform national strategy will meet the housing requirements of every area. Different strategies are needed to reflect the needs of different areas. By making the planning system more responsive to housing demand, the Government risks undermining the regeneration of those areas with surplus housing and low demand, and increasing the building on greenfield sites. (Paragraph 21)
7. There is a danger that if there is an increase in housing supply, a significant proportion of the extra homes in some parts of the country will be taken up by second homes. We recommend that the Government considers further proposals arising from the Rural Housing Commission to discourage the purchase of second homes and to ensure that the new homes are occupied by households as their primary residence. (Paragraph 24)
8. It is important that the increased house-building programme is not rushed and that the opportunities to produce well designed new housing and to improve the environmental quality of urban areas are maximised. We recommend that the Government ensure that issues relating to the quality of development and infrastructure provision are fully addressed as part of the plans for stimulating

significant growth in new house-building within the planned time-scales. (Paragraph 26)

## Meeting Housing Needs and Aspirations

9. We welcome the Government's commitment to boosting investment in social housing as part of the next Comprehensive Spending Review. Housing needs differ from area to area, and any approach will have to allow flexibility for projects to meet specific local requirements. The overwhelming need is for social rented housing to make up the shortfall in supply and to recoup the very significant losses in social housing that have occurred over the last 15 years. (Paragraph 32)
10. It is vital that social rented housing make up a significant proportion of the enlarged house-building programme proposed by the Government. We endorse Shelter's estimate that 20,000 homes are required above current proposals to achieve the Government's target to halve the number of homeless households in unsuitable temporary accommodation by 2010 and to meet newly arising housing needs. (Paragraph 33)
11. Low cost homeownership schemes can meet the housing requirement of specific groups which housing authorities wish to retain or attract to particular areas. Schemes which subsidise homeownership without increasing the supply of housing risk contributing to increasing house prices. The Government is introducing new shared ownership schemes. We recommend that the Government ensure that all low-cost home ownership schemes operate in such a way as to support increases in overall housing supply rather than intensifying pressure on the existing supply. The benefits arising from the public subsidy should be passed on to future purchasers. (Paragraph 42)
12. The increase in funding to the Housing Corporation over the last four years has, in the main, been used to support additional low-cost homeownership schemes. It is important that the Housing Corporation does not lose sight of its fundamental role as the main funder of new social rented housing. We recommend that a limit be set on the proportion of the Housing Corporation's funding that is allocated for low-cost homeownership schemes. The proportion spent on equity share and shared ownership will vary from one region to another depending on the nature of the priority needs. It is the responsibility of the Regional Housing Boards and Assemblies to identify priorities. The Chancellor's 2006 Budget statement gave prominence to expanding equity share schemes, but equal importance should be given to increasing the supply of social rented housing. (Paragraph 43)
13. A simple supply and demand model cannot be applied uncritically to the behaviour of the housing market and house prices. The particular nature of the housing market makes it very difficult to be certain about the effect which a certain level of increase in supply will have on prices and thereby affordability. (Paragraph 52)
14. It is unclear what impact the Government's objective to increase house building to 200,000 by 2016 would have on affordability. It is likely that a very large number of new homes would be required annually to have a significant impact on affordability.

There is no clear reason why house-builders would be committed to increasing housing supply to such an extent as to compromise their profit margins. (Paragraph 53)

15. There are many factors, other than supply, which affect the affordability of housing. The Government needs to examine a range of strategies which might influence demand such as interest rates, the availability of credit and taxation, as possible approaches to stemming price rises and improving affordability. (Paragraph 56)
16. We recognise that homeownership is popular and is an important means of increasing personal wealth. The recent increase in homeownership has been achieved as a result of increasing household formation, right-to-buy purchases, higher incomes and low repayments. There will always be a sizeable number of households which either cannot afford to buy or choose not to. The rights and security for people who rent either in the private or social sector, and issues of exclusion, will be considered in a further report. (Paragraph 61)
17. Some households have accumulated high levels of debt from buying their homes and borrowing for other purchases, making them vulnerable to interest rate rises and economic downturn. The high levels of consumer debt make households more vulnerable to losing their homes. The Government should investigate the effect of easy access to consumer credit and its connection to home repossessions and take appropriate action. It should also look at offering opportunities through the Housing Corporation for homeowners to reduce the equity they own in their homes to avoid them losing their homes. (Paragraph 62)
18. Existing house-building targets are not yet being achieved. There are a large number of sites which have been allocated for housing, some with outline planning permission. There is potential to increase the take up of these sites. Local authorities need to investigate any housing sites not being developed in their areas and identify the reasons for the delay; where infrastructure problems or other reasons are holding it up, Councils should be encouraged to work with the Regional Development Agencies and English Partnerships to unlock the development potential. (Paragraph 66)
19. If house-builders are holding on to sites which are ready for development, Councils should be encouraged as a last resort to use their compulsory purchase order powers and to find an alternative developer. (Paragraph 67)
20. Higher density development does not have to comprise smaller units or a preponderance of flats. To create sustainable areas, a range of unit sizes which caters for a range of needs is required. Funding priorities and local authority policies need to be sufficiently flexible to enable the new housing supply to reflect the range of needs and household sizes in their particular areas. (Paragraph 73)
21. The buy-to-let market is attracting additional investment and new opportunities for private renting in many town and city centres. In some areas, however, the transient population living in the private rented housing adds to the instability of the area; the activities of investment funds can skew, albeit temporarily, any indicators of affordability as the house prices reflect the expected financial return rather than what

the local population can afford. The local population is thus excluded from homeownership. (Paragraph 76)

