HOUSE OF COMMONS LIBRARY

BRIEFING PAPER

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Stimulating housing supply - Government initiatives (England)

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Summary

This briefing paper summarises the main Government initiatives since 2015 aimed at increasing housing supply in England, aside from planning measures. The 2019 Government is continuing, and building on many of these initiatives. March 2020 saw publication of Planning for the Future which set out a series of actions the 2019 Government intended to take to meet its housing supply commitments.

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 Housing White Paper, Fixing our broken housing market (February 2017) included a number of initiatives which aimed to secure a step-change in housing supply.

The Conservative Government elected in 2017 had 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 2017 Housing White Paper.

The 2019 Conservative Government has a manifesto pledge to **"continue to increase the number of homes being built".** The manifesto also referred to a need to rebalance the housing market towards more home ownership:

> ...we will continue our progress towards our target of 300,000 homes a year by the mid-2020s. This will see us build at least a million more homes, of all tenures, over the next Parliament – in the areas that really need them.

The Department for Communities and Local Government (DCLG) was renamed the Ministry for Housing, Communities and Local Government (MHCLG) in January 2018 and the Homes and Communities Agency was relaunched as Homes England. The Ministry's Single Departmental Plan was last updated in June 2019 (revisions have been delayed due to the pandemic) – the plan set out how the 2017 Government intended to achieve an increase in housing supply and "and put us on track to deliver 300,000 net additional homes a year on average" through the following measures:

- Progress the reforms in our Housing White Paper.
- Ensure the planning system supports an increase in homes, in the places that need it most.
- Bring forward an Accelerated Planning Green Paper to equip local authorities and the Planning Inspectorate to make swift and effective planning decisions.
- Improve productivity and competition in the housing market, opening it up to smaller builders and those who embrace innovative and efficient methods of construction.
- Support local authorities and housing associations to increase the supply of affordable homes, including through the Affordable Homes Programme.
- Increase home ownership and housing supply through the Help to Buy Equity Loan scheme.
- Encourage best practice in the quality, design and build of homes and places.
- Unlock land to enable homes to be built where they are needed most, including through investment in the Land Assembly Fund and Small Sites Fund.
- Release surplus land already in public ownership.

- Invest in local infrastructure to unlock new homes, including through delivery of the Housing Infrastructure Fund.
- Develop our programme to drive housing and economic growth in the Oxford-Milton Keynes-Cambridge corridor, working with local councils and Local Enterprise Partnerships.
- Ensure local areas have a pipeline of well-planned and well-designed settlements, including through supporting locally-led Garden Communities and improving Development Corporations.
- Continue the transformation of Homes England for completion in 2020.

As noted above, the 2019 Government is building on many of these initiatives – a Planning White Paper was published on 6 August 2020 which:

> ...proposes reforms of the planning system to streamline and modernise the planning process, bring a new focus to design and sustainability, improve the system of developer contributions to infrastructure, and ensure more land is available for development where it is needed.

Governments since 2015 have pursued both supply-side and demand-side measures. There has been, and continues to be, a desire to increase home ownership, particularly amongst first-time buyers, which is supported through savings products such as the Lifetime ISA and through equity loan schemes. The National Planning Policy Framework requires major developments involving the provision of housing to ensure that at least 10% of the homes are available for affordable home ownership (some exemptions apply). The 2019 Government is committed to introducing a Right to Shared Ownership and a new First Homes scheme for first-time buyers.

There is an expectation that most new building will be carried out by the private sector. To this end, much Government effort to stimulate house-building has been focused on planning measures to "make the system more open and accessible and tackle unnecessary delays." Broadly, 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. Substantial reforms are set out in the 2020 Planning White Paper.

Governments have sought to diversify the housing market by encouraging and supporting development by smaller builders and those interested in embracing innovative and efficient methods of construction.

There are concerns that there is not enough support for affordable rented housing, particularly at social rents, although the decision to lift the borrowing caps from local authority Housing Revenue Accounts with effect from 29 October 2018 was welcomed across the sector. There is doubt that the target of building 300,000 homes a year will be achieved without further 'muscular' action, particularly when the impact of the coronavirus pandemic is taken into account. The 2020 UK Housing Review noted that annual average housing completions in England only reached 300,000 in one of the past six decades – the 1960s.

Other relevant Library papers

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). There is also What next for planning in England? The National Planning Policy

Framework (8260). The changes proposed in the 2020 White Paper are covered in: Planning for the Future: planning policy changes in England in 2020 and future reforms.

Tackling the under-supply of housing in England (7671) considers key trends in housing supply in the UK and focuses on some of the of the key barriers and potential solutions to increasing housing supply in England.

What is affordable housing? considers how affordable housing is defined in England and looks at key trends in the affordability of different tenure types.

A new era of social rented housing in England? considers the prospects for growth in development of social rented housing to meet assessed need.

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), opened 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]

The Coalition Government abolished what it described as "top down" housing targets but in September 2015, 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 Conservative Government elected in 2017 had 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).

Some success in increasing supply has been recorded. In 2019/20 the total housing stock in England increased by around 244,000 homes. This around 1% higher than the year before - the amount of new homes supplied annually has been growing for several years – but is still lower than estimated need.

The Conservative Government elected in December 2019 has a manifesto pledge to **"continue to increase the number of homes**

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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

being built". The manifesto also referred to a need to rebalance the housing market towards more home ownership:

> ...we will continue our progress towards our target of 300,000 homes a year by the mid-2020s. This will see us build at least a million more homes, of all tenures, over the next Parliament – in the areas that really need them.[3]

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 to increase levels of home ownership. The Autumn Statement 2016, together with the publication of Fixing our broken housing market, marked something of a shift of emphasis in investment priorities back towards rented housing. However, the 2019 Conservative Manifesto referred to a need "rebalance" the housing market towards more home ownership.

