

Briefing Note: Lyons Housing Review 2014



Introduction

The Lyons Housing Review has arrived with much trumpeting in the press and a great deal of opinion aired in advance. This independent Review has been carried out by Sir Michael Lyons for Labour's Policy Review and aims to be a road map that will set out the changes to housing and planning policies and practice that are required to deliver the new homes and communities we need.

The recommendations in the review are broadly very sensible, and in many areas echo some of the policy changes and new initiatives that we have advocated over the years. There are, as is inevitable, some parts that we are less comfortable with, and that we feel need to be explained in more detail before we're convinced of their benefit.

This briefing note covers the most relevant recommendations to BPF members and should help in getting to grips with the 180 page review. BPF comment can be found in *italics*.

Recommendation 2: Ensure Government is focused on delivering more homes

To ensure focus on the delivery of more homes, government should:

- Establish the post of a dedicated Housing Minister attending Cabinet. Establish a new-cross government task force including Treasury, DCLG, BIS, DWP and DEFRA with the resources and influence to drive a coordinated approach to housing supply.
- Create an independent advisory Housing Commission to bring skills and expertise from across the housing sector to inform policy, advise government and provide independent scrutiny and challenge to government in meeting its targets.
- Establish a national Housing Observatory as a single repository for key data, forecasts and analysis on housing to assist policy making, evaluation and a consistent approach to housing market assessments.

This is to be welcomed. All too often, Government departments pull in different directions and work in silos. A cross-Government task force would go some way to helping ease the issue, and would ensure that housing supply and delivery would be given the drive needed. In addition, sourcing data and evidence is always a challenge, so a single repository would help put a brake on any policy decisions being made without due consideration.

Recommendation 3: Certainty of measures to support housing demand

Government in 2015 should provide confidence that in future, counter-cyclical demand side measures will be implemented when needed. Future mortgage support should be more effectively targeted at first-time buyers and consideration should be given to restricting future schemes to new-build and houses which are closer to prevailing average prices.

The principle behind this recommendation is worthy, however the practicalities are challenging, and would have to be carefully monitored (as the report acknowledges) by the Treasury and the Bank of England.

Recommendation 4: Re-task the Homes and Communities Agency

The HCA should be re-tasked as a national delivery agency with the core functions of:

- Sole agency for disposal of government land for housing and assets with a focus on investing land as equity through local development partnerships and a 5 year revolving delivery plan for government land for housing.
- Acting as a major partner for local authorities and New Homes Corporations bringing skills and expertise, private funding, land and guarantees to support development.
- Supporting large scale development through the ATLAS service and coordination of expansion of training and professional development across local and central government.

This would involve some fundamental changes to the workings of the HCA the allocation of funding to fall under the aegis of DCLG. It's suggested that the HCA role should be in supporting the deals negotiated between central government and local places, bringing skills and expertise, private funding, land and guarantees. Whilst a worthy aim, it's not a quick will, and it would take some time before the benefits of this reorganisation were really felt.

Recommendation 5: Consolidate and devolve funding for housing

Housing funding streams should be consolidated as part of the economic development fund and devolved to city or county region authorities working across functional economic areas as proposed by the Adonis Review. These functional economic areas must strongly reflect strategic housing market areas and allow for wider decisions on investment in infrastructure and economic development to reflect functional housing markets. Local authorities must be responsible for decisions about investment in housing based on Local Plans and Strategic Housing Market Plans where they are in place; clear contracts with government about what will be delivered as recommended by this review; and the strength of local partnerships with Housing Associations and developers.

This is a resurgence of regional planning, or devolution, depending on which term is preferred. We have often called for consolidation of funding streams as the current system is so complex that many are put off engaging with the process. Encouragement for local authorities to take responsibility for decisions on investment is welcome; however, this will only really be effective if the other recommendations concerning local plans are adopted.

Recommendation 6: Expand HCA role in securing private investment

The investment arm of the HCA should be expanded to act as a vehicle to aggregate opportunities for private investment at scale.

