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Stimulating housing supply - Government initiatives (England)

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Summary

The 2015 Government's ambition was to secure 1 million net additions to the housing stock by the end of the Parliament which was expected to be in 2020. The Department for Communities and Local Government's (DCLG) Single Departmental Plan 2015-2020 set out plans to secure 400,000 affordable housing starts by 2020-21 (including Starter Homes), increase housing supply by improving the planning process, bring forward public sector land, and diversify the house building industry by helping small builders.

The Housing White Paper, Fixing our broken housing market (February 2017) described a number of initiatives which, taken together, are aimed at securing a step-change in housing supply.

The current Conservative Government was elected in 2017 with a manifesto pledge to meet the 2015 commitment to deliver 1 million homes by the end of 2020 and to "deliver half a million more by the end of 2022." The manifesto said that, if elected, the Government would deliver on the reforms proposed in the Housing White Paper.

The 2015 Government pursued both supply-side and demand-side measures. There was a desire to increase home ownership, particularly amongst first-time buyers, which was supported through savings products such as the Help to Buy ISA and Lifetime ISA, and also through equity loan schemes. A key commitment was to secure 10% of affordable home ownership of different kinds on housing sites of 10 units or more.

The Autumn Budget 2017, which was trailed as a 'housing budget,' set out the Government's determination to "fix the dysfunctional housing market, and restore the dream of home ownership for a new generation:"

> The only sustainable way to make housing more affordable over the long term is to build more homes in the right places. Government action has already increased housing supply to 217,000 in 2016-17. The Budget goes further and announces a comprehensive package which will raise housing supply by the end of this Parliament to its highest level since 1970s, on track to reach 300,000 per year, through:
>
> - making available £15.3 billion of new financial support for housing over the next five years, bringing total support for housing to at least £44 billion over this period
> - introducing planning reforms that will ensure more land is available for housing, and that maximises the potential in cities and towns for new homes while protecting the Green Belt.

There was, and is, an expectation that the majority of new building will be carried out by the private sector. To this end, much Government effort to stimulate house-building is focused on planning measures to "make the system more open and accessible and tackle unnecessary delays." Developers with planning permission are expected to use it and local authorities are expected to have an up-to-date plan in place based on an objective assessment of housing need within the area. The Government is also seeking to diversify the housing market by encouraging development by smaller builders and those interested in embracing innovative and efficient methods of construction.

Measures announced in the Autumn Budget 2017 have generally been welcomed by the sector, particularly those aimed at supporting small builders, infrastructure and land assembly. There are concerns that there is still not enough support for affordable rented housing, particularly at social rents. There is doubt that the target of building 300,000 homes a year will be achieved without further 'muscular' action.

Detailed information on action taken by the 2015 Government to improve the planning system can be found in these Library briefing papers Planning for Housing (03741); Planning Reform Proposals (6418); and Planning reform in the housing white paper (7896).

Library briefing paper Tackling the under-supply of housing in England (7671), considers key trends in housing supply in the UK and goes on to focus on some of the of the key barriers and potential solutions to increasing supply in England.

This briefing paper summarises the key 2015 and 2017 Government initiatives aimed at increasing housing supply in England (aside from planning measures). It does not cover all of the proposals set out in Fixing our broken housing market.

1. A crisis in housing supply

The long-term failure of successive Governments to build enough housing to meet growing need is widely accepted. The 2015 Government's Housing White Paper, Fixing our broken housing market (February 2017), opens with the following statement:

> Since the 1970s, there have been on average 160,000new homes each year in England. The consensus is that we need from 225,000 to 275,000 or more homes per year to keep up with population growth and start to tackle years of under-supply.
>
> This isn't because there's no space, or because the country is 'full'. Only around 11 per cent of land in England has been built on.
>
> The problem is threefold: not enough local authorities planning for the homes they need; house building that is simply too slow; and a construction industry that is too reliant on a small number of big players.[1]

Statistics on house building can be found in this Library publication: Housebuilding (UK): Social Indicators page.

The Coalition Government abolished what it described as "top down" housing targets but in September 2015 the then Minister for Housing, Brandon Lewis, said the Government's ambition was to deliver 1 million new homes by 2020. Gavin Barwell, the subsequent Housing Minister, described this ambition in terms of net additions to the housing stock by the end of the Parliament. He told the Communities and Local Government Committee how this would be measured:

> The measure that we use to look at that is net additions, which is a national statistic that looks not just at the new homes that get built but also homes that we get through conversions and through changes of use, and then takes off the homes that get demolished as part of regeneration schemes or whatever. That is the measure that we look at. You will be aware Mr Betts, that, if you take 2015-16, which is the latest year for which we have that data, we were just under 190,000 new homes in 2015-16. That is below the level that we need to achieve our target but it is not hugely below.[2]

The current Conservative Government was elected in 2017 with a manifesto pledge to meet the 2015 commitment to deliver 1 million homes by the end of 2020 and to "deliver half a million more by the end of 2022." The manifesto said that, if elected, the Government would deliver on the reforms proposed in the Housing White Paper (February 2017).

A significant development since 2010 is that much of the financial support provided by the Government for stimulating housing supply is available in the form of repayable loans rather than grant funding. A further development after General Election 2015 was the Government's focus on developing housing for sale in order to increase levels of home ownership. The Autumn Statement 2016, together with the publication

1 DCLG, Fixing our broken housing market, February 2017, p9
2 Oral evidence to Communities and Local Government Select Committee: Capacity in the Home Building Industry, HC 46, 27 February 2017

of Fixing our broken housing market, marked something of a shift of emphasis in investment priorities back towards rented housing.

The following sections provide an overview of Government actions aimed at stimulating housing provision. Much Government effort to stimulate house-building is focused on planning measures – for information on these aspects see Library Briefing Papers Planning for Housing (03741); Planning Reform Proposals (06418); and Planning reform in the housing white paper (7896).

Other relevant Library papers include Tackling the under-supply of housing in England (7671) and What is affordable housing? (7747). There is also a tool which can be used to compare housing supply statistics for local authorities: Housing supply for local authorities (England) (7796).

2. New local authority & housing association provision

2.1 The Affordable Homes Programme (AHP)

The Affordable Homes Programme is administered on behalf of the Government by the Homes and Communities Agency (HCA). Providers (including housing associations) are required to bid for grant funding and successful bidders enter into delivery agreements with the HCA.

The Government intends to rebrand the HCA as Homes England.[3]

The **2010 Spending Review** announced that £4.5 billion would be made available to fund new affordable homes over the period of the Review. This represented a reduction in grant funding from £8.4 billion in the previous Spending Review. Around £2bn of the £4.5 billion had already been committed to plans developed under the previous (Labour) Government's National Affordable Homes Programme (NAHP):

> Despite the fiscal constraints, the Government is still investing nearly £6.5 billion of taxpayers' money in housing, with £4.5 billion to fund new affordable homes over the Spending Review period. As part of this investment we intend to provide £200m so that the Mortgage Rescue scheme can stay open to support vulnerable homeowners threatened with repossession and £100 million to bring empty homes back into use.[4]

The 2010 Spending Review also saw the Coalition Government announce an intention to introduce a new "intermediate rent" tenure (now referred to as affordable rent). Under this model housing associations are able to offer tenancies at rents of up to 80% of market rent levels within the local area. The additional finance raised is available for reinvestment in the development of new social housing.

Essentially, this model involves the replacement of the capital grant supply subsidy for social housing with a revenue subsidy.[5] The scheme was expected to contribute to the delivery of 150,000 new affordable homes over 2011-15. After a successful bidding process the Government increased this estimate to 170,000 new homes (of which it expected that 80,000 would be affordable rent and affordable home ownership properties) utilising £1.8 million in grant funding. The overall target was met with 82,115 completions of which 70% were affordable rent properties.[6] There has been a significant reduction in the number of new homes built for social rent. Social rent formed around two-thirds of total completions in 2010/11 and now stands at around 10%.

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3 Budget 2017, para 5.15
4 Grant Shapps letter to local authorities on the 2010 Spending Review Settlement, October 2010
5 Steve Wilcox and John Perry note that under the AHP "average grant per unit is little more than one third of that under the NAHP, at just under £19,000." UK Housing Review 2014, p56
6 UK Housing Review 2016, Wilcox, Perry, Williams and Stephens, p71

An extension of the Affordable Homes Programme was announced as part of **Spending Round 2013**.[7] £3.3 billion in capital funding (together with receipts from Right to Buy sales) was to be available in 2015-18 to support the delivery of 165,000 new affordable homes. The then Housing Minister, Mark Prisk, told the Chartered Institute of Housing's 2013 Annual Conference that the funding should support the delivery of 55,000 affordable homes each year. Bids for grant funding are on a "something for something basis" – the Government expects landlords to "maximise their own financial contribution" and to make full use of property sales and conversions of social rented homes to affordable rent.[8]

There were some early reports of reduced interest in the bidding round[9] - comment on potential reasons for this was included in the UK Housing Review 2014 Briefing Paper:

> For the new AHP running for three years from 2015/16 and aiming to build 165,000 homes, the HCA has £1.75 billion and the GLA £1.2 billion. The HCA has closed bids and will allocate three-quarters of its pot in the summer; in contrast, the GLA will allocate its whole pot this summer. However, both have struck difficulties with some associations deciding not to bid for various reasons, including the conditions being imposed.
>
> One of these is that the new programme all but excludes building to let at social rents. Yet in a survey last year, local authorities said that half their planned output over the next five years will be at social rent, suggesting that they will have to fund much of it without grant. The decline in output of social rented dwellings is striking: for the three years to 2011/12, on average 34,000 units were being completed annually; the total fell below 15,000 in 2012/13 and to only 1,681 in the first half of 2013/14. Soon, social rented output will depend almost entirely on what landlords can finance from their own resources.[10]

At the time of the announcement housing bodies welcomed the additional investment and the provision of a three-year programme. However, the National Housing Federation (NHF) described the £3.3 billion as "small-scale" in the context of a £100 billion investment in infrastructure in total and declared that "it falls short of the investment required to deliver the ambitious house building programme we need and risks acting as a brake on recovery in the wider economy."[11] CIH described the investment as "not the game changer required to make a significant impact to alleviate our housing crisis."[12] Bill Davies of IPPR North argued that the £3.3 billion in investment represented a funding cut and that the new rent setting formula could

7 See also Cm 8669, HM Treasury, Investing in Britain's Future, June 2013
8 Housing Minister's speech to the 2013 CIH Annual Conference
9 Inside Housing, "*Landlords show reduced interest in grant round*," 23 May 2014
10 UK Housing Review 2014 Briefing Paper, June 2014, p12
11 NHF Briefing on Spending Review 2013, June 2013
12 CIH, What you need to know about Building Britain's Future June 2013

cost landlords £500 million.[13] The Government had confirmed that social rents could increase by up to CPI plus 1% from 2015-2026.[14]

In the **2014 Autumn Statement** the Coalition Government reported that it was 'on track' to deliver 165,000 affordable homes over 2015-18.[15] The Government also announced a £2 billion extension to affordable housing capital investment for 2018-19 and 2019-20 (£955 million in each year) "to ensure that on average 55,000 new affordable homes per year continue to be delivered."[16]

Housing bodies welcomed the certainty offered by the extension of the AHP up to 2020 but pointed out that it would not reverse the impact of the reduction in capital investment implemented as part of the 2010 Comprehensive Spending Review. The NHF raised issues around the level of funding housing associations would be required to find:

> …housing associations will need to continue funding up to 85% of development costs from their own resources. This means borrowing more money privately and engaging in increased commercial activity – each presenting a different challenge. The former will push some housing associations towards the upper limits of their gearing covenants and uses financial capacity (i.e. asset cover) at a much accelerated rate. The latter presents legitimate regulatory interests about safeguarding existing social housing assets and making future plans more pro-cyclical and exposed to market pressures.[17]

The CIH stressed the need to build more homes at social rent:

> We need more homes for social rent so that people struggling on low incomes can afford a decent home. Affordable rent has a role to play but it doesn't work for everyone - as it can be up to 80 per cent of market rent it is simply not affordable for many people, especially in London and the south east.[18]

April 2015 saw the start of a new phase of the Affordable Homes Programme up to 2018 with £2.9 billion in funding. As noted above, the programme was expected to deliver 165,000 homes with an emphasis on affordable rent. During the **Autumn Statement and Spending Review 2015** the Government's focus on increasing home ownership was made clear; all unallocated HCA funding was to go towards home ownership schemes; the revised AHP funding allocation was £1.8 billion for 2015-2018.

