

# Building for the Future

A programme of housing investment for the  
2007 Comprehensive Spending Review

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# **1. Foreword**

The Comprehensive Spending Review 2007 represents an opportunity for government to review and renew its priorities for the next decade. The last ten years have seen housing rise up the political and public agenda and government has to some extent responded to these pressures.

We share government's commitment to create communities and neighbourhoods that are sustainable into the longer term and deliver improved prosperity, opportunity and quality of life for their residents. Our submission sets out a realistically costed programme of action designed to ensure the housing sector can play its role in meeting these shared aims.

Decades of under investment and the legacy of Right to Buy combined with increasing numbers of households and worsening affordability has created an unsustainable gap between housing demand and supply. Put simply, there are not enough homes for the people who need them. Only a sustained increase in supply, including increased investment to deliver the level of affordable homes set out in this submission, can begin to tackle this crisis.

There is a clear commitment from government to build more homes and to invest in housing conditions. But we are asking that this investment is targeted in ways that are sensitive to the needs of individuals and communities. Communities that last are where people with different needs can live together, supported by the infrastructure and services that guarantee sustainability in the long term.

Increasing and improving our housing stock is critical, but on its own is not enough. We need to continue to work to prevent homelessness from happening and to deal with its consequences where it does. And we need to enable players at the local level to work more closely together and more strategically to maximise the return delivered from government investment in housing.

Together, our organisations represent a sector that already provides housing and housing related support as well community services for over 10 million people. We have the experience and expertise to be the Government's partner in delivering the next decade of investment in housing and communities. We have a great deal to offer in return for public investment as well as being able to lever in additional monies.

We hope that the Government will rise to the challenges set out within this document and recognise the huge impact that its investment will have on the life opportunities of millions of people. We look forward to working with the Government to deliver the sustainable communities of the future.

## **2. Executive Summary**

1. This submission to the Comprehensive Spending Review 2007 is the contribution of the major representative and campaigning organisations across the housing sector to the national debate about how we should respond to the challenges of the next decade.
2. The role of the housing sector extends far beyond the buildings we build, own and manage. The work we do contributes directly to the creation and maintenance of successful, sustainable neighbourhoods and communities which provide improved quality of life, increased opportunities and improved social mobility for their residents, delivering prosperity to many of the least well off in society. These values underpin our sector's work and the proposed programme of work supported by government investment set out in this document. We stand ready to work with government to deliver the sustainable communities of the future.
3. The programme of housing investment described in this submission demonstrates how by making the right investment decisions government can use housing policy and the housing sector to drive the delivery of its key targets. We recognise the need to continuously strive for improved efficiency whilst delivering outcomes that meet society's needs and we have set out our sector's offer to government in terms of both improved efficiencies and savings, including direct savings for government, and the outcomes that the programme will deliver.
4. Our submission builds on the housing sector's track record in delivering high quality outputs and outcomes and continuous efficiencies and value for money. We have the experience and expertise to change communities and to build new ones and stand ready to work with government to deliver our shared aims and objectives.
5. Investment in housing plays a crucial role in meeting DCLG's current Public Service Agreement (PSA) on creating sustainable communities, including:
  - Reviving deprived neighbourhoods (Objective 1);
  - Improving affordability (Objective 4);
  - Delivering a better balance between housing supply and demand (Objective 4);
  - Meeting the decent homes target (Objective 5);
  - Reducing the number of households in temporary accommodation (Objective 4).
6. Evidence also shows that increased housing investment has a critical role to play in achieving progress across a broad range of government aims, objectives and targets including:
  - Ending child poverty;
  - Improving life chances and social inclusion;
  - Improving health outcomes;
  - Raising educational achievement;
  - Promoting race equality and community cohesion;

- Reducing crime and antisocial behaviour;
- Driving up the competitiveness and productivity of our economy.

7. Our proposed programme of investment contains the following key recommendations:

**New homes, better homes**

8. There is an average of 209,000 new households forming every year for the next 20 years, 94,000 households in temporary accommodation and 1.5m households on waiting lists. House prices are also at record levels and so the case for delivering a major increase in affordable housing provision has never been clearer.

9. **We recommend the National Affordable Housing Programme (NAHP) is resourced to deliver a three year programme of 65,000, 70,000 and 75,000 new affordable homes per year across the CSR07 period at a cost of £3.6 billion, £3.9 billion and £4.1 billion per year.**

10. We recognise the need to increase the supply of both new affordable rented and low cost sale / intermediate housing and propose that the programme is split between affordable rented homes and subsidised home ownership homes as follows, delivering 150,000 affordable rented and 60,000 low cost home ownership homes across three years:

	<b>Year one (2008/9)</b>	<b>Year two (2009/10)</b>	<b>Year three (2010/11)</b>
<b>Affordable rented homes<sup>1</sup></b>	46,500	50,000	53,500
<b>Intermediate / LCHO homes</b>	18,500	20,000	21,500
<b>Total homes</b>	<b>65,000</b>	<b>70,000</b>	<b>75,000</b>
<b>Programme cost (£bn)</b>	<b>3.6</b>	<b>3.9</b>	<b>4.1</b>

11. Within this programme we recognise the need to specifically deliver supported housing and affordable housing in rural areas. We propose that 7.5% of the units produced through the NAHP are supported housing. At the levels of construction we are proposing this would mean the delivery of around 5,600 new and remodelled supported homes per year. We recommend an affordable rural housing programme of 5,000 / 7,000 / 9,000 units split 70% / 30% between social rented and the assisted home ownership products.

12. The housing sector's offer to government is to supplement NAHP investment with a **financial contribution of approximately £2.7 billion per year in the form of loans, and reserves contribution of around £2bn**

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<sup>1</sup> We define affordable housing as Housing for rent, let on secure or assured tenancies at target rents as defined by the Government's rent restructuring policy. Generally provided by registered social landlords and local authorities.

**per year. In total we will provide approximately 50% of the resources needed to provide the 210,000 new homes.**

13. This step change in affordable housing supply will enable us to house significantly more households than at present, but will not mean an end to the need for homelessness prevention activity. **We recommend that the homelessness prevention budget is set at £80 million, £100 million and £110 million for the three years of this review.** This would provide an additional £190,000 over three years for each local authority in England to assist in setting up and running an additional homelessness prevention project.
14. In addition to this and to ensure people can access their housing and other rights **we recommend an immediate increase in civil legal aid rates of 5 per cent**, that the civil legal aid budget must be ring fenced and to avoid any future erosion should, at the very least, be increased in line with inflation over the CSR07 period.
15. It is clear that thousands of single homeless people will remain dependent on hostel accommodation for the foreseeable future. Although the Hostels Capital Improvement Programme (HCIP) has been very successful in modernising outdated hostels the funding available has not been sufficient to upgrade all hostel accommodation and **we recommend that the Hostels Capital Improvement Programme continues to be resourced at the same level as for the Spending Review 2004 period.**
16. Gypsies and Travellers experience the worst health and education status of any disadvantaged group in England. To reduce unauthorised camping and improve life chances for Gypsies and Travellers the supply of authorised sites should be increased. **We recommend that the existing programme of £28m per annum should be up rated to £50m per annum for the CSR07 period.** This investment would deliver around 1,000 new or refurbished pitches per year.
17. **To meet the Government's manifesto commitment to achieving Decent Homes in the local authority housing stock and to meet the commitments already made to those councils and tenants in the indicative and anticipated ALMO bids to date requires an investment of:**
  - A total of £3.2bn for the CSR07 period;
  - A further £1.2bn for the following period.
18. **We believe that both the housing association sector and local authorities with retained stock, but not included in the ALMO programme, will be able to meet the Decent Homes target without additional government investment in this CSR period. Housing associations, ALMOs and councils will want to discuss with Government how to finance improvements beyond the basic Decent Homes Standard and also how the Standard can be maintained on a sustainable basis.**

19. The need to improve housing conditions is not unique to the affordable housing sector; a staggering 5.1 million private homes (29% of private homes) remained non-decent in 2004<sup>2</sup>. Our Spending Review submission proposes a package of measures to begin to address this problem. Wherever possible our proposals aim to stretch government investment by maximising leverage of private sector monies and target government funding at those who have the least financial capacity to make their homes decent.
20. We recommend that **current levels of funding for the Warm Front programme (£300m a year) should be maintained in order to contribute to the target on decent homes, to address the problem of fuel poverty and to make homes more energy efficient.**
21. A new framework is needed to deal with the problem in the long term, along with initial levels of spending that we think are appropriate over the first three years. The amounts that we are recommending are in addition to current local authority spend on grants are as follows:

	<b>Year one (2008/9)</b>	<b>Year two (2009/10)</b>	<b>Year three (2010/11)</b>
<b>1. Improving the commercial equity release market</b>	£30M	£40M	£50M
<b>2. Funding company also giving advice and expertise to LAs</b>	£3M	£3M	£3M
<b>3. Equity loans</b>	£60M	£60M	£60M
<b>4. Advice, advocacy and project management</b>	£80M	£90M	£100M
<b>Programme cost</b>	<b>£173M</b>	<b>£193M</b>	<b>£213M</b>

22. We are proposing that government makes an average of £40M per annum (phased to £30m / £40 / £50m to allow authorities to gear up) available to local authorities over the next three years to support access to commercial equity release for the purpose of making non-decent homes decent.
23. To kick-start a scale-up in the number of equity loans being offered, we recommend that Government establishes a funding company sponsored by local government and offering a range of equity loan and other financial products funded in different ways and offering advice to local authorities. We estimate running costs would be in the region of £3m per year for the three years of the Spending Review.
24. The successful delivery of the proposed programme of new affordable housing set out elsewhere in this document is crucially dependent on a reliable source of land for construction at reasonable prices. Although our

<sup>2</sup> English House Condition Survey, 2004

Spending Review submission does not formally request any government spend we set out a number of suggested changes or alterations that government could make to the land supply and planning policy architecture to improve its performance.

### **Stronger individuals, stronger communities**

25. Supporting People is a successful programme that integrates funding for housing related support services and secures quality services for vulnerable people. Since its inception Supporting People has made a real difference to the lives of 1.2 million vulnerable people delivering a number of service improvements including:
- A greater focus on service users and carers
  - Improved value for money
  - Improvements in service quality
  - Better local partnerships.<sup>3</sup>
26. The budget for the programme 2005 - 2008 has been capped following reductions year on year since its introduction in 2003 from £1.8bn to £1.715bn and is currently around £1.685bn rising to £1.693bn in 2007/8. A recent Audit Commission report recommended that “there is little more room for efficiency savings”<sup>4</sup> within the programme and that it needed to be placed on a secure financial footing.
27. Uncertainty over future revenue funding means that new services are not being developed. To remedy this, **the programme must be put on a secure financial basis – the existing budget plus inflation uplifts should be maintained.**
28. To secure the future of the Supporting People programme and to protect previous public investment through both revenue and capital programmes **we are asking for the Supporting People programme to be up-rated to reflect real inflation costs of service providers** (predominantly staff costs), **to restore confidence in meeting needs and to provide room for modest levels of investment in new services.**
29. **We recommend a programme of £1.8bn, £1.9bn and £2.0bn for the three years covered by this review and this should be ring-fenced to ensure that Supporting People monies do not escape to meet shortfalls in other budgets.**
30. Neighbourhood Warden schemes are a proven success and we advocate continued support of current schemes at their agreed level of funding and welcome government’s commitment to a further 100 new schemes, but note that these schemes concentrate on the most deprived neighbourhoods. We believe that there are a further 90 neighbourhoods that could benefit from similar interventions.
31. **We propose that government provide 50% match funding to support Neighbourhood Warden schemes in these 90 areas - at an estimated**

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<sup>3</sup> AC, *ibid*, 2005.

<sup>4</sup> Supporting People National report, Audit Commission, October 2005

**average of £70k per scheme – through an extension to the Sustainable Safer Communities Fund Neighbourhood Warden budget of £6.3m per annum for each year for the Spending Review period.** This is in addition to continued government support for the existing / proposed 600 schemes.

32. Anti-Social Behaviour (ASB) policies are most effective if they incorporate measures to help perpetrators change their behaviour. The cost of providing tenancy support to help people change their behaviour can be considerable, but offers the potential for significant savings when compared with the direct costs of taking legal action, the potential costs of “revolving door homelessness” and the considerable hidden costs of doing nothing.
33. The Respect Action Plan commits government to establishing a national network of intensive family support schemes to target the more disruptive families we welcome the new funding £28 million to get schemes off the ground. However, we do not believe that it is sufficient to ensure a successful national roll-out of family intervention projects.
34. **We propose that government make available £50m / £40m / £30m across the CSR07** period to support the introduction and roll out of a national programme of family intervention projects. Our suggested spend profile declines across the CSR07 period as we believe that the savings this programme will generate from other budget heads can be used to help meet the costs of its provision.
35. Disabled Facilities Grants (DFGs) are a significant means of delivering key government agendas. By contributing to aids and adaptations to enable disabled people to maintain their independence at home, it has impacts for the health and social care preventative agenda, enabling quicker discharge from hospital and decreasing the number of admissions. For families with disabled children it benefits the educational, social and emotional wellbeing of the child and other family members.
36. **The Government’s review of DFGs<sup>5</sup> identified a requirement for a budget of £171M per annum, based on the enhancements the Review suggests, and we recommend this for the CSR 2007 period.** However, we also note that the DFG Review identified a level of unmet need running at 44%. If this was to be resourced, it would require £218M per annum. We recommend that, in the longer-term, the Government explore resourcing DFGs to this level.

### **Investing for the future**

37. The Local Government White Paper, Strong and Prosperous Communities, describes the impact of the strategic housing role as follows: “Local authorities’ work in producing housing strategies has been a lever for economic and social change in many areas, reflecting a shift towards ensuring local housing markets meet local demands, rather than a narrower focus on directly providing social housing. This strategic housing role is at

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<sup>5</sup> Reviewing the Disabled Facilities Grant Programme, Housing Research Summary No. 223, ODPM, 2005

the heart of achieving the social, economic and environmental objectives that shape a community and create a sense of place.”

38. This acknowledges that the strategic role is increasing in prominence within local government (and with stakeholders). It is expanding in terms of the breadth and complexity of thinking and evidence required, the range of activities involved and the numbers of organisations involved. In practice, however, local authorities are at different stages of development. Resources need to be made available to local authorities to encourage them to prioritise the strategic housing and to make the step change in skills and approach that is required.
39. **Our recommendation is for £40M per year to be made available to support strategic housing over next Spending Review period, phased over the three years (£50M in year one, £40M in year two and £30M in year three). This translates as around £100k per annum per local authority for three years.**
40. For the strategic role to be meaningful, the work of local authorities needs to be coordinated with bodies at the sub-regional and/or regional level. **We estimate that £4.5m per annum in addition to the amounts above would be sufficient to provide the capacity needed** to establish appropriate liaison between the sub-regional/regional tier and local authorities.
41. The Housing Market Renewal Pathfinders programme has already achieved significant integration of economic, housing and planning strategies, and has already secured personal and private sector investment in areas previously ignored. It has encouraged social cohesion, and stimulated growing economic competitiveness. But most importantly it has delivered substantial local housing and environment improvements to families.
42. We recognise the long-term nature of the task and we would stress the need for continuing public sector input into the initiative. Despite the current evidence for potentially short-term speculative land value improvements, we do not believe that a long-term balance between supply and demand has yet been achieved.
43. **For the CSR07 spending period we support the proposals by the Pathfinder Chairs for a continuing consistent long-term approach, and the needs of other low-demand areas and propose that £400M a year be allocated to the existing Pathfinders and other identified low demand areas which will allow the continuation of the programme.**

### **3. Introduction and Overview**

New and better homes are the basis for sustainable communities. The role of housing in place-making and increasing life opportunities is well accepted but worth repetition. Good housing underpins successful, sustainable neighbourhoods.

In launching the Comprehensive Spending Review, the Government set out the long-term trends and challenges that will shape the next decade for communities all over the country - including demographic and socio-economic change, globalisation, climate and environmental change, global uncertainty and technological change.

This submission to the Review is the contribution of the major representative and campaigning organisations across the housing sector to the national debate about how we should respond to some of the challenges of the next decade. It also demonstrates the sector's recognition of the need to continuously strive for improved efficiency whilst delivering outcomes that meet society's needs.

The role of the housing sector extends far beyond the buildings we build, own and manage. The work we do contributes directly to the creation and maintenance of successful, sustainable neighbourhoods and communities. We stand ready to work with government to deliver the sustainable communities of the future.

We have a long-term commitment to the people, neighbourhoods and communities we work with and a desire to improve their quality of life, increase their opportunities, extend social mobility and deliver prosperity to the many and not the few. These values underpin our sector's work and the proposed programme of work supported by government investment set out in this document.

We have the experience and expertise to change communities and to build new ones. We also demonstrate innovation and good practice in the work that we do.

#### **Our submission**

The challenge of meeting the demand for new housing, whilst also maintaining or improving the quality of life for existing communities and bringing the existing housing stock up to modern day standards, has exercised government and stakeholders more than any other consequence of economic growth in recent years.

Kate Barker's Review into Housing Supply set out a series of recommendations for improving the housing market which are still being worked through by government. Meanwhile, the Lyons review of local government is placing a welcome emphasis on the theme of place-making with the role of local authorities as community leaders and housing associations as community anchors at the heart of this.

Our submission addresses the core issue of housing supply but places it in the context of delivering economic sustainability, quality of life outcomes and environmental responsibility. Although much of the submission is addressed to the Department for Communities and Local Government (DCLG) and Treasury, the recommendations it makes – and the outcomes it identifies – relate to government in its entirety.

The first substantive section of our submission deals with the delivery of new supply of affordable housing, the maintenance and improvement of our existing affordable housing stock, proposals for improving the way investment is made in private sector stock and the key role of land and planning policy. We recognise there is a vital role for central and local government and other stakeholders in achieving a strategic approach to this delivery.

The investment that we call for in this submission is intended to meet government targets but its value will only be fully realised if it goes hand in hand with a strengthening of the strategic role of local authorities in relation to place making. Elsewhere in this submission we call for a modest level of investment to assist local councils to improve their skills and capacity to undertake the strategic housing role.

We believe that investment in the strategic approach can lead to better coordination of funding and investment locally. This will achieve better outcomes in relation to housing directly and through this to other social, economic and environmental ends. In the context of the recently published Local Government White Paper, strategic approaches to housing as they relate to Local Area Agreements will be very important.