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 – a revised National Planning Policy Framework and associated guidance was published in July 2018 and has subsequently been revised, most recently in February 2019. A separate Library paper: Planning for the Future: planning policy changes in England in 2020 and future reforms covers developments associated with the planning system.

[3] Conservative and Unionist Party Manifesto 2019, p31

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 Homes England (previously the Homes and Communities Agency). Providers (including housing associations) are required to bid for grant funding, successful bidders enter into delivery agreements with Homes England. Homes England published a new strategic plan on 30 October 2018: Homes England strategic plan 2018 to 2023.

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 a new "intermediate rent" tenure (now referred to as affordable rent). Under this model housing associations can 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, this estimate was increased to 170,000 new homes (of which it expected 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 was a significant reduction in the number of new homes built for social rent.

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4 Grant Shapps letter to local authorities on the 2010 Spending Review Settlement, October 2010

5 Steve Wilcox and John Perry noted 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 S, Perry J, Williams P and Stephens M, 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 over 2015-18 to support the delivery of 165,000 new affordable homes. Then-Housing Minister, Mark Prisk, told the Chartered Institute of Housing's (CIH) 2013 Annual Conference that the funding should support the delivery of 55,000 affordable homes each year. Bids for grant funding were on a "something for something basis" – the Government expected 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] - the UK Housing Review 2014 Briefing Paper commented on potential reasons for this:

> 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 £3.3 billion as "small-scale" in the context of a £100 billion investment in infrastructure in total and observed "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] The 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 cost landlords

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 [subscription required]
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

£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 Subsequently the Government required social landlords 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 9 February 2021]

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]

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.[21]

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 level – and low-cost home ownership. This announcement now extends support for 'social rent' – which are lower rents, set according to national guidelines.[22]

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.[23]

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19 Autumn Statement 2016, para 3.11
20 UK Housing Review 2017, p82
21 Budget 2017, November 2017, para 5.23
22 DCLG Press Release, 4 October 2017
23 OBR, Economic and Fiscal Outlook, November 2017, para 4.111

The **Spring Statement 2018** announced that London would receive £1.67 billion to build 26,000 affordable homes:

> This additional funding will deliver homes for social rent, as well as homes for London Affordable Rent, flexible shared ownership and rent to buy. At least two-thirds of the homes built with this additional funding will be for rent.[24]

The UK Housing Review 2018 noted that despite a shift in support compared with 2016, the balance of Government investment "still heavily favours intervention in the private market, with support for affordable housing forming just 21 per cent of total investment over the period to 2020/21".[25] The 2019 UK Housing Review made the same point.[26]

The December 2019 Queen's Speech included a commitment to renew the Affordable Homes Programme. **Subsequently, the March 2020 Budget announced £9.5 billion for an extension of the AHP:**

> The Budget announces an additional £9.5 billion for the Affordable Homes Programme. In total, the programme will allocate £12.2 billion of grant funding from 2021-22 to build affordable homes across England. This should bring in a further £38 billion in public and private investment. This new five-year programme will help more people into homeownership and help those most at risk of homelessness.[27]

The Government confirmed that as a condition of receiving AHP funding, homes built must have the Right to Shared Ownership attached (see section 13.5).[28] The Prospectus for the 2021-26 AHP was published in September 2020. The plan is for funding to support up to 180,000 new homes, subject to economic conditions. The programme's funding will be split: 50% to fund homes at a discounted rent, and 50% for affordable home ownership products.

2.2 Affordable Homes Guarantees

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.[29]

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

24 MHCLG, More support to boost housebuilding momentum, 13 March 2018
25 Stephens M, Perry J, Wilcox S, Williams, Young G: 2018 UK Housing Review, p61
26 Stephens M; Perry J; Williams P; Young G: 2019 UK Housing Review, April 2019
27 HC 121, March 2020, para 2.91
28 Affordable Housing: Construction: Written question – 28566, 17 March 2020
29 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

> 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.**[30]

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.[31]

Mark Prisk, then-Housing Minister, declared the housing guarantees open for business on 20 June 2013.[32] The Minister said £3 billion would be held in reserve for private rented and affordable housing guarantee schemes in the event of sufficient demand.[33] 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.[34]

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.'[35]

30 HC 1033, Budget 2013 – emphasis in the original.
31 NHF, Budget lacking in house building stimulus, 2013
32 DCLG Press Release, 20 June 2013
33 Ibid.
34 HCA, Affordable Homes Guarantee Programme, [accessed on 9 February 2021]
35 *Social Housing*, Government to end affordable homes guarantees in March 2016, 30 November 2016 [subscription required]

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

The Chancellor's Spring Statement 2019 announced £3 billion of affordable homes guarantees:

> The government will stand behind £3 billion of loans to housing associations, supporting them to build tens of thousands of affordable properties across the country, it has been confirmed.
>
> This will come from the £8 billion of housing guarantees the Chancellor announced in his 2017 Autumn Budget.
>
> The scheme will open for bids from housing associations in due course.
>
> Previous programmes have helped 66 housing associations to build around 35,000 new homes since 2013.[36]

In November 2019 *Social Housing magazine* reported that the Ministry was tendering for a partner to deliver the affordable homes guarantee scheme and that it was likely to launch towards the end of 2020.[37] On 16 October 2020 Christopher Pincher, Housing Minister, announced ARA Venn as the manager of new £3 billion Affordable Homes Guarantee Scheme. The scheme rules were published at the same time to help registered providers plan ahead and prepare applications. It was expected that the scheme would formally open for applications "in the coming weeks, with the first loans to be delivered next year."[38]

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 £5.6 billion in 2017/18.[39] The 2019 UK Housing Review noted that investment capacity "does not therefore seem to have been unduly affected by the compulsory reductions in HRA rents that began in April 2016."[40]

The council housing borrowing cap

The Chartered Institute of Housing (CIH) and Local Government Association had long argued for the removal of borrowing caps imposed on local authorities as part of the move to self-financing in April 2012. 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).[41]

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36 MHCLG Press Release, 14 March 2019

37 *Social Housing,* "MHCLG tenders for a partner on potential £6bn Affordable Homes Guarantees Scheme" 28 November 2019 [subscription required]

38 MHCLG, "£3 billion affordable housing guarantee scheme to be operated by Ara Venn", 16 October 2020

39 This total includes what remains of non-HRA capital spending as well as GLA spending which represents 13% of the total.