Under the **Shared Ownership and Affordable Homes Programme** (SOAHP) 2016-21 £4.7 billion in capital funding was to be made available for:

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13 *Guardian*, Government investment in affordable housing is actually a funding cut, 3 July 2013
14 Note that these landlords are now expected to reduce their rents by 1% in each year for four years from April 2016. For more information see Library Briefing Paper 01090
15 Cm 8961, December 2014, para 1.138
16 ibid
17 NHF response to the 2014 Autumn Statement, December 2014 [accessed on 8 December 2014]
18 CIH response to the 2014 Autumn Statement, December 2014 [accessed on 8 December 2014]

- 135,000 'help to buy: shared ownership' homes, for households earning less than £80,000 (or £90,000 in London)
- 10,000 new homes that tenants can live in for five years at reduced rents while they save for a deposit. They will then have 'first right' to buy the home
- 8,000 specialist homes for older people or those with disabilities.

However, the **Autumn Statement 2016,** together with the publication of the Housing White Paper, **Fixing our broken housing market**, (February 2017) marked a shift of emphasis in investment priorities back towards rented housing. The Autumn Statement 2016 announced an additional £1.4 billion to be shared between the HCA and Greater London Authority to deliver 40,000 extra units and referred to "tenure flexibility" across the Affordable Homes Programme:

> **Affordable homes** – the government will relax restrictions on grant funding to allow providers to deliver a mix of homes for affordable rent and low cost ownership, to meet the housing needs of people in different circumstances and at different stages of their lives. The NPIF will provide an additional £1.4 billion to deliver an additional 40,000 housing starts by 2020-21.[19]

This brought total funding under the SOAHP to £6 billion with an implied target of 193,000 homes.[20]

Terrie Alafat, CEO of the Chartered Institute of Housing, said:

> The extra investment to support the building of 40,000 new affordable homes and the greater flexibility in funding for housing providers to build homes of all tenures, both of which we had asked for, are particularly welcome. It is also pleasing to see largescale investment in infrastructure to support new house building.
>
> We would, however, have liked to see more to support people who need housing the most, with more funding diverted specifically to support social rents and a strategic rethink on welfare measures we believe make housing inaccessible to a significant number of individuals and families.[21]

In October 2017, the Government announced an increase in funding for the SOAHP of £2 billion which was confirmed in the **Autumn Budget 2017**:

> …the Budget confirms the further £2 billion of funding for affordable housing announced in October, including funding for social rented homes. This takes the total budget for the Affordable Homes Programme from £7.1 billion to £9.1 billion to 2020-21. It is expected that this will provide at least 25,000 new affordable homes.[22]

The announcement of the additional £2 billion also extended support for the development of social rented housing:

> Previously, the government's affordable housing policy primarily supported 'affordable rent' – rents of up to 80% of local market

19 Autumn Statement 2016, para 3.11
20 UK Housing Review 2017, p82
21 CIH Press Release, 23 November 2016
22 Budget 2017, November 2017, para 5.23

> level – and low-cost home ownership. This announcement now extends support for 'social rent' – which are lower rents, set according to national guidelines.[23]

The Office for Budget Responsibility confirmed the source of the additional £2 billion:

> Changes announced to affordable homes programme switch capital spending out of 2017-18 and 2018-19 and into 2019-20 and 2020-21. The £2 billion of spending announced by the Prime Minister in October has been financed by reducing spending on 'accelerated construction' and 'starter homes' across the four years from 2017-18 to 2020-21.[24]

2.2 Affordable Homes Guarantee Programme (closed)

The Coalition Government announced that legislation (*The Infrastructure (Financial Assistance) Act 2012*) would enable the Government to underwrite the debt of housing associations and private sector developers.[25]

Underwriting housing association bonds was aimed at reducing the cost of finance for developing landlords. As part of Budget 2013 the Chancellor announced additional funding for the Affordable Homes Guarantee Programme:

> Affordable housing plays an important part in the Government's overall drive to boost housing supply and stimulate economic growth. The Government has recently issued a prospectus to support affordable homes delivered through the guarantee programme. **The Government now wants to go further and will double the existing affordable homes guarantee programme, providing up to an additional £225 million to support a further 15,000 affordable homes starting in England by 2015.[26]**

This additional investment was welcomed by the National Housing Federation but the need for long-term stability was emphasised:

> The additional investment of £225 million in affordable housing is welcome. This recognises that capital investment offers the best value for money for the taxpayer and the Government and is the most effective way of increasing housebuilding. Confirmation that schemes must only be started by March 2015 is welcome but, this short-term stimulus must be matched by long-term stability to be most effective. We urgently need to know how affordable housing will be supported in the long term.[27]

Mark Prisk, then Housing Minister, declared the housing guarantees open for business on 20 June 2013:

> We have awarded the licence to provide the Affordable Housing Guarantees Scheme to Affordable Housing Finance plc (AHF), a

23 DCLG Press Release, 4 October 2017
24 OBR, Economic and Fiscal Outlook, November 2017, para 4.111
25 The rules under which these schemes will operate were published in February 2013: DCLG: Housing guarantee scheme rules - Private rented sector; DCLG: Housing guarantee scheme rules - Affordable housing
26 HC 1033, Budget 2013 – emphasis in the original.
27 NHF, Budget lacking in house building stimulus, 2013

> subsidiary of The Housing Finance Corporation Limited. AHF's bid provided very good value for money, and I am looking forward to working with them to deliver the scheme. AHF are now able to receive applications and we expect the first applications to be approved this summer, subject to due diligence.
>
> Today, I have laid before the House a Minute setting out details of the contingent liability created by the Affordable Housing Guarantees Schemes. Under the Affordable Housing Guarantees Scheme, the Department for Communities and Local Government will guarantee up to £3.5 billion of debt on terms of up to 30 years for Private Registered Providers who commit to building new affordable housing.[28]

The Minister said that £3 billion would be held in reserve for private rented and affordable housing guarantee schemes in the event of sufficient demand.[29] The outcome of the bidding round was announced on 24 July 2013 – the successful bids were expected to deliver over 13,800 new homes. Bidding was to remain open on a continuous basis until the funding was allocated:

> Bidding will remain open on a continuous basis until remaining programme resources (c. £50m) are allocated, where that is achievable, consistent with the timescales for delivery of the programme. (There is a cut-off date of March 2015 for achieving start on site, and March 2017 for achieving practical completion for schemes awarded an allocation from the remaining grant funding).[30]

Social Housing magazine reported on the success of the AHGP in November 2015:

> The AHGP has so far enabled registered providers to raise more than £1.4bn of cheap debt to support almost 13,500 new homes for affordable rent.
>
> It has enabled associations to consistently borrow long-dated funding at an all-in cost of below 3 per cent, with spreads as low as 15 basis points below gilts, the government cost of borrowing.
>
> AHF now has 45 borrowers on its books, and is expecting around 10 more in the timeframe that is available.
>
> It is anticipated that the programme will be on track for at least £2bn of debt when it closes in March, which would deliver a total of more than 19,000 homes.
>
> Mr Williamson said the £2bn mark would make it 'the most successful guarantee scheme the government has sponsored'.
>
> All business recommended to the government by AHF's credit committee by 31 March 2016 will be eligible for a mixture of both long-term EIB and bond funding.
>
> Mr Williamson said that the AHGP was first developed at a time of house building market failure, but added: 'Today we see both a market arguably in rude health and changed governmental priorities in terms of tenure choice.'[31]

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28 DCLG Press Release, 20 June 2013
29 Ibid.
30 HCA, Affordable Homes Guarantee Programme, (accessed on 8 July 2014)
31 *Social Housing*, Government to end affordable homes guarantees in March 2016, 30 November 2016

The programme ended in March 2016 but development with the finance awarded is ongoing.

2.3 Direct investment

As a result of the self-financing arrangements introduced for local housing authorities in April 2012, capital expenditure on new and existing housing stock rose from £3.3 billion in 2011/12 to £4.8 billion in 2014/15.[32] Direct investment is estimated to have risen to £6.5 billion over 2015/16.[33] This increase appears to reflect local authorities' use of borrowing capacity created under the self-financing system.

The council borrowing cap

The Chartered Institute of Housing (CIH) and Local Government Association have been critical of the failure to lift borrowing caps imposed on local authorities as part of the move to self-financing in April 2012.[34] In 2013 housing commentators estimated that lifting the borrowing cap had potential to release additional investment of £7 billion over five years which, in turn, could produce 60,000 homes (12,000 extra per year).[35]

As part of the 2013 Autumn Statement (December) the Chancellor *did* announce a limited increase in local authorities' borrowing caps:

> **The government will increase the funding available for new affordable homes, by increasing local authority Housing Revenue Account borrowing limits by £150 million in 2015-16 and £150 million in 2016-17, allocated on a competitive basis, and from the sale of vacant high-value social housing.**[36] This funding will support around 10,000 new affordable homes and will form part of the Local Growth Fund, available to local authorities who have a proposal agreed by their Local Enterprise Partnership (LEP). This will strengthen the role of the Local Growth Fund in transforming local economies, by providing much-needed housing to support growth. The government will prioritise bids on the basis of their value for money, and would expect partnership working with Housing Associations or through Joint Ventures. The government also expects bids to contribute public sector land, and disposal of high-value vacant stock to drive competitive bids. To support this, the government will ensure all councils are transparent in the value and size of their housing assets.[37]

The announcement was welcomed but the CIH described it as "far too modest" a step. There was concern that any gains from the increased borrowing capacity could be offset by the requirement to sell higher-value social housing and through an expansion of the Right to Buy.[38]

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32 This total includes what remains of non-HRA capital spending.
33 UK Housing Review 2017, p85
34 For more information on self-financing see Library note Local housing authorities - the self-financing regime: progress and issues, SN/SP/6776
35 Innovation and Ambition: the impact of self-financing on council housing, ARCH, June 2013,
36 Emphasis in the original.
37 Cm 8747, 2013 Autumn Statement, December 2013, para 1.228
38 CIH, What you need to know about the Autumn Statement 2013, December 2013

London Councils echoed the view that the measure did not go far enough:

> By 2021, over 800,000 new homes will need to be built in London, but the government's latest attempt to address this crisis through increasing council borrowing capacity does not go far enough and has too many strings attached.
>
> In order to qualify for extra borrowing capacity, councils will have to sell off high value vacant housing stock. This unfairly prejudices London, which has both the most acute housing need and the highest value stock in the country.
>
> London Councils will continue to call for the complete removal of the artificial housing borrowing cap, among a raft of other measures, so that boroughs can properly address London's housing crisis.[39]

The ability of councils to use their borrowing capacity to invest in new supply has also been eroded by the imposition, from April 2016, of 1% rent reductions in each year for four years (see next section below).