The local strategic role has the potential to deliver considerable benefits, but cannot meet the challenges we face on its own. We believe government needs to look again at the resources required for delivering sufficient affordable housing. This requires an enhanced level of investment from government in the next Spending Review period and we set out our estimates for this in the first section of the paper. But we recognise that this must go hand in hand with consideration of how local providers and delivery agents can operate most effectively and maximise the benefits resulting from this investment as well as making their own investment contribution. Our bid is underpinned by an examination of how the housing sector can work more strategically and more efficiently and how it can build on best practice.

New housing supply represents only a very small proportion of all of the housing available nationally. Our submission sets out the resources and policies that are needed to ensure that our existing housing stock in the affordable and private sectors is brought up to modern standards. We set out proposed programmes for government investment in the retained local authority and arms length managed stock and in private sector stock. We believe that the housing association sector can meet this challenge without the need for additional public investment.

Our national housing stock alone cannot enable us to achieve our objective of prosperous, sustainable communities that deliver opportunity and improved

quality of life. This investment in bricks and mortar needs to be complemented by the services and support needed by individuals and communities if they are to reach their full potential.

Our main request in this section is for a commitment from government to provide the resources needed to put the Supporting People programme back on an even keel. This programme is crucial to enabling people to live independently in their own homes as they would wish to. It also provides for crisis interventions and plays a valuable preventative role. In addition to this we believe that investment in Supporting People can help achieve our shared aims of healthier, stronger communities and offers the potential for significant savings against other Government budget heads.

Support and prevention services can do much to enable people to remain in their own homes, but much of this good work can be undone if people's homes become difficult for them to use and move around in. Disabled Facilities Grants are a cost-effective way of dealing with these problems and we propose that Government continues to resource this valuable programme.

Many communities and neighbourhoods are robust enough to thrive without intervention, but others need support and management. Our submission sets out the valuable roll played by Neighbourhood Warden Schemes and family intervention projects and makes the case for continued and enhanced Government support for these initiatives. We believe that both of these policies have an excellent track record of success and offer the potential for significant savings in the longer term.

Another strategic agenda that needs government's continued commitment and support is the Housing Market Renewal Pathfinder programme. It has been central to restoring failing housing markets in the North and Midlands to health and prosperity. Much progress has been made, but there is much more to be done if the structural weaknesses underlying their problems are to be fully addressed.

In its final section our submission recognises that in the longer term we will be unable to meet the challenges we face without investing in the infrastructure needed to support new and existing communities. Accurately estimating the costs of this provision is an exercise beyond the expertise of our organisations, but we do make a number of practical suggestions which if adopted by government would help to maximise the benefit derived from resources devoted to infrastructure investment.

The bid is written in the context of the existing policy framework and institutional architecture but we recognise that this is always subject to change and improvement. Indeed there are several sections in the bid where we suggest how the policy context may require refreshing in order to aid delivery on the ground, for instance around planning policy and land use. As such this document is intended to be a contribution to an ongoing discussion between government and the housing sector rather than a stand alone "wish list".

We will need to work together to refresh and review our progress against national and local targets and outcomes.

We have focussed primarily on housing programmes and this means that there are many other related programmes such as the Neighbourhood Renewal Fund or the New Deal for Communities which are outside our immediate scope. This does not imply that they are not also crucial for delivery of housing outcomes. The continued resourcing of these and other similar programmes is necessary if we are to deliver against the aspirations we share for improving quality of life, opportunity and prosperity.

Finally, we wish to make the offer that any of the organisations supporting this bid will offer their experience and expertise in ongoing discussions with government up to and beyond the CSR07 period. We have come together on the recommendations which we believe will have greatest impact on the delivery of affordable housing and improved quality of life for communities. There will be other issues which each organisation may want to pick up with government outside the scope of this submission. We hope that the degree of consensus which has been achieved in putting together this bid is a reflection of the willingness of all partners to deliver at local level for the benefit of all local communities.

## **Housing investment and the delivery of Government Targets**

Investment in housing plays a crucial role in meeting key elements of the DCLG's current Public Service Agreement (PSA) on creating sustainable communities, including.

- Reviving deprived neighbourhoods (Objective 1)
- Improving affordability (Objective 4)
- Delivering a better balance between housing supply and demand (Objective 4)
- Meeting the decent homes target (Objective 5)
- Reducing the number of households in temporary accommodation (Objective 4)

However, evidence shows that increased housing investment has a critical role to play in achieving progress across a broad range of government aims, objectives and targets including:

**Ending child poverty** – The challenge of ending child poverty by 2020 was recently examined by the Joseph Rowntree Foundation (JRF), which concluded that tackling Government policy across a much broader spectrum will be required, involving not only increases to tax credits and benefits but also improvements to housing, education, childcare and others<sup>6</sup>. HM Treasury's *Child Poverty Review* in 2004 has also recognised the relevance of housing and homelessness in tackling child poverty<sup>7</sup>. The Government has announced a new way of measuring child poverty, specific components of which will consider housing issues such as overcrowding. The impact of high housing costs will also be measured indirectly by the new measure. Tackling housing issues therefore has an important role to play in meeting the DWP/Treasury PSA target to end child poverty by 2020.

**Improving life chances and social inclusion** – Child development expert Lisa Harker (currently working as an Independent Adviser to the Department for Work and Pensions on child poverty) has examined the effects of temporary accommodation, overcrowding and poor housing conditions<sup>8</sup> on children's development and life chances<sup>9</sup>. The research, which reviewed over 100 studies, found a clear 'housing effect' in relation to each of the Every Child Matters outcomes, even after controlling for other socio-economic factors<sup>10</sup>. In

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<sup>6</sup> Hirsch D, *What will it take to end child poverty? Firing on all cylinders*, JRF, 2006  
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<sup>7</sup> HM Treasury, *Child Poverty Review*, 2004

<sup>8</sup> In England, the latest figures show there are more than 130,000 homeless children living in temporary accommodation (Source: ODPM Homelessness Statistics, September 2006), another 905,000 children are estimated to be living in overcrowded conditions (Source: Survey of English Housing 2003) and 480,000 children in unfit homes (Estimate based on the English House Condition Survey 2001, ODPM, 2003).

<sup>9</sup> Harker, L, *Chance of a lifetime*, Shelter, 2006

<sup>10</sup> Other recent Barnardo's research considered the lives of homeless families in London and living in temporary accommodation undermined all five elements of the Every Child Matters outcomes. Source:

addition, the Social Exclusion Unit has identified homelessness, and, in particular homeless families living in temporary accommodation, as one of the five key drivers of social exclusion where progress needs to be a priority. Tackling housing will play a crucial role in meeting objectives related to improving life chances and social inclusion specified in the current PSAs for DCLG and DfES.

**Improving health outcomes** – Investment in housing has a key role to play in meeting Department of Health PSA objectives which includes tackling the underlying causes of ill health and health inequalities. Cold and damp housing can cause a range of health problems, such as asthma, skin problems, coughing and wheezing. Overcrowding increases the risk of infectious or respiratory disease. Poor housing conditions also lead to long-term mental health problems, such as anxiety and depression. The British Medical Association has considered the link between housing and health in depth and has recommended that in order to improve health levels, the Government should address the need for decent accommodation for all including a commitment to an expanded programme of affordable rented house building<sup>11</sup>.

**Raising educational achievement** – Increased provision of decent affordable homes could make a major contribution to the Department of Education and Skills PSA objectives to raise overall educational performance, to reduce education inequalities and to increase school attendance. Overcrowded conditions disturb sleep and make homework difficult<sup>12</sup>. Moves into and between temporary accommodation can cause severe disruption to schooling and children from homeless households are more likely to suffer from bullying, unhappiness and stigmatisation. Children living in bad housing are also more likely to leave school without GCSEs and to be excluded or suspended from school<sup>13</sup>.

**Promoting race equality and community cohesion** – Housing decline and the scarcity of social housing can fuel tension between different races and cultures<sup>14</sup>. For example, *The New East End*, highlighted how the allocation of scarce social housing in an ethnically diverse community has had the effect of fuelling racial tensions in Tower Hamlets<sup>15</sup>. At the same time, it is those from BME groups who are most likely to live in bad housing<sup>16</sup>. In 2005, the Home

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Reacroft J, *Do my kids have to live like this forever? – The lives of homeless children and families in London*, Barnardo's, 2005

<sup>11</sup> BMA, *Housing and Health: building for the future*, BMA, 2003

<sup>12</sup> Reynolds, L, *Full House? How overcrowding affects families*, Shelter, 2005

<sup>13</sup> Research prepared for Shelter by Barnes et al at the National Centre for Social Research, 2006

<sup>14</sup> See also Harrison M et al, *Housing, 'race' and community cohesion*, CIH, 2005

<sup>15</sup> Dench G, Gavron K and Young M, *The New East End*, Profile, 2006

<sup>16</sup> For example: (i) eleven per cent of BME households are overcrowded compared with 2 per cent of white households (ii) BME households are about three times more likely to experience homelessness than their proportion in the population (iii) BME households are almost twice as likely as white households to live in homes that are non-decent for reasons of disrepair, unfit, or the need for

Office published its strategy to meet the PSA target to reduce race inequalities and build community cohesion: *Improving Opportunity, Strengthening Society*<sup>17</sup>. Central to improving community cohesion, this argues, is the need to reduce *race inequalities* across various policy areas including housing. Tackling bad housing conditions and increasing the supply of affordable rented housing is therefore necessary in order to reduce race inequalities and to create an environment that supports community cohesion.

**Reducing crime and antisocial behaviour** – Addressing the wider issues of overcrowding, quality of neighbourhoods, the supply of decent affordable homes and provision of housing support services plays a key role in Home Office targets to reduce crime and antisocial behaviour. For instance, research by the Home Office suggests that having stable accommodation can reduce ex-offender reconviction rates by more than 20 per cent<sup>18</sup>.

**Driving up the competitiveness and productivity of our economy** –The Confederation of British Industry has highlighted how the lack of affordable accommodation affects access to skilled workers and hence the DTI aim to improve business productivity and competitiveness<sup>19</sup>. High housing costs also make the UK less attractive for foreign investment and may encourage business to relocate away from the UK. The Barker review argued that better housing supply plays an important part in reducing economic volatility.

This evidence demonstrates that a properly resourced and well thought through housing programme, as set out in the submission, has enormous potential to help Government reach its aims across the range of social and economic agendas that are crucial to ensuring our ability to respond to the long term challenges we face and to deliver the successful communities, sustainable into the longer term, that our country needs if we are to deliver against people's aspirations and ensure future prosperity and quality of life.

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modernisation. Source: DCLG, *Improving Opportunity, Strengthening Society: One year on, A progress report on the Government's strategy for race equality and community cohesion*, July 2006

<sup>17</sup> Home Office, *Improving Opportunity, Strengthening Society: The Government's strategy to increase race equality and community cohesion*, Home Office, 2005

<sup>18</sup> Pawson H et al, *Homelessness Prevention: a guide to good practice*, DCLG, June 2006

<sup>19</sup> CBI, *London Housing Strategy – Consultation Response*, 4 February 2005

## **4. New Homes, Better Homes**

### **New Homes, Better Homes: the policies**

#### **New supply of affordable housing**

1. The current housing market is under growing pressure on a number of fronts:
  - An increasing population
  - Increasing house prices and private sector rents
  - People choosing to live in smaller households, creating a larger number of households as the population grows.
2. We have assessed the unconstrained level of unmet housing demand for affordable housing, for the next 20 years, to be 104,000 new affordable homes (both rented and subsidised ownership per year). This assessment is based on the proportion of the 209,000 new households projected to form every year over the next 20 years that will require affordable housing plus an assessment of the amount of affordable housing required to provide a decent, permanent home for those households who do not currently have one (currently 1.5m people on council waiting lists and the 94,000 households in temporary accommodation).
3. Findings from research carried out by the Cambridge Centre for Housing and Planning Research (CCHPR) demonstrate the continuing need for both intermediate and social rented affordable housing. Our bid recognises the strong theme of mixed provision and an increased opportunity for lower-income households to get a rung on the ownership ladder. At the same time it also recognises the continuing importance of an increasing affordable renting programme, to tackle the temporary accommodation backlog. This need will be driven by households whose economic status and/or income prevents them from being able to compete in the market or who find themselves priced out of the market in particular locations. Assisted home ownership options will be a viable alternative for some, but by no means all, of these households.
4. Joseph Rowntree Foundation research<sup>20</sup> (October 2005) points to more than 1.25 million younger households in England, Scotland and Wales whose incomes would be too high to qualify for Housing Benefit if they were living in 'social' rented accommodation, but too low to afford a mortgage on even the cheapest two or three bedroom homes for sale in their area.
5. Given the current ratios of house prices to incomes across much of the country the number of households in this position is no surprise. Recent research by Oxford Economic Forecasting<sup>21</sup> published by the National Housing Federation shows that the ratio of average house prices to average

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<sup>20</sup> Wilcox, S, Affordability and the Intermediate Housing Market, Joseph Rowntree Foundation, 2005.

<sup>21</sup> <http://www.housing.org.uk/library/viewfile.asp?fid=5592>

earnings now runs at 8.0. The Federation research also forecast that there is no likelihood of an improvement in these ratios in the near future; indeed the Federation forecasts suggests that between now and 2011 ratios will worsen, peaking at a national average price to average earnings ratio of 9.44 in 2011.

6. The scale of overcrowding, particularly in London, also remains a key concern. There are about 200,000 households living in overcrowded conditions in the social rented sector.

### **Our proposed approach**

7. Given the size and severity of the challenge set out above we propose that government continues to provide funding for a National Affordable Housing Programme (NAHP) delivered via the Housing Corporation (or its successor agency). We propose that the NAHP continues to operate on a mixed funded basis with appropriate delivery agents securing private finance to complement public funding made available through the NAHP.
8. In proposing a programme to meet this level of demand we have taken into account the constraints on the housing association sector's ability to deliver, including:
  - The likely availability of new funding (private and public) to finance this increase
  - The borrowing capacity of the sector particularly in terms of its ability to service new loans
  - The likely availability of land and planning permission with which to deliver new homes
  - The capacity of housing association development teams to deliver new homes.
9. **Taking these factors into account we are asking government to resource the Housing Corporation's NAHP to deliver a three-year spending review programme for 2008/9, 2009/10 and 2010/11 to deliver 65,000, 70,000 and 75,000 new affordable homes per year respectively, 210,000 in total.**
10. Current resources distributed through the NAHP of £3.9 billion over two years deliver approximately 84,000 homes. **We calculate that to deliver the three year programme outlined above will require respectively; £3.6 billion, £3.9 billion and £4.1 billion per year.**
11. In order to build communities which represent a wide spread of age, economic status, faith, ethnicity, size and special needs requirement, the housing must meet a wide spread of needs – type, tenure and cost. Investment strategies and planning policies must reflect whole market assessments and deliver a range of homes for affordable rent and low cost home ownership. The local authority strategic housing role will be particularly important in this regard, bringing together both an understanding of local housing need with a broader understanding of the community as a whole.

12. We propose that the programme is split between affordable rented homes and subsidised home ownership homes as follows, delivering 150,000 affordable rented and 60,000 low cost home ownership homes across three years:

	<b>Year one (2008/9)</b>	<b>Year two (2009/10)</b>	<b>Year three (2010/11)</b>
<b>Affordable rented homes<sup>22</sup></b>	46,500	50,000	53,500
<b>Intermediate / LCHO homes</b>	18,500	20,000	21,500
<b>Total homes</b>	<b>65,000</b>	<b>70,000</b>	<b>75,000</b>
<b>Programme cost (£bn)</b>	<b>3.6</b>	<b>3.9</b>	<b>4.1</b>

13. This proposed programme is based on the CCHPR analysis of need for intermediate and social rented provision. The split between the rented and intermediate programmes reflects our assessment of those households who are priced out of the market and require rented provision and those who are unable to afford market housing under current conditions, but could access home ownership if assisted.

14. The successful delivery of a programme of this size is also dependent on a continued supply of reasonably priced land. Whilst housing associations and local authorities are doing all they can to secure the land needed, for instance by land banking and through negotiating planning agreements (see below), we believe that there are steps government could take to continue to improve the planning system. A stronger and more coordinated strategic housing and planning role, and improved access to land supply at lower costs would enable more to be delivered for the same resource.

15. We have assumed that the programme mix in terms of property sizes and types remains broadly the same as for the current programme, although we agree with the Housing Minister's intention to require local authorities to prioritise three-bedroom family-sized homes over smaller flats in their local plans, which would be welcome in areas where housing assessments or future vision for the area demonstrate a current or future need for them. Changes of this nature to the current distribution would increase the level of funding required to deliver the programme, but will help more people. We believe that the assessment of the value delivered by new affordable homes should be based on the number of people housed, not the numbers of units.

16. We support the Government's increased emphasis on addressing overcrowding. However, further increases in the level of family sized homes will be needed to make further inroads to the overcrowding backlog. The Government must take this into account in its calculation of the level of funding required to deliver this programme.

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<sup>22</sup> We define affordable housing as Housing for rent, let on secure or assured tenancies at target rents as defined by the Government's rent restructuring policy. Generally provided by registered social landlords and local authorities.

17. The housing sector's ability to support new development is also dependent on the rental income available. This programme assumes that the current rent restructuring regime continues in its current form. Similarly we have assumed that the tax and fiscal environment faced by housing organisations remains broadly unchanged. Significant changes in this environment could affect the ability of the sector to deliver a programme of this size.

#### The need for rented housing

18. There is still a clear need for affordable rented housing demonstrated by characteristics of current new entrants to the social housing sector. CORE data show that in 2004/5 (the last year for which summary data is available) 57% of new entrants to social rented housing were eligible for housing benefits, with 51% wholly dependent on state benefits for their income. For lone parents, who accounted for 21% of all lettings, this figure rose to 69%?

19. With only 13% of new tenants in full time work and only 12% in part time work incomes remained unsurprisingly low. Mean incomes for all new households were £181 per week with 20% having incomes of less than £80 per week.

20. The social rented sector continues to be an important source of housing for single person households who are often by their nature unable to compete in the wider housing market. In 2004/5 49% of lettings were to single person households of whom 15% were older single person households. Single person households had low mean incomes of just £132 per week with 46% earning less than £80 per week.

21. These figures conclusively demonstrate the difference in characteristics between households entering social rented housing and those entering assisted home ownership schemes. Comparable CORE data for 2004/05 show that 95% of new shared owners/Homebuy purchasers were in full time employment and that although incomes vary slightly by scheme new assisted owners had average incomes of around £30,000 per annum (£580 per week).