40 Stephens M; Perry J; Williams P; Young G: 2019 UK Housing Review, p61

41 Innovation and Ambition: the impact of self-financing on council housing, ARCH, June 2013,

As part of the 2013 Autumn Statement (December) the Chancellor *did* announce a limited increase in local authorities' borrowing caps.[42]

This was welcomed but the CIH described it as "far too modest" a step. There was concern that any gains from increased borrowing capacity could be offset by the requirement to sell higher-value social housing and through an expansion of the Right to Buy.[43] 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.[44]

The ability of councils to use their borrowing capacity to invest in new supply was impacted 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 were using their new freedoms under Housing Revenue Account self-financing to increase housebuilding.[45]

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.[46]

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

42 Cm 8747, 2013 Autumn Statement, December 2013, para 1.228
43 CIH, What you need to know about the Autumn Statement 2013, December 2013
44 London Councils response to Autumn Statement, 5 December 2013
45 DCLG Press Release, 30 January 2014
46 Review of local authorities' role in housing supply, 2015

> 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.[47]

This was followed by the Prime Minister May announcing, during her speech to the Conservative Party Conference on 3 October 2018, **that borrowing caps would be lifted to support more housebuilding.[48]** The Chancellor announced the lifting of borrowing caps with effect from 29 October 2018 during the Budget:

> …the Housing Revenue Account cap that controls local authority borrowing for house building will be abolished from 29 October 2018 in England, enabling councils to increase house building to around 10,000 homes per year. The Welsh Government is taking immediate steps to lift the cap in Wales.[49]

The announcement was warmly greeted within the sector. The Resolution Foundation commented on the potential impact:

> The Office for Budget Responsibility (OBR) estimates that councils could complete an additional 20,000 new units by 2023-24 (and we estimate a further 7,000-plus units could be started by this point). Construction on this scale would represent a significant step-change for local authorities: in England and Wales they built a mere 1,900 new homes in 2017-18.[50]

The 2019 UK Housing Review highlighted several unknown factors which could influence the degree to which councils take advantage of the removal of the borrowing caps, including how much additional capital grant will be required; and councils' appetite for reopening HRAs where they no longer have one.[51] A CIH study (2020) suggested that councils *will* increase supply by 10,000 and may exceed this number.[52]

Consultation was launched in August 2018 on changes to the way authorities can use receipts from the Right to Buy with a view to increasing the delivery of new homes.[53] Submissions were invited up to 9 October 2018. Responses are being analysed.

For more information on council housing development see: A new era of social rented housing in England?

Reducing rents by 1%

As part of 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

47 Budget 2017, November 2017, para 5.23
48 Prime Minister's Conference Speech, 3 October 2018
49 HMT, HC 1629, 2018 Budget, para 4.56
50 Resolution Foundation blog, Lifting the lid on the borrowing cap, 31 October 2108
51 Stephens M; Perry J; Williams P; Young G: 2019 UK Housing Review, Chartered Institute of Housing and Heriot Watt University, p62
52 CIH with NFA and ARCH, Local authority new build programmes and lifting the HRA borrowing caps, January 2020
53 MHCLG, Use of receipts from right to buy sales, August 2018

> 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.[54]

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.[55]

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 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.[56]

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.[57]

The Housing White Paper (February 2017) contained a commitment to set out a long-term rent policy for social landlords.[58] The 2017

54 Summer Budget 2015, HC 264, July 2015, para 1.140
55 OBR, Economic and Fiscal Outlook, Cm 9088, July 2015, para 3.84
56 Summer Budget 2015 Briefing, National Housing Federation (NHF), 10 July 2015
57 LGA Press Release, 21 July 2015
58 Cm 9352, Fixing our broken housing market, February 2017, para 3.26

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.[59]

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.[60] 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 LGA subsequently published Innovation in council housebuilding (2018) which provides a "detailed study of delivering innovation in council housebuilding."

The Housing White Paper, Fixing our broken housing market, (February 2017) expressed support for authorities' "innovative new models" subject to tenants being offered "equivalent terms to those in council housing, including a right to buy their home".[61]

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.[62]

The social housing Green Paper, A new deal for social housing (2018), also expressed support for local housing companies but reiterated the desire that where affordable homes are delivered and retained through a company, the tenants should be given an opportunity to become homeowners.[63] The 2019 Government published The charter for social housing residents: social housing white paper on 17 November 2020.

2.5 Planning gain and planning guidance

Local authorities have been able to secure additional affordable housing development through planning gain (also referred to as section 106

59 DCLG Press Release, 4 October 2017
60 *Inside Housing,* "Stepping up to the plate," 16 December 2016
61 Cm 9352, Fixing our broken housing market, February 2017, para 3.28
62 LGA Briefing on the Housing White Paper, February 2017
63 MHCLG, A new deal for social housing, 14 August 2018, para 156

planning agreements).[64] Data from the National Housing Federation's survey of housing associations indicates the importance of section 106's contribution to affordable housing development, in 2018/19:

- 51% (21,442) of affordable starts were delivered through Section 106 agreements
- 54% (20,757) of affordable completions were delivered through Section 106 agreements[65]

There has been some concern over the tendency of developers to try to negotiate down contributions to affordable housing based on viability.