The 2013 Autumn Statement included a Government commitment to launch a review into the role that local authorities can play in housing supply. The review was led by Natalie Elphicke and looked at:

- the role that local authorities could play in increasing the supply of housing;
- whether councils are playing a proactive role in building new homes for local people; and
- how they are using their new freedoms under Housing Revenue Account self-financing to increase housebuilding.[40]

The final report was published on 27 January 2015. The reviewers concluded:

> …that local authorities could do more to play a central role in supporting the provision of new homes, across all housing tenures, by becoming housing delivery enablers and taking responsibility for making development happen in their area.[41]

The Government's initial response to the Elphicke-House report was published in January 2015.

Budget 2017 announced that HRA borrowing caps would be lifted for councils in "areas of high affordability pressure":

> **…the Budget will lift Housing Revenue Account borrowing caps** for councils in areas of high affordability pressure, so they can build more council homes. Local authorities will be invited to bid for increases in their caps from 2019-20, up to a total of £1 billion by the end of 2021-22. The government will monitor how authorities respond to this opportunity, and consider whether any further action is needed.[42]

39 London Councils response to Autumn Statement, 5 December 2013
40 DCLG Press Release, 30 January 2014
41 Review of local authorities' role in housing supply, 2015
42 Budget 2017, November 2017, para 5.23

Gavin Smart, for the Chartered Institute of Housing (CIH), welcomed this move and hoped that it would be built on in the future:

> We have long argued that if we are going to build the homes we need councils will have to play a major part and we welcome measures to support this. The government has made a series of announcements in recent months which lay the foundation for housing associations to commit to developing many more new homes and we must do the same for councils. Relaxing borrowing caps for councils in high demand areas is very positive – we hope to see the government build on this move so that we see a return to the levels of council house building we need.[43]

Reducing rents by 1%

As part of the Summer Budget 2015 the Chancellor announced that rents in social housing would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21:

> Alongside the freeze in working-age benefits, the government will reduce rents in social housing in England by 1% a year for 4 years, requiring Housing Associations and Local Authorities to deliver efficiency savings, making better use of the £13 billion annual subsidy they receive from the taxpayer. Rents in the social sector increased by 20% over the 3 years from 2010-11. This will allow social landlords to play their part in reducing the welfare bill. This will mean a 12% reduction in average rents by 2020-21 compared to current forecasts.[44]

The subsidy referred to in this extract refers to the personal entitlement to Housing Benefit of 2.7 million social housing tenants.

Measures to enable implementation of the rent cuts were included in the *Welfare Reform and Work Act 2016.*

The announcement was greeted with dismay by social landlords. The Office for Budget Responsibility (OBR) predicted a reduction in housing investment as a result of the measure:

> …the 1 per cent a year reductions in social sector rents for four years from April 2016 announced in this Budget will directly reduce social landlords' rental income. We expect that this will reduce their ability and willingness to invest in housing, so we have lowered our forecast for residential investment, proportionate to the expected reduction in rental income. The effect is to reduce the level of private residential investment by around 0.7 per cent by the end of the forecast period, which is broadly consistent with a reduction in housebuilding of 4,000 in 2020-21. Over the forecast period, our assumptions suggest around 14,000 fewer affordable homes will be built. We do not expect private sector house-builders to offset this effect to any material degree.[45]

The National Housing Federation estimated a more significant reduction in development:

> Our own estimates suggest that the reduction will result in a loss of almost £3.85bn in rental income over the four years. Simply dividing this by the average build cost in the 2011-15 programme

43 CIH Comment on Budget 2017, 22 November 2017
44 Summer Budget 2015, HC 264, July 2015, para 1.140
45 OBR, Economic and Fiscal Outlook, Cm 9088, July 2015, para 3.84

> of £141,000, suggests that at least 27,000 new affordable homes won't be built as a result of the change. This of course assumes the lost income wouldn't be matched by any government grant or used to leverage in private finance, so the actual total could be higher.[46]

The LGA carried out modelling on the impact of rent reductions for councils with retained housing stock and concluded that the measure would cost councils £2.6 billion by 2019/20:

> The cost to councils will rise from £234 million in year one, to £508 million in year two, £795 million in year three, and over £1 billion by 2019/20. By that point the annual funding gap will represent 60 per cent of local government's total housing maintenance budget. Over the four years the total £2.6 billion will be equivalent to the cost of building almost 19,000 new homes.[47]

The Housing White Paper (February 2017) contained a commitment to set out a long-term rent policy for social landlords.[48]

The Government confirmed a five-year rent settlement for social landlords from 2020 on 4 October 2017:

> Under the proposal set out today, increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020. This will give social tenants, councils and housing associations the security and certainty they need.[49]

2.4 Spending outside Housing Revenue Accounts

The UK Housing Review 2016 noted that local authorities were beginning to invest significant sums on affordable and market housing outside of their Housing Revenue Accounts (HRAs) by using stand-alone companies. Research by *Inside Housing* towards the end of 2016 found that 98 of 252 local authorities had set up a housing company to increase supply.[50] There is no standard model – a number of the companies are seeking to develop housing to rent at market levels, while others are planning to develop affordable housing. The Local Government Association (LGA) prepared a case study guide on local authorities using different vehicles to deliver housing: Supporting Housing Investment (2014).

The Housing White Paper, Fixing our broken housing market, (February 2017) expressed support for authorities' "innovative new models":

> Increasingly and across the country local authorities are using innovative new models to get homes built in their area. There are a number of good examples of Local Development Corporations, local housing companies and/or joint venture models building mixed sites, which include new market housing for sale or private rent, as well as affordable housing. We welcome innovations like these, and want more local authorities to get building. To that

46 Summer Budget 2015 Briefing, National Housing Federation (NHF), 10 July 2015
47 LGA Press Release, 21 July 2015
48 Cm 9352, Fixing our broken housing market, February 2017, para 3.26
49 DCLG Press Release, 4 October 2017
50 *Inside Housing,* "Stepping up to the plate," 16 December 2016

> end we will seek to address the issues that hold them back. However, we want to see tenants that local authorities place in new affordable properties offered equivalent terms to those in council housing, including a right to buy their home.[51]

The reference to an extended Right to Buy could act as a deterrent to the provision of sub-market rental homes. The LGA said:

> Councils must have flexibility to meet local need for affordable rented homes through delivery vehicles and other ventures. We are concerned by the suggestion that the Government wants to see an offer similar to Right to Buy in housing delivered through such ventures. Councils have often sought to build in ownership options into rented property and it is vital that they maintain this flexibility so that the delivery of additional homes remains viable.[52]

2.5 Bespoke housing deals

The Housing White Paper, Fixing our broken housing market, (February 2017) said that the Government will "look seriously" at requests from local authorities to support local delivery:

> Housing markets are different right across the country, and we are interested in the scope for bespoke housing deals with authorities in high demand areas, which have a genuine ambition to build. We will look seriously at any request from local authorities for Government powers to be used to support delivery in their local area, and will be prepared to consider all the levers at our disposal to do so, so long as this results in genuinely additional housing being delivered. Through these deals we will also look to promote the alignment of decisions on infrastructure and housing at higher spatial levels, including through joint local planning and statutory spatial plans. This includes the powers of the Homes and Communities Agency, support from the HCA on the use of Compulsory Purchase Orders, new permission in principle and brownfield registers, the use of the planning freedom powers taken in the Housing and Planning Act, and use of public sector land.[53]

Following the Autumn Budget 2017, there has been some suggestion in the housing press that additional borrowing capacity for bespoke deals will not be forthcoming until 2019.[54]

2.6 Housing association stock valuation

The 2014 Autumn Statement contained a commitment to "consult on ways to increase the borrowing capacity of housing associations in relation to the valuation of properties transferred from local authorities."[55] The NHF has argued that restrictions placed on how large scale voluntary transfer (LSVT) organisations[56] are able to dispose of their stock unnecessarily limits their ability to maximise capacity in their

[51] Cm 9352, Fixing our broken housing market, February 2017, para 3.28
[52] LGA Briefing on the Housing White Paper, February 2017
[53] Cm 9352, Fixing our broken housing market, February 2017, para 3.33
[54] *Inside Housing,* "No borrowing cap flexibility before 2019 for councils discussing bespoke deals", 30 November 2017
[55] Cm 8961, December 2014, para 2.
[56] LSVT is the term used where a local authority transfers the whole of its stock to a housing association.

business.[57] The NHF said it would "continue to work with Government to influence the shape and nature of any consultation on releasing the borrowing capacity of housing associations."[58]

DCLG published a consultation paper, Increasing the borrowing capacity of stock transfer housing associations, in March 2015. The website notes that the consultation took place under the 2010-2015 Coalition Government and that "feedback is currently being analysed."[59]

2.7 Planning gain

Local authorities have been able to secure additional affordable housing development through the use of planning gain (also referred to as section 106 planning agreements).[60] In 2015-16 housing supply figures showed that 12,560 homes were delivered through planning gain, representing 39% of the total. 3,050 of these units were built for social rent.[61] The Housing White Paper indicates future reform to section 106 agreements:

> In addition to considering longer-term reform, the Government believes there is scope to make changes to s106 agreements in the short term to address practical issues in the operation of agreements raised by local planning authorities and developers. This will include consulting on standardised open book Section 106 agreements, to reduce disputes and delays, and on how data on planning obligations could be monitored and reported on to increase transparency. The Housing and Planning Act 2016 includes provision for a Section 106 dispute resolution process. The Government will consider dispute resolution further, in the context of longer term reform.[62]

2.8 Estate regeneration

Budget 2014 saw the Government announce the creation of a new fund:

> The government will establish a £150 million fund to kick start the regeneration of large housing estates through repayable loans, helping to boost housing supply. Bids will shortly be invited from private sector developers, working with local authorities on estates that might be able to benefit. Following the Autumn Statement, expressions of interest have already been made through the Greater London Authority relating to the Aylesbury Estate, Blackwall Reach and Grahame Park regeneration projects in London.