22. Whilst elsewhere in this Spending Review submission we advance the argument that government should also adequately resource preventative measures to reduce homelessness we do not believe that these programmes will lead to a significant reduction in the need for new supply of affordable housing. A holistic housing policy requires both and many of the prevention models being rolled out focus on tackling the immediate drivers of homelessness and do not of themselves lead to a reduction in the underlying need for new affordable homes (see also paragraphs 6 to 9 on the impact of prevention on affordable housing need).

#### The case for Low Cost Home Ownership and Intermediate Housing

23. Our proposal assumes that within the intermediate / Low Cost Home Ownership (LCHO) programme the split between new build properties and subsidised purchase on the open market remains similar to the current position. Our preference would be for the programme to concentrate on increasing new affordable supply, not subsidise purchase of existing market

stock. Nationally our housing market is characterised by a shortage in the development of new housing leading to a restricted supply of properties for sale, increased price pressure and associated affordability problems. Subsidised purchase of existing properties does little to address this problem and in some regions or localities may actually exacerbate it.

24. We believe the best use of funding is to increase new supply with long-term solutions and allow housing associations to leverage private finance to stretch grant and provide even more new homes. If public subsidy is to be used to assist open market purchases this should not be at the expense of making reductions in the amount of publicly subsidised new homes.
25. We encourage the Government to ensure that shared ownership remains affordable to households on lower incomes that are unable to access social rented housing. Shared Ownership currently targets customers with an average salary of £26,500 (2004/05). Equity loan products as currently conceived are only affordable at significantly higher salary levels e.g. purchasing a property of £160,000 (below average prices in many areas) with a 25% equity loan would require an average salary of approximately £35,000. Many households in key worker and other economically important occupations earn well below this level and will not be effectively assisted by such a scheme.
26. An analysis of sales through the shared ownership programme showed that housing association schemes allow people to buy small initial shares - particularly important in higher priced regions. Latest figures show that 86.8% of shared ownership purchasers bought an initial stake of 50%. **Government should ensure that more options are available to give more choice to households that wish to acquire an interest in their home. This could include introducing more flexibility into low cost home ownership schemes to allow households to purchase a smaller initial share or the option to acquire housing assets either through the purchase of small equity shares or through other means that do not necessarily require a mortgage.**
27. Our proposals on LCHO are supported by the recent National Audit Office (NAO) report on Low Cost Shared Ownership<sup>23</sup> which concluded that LCHO delivered the best value for money to the public purse when targeted on existing social renters whose average incomes are much lower than the levels required to purchase under the current HomeBuy scheme. NAO also concluded that over time new build LCHO delivers better value for money to the public purse than subsidised open market purchase as it provides an investment in an appreciating asset as well as housing a household.

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<sup>23</sup>A Foot on the Ladder: Low Cost Home Ownership Assistance, National Audit Office, July 2006.

## Rural housing

28. The Affordable Rural Housing Commission<sup>24</sup> recently concluded that 11,000 new affordable homes are required each year in rural communities of fewer than 10,000 in population. The Commission believe this should be split between 7,600 social rented and 3,500 low cost home ownership. However, within a programme of the size we are recommending 11,000 units would account for 15% of the whole programme and we are concerned that a step change from a current rural programme of 3,000 units per year would not be achievable.
29. **Therefore, we would suggest that a realistic target for the spending review period would be programme of 5,000 / 7,000 / 9,000 units split 70% / 30% between social rented and the assisted home ownership products. This is in line with the conclusions of the Joseph Rowntree Foundation Rural Housing Policy Forum which projected a need for around 9,500 new affordable rural homes per year<sup>25</sup>.**
30. The split between urban and rural housing provision at a local level should be based on need and determined by local and regional housing bodies.

## Supported Housing

31. It is essential that an element of the NAHP continues to be used to support the development of new supported housing provision and the remodelling and rehabilitation of existing supported housing stock.
32. We propose that 7.5% of the units produced through the NAHP are supported housing. At the levels of construction we are proposing this would mean the delivery of around 5,600 new and remodelled supported homes per year.
33. We suggest that the 7.5% should be treated as an aspirational goal and not a top slice to the programme as the ability to deliver these numbers is dependent on providers' ability and / or willingness to bring bids forward. Government could do much to encourage this by ensuring that decisions on the funding for the Supporting People programme deliver the revenue funding certainty necessary to give supported housing providers the confidence to bid for new provision.
34. We recognise that within the provision of new supported housing supply there is also a role for funding from the Department of Health to meet particular health and housing needs e.g. the extra-care housing programme. We recommend that the extra care housing programme continues across the CSR07 period and is expanded to other client groups.

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<sup>24</sup> Affordable Rural Housing Commission: Final Report, Affordable Rural Housing Commission, 2006.

<sup>25</sup> Home for rural communities: Conclusions from the Rural Housing Policy Forum, Joseph Rowntree Foundation, 2006.

## Our contribution

35. In delivering this increased programme the housing sector will contribute:

- **A financial contribution of approximately £2.7 billion per year in the form of loans.** These new funds would complement the £26bn of lending that the housing association sector has already drawn down.
- In addition housing associations will also make contributions from their reserves. **At current rates of contribution a programme of the size we recommend would suggest a reserves contribution of around £2bn per year. In total associations will provide approximately 50% of the resources needed to provide this housing** (the rest being made up of grant and purchase income from shared ownership products).
- Expertise, experience and a track record in delivering major capital programmes. **Since 1991/92 the housing association sector, operating under the mixed funded regime for new affordable housing, has delivered 522,000 new affordable homes and levered in over £30bn of private finance** to support their delivery stretching public funds to provide far more housing than would otherwise have been possible.
- Year on year improved efficiencies. **Our assumptions are that building costs will increase by between 4% and 6% per annum across the Spending Review period; these have not been built into the costings above** which assume outturn cost per unit figures similar to those achieved for the 2006-08 programme. This constitutes further efficiency savings beyond the 11% achieved under the NAHP 2006-08. **We estimate the value to government of these cumulative efficiency gains across the three years of the Spending Review period to be in the region of £1.5bn - £2.3bn**, depending on building cost increases.
- Working in partnerships and therefore able to deliver homes better, faster and more efficiently. The sector's response to the Housing Corporation's introduction of Development Partnering has been a great success. **In addition to the 11% efficiency gain during the 2006-08 NAHP set out above the sector has delivered an added value of £320 million, the equivalent of 8,000 new affordable homes built without grant in 2004-5** (the equivalent figures for 2002-3 were an added value of £450 million, equivalent to 6,500 new affordable homes)<sup>26</sup>.
- Land bank holdings – the strategic acquisition of land holdings enables the sector to drive further efficiencies.
- Use of the Housing Corporation's Economic Appraisal Tool (designed to model residential and mixed-use developments which seek Social

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<sup>26</sup> Assessing Added Value, Housing Corporation, 2006

Housing Grant alongside developer S106 contributions) will help towards delivering best value on Section 106 sites.

- The ability of housing associations to cross subsidise provision at feasibility stage based on market growth projections. This is fundamental to delivery of both social rented homes and to providing affordable home ownership options in high cost areas.
- Social investment, community development and innovation are key to the added value that housing organisations can offer neighbourhoods and government. Their long-term commitment to neighbourhoods means that they must continue to have the ability to make timely interventions and investment via business planning, rather than lobbying for short-term initiatives. Allowing local authorities and ALMOs to operate outside the HRA subsidy system (as is currently being piloted by DCLG) should increase the ability of councils that own stock to contribute to these wider agendas.
- As independent businesses housing associations take responsible market risks in the investments they make and use the returns generated to deliver further affordable housing and other products and services which meet their objectives as social businesses rather than to pay dividends to share holders.
- All housing providers have obligations to current residents as well as future ones, which mean that they must invest to modernise and improve existing homes. As independent private organisations housing associations mainly undertake these activities without recourse to subsidy and within rent guidelines using resources generated through robust business plans.

# Homelessness

## Homelessness Prevention

1. The lack of social rented housing adds hugely to the problem of homelessness. Alongside the vital role of Supporting People in funding ongoing support for individuals there is a need for a stable funding framework for homelessness prevention at a local authority level. There are number of approaches to homelessness prevention which includes:
  - housing advice;
  - mediation services;
  - rent deposit schemes;
  - debt counselling and advocacy;
  - support for domestic violence victims such as sanctuary schemes; and
  - tenancy sustainment.
2. The Government has taken an increasingly proactive approach to homelessness and since 2003 local authorities have been required to devise prevention-focused homelessness strategies. The implementation of these strategies is reflected in recent homelessness statistics which show a drop in the number of homeless households in temporary accommodation and in the number of new homeless cases accepted by local authorities. Homeless prevention activities also benefit those who would not have fallen under priority need categories.
3. There are concerns over some operational practice but we do believe sound homelessness prevention services are essential and increased funding is necessary. The Homelessness and Housing Support Directorate's revenue budget is designed to supplement mainstream funding sources, in particular to improve the provision and impact of preventative services. The Spending Review 2004 increased this budget from £60 million in 2005/06 to £74 million for 2007/08 enabling local authorities to expand the support given to those at risk of homelessness.
4. We believe DCLG funding for homelessness prevention should continue to be increased for the 2007 CSR for the following reasons:
  - i. The savings to the public purse achieved through homelessness prevention activity are considerable. The DCLG's recent report, *Homelessness Prevention: A guide to good practice* cites a number of examples of the cost savings derived from particular prevention schemes, for instance net savings of £2,900 per household for the rent deposit scheme run by Bournemouth and £1,255 for the family mediation scheme run by Sheffield<sup>27</sup>. The London Councils (previously ALG) have considered the cost effectiveness of homelessness prevention in their guide *Prevention works* and have estimated that the cost of placing households in temporary accommodation is twice as much as that spent on preventing homelessness. However, as this report sets out, the

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<sup>27</sup> Pawson H et al, *Homelessness Prevention: a guide to good practice*, DCLG, June 2006

majority of the savings from homelessness schemes are for the most part felt by central government in terms of lower housing benefit subsidy. For this reason, local authorities must continue to be provided with resources to cover the ongoing costs of homelessness prevention as this cannot be expected to be covered through local authority savings alone.

- ii. Several new innovative approaches to homelessness prevention are currently being piloted and many have been provided with funding through the Homelessness Innovation Fund and the Ethnic Minorities Innovation Fund. Projects include funding to pay for a dedicated specialist CAB Debt Advisor for clients that are either homeless or threatened with homelessness and a 'crash pad' for youngsters at risk of homelessness due to parental disputes. Whilst such projects are welcome they are limited in geographical scope and additional funding would allow successful approaches to be rolled out more widely.
5. Levels of homelessness and housing need are closely related to changing patterns of housing affordability. As affordability of house purchase and private rents is continuing to worsen this will continue to place pressure on local housing authorities. This is borne out by the numbers of households on housing registers which have rapidly increased by 40 % to more than 1.5 million households since 2002<sup>28</sup>. Affordability, in turn is closely related to demographics and the latest household projection figures suggest increased levels of household growth. Given these pressures, increased funding for homelessness prevention alongside increased social housing provision remains essential.
  6. Given the above, **we recommend that the homelessness prevention budget is set at £80 million, £100 million and £110 million for the three years of this review**. This would provide an additional £190,000 over three years for each local authority in England to assist in setting up and running an additional homelessness prevention project<sup>29</sup>.

#### The Impact of homelessness prevention on affordable housing needs

7. The Government's work on homelessness prevention is starting to reduce the heavy pressure on both temporary accommodation and affordable rented units to a limited extent. It is clear from the Government's latest homelessness figures that the number of households accepted as being owed a homelessness duty is falling, and this has been accompanied by a reduction in the number of households in temporary accommodation, from 101,000 in Quarter 3, 2005, to 94,000 in Quarter 2, 2006.
8. Much of this progress has been attributed to the success of the Government's homelessness prevention agenda, a key part of which is to make greater use of the private rented sector for households who are homeless or at risk of homelessness.<sup>30</sup> However, we believe there are

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<sup>28</sup> DCLG, Housing Strategy Statistical Appendix, 2005

<sup>29</sup> The average cost of projects set up under the Homelessness Innovation Fund was £120,000 although this only covered the period November 2005 to April 2007. The average cost of projects under the Ethnic Minorities Innovation Fund was £130,000 for the period 2006/07 – 2007/08.

<sup>30</sup> ODPM Sustainable Communities: Settled Homes, Changing Lives, June 2005

limits on the ability of the private rented sector to provide settled homes for homeless households and that for many, affordable rented homes will provide the only long-term sustainable solution. We would therefore urge the Government to be cautious in making assumptions about the potential for homelessness prevention to reduce the size of the temporary accommodation backlog.

9. In addition, the Government has assumed that 50% of new social lettings created by new build will go to homeless households in temporary accommodation. This is the level assumed by the Government in its PSA 5 Technical Note<sup>31</sup>. However, actual levels of lettings to statutory homeless households are currently less than this, for instance this is only 34 % for local authority properties<sup>32</sup>. This suggests that the level of lettings made to households in temporary accommodation is less than the 50 % level assumed, with the result of pushing upwards the number of new social rented homes needed to meet the needs of homeless households. It is also too early to evaluate the success of many new homelessness prevention projects.
10. Given the above, we strongly believe that there should be no reduction in the level of affordable rented provision investment as a result of homelessness prevention activity for this spending review period and that if fewer homes are needed to address statutory homeless households then the opportunity should be taken to address other urgent housing need such as overcrowding and other non-priority need groups. It should be remembered that we believe the level of affordable housing provision proposed to be realistic and deliverable but it only goes a fraction of the way in addressing the high level of housing need.

#### Civil Legal Aid

11. As noted above, independent housing advice is also a vital and cost-effective means of preventing homelessness. However, it is becoming increasingly difficult for ordinary people to access specialist advice on areas such as housing, debt and welfare benefits due to pressure on civil legal aid resources. The Community Legal Service was launched in 2000 and was intended to provide a seamless network of legal information, advice and representation services throughout the country. Under this framework, the funding for legal aid provided by the Legal Services Commission has to be contained within a fixed budget – currently around £2.1 billion each year. This covers criminal defence work as well as advice and representation for civil and family law cases. However, criminal legal aid is not capped and for various reasons has risen in recent years. As a result, the cost of criminal legal aid has risen by 37%, just over £300 million, in real terms since 1997, while spending on civil legal aid has dropped by 24%, or £200 million, over the same period.<sup>33</sup>

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<sup>31</sup> ODPM, PSA 5 Indicators, Target and Trajectories - Technical Note

<sup>32</sup> DCLG, Housing Strategy Statistical Appendix (HSSA) 2004/05

<sup>33</sup> DCA, *A Fairer Deal for Legal Aid?* Department for Constitutional Affairs, July 2005

12. Because of this situation, civil legal aid is coming under increasing pressure and publicly funded legal services are now widely thought to be in crisis:
- Eligibility levels for legal aid have been changed so only the very poorest qualify for legal aid and representation;
  - Advice ‘deserts’ are growing with some communities having almost no face to face advice services<sup>34</sup>;
  - There is growing evidence that the number of people helped by civil legal aid is falling and that the number of solicitors/advice agencies with contracts to provide legal help are falling<sup>35</sup>;
  - Morale among lawyers doing legal aid work is low and fewer young lawyers are choosing publicly funded legal work as a career.
13. To ensure people can access their housing and other rights we recommend an immediate increase in civil legal aid rates by 5%, and that the civil legal aid budget must be ring fenced and, to avoid any future erosion should, at the very least, be increased in line with inflation over the CSR period. This would also be cost effective as advice and representation can save public money by helping to prevent homelessness from happening in the first place. For instance, provision of independent debt and housing advice can help prevent evictions and avoid the need for public housing or homelessness assistance. The Legal Services Commission currently fund housing advice at £50 per hour and the average housing case is estimated to be just under four hours<sup>36</sup> which gives an average cost of £200 per case. This compares with the Audit Commission estimate that each tenancy failure costs the public sector £2,434 (2003 prices)<sup>37</sup>.

#### Improvements to hostels

14. Although the DCLG plans to reduce local authorities’ dependence on temporary accommodation, it is clear that, as well as several thousand vulnerable single people owed a statutory duty, tens of thousands of non-priority single homeless people will still be dependent on hostel accommodation for the foreseeable future.
15. The 2004 Spending Review included a £90 million Hostels Capital Improvement Programme (HCIP) to begin the modernisation of this outdated stock. This provided sufficient capital funding for approximately 80 projects in 34 local authority areas targeting those with particularly high levels of single homelessness or rough sleeping. **Although this has been very successful, the funding available has not been sufficient to upgrade all hostel accommodation, and we therefore recommend that a similar amount of funding be made available between 2008–11 to continue this work.** As the DCLG have illustrated in its HCIP policy

<sup>34</sup> This problem has been highlighted by both the Department for Constitutional Affairs Select Committee and by an Independent Review of the CLS.

<sup>35</sup> Between 2000 and 2005 the number of legal help contracts in housing fell from 914 to 580. In addition the total number of legal help cases has fallen from 809,000 in 2002/03 to 662,000 in 2004/05. Source: Legal Services Commission Civil Contracting Report, September 2005

<sup>36</sup> Advice Services Alliance, *Case lengths under NfP Contracts*, May 2006

<sup>37</sup> ODPM, Working Paper 7 – Homeless Families, August 2005

briefing, this funding provides the opportunity not only to improve physical standards but also to reconfigure internal space to enable hostel staff to engage more effectively with clients, link them into services and plan for move-on to independent living.<sup>38</sup> Expected outcomes from this programme include:

- Fewer residents being excluded or abandoning hostel places;
- Improved housing, health and employment outcomes for residents;
- Better staff motivation;
- Improved prevention of repeat homelessness.

16. We are aware that demand for hostels is very high, particularly in London, and already those who are homeless can find it very difficult to obtain hostel places. **Therefore to ensure that this approach is successful it must take place in tandem with provision of more move-on accommodation, particularly specialised supported housing for vulnerable single people.**

#### Gypsies and Travellers

17. Gypsies and Travellers are believed to experience the worst health and education status of any disadvantaged group in England and research has confirmed the link with the lack of good quality accommodation sites. At its latest count in July 2006 the DCLG recorded nearly 16,000 caravans in England, of which 4000 were on unauthorised developments or encampments<sup>39</sup>. We believe that these figures demonstrate a severe and continuing shortfall of provision.