On 5 March 2018, Prime Minister May published a draft revised National Planning policy Framework for consultation alongside a consultation paper on reforms to the system of developer contributions: Consultation on supporting housing delivery through developer contributions. A revised NPPF together with amended planning guidance was published on 24 July 2018. There is revised planning practice guidance on the use of viability tests which makes it clear that local authority plans should set out "the levels and types of affordable housing provision required". The Government response to reforming developer contributions was published in October 2018. After considering responses, the Government said it would build on reforms in the NPPF by "introducing legislative reforms to developer contributions."[66] Consultation on Reforming developer contributions: technical consultation on draft regulations ran between 20 December 2018 and 31 January 2019 – the Government response was published in June 2019.[67]

The following changes have been implemented:

- Restrictions on pooling section 106 planning obligations and Community Infrastructure Levy (CIL) were lifted in September 2019. The regulations allow local authorities to use both the Levy and section 106 planning obligations to fund the same item of infrastructure.[68]
- The regulations made amendments in relation to the calculation of CIL where planning permission has been 'amended', including providing for credits to be moved between phases of planning permissions.[69]
- The regulations introduced Infrastructure Funding Statements, requiring local authorities to report on developer contributions received and allocated, and increase transparency over the indexation of CIL rates.[70]

The August 2020 Planning White Paper contains proposals to further reform section 106 contributions and the Community Infrastructure Levy (CIL) to create an Infrastructure Levy as "a nationally-set value-based flat rate charge". This might involve a single rate or variable rates.

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64 For more information see Library briefing paper: Planning Obligations (Section 106 Agreements) (7200)
65 NHF, How many homes did housing associations deliver in 2018/19? June 2019
66 MHCLG, Government response to supporting housing delivery through developer contributions, October 2018, p1
67 MHCLG, Government response to reforming developer contributions, June 2019
68 *Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019*
69 Ibid.
70 Ibid.

There is an aim for the new levy "to raise more revenue than under the current system of developer contributions, and deliver at least as much – if not more – on-site affordable housing as at present."[71] Providers have expressed signification concerns about the potential impact of these reforms.

2.6 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.[72] The 2014 Autumn Statement confirmed that £150 million had been allocated to projects under this fund including Grahame Park, Blackwall Reach, Aylesbury Estate and New Union Wharf.[73]

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.[74] 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.[75]

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.[76]

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.[77]

71 MHCLG, White paper: Planning for the Future, August 2020, p18
72 DCLG Estate Regeneration Programme, (accessed on 8 July 2014)
73 Cm 8961, December 2014, para 1.134
74 Prime Minister pledges to transform sink estates, 11 January 2016
75 Savills, Completing London's Streets, January 2016
76 DCLG, Estate Regeneration National Strategy, 2016
77 Budget 2017, November 2017, para 5.24

The UK Housing Review 2018 noted 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."[78]

2.7 Strategic partnerships

In July 2018, Homes England announced it had entered into strategic partnerships aimed at accelerating the delivery of affordable housing with eight associations. Initially, funding of £590 million was expected to deliver 23,500 additional homes over previous plans, of which 14,280 were to be affordable homes, by March 2022:

> Today's announcement marks the first step towards a new way of working between Homes England and its partners, adopting a programme approach to delivery, with plans to explore how adopting this approach across Homes England's land, funding and powers can further generate additional supply. Homes England will also re-open discussions with the sector this summer on a second tranche of strategic partnerships. The national housing agency will also be looking at the lessons learned from the first wave of deals to see what flexibilities can be offered to site-by-site based bids.[79]

Prime Minister May announced a new £2 billion initiative in September 2018. Under this scheme, associations could apply for funding and enter into longer-term partnerships up to 2028/29.[80] The NHF described this as lending further "long term certainty to associations' operating environment".[81] Seven more partnerships were announced alongside the Budget on 29 October 2018 and a further eight in January 2019 bringing the total number at that point to 23:

> Overall a £1.7 billion pound funding package has been agreed by Homes England to support a total of 23 strategic partners, who together will deliver around 40,000 affordable homes starts by March 2022.[82]

In September 2020, Homes England announced it would be accepting bids for new strategic partners as part of the next Affordable Homes Programme (2021-2026) and in November 2020 the then-CEO, Nick Wakley, said Homes England would be looking at how "to expand the number of strategic partners", including "extending to local authority partners".[83]

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78 Stephens; Perry; Wilcox; Williams and Young, 2018 UK Housing Review, Heriot-Watt University and the Chartered Institute of Housing, March 2018, p65
79 Homes England Press Release, 3 July 2018
80 PM to address the National Housing Federation summit, 18 September 2018
81 NHF, Submission: Budget 2018, 28 September 2018
82 MHCLG Press Release, 31 January 2019
83 *Inside Housing*, "Homes England to allow local authorities to become strategic partners", 23 November 2020 [subscription required]

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 (now Homes England) 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 the feasibility and economic impacts of pursuing this model at a wider scale.[84]

Subsequently, on 4 January 2016, the then-Prime Minister announced an extension of direct commissioning.[85]

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.[86]

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.[87]

Direct commissioning appears to have been overtaken by the accelerated construction programme (see section 9 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:

84 HM Treasury, National Infrastructure Plan 2014, December 2014, para 2.16
85 PM: The Government will directly build affordable homes, 4 January 2016
86 *Inside Housing*, "RICS: Government should expand direct commissioning", 18 November 2016
87 HC 46, Tenth Report of 2016-17, 29 April 2017, para 46

> 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.[88]

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.[89]

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 Partnership areas to support strategic housing and economic development priorities.[90] 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.[91]

Following the 2015 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.[92]

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

88 Cm 7961, October 2010
89 HC 114,Twenty-ninth report of 2013-14, The New Homes Bonus, October 2013
90 HM Treasury, Investing in Britain's Future, Cm 8669, p43
91 2013 Autumn Statement, para 1.230
92 Spending Review and Autumn Statement 2015, p.59

> settlement, in particular to support authorities with specific pressures, such as in adult social care budget.[93]

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, then-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. NHB payments have continued but the 2020/21 element of NHB is being paid for one year only. Legacy payments of the bonus in respect of growth in 2019/20 and previous years are being paid in 2020/21 and a new round of allocations has been announced for 2021/22. However, on 4 February 2021 the Government announced that this would be the final set of allocations under the current approach:

> The Government is committed to developing a more efficient and effective way of incentivising housing growth, which is why I am pleased to announce that we plan to consult shortly on the future of the New Homes Bonus.[94]

5. Infrastructure for housing

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

> 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.