A prospectus and additional information on the programme were published in June 2014.[63] The 2014 Autumn Statement confirmed that £150 million had been allocated to projects under this fund including

57 See: NHF response to the 2014 Autumn Statement, December 2014 [accessed on 8 December 2014]
58 Ibid.
59 DCLG, Increasing the borrowing capacity of stock transfer housing associations, 2015
60 For more information see Library briefing paper: Planning Obligations (Section 106 Agreements) (7200)
61 UK Housing Review 2017, p86
62 DCLG, Fixing our broken housing market, February 2017, p40
63 DCLG Estate Regeneration Programme, (accessed on 8 July 2014)

Grahame Park, Blackwall Reach, Aylesbury Estate and New Union Wharf.[64]

In a speech on 11 January 2016, the then Prime Minister outlined a new approach to estate regeneration under which the "country's worst housing estates would be removed and replaced with safe and attractive homes for residents" utilising £140 million in loan funding to jump-start the projects.[65] This announcement followed publication of Government commissioned research by Savills, Completing London's Streets, which found that up to 360,000 extra homes could be created in London by redeveloping council estates to a higher density along street patterns.[66]

An Estates Regeneration Advisory Panel was established in February 2016 and tasked with the development of a national estate regeneration strategy. The Estate Regeneration National Strategy was published in December 2016 along with a further £30 million of enabling grant and £2 million of capacity building funding.[67]

The UK Housing Review 2017 notes that regeneration accounts for a proportion of the 3,000 local authority units demolished each year, "but its contribution to new supply is likely to be a mix of affordable and market housing that is impossible to identify in statistics." One outcome, the authors suggest, "is likely to be further loss of social rented homes, as replacements tend to be for affordable rent or shared ownership."[68]

The **Autumn Budget 2017** included £400 million in loan funding for estate regeneration:

> **Estate regeneration** – The Budget provides £400 million of loan funding for estate regeneration to transform run-down neighbourhoods and provide new homes in high-demand areas.[69]

3. Direct Commissioning

Housing organisations welcomed the inclusion of housing development in the Coalition Government's National Infrastructure Plan 2014 (published on 2 December 2014). This plan set out an intention to trial a new delivery model with the HCA taking the lead role:

> …the government will take forward development of Northstowe; the government will trial a new delivery model on the site, with the Homes and Communities Agency taking the lead on delivering the site, including through master-planning and commissioning; this will support the construction of up to 10,000 new homes on the site, up to twice as fast as conventional development routes; the government will report by Budget on the delivery vehicle, governance and investment in the site; the government will undertake an evaluation of the Northstowe development, and of

64 Cm 8961, December 2014, para 1.134
65 Prime Minister pledges to transform sink estates, 11 January 2016
66 Savills, Completing London's Streets, January 2016
67 DCLG, Estate Regeneration National Strategy, 2016
68 UK Housing Review 2017, p86
69 Budget 2017, November 2017, para 5.24

> the feasibility and economic impacts of pursuing this model at a wider scale.[70]

Subsequently, on 4 January 2016, the then Prime Minister announced an extension of direct commissioning:

> The Prime Minister will today announce that the government is to step in and directly commission thousands of new affordable homes.
>
> In a radical new policy shift, not used on this scale since Thatcher and Heseltine started the Docklands, the government will directly commission the building of homes on publicly owned land. This will lead to quality homes built at a faster rate with smaller building firms – currently unable to take on big projects – able to get building on government sites where planning permission is already in place. The first wave of up to 13,000 will start on 4 sites outside of London in 2016 – up to 40% of which will be affordable 'starter' homes. This approach will also be used in at the Old Oak Common site in north west London.
>
> […]
>
> Communities Secretary Greg Clark said:
>
> "We're pulling out all the stops to keep the country building with a clear ambition to deliver a million homes by 2020 and support hard-working people into home ownership.
>
> Today's radical new approach will mean the government will directly commission small and up-and-coming companies to build thousands of new homes on sites right across the country.
>
> This, and the £1.2billion new starter homes fund, will help thousands of people to realise their dream of owning their own home."
>
> Currently the top 8 house builders provide 50% of new homes. The direct commissioning approach will support smaller builders and new entrants who are ready to build but lack the resources and access to land.
>
> The pilot for direct commissioning on publicly owned land will start in 5 sites:
>
> Connaught Barracks in Dover
>
> Northstowe in Cambridgeshire
>
> Lower Graylingwell in Chichester
>
> Daedalus on Waterfront in Gosport
>
> Old Oak Common in north west London[71]

An *Inside Housing* report of 8 January 2016 suggested that progress on the schemes could be limited due to the need for complex infrastructure requirements.[72]

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70 HM Treasury, National Infrastructure Plan 2014, December 2014, para 2.16
71 PM: The Government will directly build affordable homes, 4 January 2016
72 *Inside Housing,* "Direct commissioning work could be years away", 8 January 2016

In November 2016 the Royal Institute of Chartered Surveyors called on the Government to extend direct commissioning and positive intervention to increase housing supply on brownfield sites.[73]

The Communities and Local Government Select Committee questioned the Chairman of the HCA, Sir Edward Lister, about progress with the pilots during its inquiry into capacity in the homebuilding industry over 2016-17, Sir Edward said:

> We have gone a little slower than we would have liked. One of the challenges to us is we have to speed up. On the first one, we have been through the whole tendering process. We learnt a lot from that tendering process and have now completed that, and the order, if it is not already placed, will be placed within the next few days with the successful company. We have a second one that is well on the way to completion and the others are all further behind that. We need to go well north of the five sites to achieve our numbers.[74]

Direct commissioning appears to have been overtaken by the accelerated construction programme (see section 8 of this paper).

4. New Homes Bonus

The New Homes Bonus is a Government scheme which is aimed at encouraging local authorities to grant planning permissions for the building of new houses in return for additional revenue. The Government initially matched the Council Tax raised on each newly built home for six years:

> Starting in 2011-12 the scheme will match fund the additional council tax for each new home and property brought back into use, for each of the six years after that home is built. Central government will help establish the scheme with support of £196 million in the first year and £250 million for each of the following three years. The New Homes Bonus will be a simple, powerful, transparent and permanent feature of the local government finance system. A consultation will shortly be published setting out the government's proposed model for implementation.[75]

For more information see Library Briefing Paper 05724. A National Audit Office report, New Homes Bonus, (March 2013) concluded that there "is little evidence that the Bonus had yet made significant changes to local authorities' behaviour towards increasing housing supply." The Public Accounts Committee called on the Government to evaluate its impact in its Twenty-ninth report of 2013-14, The New Homes Bonus.[76]

The DCLG's evaluation of the scheme over the first four years of operation was published in December 2014: Evaluation of the New Homes Bonus.

As part of Spending Round 2013, it was announced that £400 million from the New Homes Bonus would be pooled within Local Enterprise

73 *Inside Housing*, "RICS: Government should expand direct commissioning", 18 November 2016
74 HC 46, Tenth Report of 2016-17, 29 April 2017, para 46
75 Cm 7961, October 2010
76 HC 114,Twenty-ninth report of 2013-14, The New Homes Bonus, October 2013

Partnership areas to support strategic housing and economic development priorities.[77] However, the 2013 Autumn Statement advised that pooling would not be taken forward, aside from in London:

> The government will formally respond to the technical consultation on the New Homes Bonus and the Local Growth Fund in due course. The government will not include the New Homes Bonus in the Local Growth Fund, except for £70 million for the London Local Enterprise Partnership, which is chaired by the Mayor of London.[78]

London Councils described the decision to pool £70 million of New Homes Bonus in London from 2015 as "outrageous."[79]

Following the General Election, the 2015 Autumn Statement included an announcement that:

> …the government will also consult on reforms to the New Homes Bonus, including means of sharpening the incentive to reward communities for additional homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800 million, which can be used for social care. Details of both reforms will be set out as part of the local government finance settlement consultation, which will include consideration of proposals to introduce a floor to ensure that no authority loses out disproportionately.[80]

The consultation proposals were published by DCLG in December 2015, New Homes Bonus: Sharpening the Incentive. The consultation was framed in the context of the 2015 Spending Review:

> This confirmed the intention to move to full retention of business rates by 2020 and a preferred option for savings of at least £800 million, which can be used for social care. Savings in the overall cost of the Bonus will be redistributed with the local government settlement, in particular to support authorities with specific pressures, such as in adult social care budget.[81]

No changes were proposed for the 2016-17 allocations or payments due to be made in 2016-17 relating to previous years.

As part of the provisional Local Government Finance Settlement 2016, Sajid Javid, Secretary of State for Communities and Local Government, said that "for all its successes, the system can be improved." He confirmed that from 2017 a national baseline for housing growth would be introduced of 0.4%. He also confirmed that in 2017-18, NHB payments would be made for five, rather than six years, and that the payment period would be further reduced to four years from 2018-19.

5. Infrastructure for housing

The measures taken by the Coalition Government to overcome barriers to housing development related to infrastructure are summarised below:

77 HM Treasury, Investing in Britain's Future, Cm 8669, p43
78 2013 Autumn Statement, para 1.230
79 London Councils, "Outrageous £70m cut must be reversed," 9 December 2013
80 Spending Review and Autumn Statement 2015, p.59
81 New Homes Bonus: Sharpening the Incentive, December 2015

> The government's focus is on supporting local ambition for new long term communities and finding innovative ways to help communities overcome the barriers to delivering the homes they need.
>
> In November 2012, we announced government support to help progress development on large-scale sites by:
>
> - supporting local capacity
> - working across government to resolve barriers to delivery
> - providing access to capital funding where appropriate
>
> At the Autumn Statement 2012 we announced that we would invest £474 million in local infrastructure to support both housing and commercial development.
>
> At Autumn Statement 2013 we committed a further £1 billion of funding to unlock locally-led housing schemes, extending the programme through to the years 2019 to 2020.
>
> A prospectus for the large sites infrastructure programme was published in April 2014 inviting interested parties to bid for funding.
>
> Following this we published the Local Growth Fund (Housing Infrastructure) prospectus, a separate prospectus for £50 million of funding for bids supported by the local enterprise partnerships.
>
> As announced at Budget 2014 we also published the locally-led garden cities prospectus in April 2014 setting out how interested local authorities could develop their own, locally-led proposals for bringing forward new garden cities.

Bidding for £1 billion of loan funding under the large sites infrastructure programme was reopened in October 2015.[82] The intention is to run Continuous Market Engagement to the end of March 2020.

The 2015 Government included measures in the *Housing and Planning Act 2016* to allow for major infrastructure projects with an element of housing to apply for development consent through the *Planning Act 2008* regime, rather than having to seek separate planning permission.

The Queen's Speech 2016 included a commitment to introduce a *Neighbourhood Planning and Infrastructure Bill* to:

> - Support the Government's ambition to deliver one million new homes, whilst protecting those areas that we value most including the Green Belt.
> - Deliver the homes and infrastructure that this country needs.
> - Transform the way we plan for major infrastructure projects in this country.[83]

The benefits of the Bill are described as to:

> - Further empower local communities to plan the homes and infrastructure that they need.

[82] DCLG, Large sites infrastructure programme: prospectus, October 2015
[83] Queen's Speech 2016 Background Briefing Notes, May 2016

- Drive more effective and efficient delivery of housing and infrastructure that local communities need, and make the process clearer, faster and fairer.
- Support long term economic growth through an overarching and independent assessment of the long-term infrastructure needs of the nation.
- This will help deliver the manifesto pledge to invest over £100 billion in our infrastructure over this Parliament.[84]

The *Neighbourhood Planning Act 2017* gained Royal Assent on 27 April 2017. For more information see: Commons Library analysis of the Neighbourhood Planning Bill (7641) and Neighbourhood Planning Bill: Report on Committee Stage (7760).

There are separate Library briefing papers on Local Growth Deals (07120); Local Enterprise Partnerships (05651); and Garden Cities (06867).