18. To reduce unauthorised camping and improve life chances for Gypsies and Travellers the supply of authorised sites should be increased. This would have the following benefits:

- Reduce tension between Gypsies and Travellers and the wider community
- Improve health outcomes and life expectancy
- Increased education outcomes
- Avoiding the costs of evictions in terms of health, welfare and race relations.

19. Funding for new sites is to be routed through Regional Housing Boards and £56 million has been made available for 2006-08 for improving and increasing Gypsy and Traveller site provision by local authorities and Registered Social Landlords. We believe the Boards must also be provided with continued resources for the 2007 CSR to further this programme of crucial work.

20. **We recommend that the existing programme of £28m per annum should be up rated to £50m per annum for the CSR 2007 period** in order to deliver the required level of new site provision.

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<sup>38</sup> ODPM, *Hostels Capital Improvement Programme (HCIP) – Policy Briefing 12*, September 2005

<sup>39</sup> DCLG, Count of Gypsy and Traveller caravans on 19th January 2006

We would expect the programme to fund a mix of new pitch provision and refurbishment of existing pitches. **We expect this level of funding to deliver in the region of 1,000 new or refurbished pitches per annum across the CSR07 period. On average a pitch is large enough for 1.7 caravans meaning that this programme would deliver capacity for 1,700 caravans per year.**

### Housing Benefit

21. The most recent forecasts for Department of Work and Pensions (DWP) Housing Benefit expenditure over the 2007 CSR period are given in the table below. DWP have indicated that these long-term projections are currently being revised in light of the Pensions White Paper.

**Table 1 – Housing Benefit Expenditure – PBR 2005**

	2008/09	2009/10	2010/11
Cash (millions)	15,791	16,408	17,141
Real Terms -2006/07 prices (millions)	14,977	15,154	15,415

22. We have identified below a number of variables which will influence the overall level of housing benefit expenditure over future years. The DWP have indicated to us that not all of these factors have been taken into account for the current projections although we are aware that the DWP are working to improve their projections model. Whilst we do not have the details of the DWP's model, it is clear that these various aspects of the Government's policy agenda will impact on housing benefit costs to some degree and we would naturally urge DWP and HMT to ensure these are fully reflected in their projections for the CSR period. In particular, DWP have indicated that there is no explicit assumption about the reduction in temporary accommodation due to the lack of expenditure data at a local level. Variable likely to influence housing benefit expenditure include:

- Local Housing Allowance rollout;
- Ageing and other demographic factors;
- Numbers of households in temporary accommodation;
- Rent restructuring;
- New housing supply.

23. If the number of households in temporary accommodation are reduced by half by 2010 and temporary to permanent schemes are rolled out more widely then this could generate considerable savings from Housing Benefit expenditure which we believe should be used to fund some of the housing related work presented in this submission. In 2004, Shelter calculated that the higher rents and greater dependency on housing benefit in temporary

accommodation resulted in £300 million additional expenditure when compared to similar households in social housing<sup>40</sup>.

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<sup>40</sup> Mitchell F et al, Living in Limbo – Survey of households living in temporary accommodation, Shelter, June 2004

## Retained local authority stock

1. This section describes the level of resource expected to be required to meet the Decent Homes Standard by 2010 for local authorities who have chosen to retain their stock.
2. Local authorities have worked closely with their communities in recent years to find the best means of delivering the Decent Homes Standard. For some authorities this has led to a decision to manage stock within the authority or through an ALMO.
3. When undertaking Stock Option Appraisals, local authorities generally consider a range of standards from “Aspirational” down to “Minimum”. “Aspirational” is the level of investment typical of a Stock Transfer and is in advance of the Decent Homes Standard in both property-related investment and investment in the neighbouring environment. The “Minimum” standard is the agreed Public Service Agreement (PSA) requirement alone.
4. By taking a sample of twelve authorities and extrapolating from a detailed analysis of their projected spend, stock retention authorities would require £4.9 billion annually in the period to 2011 to meet an Aspirational Standard and £3.1 billion thereafter to maintain it.
5. Taking into account the £8.4bn already in the funding system (through MRA and SCE) up to 2011, there would still be a shortfall of £16bn to meet an Aspirational Standard across those authorities.
6. We recognise that finding this level of resource is not a feasible request from the forthcoming Spending Review but nevertheless the evidence of Option Appraisal Surveys shows that residents expect more than the Minimum Standard for Decent Homes and that their quality of life is affected by more than the quality of their home environment.
7. Outside of this bid, therefore, we will want to explore options for bringing additional resource into the Decent Homes context. This might include, for example, a review of the Housing Revenue Accounts (HRA) subsidy system to allow local authorities to retain rental income. We understand that government is currently carrying out work to assess the potential for changes to the HRA subsidy system that could allow local authorities to operate outside this system and we are ready to work with government to explore options for modifications to the HRA subsidy system following the conclusions from this work.
8. **For retaining authorities to meet the Minimum Standard, £3.5 billion is required annually up to 2011. As the following table shows, assuming that MRA (Major Repairs Allowance) and SCE (Supported Capital Expenditure) is available, as would be expected, the cost of meeting the property-only elements of Minimum Standard would be covered when ALMO resources are added in. Note this table is for costs over the five years to 2011 not just for the three year spending review period**

	Full Aspirational Standard £m	Minimum Standard £m
Estimated Decent Homes	16,149	11,496
Estimated Non-property	8,320	5,922
<b>Spend need to 2011</b>	<b>24,469</b>	<b>17,418</b>
MRA	6,818	6,818
SCE	1,570	1,570
<b>Core resources</b>	<b>8,388</b>	<b>8,388</b>
<b>Shortfall</b>	<b>16,081</b>	<b>9,030</b>

9. **We are not, therefore, calling on government for additional funds for the Decent Homes Programme directly during the course of the forthcoming Spending Review. This is with the important caveats, however, that:**
- Other reforms to the HRA subsidy regime are considered (such as local authorities being able to retain rents) in order to unlock funding for Aspirational Standards which are more in line with quality of life improvements;
  - That our conclusion not to bid for additional central funds directly reflects a recognition of the limited resources likely to be available in this spending round. The expectations of tenants will not be met by existing levels of resource since they will not be enough to fund environmental improvements or property improvements above the Minimum level. Our conclusion is a pragmatic one and goes alongside the request above to look again at the HRA subsidy regime;
  - Beyond 2011, and hence into the next Spending Review, we estimate that £2.1bn will be required annually to maintain even the Minimum level of Decent Homes investment. Hence it will be necessary to start discussions with government well in advance of the next CSR to how sufficient resource can be brought into the system to maintain, and preferably increase, the standards of retained stock.

## ALMO managed stock

1. The ALMO programme has proved to be a very successful mechanism for delivering the decent homes standard in local authorities with some of the worst condition council housing stock where residents have opted to remain council tenants.
2. ALMOs have demonstrated that they can deliver major improvement programmes on time (and in some cases early) while also making significant efficiency savings and providing value for money through modern partnership and procurement mechanisms.
3. ALMOs are also achieving other government objectives in terms of service improvement, tenant empowerment and broader neighbourhood management, social inclusion and community safety agendas.
4. ALMOs are accountable to and popular with residents and satisfaction levels are increasing year on year overall, as are ALMO housing inspection ratings.
5. **In order to meet the Government's manifesto commitment to achieving Decent Homes in the local authority housing stock the following resources will be required to meet the commitments already made to those councils and tenants in the indicative and anticipated ALMO bids to date:**
  - **A total of £3.2bn for the 2008-11 SR period**
  - **A further £1.2bn for the following period.**
6. These figures include assumptions that ALMOs will continue to produce efficiency savings, especially through the various regional and sub regional consortia under development. However, such savings will be offset by building cost inflation and capacity within the construction industry. Many ALMOs are proactively developing local employment and training schemes to increase capacity.
7. The totals are also dependent on DCLG decisions in relations to bids for round 6 of the ALMO programme (currently amounting to £1.8bn) and the potential re-profiling of spend for some ALMOs in rounds three, four and five ALMOs beyond the original 2010 target date, especially where the programme is linked with other regeneration and neighbourhood renewal programmes.

## Private sector stock

1. Although the level of non-decency in the private sector has fallen, a staggering 5.1 million private homes (29% of private homes) remained non-decent in 2004<sup>41</sup>.
2. The Government must be congratulated on the success of its Warm Front programme. Additional investment in this programme has made homes warmer and it has also reduced significantly the number of homes failing the decent homes standard on thermal comfort criteria alone since 2001.
3. **Current levels of funding for the Warm Front programme (£300m a year) should be maintained in order to contribute to the target on decent homes, to address the problem of fuel poverty and to make homes more energy efficient – therefore helping to contribute to the UK's target on CO<sub>2</sub> emissions. Therefore we do not advocate any further increases in funding for this programme.**
4. By contrast, almost no progress has been made since the Regulatory Reform Order (RRO) was introduced in relation to homes failing the standard due in relation to repair, fitness and modern facilities and services (2.1 million in 2001 and 2.09 million in 2004). This is disappointing given the progress made between 1996 and 2001 (2.9 million in 1996 down to 2.1 million in 2001). This suggests that the RRO framework for financing works through loans and grants has not yet delivered effective outcomes and in need of some attention. A few pioneers have tried to make loans work but the scale of intervention has been too small.
5. While fewer private homes fail the test of decency on these criteria (41% or 2.6 million) the average costs of making the homes decent is £13,508 – far higher than the average £1884 that it costs to make a home that fails only on thermal comfort criteria decent.
6. It is important that Government addresses the inadequacies of the current programme for achieving decent homes in the private sector and concentrates on those homes that are non-decent due to disrepair, unfitness or outdated facilities and services because:
  - Private homes occupied by vulnerable people are more likely to fail on these criteria than on thermal comfort alone
  - These homes are in by far the worst state overall
  - Individuals living in them are more likely to be living in unsanitary and/or damp conditions – which leads to ill health and potentially death
  - Improvements in these criteria also contribute to meeting targets on climate changes – not only the thermal comfort target.
7. This does not require high levels of public funds – but it does require some resources and a commitment to developing a better framework.

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<sup>41</sup> English House Condition Survey, 2004

## Our approach

8. A better framework is needed to deal with non-decency in private homes occupied by vulnerable people that enables the asset to be freed up. **We recommend that government establishes a new programme geared to achieving scale-up so that the number of loans and equity release schemes being taken out to improve homes is in the tens of thousands, rather than the current position in which only a few hundred are being made.**
9. We appreciate that government is intending to evolve its policy into one that addresses the whole environment and fits with its 'place-making' agenda. We fully support this thinking and with the Local Area Agreement approach that draws funding sources together to deliver wider outcomes. Whilst improving homes on its own can never solve all the problems we nevertheless believe that an opportunity will be missed to release housing assets to improve housing if this programme is not supported. Any such policy development must not be at the expense of the funding set out in this submission that is intended to lever in private sources of funding specifically for home improvement.
10. **If government is not minded to properly support and resource this programme, local authorities need a clear steer from central government as to what they are expected to achieve in relation to private sector non-decency.**

## The funding and operational programme

11. The HMR Pathfinders have been particularly innovative in relation to equity loans and are spending some of their funds on equity products to bridge the gap for home owners whose homes are being acquired and there is now considerable expertise and knowledge about what needs to happen next. We have made a case elsewhere in this submission for continued funding of the pathfinder programme.
12. This proposal sets out key elements of a new framework to deal with the problem in the long term, along with initial levels of spending that we think are appropriate over the first three years. The amounts that we are recommending are in addition to current local authority spend on grants.

13.

£ millions	Year one (2008/9)	Year two (2009/10)	Year three (2010/11)
<b>1. Improving the commercial equity release market</b>	£30	£40	£50
<b>2. Funding company also giving advice and expertise to LAs</b>	£3	£3	£3
<b>3. Equity loans</b>	£60	£60	£60
<b>4. Advice, advocacy and project management</b>	£80	£90	£100
<b>Programme cost</b>	<b>£173</b>	<b>£193</b>	<b>£213</b>

#### Improving the commercial equity release market

14. A large proportion of those who are living in non-decent private homes and who are most vulnerable are asset-rich (often with no outstanding mortgage on their home), income poor, and elderly.
15. Work recently completed for the Joseph Rowntree Foundation<sup>42</sup> suggests that commercial equity release (ER) products have improved a great deal in recent years due to increased competition and better consumer protection offered through regulation by the Financial Services Authority (FSA). Interest rates are only marginally above standard mortgage rates and they could provide a means for a significant proportion of elderly home owners to liquidise assets to improve their homes although currently ER is only about 0.5% of the mortgage market. Supporting targeted access would be expected to improve consumer and lender confidence and increase demand. Increasing the size of the ER market is important because it would increase competition and make products more competitive.
- 16. We are proposing that government makes an average of £40M per annum available to local authorities over the next three years to support access to commercial equity release for the purpose of making non-decent homes decent** (we recognise that there are other activities that government might also want to support such as provision of care in old age). **We would suggest phasing the amounts - £30M in year one and £40M in year two and £50M in year three, to allow local authorities start-up time.**
17. Supporting access to commercial ER can be done by helping local authorities to cover the contract set-up costs.

<sup>42</sup> Terry R. and Gibson R (2006) *Obstacles to equity release* JRF

### Covering set-up costs

18. Set-up costs are not cheap for ER products (~ £1250 per contract). Spending all of this the money on set-up costs would support access to equity release products for 24,000 households in the first year, 32,000 in the second year and 40,000 households in the third year – two to three times the current rate of provision and would bring in almost £1 billion of private money (assuming the average equity released is £10,000). This would also depend on access to appropriate advice and advocacy in both choosing the financial deal and in getting repairs done (see below). It would, however, provide a significant boost to the equity release market and should increase consumer confidence. The situation could be reviewed at the end of the three year period.
19. Targeting is essential to maximise the all-round benefit and contributions to set-up costs need not always be 100% - they could be shared between the local authority and the individual. Contributions to set-up costs should be considered in the following instances:
- Where the occupiers are vulnerable and over the age of 60;
  - Where the property requires a significant amount of work to make it decent;
  - Where the sums being released are relatively small – say £12,000 or less (bearing in mind that the average deal releases over £40,000 of equity);
  - Where a draw-down agreement is in place so that further equity can be released subsequently without incurring significant additional charges;
  - Where covering the set-up costs make the difference between the contract going ahead or not.
20. On very small sums, say less than £5000, local authorities may consider that the ratio of set-up cost to equity released is too small and does not represent good use of money, particularly if subsequent draw-down of equity is not anticipated. In these instances, the local authority may prefer to supply an equity loan to address the non-decency (see below).
21. Another possible use of this money may be for local authorities to agree to share the risk of depreciation of the asset with the lender making commercial equity release possible for properties that normally present too great a risk. It may be possible for the authority to take out its own insurance against depreciation over a range of properties.

### Funding company also giving advice to LAs

22. Commercial equity release – even supported – will not work in all cases. Those who are less likely to be helped by mortgage companies include:
- Those needing small amounts to improve their homes (less than £5000), because of the high set-up costs relative to the amount being released;
  - People living in a property that is a high risk to lenders, possibly because it is questionable whether or not it will keep up with general property values;

- Younger people (typically under the age of than 60) who are likely to live in their home for a long time – relative to the payback periods favoured by lenders – and who could therefore lose a large proportion, if not all, of the equity in their home over that period.
23. Equity loans that result in a sharing of the equity in a home offer another means of paying for home improvement as well as for purchasing a home. Models have been pioneered by the HMR Pathfinders because of the more pressing need to find housing solutions for households affected by market renewal programmes. Models are also being pioneered elsewhere by community development finance institutions such as Wessex Reinvestment Trust and London Rebuilding Society. Currently up to £10m of equity loan deals are being done annually, which is a very small amount compared with the £250m local authorities are spending on grants.
  24. Equity loans are not available commercially, except where programmes are very large and terms can be negotiated for a modest contribution of private resources over the whole programme (as has been achieved for Open Market HomeBuy).
  25. Another barrier is that since the RRO allowed local authorities more freedom and flexibility in assisting home improvement, very little guidance has been made available to help them to carry out this huge task. This may have been appropriate for a while and has resulted in some innovative solutions but too much has been left to LAs (and regions) to find local solutions and there has been a lot of effort put into reinventing wheels around loans schemes etc. Relatively few local authorities have delivered any loans for housing renewal and where they have this has been in the hundreds and only a few, such as Rochdale, have the expertise to run a sophisticated loans operation. Assistance to local authorities that draws on this innovation is well overdue.
  26. Whilst equity loans offer significantly better value for public money over the long term, the reality is that the funds are tied up for many years. For this reason it is important that government commits to supporting the early stages of a long-term programme that has the potential to become self-financing, eventually.
  27. One way of making the money go further is by selling on the loan portfolio to a commercial lender, or by securitising the deals. However, lenders require large volumes and a reasonable geographic spread for either of these options, well in excess of what is currently being offered by any single authority. There is currently no vehicle set up for the purpose of packaging up the deals for on selling.
  28. **In order to kick-start a scale-up in the number of equity loans being offered, we recommend that Government considers establishing a funding company sponsored by local government and offering a range of equity loan deals funded in different ways and offering advice to local authorities.** This may be in the form of bursaries, for example, to support a series of master classes on private sector renewal

and it should certainly involve the secondment of experts to offer advice to other local authorities (since there is now a number of individuals with vision and a high level of understanding of the issues). **We believe this would have running costs in the region of £3m per annum and recommend that level of spend for the three years of the Spending Review.**

29. The company could also offer 100% commercial equity release products as well as deals tailored to the needs of different clients who may not be so easily served by commercial providers through support by LAs. For example, through the company LAs could provide indemnity, reduce the interest payments required by the individual, cover the set-up costs for the equity loans or provide loans for small amounts (< £5000) or to younger people not served by lenders.

#### Equity loans

30. **We propose that £60m per annum is set aside over the period of the spending review to provide some matched funding for local authorities who are supporting individuals to finance home improvements through the company.** This will encourage a wide range of LAs to make the switch from grants to loans and use the services the company has to offer (not just those who are already prioritising private sector renewal). It will also help to produce a step change in the volume of equity loan and equity release deals being done in the early stages before properties are being sold and equity released back to the LA.
31. This would support around 12,000 households to take out an equity loan (or part loan with additional funds provided by the LA) of £5000, for example.