Recommendation 7: Guarantees to support housing supply

The HCA investment arm should manage the use of government guarantees (within an overall envelope set by HM Treasury) to increase supply and attract new additional investment in viable projects at the same time minimising Government's risk exposure and their PSBR impact. This will include managing guarantees for SMEs and for investment in Garden Cities and the Affordable Housing Guarantee Programme.

As the investment landscape changes and new financial constructions are required, these are crucial steps in the right direction.

Recommendation 8: Increasing land for housing through Local Plans

To increase identification and delivery of land through Local Plans: Guidance for Strategic Housing Market Assessments should be strengthened to stipulate core indicators and methodology to ensure consistency and robustness of all Local Plans.

- All local planning authorities should be required to submit a Local Plan to the planning inspectorate for examination within a set time frame (December 2016). If this requirement is not met, the Secretary of State will have the power to direct the Planning Inspectorate to intervene and ensure an acceptable plan is produced in cooperation with local residents and partners including the local authority. Similar sanctions will apply if a submitted plan is deemed to be wholly inadequate.
- Local authorities should be required to include a statement in their annual monitoring report about their Local Plan's compliance with the NPPF and any issues that would trigger a review of the plan.
- Recognising that establishing deliverability of land beyond five years will be difficult, there should be a clear requirement for a 15 year pipeline of land to ensure local authorities take a long term approach to land supply.
- New and additional emphasis on the delivery of housing in the plan in the context of the stronger powers available to councils to do so. Delivery will be monitored annually by DCLG in terms of house build as well as land allocation. Where there is a persistent under delivery, the Secretary of State will have the power to direct further efforts including an increase in the buffer of identified land to increase the number of sites with potential for delivery; designation of a planning authority; or the creation of a New Homes Corporation where not previously established.

We are delighted to see these recommendations included. There are still too many local authorities with out of date or absent local plans. There are a multitude of excuses given, and it's time to be more strenuous and ensure that evidence based plans are made and that a proper pipeline of land is identified. The proposed involvement of the Planning Inspectorate (PINs) is to be welcomed; however it's vital that proper resourcing is given to PINs.

In addition, local authorities should be encouraged to take a realistic and evidenced based approach to employment and industrial land too. Residents need to be able to work, shop and play in their communities, and with the changes in retail habits and travel patterns, many local plans should reconsider their land allocations.

Recommendation 9: Strategic Housing Market Plans and the “Right to Grow”

- To ensure plans are based on housing market areas, not administrative boundaries, groups of authorities covering one or more strategic housing market area should be able to prepare Strategic Housing Market Plan (SHMP) with statutory weight which must be taken into account in developing and updating Local Plans.
- To implement the “Right to Grow”, the Secretary of State should have the power to require the authorities of a particular housing market area to complete a Strategic Housing Market Plan (SHMP) where co-operation is not forthcoming and housing need is not met. The request for a direction to undertake the SHMP could be prompted by one or more of the partner authorities; the LEP; the planning inspectorate; or the Secretary of State. The Secretary of State should have the power to instruct the Planning Inspectorate, working with local people and organisations as well as cooperative councils, to complete a SHMP to an accelerated timetable if local cooperation fails.

It’s clear that the duty to co-operate isn’t really biting, and the “Right to Grow” would allow this to be properly enforced. Again, it’s a sneaky return to regional planning with an overall oversight from the Secretary of State and should be welcomed.

The proposal that the plan would identify proposals for large scale development and cover the infrastructure required and would deal with local reviews of green belt policies under the current rules to enable cities to grow is very encouraging, and suggests a less rigid view of Green Belt preservation.

Recommendation 10: Simplifying plan making

To simplify and speed up plan making, the process, including examination, should be split into two stages. Local authorities would first work together on the strategic elements of their plans including housing numbers, strategic infrastructure, major urban extensions or new settlements. Once found sound by the Planning Inspectorate it could be accorded weight in decision making much earlier than at present. The detailed work on the detailed policies of a Local Plan could be approved after a lighter touch second stage.

We were supportive of the Planning Officers Society manifesto in which this two stage plan making process was first proposed. In principle, this would work well as it would allow local authorities to ensure that valuable work would not be lost if a plan was to be found unsound. The details are quite complex and would need some careful thought to make this proposal really effective.