[93] New Homes Bonus: Sharpening the Incentive, December 2015
[94] HCWS764, 4 February 2021

> 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.[95] The intention was 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.[96]

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 (HIF):

> 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.[97]

The **Autumn Budget 2017** increased the funding 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.[98]

95 DCLG, Large sites infrastructure programme: prospectus, October 2015
96 Queen's Speech 2016 Background Briefing Notes, May 2016
97 DCLG, Autumn Statement 2016, November 2016
98 Budget 2017, November 2017, para 5.18

A further £630 million in infrastructure funding was announced in the Autumn 2017 Budget 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.[99]

The Spring Statement 2018 announced that the Government was working with 44 areas on their HIF bids.[100] **Budget 2018** announced a further £500 million for the HIF bringing total funding to £5.5 billion "unlocking up to 650,000 new homes".[101]

Then-Secretary of State, James Brokenshire, provided an update on HIF allocations after the Spring Statement 2019:

> We have awarded the next wave of the £5.5 billion Housing Infrastructure Fund, totalling £717 million to these successful locally-led schemes in key areas across England:
>
> - Old Oak North - £250 million to build nearly 13,000 new homes can be built close to the new HS2 railway station at Old Oak Common, which will become the UK's best-connected station.
> - Cheshire East – £21.7 million to help deliver a new 1,675 home garden village through the upgrading and improvement of existing roads, provision of a new village high street and a new footbridge.
> - 'Northern Fringe East', Cambridge, – £227 million to deliver up to 8,625 new homes through the relocation of drainage and sewerage facilities, opening up brownfield land for development.
> - 'Access to Didcot Garden Town', Oxfordshire, to unlock up to 13,411 new homes with £218 million to upgrade road links, including new bridges over the River Thames and Great Western Railway to alleviate traffic.
>
> A further £320 million will be made separately available to Barnet council to deliver at least 7,500 homes at Brent Cross Cricklewood. The money will be spent on a new train station on the Thameslink route, which is essential for the homes to be built.[102]

Budget 2020 confirmed allocations from the HIF of £1.1 billion for nine areas.[103] The Budget also announced that the forthcoming Comprehensive Spending Review would prioritise infrastructure with a focus on "levelling up economic opportunity across all nations and regions."[104] There was an intention to create a **Single Housing Infrastructure Fund**:

> A new £10 billion Single Housing Infrastructure Fund – as set out in the Conservative manifesto, we will also build on this infrastructure investment with a new long-term, flexible fund

99 Budget 2017, November 2017, para 5.20
100 Spring Statement 2018: What you need to know, 13 March 2018
101 HC 1629, October 2018, para 4.56
102 MHCLG Press Release, 14 March 2019
103 The areas benefiting from HIF funding are listed on the Government's Housing Infrastructure Fund page.
104 HC 121, March 2020, para 1.144

> which will give confidence to communities, developers and local authorities. Details of the funding will be announced alongside the Spending Review. Homes England will engage with local authorities and the wider market to build a pipeline of opportunities up and down the country.[105]

Spending Review (SR2020) 2020 was deferred to November 2020 and covers only one year.[106] It announced the creation of a National Home Building Fund (NHBF) with £7.1 billion in funding (see section 7 below). Additional funding will be announced at the next multi-year Spending Review:

> ...further funding for the NHBF will be confirmed at the next multi-year spending review, **delivering on the government's commitment to provide £10 billion to unlock homes through provision of infrastructure.**[107]

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
- infrastructure finance - loan funding for site preparation and the infrastructure needed to enable housing to progress and to prepare land for development[108]

The Fund is administered by the Homes England. 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)[109]; the Large Sites Infrastructure Programme (£1 billion)[110]; and the Build to Rent Fund (£1 billion)[111]. 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.[112]

105 MHCLG, Planning for the Future, March 2020
106 CP 330, November 2020
107 Ibid., para 6.59 [emphasis added]
108 DCLG, Introduction to the Home Building Fund, 4 October 2016
109 This fund was established in 2014 to support SME to access finance via loans to unlock stalled developments of between 15 and 250 units.
110 A prospectus for the large sites infrastructure programme was published in April 2014 inviting interested parties to bid for funding.
111 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.
112 Budget 2017, November 2017, para 5.21

An article on the Building website (January 2020) questioned whether the funding was reaching its target audience.[113]

7. National Home Building Fund

As noted above, **Spending Review (SR2020) 2020** announced the creation of a National Home Building Fund (NHBF) with £7.1 billion in initial funding over four years to "unlock up to 860,000 homes", including:

- confirming £4.8 billion of capital grant funding, including for land remediation, infrastructure investment, and land assembly
- delivery of the Brownfield Fund, announced at Budget 2020 for Mayoral Combined Authorities (MCAs)
- an additional £100 million for non-Mayoral Combined Authorities in 2021-22 to support housing delivery and regeneration, including unlocking brownfield sites, regenerating estates and releasing public sector land – including serviced plots for self and custom builders
- £2.2 billion of new loan finance to support housebuilders across the country. This includes delivering Help to Build for custom and self-builders, and funding for SMEs and modern methods of construction.[114]

Additional funding will be announced at the next Spending Review.