22. Local authorities should be encouraged to take account of the potential impact of housing developments being used as buy-to-let schemes when giving planning approval. If necessary, the Government should consider whether local authorities need additional powers to ensure a broad range of family housing units are available in inner cities. (Paragraph 77)
23. With the Government's emphasis on promoting home-ownership, there is a danger that the needs of disabled and older people, and those with other special housing needs are neglected. It is important that the housing, in both the private and social rented sectors, is built to a standard which can be easily adapted to meet the lifetime needs of their occupants. We recommend that the Code for Sustainable Homes be amended to give greater priority to ensuring homes are built to lifetime home standards. We further recommend that the Government ensure that housing for disabled people is provided on sites with easy access to essential services. (Paragraph 83)
24. Many older people are occupying homes which are too big for them. We recommend that the Government work with the Housing Corporation, house-builders and local authorities to increase the provision of smaller homes suitable for older people. (Paragraph 84)
25. Many equity release schemes offer poor terms. We believe that the Government should work with financial services providers to develop more appropriate schemes which enable older people to realise some of the capital tied up in their homes. (Paragraph 85)
26. The higher level of house-building being promoted by the Government should be delivered in a way that ensures the overall tenure mix is appropriate to an area. Local authorities need to develop evidence-based approaches which ensure that new housing development provides for the full range of needs of local residents, especially families, the elderly and disabled people. We recommend that Government guidance also encourages the provision of private housing to meet the aspirations of all those living and working in the area. (Paragraph 88)

### **Housing Growth and Urban Regeneration**

27. The planning system has traditionally played a key role in mediating different pressures on the physical environment. With current proposals, it is expected to give particular weight to market considerations and as a result there is a risk that environmental and social issues may be overlooked. We recommend that PPS3 ensure that economic, environmental and social issues are given equal weight when housing sites are first considered. (Paragraph 92)
28. We welcome the Government's commitment in draft PPS3 to promote house-building on brownfield sites but we do not consider that as currently drafted it gives Local Authorities the tools necessary to implement this commitment. The sequential approach to prioritising brownfield sites in PPG3 has contributed to the

revitalisation of many urban sites, increasing the proportion of housing developments on them. We are very disappointed, despite assurances from the Deputy Prime Minister, that the draft PPS3 appears to abolish this approach. We recommend that draft PPS3 be revised to provide for the retention of the sequential approach. (Paragraph 99)

29. We accept that Local Authorities should ensure an adequate land supply to meet their housing targets: proposals in draft PPS3 to restrict their ability to phase the release of sites could undermine their ability to prioritise brownfield urban sites and allow developers to cherry pick the easier sites. These sites may be on the edge of towns and cities, so promoting urban sprawl and encouraging flight from urban centres. We recommend that draft PPS3 be revised to provide Local Authorities with the power to manage effectively the release of sites. (Paragraph 100)
30. The Government's proposals to boost house-building in areas with high housing demand could undermine attempts to regenerate nearby areas with low demand, particularly in the Midlands and the North. Many of these areas include under-utilised housing, which, with some improvement, could make a significant contribution to meeting housing demand and to reducing the pressure on those nearby areas with high demand. The evidence of growing demand in the Midlands and the North points to the need for strategic planning to ensure meeting housing demand is managed in such a way as to utilise the spare housing capacity in nearby low demand areas. (Paragraph 104)
31. If new house-building is concentrated in areas of high housing demand on the edges of towns and cities, there is a danger that commuting times will be increased and quality of life will suffer. It is vital that urban sprawl is avoided and, where possible, the new housing is concentrated in existing urban centres offering employment opportunities nearby. (Paragraph 106)
32. The Government's target to reduce the number of long-term empty private properties by 25,000 by 2010 is insufficient. We recommend that it should set a more ambitious target of a 50% reduction in the number of homes empty for more than 6 months by 2010. (Paragraph 112)
33. The Government has gone some way to reduce the VAT on refurbishment and renovation to promote the reuse of empty homes and to redress the preference given to new housing. It should now consider reducing the VAT on all empty properties to five per cent. (Paragraph 113)
34. The level of demand for private housing in some rural areas fuelled by migration from elsewhere in the UK and the desire for second homes exceeds the potential supply to the extent that any increase in house-building would be unlikely to affect affordability. The provision of social rented and affordable housing is therefore particularly important in these areas. We recommend that the Government increases its allocation to the Housing Corporation for rural areas. (Paragraph 118)
35. Government housing and planning policies must be flexible enough to allow new housing to take place in smaller settlements to support their regeneration and to enable them to support a wider range of services. We endorse the objectives of the

report by the Government's Rural Housing Commission and urge the Government to consider its recommendations seriously. (Paragraph 119)