As part of the **Autumn Statement 2016** the 2015 Government announced £2.3 billion for a new Housing Infrastructure Fund:

> The fund will be used for projects such as roads and water connections that will support the construction of up to 100,000 new homes in the areas where they are needed most.[85]

The **Autumn Budget 2017** increased the funding available by £2.7 billion:

> **Increasing the Housing Infrastructure Fund –** The government will invest further in infrastructure through the NPIF to support new housing in high-demand areas. The Budget commits a further £2.7 billion to the competitively allocated Housing Infrastructure Fund (HIF) in England. This takes the total investment in the HIF to £5 billion.[86]

A further £630 million in infrastructure funding was announced to help accelerate building on small sites:

> **Small sites: infrastructure and remediation** – The government will provide a further £630 million through the NPIF to accelerate the building of homes on small, stalled sites, by funding on-site infrastructure and land remediation.[87]

6. Home Building Fund

In October 2016 the 2015 Government announced the creation of a £3 billion Home Building Fund to provide:

- development finance - loan funding to meet the development costs of building homes for sale or rent

[84] Ibid.
[85] DCLG, Autumn Statement 2016, November 2016
[86] Budget 2017, November 2017, para 5.18
[87] Ibid., para 5.20

- infrastructure finance - loan funding for site preparation and the infrastructure needed to enable housing to progress and to prepare land for development[88]

The Fund is administered by the HCA. Initially, £1 billion was made available for small and custom builders while £2 billion was available as long-term funding for infrastructure.

Several existing funding streams were rolled together to create the £3 billion fund, including: the Builders Finance Fund (£525 million)[89]; the Large Sites Infrastructure Programme (£1 billion)[90]; and the Build to Rent Fund (£1 billion)[91]. In addition, the 2015 Government made available
£1.15 billion in new funding for loans.

The **Autumn Budget 2017** announced an increase in funding:

> **Home Building Fund: SMEs** – The Budget announces a further £1.5 billion for the Home Building Fund, providing loans specifically targeted at supporting SMEs who cannot access the finance they need to build.[92]

7. Housing guarantees

The **Autumn Budget 2017** included a commitment to "explore options with industry to create £8 billion worth of new guarantees to support housebuilding, including SMEs and purpose built rented housing."[93]

8. Accelerated Construction

The 2015 Government was keen to seek increased diversification in the house building industry – one of the ways in which this was to be achieved was through the Accelerated Construction Programme - £2 billion in funding was made available. The Housing White Paper explained:

> The Government is taking direct action through the Accelerated Construction programme. We will help diversify the house-building sector and see homes built quickly by partnering with small and medium-sized builders, contractors and others to build out surplus public sector land.
>
> Accelerated Construction will:
>
> - see up to 15,000 housing starts over the Parliament, through building out public sector sites faster than traditional disposal routes;

88 DCLG, Introduction to the Home Building Fund, 4 October 2016
89 This fund was established in 2014 to support SME to access finance via loans to unlock stalled developments of between 15 and 250 units.
90 A prospectus for the large sites infrastructure programme was published in April 2014 inviting interested parties to bid for funding.
91 The Build to Rent Fund was launched in 2012 and was aimed at stimulating the development of new private rented housing and to provide opportunities for new institutional investment in the sector. The funding was fully recoverable.
92 Budget 2017, November 2017, para 5.21
93 Budget 2017, November 2017, para 5.22

> - catalyse changes in the wider housing market, through supporting offsite manufacturing techniques and increasing the number of participants in house-building; and
> - generate higher receipts for the taxpayer through sharing risk and reward in the development of our land.
>
> Through this programme, the Government will work harder to make public land available and ready to build on. Alongside land from central government, we will work with local authorities to help them bring forward their own sites. The Government will partner directly with innovative private sector partners. Through sharing risk and reward, we will lower developer risk and help overcome issues with access to finance and build out sites up to twice the rate a large developer might. We will also support the development of modern methods of construction, generating the confidence for the private sector to invest in new capacity. In doing so, we will aim to bring forward as many genuinely additional homes as possible.
>
> For all sites, we will consider the most appropriate development route based on the appetite of those we partner with, the characteristics of the site (including its size and viability), and requirement basic infrastructure provision. Sites will be tendered individually, or as part of a portfolio of sites to spread risk, providing the confidence to invest, and obtain best value for the taxpayer. Where appropriate, we will obtain or provide ourselves with outline permission and undertake the costs of some remediation work to reduce development risks.[94]

DCLG issued Accelerated Construction: local authorities' expressions of interest in January 2017.

The Communities and Local Government Select Committee considered Accelerated Construction during its inquiry into capacity in the homebuilding industry over 2016-17. The Committee was keen to understand how Accelerated Construction differed from direct commissioning (see section 3 of this paper). Isobel Stephen, Director of Housing Supply at DCLG gave evidence to the Committee:

> Direct commissioning was the predecessor to Accelerated Construction. Accelerated Construction builds on the ideas we had in direct commissioning and takes them a bit further. When asked what had been learnt from direct commissioning and what lessons could be applied to Accelerated Construction, Ms Stephen said "I do not think we got far enough with any of the pilots to be able to work that evidence in but we are definitely looking to learn from the programme as we go forward". Mr Barwell explained that "We could have sat and waited for a year and a half or two years, but we felt there was enough merit in this idea that we wanted to get on with it".[95]

The Committee recommended:

> It is essential that Accelerated Construction does not become another stalled initiative like the direct commissioning pilots which have little to show a year on from the substantial initial financial commitment. The Accelerated Construction programme should be closely monitored by our successors, so as to make it possible to assess its effectiveness at bringing forward more surplus public

94 Cm 9352, Fixing our broken housing market, February 2017, paras 3.11-13
95 HC 46, Tenth Report of 2016-17, 29 April 2017, para 47

> land for development, diversifying the market through partnership arrangements with small and medium sized builders and supporting offsite manufacturing. Accelerated Construction provides a welcome opportunity for public funds to be used to reduce the risk of development through a more proactive role for the HCA. *The HCA should provide regular written updates to the Committee with progress reports against key milestones.*[96]

In March 2017, DCLG announced the appointment of Stephen Kinsella as its new Director of Accelerated Construction.[97]

The Office of Budget Responsibility (OBR) confirmed a reduction in funding for this program in its November 2017 report.[98]

9. Disposal of public sector land

Access to land is a key factor in the development of new housing supply. The 2015 Government said it was committed to speeding up the release of public sector land.

9.1 The Coalition Government's programme

The Coalition Government was active in Accelerating the release of public sector land. In the 2011 Budget the Government announced an intention to test 'build now, pay later' techniques to speed up delivery.

Under build now, pay later house-builders paid for the land after they had started work on the new homes. The scheme was administered by the HCA.

The DCLG's written evidence to the Public Accounts Committee (September 2015) provided information on sites released under build now, pay later:

> As part of the programme the HCA released 31 sites to the market with capacity for 6,026 homes; 2,547 of these homes have been started of which 658 have been completed. The current value of expected receipts from these sales is £130,975,069.[99]

A summary of action taken by the Coalition Government to release public sector land is provided below:

> **Current public sector land programme**
>
> The current public sector land programme's aim was to release surplus public sector land with capacity to provide up to 100,000 homes by March 2015.
>
> By working closely with the Homes and Communities Agency (HCA) and other major land holding departments on 4 March 2015 it was announced that the Prime Minister's original commitment had been exceeded.

96 Ibid., para 48
97 DCLG Press Release, 29 March 2017
98 OBR, Economic and Fiscal Outlook, November 2017, para 4.111
99 DCLG Written Evidence to the Public Accounts Committee, September 2015

> **Future public sector land programme**
>
> The government will set ambitious targets for the release of public sector land between 2015 and 2020 and is committed to releasing land with capacity for up to 150,000 homes.
>
> From April 2015 the HCA will be acting as the government's land disposal agency. It will be concentrating on the sale of land which is surplus and developable for housing or economic growth.
>
> The HCA will improve how the government sells its land by ensuring greater co-ordination between site disposals to maximise value for money. It will also simplify the points of contact for developers and others who are interested in acquiring land for housing and growth.
>
> In addition the HCA provides a strong commercial understanding of the market, combined with local knowledge and has good connections with local planning authorities.[100]

The Public Accounts Committee conducted an inquiry into the Disposal of Public Land for New Homes over 2015-16. The resulting report was critical of Government monitoring processes:

> The Department for Communities and Local Government cannot demonstrate the success of the land disposal programme in addressing the housing shortage or achieving value for money because it does not collect information on the actual number of houses built or under construction, the proceeds from land sold, or whether the parcels of land were sold at market value. Instead, it chose to focus only on a notional number for 'potential' capacity for building houses on the land sold by individual departments in order to determine 'success'. The Department also counted towards the programme's target the capacity of land sold before the programme had even started. It did not collect basic information necessary to oversee the programme effectively and, where it did collect programme-level data, there were omissions and inconsistencies. With much greater ambitions for land disposals in the new Parliament, the Department must address the weaknesses in the current programme, and the Department has accepted that it needs to improve its general monitoring. If it is to oversee the new programme effectively then this must specifically include tracking sale proceeds and progress with the actual construction of new homes, and overseeing the programme in a way that gives Parliament and the taxpayer much greater assurance over the value for money achieved from all disposals.[101]

The Spending Review and Autumn Statement 2015 announced an intention to "sell £4.5 billion worth of government land and property, creating space for more than 160,000 new homes, and implement a new commercial approach to land and property management."[102]

The Government's response to the PAC's report and recommendations was published in December 2015.[103] A number of recommendations were rejected. The Government said:

> The key policy objective of the Public Sector Land for Housing Programme is to dispose of surplus land with capacity for 160,000 homes by 2020. The Department will set out further details of the

100 DCLG Single Departmental Plan 2010-2015
101 HC 289, Second Report of 2015-16, September 2015
102 Cm 9162, November 2015, p5
103 Cm 9170, December 2015

> programme in Spring 2016, including details of how progress will be monitored.[104]

9.2 The 2015 Government's programme

Then Housing Minister, Gavin Barwell, told the House of Lords Economic Affairs Committee that the Government was aiming for 320,000 homes on public land up to 2020.[105] Progress in delivering the 2015-2020 disposals programme had improved, according to the PAC:

> The Department has put in place guidance and monitoring arrangements for the 2015–2020 programme, although it has yet to publish these. It has also made clearer other departments' roles and responsibilities. We are also pleased that the Department has now agreed to monitor the number of homes actually built; the programme is an important part of addressing the current housing shortage and the taxpayer has a right to know how many homes are built as a result of it.[106]

The Housing White Paper (February 2017) announced the following initiatives on public sector land release:

> We have a particular responsibility to make the most of surplus land which is already in public ownership. The Government has an ambition to release surplus public land with capacity for 160,000 homes during this Parliament. We are operating our Accelerated Construction programme on some of this land. Local authorities are working on parallel proposals to use surplus public land for a further 160,000 homes over the Parliament. **We are providing further support for local authorities by launching a new £45m Land Release Fund and have already had a large number of expressions of interest for participation in the Accelerated Construction programme** outlined in Chapter 3.
>
> In addition, we propose to ensure all authorities can dispose of land with the benefit of planning permission which they have granted to themselves. We will also consult on extending **their flexibility to dispose of land at less than best consideration** and welcome views on **what additional powers or capacity they need to play a more active role in assembling land for development** (including whether additional powers are needed to prevent 'ransom strips' delaying or preventing development, especially in brownfield regeneration). For example, in many countries local authorities regularly work with local landowners to assemble land for housing.[107]

An update on Government action to release public sector land for housing was provided in response to a PQ on 23 November 2017:

> The Government Property Unit in Cabinet Office is responsible for overseeing implementation of the Government Estate Strategy. This means working with Government Departments to ensure the estate is efficient and fit-for-purpose to support operations now and in the future.

