

**THE CURRENT POLICY AGENDA
AN HBF BRIEFING
March 2007**



Home Builders Federation
1st Floor
Byron House
7-9 St James's Street
London
SW1A 1DW

T: 020 7960 1600
E: info@hbf.co.uk
www.hbf.co.uk

THE CURRENT POLICY AGENDA AN HBF BRIEFING March 2007

Home builders are faced with an unprecedented range of new policies and policy proposals. This Briefing attempts to summarise the current picture. As well as briefly outlining the key policy issues, the Briefing explains a number of important initiatives in response to the policy agenda.

1. THE GOVERNMENT'S HOUSING TARGET

The Government's housing target – the first such target since the late 1970s – was expressed as 200,000 'net additions' to the housing stock per year in England by 2016. (Net additions take account of new build, conversions and demolitions.) However more recently the Secretary of State has referred to the 200,000 as a new build target. In addition, all new homes in England will have to be built to a proposed zero-carbon standard by 2016.

In 2006, there were just over 160,000 housing completions in England, implying annual completions need to rise by 40,000 to hit the target. Recent figures suggest 'net additions' have been running somewhat higher than this, implying a gap of around 30-35,000 dwellings per year against the target.

In March 2007, the CLG published revised 2004-based household projections for England which put household growth at 223,000 per year from 2004-2026, up from 209,000 per year in the 2003-based projections and only 152,000 per year in the 1996-based projections. Against this new benchmark, current rates of housing completions reveal a shortfall of over 60,000 dwellings per year.

2. INFRASTRUCTURE FOR HOUSING DELIVERY

Planning-Gain Supplement (PGS)

First floated in the Barker Review of Housing Supply, the Government's proposal is for a levy on the uplift in land value created by the grant of planning permission to fund the infrastructure needed to achieve the Government's housing target. The Government's proposals have emerged in consultations in December 2005 and December 2006. The PGS would apply in England, Scotland and Wales.

After one of its most extensive policy consultations ever, including a series of meetings with officials at CLG, Treasury, HMRC, etc., HBF's response to the December 2006 consultation urged the Government not to go ahead with the proposed PGS. However the industry supports the Government's objectives and HBF wants to continue working with the Government and other stakeholders to find a satisfactory solution.

Cross-cutting Review into Supporting Housing Growth

The PGS is only a funding mechanism. The other half of the equation is infrastructure delivery. The Treasury is carrying out a major review across Government “to ensure that appropriate infrastructure will be provided to support housing and population growth” as part of its preparations for the Comprehensive Spending Review (CSR) 2007. Previous CSR’s were published in July. However it is possible the Treasury will publish the results of its Cross-cutting Review before the CSR.

HBF has been involved in Treasury discussions and several seminars on emerging ideas for infrastructure delivery. In principle, we support more coordinated, long-term planning for infrastructure.

Eddington Transport Study

The study, by Sir Rod Eddington and published in December 2006, was jointly commissioned by HM Treasury and the Department for Transport to examine the long-term links between transport and the UK’s economic productivity, growth and stability, within the context of the Government’s broader commitment to sustainable development and the environment.

Lyons Inquiry into Local Government

The Chancellor and Deputy Prime Ministers asked Sir Michael Lyons to consider the future funding arrangements for local government. The Inquiry’s remit was extended in September 2005 to consider the form and function of local government. Two interim reports have been published. The final report will be published around the time of the 2007 Budget (scheduled for 21 March).

3. PLANNING POLICY

The Barker Reviews

The report of the first *Barker Review into Housing Supply*, published in March 2004, contained 36 recommendations. Most related to planning, with five directed at the home building industry. The planning recommendations have had a major impact on Government thinking, most notably in PPS3 (see below). HBF has undertaken considerable work in response to the recommendations on customer satisfaction, skills and MMC.

The report of the second *Barker Review into Land-use Planning*, published in December 2006, contained 32 recommendations, most of which proposed further sensible reforms to improve the operation of the planning system. The Secretary of State invited comments on the Review by 8th March 2007. HBF has submitted views and suggestions on all the recommendations. Barker’s recommendations will influence the forthcoming Planning White Paper.

Planning Policy Statement 3 (PPS3): Housing

Plus accompanying guidance notes on:

- **Delivering Affordable Housing**
- **Strategic Housing Market Assessments**
- **Strategic Housing Land Availability Assessments**

The final version of this very important policy document, which replaced PPG3, a number of policy guidance notes and Circular 6/98 on Affordable Housing, was published in December 2006. It took effect immediately for regional and local planning in England, and from 1st April for development control. Developed in response to the *Barker Review of Housing Supply*, it set out a range of proposals to achieve “the necessary step-change in housing delivery, through a new, more responsive approach to land supply at the local level”.

Delivering Affordable Housing, a guidance note, was published in November 2006. We understand guidance on Strategic Housing Market Assessments is imminent. Guidance for preparing Strategic Housing Land Availability Assessments is now being prepared jointly by CLG, HBF and the LGA, with publication anticipated in the middle of 2007.