36. The experience of previous house-building programmes using prefabrication demonstrates the potential problems of poor design and the major maintenance problems which can arise. We agree that MMC has some benefits, but it is important that design considerations are not again compromised. We recommend that the Commission for Architecture and the Built Environment monitor closely the design quality of homes emerging under the Housing Corporation's new programme. (Paragraph 126)
37. It is important that both house buyers and house builders are confident that their new homes are mortgageable. We recommend that the Government make the building standard LPS 2020 a requirement for all homes built using off-site manufacturing. (Paragraph 127)

### Reducing the House-building Programme

38. We believe that the Government must accept that, as development proposals are brought forward, an appropriate mix of revenue and capital funding mechanisms need to be identified to meet the requirements of different kinds of infrastructure. (Paragraph 132)
39. We recognise that the timely provision of infrastructure is essential for successful and sustainable development and acknowledge the Government's commitment to finding an appropriate funding mechanism. We are examining the Government's proposals for a planning gain supplement through a separate inquiry. (Paragraph 136)
40. There has been progress in identifying additional funds for infrastructure in areas where there are major house-building programmes. However, the current funding for infrastructure to support the house-building programme is insufficient. The formula-based funding mechanisms for revenue services are inadequate. Some Government Departments have made revisions to cope with the increased number of households in some areas. Nevertheless, we recommend that the Government conduct a comprehensive review to identify how it can better ensure the provision of adequate infrastructure to support its ambitious house-building programme both in the South East and nationally. The Cross-Cutting Review, which is part of the 2007 Comprehensive Spending Review, offers an important opportunity to make a clear assessment of the costs and to identify funds. It is vital that all Government Departments are committed to it. (Paragraph 137)
41. Much of the scepticism towards the Government's house-building programme arises from concerns about the provision of essential services. We recommend that the Government demonstrate that services in existing housing areas will not suffer because funding and local services are diverted to the new developments or additional demands are to be placed on existing services. This may require a reassessment of local government finance formulae and a revision of funding

formulae used by central government departments when distributing funds to local service providers. (Paragraph 138)

42. The Government needs to adopt a more strategic approach to the provision of infrastructure; one which takes full account of differing local circumstances, requirement and aspirations. The existing availability of services should be a factor in determining the location of new house-building. By encouraging new house-building in existing urban areas, the need for new infrastructure is reduced, and, where it is required, it can be provided more easily. The provision of infrastructure should be used to open up areas which have surplus housing or potential sites and thus disperse demand to a range of urban areas. (Paragraph 141)
43. The Government's new programme to fund 'growth points', with its emphasis on improving infrastructure provision in smaller urban areas, although initially very small, is welcome. The programme needs to be expanded to encompass not only areas with excessive housing demand but also those areas where new housing can be more easily accommodated but demand needs to be stimulated. (Paragraph 142)

### Managing the Environmental Impact

44. Housing makes a very significant contribution to climate change. The DCLG has important responsibilities alongside other Government departments for tackling climate change. It should consider signing up to the Climate Change PSA and identify how the planning system can contribute to tackling climate change. (Paragraph 146)
45. The scale of house-building proposed by the Government could have a major impact on the natural environment, particularly in terms of affecting biodiversity and generating increased car use. The Government is encouraging the use of masterplans and design codes to ensure high quality development and that the impact on the environment is minimised. It is set to publish guidance on the use of these planning documents. We recommend that this guidance require planning authorities to consider the impact of housing development on the physical and natural environment, resource efficiency and the promotion of sustainable lifestyles. Landscape character assessments should also become standard on major schemes. (Paragraph 152)
46. We support the Government's objective to increase the environmental performance of new housing but the proposals in the Draft Code for Sustainable Homes are not sufficiently ambitious. We are disappointed that the basic level proposed in the Code does not exceed current Building Regulations. We welcome the Government's commitment to revise the Code in the light of the consultation. We believe it to be vital that the Code delivers an improvement in environmental performance by being aspirational and including a basic level which is higher than the Building Regulations (Paragraph 157)
47. There is no certainty that the Code will be applied by the private sector if it remains voluntary. This is a significant weakness. We recommend that the Government set a timetable for the incorporation of the Code for Sustainable Homes into Building

Regulations. The requirements taken forward from the Code and incorporated into the Building Regulations in this manner should be sufficiently challenging to deliver a major improvement in the environmental performance of new homes. (Paragraph 158)

48. Water consumption can be reduced through improved standards of efficiency in new and existing housing. However, new water and sewage facilities will be required to meet the demand from the new homes. Water infrastructure is a precondition of growth yet spare capacity in water and sewage facilities in the wider South East is extremely limited. There is a long lead-in time for the provision of water facilities such as reservoirs and sewage treatment works. We recommend that the Government strengthens the measures to ensure that adequate water and sewage facilities are planned as part of the infrastructure to support housing growth. We recommend that sustainable urban drainage systems become a standard requirement in all new housing developments. (Paragraph 164)
49. New homes add only 1% to the housing stock each year. There is huge potential to improve the environmental efficiency of existing homes. If housing growth is well-planned and high environmental standards are achieved there are real benefits in reducing running costs to individual homeowners. The Government should consider introducing incentives to reduce the water use and energy consumption of existing homes. It should consider offering additional incentives for the installation of micro-generation. (Paragraph 168)
50. We endorse the recommendations in the Report by the Environmental, Food and Rural Affairs Committee into the Environment Agency which welcomes the proposals to make the Environment Agency a statutory consultee on all planning applications in flood risk areas. We support the Committee's call for additional resources being allocated to the Agency to fulfil this role. We also support its call that developers and investors should be given more information about the risks posed by building in flood plains. (Paragraph 171)