#### Advice, advocacy and project management

32. There is a growing awareness that improving the living conditions of vulnerable people is not only dependent on the right levels of funding being made available. There is a huge need for:
- Good quality generic advice about what needs to be done and ways in which it can be financed;
  - Advocacy, so that where there is no relation or friend able to fulfil this role, the individual has a 'trusted informed friend' who they can count on to take them through the process; and
  - Project management of the works to their home will also be necessary in a significant number of cases.
33. The 'gap' in generic financial advice services aimed at people on low to medium incomes has been raised by a number of groups such as the FSA43 and the Resolution Foundation44, and has recently been

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<sup>43</sup> Financial capability in the UK: Delivering change, FSA, 2006

<sup>44</sup> Closing the advice gap: providing financial advice to people on low incomes, Resolution Foundation, 2006

acknowledged by government<sup>45</sup>. There are high hopes that the Treasury's forthcoming 10-year Financial Capability Strategy will include plans for a service or agency that will partly address this gap in generic advice – possibly through a public-private partnership. The figures presented here are based on the assumption that this will be in place within the next year and they are therefore lower than might have been requested.

34. We suggest that £80 – 100m per annum is made available to support advice and advocacy over the three year period. This is assuming that a new national agency capable of giving useful generic advice will be set up by the end of 2007.

35. In year 1 this will pay for (approximately) 32,000 people to:

- Receive generic advice and advocacy to help them to review their options;
- Receive independent financial advice to clarify the details of the products available;
- Receive project management on a project of £12m.

36. We expect 40,000 people to be receiving each of these services by year three.

#### Other policy recommendations

37. In addition to the programme outlined, we believe the following changes in policy are required.

- Eligibility of state benefits where claimants have released equity in their home for the purpose of making home improvements needs to be reviewed as currently these individuals are penalised
- Consider whether funds from unclaimed assets could be used to support home improvement for low income home owners if / when a Social Investment Bank is set up
- Consider change to tax rules such as the Enterprise Investment Scheme (EIS) to allow Industrial and Provident Societies to raise funds for investment in housing repairs, maintenance and energy efficiency
- Consider the possibility for other sources of finance including various types of long-term institutional investment
- Encourage partnership of Housing Associations, Local Authorities and Home Improvement Agencies and Community Development Finance Institutions (CDFIs) to deliver affordable finance, surveys, repairs, maintenance and energy efficiency
- Find ways of better coordinating the different types of investment in private housing e.g. Warm Front Grant, Disables Facilities Grant to maximise the benefit and save money

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<sup>45</sup> Speech by Economic Secretary to the Treasury, Ed Balls MP, at the Financial Capability Conference 18 October 2006

- Consider revising the rules relating to Community Investment Tax Relief on CDFI investment so that investment in housing is not excluded.

### **Our offer**

38. Local authorities will be better equipped to use the money they currently spend on home improvements (largely by way of grants) to support release of the equity. This will ensure best use of their powers under the RRO and maximum efficiency in the use of resources.
39. Non-decent private sector homes are a significant problem in failing communities. Both local authorities and housing associations are trying to find solutions in different parts of the country, with limited success. This programme would support their efforts and as some equity will eventually be recycled, it would require fewer resources to maintain in the long-term.

## Land Supply for affordable housing

1. The successful delivery of the programme of new affordable housing set out elsewhere in this document is crucially dependent on a reliable source of land for construction at reasonable prices. Although this section of our Spending Review submission does not formally request any government spend we set out a number of suggested changes or alterations that government could make to the land supply and planning policy architecture to improve its performance.

### Increasing the supply of land for affordable homes

2. The supply of affordable housing can be improved both by increasing the availability of sites specifically prioritised for this purpose and by increasing land brought forward for housing supply in general, provided that planning policy reinforces that affordable housing also be provided on site and in kind, often through Section 106 agreements.
3. We believe that the proposed introduction of Planning Gain Supplement (PGS) and the reform of section 106 must ensure that planning gain continues to support at least the current level of additional homes it delivers for affordable renting and low cost home ownership. In particular there must be no loss of affordable housing contributions via s106 relative to the current position. A recent report, Land and Finance for Affordable Housing, found that an increasing proportion of affordable housing (47% in 2003) is being delivered through section 106 agreements demonstrating the importance of maintaining the current rate of planning gain for housing<sup>46</sup>.
4. Official figures state that 30 % of previously developed land in England that is suitable for housing belongs to local authorities or other public bodies.<sup>47</sup> In the South East and South West, other public bodies are the key land owners with 20% of land suitable for housing development held by them. From estimated dwelling capacity figures we can assume that nationally public land holdings could deliver up to 295,000 homes. We are concerned to ensure that a reasonable proportion of these are affordable homes that remain within the affordable housing sector (both rented and low cost home ownership).
5. When land subsidy – either through planning agreements or grant – provides only time-limited affordability or a benefit only to the first recipient, the impact and benefit to the community of that public subsidy is lessened. Not only does this represent a loss in direct land subsidy from the private sector into affordable housing (resulting in an increased reliance on the taxpayer), but also the sale of homes at slightly below market prices classed as affordable homes represent a poor long term return from the considerable input of the publicly resourced planning service.

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<sup>46</sup> <http://www.jrf.org.uk/bookshop/eBooks/1859353061.pdf>

<sup>47</sup> Previously-Developed Land That May Be Available for Development: England 2005, DCLG, August 2006

6. We believe that the following alterations to planning and land supply policy would do much to support the continued delivery of new affordable housing supply:
- That public sector sites allocated for disposal should not automatically be auctioned to the highest bidder, allowing the market to dictate the use. Instead government should take this opportunity to show leadership in the land use agenda by evaluating how these sites can best be used to meet their stated sustainable development objective.
  - That in evaluating options for public land disposal and in calculating disposal prices, **public bodies should be steered by government so that the social benefit and value of land supply for affordable housing needs to be discounted from the market value.** In this context the Treasury should continue to revise its ‘best consideration’ rules to further incorporate recognition of added social value and the “best outcome” that can be delivered by using land supply for affordable housing.
  - In the 2006 Budget the government has said that it will explore further tax measures to stimulate increased land supply. We welcome this and **would welcome the opportunity to explore innovative solutions to releasing the value of land as well as bringing sites forward for development, and linking more firmly to housing need.**
  - One way of ensuring long term affordability is for public land to be placed in trust (e.g. a Community Land Trust) or for local authorities to retain an ongoing stake in the land. The housing built on the land is less expensive to the purchaser because the price of the land is not included.
  - Another option would be charging land owners a Land Value Tax on developable sites as an incentive to release suitable land for affordable housing, or in other suitable locations mixed use development including homes. We believe that it is not socially or economically sustainable for vacant land to be held back without penalty by owners seeking higher future returns. These and other options are not mutually exclusive.
  - Housing and Planning Delivery Grant should be used to encourage best use of planning obligations and grant funding by giving a financial reward to local authorities which make good use of site viability assessments and s106 agreements to secure on-site affordable housing. In addition, the agency which assesses awards of Housing and Planning Delivery Grant based on improvements in housing delivery should consider how the number were achieved and the mix of housing delivered, not just whether targets have been met.
  - **That the Housing Corporation / English Partnerships and /or any successor agency adopt a more consistent and socially-oriented approach to land acquisition and disposal (especially around public sector land) including:**
    - Greater powers for affordable housing providers to acquire and bank land, using grant
    - Ensuring that land is prioritised for social rented housing and not just low cost home ownership and in accordance with local assessments of housing need

- That the new agency should have first refusal on all public sector and agency disposals
- That the new agency should acquire greater powers to undertake site assembly, landholding and use Compulsory Purchase Orders to acquire land from the private sector, directly or in partnership with local authorities
- Its brief will need to cover acquisition and development of land for commercial use as well as housing land
- That the new agency should have responsibility to scrutinise all Departmental and agency disposal plans.

### Ensuring the delivery of mixed communities in sustainable neighbourhoods

7. We wish to see homes created in sustainable neighbourhoods served by a range of amenities and consider that the mixed-use concept of mixed income communities in neighbourhoods with a mix of residential and commercial land uses offers business, social and environmental sustainability benefits (usually derived from more efficient land use) and has scope for increased implementation.
8. A joint report from ODPM and the Cabinet Office Strategy Unit<sup>48</sup> shows that concentrations of worklessness, poverty and deprivation disadvantages individuals and communities. This supports research<sup>49</sup>, by the National Housing Federation as well as work by the Joseph Rowntree Foundation which demonstrated that mixed neighbourhoods are the places where people have the best chance of thriving.
9. Spending Review 2007 needs to examine what volume and range of resources for housing investment is required to meet the mixed communities agenda.

### Our contribution

10. With improved access to land, currently the primary constraint on delivery, housing associations or other affordable housing delivery agents will be able to deliver affordable homes at a faster rate and at a reduced cost to the taxpayer. In the longer term, by vesting surplus public land with affordable housing providers or in trusts, rather than in private ownership, any returns can be used to grow further housing supply capability or to invest in neighbourhood services or be shared with residents.
11. Ensuring a continued land supply at affordable prices will enable delivery of the full benefits from a programme of new affordable housing supply. As set out elsewhere in the in the *New Supply of Affordable Housing* section of this document delivering the suggested programme of new affordable homes will provide, additional new affordable housing, including for amongst others:
  - key workers
  - rural areas

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<sup>48</sup> *Improving the Prospects of People Living in Areas of Multiple Deprivation in England* (January 2005)

<sup>49</sup> *Regional Futures: Neighbourhood Realities – Scase & Scases* (September 2003)

- first time buyers.

12. A delivered programme of new affordable housing supply is also essential to achieving the Government's target of creating mixed and sustainable communities with decent places for everyone to live.

## **New Homes, Better Homes: the outcomes**

1. New affordable housing supply, homelessness prevention and investment in the nation's existing housing stock all contribute towards the provision of new and better homes. We anticipate that these homes will also help deliver against other priorities – including many of the key outcomes shared by both national and local government. Evidence shows that the provision of improved housing conditions delivers a number of desirable outcomes including:

### **Improved Health Outcomes**

2. Housing standards are used as an indicator of health and much evidence is published on poor housing and poor physical / mental health (see Table 1). Since the health effects of poor housing fall disproportionately on vulnerable groups (older people<sup>50</sup>, disabled<sup>51</sup> and children<sup>52 53</sup>) this creates difficulties and extra costs for the Department of Health in meeting its targets of improving the health outcomes of people with long-term conditions.

**Table 1: Physical and mental health consequences of 'poor' housing<sup>54</sup>**

<b>Housing circumstance</b>	<b>Consequence</b>	<b>Relevant Studies</b>
Cold	<ul style="list-style-type: none"> <li>diminished resistance to respiratory infection</li> <li>hypothermia</li> <li>bronchospasm</li> <li>ischaemic heart disease, myocardial infarction and strokes</li> </ul>	Collins (1986); Blackman <i>et al</i> (1989); Strachan & Saunders (1989); Collins (1993)
Damp and mould	<ul style="list-style-type: none"> <li>respiratory problems, eg wheeze</li> <li>asthma, rhinitis and alveolitis</li> <li>eczema</li> <li>depression in women</li> </ul>	Strachan & Elton (1986); Platt-Mills & Chapman (1987); Burr <i>et al</i> (1988); Platt <i>et al</i> (1989); Hyndman (1990); Dales <i>et al</i> (1991); Dekker <i>et al</i> (1991); Miller (1992); Sporik <i>et al</i> (1992); Packer <i>et al</i> (1994) Spengler <i>et al</i> (1994); Verhoeff <i>et al</i> (1995); Hopton & Hunt (1996); Williamson <i>et al</i> (1997) Brown & Harris (1978); Hyndman (1990)
Indoor pollutants and infestation	asthma	Weitzman <i>et al</i> (1990); Chapman (1993); Rona & Chinn (1993); Cook & Strachan (1997); Ashmore

<sup>50</sup> Heywood F, Oldman C & Means R (2001) *Housing and home in later life*. Buckingham: Open University Press

<sup>51</sup> Harrison M with Davis C (2001) *Housing, social policy and difference: disability, ethnicity, gender and housing*. Bristol: Policy Press

<sup>52</sup> Quilgars D (2001) Child homelessness. In: Bradshaw J (ed) *Poverty: the outcomes for children*. London: Family Policy Studies Centre

<sup>53</sup> Rugg J (ed) (1999) *Young people, housing and social policy*. London: Routledge

<sup>54</sup> Marsh *et al* (1999) *Home sweet home? The impact of poor housing on health*. Bristol, The Policy Press. Reprinted by permission of The Policy Press

		(1998)
Overcrowding	<ul style="list-style-type: none"> <li>increased risk of infectious or respiratory disease</li> <li>reduced stature</li> <li>emotional problems, developmental delay and bed-wetting, poorer educational attainment and mental adjustment in children</li> <li>social tension, irritability, impairment of social relations</li> </ul>	Montgomery <i>et al</i> (1996); Hunt <i>et al</i> (1997) Murray (1974); Rutter (1974); Arblaster (1993); Montgomery <i>et al</i> (1996); Hunt (1997)
Relatively poor quality housing in each tenure	<ul style="list-style-type: none"> <li>mental well-being reduced</li> </ul>	Platt <i>et al</i> (1989); Hunt (1990); Payne (1991); Hopton & Hunt (1996); Payne (1997)
'Difficult-to-let' housing	<ul style="list-style-type: none"> <li>poorer emotional well-being than people in 'better' areas</li> </ul>	Blackman <i>et al</i> (1989)
Flatted accommodation	<ul style="list-style-type: none"> <li>increased GP consultation by women for emotional symptoms</li> <li>social isolation and psychiatric disturbance among women</li> </ul>	Fanning (1967); Stewart (1970); Ineichen & Hooper (1974); Freeman (1993); Gabe & Williams (1993)

3. Rough sleepers experience the worst health inequalities with those living in hostels or temporary accommodation also experiencing poor health<sup>55</sup>.

Among this group, rates of chronic illness are up to 2.5 times that of the general population and they are more likely to access health services through A&E and experience periods of re-admission to hospital with longer stays, resulting in inefficient use of health budgets. This is an issue as chronic disease currently costs the Government £12 billion annually in disease management and lost earnings.

4. In particular poor housing has been linked to asthma, respiratory disease, and poor mental health. Below are examples of how poor housing (especially cold, damp and mouldy conditions) are having negative health and financial outcomes:

- Over half of those who took part in a Shelter survey of households in temporary accommodation stated they were suffering from depression<sup>56</sup>
- Overcrowded and poor housing has been linked to psychological illness in children. Children that are homeless have even poorer health. For example these children have four to five times more respiratory infections, stomach and diarrhoeal infections and twice the number of emergency hospitalisations<sup>57</sup>

<sup>55</sup> Bardsley M, Jones I R, et al. Housing and health in London: a review by the Health of Londoners Project. London: East London & The City Health Authority; 1998.

<sup>56</sup> Credland S and Lewis H, Sick and tired – the impact of temporary accommodation on the health of homeless families, Shelter, 2004

<sup>57</sup> [http://www.cotsonline.org/homeless\\_kids.html](http://www.cotsonline.org/homeless_kids.html)

- Children in temporary accommodation for more than a year are over three times more likely to demonstrate mental health problems<sup>58</sup>
  - Among 8-9 year old children in Croydon, 66% of those with asthma or wheeze in the past year had moved since birth<sup>59</sup>
  - A survey confirmed dampness in 64% dwellings of asthmatic subjects compared with 41% dwellings of control subjects<sup>60</sup>
  - Dampness was confirmed in 27% of cases compared to 14% in control for those suffering from bronchial illness<sup>61</sup>.
5. The average unit cost for treating asthma or bronchial illness is £2,000. While it is estimated that treating 1 to 5 year old children with a wheeze costs the UK health service a total of £53 million. A 1996 study estimated that £2 billion per annum is spent on mental illnesses arising from poor housing conditions<sup>62</sup>.
  6. A study comparing a housing estate in Stepney with a refurbished estate in Paddington found that the Stepney residents were seven times more likely to become ill, and 60% claimed their illness was very closely related to their housing. The study estimated that the cost to the NHS was more than £500 per household in Stepney compared to £70 for the Paddington residents.
  7. It is difficult to isolate the positive effects of improved and new housing however, studies have shown positive outcomes including improved physical activity, reduction in chronic health conditions, fewer GP visits and improved mental and cognitive health. For reference some study examples are given below:
    - Around two thirds of people re-housed reported an improvement in their mental health
    - In one study 34% of respondents were more active after their housing improvement
    - Reduction in reported asthma from 24% to 14%.

### **Improved Educational Outcomes**

8. Poor housing provision disadvantages our children's education and development. Improving housing can help the Government meet its Every Child Matters target. Shelter's report *Chance of a lifetime* is a comprehensive review of over 100 studies examining the effects of temporary accommodation, overcrowding and poor housing conditions on

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<sup>58</sup> British Medical Association, Housing and health: building for the future, British Medical Association, 2003

<sup>59</sup> Strachan D P, Butland B K, Carey I M, Anderson H R. Moving house unlikely to pose substantial risk of childhood asthma. *British Medical Journal*. 1996;312:315.

<sup>60</sup> Williamson I J, Martin C J, McGill G, Monie R D, Fennerty A G. Damp housing and asthma: a case-control study. *Thorax*. 1997;52:229-234

<sup>61</sup> Nafstad P, Oie L, Mehl R, Gaarder PI, Lodrup-Carlsen KC, Botten G, Magnus P, JJ. J. Residential dampness problems and symptoms and signs of bronchial obstruction in young Norwegian children. *Am J Respir Crit Care Med*. 1998;157:410-4

<sup>62</sup> Ambrose P., J.Barlow, A.Bonsey, M. Pullin with V. Donkin and J. Randles (1996), The Costs of Poor Homes, RICS: London

children's development and life chances<sup>63</sup>. The research found a clear 'housing effect' in relation to each of the Every Child Matters outcomes, even after controlling for other socio-economic factors. HM Treasury's Child Poverty Review has recognised the importance of housing and homelessness in tackling child poverty and the target to end child poverty by 2020. Also it will help the Government meet its target of improving the social and emotional development of children. A lack of housing investment can lead to financial inefficiencies for other public services. The main educational and financial impacts of poor housing provision are:

- Perpetual movement between schools resulting in extra administrative costs
- Extra staff costs to provide psychological and social support
- Exclusion increasing costs to other social service providers
- Excluded children placing extra pressures on families and can become vulnerable to crime
- Low educational attainment impeding their ability to compete in the labour market and potentially leading to lower earning profiles and/or dependency on benefits.

9. Homeless children are two to three times more likely to be absent from school due to the disruption caused by living in temporary accommodation<sup>64</sup>. On average this amounts to 55 school days a year<sup>65</sup>. The annual cost of providing this education that goes unused is £34,300,000. This is an issue since the Government has set a target to improve levels of school attendance.