HBF strongly supported much of PPS3 which reflected many of HBF’s recommendations to the Barker Review and to Government. HBF’s two major concerns are that PPS3 will encourage local authorities to adopt highly prescriptive policies on housing mix, thereby restricting house builders’ ability to respond to market demand, contrary to the requirements of the Barker Review; and the narrower PPS3 definition of Affordable Housing which excludes low-cost market housing, an important contribution to the overall supply of affordable homes. HBF members will need to become involved in local housing market and land availability assessments as these will have a major influence on local planning policies and decisions.

Planning White Paper

A planning White Paper will be published in Spring 2007, drawing on the recommendations of the recent *Barker Review of Land-use Planning*.

Positive Planning

HBF and the Planning Advisory Service (PAS) are about to publish a joint guide on the benefits and good practice on pre-application discussions.

Planning Process Agreements

The CLG is about to consult on the potential of Planning Process Agreements. These are agreed timetables for the development process, of which the planning application stage is only a small part. The consultation may also cover paying for pre-application advice, and it is hoped the results may help stem the enormous burden of paperwork required with every major planning application.

Planning Delivery Grant (PDG)

Last year, the CLG undertook a consultation on reform of the Planning Delivery Grant (PDG) and housing and planning incentives, with a view to developing a new housing and planning delivery grant. The outcome of this consultation, which closed in October 2006, is awaited.

4. CLIMATE CHANGE & SUSTAINABILITY POLICIES

Stern Review on the Economics of Climate Change

Sir Nicholas Stern's review for the Prime Minister and Chancellor, described as the most comprehensive review ever carried out of the economics of climate change, was published on 30 October 2006.

Climate Change and Development

The Government's policies on low carbon development have three components: improvements to the environmental standards of new housing through the Code for Sustainable Homes and a progressive tightening of Building Regulations; setting the right planning system for low-carbon development through a supplement to PPS1 entitled *Planning and Climate Change*; and a time-limited stamp duty exemption for the vast majority of new zero-carbon homes, to be introduced in 2007.

Building a Greener Future: Towards Zero Carbon Development

Building a Greener Future, a consultation document, explains the Government's overall strategy to achieve its goal of "zero-carbon" new homes by 2016, outlining the objectives (significant reductions in carbon emissions to slow climate change, security of energy supply) and the policy measures designed to achieve these objectives (planning policy, Building Regulations, Code, fiscal incentives). The consultation ended on 8th March 2006.

The proposed ten-year strategy is that all new homes should achieve a 25% reduction in energy use/carbon performance compared to the June 2004 Part L of the Building Regulations by 2010 (Code level 3), a 44% reduction by 2013 (Code level 4), and be "zero-carbon" by 2016 (Code level 6). The definition of "zero carbon" has yet, however, to be finalised. Comparable plans are being considered by the CLG and commercial property industry for non-residential buildings.

HBF gave broad support to the Government's proposals and is committed to a ten-year timetable towards achieving zero-carbon new homes. However key concerns are that climate-change policies should not damage the industry's ability to achieve an annual output of 200,000 new homes by 2016, and that there should be a clearly defined and enforced division between the roles of planning and Building Regulations, so that the house building industry does not face a proliferation of poorly considered local climate-change planning

policies which will restrict its ability to achieve both the housing and the zero-carbon targets.

HBF has submitted a detailed response to the consultation and will pursue the issues raised via the 2016 Task Force.

Code for Sustainable Homes

The final version of the Code for Sustainable Homes, published in December 2006, “is intended as a single national standard to guide industry in the design and construction of sustainable homes”. It will complement the system of Energy Performance Certificates to be introduced in June 2007 as part of Home Information Packs (HIPs). The Code, which applies to England, covers energy/CO₂, water, materials, surface water run-off, waste, pollution, health and well-being, management and ecology. It is closely linked to the Building Regulations.

The Code is voluntary at present, but it is proposed that every new home may be required to have a Code rating from Spring 2008. However all homes built by RSLs, with Housing Corporation funding, on English Partnerships land or with direct funding support from the CLG’s housing growth programmes, must meet Code level 3 with all contracts signed after 10th April 2007.

Planning Policy Statement: Planning and Climate Change; Supplement to Planning Policy Statement 1

The consultation document, *Planning and Climate Change*, “sets out how spatial planning, in providing for the new homes, jobs and infrastructure needed by communities, should help shape places with lower carbon emissions and resilient to the climate change now accepted as inevitable”. It describes how planning policies on climate change in England should be integrated with Building Regulations. The policies should be taken into account by regional planning bodies in preparing RSSs and the Mayor of London in relation to the spatial development strategy for London, and by local planning authorities in the preparation of local development documents. They may also be material to decisions on individual planning applications.

HBF’s main concern with Planning and Climate Change, set out in its consultation response, is that local planning authorities should not be able to require different levels of the Code from the national targets if there is any risk at all of such policies inhibiting housing supply. HBF has also objected to prescriptive local policies on renewable energy supply – for example, a blanket requirement for 10% on-site renewables.