## Witnesses

---

The transcripts of the oral evidence sessions listed below were published as *Affordability and the Supply of Housing: Oral and Written Evidence*, HC 703-II, Session 2005-06

### Monday 28 November 2005

	<i>Page</i>
<b>Mr Peter Williams</b> , Deputy Director General and <b>Mr Bob Pannell</b> , Head of Research and Information, Council of Mortgage Lenders	Ev 1
<b>Professor Alan Murie</b> , <b>Peter Lee</b> , Senior Lecturer and <b>Dr Ed Ferrari</b> , Lecturer Centre for Urban and Regional Studies, University of Birmingham	Ev 7
<b>Mr John Slaughter</b> , Director of External Affairs, <b>Mr Paul Pedley</b> , Executive Deputy Chairman, Redrow, and <b>Mr Andrew Whitaker</b> , Head of Planning, Home Builders' Federation	Ev 14

### Tuesday 6 December 2005

<b>Mr Alan Clarke</b> , Chief Executive, ONE Northeast, and <b>Mr James A Cruddas</b> , Head of Sustainable Communities, the Northern Way	Ev 21
<b>Mr Steve Forrest</b> , Strategic Advisor, Housing, <b>Mr Steve Gregory</b> , Executive Director, Urban Regeneration, and <b>Mr Colin Davis</b> , Strategic Director, Operational Services, Malvern Hills District Council, West Midlands Regional Assembly	Ev 26
<b>Mr Ken Jones</b> , Head of Housing Strategic Development, London Borough of Barking and Dagenham	Ev 31
<b>Mr Neil Sinden</b> , Policy Director, <b>Mr Henry Oliver</b> , Head of Planning and Local Government, and <b>Ms Kate Gordon</b> , Planning Officer, Campaign to Protect Rural England (CPRE)	Ev 34

### Monday 12 December 2005

<b>Mr Keith Mitchell</b> , Leader of Oxfordshire County Council and Chairman of SECL, <b>Mr Nick Skellet</b> , Leader of Surrey County Council, and <b>Mr Bill Brisbane</b> , Managing Partner, Roger Tym & Partners, South East County Leaders (SECL)	Ev 39
<b>Dr Hugh Ellis</b> , Planning Adviser, and <b>Mr Simon Bullock</b> , Economy Adviser, Friends of the Earth	Ev 46
<b>Ms Ines Newman</b> , Head of Policy, and <b>Ms Janet Sillett</b> , Policy Officer, Local Government Information Unit (LGIU)	Ev 50
<b>Mr Adam Sampson</b> , Director, and <b>Mr Patrick South</b> , Director of Policy, Shelter	Ev 50
<b>Mr Alan Benson</b> , Head of Housing and Homelessness, Greater London Authority	Ev 54

### Monday 16 January 2006

<b>Mr Peter Dixon</b> , Chairman, Housing Corporation	Ev 61
<b>Ms Margaret Ford</b> , Chairman, English Partnerships	Ev 61
<b>Yvette Cooper</b> , a Member of the House, Minister for Housing and Planning, and <b>Mr Andrew Wells</b> , Director, Communities Plan Directorate, Office of the Deputy Prime Minister	Ev 66

## List of written evidence

---

Memoranda AH 01 to AH 103 were published as *Affordability and the Supply of Housing: Oral and Written Evidence*, HC 703-II, Session 2005-06