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104 Ibid.

105 Select Committee on Economic Affairs, 1st Report of Session 2016-17, Building More Homes, HL Paper 20, 15 July 2016, para 162

106 HC 634, Twenty-second report of 2016-17, 2 November 2016, p3

107 Cm 9352, Fixing our broken housing market, February 2017, paras 1.26-27

> The GPU commissions Departments to produce annual Strategic Asset Management Plans, setting out how they plan to implement the Government Estate Strategy within their property portfolio.
>
> Government is working towards our commitment to raise £5 billion from releasing surplus land in 2015 - 2020. In doing so, our ambition is to also unlock land with capacity for 160,000 new homes.
>
> We are also supporting collaboration across the public sector to make better use of our collective estate. Our successful partnership with the Local Government Association to deliver the One Public Estate programme aims to support 95% of councils in England by 2018. Through joint working across central and local Government and the wider public sector we are delivering more integrated public services, local growth (homes and jobs) and efficiencies. We are currently in the process of further expanding the One Public Estate programme. In addition to new and existing partnerships applying for funding and support to deliver collaborative schemes, we have partnered with the Department for Communities and Local Government to include a £45 million capital Local Authority Land Release Fund. This combination of One Public Estate and DCLG funding and support will be a significant boost to unlocking public land for new homes. The current partnerships are expected to release land to deliver 25,000 housing units by 2020.[108]

A Land Assembly Fund

The Autumn Budget 2017 announced the establishment of this new fund:

> **Land Assembly Fund –** The government will provide £1.1 billion for a new Land Assembly Fund, funded from the NPIF. The new fund will enable Homes England to work alongside private developers to develop strategic sites, including new settlements and urban regeneration schemes.[109]

The Budget also contains a number of planning side initiatives to improve the availability of land, see paragraphs 5.16 to 5.14.

10. Home ownership initiatives

The Coalition Government emphasised the need to stabilise the financial markets in order to assist people to access mortgage finance:

> **Grant Shapps:** The Government are committed to helping those who aspire to own their own home, through ensuring a return to economic and financial stability. The Government are seeking to achieve this through a programme of debt reduction and a commitment to abolish the structural deficit in the life of this Parliament. This will help to keep mortgage interest rates low and improve credit availability.[110]

DCLG's Single Departmental Plan 2015-2020 aims to increase housing supply and "make it easier for the 86% of people who say they want to own their own home, to achieve that aspiration."[111]

108 Public sector land – Written Question – 111227, 23 November 2017
109 Budget 2017, November 2017, para 5.16
110 HC Deb 1 December 2010 c 848W
111 DCLG Single Departmental Plan 2015-2020 [accessed on 18 April 2017]

10.1 Help to Buy: equity loan

In Budget 2013 the Chancellor announced the replacement of the FirstBuy scheme:

> From 1 April 2013, building on the success of First Buy, Help to Buy: equity loan will be opened up to all those who aspire to own a new build home.
>
> The Government will:
>
> - provide an equity loan worth up to 20 per cent of the value of a new build home, repayable once the home is sold;
> - significantly widen the eligibility criteria to ensure as many people as possible are able to benefit. The maximum home value will be £600,000 and there will be no income cap constraint; and
> - ensure that the scheme is open not only to first-time buyers but also to all those looking to move up the housing ladder.
>
> Help to Buy: equity loan will be open for the next three years, providing £3.5 billion of investment in England, supporting up to 74,000 more home buyers as well as providing a boost to the construction sector.[112]

The Help to Buy Equity Loan scheme was funded to a value of £9.7 billion until 2020 and was expected to cover up to 194,000 new home buyers, but during the Autumn Statement 2015 the Chancellor said the scheme would be extended to 2021. The 2015 Government also launched a Help to Buy London scheme in February 2016 in recognition of higher housing costs in the capital:

> The Help to Buy scheme is an equity loan provided by the Government. They lend you up to 40% of the cost of your new build home, so you will need a minimum 5% deposit and a 55% mortgage to make up the rest.
>
> For this scheme you must have a mortgage, which will be a first charge, as the equity loan can only be a second charge. The equity loan is for a maximum of 25 years or before if the property is sold or the mortgage is redeemed, whichever term is the shorter of the two.
>
> You will not be charged any interest on the 40% loan for the first five years of owning your home. However a management fee of £1 a month will be applicable from the date of purchase. From year six, a fee of 1.75% is payable on the equity loan, which rises annually by RPI (Retail Price Index) inflation plus 1%.[113]

The Housing White Paper (February 2017) said that the Government would "work with the sector to consider the future of the scheme" beyond 2021.[114]

In October 2017, the Government confirmed that this scheme would continue up to March 2021 and the **Autumn Budget 2017** confirmed an additional £10 billion in funding:

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112 HC 1033, March 2013
113 Help to Buy London website [accessed on 9 March 2016]
114 Cm 9352, Fixing our broken housing market, February 2017, para 4.12

> **Help to Buy Equity Loan** – The Help to Buy Equity Loan scheme helps people to buy a home with a 5% deposit and has supported 135,000 people so far. The Budget confirms the announcement in October of a further £10 billion for the scheme, supporting another 135,000 people to buy a new home.[115]

10.2 Help to Buy: mortgage guarantee scheme (closed)

The other strand of the Help to Buy scheme announced by the Chancellor as part of the 2013 Budget was the development of a new mortgage guarantee scheme:

> The Government will create a major new Help to Buy: mortgage guarantee to increase the availability of mortgages on new or existing properties for those with small deposits.
>
> The Help to Buy: mortgage guarantee, a temporary scheme that will run for three years from January 2014[116], will:
>
> - increase the supply of high loan-to-value mortgages by offering a government guarantee to lenders who offer mortgages to people with a deposit of between 5 per cent and 20 per cent;
> - be open not only to first-time buyers but also to existing homeowners;
> - have no income cap constraint; and
> - be available on homes with a value of up to £600,000.
>
> Help to Buy: mortgage guarantee will, subject to the final design, make available up to £12 billion of government guarantees, sufficient to support £130 billion of high loan-to-value mortgages.[117]

The Help to Buy mortgage guarantee scheme closed to new applicants at the end of December 2016.

10.3 Help to Buy: ISA

In the March 2015 Budget Statement the Chancellor announced an expansion of the Help to Buy scheme by introducing a Help to Buy ISA.

First time buyers saving through a Help to Buy: ISA receive a Government bonus of 25% of the amount saved. The Government contributes a maximum of £3,000 for £12,000 of savings. The bonus is calculated and paid when an individual buys their first home; the discount is calculated per person, rather than per household, which means that people buying together can both receive a bonus.

The bonus is available for people buying their first home up to a value of £250,000 outside London and £450,000 in London.[118]

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[115] Budget 2017, November 2017, para 5.29
[116] The scheme was launched early for applications in October 2013 and will end on 31 December 2016.
[117] HC 1033, March 2013
[118] HM Treasury, Help to Buy: ISA, scheme outline, March 2015

The 2015 Government produced a Help to Buy ISA factsheet. The ISAs were launched in autumn 2015.

10.4 The lifetime ISA

Budget 2016 announced the introduction of a new savings product (from April 2017) which can be used by first-time buyers to help them buy a property:

> **The Lifetime ISA**
>
> The government wants to help young people save flexibly for the long term and ensure they do not have to choose between saving for retirement and saving for their first home. The Budget announces that from 6 April 2017 any adult under 40 will be able to open a new Lifetime ISA. They can save up to £4,000 each year and will receive a 25% bonus from the government on every pound they put in.
>
> Contributions can continue to be made with the bonus paid up to the age of 50. Funds can be used to buy a first home with the government bonus at any time from 12 months after opening the account, and can be withdrawn from the Lifetime ISA with the government bonus from age 60 for use in retirement.
>
> The government will set the limit for property purchased using Lifetime ISA funds at £450,000. This limit will apply nationally. People can continue to open a Help to Buy: ISA until November 2019, as planned. They can also choose to open a Lifetime ISA, but will only be able to use the government bonus from one of their accounts to buy their first home. During the 2017-18 tax year, those who already have a Help to Buy: ISA will be able to transfer the savings they have built up into the Lifetime ISA and still save an additional £4,000.
>
> Whilst this is a product aimed at encouraging saving for the long term, the government understands that circumstances change so wants to ensure that people can access their own money if they need it whilst also keeping an incentive to leave funds invested for the long term. The government will consider whether Lifetime ISA funds plus the government bonus can be withdrawn in full for other specific life events in addition to buying a first home.[119]

10.5 Right to Buy

With effect from April 2012, the Coalition Government reintroduced a national maximum discount set at £75,000 with the aim of revitalising the Right to Buy for existing secure tenants:

> Right to Buy sales have been in long term decline and minimal in most recent years. A more generous discount will allow a greater number of social tenants to take up their Right to Buy and meet their home ownership aspirations, support social mobility and will help create and sustain mixed communities. Housing need remains high and building replacement homes for affordable rent will help us to meet this need.[120]

In Budget 2013 the Chancellor announced that the maximum discount in London would be increased to £100,000 – this was brought into

[119] Ibid., paras 1.108-11
[120] CLG, draft impact assessment, page 1

effect on 25 March 2013.[121] Budget 2013 also included an announcement on the Government's intention to

> ...look at ways to simplify the [Right to Buy] application process to ensure applicants are not hampered by a burdensome administrative process; and reduce the qualifying period before tenants become eligible for Right to Buy from five years to three years.[122]

Measures to achieve this were included in the *Deregulation Act 2015.*

The Autumn Statement 2013 saw the Chancellor announce an intention to appoint RTB 'Agents' to "help buyers complete their home purchase" and "provide £100 million to establish a fund to increase Right to Buy sales, by improving applicants' access to mortgage finance." [123]

On 3 January 2014 the Secretary of State, Eric Pickles, announced an intention to increase the maximum discount on a house under the RTB from 60% to 70% of its value, together with an intention to increase the discount caps on an annual basis by the Consumer Price Index.

The *Housing (Right to Buy) (Maximum Percentage Discount) (England) Order 2014* increased the maximum discount in respect of a house to 70% on 20 July 2014. *The Housing (Right to Buy) (Limit on Discount) (England) Order 2014* (SI 2014/1378) came into force on 21 July 2014. This Order increased the maximum discount for properties in London to £102,700 and for the rest of England to £77,000 between 21 July 2014 and 5 April 2015. Since 6 April 2015 the maximum discount has increased annually by the by the percentage change in the Consumer Prices Index published by the Statistics Board from the September before the previous year to the September of the previous year (rounded down to the nearest £100).