Recommendation 11: Ensuring local access to new homes

To ensure that local people can access homes built in their areas:

- Local authorities should ensure that Local Plans reflect the right mix of tenures in their areas to meet local need so that local people benefit from new development, particularly

increasing opportunities for shared ownership to help local people and first-time buyers afford new homes in their areas.

- Local authorities should be empowered, in areas with a public stake in new housing development such as Housing Growth Areas, to ensure that a proportion of new homes are released and marketed locally before further afield so that people living locally or with strong local connections including first-time buyers get the chance to buy the homes that their local community have given permission to be built.

The first part of this recommendation is to be welcomed. We have long advocated a more practical and evidenced based approach to be taken by local authorities in relation to the mix of tenures encourages in their local plans.

Recommendation 12: De-risking planning

Reduce the risk and speed up the process for planning permissions through:

- Greater use of masterplanning and Planning Performance Agreements for large scale development and early engagement in planning to reduce risk, improve certainty and speed of development.
- Introduction of “redline” applications for sites of less than ten units (a plan of the site with a short statement justifying the design and dealing with the likely impacts). This would allow the principle of development to be agreed before the developer is required to produce a lot of work on detailed matters (which would subsequently be subject to approval through conditions or reserved matters).
- Implementing the current proposal to apply set timescales on planning authorities for signing off conditions and that where timescales are not met, they will be deemed to have been discharged. The LGA, Planning Officers Society; Home Builders Federation, British Property Federation and statutory consultees should promote the best practice guidance on the effective use and discharge of conditions to ensure it is widely adopted.

We have long advocated all three of these recommendations and would be delighted to see them adopted. Planning Performance Agreements are increasingly widely used and are an excellent way of project managing the application process. However, there is little incentive, other than a ‘gentleman’s honour’ for either party (applicant or local authority) not to break the agreement. A Planning Performance Agreement with teeth in the form of incentives and penalties would ensure that the process really does speed up.

Recommendation 13: Resourcing planning

To ensure councils have the skills and resources needed for a more proactive and positive planning role:

- Local planning authorities should be able to set planning fees locally on a full cost recovery basis but in return for guaranteed high levels of service. This could be piloted or rolled out with local authorities required to present a clear business case and charging schedule in consultation with developers.

- Local authorities working together at strategic housing market level should pool capacity and expertise – including drawing on good practice from joint planning units and the greater capacity within ALTAS to support major development.

We have long discussed the issues of planning department resourcing in local authorities. Many BPF members have suggested that the payment of fees in return for a full planning service would be welcome, however, there is concern that the funds collected would disappear into other parts of the local authority spending pot rather than supporting the planning team. Until this is resolved, it is difficult to justify developers dipping into their pockets, which are, as with others, finite!

Recommendation 14: National spatial dimension

A national spatial assessment should be produced to draw together the spatial implications of government infrastructure and growth and economic development policies. This should include investment priorities as set out in the Sector Infrastructure Plans recommended by the Armit Review. Based on this assessment, guidance should be issued to local authorities to inform Local Plans and major developments and ensure national infrastructure decisions are linked to opportunities to build more homes. It should also set out guidance on how housing need should be met by cities and their hinterlands; and how policies should address economic imbalance between the regions. In addition, the National Planning Policy Framework should be updated to establish a brownfield first policy with a sequential test to be applied to development.

We want to see as much new building as possible take place on brownfield land. However, it's important to remember that some 'brownfield' land may be of high environmental quality whereas some non-brownfield land may be of lower environmental quality. Rather than the reintroduction of a sequential approach, an explicit reference to brownfield land may allay concerns.

If we are to maximise the use of brownfield land, much greater effort needs to be directed towards the remediation and the regeneration of such land both within and outside the planning system, much of which suffers from contamination and other problems. At a time of cuts in public spending, the budgets and reliefs available to help bring such land back into use are under particular pressure. The NPPF could possibly help by stipulating that in determining a planning application for a new use for contaminated land, a decision-maker should treat its funding of the site's remediation as a material consideration.