Mira Bar-Hillel (AH 01)	Ev 80
Local Government Information Unit (LGIU) (AH 02)	Ev 80
Mr Michael Clare (AH 03)	Ev 83
Mr Roy Webb, National Centre for Independent Living (NCIL) (AH 04)	Ev 85
Residents' Action Group (AH 05)	Ev 86
National HMO Lobby (AH 06)	Ev 88
Susan Organ, Chartered Town Planner (AH 07)	Ev 90
Mr Lachlan Robertson (AH 08)	Ev 92
Ms Elizabeth S Pascoe (AH 09)	Ev 94
Centre for Urban and Regional Studies (CURS), School of Public Policy, University of Birmingham (AH 10)	Ev 97
Peter Nolan (AH 11)	Ev 101
Northern Edge (AH 12)	Ev 101
Alan Wenban-Smith, Urban and Regional Policy (AH 13)	Ev 102
Surrey County Council (AH 14)	Ev 110
Margaret Craske (AH 15)	Ev 114
Sefton Metropolitan Borough Council (AH 16)	Ev 115
Derker Community Action Group (AH 17)	Ev 118
Adrian Britton FRICS (AH 18)	Ev 120
English Nature, the Rural Development Service and the Countryside Agency (Landscape, Access and Recreation) (AH 19)	Ev 122
Lurot Brand Ltd (AH 20)	Ev 126
Lake District National Park Authority (AH 21)	Ev 128
London Borough of Barking & Dagenham (AH 22)	Ev 132
Retirement Housing Group (AH 23)	Ev 134
Goole Action Group (AH 24)	Ev 135
Merlion Group plc (AH 25)	Ev 140
Bolton at Home (AH 26)	Ev 142
John Grooms (AH 27)	Ev 146
Peak District National Park Authority (NPA) (AH 28)	Ev 151
Sedgemoor District Council (AH 29)	Ev 153
Elderflowers Projects Co Ltd (AH 30)	Ev 154
Earley Town Council (AH 31)	Ev 157
Tenant Participation Advisory Service (TPAS) (AH 32)	Ev 157
Cheshire Housing Alliance (CHA) (AH 33)	Ev 159
National Federation of Builders (NFB) (AH 34)	Ev 169
Alan Wilson, Goole Action Group (AH 35)	Ev 170
Devon County Council (AH 36)	Ev 173
Council of Mortgage Lenders (CML) (AH 37)	Ev 182
David R. J. Penney (AH 38)	Ev 193

Mayor of London (AH 39)	Ev 195
South East County Leaders (SECL) (AH 40)	Ev 199
Planning Officers' Society (AH 41)	Ev 202
Planning and Development Association (PDA) (AH 42)	Ev 204
Scope (AH 43)	Ev 206
National Union of Teachers (NUT) (AH 44)	Ev 209
Billingham and Kite Ltd (AH 45)	Ev 211
Stoke-on-Trent City Council (AH 46)	Ev 214
Royal Institution of Chartered Surveyors (RICS) (AH 47)	Ev 216
English Heritage (AH 48)	Ev 220
Ringwood Town Council (AH 49)	Ev 222
National Grid plc (AH 50)	Ev 223
Kent Housing Group (AH 51)	Ev 228
East London Housing Partnership (ELHP) (AH 52)	Ev 229
Manchester Salford Pathfinder (MSP) (AH 53)	Ev 232
Royal Society for the Protection of Birds (RSPB) (AH 54)	Ev 235
West Midlands Regional Assembly (WMRA) Secretariat (AH 55)	Ev 239
Supplementary Memorandum by the West Midlands Regional Assembly (WMRA) Secretariat (AH 55(a))	Ev 241
Supplementary Memorandum by the West Midlands Regional Assembly (WMRA) Secretariat (AH 55(b))	Ev 243
Brethren's Gospel Trust (AH 56)	Ev 247
Campaign to Protect Rural England (CPRE) (AH 57)	Ev 250
Chartered Institute of Housing (CIH) (AH 58)	Ev 254
CDS Co-operatives (CDS) (AH 59)	Ev 258
Dunstable Park Ltd (DPL) (AH 60)	Ev 261
Housing Justice (AH 61)	Ev 263
First Base Ltd (AH 62)	Ev 266
Daventry District Council (AH 63)	Ev 269
Northern Housing Consortium (NHC) (AH 64)	Ev 270
Shelter (AH 65)	Ev 276
Prime Focus (AH 66)	Ev 280
Office of the Deputy Prime Minister (AH 67)	Ev 282
Northern Way (AH 68)	Ev 292
South East Regional Assembly (SEERA) (AH 69)	Ev 301
Torbay Council (AH 70)	Ev 304
Mr Trevor Hankins, Chair of London Federation Guinness Trust Tenants & Residents Association (AH 71)	Ev 306
John Acres MSc DipTp MRTPI (AH 72)	Ev 307
Town and Country Planning Association (TCPA) (AH73)	Ev 311
Yorkshire and Humberside Forum (AH 74)	Ev 315
Merseyside Civic Society (MCS) (AH 75)	Ev 321
Housing Corporation (AH 76)	Ev 325
National Housing Federation (AH 77)	Ev 329
Welsh Streets Home Group (WSHG) (AH 78)	Ev 333