The Coalition Government made a commitment to replace the additional homes sold under the reinvigorated Right to Buy on a one-for-one basis. There is some dispute over whether this is being achieved in practice.[124]

Following a Conservative Manifesto pledge in 2015, work began to develop a scheme to allow assured tenants of housing associations to buy their homes. Agreement was reached with the National Housing Federation to operate the scheme on a voluntary, rather than a statutory, basis. Local authorities would be required to make an annual payment to the Secretary of State which would be used to compensate associations for selling homes at a discount. This sum would be based on an assessment of the sale of each authorities' higher-value stock which is likely to become vacant over the year. Section 74 of the *Housing and Planning Act 2016* provides that an agreement may be entered into between the Secretary of State and an authority outside of London to reduce the amount payable. Where this is done, the agreement must ensure that at least one new affordable home is

121 *Housing (Right to Buy) (Limit on Discount) (England) Order 2013* (S.I. 2013/677)
122 HC 1033, March 2013
123 Cm 8747, December 2013, para 1.233
124 See National Audit Office, Extending the Right to Buy, March 2016 and Public Accounts Committee, Extending the Right to Buy, March 2016

provided for each sold dwelling. Inside of London, the agreement must ensure the provision of two affordable homes for each sold dwelling.

Housing associations said they would replace the homes sold under the voluntary Right to Buy on at least a one-for-one basis. The replacement homes will not necessarily be in the same location or of the same tenure. No roll-out date for the scheme has been announced at this point.

The Autumn Statement 2016 announced that the Government would fund "a large-scale regional pilot of the Right to Buy for housing association tenants." After some delay, the **Autumn Budget 2017** confirmed that the regional pilot will go ahead in the Midlands:

> The Budget confirms that government will proceed with a £200 million large-scale regional pilot of the Right to Buy for housing association tenants in the Midlands.[125]

For more information see Library briefing paper 7224, Introducing a voluntary Right to Buy for housing association tenants in England

10.6 Shared ownership

In addition to an extension to Stamp Duty Land Tax (SDLT) multiple dwellings relief, which has resulted in its application to "lease and leaseback" arrangements with housing associations on shared ownership properties, the 2014 Autumn Statement included a Government commitment to "consult on the options for streamlining the process for selling on shared ownership properties." The Coalition Government said it intended to work with associations, lenders and the regulator to "identify and lift barriers to extending shared ownership."[126]

The National Housing Federation (NHF) welcomed the changes to SDLT and, in its response to the Autumn Statement, suggested some changes to the rules governing the purchase and sale of shared ownership dwellings, such as allowing existing shared owners to buy again through shared ownership.[127]

The Coalition Government conducted a review of some of the resale provisions relating to shared ownership in 2015 and resolved to make some changes in respect of future leases entered into.[128]

The then Housing Minister responded to a PQ on the progress of the shared ownership review in March 2016:

> The Government carried out an internal review of Shared Ownership policy last year. Following this, the Autumn Statement confirmed £4.1 billion for 135,000 new Help to Buy: Shared Ownership starts by 2021. It also raised the income cap on Shared Ownership in England from £60,000 to £80,000, removed restrictions on who can buy Shared Ownership homes, enabled

[125] Budget 2017, November 2017, para 5.32
[126] Cm 8961, December 2014, para 1.139-1.140
[127] NHF response to the 2014 Autumn Statement, December 2014 [accessed on 8 December 2014]
[128] See DCLG, Proposals to streamline the resale of shared ownership properties, March 2015

> existing shared owners to climb the Shared Ownership ladder and removed restrictions on how many bedrooms Shared Ownership buyers can purchase.
>
> The prospectus for the Shared Ownership and Affordable Homes Programme 2016 to 2021 was launched on 13 April 2016 and invites applications for up to £4.7 billion of funding to increase the supply of new shared ownership and affordable homes.[129]

10.7 Starter Homes

This was one of the 2015 Government's flagship schemes for increasing housing supply and improving access to home ownership for first-time buyers.

In December 2014 the Prime Minister announced the launch of a new scheme aimed at providing discounted Starter Homes exclusively to under 40s at no cost to the tax payer.[130] Potential applicants have been able to register interest in the scheme since February 2015.[131]

The Housing and Planning Act 2016 and associated regulations provide the statutory framework for the development of Starter Homes.

Starter Homes will be exclusively available to first-time buyers aged between 23 and 40 who will benefit from a 20% reduction on market value. A household income eligibility cap of £80,000 (£90,000 in London) will apply. The properties developed under this scheme are set to cost no more than £250,000 outside of London and £450,000 within London.

Restrictions on the resale and letting of starter homes will apply in order to deter people buying them for rental investment or short-term speculation. First-time buyers will have to have a minimum 25% mortgage. A tapered approach will operate in relation to the repayment of the 20% discount on resale of Starter Homes. Regulations, to be issued in due course, will set out the detail on how the taper will work and the period over which some repayment of discount will be required.

Specific funding was made available via the Starter Homes Land Fund (£1.3 billion) to support the acquisition, remediation and de-risking of suitable land for starter home developments. The development of Starter Homes was also to be facilitated through planning policy. See Library briefing paper Starter Homes for First-Time Buyers (England) (7643).

The Government has been probed on progress in building Starter Homes, for example:

> To ask the Secretary of State for Communities and Local Government, how many starter homes have been built in each of the last five years.
>
> Our Housing White Paper: Fixing Our Broken Housing Market set out plans for starter homes to help young people into home ownership. We have made clear starter homes should be targeted

129 Commons Written Question: 32617: 15 April 2016
130 *Inside Housing*, "Government launches £26m Starter Homesfund," 10 August 2015
131 DCLG, Young first-time buyers can register online for 100,000 cut-price homes, 28 February 2015

> at first-time buyers who would otherwise be priced out of the market; have consulted on a minimum 10 per cent affordable home ownership national planning policy expectation for major sites; and have made good progress securing suitable sites for starter homes through the starter homes land fund.[132]

The Office of Budget Responsibility (OBR) confirmed a reduction in funding for this program in its November 2017 report.[133]

10.8 Affordable Rent to Buy

Spending Round 2013 included the announcement of a new Affordable Rent to Buy scheme with £250 million in funding for 2015-16 and £150 million in 2016-17. The aim of the scheme, the detail of which was to be worked up with the housing industry, is to provide homes for rent that will be sold on in the medium term (the Minister referred sell-on at the 10-year point) with sitting tenants getting first refusal. The HCA's website contained the following information:

> **What is the new Affordable Rent to Buy, announced in the Spending Round?**
> This is a new programme to help people who need a limited period of support through a sub-market rent, so they can save for a deposit and achieve their aspiration of home ownership. The £400m funding announced will help fund new build homes that will be let at Affordable Rent for a limited time before being sold, with the tenant getting the first chance to buy.
>
> The HCA, as likely administrator of the scheme, will provide investment which is repayable when the period of sub-market rental ends. We will work with the sector to design the scheme and start delivering the new homes in 2015/16 and 2016/17.[134]

DCLG published an Affordable Rent to Buy: working paper on 27 May 2014 and the Rent to Buy 2015 to 2017 Bidding Prospectus was published in September 2014.

The scheme was formally launched by Communities Secretary, Eric Pickles, on 26 September 2014:

> Under the scheme, housing associations and other providers can bid for a share of £400 million in low-cost loans to build up to 10,000 new homes across the country to be built from 2015 to 2018 - they will mainly consist of 1 and 2 bedroom apartments.
>
> Landlords must then make the homes available for rent at below-market rates for a minimum of 7 years. This fixed period will give tenants the opportunity to save up for a deposit and get ready to buy their own home.
>
> At the end of the period, the tenant will have first refusal to buy the property – alternatively they may choose to move out and buy a different property, or rent another property either privately or with the housing association.
>
> If the home is sold, the housing association will then have the option to use any returns on their investment to build even more affordable homes in the area. Alternatively, they will still have a

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132 Written Question – 9807, 5 October 2017
133 OBR, Economic and Fiscal Outlook, November 2017, para 4.111
134 HCA reflects on Spending Round, 1 July 2013 [accessed on 1 June 2016]

> home, which they can look to rent at an affordable rate to another tenant who needs help to buy.[135]

The Housing White Paper (February 2017) emphasised that funding under the Affordable Homes Programme up to 2021 could be used for Rent to Buy schemes:

> At Autumn Statement we announced an extra £1.4bn for our Affordable Homes Programme, taking total investment in this programme to over £7bn to build around 225,000 affordable homes in this Parliament.
>
> This investment will help families to find a decent home that is right for them. The 2016-21 Affordable Homes Programme was originally designed to focus on delivering shared ownership. **Now we have opened up the programme, relaxing restrictions on funding so providers can build a range of homes including for affordable rent**.
>
> This includes Rent to Buy homes alongside shared ownership, which will enable thousands of households to access home ownership through a product that fits their circumstances. Rent to Buy will help hard-working households to benefit from a discounted rent set flexibly at levels to make it locally affordable so they can save for a deposit to purchase their home.[136]

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[135] DCLG Press Release, 26 September 2014
[136] Cm 9352, Fixing our broken housing market, February 2017, paras 4.26-28

11. Private rented housing

The Treasury (under the last Labour Government) launched a consultation exercise in February 2010 to consider the contribution the Private Rented Sector (PRS) could make to addressing housing demand and increasing supply, and to identify if there were any substantive barriers to investment in the sector. The Coalition Government published its response in September 2010:

> The Government is committed to creating the best possible environment for a sustainable private sector led economic recovery, though the financial position means that priority must be given to maintaining the fiscal base. However, the Government will continue to keep all taxes under review and considers proposals for new reliefs carefully.
>
> In this context the Government will be considering further the case for changes to the UKREITs regime in order to reduce barriers to entry to the regime and changes to the threshold for rent-a-room relief to encourage better use of the existing housing stock. To the extent that any such changes are likely to carry a cost to the Exchequer at a time when deficit reduction remains the government's main priority, these measures will need to be considered in the round, alongside other policy priorities, with any announcement made as part of the 2011 Budget.

In effect, the Government ruled out giving any financial support to increase the supply of new private sector homes to rent.

In February 2012 Communities and Local Government (CLG) published Review of the barriers to institutional investment in private rented homes - A call for evidence. The findings of the Montague report were published in August 2012. The then Housing Minister, Grant Shapps, described the report as a "blueprint" for reform of the PRS.[137] The report called for, amongst other things, reforms to planning rules, including flexibility over affordable housing requirements when developing schemes for new private rented homes.

The Montague report also suggested that public land could be released to developers if they guarantee a certain threshold of long-term private rented housing. Commentators have tended to reject the idea that a land release programme should focus on the private rented sector. Tim Leunig, chief economist with the Centre Forum think tank said:

> 'I think [the Montague Review] is not a good option,' he states. 'It's just really dangerous to try to incentivise the least popular tenure.'[138]

Despite its status as the least popular tenure, the private rented sector is now England's second largest tenure after home ownership having overtaken the social rented sector in 2014. Detailed information on new-build private rented housing can be found in Library paper 7094, Building the new private rented sector: issues and prospects (England).