Recommendation 15: Transparency in the land market

To ensure greater transparency in the land market, the Land Registry should open up land ownership information to the public in a similar manner as the property price paid data set and make it a legal requirement to register land option agreements, transactions and prices.

We welcome this proposal. Greater transparency in the land market can only serve to benefit the industry, and would go some way to dispelling some of the myths around secret land transactions and communities losing out.

Recommendation 16: Use it or lose it

To ensure planning permissions are implemented and reduce incentives for speculating on land:

- The life of a planning permission should be reduced to two years with higher fees applying for renewal of expired permissions.
- Greater substantive work should be required to count as the commencement of development.
- Councils should have powers to levy a charge equivalent to council tax if land allocated in a plan with or without planning permission is not brought forward within 5 years. This should be applied only where land is voluntarily put into a plan and can be demonstrated to be deliverable and should be accompanied by a mechanism for appeal.
- Compulsory Purchase Order powers should be strengthened and streamlined to make it easier for public bodies to acquire land where it is not brought forward and where it is a priority for development.

The intentions behind this recommendation are positive, and the exemptions for large phased schemes are particularly welcome. There are, however, some potential problems. A reduction in the life of a planning permission could cause real issues. In a buoyant economy, where permissions are granted and schemes built out, this shouldn't be a problem, but when viability is brought into question and the economy takes a nose dive, restricting permissions to two years could result in a very slow recovery. Each applicant would have to renew, which takes time, and therefore the development would be further delayed.

As the report suggests, raising the fees on a renewal application, combined with the change in the definition of 'greater substantive work' to close some of the loopholes, might be a less sledgehammer-like solution to the problem.

We are concerned that the imposition of a council tax-like levy is somewhat akin to a new form of Empty Property Rates. The finer details of this proposal are crucial as there could be real unintended consequences.

Recommendation 17: Compulsory Purchase Orders

Update legislation for Compulsory Purchase powers to make them more effective as a tool to drive regeneration and unlock planned development by:

- Streamlining and clarifying existing legal guidance and legislation on CPO as far as possible, to reduce uncertainty and confusion.
- Streamlining the process and reducing opportunities for landowners to stall progress.
- Where a CPO is contested, land valuation should be considered by the tribunal up front, to reduce timescales, uncertainty and risk for local authorities and their development partners. Amend the Land and Compensation Act to provide that where land is designated for a Garden City, or a Housing Growth Area, compensation for CPO powers should be based upon current use value plus a premium ensuring a generous return to the land owner, but ensuring the infrastructure costs can be captured from the value created by the new

development. The powers themselves will rarely need to be used but will act as an incentive to landowners to enter into development partnerships.

We welcome these proposals for improving the CPO regime. It's a complex, shady area where reform is long overdue.

Recommendation 18: Community Infrastructure Levy

Remove the restriction on pooling Section 106 contributions for both strategic and mitigating infrastructure on strategic and large sites (over 500 units). This will enable the authority, having set a zero rate for CIL on such sites through its charging schedule, to pool contributions from multiple development partners through Strategic Land and Infrastructure Contracts or similar frameworks to support the delivery of strategic infrastructure across the site.

A comprehensive review of CIL should be undertaken to consider reforms needed to ensure it more effectively captures funding for infrastructure, options should include:

- Analysis of the impact of cumulative changes to regulations and the process of testing through examination in producing robust evidence base for CIL.
- Assessment of the impact of the CIL exemptions for charities, self-build and affordable housing introduced by the coalition government.
- Consideration of whether the proportion of CIL devoted to parish councils and “neighbourhoods” is appropriate and require parish councils to produce an investment plan for its use with an annual report on delivery.

Having been deeply involved in the creation and development of the Community Infrastructure Levy (CIL) and the subsequent attempts at ironing out the serious wrinkles, these proposals are welcome and we would urge any future Government to take note.

There is still scope to think more widely about CIL and its effects as the system beds in. Although a good start, braver steps should potentially be taken to rethink and rejig CIL.