South Ribble Borough Council (AH 79)	Ev 338
Home Builders Federation (HBF) (AH 80)	Ev 341
Royal Town Planning Institute (RTPI) (AH81)	Ev 346
Ann Petherick, Living Over The Shop (AH 82)	Ev 350
Friends of the Earth (AH 84)	Ev 350
Disability Rights Commission (DRC) (AH 85)	Ev 357
National House Building Council (NHBC) (AH 86)	Ev 361
Age Concern England (ACE) (AH 87)	Ev 363
Whitefield Conservation Action Group (AH 88)	Ev 368
Professor Glen Bramley (AH 89)	Ev 371
Migration Watch UK (AH 90)	Ev 378
British Property Federation (BPF) (AH 91)	Ev 379
Environment Agency (AH 92)	Ev 383
London Borough of Camden (AH 93)	Ev 387
Oldham Council and First Choice Homes Oldham (AH 94)	Ev 391
Commission for Rural Communities (CRC) (AH 95)	Ev 393
North West Regional Assembly and North West Housing Forum (AH 96)	Ev 395
Heather Ackroyd and Dan Harvey (AH 97)	Ev 401
British Holiday & Home Parks Association (BH&HPA) (AH 98)	Ev 402
Bedfordshire Councils' Planning Consortium (AH 99)	Ev 404
Armand Toms, County Councillor for the Looe and St Martins Ward Cornwall County Council (AH 100)	Ev 406
English Partnerships (EP) (AH 101)	Ev 406
City of Sunderland (AH 102)	Ev 410
Zacchaeus 2000 Trust (Z2K) (AH 103)	Ev 414
Council of Mortgage Lenders (CML) (AH 37(a))	Ev 416
Supplementary Memorandum by the Council for Mortgage Lenders (CML) (AH 37(b))	Ev 417
Supplementary Memorandum by the Campaign to Protect Rural England (CPRE) (AH 57(a))	Ev 417
Supplementary Memorandum by the Office of the Deputy Prime Minister (AH 67(a))	Ev 419
Supplementary Memorandum by the Town and Country Planning Association (TPCA) (AH 73(a))	Ev 426
Supplementary Memorandum by Friends of the Earth (AH 84(a))	Ev 427

## Supplementary written evidence

---

The following written submissions were received after the publication of *Affordability and the Supply of Housing: Oral and Written Evidence*, HC 703-II, Session 2005-06. They are reproduced in the back pages of this Report.

Supplementary Memorandum by the Office of the Deputy Prime Minister (AH 67(b))	p.74
Supplementary Memorandum by the Housing Corporation (AH 76(a)) and English Partnerships (AH 101(a))	p.76

## List of unprinted written evidence

---

Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed and copies have been placed in the House of Commons library where they may be inspected by members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1 (Tel 020 7219 3074). Hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Background papers submitted by Mr Michael Clare (AH 03):

- AH 03(i) - Secured by Design Residential Application Form
- AH 03(ii) - Secured by Design Commercial Development Application
- AH 03(iii) - Secured by Design – Focus, Volume 1, Issue 7
- AH 03(iv) - Secured by Design – Focus, Volume 1, Issue 8

Background papers submitted by Peak District National Park Authority (AH 28):

- AH 28(i) - Slideshow and map
- AH 28(ii) - Completed questionnaire for the DEFRA's Affordable Rural Housing Commission

Background paper submitted by Council of Mortgage Lenders (CML) (AH 37):

- AH 37(i) - Innovation and Mortgage Finance (powerpoint presentation by Andrew Heywood)

Background papers submitted by the Campaign to Protect Rural England (CPRE) (AH 57):

- AH 57(i) - Report 'Will they Work?'
- AH 57(ii) - Report 'Building on Barker'
- AH 57(iii) - CPRE's Housing Manifesto
- AH 57(iv) - Research on Housebuilder's Landbanks 1998-2004

Background papers submitted by the South East England Regional Assembly (AH 69):

- AH 69(i) - Draft South East Plan Part 1: July 2005, Section D3 – Housing.
- AH 69(ii) - 'South East Regional Housing Strategy', 2006 onwards.

AH 69(iii) - ODPM Consultation Paper 'Planning for Housing Provision' South East England Regional Assembly Response, 9 Sept 2005

Background paper submitted by the Town and Country Planning Association (TCPA) (AH 73):

AH 73(i) - *Housing the next generation: Household growth, housing demands, and housing requirements*, A report for the TCPA by Alan Holmans, with Christine Whitehead, Sept 2005

Background papers submitted by Merseyside Civic Society (AH 75):

AH 75(i) - House of Commons Written Parliamentary Question

AH 75(ii) - Transcript of Interview broadcast 5 October 2005, BBC2. 'How to Rescue an Empty House'

Background papers submitted by the Housing Corporation (AH 76):

AH 76(i) - Appendix 1 – Analysis of Survey of English Housing Data

AH 76(ii) - Appendix 2 – 2004/05 LCHO Completions

AH 76(iii) - Appendix 3 – Tables: New Build Allocations 2004-06, and Section 106 units by Region.

Background papers submitted by the National Housing Federation (AH 77):

AH 77(i) - 'Housing Associations & Sustainable Home Ownership'

AH 77(ii) - 'England's Housing Crisis: The Facts'

Background paper submitted by the Whitefield Conservation Action Group (AH 88):

AH 88(i) - Various press articles

Background paper submitted by the North West Regional Assembly and the North West Housing Forum (AH 96):

AH 96(i) - Press articles

Background paper submitted by Heather Ackroyd and Dan Harvey (AH 97):

AH 97(i) Article from Mole Valley District Council Website – 'Overlord Court is a top affordable housing scheme'

Background papers submitted by the Zacchaeus 2000 Trust (AH 103):

AH 103(i) - Z2K supplementary synopsis of Memorandum to the Prime Minister [see also AH B/P 02]

AH 103(ii) - Letter in Church Times 20 Jan 2006

AH B/P 01 – Trafford Metropolitan Borough Council 'Affordable Housing Inquiry' – Report, July 2004.

AH B/P 02 – Zacchaeus 2000 Trust – Copies and summaries of memorandum to the PM on Unaffordable Housing (May 2005). Correspondence with the Secretary of State for Education and a short analysis of poverty in the UK since 1979 in context of debt.