8. Housing Growth Partnership

This partnership between Lloyds Banking Group and Homes England (previously the HCA) was launched in 2015 to support small and medium sized housebuilders. The Spring Statement 2018 announced that £60 million in investment would boost the partnership and, together with match funding from Lloyds, would bring total additional investment to £120 million. Total funding is £220 million to deliver 3,400 homes.[115]

9. 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."[116]

The chief executive of Homes England, Nick Wakley, reportedly told *Inside Housing* in March 2018 that there was definitely scope to use some of the £8 billion of loan guarantees for affordable housing.[117]

The Green Paper, A new deal for social housing (August 2018) said:

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[113] Why is the Home Building Fund failing to reach small builders?, 22 January 2020
[114] CP 330, November 2020, para 6.59
[115] Lloyds Bank Press Release, 13 March 2018
[116] Budget 2017, November 2017, para 5.22
[117] *Inside Housing,* "Walkley: definitely scope for more loan guarantees for affordable housing," 15 March 2018

> Through our extensive market engagement in recent months, housing associations have told us that the previous Affordable Housing Guarantee Scheme was helpful, particularly for smaller and medium-sized providers who are less well placed than the larger associations to access the capital markets in their own right. We have taken on board that providing access to the capital markets in the way the Affordable Housing Guarantee Scheme previously did would help support more affordable homes to be built.[118]

The National Housing Federation's submission to the 2018 Budget urged the Government to announce how the £8 billon of loan guarantees would be used, and "to ensure support for affordable homes forms an important part."[119]

As explained in section 2.2, The Spring Statement 2019 announced £3 billion of affordable homes guarantees:

> The government will stand behind £3 billion of loans to housing associations, supporting them to build tens of thousands of affordable properties across the country, it has been confirmed.
>
> This will come from the £8 billion of housing guarantees the Chancellor announced in his 2017 Autumn Budget.
>
> The scheme will open for bids from housing associations in due course.
>
> Previous programmes have helped 66 housing associations to build around 35,000 new homes since 2013.
>
> A further £1 billion of the overall £8 billion will be made available to small and medium enterprise housebuilders in the private sector, as announced by the Chancellor in last year's Budget. This scheme, which will be called the ENABLE Build Guarantee Scheme, will open to applications from banks in April.[120]

10. 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;

[118] MHCLG, A new deal for social housing, 14 August 2018, para 170
[119] NHF, Submission: Budget 2018, 28 September 2018
[120] MHCLG Press Release, 14 March 2019

> - 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.[121]

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".[122]

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

[121] Cm 9352, Fixing our broken housing market, February 2017, paras 3.11-13
[122] 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.*[123]

In March 2017, DCLG announced the appointment of Stephen Kinsella as its new Director of Accelerated Construction.[124]

The Office of Budget Responsibility (OBR) confirmed a reduction in funding for this program in its November 2017 report.[125] Homes England announced the first funding allocation under the programme on 14 February 2019.[126]

11. Community Housing Fund

£163 million was made available in England up to 31 March 2020 to support community-led housing. This was in addition to £60 million in funding which was allocated directly by Government to 148 councils in December 2016:

> The Fund aims to support an increase in housing supply in England by increasing the number of additional homes delivered by the community-led housing sector; to provide housing that is affordable at local income levels and remains so in perpetuity; and to deliver a lasting legacy for the community-led housing sector in the form of an effective and financially self-sustaining body of expertise within the house building industry in England.[127]

A separate programme administered by the Greater London Authority operates in London with £38 million. Funding under this programme is available until 2022/23. The future of the fund was expected to be announced as part of Spending Review 2020.[128] SR2020 did not extend specific funding for community-led housing but on 1 February 2021, Robert Jenrick **announced that the fund would be relaunched**:

> Fifth, the Government is also relaunching the Community Housing Fund, making £4 million available to help Community Land Trusts bid for funds to support them to prepare bids for the £11.5 billion Affordable Homes Programme. This programme is the largest investment in affordable housing in a decade and will provide up to 180,000 new homes across England, should economic conditions allow.[129]

12. New garden towns

The **Autumn Budget 2017** included an announcement on new garden towns:

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[123] Ibid., para 48
[124] DCLG Press Release, 29 March 2017
[125] OBR, Economic and Fiscal Outlook, November 2017, para 4.111
[126] Homes England Press Release, 14 February 2019
[127] MHCLG Press Release, 2 July 2018
[128] HC Deb 12 March 2020, c546
[129] HCWS750, 1 February 2021

> **New garden towns** – The government will bring together public and private capital to build five new garden towns, using appropriate delivery vehicles such as development corporations, including in areas of high demand such as the South East.[130]

On 15 August 2018, James Brockenshire launched a new garden communities programme:

> This plan is about the government working with councils and developers to get great homes in keeping with beautiful areas in England.
>
> We want to help local authorities build strong and vibrant communities where people want to live, work, and raise families.
>
> Our garden communities programme already has the potential to provide over 200,000 new homes by 2050, and we want to go further.
>
> Strong community involvement and engagement will be at the heart of judging garden community proposals; ensuring developments reflect local character while also designing beautiful green spaces near homes.
>
> Garden communities can take the form of new villages, towns or cities and have the potential to deliver well designed homes at an increased scale, with projects ranging in size from 10,000 to 40,000 homes.
>
> This prospectus is the latest step by government to get Britain building, with 23 locally-led garden communities already receiving funding support, with the potential to deliver over 200,000 homes by 2050.
>
> The launch today signals the start of a 3 month application process, with successful garden community proposals being announced later in the New Year.[131]

A £9 million cash injection "to speed up the locally-led building of new garden towns and villages across the country" was announced on 13 February 2019.[132] This was followed by a further announcement on 25 March 2019 of £3.7 million to fund five new garden towns.[133]

13. Disposal of public sector land

Access to land is a key factor in the development of new housing supply. Governments since 2015 have said they are committed to speeding up the release of public sector land for housebuilding.

13.1 The Coalition Government's programme (2010-15)

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

130 Budget 2017, November 2017, para 5.17
131 MHCLG Press Release, 15 August 2018
132 MHCLG Press Release, 13 February 2019
133 MHCLG Press Release, 25 March 2019

had started work on the new homes. The scheme was administered by the HCA.