137 *Inside Housing*, 'Shapps: Montague is blueprint for PRS reform', 23 August 2012
138 *Inside Housing*, "Emergency drop," 7 September 2012

11.1 Build to Rent

The Housing Stimulus Package (2012) included a commitment to build an "additional 5,000 homes for rent at market rates in line with proposals outlined in Sir Adrian Montague's report to Government on boosting the private rented sector." The Build to Rent prospectus was published in December 2012 – bidding closed on 4 February 2013. The aim of the Build to Rent Fund is to stimulate new private rented housing supply and to provide opportunities for new institutional investment in the sector. The funding is fully recoverable.

Budget 2013 contained an announcement of additional funding for the Build to Rent scheme:

> The £200 million Build to Rent fund announced at Autumn Statement 2012 was significantly oversubscribed. **Budget 2013 announces that this fund will be expanded to £1 billion to support the development of more homes in England.** The fund will provide equity or loan finance to support the development finance stage of building new homes for private rent.[139]

On 27 June 2013 the then Housing Minister announced that the Build to Rent scheme was expected to deliver up to 10,000 new homes with the first contracts due to be signed by the end of July 2013. A second bidding round opened in September 2013.[140] Short-listing of bids and due diligence commenced in early 2014.[141] On 26 June 2014, Eric Pickles announced that £49 million in allocated funding "would support the delivery of new homes for private rent on 3 new sites under the Build to Rent programme, bringing the total to over 1,600 homes."[142]

The Communities and Local Government Select Committee considered the potential of the Build to Rent fund to increase housing supply as part of its inquiry into The Private Rented Sector over 2012-13. The Committee probed some of the successful bidders over whether the funding would lead to additional homes being built or "merely speed up the delivery of those already in the pipeline."[143] In conclusion, the Committee welcomed the expansion of the fund and recommended that the Government "should take steps to ensure that the fund makes a net addition to new housing, as well as speeding up delivery of those homes already in the pipeline."[144]

Applications for funding were opened up on a continuous market engagement basis in January 2015.[145]

The Housing White Paper (February 2017) contained proposals to:

- change the National Planning Policy Framework so authorities know they should plan proactively for Build to Rent where there is a need, and to make it easier for Build

139 HC 1033, March 2013
140 CLG Press Release, 12 September 2013
141 Cm 8730, October 2013
142 DCLG Press Release, 26 June 2014
143 HC 50, First Report of 2013-14, The Private Rented Sector, 18 July 2013, para 137
144 Ibid.
145 Build to Rent Fund – continuous market engagement: prospectus, January 2015

> to Rent developers to offer affordable private rental homes instead of other types of affordable housing;
>
> - ensure that family-friendly tenancies of three or more years are available for those tenants that want them on schemes that benefit from our changes. We are working with the British Property Federation and National Housing Federation to consolidate this approach across the sector.[146]

Planning and affordable housing for Build to Rent - a consultation paper was published alongside the White Paper – consultation closed on 1 May 2017. A summary of responses was published in August 2017:Planning and affordable housing for Build to Rent: summary of consultation responses. The Government said that its final response "will be set out in the forthcoming National Planning Policy Framework revision."

11.2 Private rented sector guarantees scheme

In addition to announcing, as part of the Housing Stimulus Package (2012), legislation to enable the Government to underwrite the debt of housing associations,[147] the Coalition Government said it would provide £3.5 billion in housing guarantees to support the building of new homes for the private rented sector:[148]

> The housing guarantees will support the building of new homes for the private rented sector. They will enable housing providers to raise debt with a government guarantee, where they commit to purchasing additional new homes for private rent. This will help to reduce their borrowing costs, increasing the number of new homes they can afford to provide.
>
> The guarantee is designed specifically to attract investment into the private rented sector from fixed-income investors who want a stable, long-term return on investment without exposure to residential property risk. The scheme rules for the private rented sector housing guarantee scheme were published on the 1st February 2013.[149]

On 20 June 2013 the Minister announced that the full application process would "open shortly." This announcement followed press reports stating that no private company had formally expressed an interest in running the scheme.[150]

As part of its inquiry into the private rented sector, the Communities and Local Government Select Committee considered the potential impact of the guarantee scheme and concluded:

> It remains to be seen how much impact the guarantee scheme for the private rented sector will have in delivering additional new homes. The policy may be well intentioned in its aim to encourage organisations to have more confidence to invest in the sector, but

[146] Cm 9352, Fixing our broken housing market, February 2017, para 3.23
[147] *The Infrastructure (Financial Assistance) Act 2012*
[148] The rules under which these schemes will operate were published in February 2013: DCLG: Housing guarantee scheme rules - Private rented sector; DCLG: Housing guarantee scheme rules - Affordable housing
[149] 2010 to2015 government policy: rented housing sector [accessed 9 June 2017]
[150] *Financial Times*, "Build to let plans fall flat after investors show scant interest," 10 June 2013

> the Government needs to measure results. We invite the Government in its response to our report to update us on the number of applications it has received for the private rented sector guarantee scheme, and to provide an estimate for the number of additional homes it expects the scheme to deliver. If there is any doubt that the scheme is going to deliver the homes required, we recommend that the Government rapidly explore other options for the use of the resources identified.[151]

The Government's response to the Committee included a report on progress:

> Since June 2013, the Government has been open to discuss direct applications for the Private Rented Sector Guarantees Scheme with potential applicants, after the response to our invitation to tender for delivery of the scheme indicated a demand from larger investors for individual direct debt guarantees and that Government should take the first steps in helping to develop this new market.
>
> We are in conversation with the sector, including a number of potential borrowers and are committed to exploring all of the market-led options, which will lead to guarantees becoming available as soon as possible. We will look to offer direct guarantees on money raised in the bond market by housing providers investing in large-scale and purpose-built private rented sector projects. A formal application process will open shortly.
>
> We have undertaken an extensive programme of engagement in developing the scheme, and have had a lot of interest from the market in accessing the guarantees.
>
> The Government has committed to guarantee £3.5bn of debt for the private rented sector guarantee, with another £3bn in reserve for allocation to either this scheme, or the affordable housing guarantee scheme, depending on demand.[152]

DCLG also established a private rented sector taskforce:

> The expert Private Rented Sector Taskforce brings together developers, management bodies and institutional investors; with the objective to support expansion of the sector and facilitate the delivery of the above initiatives.[153]

The Communities and Local Government Select Committee invited the Government to set out the progress made by the taskforce in its first few months of operation: "This update should quantify the amount of additional investment brokered, and the number of additional homes it would deliver."[154] The Government's response is reproduced below:

> The Government has underlined its determination to build a bigger and better Private Rented Sector. The core mission of the Taskforce is to kick-start the new private rented sector in the UK. This will provide an abundance of good, small-scale private landlords but it will be characterised by a growing number of large-scale, professionally managed developments, owned and managed by institutional investors and private sector organisations.

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151 HC 50, First Report of 2013-14, The Private Rented Sector, 18 July 2013, para 142
152 Cm 8730, October 2013
153 https://www.gov.uk/government/policies/improving-the-rented-housing-sector--2/supporting-pages/private-rented-sector (accessed on 15 July 2013)
154 HC 50, First Report of 2013-14, The Private Rented Sector, 18 July 2013, para 144

> We share the concerns of the committee about the dangers of the Taskforce becoming just another quango, that's why we under the terms of reference the work of Taskforce will be reviewed in March 2014 to ensure that they still add value and plan to close to the Taskforce in March 2015.[155]

The Committee recommended that if, in a year's time, there was no evidence of the Government's measures to increase the supply of privately rented housing having had an impact on improved choice, quality and affordability "the Government must reconsider its strategy and look to other measures to boost supply across the sector as a whole."[156]

12. Real Estate Investment Trusts (REITs)

The Coalition Government announced in the Budget on 21 March 2012 that it would undertake a consultation to (1) explore the role the REITs can play in supporting the social housing sector; and (2) whether to change the tax treatment of income received by a REIT when it invests in another REIT. The consultation period closed on 27 June 2012: Real Estate Investment Trust (REIT) consultation document.

August 2012 saw reports that the first social housing REIT had begun to accept bids from landlords for up to £700 million in funding.[157]

The Government's response to the consultation exercise was published in December 2012 – no changes to the REIT regime were proposed:

> The overall message was therefore that for some stakeholders the changes to the REITs regime in Finance Act 2012 were sufficient to enable them to set up a social housing REIT. However for those who did not feel social housing REITs were a viable option, further additional changes to the REITs regime would be unlikely to make difference to their thinking.
>
> After considering all the responses received, the Government has therefore concluded that it does not intend to amend the regime at this stage.[158]

13. Self-build/custom build schemes

In Laying the foundations: a housing strategy for England (2011), the Coalition Government set out plans to enable more people to build or commission their own home. Various measures were introduced to ease the path for those wanting to build their own home including (repayable) funding; an exemption from the Community Infrastructure

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[155] Cm 8730, October 2013
[156] HC 50, First Report of 2013-14, The Private Rented Sector, 18 July 2013, para 148
[157] *Inside Housing,* "First social REIT open for bids," 16 August 2012
[158] HM Treasury, Government 's response to consultation on reforms to the REIT regime, December 2012

Levy; amendments to planning guidance; and improved access to public sector land.

Richard Bacon's *Self-build and Custom Housebuilding Bill* gained Government support in the 2014-15 Parliamentary Session and obtained Royal Assent on 26 March 2015. Since April 2016 local planning authorities in England have been required to establish local registers of custom builders who wish to acquire suitable land on which to build their own home. It also requires local authorities to have regard to the demand on their local register when exercising planning and other relevant functions. The Act extends to Wales but has only been brought into force in England.

A Government consultation exercise was conducted between October and December 2014: Right to Build: supporting custom and self build: consultation the outcome of which was announced in March 2015: Right to Build: supporting custom and self build: government response to consultation. The Coalition Government said it would build on the legislative framework provided by the *Self-build and Custom Housebuilding Act 2015* to introduce a Right to Build under which local authorities would be required to meet demand on the register by granting development permissions for sufficient serviced plots of land.

The Conservative Party's 2015 Manifesto contained a commitment to introduce a Right to Build and double the number of self and custom build homes by 2020. Chapter 2 of the *Housing and Planning Act 2016* introduced this Right to Build with effect from 31 October 2016. A custom and self-build toolkit has also been developed.

Detailed information can be found in Library briefing papers: The Self-build and Custom Housebuilding Act 2015 (6998) and Self-build and custom build housing sector (6784).

14. Bringing empty homes back into use

The Coalition's Programme for Government included a commitment to "explore a range of measures to bring empty homes into use". Specific funding was made available for this purpose and councils can also benefit from additional funding under the New Homes Bonus scheme when they bring empty homes back into use. Chapter 5 of the Coalition Government's Housing Strategy, Laying the Foundations (November 2011) set out its strategy in relation to empty homes. The Homes and Communities Agency produced an Empty Homes Toolkit and an interactive mapping toolkit to provide information and practical advice on tackling empty homes.

The 2015 Government made no specific funding available to bring empty homes back into use.[159]

[159] PQ 10766, 19 October 2015

The Autumn Budget 2017 inlcude a Council Tax measure aimed at reducing the number of empty homes:

> **Empty homes premium** – The government is keen to encourage owners of empty homes to bring their properties back into use. To help achieve this, local authorities will be able to increase the council tax premium from 50% to 100%.[160]

Additional information on powers to bring empty homes into use can be found in Library briefing paper 03012.

[160] Budget 2017, November 2017, para 5.31

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