Climate Change Bill

A draft Bill, published on 13 March 2007, is out for consultation until 12th June 2007. This suggests targets for emissions reduction, which are currently non-statutory, will be made statutory. It proposes five-year ‘carbon budgets’ to

provide for a maximum amount of national CO₂ emissions able to be produced.

A new 'Committee on Climate Change' will advise the Government on how to reduce emissions over time and across the economy, including advice on the level of the carbon budgets and the contribution of individual sectors. The Committee will have a specific annual role in reporting publicly to Parliament on progress towards budgets and targets, with the Government required to lay before Parliament a response to this independent report. The Government will have the power to introduce new domestic emissions trading schemes through secondary legislation.

Water Efficiency

CLG issued a consultation, *Water Efficiency in New Buildings*, on 13th December 2007 with a closing date of 9th March 2007. The proposal is for a new Building Regulation and HBF is concerned about how this will fit in with the Code for Sustainable Homes. However, assuming public 'buy in' to the idea of saving water, given current levels of leakage, many of the measures suggested in the consultation (dual flush toilets, maximum flow rates, etc) are readily available already. At present, there is no indication when, or indeed if, a new Building Regulation would be introduced.

5. SOCIAL AND AFFORDABLE HOUSING

Ends and Means: the Future Roles of Social Housing in England (The Hills Review)

Ends and Means, a study for the CLG by Professor John Hills, provided the background and analytical framework for a debate about the future roles of social housing. The report, published in February 2007, considered what social housing can do to help create mixed communities, whether the way the sector is run can encourage social mobility and opportunities for people to get on in their lives, and whether social housing can be more responsive to changing needs and enable greater geographical mobility.

The Cave Review of Social Housing Regulation

This review, by Professor Martin Cave, was announced by the CLG on 14th December and was expected to report by Spring 2007. It is looking at how the regulatory system should be reformed to better support tenants, reduce burdens on social housing providers and to reflect current and future Government priorities.

HBF made a submission to the Hills Review. A submission was also made to the Cave Review, which called for evidence by 16th February, and HBF is represented on the Cave Review's External Advisory Group. HBF's primary concern in relation to both reviews is to seek greater flexibility for private sector investment in all types of affordable housing.

HBF Affordable Housing Policy Review

This specially convened group of HBF members and a representative of the RSL sector will publish a report in Spring 2007 on the role of the private sector in providing affordable housing. The report will make a series of recommendations directed at improving the policy climate in which the private sector operates.

6. RESPONSES TO THE POLICY AGENDA

A New Government Approach to Housing Delivery

The Government is to set up a new agency, Communities England, bringing together the functions of the Housing Corporation, English Partnerships, and a range of work carried out by the CLG, to coordinate the way it supports the delivery of new homes and develops mixed and sustainable communities in England. With a budget of over £4 billion, it is expected to take about two years to set up.

Policy Initiatives

A number of initiatives have been set up in response to the new policy agenda.

- **2016 Task Force**

The Task Force will oversee Government and industry progress in achieving 200,000 zero-carbon homes by 2016. Jointly chaired by Housing and Planning Minister Yvette Cooper, and HBF Executive Chairman Stewart Baseley, the Task Force grew out of the HBF/CLG Zero-Carbon Roundtable Summit for key stakeholders in January 2007.

- **Callcutt Review**

The Review, headed by John Callcutt, former chief executive of Crest Nicholson and English Partnerships, aims to examine how the supply of new homes is influenced by the nature and structure of the house building industry, its business models and its supply chains. It will consider the use of land, materials and skills within the house building industry. The Review's Call for Evidence on 9th March 2007 requested submissions by 20th April. The Review is expected to report in the Autumn.

HBF welcomes the Callcutt Review which should clarify the role of the house building industry, its potential to achieve the Government's housing and zero-carbon targets, and the constraints under which it operates. HBF hopes to work closely with John Callcutt and his team. The Review will be able to address some of the misunderstandings and myths about house building and the role of the industry.

- **HBF Housing Production Barriers Group**

In response to Barker Recommendation 33 on MMC, HBF established a Cross-industry Steering Group to consider the barriers to wider adoption of MMC and to propose solutions to raising these barriers. The report of this Group, published in February 2006, suggested HBF should establish a 'legacy body' to implement its recommendations.

The agenda has moved rapidly since the Group reported. The Government's target is now 200,000 quality, environmentally sustainable homes per year in England by 2016, and MMC is now seen as one possible means to an end, rather than as an end in itself. Therefore the 'legacy body', to be called the Housing Production Barriers Group, will take a broader look at measures to remove the barriers to achieving the Government's target. The Group, established in association with the National Centre of Excellence in Housing (NCEH), and chaired by Rod MacEachrane, Director of the NCEH, will include representatives of key stakeholders, including the home building and construction products industries.

John Stewart
HBF Director of Economic Affairs
16 March 2007