AH B/P 03 – Atisreal Ltd, Chartered Surveyors and International Real Estate Consultants – Abstract from research into Sustainable Development of Oxfordshire, relative to the increase in Residential Build Targets. CVs of team of Housing Consultants.

AH B/P 04 – Federation of Master Builders: Report 'VAT – A Means to Revitalise the UK Housing Supply' May 2004

AH B/P 05 – Chris Cook 'Asset-Based Finance: "Open" Financial Capital' – Submission in January 2004 to House of Commons Treasury Sub-committee.

AH B/P 06 – Office for National Statistics – household projection figures

# Formal Minutes

---

**Tuesday 23rd May 2006**

Members present:

Dr Phyllis Starkey, in the Chair

Mr Clive Betts

Lyn Brown

John Cummings

Martin Horwood

Mr Bill Olnier

Alison Seabeck

## ***Affordability and The Supply of Housing***

Draft Report (*Affordability and the Supply of Housing*), proposed by the Chairman, brought up and read.

*Ordered*, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 171 read and agreed to.

Summary —(*The Chairman*)—brought up and read as follows

"S.1. The Government's plans for a major house-building programme show a strong commitment to meeting the needs of those living in unsatisfactory housing and those whose aspirations to home purchase are not being fulfilled. There have been long discussions about the scale of the house-building programme required for the growing numbers of households, with different organisations offering a range of projections. During our inquiry, the Government published new housing projections which suggested that the number of households was growing at about 209,000 per year, about 20,000 higher than the previous estimate. Any house-building target has to be sufficient to match household growth. The Government has set a target of 200,000 additional homes per year by 2016, about 40,000 more than is currently built. Bearing in mind the new household growth projections, this target may be inadequate. Several assumptions are however built into the projections which may prove false. As housing policy is increasingly based on household growth projections, it is important that these projections are kept under review as firmer information becomes available.

S.2. Promoting homeownership is an underlying objective of the Government's programme. Homeownership offers unparalleled opportunities for households to accumulate wealth, but for some, it is not an option, and the provision of social housing for rent should be given equal priority. In recent years, there has been an increase in the development of affordable housing funded through the Housing Corporation but the increase has mainly been in shared ownership and equity share schemes. There are about 100,000 households in temporary housing. The balance given to different forms of tenure will vary, according to the needs of different areas. It is important that, in the 2007

Comprehensive Spending Review, there is a major increase in funding for social rented housing. In addition, it is important that the new house-building programme caters for a wide range of needs. The recent increase in two bedroom flats in town and city centres needs to be balanced by an increase in family housing which ensure mixed sustainable communities. The needs for older people and the disabled should also not be overlooked in the pressure to promote an increase in private housing.

S.3. The particular nature of the housing market means a simple supply and demand model cannot be applied to the housing market. With the multitude of factors affecting house prices it is very difficult to support an increase in housing supply simply on the basis of improving affordability. The recent increase in homeownership and growing levels of consumer debt have made many households vulnerable to losing their homes. The Government should look at how it can tackle this situation.

S.4. The Government's commitment to promoting a major-building programme offers a one-off opportunity to provide model housing developments that reinforce the role of our towns and cities by fostering sustainable communities, which are well provided with the necessary services at the outset, and which achieve very high levels of environment efficiency.

S.5. We were struck by the concerns in much of the evidence about the relaxation in planning controls proposed in the new draft PPS3 which could result in urban sprawl and undermine regeneration efforts in established urban centres. There is an argument for responding to market pressures, in particular in areas with more jobs than homes. The opportunity, however, must be grasped, wherever possible, to revitalise areas suffering from low housing demand, where giving in to market pressure to build in high demand areas on the edge of cities would further hollow out those inner city areas. Local authority powers to prioritise developments on brown field sites in urban areas should not be eroded.

S.6. Too often in the past housing has been built with the necessary infrastructure being put in place afterwards. Progress is being made to identify funds for the new transport links, health services and schools to serve the new housing developments. To allay local community concerns that the new house-building will put extra strain on existing services, a more structured approach is required with forward funding mechanisms in place to demonstrate that the facilities will be in place as the first residents move in, and that revenue funds are available to support them in the long term. The 2007 Comprehensive Spending Review will be an opportunity for the Government to demonstrate its commitment.

S.7. With much of the development being planned in the wider South East, an area with major water shortages and significant flood plains, the house-building programme will have to be carefully managed. Such facilities as reservoirs and sewage works will have to be planned into the programme at the outset as many could take up to 20 years to be developed.

S.8. A major house-building programme could have a significant impact on climate change. However, the environmental impacts can be reduced, if the new housing incorporates water and energy saving devices. The Government published the draft Code for Sustainable Homes, which aims to improve the environmental performance of new homes. It is important that the code is sufficiently aspirational and that the Government sets a timetable for incorporating it into the Building Regulations leading the way to even higher environmental standards. Incentives are also required so that the environmental performance of existing homes is improved.”