Recommendation 19: Viability

Definitive guidance should be produced to ensure a single and robust methodology for viability assessment to reduce the scope for different interpretations of viability and reduce uncertainty. This should allow the landowner to receive a reasonable return and offer clarity about what they can expect to receive for their land, and should clearly identify the uplift in value arising from the grant of planning permission to enable this to be properly considered as part of the planning process alongside the costs of necessary supporting infrastructure and affordable housing. In addition an “open-book” approach to negotiating site specific viability is required, to increase transparency and speed of negotiations.

We welcome this recommendation, and would support the move to a single and robust methodology such as that suggested by the Local Housing Delivery Group.

Recommendation 20: Affordable housing

- To strengthen the ability of local planning authorities to meet affordable housing need in their areas, the definition of affordability in the National Planning Policy Framework should be revised to reinstate the previous definition that affordable housing should “meet the needs of eligible households at a cost low enough for them to afford, determined with regard to local incomes and house prices”.
- A new arbitration service for S106 negotiation of large scale projects should be introduced to assist with the speed and effectiveness of negotiations.
- The proposed changes for a minimum threshold for affordable housing S106 should be reversed to ensure that all development makes a reasonable contribution to affordable housing provision.

We welcome these recommendations, in particular, the new arbitration service for S106 negotiation. The requirement for smaller schemes to provide a contribution towards affordable housing is well – meaning, however, in some cases, this simply may not add up. A degree of flexibility may be a more sensible approach.

Recommendation 21: New Homes Bonus

The New Homes Bonus should be reviewed to consider:

- whether the New Homes Bonus should be retained in its current form;
- assessment of whether it has an element of deadweight, rewarding housing growth that it has not incentivised; and
- the redistributive impact of the policy.

We welcome this recommendation and consider the regular health check of mechanisms such as the New Homes Bonus to be crucial.

Recommendation 22: Revolving Infrastructure Funds

Create a programme of Revolving Infrastructure Funds pooling central and local funding for infrastructure and ensuring receipts are retained and recycled to forward fund infrastructure and support large scale housing development schemes. These will be a key part of the offer to local authorities and New Homes Corporations to support major housing growth.

We have often advocated the creation of a programme of Revolving Infrastructure Funds and are delighted to see this included. This could go a long way towards supporting large new areas, whether suburbs, urban extensions or new settlements.

Recommendation 23: Housing Growth Areas

Local authorities should be given new powers and incentives to take a proactive approach to land assembly and development models in Housing Growth Areas. These powers could be exercised by

individual local authorities, local authorities working collectively, city or county region or through New Homes Corporations.

We welcome this recommendation. It's important that Local Enterprise Partnerships are properly included and consulted in the creation of these areas and that they are involved in the decision making. In many cases, the Strategic Economic Plans prepared by the LEPs will have gone some way to identifying these areas already.

Recommendation 24: New Homes Corporations

Allow local authorities to request the creation of locally led New Homes Corporations as delivery agents to respond to the specific needs across a housing market area and provide the powers, focus, expertise and resources to deliver an ambitious programme of development. They will bring together Housing Associations, development and investment partners to focus on the delivery of new homes.

We welcome this proposal. However, the real battle for new homes must involve winning over the hearts and minds of local people. The greatest challenge lies in convincing the electorate, and ensuring that local councillors feel confident enough to move forward with proposals. New Homes Corporations will go some way to removing some of these tensions, by removing some of the powers from local authorities.

Recommendation 25: Better use of public land

Promote the better use of surplus public land to support new homes through:

- Clear guidance to central and local government to promote investment of land as equity and secure long term returns from investment. This should include clarity and a consistent approach to best value considerations and phased payment approaches to embed them across all department and authorities. Government should set a new ambition for the release of sites for 200,000 homes over next parliament half of which should be delivered through equity sharing partnerships.
- HCA and local authorities should produce revolving 5 year land delivery plans clearly identify opportunities for release of public land.
- Task HCA as delivery agency with a clear imperative to initiate development of public land for housing to meet a target of delivering 200,000 homes on public land by 2020.
- Clear guidance to local authorities on their freedoms to establish long term partnerships and how this should be reflected in interpretation of OJEU requirements and procurement rules.