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.
>
> **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.[134]

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.[135]

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."[136]

The Government's response to the PAC's report and recommendations was published in December 2015.[137] 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 programme in Spring 2016, including details of how progress will be monitored.[138]

134 DCLG Single Departmental Plan 2010-2015
135 HC 289, Second Report of 2015-16, September 2015
136 Cm 9162, November 2015, p5
137 Cm 9170, December 2015
138 Ibid.

13.2 Government programme 2015 onwards

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.[139] 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.[140]

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.[141]

MHCLG published a progress report on the Public Land for Housing Programme 2015-2020 in May 2019. Ordnance Survey has been commissioned to monitor the progress of homes built on land released through the 2011-15 and 2015-20 programmes. Performance data was released on 6 February 2020 – the PQ response below provides an update on the Government's future intentions:

> The Public Land for Housing programme (2015-2020) supports the government's Estate Strategy aim to identify and release surplus central government land. The aim of the programme is to release land with capacity for at least 160,000 homes in England from the central government estate by 31 March 2020. This followed delivery of the 2011-15 Public Land for Housing

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

[140] HC 634, Twenty-second report of 2016-17, 2 November 2016, p3

[141] Cm 9352, Fixing our broken housing market, February 2017, paras 1.26-27

> programme through which surplus land with capacity for 109,000 homes against a target of 100,000 homes was released.
>
> The new performance data released on the Public Land for Housing Programme was published on Thursday 6th February 2020, (data release attached) and shows that since the start of the current programme to the end of June 2019, departments had sold 508 sites with capacity for c48,000 homes. We confirmed to the Public Accounts Committee in 2019 that land release for 160,000 homes will be achieved to a longer timeframe due to the complexities of disposal and the evolving demands placed on departments' estates.
>
> Full details of the data requested are set out in the data tables document attached. To note in regards to data on affordable housing, once a site has been sold by the department, the allocation of affordable housing is agreed between local authorities and developers on a site by site basis.
>
> We are currently considering options for a future programme that supports the government's emerging priorities, reflecting on lessons learnt from both programmes. Decisions on a future programme, including targets for departments, will be made at Spending Review.[142]

A PQ response of 3 March 2020 provided an update on local authority land release activity:

> In addition, at Budget 2016, an announcement was made that councils would collaborate with central government on a local authority land ambition, working with their partners to release surplus local authority-owned land with the capacity for at least 160,000 homes by the end of March 2020. As of August 2019, two-thirds of local authorities in England were forecasting the release of land for approximately 128,000 homes by the end of March 2020. We will report on the final local authority land ambition numbers in Summer 2020 once the final set of data has been collected. We are considering options for the future of the local authority land ambition after March 2020, including estimating the amount of surplus local authority land that could be used for housing.
>
> Information on land held by individual sectors is continually refined.[143]

The Planning White Paper 2020 refers to exploring how publicly-owned land disposal can support the SME and self-build sectors. (p19)

A Land Assembly and Small Sites Fund

The Autumn Budget 2017 announced the establishment of a Land Assembly 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.[144]

Both the Land Assembly and Small Sites Funds were launched in September 2018:

> The £1.3 billion Land Assembly Fund, will be used to acquire land needing work and get it ready for the market, making it less risky

142 Government Departments: Land: Written Question – HL1573, 26 February 2020
143 Land: Public Sector: Written question – 18549, 3 March 2020
144 Budget 2017, November 2017, para 5.16

> for developers to invest in and start building. Outside of London this work will be carried out by Homes England.
>
> For public land owners or local authorities that are struggling to get building on land in their area, the £630 million Small Sites Fund will provide grant funding to speed up getting the right infrastructure in place to support home building on stalled small sites to provide the homes their communities need.[145]

14. Home ownership initiatives

The following initiatives are aimed at stimulating and supporting demand for home ownership which, in turn, supports the development of homes for sale by private developers.

14.1 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.[146]

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. During the Autumn Statement 2015 the Chancellor said the scheme would be extended to 2021.

In October 2017, the Government confirmed that this scheme would continue up to 31 March 2021. The **Autumn Budget 2017** confirmed an additional £10 billion in funding.[147]

The new Help to Buy: Equity Loan (2021-2023) opened for applications on 16 December 2020.[148] Applications are limited to first-time buyers and regional price caps apply. The scheme will run to

145 MHCLG Press Release, 17 September 2018
146 HC 1033, March 2013
147 Budget 2017, November 2017, para 5.29
148 MHCLG Press Release, 16 November 2020

March 2023. Eligible buyers will benefit from an equity loan of up to 40% of the cost of a new build home in London and 20% elsewhere.[149]

14.2 Help to Buy: ISA (now closed)

In the March 2015 Budget, the Chancellor announced the introduction of 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.[150]

The 2015 Government produced a Help to Buy ISA factsheet. The ISAs were launched in autumn 2015 and are now closed to new applicants:

> The Help to Buy ISA is due to close to new accounts on 30 November 2019. First Time Buyers can therefore open a Help to Buy ISA account up to, and including, that date. Customers will then be able to save into existing accounts until 30 November 2029 and will have until 1 December 2030 to claim the bonus.[151]

14.3 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

149 New Help to Buy scheme announced, February 2020
150 HM Treasury, Help to Buy: ISA, scheme outline, March 2015
151 Written question - 245902, 25 April 2019

> 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.[152]

14.4 First Homes

The 2019 Government launched First Homes consultation in February 2020. A summary of responses and the Government's response was published in August 2020.