Amendment proposed, in paragraph S. one, line 1, after the word “programme” to leave out from “show” to the word “fulfilled” in line 3 and insert the words “are based on their belief that increasing the volume of housing stock is the most important way to tackle the crisis of unaffordable housing in the UK”.—(*Martin Horwood.*)

Question proposed, That the Amendment be made.

Proposed amendment amended, in line 2, by leaving out the word “their” and inserting the words “the widespread”.—(*Alison Seabeck.*)

Proposed Amendment, as amended, made.

Another Amendment proposed, in paragraph S. one, line 12, after the word “projections” to insert the words “the Government believes”.—(*Martin Horwood.*)

Question, That the Amendment be made, put and negatived.

Another Amendment proposed, in paragraph S. two, line 19, after the word “priority” to insert the words “The current levels of home ownership may not be sustainable. Some households have very high levels of debt, and are vulnerable to increases in interest rates and other economic changes”.—(*Martin Horwood.*)

Question, That the Amendment be made, put and negatived.

Another Amendment proposed, in paragraph S. two, line 10, after the words “social rented housing.” to insert ““Many witnesses pointed to the complexity of the housing market There are many factors, other than supply, which affect affordability of housing. Witnesses variously mentioned migration within the UK, mortgage lending policies, the decline of social rented housing, the use of housing as an investment and local factors associated with quality of life that cause high variances in demand in adjacent areas. It is important for Government too to avoid an over-simplistic reliance on one policy and examine a range of strategies which might influence demand such as interest rates, the availability of credit and taxation, as possible approaches to stemming price rises and improving affordability.”

“It is unclear what impact the Government’s objective to increase house-building to 200,000 by 2016 would have on affordability. We believe that more important than a dispute over the national figures for extra housebuilding are questions over where the extra housing should be provided, what type of housing is required, and how extra

housing is to be built without causing an unacceptable burden on the environment”.—(*Martin Horwood.*)

Question proposed, That the Amendment be made.

Proposed Amendment amended, in line 4, by leaving out from the word “Witnesses” to the end of the amendment and insert the words “It is important for Government to avoid an over-simplistic reliance on one policy and to examine a range of strategies”.—(*Clive Betts.*)

Proposed Amendment, as amended, made.

Another Amendment proposed, in paragraph S. four, line 1, to leave out from the word “commitment” to the word “to” in line 2 and insert the words “house-building programme should”.—(*Martin Horwood.*)

Question, That the Amendment be made, put and negatived.

An Amendment made.

Another Amendment proposed, in paragraph 8, line 1, to insert at the beginning, the words “There are still more dwellings than households in England. That we still encounter such series problems of affordability underlines the importance of demand as well as supply in the housing market. This is demonstrated by patterns of migration and complex local factors such as schooling and employment which create patterns of differential demand in closely adjacent areas”—(*Martin Horwood.*)

Question, that the Amendment be made, put and negatived.

Another Amendment made.

Summary, as amended, agreed to.

*Resolved*, That the Report, as amended, be the Third Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Several Papers were ordered to be appended to the Minutes of Evidence.

*Ordered*, That Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Monday 5th June at twenty past Four o'clock.

## Reports from the ODPM Committee since 2004

---

The following reports have been produced by the Committee since 2004. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2005-06

First Report	ODPM Annual Report and Accounts	HC 559 ( <i>HC 1072</i> )
Second Report	Re-licensing	HC 606 ( <i>CM 6788</i> )
First Special Report	Government Response to the Committee's Fourth Report of Session 2004-05, on the ODPM Annual Report and Accounts 2004	HC 407
Second Special Report	Government Response to the Committee's Eleventh Report of Session 2004-05, on the Role and Effectiveness of The Local Government Ombudsmen for England	HC 605
Third Special Report	Government Response to the Committee's Seventh Report of Session 2004-05, on the Role and Effectiveness of the Standards Board for England	HC 988
Fourth Special Report	Government Response to the Committee's First Report of Session 2005-06, on the ODPM Annual Report and Accounts 2005.	HC 1072

### Session 2004-05

First Report	The Draft Regional Assemblies Bill	HC 62-1 ( <i>HC 459</i> )
Second Report	Annual Report to the Liaison Committee	HC 149
Third Report	Homelessness	HC 61-1 ( <i>CM 6490</i> )
Fourth Report	ODPM Annual Report and Accounts	HC 58 ( <i>HC 407</i> )
Fifth Report	The Role and Effectiveness of CAGE	HC 59 ( <i>CM 6509</i> )
Sixth Report	Electoral Registration (Joint inquiry with the Constitutional Affairs Committee, First Joint Report of Session 2004-05)	HC 243-1 ( <i>CM 6647</i> )
Seventh Report	The Role and Effectiveness of the Standards Board for England	HC 60-1 ( <i>HC 988</i> )
Eighth Report	Empty Homes and Low-demand Pathfinders	HC 295-1 ( <i>CM 6651</i> )
Ninth Report	Ward Boundaries	HC 315 ( <i>CM 6634</i> )
Tenth Report	Local Government Consultation	HC 316-1
Eleventh Report	The Role and Effectiveness of the Local Government Ombudsmen for England	HC 458 ( <i>HC 605</i> )