We have made strenuous representations in many forums on this subject, and are delighted to see these recommendations. In particular, guidance on OJEU and procurement is essential, and the work we have done with Local Partnerships in this area has proved invaluable.

Recommendation 26: A new generation of Garden Cities and Garden Suburbs

Government should immediately promote a programme of Garden Cities, Garden Suburbs and remodeled towns and cities.

- Garden Cities will be delivered by new Garden City Development Corporations based on updated New Towns legislation.
- Government should publish criteria for locally-led Garden Cities articulating the criteria Government will expect them to meet and setting them in the context of national spatial priorities.
- Government should set out Treasury Guarantees and financial incentives to unlock sustainable Garden City development and deliver infrastructure.
- Local Authorities will be invited to come forward with proposals developed in partnership. Proposals from private promoters will be accepted but only where they can demonstrate local support.

The New Homes Corporations should be used to extend the Garden City principles and powers to bring forward garden suburbs and the re-modelling of cities and towns. An early priority for Ministers should be to discuss with councils appropriate sites and support New Homes Corporations to accelerate the delivery of large sites already in the system and bring forward new sites.

Through a combination of accelerating delivery of existing sites where possible and bringing forward new sites, these recommendations could help accelerate the delivery of up to 500,000 homes.

Garden Cities are no silver bullet, and will be a partial long term solution. It's good to see the acknowledgement for the need for suburbs too, and the call for Treasury Guarantees to support the schemes.

Recommendation 27: A package of support for SMEs

Government should provide support to SME firms to build more homes through:

- Legislative change to permit “redline” outline planning applications on smaller sites of fewer than 10 homes.
- Local authorities should identify small sites in public ownership in local plans, and work with other public landowners to make them available for purchase and development by SMEs.
- Local authorities and their New Homes Corporations, working with lead developers should offer more packaged and opportunities for serviced sites to help SMEs access the market, including in Housing Growth Areas.
- A Help to Build scheme will allow SME house builders to access lower cost bank lending supported by Exchequer guarantees.

We have long suggested that the housing market should be broadened to ensure that SMEs can get involved, rather than the provision of new housing resting solely in the hand of the volume house builders.

Recommendation 28: Skills in the house building industry

A skilled house building workforce should be further developed through:

- The sector, led by the CITB, setting skills standards and coordinate strategic investment to boost apprenticeships. They should also be asked to develop a proactive policy on increasing diversity in the industry and a Code of Practice on developing employees that will balance employment flexibility with employers' equal interest in conserving and building the industry's pool of skilled labour for the long term.
- Local skills boards for house building, perhaps under the auspices of LEPs, should bring together builders, other parts of the construction industry, councils, and training providers including schools, to take a ten-year view on local skills needs in the sector, business-led and anchored in the Local Plan.
- Firms should work with schools and colleges to improve young people's perception of a career in building, by taking a stronger and more proactive role in schools and colleges, especially by providing governors, sponsoring schools, providing work placements and apprenticeships.

We welcome these recommendations, particularly those focussing on the need for education and training. There should also be a greater emphasis on diversity within the industry.

Recommendation 29: A bigger role for manufacturing in the creation of new homes

Government should take active measures to further promote the growth of the offsite manufacturing sector with a strong emphasis on achieving consistent high quality and should ask the Technology Strategy Board to both explore how the growth of this sector can be accelerated and provide further focused support for R&D by existing manufacturers.

Any measures to encourage innovation in the design and construction of buildings are to be welcomed, particularly where they can help to produce more affordable, durable and environmentally efficient buildings.

Recommendation 30: Ensuring quality and design standards

To ensure new homes and places are built to high quality and design standards:

- Streamline good housing standards – for energy, water and security – into a single set which is implemented through building regulations, and that there continues to be access to design review (or PLACE review) to ensure good quality design.
- The Building for Life 12 standard should be referenced and encouraged by all Local Plans as a collaborative tool which helps create good places.
- The LGA working with the HBF, RIBA and TCPA and others should establish a new kite mark for quality places reflecting the views of both original and new residents.