10. The National Child Development Study identified that children in overcrowded homes miss more school due to medical reasons than other children<sup>66</sup>. Other studies have shown that children in overcrowded homes are more likely to have behavioural problems, restricted play opportunities and achieve less educationally<sup>67,68</sup>. To give an indication of the annual cost of this; the cost of supporting a child in education that is at risk of exclusion averages £2,800<sup>69</sup>. A study by the Joseph Rowntree Foundation found that the 1.44 million families with children in social housing did not always have

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<sup>63</sup> Harker, L, *Chance of a lifetime*, Shelter, 2006

<sup>64</sup> Vostanis P, Grattan E, Cumella S and Winchester C, Psychosocial functioning of homeless children, *Journal of the American Academy of Child and Adolescent Psychiatry*, 36 (7), 88 1-88 9, 1997; Vostanis P and Cumella S, *Homeless children: problems and needs*, 1999

<sup>65</sup> Mitchell F, Neuburger J, Radebe D and Raye A, Living in limbo: survey of homeless households living in temporary accommodation, Shelter, 2004

<sup>66</sup> Essen J, Fogelman K and Head J, Children's housing and their health and physical development, *Child: care, health and development*, 4, 357-369, 1978

<sup>67</sup> Amery J, Tomkins A and Victor C, The prevalence of behavioural problems amongst homeless primary school children in an outer London borough, *Public Health* 109, 421-424, 1995

<sup>68</sup> Buckner JC, Bassuk EL, Weinreb LF and Brooks MG, Homelessness and its relation to mental health and behaviour of low income school-age children, *Developmental Psychology*, 35 (1), 2 46-257, 1999

<sup>69</sup> Education, Exclusion And Citizenship, Carl Parsons, 1999

the space to allow children to study or use a PC which impacted on their educational attainment<sup>70</sup>.

11. The lack of affordable housing is hurting our children in other ways. A former Schools Minister has admitted that schools faced recruitment problems in areas like London due to housing costs.

### **Improved Employment Prospects**

12. A comprehensive report produced by the Office of the Deputy Prime Minister (ODPM) suggested that the supply and location of affordable housing may increase the opportunities for employment. If everyone in a locality is unemployed or otherwise economically inactive, there are no networks to help people to find work. Therefore, moving households from inadequate or temporary housing to decent housing in the right area could make a difference to their probability of becoming employed<sup>71</sup>. Provision of affordable rented housing also plays a key role in ensuring those on low incomes claiming housing benefit do not suffer from the increased poverty trap effects and work disincentives found in private rented sector and temporary accommodation. Shelter's survey of more than 400 households living in temporary accommodation found that more than 77 % of households had no family member working<sup>72</sup>.
13. In a further study by Shelter it was found that employees with housing problems were less efficient in the work place. This group often had to work overtime and take annual leave to sort out housing issues. They were also disadvantaged due to stress, illness, under-performance, poor concentration, disrupted support networks and increased time spent travelling<sup>73</sup>. The Barker Review cited the lack of affordable housing and regional house price differentials as a factor that results in higher unemployment overall.

### **Improved Outcomes for Wider Communities Through Regeneration Benefits From Affordable Housing Activity**

14. The provision of affordable housing will help the Government meet its commitment to tackle social exclusion and deliver neighbourhood renewal. Added to this house building generates positive economic and social multiplier effects.
15. The ODPM have summarised the positive social and economic impacts of additional affordable housing in Table 2.

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<sup>70</sup> Disconnected: Social housing tenants and the home working revolution by Tim Dwelly, Joseph Rowntree Foundation, April 2002

<sup>71</sup> A sustainability impact study of additional housing scenarios in England, Office of the Deputy Prime Minister December 2005

<sup>72</sup> Mitchell F et al, Living in Limbo – Survey of homeless households living in temporary accommodation, Shelter, 2004. This compared with out-of-work rates of between 40 % and 50 % among their counterparts – formerly homeless households living in more affordable council or housing association homes.

<sup>73</sup> Shelter (1997), Homelessness and Health: How Homelessness and Bad Housing Impact on Physical Health, Shelter: London

**Table 2: The social and economic impact of additional affordable housing**<sup>74</sup>

Impacts	Scale and direction (+ve/-ve)	Importance
Support of local employment strategies by housing key workers supplying local labour.	Potentially large +ve	High
The housing of low income and special needs groups may enable individual tenants to make greater contributions to economic and social life.	Correlated to the proportion of affordable housing +ve	High
Targeted investment by RSLs can promote training and employment, encourage enterprise and reinvigorate community life.	Small to medium. Potentially could be larger +ve	Medium
Partnerships with residents, local authorities and voluntary groups have the potential to expand access to public and private funding sources and to co-ordinate strategies.	Small to medium. Potentially could be larger +ve	Medium
Concentrating new affordable housing in growth areas may not be successful if households do not wish to move there, so that housing pressures worsen in non-growth areas.	Medium to large -ve	Medium to High

16. Table 2 shows the estimated direct employment impact (people employed in construction) of all types of house building from various international studies (estimations of impact vary according to different measurements used). As well as the impact of construction jobs listed in Table 2 there are secondary impacts. These include the spending by those in employment and living in the new homes which in turn supports local services and helps create or sustain local employment in the service sector, both public (schools, health service) and private (shops, transport). Using the lowest estimates produced by the San Bernadino study (see Table 3) building 100,000 additional homes would imply an income effect of £498 million a year. A recent Scottish study on house building estimates that the output multiplier is around 2.1. Therefore an increase of £1 million in the output of the construction industry would result in an increase in Scottish economic output of £2.1 million (£1.0 million x 2.1) – the study suggests that the figure in England could be potentially higher<sup>75</sup>.

**Table 3: The direct employment impact of house building**<sup>76</sup>

Study	Number of jobs generated by 100 new homes
Saskatchewan	375
Vermont	240
USA National Association of Home Builders	257
San Bernadino	82
London Development Agency	644

Note that LDA figures include the employment impacts anticipated to arise from associated wider development

<sup>74</sup> A sustainability impact study of additional housing scenarios in England, Office of the Deputy Prime Minister December 2005

<sup>75</sup> The Economic Value of The House Building Industry In Scotland A Report For Homes for Scotland By Mackay Consultants June 2005

<sup>76</sup> A sustainability impact study of additional housing scenarios in England, Office of the Deputy Prime Minister December 2005

17. As well as economic benefits new homes that are properly designed and on estates that are well managed with agencies working together can help reduce the impact of crime. Using the example of a rundown estate in Stepney with a refurbished estate in Paddington it was found that the direct cost of dealing with crime was £325 per household per year in Stepney and £70 in Paddington<sup>77</sup>.
18. Lastly, housing decline and the scarcity of social housing can fuel tension between different races and cultures<sup>78</sup> and discontent can be exploited by using black and minority ethnic (BME) groups as scapegoats. At the same time, it is those from BME groups who are most likely to live in bad housing conditions<sup>79</sup>. Tackling these conditions and increasing the supply of social rented housing is therefore necessary in order to reduce race inequalities and to create an environment that supports community cohesion.

### **Improved balance in housing markets (both low and high demand)**

19. The Government has set itself a target to deliver a balance between housing supply by supporting sustainable growth, reviving markets and tackling abandonment. The Barker Review concluded that “there is considerable evidence that a shortage of housing exists in the UK but the nature of this shortage is complex. Simply comparing the number of households and the number of dwellings fails to capture mismatches between the location of supply and demand or between the type of housing desired and that which is available”<sup>80</sup>. There is still much to be done to normalise the housing market.

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<sup>77</sup> Ambrose P., J.Barlow, A.Bonsey, M. Pullin with V. Donkin and J. Randles (1996), *The Costs of Poor Homes*, RICS: London

<sup>78</sup> For example, see Dench G, Gavron K and Young M, *The New East End, Profile*, 2006

<sup>79</sup> See DCLG, *Improving Opportunity, Strengthening Society: One year on, A progress report on the Government’s strategy for race equality and community cohesion*, July 2006

<sup>80</sup> Kate Barker: “Review of Housing Supply: Interim Report – Analysis”, [www.barkerreview.org.uk](http://www.barkerreview.org.uk)

## **5. Stronger individuals, stronger communities**

### **Supporting People**

1. Supporting People is a successful programme that integrates funding for housing related support services and secures quality services for vulnerable people. These services can:
  - Support people to live independently in their own homes preventing the need for more expensive institutional care (e.g. older people living in sheltered housing)
  - Support and reintegrate homeless single people back into the community
  - Meet crisis needs (e.g. helping homeless people stabilise their lives and address substance misuse or offending)
  - Prevent homelessness (e.g. by supporting a young person leaving care in their first flat)
  - Prevent anti-social behaviour (e.g. by helping integrate people into a local community and address reasons behind anti-social behaviour (ASB)).
2. The manner in which Supporting People brought together a range of funding streams in 2003 in order to make the funding of services more flexible gives a very practical demonstration of how investment in one policy can have beneficial outcomes for many other areas of government policy. It is also a programme that has married the best of Third Sector and public sector, with both commissioners and providers required to work in effective and efficient ways.
3. Since its inception Supporting People has made a real difference to the lives of 1.2 million vulnerable people and the following service improvements have been noted:
  - A greater focus on service users and carers
  - Improved value for money
  - Improvements in service quality
  - Impetus to tackle long-standing concerns
  - Better local partnerships.<sup>81</sup>
4. The budget for the programme 2005- 2008 has been capped following reductions year on year since its introduction in 2003 from £1.8bn to £1.715bn and is currently around £1.685bn rising to £1.693bn in 2007/8. A recent Audit Commission report recommended that 'there is little more room for efficiency savings'<sup>82</sup> within the programme and that it needed to be placed on a secure financial footing. The Commission warned that cost-cutting now dominates the agenda in most areas and that poor

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<sup>81</sup> AC, *ibid*, 2005.

<sup>82</sup> Supporting People National report, Audit Commission, October 2005

financial forecasting has led to budget and operational uncertainty at local level. In addition all Supporting People funded schemes have been through service reviews and have been assessed for value for money and quality. Any further cuts are most likely to impact upon excluded groups including refugees, rough sleepers, travellers, ex-offenders and older people with low level support needs.

5. The ODPM Review of the Supporting People Programme<sup>83</sup> concluded that “There is undoubtedly unmet need for vulnerable groups...” and work on the Supporting People distribution formula demonstrated that demand for Supporting People services outstrips supply even in areas where the distribution formula suggests that less resources are required.
6. As with any programme of this size we believe that there may still be scope for further efficiency savings around programme administration (e.g. contracting / commissioning). Any such savings should be used to invest in new services thereby creating a strong efficiency incentive for the sector.
7. Uncertainty over future revenue funding means that new services are not being developed. The 2004/6 capital programme saw a reduction from 9% to 5% in the proportion of new development allocations going to supported housing. To remedy this, **the programme must be put on a secure financial basis – the existing budget plus inflation uplifts should be maintained** and room for growth to meet identified needs and to even out levels of spending at a local level should be created. **Elsewhere in this bid we are asking for an increase in the level of resource from the National Affordable Housing Programme that is targeted at supported housing.**
8. These funding requirements are necessary as there is an ongoing need to address the housing and support needs of vulnerable people together as an integrated service. These services can deliver value for money and meet customer needs. For example homeless people and women fleeing domestic violence have an immediate need for housing and support. Some groups (e.g. disabled people and older people) may need special design features and adaptations.
9. Good sheltered housing is a supportive community both to those who live there and to isolated older people living nearby. Sheltered housing can be a resource to the wider community for healthy living activities, lifelong learning, intergenerational links and social activities.
10. As the eligibility criteria for home care services have risen the need for low level services has become more critical. In England in 2004 368,400 people received home care with a quarter receiving 10 hours or more. This compares to 415,000 clients in September 2000. Many older people express a desire for 'that little bit of help'<sup>84</sup> to allow them to remain independent and prevent reliance on more expensive intensive care. The

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<sup>83</sup> Review of the Support People Programme: Independent Report, ODPM, January 2004

<sup>84</sup> That little bit of help Joseph Rowntree Foundation, November 2005

help provided by Home Improvement Agencies, handyperson schemes and low level housing related support is flexible and presents good value for money.

### **Our approach**

11. To secure the future of the Supporting People programme and to protect previous public investment through both revenue and capital programmes **we are asking for the Supporting People programme to be up-rated to reflect real inflation costs of service providers** (predominantly staff costs), **to restore confidence in meeting needs and to provide room for modest levels of investment in new services.** (According to the ONS Annual Survey of Hours and Earning 2005, wage inflation for occupations in the sector was around 6%.)
12. **We recommend a programme of £1.8bn, £1.9bn and £2.0bn for the three years covered by this review and this should be ring-fenced to ensure that Supporting People monies do not escape to meet shortfalls in other budgets.**
13. We believe that for Supporting People to deliver on its potential requires a number of changes to its current operating model. Most importantly for Spending Review purposes is the need for a sustained increase to the resources available for new supported housing through the National Affordable Housing Programme (NAHP). **We recommend that an increase in the proportion of the NAHP that is targeted towards supported housing to 7.5% of the units delivered must be considered** in order to address the ongoing crisis of move-on and unmet needs particularly for the most excluded groups.

### **Our contribution**

14. ODPM has already sponsored the most comprehensive work in this area with the Benefits Realisation work in 2004, which they are updating for this CSR. We understand that the DCLG will be submitting strong evidence that shows the overall benefits and efficacy of the programme. We have provided some specific examples of how providers make a difference below.

### **Expected Outcomes**

#### **Single Homeless and Excluded Groups**

15. In 2005, there were 47,800 people in single homeless households in priority need. The number of single homeless people is estimated to be between 310,000 and 380,000 at any one time.<sup>85</sup> Around a quarter are estimated to be staying in hostels, bed and breakfast or facing imminent eviction as result of debt. Rent arrears is the main reason for eviction in England and Wales. This is particularly acute for young people. The

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<sup>85</sup> Crisis, How Many? How Much?, Crisis, 2003.

remaining being hidden homeless and almost all are in overcrowded accommodation.<sup>86</sup>

16. 40% of homeless women stated that domestic violence was a contributor to their homelessness. A third of people leave prison with nowhere to go. Studies show that 70% of prisoners suffer from at least two mental health disorders and research suggest that provision of stable accommodation can make reduce reoffending rates by 20%<sup>87</sup>. Drug and substance abuse, at some stage combined with mental illness feature in 50-75% of homeless single people.
17. Up to 20% of Care leavers experience homelessness within two years of leaving care.<sup>88</sup> A recent report by the CRE highlighted that the needs of gypsies and travellers are still not being met. The Rural Commission also highlighted the gap in services for homeless excluded groups in rural areas.
18. There is clear evidence that substantial cost savings to other elements of public expenditure are made as a result of Supporting People. The following unit costs are based on six scenarios of homeless people who do not get appropriate assistance at the outset and the consequent additional costs incurred by other public service areas.<sup>89</sup> The costs shown are based upon the weekly or per episode costs and then projected over an average period of twelve months. Figures below £500 have not been included nor estimates for the 'soft' costs.

Costs Category	Costs borne by	Leaving Home	Domestic Violence	Institution	Care Leaver	Mental health	Alcohol
Failed Tenancy	Landlord				£3,000	£3,000	£3,000
Temporary housing	Local authority	£7,000	£22,000	£3,000		£21,000	£10,500
Support Services	Local authority	£2,500	£1,500			£4,500	£2,000
Health Services	NHS		£16,000	£1,000		£40,000	£7,000
Police and criminal justice	Police/ courts	£1,500	£15,000			£14,500	£1,500
Potential resettlement	Various		£1,500	£3,000	£500		
Unemployment	Economy	£4,000	£16,000	£500	£1,000		
<b>Total Unit Costs</b>		<b>£15,000</b>	<b>£72,000</b>	<b>£7,500</b>	<b>£4,500</b>	<b>£83,000</b>	<b>£24,500</b>

<sup>86</sup> Ibid.

<sup>87</sup> <http://www.lga.gov.uk/Documents/Publication/neighbourhoodbyneighbourhoodfinal.pdf>

<sup>88</sup> Anderson, I and Thomson, S, 'More priority needed: the impact of legislative change on young homeless people's access to housing and support' (2005): Stirling

<sup>89</sup> Crisis, How Many? How Much?, Crisis, 2003.

19. All of these costs could have been avoided had appropriate support been provided at the outset. In contrast, the national average unit costs of a support package (per week) for a homeless person are significantly lower:
- Floating Support: £74.37 (£3,867 per annum);
  - Accommodation based support: £138.38 (£7,196 per annum);
  - Homeless family with support: £98.10 (£5,101 per annum)

#### Examples of Supporting People Service outcomes

20. The Supporting People programme provides housing related support services to over 1.2 million vulnerable people. The programme is delivered locally by 150 Administering Authorities, over 6,000 providers of housing related support, and an estimated 37,000 individual contracts. The diverse services delivered through these programmes are the lubricant which enables our communities to run smoothly. The programme allows some of the most disadvantaged to maintain their tenancies and live more fulfilling lives. The client groups supported include:

- People who have been homeless or a rough sleeper
- Ex-offenders and people at risk of offending and imprisonment
- People with a physical or sensory disability
- People at risk of domestic violence
- People with alcohol and drug problems
- Teenage parents
- Elderly people
- Young people at risk
- People with HIV and aids
- People with learning difficulties
- Travellers
- Homeless families with support needs.

21. At the same time the services also save public expenditure on other budgets. Recent research into the Supporting People programme calculated that it delivered tangible benefits with a total estimated value of £81.56 million from the Supporting People expenditure on homeless families of £52 million per annum<sup>90</sup>. Without a well funded Supporting People programme many of the Government's social targets would not be met. Below is a range of case studies that give a flavour of the services that are delivered and some of the positive financial and social impacts they bring.

#### Older People

22. Housing 21 carries out an annual survey of over 12,000 tenants which tracks trends in health, disability, care and support needs. Results show that whilst 52% of residents have a long term illness or disability, up to 37% have mobility problems and well over 10% have mental health

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<sup>90</sup> Matrix Research and Consultancy, Supporting People: Benefits Realisation of the Supporting People Programme, ODPM, London, 2004

problems, it is still the case that around 60% are able to live fully independent lives as a result of Supporting People funded services.