The scheme will have the following features:

- First Homes will be sold with a minimum discount of 30 per cent off the market price, but local areas will be able to set a larger discount to ensure the homes are affordable to local people.
- Buyers will purchase First Homes in the usual way and will have access to conventional mortgage products.
- When owners of First Homes decide to move up the ladder, their home will be independently valued. When they sell the home, the discount will be passed on to the new owner with the discount (of at least 30%) applied to the new value.
- This means homes will always be sold below market price and local communities will benefit for generations to come, with local authorities continuing to allocate these homes to first-time buyers and able to prioritise local workers.
- First Homes are for people to live in, so we won't allow them to be used as holiday homes or as buy to lets. These are for local people to take their first step onto the ladder.[153]

In the first instance, the 30% discount will be delivered via the planning system: through section 106 developer contributions and through an amendment to the policy on exception sites. In the longer term:

> ...reforms to the planning system to make it more accessible, digital, efficient and transparent will support the delivery of First Homes by bringing more land forward for development and with a new Infrastructure Levy, which covers affordable housing provision and could be used for on-site delivery of First Homes.[154]

There is an intention to establish First Homes as a new tenure in the housing market with a 1,500 homes pilot delivered through the Affordable Homes Programme.[155]

152 HM Treasury, Help to Buy: ISA, scheme outline, March 2015, paras 1.108-11
153 A Guide to First Homes, February 2020
154 MGCLG, First Homes: Getting you on the ladder, August 2020
155 Ibid.

15. 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. Then-Housing Minister, Grant Shapps, described the report as a "blueprint" for reform of the PRS.[156] 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.'[157]

Despite its status as the least popular tenure, the private rented sector is now England's second largest tenure after home ownership. 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).

[156] *Inside Housing*, 'Shapps: Montague is blueprint for PRS reform', 23 August 2012
[157] *Inside Housing*, "Emergency drop," 7 September 2012

15.1 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.[158]

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.[159] Short-listing of bids and due diligence commenced in early 2014.[160] 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."[161]

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."[162] 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."[163]

Applications for funding were opened up on a continuous market engagement basis in January 2015.[164]

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

158 HC 1033, March 2013
159 CLG Press Release, 12 September 2013
160 Cm 8730, October 2013
161 DCLG Press Release, 26 June 2014
162 HC 50, First Report of 2013-14, The Private Rented Sector, 18 July 2013, para 137
163 Ibid.
164 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.[165]

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." The revised NPPF was published on 24 July 2018 – Build to Rent is included in the definition of affordable housing for planning purposes.[166]

15.2 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,[167] 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:[168]

> 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.[169]

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.[170]

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:

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165 Cm 9352, Fixing our broken housing market, February 2017, para 3.23
166 See: Build to rent Guidance, 2018
167 *The Infrastructure (Financial Assistance) Act 2012*
168 The rules under which this scheme operates were initially published in February 2013 and were revised in March 2018: Private rented sector Housing Guarantee Scheme Rules.
169 2010 to2015 government policy: rented housing sector [accessed 9 June 2017]
170 *Financial Times*, "Build to let plans fall flat after investors show scant interest," 10 June 2013

> 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 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.[171]

The Government's response 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.[172]

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.[173]

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."[174] 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

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171 HC 50, First Report of 2013-14, [The Private Rented Sector](), 18 July 2013, para 142
172 [Cm 8730](), October 2013
173 [2010 to 2015 government policy: rented housing sector](), May 2015, [accessed on 10 February 2021]
174 HC 50, First Report of 2013-14, [The Private Rented Sector](), 18 July 2013, para 144

> large-scale, professionally managed developments, owned and managed by institutional investors and private sector organisations.
>
> 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.[175]

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."[176]

16. 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 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 demand on their local register when exercising planning and other relevant functions.

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*

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175 Cm 8730, October 2013
176 HC 50, First Report of 2013-14, The Private Rented Sector, 18 July 2013, para 148

introduced the Right to Build with effect from 31 October 2016. A custom and self-build toolkit was also developed.

Then-Housing Minister, Kit Malthouse, responded to an adjournment debate on Self-build Housing on 13 May 2019, saying:

> The £4.5 billion home building fund launched in October 2016 offers £1 billion in short-term loan finance targeted to self and custom builders, innovators, and small and medium-sized enterprises. In July, a Homes England programme to deliver the community housing fund outside London was launched, with £163 million available up to 2019-20 to support community-led groups bringing forward local affordable housing schemes. We expect a similar programme for London to be announced shortly by the Greater London Assembly.[177]

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).

In Planning for the Future the 2019 Government expressed support for the self-build sector:

> Supporting community and self-build housing – we will support those who want to build their own homes to find plots of land and provide help to parish councils and neighbourhood forums who wish to build a small number of homes to allow their communities to grow organically, providing homes for the next generation and those wishing to downsize.[178]

On 30 October 2020 the Government announced a review of self-build to make it easier for people to build their own homes.[179]

The new National Home Building Fund announced during Spending Review 2020 includes funding for self-builders:

> £2.2 billion of new loan finance to support housebuilders across the country. This includes delivering Help to Build for custom and self-builders, and funding for SMEs and modern methods of construction.[180]

17. 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 could also benefit from additional funding under the New Homes Bonus scheme when bringing 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

177 HC Deb 13 May 2019 cc60-68
178 MHCLG, Planning for the Future, March 2020
179 MHCLG Press Release, 30 October 2020
180 CP 330, November 2020, para 6.59

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.[181]

The Autumn Budget 2017 included 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%.[182]

The *Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018* gained Royal Assent on 1 November 2018 and enables local authorities to increase the Council Tax premium on longer-term empty homes.

On 16 January 2021 the Government launched a consultation exercise on a Right to Regenerate:

- New Right to Regenerate will enable public to require councils and public sector to sell unused land and assets
- Proposals for public to have first right of refusal to purchase underused land in England
- Land to be sold by default, unless compelling reason not to
- Making it simpler, quicker and easier for public to transform vacant land and derelict buildings into homes, businesses or community spaces.[183]

Responses are accepted up to 13 March 2021.

181 PQ 10766, 19 October 2015
182 Budget 2017, November 2017, para 5.31
183 MHCLG, Right to Regenerate: reform of the Right to Contest, 16 January 2021

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