We are delighted to see quality and design standards included in the report to sustain attractive and appealing communities for people to live, work and play.

Recommendation 31: Space Standards

Space standards should be introduced applicable across all tenures. Further work is required to establish the most appropriate standards and whether there is a case for flexibility for local areas to offer exemptions in certain markets. The standards should be incorporated in a new National Housing Design Guide, which could bring together all relevant requirements in one place (RIBA, Design Council). This would have the benefits of standardisation, certainty, equity and the maximum benefit to people's wellbeing.

We welcome the Report's recognition that while space standards are positive aspiration, further work is required to establish what the most appropriate standards are, and to examine the case for flexibility, particularly in areas of high demand. We believe that care should be taken when introducing space standards as, if introduced inflexibly, they could result in less choice for renters/owners, and could impact on the viability of development schemes.

Recommendation 32: Zero Carbon Homes

The Government in 2015 should reaffirm its commitment to a genuine zero carbon standard for new homes and set out a clear trajectory for all homes (reversing the exemption for small housing developments) to achieve this if further action is required beyond 2016. It should address issues around the performance gap, and should work with the industry to address problems highlighted by the Zero Carbon Hub: skills and knowledge, communication, and responsibility.

A key concern with zero carbon standards has been to establish clarity on timelines and delivery methodology for zero carbon buildings. It is therefore welcome that Lyons has recommended Government sets out a clear trajectory for all homes to achieve zero carbon standards, post-2016. We would urge Government however to maintain its dialogue with the industry over what "genuine" zero carbon will mean in practice, and to pay regard to any implementation issues that it may present. We strongly support further work to address the "performance gap" between how our buildings are designed to perform and how they perform in actuality; very often there is a significant performance deficit which can arise due to sub-optimal building management and occupation.

Recommendation 33: More quality homes for market rent

To support a vibrant market rented sector:

- Local authorities should use their role in leading development in Housing Growth Areas and joint-ventures with Housing Associations and private developers to encourage high quality market-rent where there is demand.
- The NPPF should specifically require that local plans consider the objectively assessed needs for market rented housing alongside that of affordable and market housing as it does at present. This will require all plans to take the tenure into consideration leading to evidenced Local Plan policies on market rented housing that provide certainty to investors. Market rented housing would then be secured by planning conditions.
- Government should continue to set out national standards (primarily the Housing Health and Safety Rating System) on the condition of properties. There should be guidance on expectations for Houses in Multiple Occupation but with appropriate local flexibility. This

will ensure landlords provide well managed, safe, homes for good tenants and provide greater clarity for investors.

We strongly support these recommendations, having long argued that investor certainty is a key element of unlocking large-scale build to rent development. A professionally-managed, purpose built private rented sector confers huge benefits to local economies, and so it is vital that national and local policy takes property account of the objectively-assessed demand that exists for this tenure. Planning conditions to secure market-rented housing are also welcome, and should give local authorities the confidence to treat such developments in line with their return profiles, in respect of the local infrastructure contributions which they are required to make.

Recommendation 34: Shared ownership

Government should promote a new and coherent offer for shared ownership including:

- Promotion of a single brand and comprehensive offer for the whole country with broad eligibility criteria and standardised lending products.
- A clear set of options and pathway of choice including staircasing to full ownership, options to choose the home it applies to.
- Sufficient flexibility to enable households to move easily from one part-buy property to another or to another tenure.
- Extending eligibility of the undersubscribed Private Rented Sector guarantee scheme making them eligible for future equity loan schemes such as a refocused help to buy.

A significant expansion of shared ownership homes is needed to cater for a growing number of low and middle income earners who are priced out of home ownership but who are unable to access social housing. A single scheme, which is clearly described and clearly understood by buyers and lenders alike would be a great step forward.

