

## **CREATING AN ENVIRONMENT FOR AFFORDABLE HOUSING – UK PAPER**

Affordable housing is high on the political agenda in England. House prices have risen rapidly as demand for housing continues to grow. Interim projections for household growth suggest there will be 189,000 additional households each year between 2001 and 2021, if demographic trends continue and housing supply is unconstrained. Yet new house building has fallen steadily, from a peak of 350,000 per year in the late 1960s to an average of 140,000 between 1996 and 2001. And this is reflected in shortages in the social rented sector (housing delivered for those in housing need at below-market rents) and intermediate housing sector (homes for intermediate rent, or for low cost home-ownership).

### *The Government's Response*

In recognition of the growing problem, the Deputy Prime Minister launched the *Sustainable Communities Plan* in February 2003. The *Plan* is a comprehensive long-term programme of action which looks to tackle housing supply imbalances. It includes a target of 200,000 homes above current planned levels in London and the wider South East and increased spending on affordable and key worker housing. But it is not just about the delivery of additional housing – it is about creating thriving and vibrant places where people want to live and work, and which will stand the test of time.

The Government commissioned a further study into the lack of responsiveness of the housing market from Kate Barker. Her final report is very much in line with the principles of the *Sustainable Communities Plan*. It recommends a set of reform proposals to deliver increased supply, achieve greater stability and make housing more affordable. The Government has accepted her central recommendation that there should be a further step change in housing supply.

### *Planning Reforms*

Decisions about whether to allow particular housing developments are made at regional and local level through the planning system. We are committed to reforming the planning system, and have developed a package of updated and simplified policy and guidance to help speed up delivery of affordable housing – and housing overall.

Planning obligations have become an important route for the delivery of affordable housing (often in combination with the provision of some social housing grant). Planning obligations are agreements between local planning authorities and developers in the context of planning permission negotiations. Affordable housing provided through this route accounted for around 44% of all affordable housing completions or acquisitions in 2002-03 – an increase of 23% from 2000-01. We are revising guidance on the use of planning obligations to make the system faster, more transparent and more accountable, whilst offering greater certainty to developers.

In addition, we already have policies in place on preserving Green Belt land, achieving 60% of new development on previously developed land and requiring average densities of 30 dwellings per hectare, to ensure that we minimise the land-take from new development.

### *Funding of Social Housing*

The Government has a large funding programme for social housing (the Approved Development Programme) which it routes through the Housing Corporation to Registered Social Landlords (RSLs). The Housing Corporation is the body responsible for funding and regulating RSLs, which are not-for-profit private-sector providers of social housing. Over the next two years (2004-06), £3.3bn has been made available through this programme.

On 12 July 2004, the Chancellor of the Exchequer announced a Spending Review settlement that will provide the resources to deliver over 75,000 social rented homes and 40,000 intermediate market homes for essential public sector workers and low cost home ownership in areas of high housing demand by 2007-08.

### *Grants to Non-RSLs*

The Government wants affordable housing to be delivered as efficiently as possible, in order to maximise outputs. The Housing Bill before Parliament will give the Housing Corporation the power to pay grant to persons other than RSLs. The intention is to widen the pool of potential providers of social housing, and so drive efficiency and improve value for money. We expect that a programme of £200 million will be approved in 2005-06, following a competition for grant for which both RSLs and non-RSLs could bid.

Separate from this, private companies have been developing affordable housing schemes that do not require social housing grant – making use of planning obligations and sophisticated financing arrangements instead. One company has already agreed deals with two RSLs to finance at least 1,000 homes in total.

### *Intermediate Housing*

Low cost home ownership programmes target existing RSL and local authority tenants, or those on local authority waiting lists. They include:

- *Homebuy*, in which qualifying applicants are given an equity loan to meet 25% of the cost of buying a home on the open market, or for one newly-built through an RSL; and
- *Shared Ownership*, in which applicants buy a share (25-75%) of a property, and pay rent to an RSL on the remaining share they do not own. Shared owners may purchase further shares when they can afford to do so, and eventually purchase their home outright.

In addition, 3.5million tenants of local authority housing have the *Right to Buy* their existing social property at a discount, whilst almost 700,000 RSL tenants have the *Right to Acquire* their existing home at a discount.

The Housing Corporation's programme also includes units for intermediate rent for key workers. Intermediate rent is set at levels above social rents, but below market rents.

### *Key Workers*

In some areas, particularly, in London and the South East and East of England, front line public service workers and their families are unable to find a suitable home and are being priced out of their communities. This is putting extra pressure on our public services, making it harder to recruit and retain people who want to work in their community. To address this, we launched a targeted £690million Key Worker Living (KWL) programme in March. KWL provides help for key workers at different life stages: home ownership for first time buyers, family sized homes for existing home owners, and shared ownership schemes and properties for rent at affordable prices.

We expect KWL to provide up to 12,000 homes for key workers over the next 2 years, and a further 4,000 homes in 2006-07 as schemes are completed.