23. Carecall, run by an ALMO, Stockport Homes, are one of the few mobile warden services who offer a 'falls service' have a customer base of approximately 6,000 clients and attend an average of 200 falls per month. They use specialist moving and handling equipment to assist customers who have fallen and of these only 20% require the attendance of an ambulance.
24. In Stockport, the ambulance service attends around the same number of falls per month as Carecall and of those that the ambulance attend, 75% of patients are taken to the Accident and Emergency department of the local hospital for medical checks/admission.
25. From the statistics it is clear that the service provided by Carecall results in considerable savings for the local Primary Care Trust in relation to both the number of ambulance attendances which would double if Carecall did not provide this service and also in reducing the number of attendances to the local hospital A&E dept. 80% of the customers Carecall attend remain at home by comparison to only 25% of the patients attended by the Ambulance service.

### Floating Support

26. The Haringey Tenancy Sustainment Service (HARTS) is an innovative and highly responsive floating support service for vulnerable families in Haringey. HARTS performs a number of services including helping the homeless into secure and sustainable accommodation. HARTS also works to promote other key community and corporate goals around poverty, health, neighbourhood degradation and social exclusion. It has also established good links with local agencies. In particular it seeks to respond to the needs of traditionally excluded groups such as the BME community and those with a disability. It is easy to access and 51% of referrals are made by users. As well as meeting a local need it is estimated to have indirectly saved Haringey Council £9m in the 14 months after set up<sup>91</sup>.
27. Another successful example of floating support is run by Bournemouth Churches Housing Association<sup>92</sup>. In its first two years it supported 123 clients, many with mental health problems, substance abuse or difficulties or housing issues. As the team offer long term support it enables users to remain independent in the community so avoiding the need for costly residential care. To give an example of the potential saving to the government it costs £223 a week to provide residential care.

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<sup>91</sup> Taken from HARTS Supporting People VFM report, January 2004. EPIC Trust (one of the service providers in the HARTS partnership).

<sup>92</sup> An evaluation of the Floating Support Scheme – a joint project between Dorset Research & Development Support Unit and the Institute of Health & Community Studies, Bournemouth University

## Support for Young People

28. Foyers provide an invaluable service to one of the most vulnerable groups in society - young people aged between 16 and 21. In 2003 there were 111 foyers providing 4,630 bed spaces. Evaluations by the Housing Corporation found them fit for purpose and providing a much needed local resource<sup>93</sup>. Foyers allow users to develop skills and access training to enable future independent living. Compared to other models they offer excellent value for money. For example the average place cost per week in a foyer is £303, compared to £3,168 in a Secure Training Centre or £3,380 in a Secure Children's Homes and £976 in a Young Offender Institution. Over a year this amounts to a possible minimum cost saving of £34,996 per user and £162,031,480 if all foyer users were accommodated in Young Offender Institutions.

## Community Support

29. Nationally, various community support schemes are operating successfully. Details of an evaluation of Camden Community Support Scheme (CCSS) are used below to give an indication of the invaluable yet economically sound service these schemes provide. The CCSS provides support to people with alcohol problems to enable them live independently. An evaluation estimated the cost per hour of client support was only £16.43<sup>94</sup>, compared to an average of £25 per hour for the NHS<sup>95</sup>. The evaluation found that the service met and exceeded its caseloads with users coming from a wide range of sources. Users and other agencies rated the services extremely highly. Below is some feedback collected:

- 76% believed they would have lost their flats without the help of the scheme
- 84% believed their position in terms of rent arrears and other debts had improved
- 91% felt they were managing their drinking better.

## Tenancy Support

30. If the Government is to meet its targets on rough sleepers then continued support for projects such as The Shelter Homeless to Home is required. This was a three-year project funded by the Community Fund designed to help formerly homeless families sustain a tenancy and live successfully in the community.

A project evaluation examined pilot projects in Birmingham, Bristol and Sheffield over the course of 18 months and included 271 families<sup>96</sup>. It found the scheme worked with a diverse user group with most facing

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<sup>93</sup> Taken from a piece of research produced by Dr Roland Lovatt and Professor Christine Whitehead, University of Cambridge for the Housing Corporation, July 2006.

<sup>94</sup> Taken from Compass Partnership's Evaluation of Camden Community Support Scheme, Final Report, October 1997.

<sup>95</sup> A Netten & L Curtis; Unit costs of health & social care, 2005

<sup>96</sup> Taken from Jones, A.; Preece, N. and Quilgars, D (2002) Firm Foundations: An Evaluation of the Shelter Homeless to Home Service

problems such as unemployment, low literacy rates and disabilities. Many users had become homeless due to domestic violence or relationship breakdown. The service was able to offer practical and emotional support which was reflected in the good feedback the service received. For example 83 per cent of families rated Homeless to Home as a 'really good service.' Tenancy sustainment figures for the projects showed that, among the 218 families that had ceased to receive the Homeless to Home service, approximately nine out of ten families (88 per cent) were still in permanent housing. The then Office of the Deputy Prime Minister has accepted Homeless to Home as a model of good practice.

31. As well as providing a way for users to rebuild their lives this type of service leads to cost savings in other areas. For example the estimated cost to the criminal justice system for violence against a person is £1,928<sup>97</sup>. So projects like these that help reduce the incidences of domestic violence have a direct saving to other public budgets.

#### Dealing with Anti-Social Behaviour

32. Anti-social behaviour (ASB) is estimated to cost £3.4bn a year in England and Wales<sup>98</sup>. The success of the Government's Respect Agenda in dealing with this is dependent on projects like the Inclusion Project jointly run by Shelter and Rochdale Metropolitan Borough Council.
33. This project was set up in 2002 to work with households to identify and deal with the causes of ASB. It aims to deal with the underlying unmet support needs that often cause ASB. People who carry out ASB are often vulnerable, usually poor and often have mental health problems and community care needs<sup>99</sup>. ASB is not tenure specific, but it tends to be associated with wider social exclusion and problems such as poverty, family stress, community disorganisation, drug dependency, and truancy and school exclusion. The project offers a wide-ranging package of support to households who have difficulty in complying with the terms of their tenancy agreements. These are often highly marginalised, vulnerable households who are at risk of homelessness. The support provided is focused on preventing anti-social behaviour, both by addressing specific aspects of individuals' behaviour and by addressing their wider needs.
34. The scheme was independently reviewed by the Centre for Housing Policy at the University of York, with the support of the Housing Corporation. They found:
  - Of the 45 households that completed their time with the project, 60 % no longer exhibited any antisocial behaviour;
  - a further 11 % of these 'closed cases' were reported as showing improvements in their behaviour;

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<sup>97</sup> The economic and social costs of crime against individuals and households, Home Office 2003/4

<sup>98</sup> Together: tackling anti-social behaviour – the one day count of anti-social behaviour, London: Home Office, 2003

<sup>99</sup> See Brown et al, 2003, Dillane et al, 2001, Nixon et al, 2000, Social Exclusion Unit, 2000

- 84 % of closed cases were assessed as no longer being at risk of homelessness;
- almost 50 % of closed-case households were reported as making progress with money management; and
- of the 34 children and young people who received direct support with education, 91 % showed improvements in school attendance.

35. In addition to the social benefits (including a reduction in tenancy churn and better neighbourhood relationships) there are positive financial impacts. The project's total income and expenditure each year was approximately £300,000. The main income sources were Supporting People and the Neighbourhood Renewal Fund. On average the cost for each household whose case had been closed was around £9,000. Not preventing antisocial behaviour costs more in the longer term because it can lead to homelessness, ill-health, social exclusion, educational underachievement and unemployment. It has been estimated, for example, that the costs to a landlord to evict a tenant for antisocial behaviour are between £6,500 and £9,500<sup>100</sup>. Preventing homelessness and encouraging children to attend school brings wider benefits to society, especially in terms of employment and earning potential. It has been shown that the costs to society, in particular to the penal and benefits systems, for children who exhibited a persistent and pervasive pattern of antisocial behaviour in childhood or adolescence, were nearly 10 times higher than for children who exhibited no problems<sup>101</sup>.

### Mental Health

36. The following examples have been taken from Community Housing Association that develops and manages a range of supported housing. These aim to demonstrate the net savings made by Supporting People funded services in place of other acute hospital services in respect of the care of people with complex mental health needs.

#### Scheme A – Ponders Bridge, Islington (12 units of supported housing for mental health complex needs)

Weekly SP Unit Cost	575	Weekly Average Care Cost	1,061	Weekly Unit cost saving	486
Annual Scheme SP Cost	358,637	Total Care Cost Saved	662,500	Annual saving	303,863

<sup>100</sup> Pawson, H et al, The Use of Possession Actions and Evictions by Social Landlords, Office of the Deputy Prime Minister, (ODPM), London, 2005

<sup>101</sup> Scott, S et al, Financial Cost of Social Exclusion: follow-up study of anti-social behaviour children into adulthood, British Medical Journal, Volume 323, pages 191–194, 2002

Scheme B – Enfield Community Living (42 units for mental health high care move-on)

Weekly SP Unit Cost	64	Weekly Average Care Cost	600	Weekly Unit cost saving	536
Annual Scheme SP Cost	140,235	Total Care Cost Saved	1,310,400	Annual saving	1,170,165

Learning Disabilities

37. The following individual case study demonstrate the creativity of providers in dealing with scarce resources and the risks they are prepared to take with clients in supporting their independence. It also demonstrates the added value of Supporting People funded flexible support packages as opposed to more costly care institutional placements.

**The Sector’s Track Record**

38. Two thirds of Supporting People contracts are delivered by the community and voluntary sector which includes both mainstream and specialist housing associations. They have acquired substantial experience of managing change, improving service delivery and working with a range of clients groups with different and often complex needs in a range of different settings. All providers have developed their own internal quality assurance systems to comply with the Quality Assurance Framework under Supporting People and all services undergo three yearly service reviews. Providers have also been at the forefront of making service improvements within the context of tighter SP budgets and the drive to find greater efficiency savings.

39. Providers have collectively started to benchmark their services so Commissioners can start to make ‘like for like’ comparisons of costs and quality across the range of SP client groups.<sup>102</sup> Providers have also had to work hard to bridge the gaps between commissioning organisations to ensure that better partnerships can be forged in order to lever in additional funding to SP services from other sources locally. This is in an attempt to demonstrate the added value of SP to other services such as health and probation services. The challenges of remaining close to the service users have also become more pressing as increasingly, SP services are being put out to open tender which excludes many small associations and BME providers. There is now better recognition of the place of building based services alongside floating support in the light of the Audit Commission’s findings from local authority service reviews.

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<sup>102</sup> Benchmarking Pilot- National Housing Federation and SITRA.

## **Neighbourhood warden schemes**

1. Recent Audit Commission research<sup>103</sup> found that for the majority of people, daily experience of anti-social behaviour in their immediate neighbourhood, on their street or estate, or their perception of what is happening locally is the most important factor in determining how safe they feel. Furthermore, the LGA's Reputation work has shown that the cleanliness and safeness of the street scene is one of the two main influences on people's perception of their council's performance (communications is the other).
2. An independent evaluation of neighbourhood wardens found that the presence of wardens can reassure the public and reduce crime (the overall rate of crime in warden areas declined by 28%), reduce the fear of crime (particularly amongst older people) and improve people's overall quality of life (25% of residents reported an increase in satisfaction with their neighbourhoods)<sup>104</sup>.
3. It's also what tenants want; a MORI survey, conducted in 2005, (commissioned by Housing Corporation) found that 72% of housing association tenants felt that neighbourhood wardens were best placed to reduce/prevent Anti-Social Behaviour (ASB)<sup>105</sup>.
4. Government estimates that through this and other funding routes there are currently 500 Neighbourhood Warden schemes in operation. Elsewhere the Respect Action Plan refers 2005 announcement that £155m neighbourhood element of the Safer Stronger Communities Fund will be used to ensure the delivery of neighbourhood management and warden schemes in 100 areas where they don't currently exist in 2006/07.
5. Although it is clear that significant progress has been made in providing Neighbourhood Warden schemes in areas where they can make an impact we believe that there is scope for further expansion of this programme.
6. Analysis of the Indices of Multiple Deprivation (2004) shows that there are a further 1,064 Super Output Areas in 69 Local Authorities which are in the most deprived 25% of areas nationally. We estimate that this equates to around 90 neighbourhoods where there is a clear, evidence based case for the provision of Neighbourhood Warden schemes. Our research shows that none of these neighbourhoods is currently in receipt of any of the existing programmes which are used for the funding of Neighbourhood Warden schemes.

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<sup>103</sup> Audit Commission, Community Safety National report "*Neighbourhood crime and anti-social behaviour*", Audit Commission Publications, 2006.

<sup>104</sup> Neighbourhood Renewal Unit and Social Development Direct, *Research Report 8: Neighbourhood Wardens Scheme Evaluation*, Office of the Deputy Prime Minister, 2004

<sup>105</sup> [http://www.housingcorp.gov.uk/upload/pdf/Report\\_with\\_appendices.pdf](http://www.housingcorp.gov.uk/upload/pdf/Report_with_appendices.pdf)

## The resources needed

7. The neighbourhood element of Safer and Stronger Communities Fund (SSCF) currently provides funding to 84 Local Authorities over 4 years. The Neighbourhood Renewal Unit is encouraging Local Authorities to use this funding to develop a neighbourhood management approach with at least 4 neighbourhood wardens and a supervisor per area at an estimated cost of around £140k per year.
8. Neighbourhood Warden schemes are a proven success and we advocate continued support of current schemes at their agreed level of funding and welcome commitment to a further 100 new schemes, but note that these schemes concentrate on the most deprived neighbourhoods. We believe that there are other neighbourhoods that could benefit from similar interventions and run the risk of becoming forgotten neighbourhoods if not properly supported.
9. We believe that a further 90 neighbourhoods could benefit from the introduction of Neighbourhood Warden schemes. We propose that Government support match funded Neighbourhood Warden schemes, for these areas. And we estimate that an average warden scheme costs in the region of £140k annum<sup>106</sup>.
10. **We are asking Government to provide 50% of the funding needed to support these schemes – an estimated average of £70k per scheme. Based on these numbers we propose an extension to the Sustainable Safer Communities Fund Neighbourhood Warden budget of £6.3m per annum for each year for the Spending Review period. This is in addition to continued government support for the existing / proposed 600 schemes.**
11. We would also want to see Government support the introduction and continuation of warden schemes by encouraging Local Area Agreements to concentrate on neighbourhood focussed outcomes as well as harder crime based measures. Delivering sustainable, safe communities requires both kinds of activity.

## What the sector can offer

12. The housing sector is well placed to identify and respond to the issues that concern people, with our long-term commitment and access to the people, neighbourhoods and communities we work with, and our desire to improve their quality of life.
13. Evidence from landlords suggests that they are able to meet between 20% and 25% of the running cost of the Warden schemes they are involved in. The Neighbourhood Warden Programme evaluation showed that £12.2m of government funding generated £11.9m of matched investment from partner organisations and in-kind contributions of £5.1m.

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<sup>106</sup> Neighbourhood Wardens Scheme Evaluation, *Research Report 8*, Neighbourhood Renewal Unit, Office of the Deputy Prime Minister, 2004.

14. Our suggested programme of 90 new Warden schemes + existing 600 will generate a landlord contribution in the region of £48m per annum, assuming that on average landlords contribute £70k of £140k running costs.
15. However, crime and anti-social behaviour are not just housing issues and there is a limit to landlords' capacity to deal with it. Recycling of tenants' rents is prioritised towards maintaining existing homes and building more, and we do not want to divert monies away from this or rely on households with some of the lowest incomes to subsidise these activities. Landlords need additional funding to deliver outside the core housing management functions.

### **Expected outcomes**

16. The Neighbourhood Wardens Programme evaluation demonstrated that warden schemes reassured the public and reduced crime (the overall rate of crime in warden areas declined by 28%), the fear of crime (particularly amongst older people) and improved people's overall quality of life (25% of residents reported an increase in satisfaction with their neighbourhoods)<sup>107</sup>. Warden schemes have also report reductions in damage and improved removal of graffiti and litter helping to reduce landlord costs and improve efficiency.
17. The evaluation results showed that across the 84 areas 264,000 fewer offences were committed over a two and a half year period. The Home Office estimates that an average offence has a cost to society of around £2,000<sup>108</sup>. The evaluation concluded that the Net Present Value (benefits less costs) of these crime reductions was worth £575.5m, (an average of £6.8m NPV savings per scheme) and that even if only 10% of these savings were directly attributable to the warden schemes they still offered a saving.
18. We would expect the 90 new warden schemes we are proposing to generate similar benefits, suggesting total NPV savings in the region of £13.6m.
19. Warden schemes have also led to increased rates of property letting, a reduction in void time, and an increase in income (rent, maintenance costs reduced) as well as helping to increase the speed at which landlords deal with repairs.
20. Neighbourhood Warden schemes also provide a number of "softer" outcomes including:
  - Sustainable communities and citizen engagement - wardens encourage local residents, including young residents, to get involved in renewing neighbourhoods and reshaping services – modelling good citizenship;

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<sup>107</sup>Neighbourhood Wardens Scheme Evaluation, *Research Report 8*, Neighbourhood Renewal Unit, Office of the Deputy Prime Minister, 2004.

<sup>108</sup> The Economic and Social Costs of Crime , *Home Office Research Study 217*, Home Office, 2000

- Supporting new localism through the building of social capital. Through capacity building work they can help grow the community leaders of the future. A key strength of warden schemes is that they are all locally designed according to local needs – no one size fits all;
- Creating new job opportunities in deprived neighbourhoods. Warden schemes have produced new career opportunities for local people, in their neighbourhoods, especially for young people, via modern apprenticeships.

## Family Intervention Projects

1. Anti-Social Behaviour (ASB) policies are most effective if they incorporate measures to help perpetrators change their behaviour. The cost of providing tenancy support to help people change their behaviour can be considerable, but offers the potential for significant savings when compared with the direct costs of taking legal action, the potential costs of “revolving door homelessness” and the considerable hidden costs of doing nothing.
2. The Respect Action Plan commits government to establishing a national network of intensive family support schemes to target the more disruptive families. By 2007 all local authorities will have to ensure that intensive family-support projects are in place “where they are needed” – the LAA mandatory outcome. This will include multi-agency support within a residential setting and a programme of outreach work. The Respect Action Plan expects mainstream funding to be reprioritised to achieve this, but has also made available new funding of up to £28 million to get schemes off the ground.