Recommendation 35: Housing for older people

More homes to meet the needs of people in later life should be supported through:

- Government exploring options for incentivising private sector investment in increased provision of homes with extra care and for encouraging older people to down size from family homes.
- Local government and Housing Associations seeking opportunities to promote more attractive options for active older people looking to down-size, including in promoting schemes for self-commissioned housing and in packaging sites as part of an active role in development and partnership schemes.
- In both cases, homes should be highly energy-efficient and designed to the HAPPI standards.

We very much welcome that the review recognises the need for a greater focus on providing the right type of housing and greater choice for people later in life, given the projected growth of this sector of the population and the high percentage of older people who would want to downsize if appropriate accommodation was available.

The review suggests an extension of the Enterprise Investment Scheme to companies providing extra care facilities, as this has proved extremely successful in the student accommodation sector by sharply increasing investment over a short period. This would, however, have further financial implications for Government. A useful measure may be to review CIL/s106 contributions for these types of schemes, and review in which use class they sit in order to better incentivise developers.

Recommendation 36: Promoting effective partnership models

The LGA, NHF and CIH and others should work together to distil the lessons from successful partnerships and offer model forms of partnerships and a proportionate approach to procurement.

A proportional approach to procurement is a fine aspiration, and one that we have long endorsed. Experience tells us however that it is easier said than achieved. The sharing of best practice and model forms of partnership should also be extended to private sector developers.

Recommendation 37: Councils investing in new homes

We recognise that any decision about the overall HRA borrowing cap is a matter for the next Government but to increase councils' ability to invest in new homes:

- There should be provision to raise individual HRA borrowing caps where councils present a business case and an investment plan that sets out the extra borrowing needed and the additional homes that will be delivered in return.
- The Treasury would be able to ensure that the additional flexibility does not see an increase in total borrowing over and above that currently planned for. And it should do so in a way that does not involve increased bureaucracy for councils in managing their Housing Revenue Accounts.
- Government should initiate a review into whether there is a need for increase of headroom in the longer term and options that would allow councils to borrow for housing investment in line with the requirements of the prudential borrowing code.
- Local authorities should build on existing examples of innovation and partnerships to maximise opportunities for alternatives to borrowing under the HRA to support the development of new homes.

As in our response to the Review, we stated our support for the intention to reform the HRA system to enable local authorities to make better use of the resources at their disposal, and have long felt that increased clarity on the HRA would assist all parties. Average levels of HRA debt per property are very low (c.20% of value). The borrowing headroom is very cautious which is preventing local authorities from having the ability to invest in existing and new stock.

Recommendation 38: Right to Buy

Reform the Right to Buy to enable councils and Housing Associations to re-invest in genuine one-for-one replacement. An incoming government should assess the distribution of receipts from Right to Buy sales as part of this. A new government should undertake an early review of the Right to Buy to

establish whether it is meeting its policy objectives, the distribution of receipts from sales and on the total level of affordable housing stock.

While Right to Buy has given a welcome lift to the housing market in many areas, we continue to argue that supply-side, rather than demand-side, reforms remain the most important if the UK's housing need is to be met. We completely agree that an incoming government should assess Right to Buy against its policy objectives, to assess the total level of affordable housing stock in the UK, and to make provision, should it be needed, for the recycling of right to buy receipts into new social housing in areas of high demand.

Recommendation 39: Unlocking capacity and ambition of Housing Associations

Greater investment and innovation from Housing Associations should be facilitated through:

- Extending the Affordable Homes Guarantees Programme to 2020 to give Housing Associations the confidence and certainty to commit to more long-term projects. And consider extending the guarantee to allow Housing Associations to re-finance debt to release more capacity.
- Government should hold discussions with the sector about how to mobilise the surpluses and headroom to unlock further investment from Housing Associations which could include consideration of partnerships and mergers and the option for a gatewayed approach and setting an overall envelope for an Association's rents, within which it would have flexibility with appropriate safeguards if it could demonstrate how this would support new supply.
- Consider the case for lifting restrictions on the way Housing Associations value their properties to increase borrowing capacity, on a case by case basis, dependent on their ability to demonstrate it would result in additional affordable homes.

These recommendations are to be applauded. Housing associations should play a much bigger role in the provision of new housing, and should be able to take a much more flexible approach.

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