### Our approach

3. We strongly support the Government’s proposals to create a network of intensive family rehabilitation projects drawing on the experience of the Dundee Families Project and Shelter’s Inclusion Project. (See paragraph 32 of the Supporting People section).
4. The evaluation<sup>109</sup> of the Dundee Families Project (DFP) estimated its operating costs at an average of £345,000 per annum. On these figures a national roll out to every housing authority in England would cost in the region of £122m per annum for each year of the Spending Review period.
5. Although the £28 million of pump priming funding announced as part of the Respect Action Plan is welcome we do not believe that it is sufficient to ensure a successful national roll-out of family intervention projects.
6. **We propose that government make available £50m / £40m / £30m across the CSR07 period** to support the introduction and roll out of a national programme of family intervention projects. Our suggested spend profile declines across the CSR07 period as we believe that the savings this programme will generate from other budget heads can be used to help meet the costs of its provision.

### Expected outputs

7. Across the four years of the evaluation period (November 1996 to October 2000) 126 referrals were made to the Dundee Families Project. Of these referrals 69 became cases that the Project worked on, of which 56 of which have now been closed. Thirty-three of the 56 (60%) closed cases have been identified by the project as having achieved a successful outcome.

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<sup>109</sup> Evaluation of the Dundee Families Project: Final Report, The Stationery Office, 2001.

8. Predicting case loads for a further pilot programme is difficult, but if each new project experienced a similar demand then the suggested programme would deal with 44,600 referrals per annum of which 24,400 per annum might be accepted as cases requiring intervention.

### **Our contribution**

9. Local authority and housing association landlords have a strong track record in delivering housing related services. They have shown their ability to secure match funding and recycle the benefits from efficiency savings to fund projects of this kind.

### **Expected outcomes**

10. The results from the Dundee Families Project evaluation demonstrate the potential for success offered by intervention projects of this kind:
  - 82% of families, about whom data had been collected, had achieved a reduction in the level of complaints about them, in a further 15% behaviour had stabilised;
  - 95% of families had either maintained their tenancies or made a planned move;
  - 80% of families had managed to reduce the threat of possession action;
  - of families where information on school attendance was recorded, 84% showed improvement.
11. Preventative interventions to prevent ASB can generate significant savings compared to the alternative costs of failed tenancies, placing children in foster care, costs associated with becoming statutorily homeless and having to move to different accommodation, the crime or nuisance prevented and costs involved in addressing/remedying that.
12. The DFP evaluation estimated the average costs of an eviction process at around £10,700 per case with the costs to the landlord alone in more complex defended cases estimated at between £5,500 and £7,500. In addition the Legal Aid cost of providing a defence were estimated at £2,500 and Court costs at £1,700. The average cost, incurred by the Dundee Homeless Persons Unit, of processing a homeless application is calculated as being £942.
13. The costs for more complex cases, such as those typically referred to the DFP, are potentially much higher due to more extensive investigations and greater negotiations required to provide suitable family support and accommodation; a reasonable estimate might be £1,900. The average cost of placing a child in foster care can be estimated to be at least £200 per week. The average cost of placing a child in a residential school or a children's unit can be estimated to be at least £1000 per week.
14. The evaluation estimated that the project saved agencies approximately £117,600 of savings per annum not including rental revenue streams.

15. At the same level of cost savings a national programme of DFP type projects could save in the region of £41.6m per annum.

## **Disabled Facilities Grants**

1. Disabled facilities grants (DFGs) are a significant means of delivering key government agendas. By contributing to aids and adaptations to enable disabled people to maintain their independence at home, it has impacts for the health and social care preventative agenda, enabling quicker discharge from hospital and decreasing the number of admissions. For families with disabled children it benefits the educational, social and emotional wellbeing of the child and other family members.
2. The Review of the Disabled Facilities Grant Programme, undertaken by Bristol University for the DH, ODPM and DfES<sup>110</sup> drew attention to some significant limitations to the current system, which can have repercussions in delays for applicants, and non take up, with potential increased costs for other services such as NHS and Social Services.
3. Recognition of the long term implications for disabled children, and widespread professional support for the measure led to the welcome adoption of a key recommendation from the review – ending means testing for families with disabled children for adaptations up to £25,000 – and an increase of the grant to £121m for 06/07 and 07/08.
4. The Review also noted that there was a shortfall in resources of 44% against demand in 2003/4. We would argue therefore that there is both still a need to consider some of the more comprehensive recommendations from the report, and to address unmet demand. It concluded that if investment was increased to around £218M pa this would allow for demand to be met and the adoption of the modification to the test of resources to one broadly in line with Fairer Access to Care Services (with a minimum allowance for housing costs).
5. This would:
  - Remove current disincentives to work and reflect disposable incomes; and
  - Ensure that older people (who make up 70% of those who benefit from DFGs) are not disadvantaged even when they have moderate savings, in line with Government policy.
6. Given the long term demographic trends of increasing numbers of older people, living for longer with health and mobility issues, the demand for more suitable accommodation, and equipment and adaptations that can support independent living will grow. There is a need to address this and respond accordingly with funding.
  - 2003 – 20m over 50, of which 5.5% were 85+
  - 2031 – 36% more over 50, 7.9% 85+
  - 2001 – one third older households in non decent housing.

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<sup>110</sup> Reviewing the Disabled Facilities Grant Programme, Housing Research Summary No. 223, ODPM, 2005

7. **The Review identified a requirement for a budget of £171M per annum, based on the enhancements the Review suggests, and we recommend this for the CSR 2007 period.** However, we also note that the DFG Review identified a level of unmet need running at 44%. If this was to be resourced, it would require £218M per annum. **We recommend that, in the longer-term, the Government explore resourcing DFGs to this level.**

8. Investment of £218m pa would be an increased investment of £97m above the £121m committed for 2006/07 and 2007/08. This level of investment would allow the key recommendations of the recent DFG review to be incorporated, notably:

- Replacing the test of resources for fairer charging for care services, with modifications around the housing costs incorporated.

This will streamline the means testing, making the system easier to understand. The model proposed would bring a common approach to disregard earned income, enabling disabled people of working age to engage in work, improve their own life chances and contribute to wider economic prosperity.

Incorporating housing costs with a minimum allowance would mean that older people, with low actual housing costs but limited income would not be penalised with higher demands on their already restricted incomes.

- Raising the maximum limit for DFGs to £50,000.

The majority of DFGs are for significantly less than the current limit of £25,000, but an increase of the upper limit to £50,000, preferably index linked to building costs, would benefit the most disabled. These are also currently most likely to suffer delays, whilst additional funds are sought.

- Exempting adaptations under £4,000 from any means test.

These are currently about half the cases funded under DFGs and result in little or no contribution made. Administrative costs of £200 per case were considered as plausible in the review report. Removing the means test would therefore free up officer time expended on means testing, and encourage take up amongst older people for example, delivering on the major Government aim to support more older people in their own homes.

- Removing VAT from adaptations.

### **Expected outcomes**

9. Removal of the disincentive to work for disabled people of working age will enable them to participate more fully in employment, increasing their own well being and their valuable contribution to economic prosperity.
10. Research by the Joseph Rowntree Foundation showed that 62% of adaptation recipients felt safer from the risk of accident and 77% perceived a positive effect on their health<sup>111</sup>.
11. Suitable adaptations for families with disabled children will enhance the life chances and social / educational development of those children and their siblings. It will also benefit health and care services by decreasing the demands for their involvement and the potential health impacts for parents/ carers having to care for disabled children without adequate accommodation and equipment.
12. Adequate funding of adaptations for older people will allow them to maintain their independence for longer, decrease the level of care and support they require, and encourage them to remain engaged in wider community activities.

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<sup>111</sup> The Effectiveness of Housing Adaptation, Joseph Rowntree Foundation, August 2001.

## **6. Investing for the future**

### **Building capacity to deliver the local authority strategic housing role**

1. The Local Government White Paper, *Strong and Prosperous Communities*, describes the impact of the strategic housing role as follows: “Local authorities’ work in producing housing strategies has been a lever for economic and social change in many areas, reflecting a shift towards ensuring local housing markets meet local demands, rather than a narrower focus on directly providing social housing. This strategic housing role is at the heart of achieving the social, economic and environmental objectives that shape a community and create a sense of place.”
2. This acknowledges that the strategic role is increasing in prominence within local government (and with stakeholders). It is expanding in terms of the breadth and complexity of thinking and evidence required, the range of activities involved and the numbers of organisations involved. In practice, however, local authorities are at different stages of development. Some are starting from quite a low base in relation to strategic thinking around housing markets, partly because of the historic focus on management and also because many lost their more strategic thinkers to the new landlord bodies through the stock transfer and ALMO programmes. There is still some way to go before all local authorities understand what is involved and are equipped to carry out the role in the way envisaged by government. Resources need to be made available to local authorities to encourage them to prioritise the strategic housing role and to make the step change in skills and approach that is required.
3. In November 2005, the Local Government Association and the Chartered Institute of Housing published *Visionary Leadership in Housing: a new future for local housing strategy*. This document presented a vision for an expanded strategic housing role and made recommendations for changing the national framework to support its development. Since publication the sponsors of the report have promoted the recommendations and helped authorities to develop their thinking and activity. The Improvement and Development Agency are also beginning work, with funding from the DCLG, to assist authorities in implementing the role.
4. The activity described above has given a degree of momentum to the promotion of the strategic housing role but we believe that the next Spending Review period is a crucial one if it is to be embedded in local government’s approach to housing. To this end we are calling for a relatively small amount of funding for a limited period to build capacity in local government itself and also within the regional framework to which it has to relate.
5. We believe that once this pump-priming funding has taken effect, the resulting efficiency savings should assist authorities in maintaining the role

in the long-term. There may also be options to explore with government in relation to incentive funding (such as use of Housing and Planning Delivery Grant) to boost further the strategic role.

6. **Our recommendation is for £40M per annum to be made available to support strategic housing over next Spending Review period, phased over the three years (£50M in year one, £40M in year 2 and £30M in year three). This translates as around £100k per annum per authority for three years.**
7. For the strategic role to be meaningful, the work of local authorities needs to be coordinated with bodies at the sub-regional and/or regional level. **We estimate that £4.5m per annum in addition to the amounts above would be sufficient to provide the capacity needed** to establish appropriate liaison between the sub-regional/regional tier and local authorities. This would average at £0.5m per region and would be in addition to the figures stated above. Precisely how this is directed may vary from region to region.
8. The report, *Visionary Leadership in Housing*, made recommendations for central and local government and stakeholders and many of these recommendations are still current and requiring action. Among the most important are the following:
  - We have called on the DCLG to bring into effect the statutory powers relating to local housing strategies as set out in section 87 of the Local Government Act 2003 as we believe this will provide an appropriate lever to persuade local authorities to prioritise this role. We recommend using the LGA/CiH *Visionary Leadership in Housing* document as the basis for what that strategy should look like. This will need to be set in the context of developments following the Local Government White Paper (October 2006) and we look forward to discussing this in detail with government.
  - *Visionary Leadership in Housing* recommends developing a strategy which looks long-term (15 years) as well as medium term (three-five years) with an accompanying investment strategy and action plan. This requires an enhanced skill set on the part of the officers and members leading the strategy, combining strategic vision with action planning. This is developed further in the section below.
  - *Visionary Leadership in Housing* recommends the wide use of Geographical Information Systems which allow local authorities to manage and present a wide range of information about communities in a spatial way (mapping) helping them to get a better understanding of the complex interactions between elements of communities (e.g. between housing turnover and schools performance or between house conditions and mental health). It also allows them to track trends as they are happening. As well as the actual software, which is not expensive, authorities are encouraged to set up protocols to ensure that data input is maintained and trends analysed. Some authorities may require additional capacity to begin with to get the protocols established

(particularly since this will require linkage at sub-regional and regional level).

9. Much of the additional resource we are calling for within this CSR is intended to enable local authorities to reposition their housing function in terms of the way officers and members relate to other parts of the authority or external stakeholders. Each local authority will need to spend the money in a different way, depending on their current strengths and weaknesses. With a small investment in re-focussing their processes, local authorities could aim for much more ambitious outcomes in relation to housing.
10. This does not imply that all authorities require internal structural reorganisation to accommodate a genuinely strategic housing function. Some authorities may choose to go down this route but it is most important that the authority relates its housing function to the overall sustainable community strategy. This is more about culture change, capacity building and improving skills than simply reorganising staff resources. This is where the added benefit of investment through the CSR would come.
11. In *Visionary Leadership in Housing*, we identified a set of strategic skills required within authorities. These included:
  - Visioning of housing and community outcomes
  - Effective engagement of communities and partners
  - Researching and understanding housing markets
  - Influencing/leadership skills
  - Financial skills to deliver complex loans and equity release products
  - Commissioning consultants and service providers
  - Action planning.
12. As even this shortened list shows, there is a need to update skills and knowledge directly related to the provision of social housing, as well as developing a whole new skill set relating to the development and implementation of strategy. We would not want to be prescriptive about how this function might be organised within an authority but clearly some authorities will look to develop these skill sets through reviewing their housing departments and the way they relate to other key departments such as planning, regeneration and corporate strategy.
13. Investment at this stage could provide:
  - Improved capacity to allow for effective internal and external stakeholder engagement, including developing a better understanding of the needs and drives of partners
  - Staff and member training to develop an enhanced skill-set for the new role (e.g. improving skills around tenant engagement)
  - Introduction of and training in Geographical Information Systems
  - Possibly building capacity elsewhere in the authority (e.g. within planning departments or corporate strategy) to ensure full linkage across the council's work
  - Setting up new evaluation and monitoring processes in line with the action planning and longer term strategic approaches

14. A full implementation of the strategic housing role could see benefits in many ways. These could include:
- More effective delivery of housing and affordable housing to support more mixed communities;
  - Better co-ordination of the maintenance and allocation of existing stock;
  - Improved planning functions better able to bring together spatial and investment elements of strategies;
  - Strategic working across all tenures, including improvements in private sector stock;
  - Improved community engagement;
  - Better positioning to take advantage of efficiency savings and any existing (or future) investment opportunities;
  - Broader outcomes that relate other key outcomes such as health improvements that come from improved housing stock, better linkage between housing strategies and community cohesion and a fuller understanding of the role of housing in regeneration and economic development.
15. Once the benefits are recognised within authorities, they will begin to mainstream the strategic housing role and support it from general funds, and from investment and incentive funds, efficiency savings and within pooled approaches with key stakeholders. The place of Local Area Agreements in the light of the Local Government White Paper will be key here. The call we are making within this Comprehensive Spending Review is intended to establish some momentum while authorities are still beginning to understand the benefits of developing this approach.

## **Housing Market Renewal**

1. As the submission by the Market Renewal Pathfinders Chairs (*Transition to Transformation: Housing Market Renewal and our changing communities*, 2006) notes, the Housing Market Renewal Pathfinders programme has already achieved significant integration of economic, housing and planning strategies, and has already secured personal and private sector investment in areas previously ignored. It has encouraged social cohesion, and stimulated growing economic competitiveness. But most important, it 'has delivered substantial local housing and environment improvements to families. This will be continued into the future'.
2. We have long-argued that the Housing Market Renewal Pathfinders and the associated three low demand investment areas are pioneering beacons of a holistic approach to the housing and employment markets. We recognise the long-term nature of the task and we would stress the need for continuing public sector input into the initiative. While we agree that further down the line of these ten to fifteen year programmes, it can be expected that stable markets that can attract greater long-term private sector investment will be achieved, that moment has not yet been reached. Private sector investment in new build is expected to exceed £772M by March 2008, the mid-point of the programme, which is a significant achievement for these areas. But despite the current evidence for potentially short-term speculative land value improvements, we do not believe that a long-term balance between supply and demand has yet been achieved.

### **Our approach**

3. In 2004 we argued for both continuing funding for the nine initial Pathfinders (at a rate of £290M per annum for the Spending Review period) and resources for new low demand areas to the tune of £350M over the period. In the event, additional resourcing for the Pathfinders rising to £665M in 2006-8 was agreed, including an additional £65M for three additional areas (not formally Pathfinders).
4. For the CSR 2007 spending period, echoing the proposals by the Pathfinder Chairs for a continuing consistent long-term approach, and the needs of other low-demand areas, we propose that £400M per annum be allocated to the existing Pathfinders and other identified low demand areas which will allow the continuation of the programme.
5. We recognise the negative media coverage that some of the Pathfinders have received, primarily in reaction to demolition policy. We agree that demolition should be a 'last resort' strategy. But in the event that demographic and social change has rendered property obsolescent and unsuitable to remodelling and if letting it stand will increase urban blight and dereliction, we recommend that government hold firm, and continue to support appropriate levels of Pathfinder demolition activity. Both Audit Commission inspections and work soon to be concluded, carried out by CIH for DCLG and English Partnerships, suggests that the quality of community consultation in the pathfinder areas has improved considerably and there

are a number of examples of good practice. The CIH has found that all of the Pathfinders have now understood the importance of developing positive relationships with the local media.

6. From a broader policy perspective we would want to see other urban policy – specifically City Regions and the Northern Way – lined up to complement Pathfinder and low demand initiatives, where geographies overlap. We believe that on this issue our submission is complementary to the specific Northern submission. In particular, we would promote the lessons in the publication *Northern Lights*<sup>112</sup> which illustrates the regenerative effects of housing-related and other investment in the region.

### **Our contribution**

7. The Pathfinders are a model of partners working towards a shared long-term strategic vision, inter-agency collaboration and resource sharing, involving local authorities, regional bodies, housing associations, ALMOs and the private sector, as well as a range of regeneration and renewal agencies, voluntary and community sector groups, and resident organisations. The cross-boundary nature of the Pathfinders is an exemplar for other initiatives focussed on ‘real’ markets rather than on the constraints of artificial geographic or organisational borders. The Pathfinders have been very much pioneers and the local authorities involved have been ahead of the game in developing a strong and expanded strategic housing role.

### **Expected outcomes**

8. Although with much in common, each Pathfinder and low demand area has its own particular problems, its own character, and plans for individual outcomes to address these problems. In terms of numerical outcomes – numbers of homes refurbished, demolished, and newly-built – these will vary based on the underlying need to create a functional housing market. Outcomes expected from investment to 2008 include:
  - 49,900 refurbished homes
  - 7000 new-built homes
  - 12,900 blighted properties demolished
9. But underlying these numbers is the task of restoring and transforming dysfunctional housing markets to health. The test of the success of this will be measured in terms of trends in private sector house prices, vacancy levels in all sectors, private sector investment, and more general improvements to the economic and social well-being of the areas. In particular, as the Chairs’ report notes, the end of concentrated areas of low value is a key indicator of success. This involves taking a strategic role in, for example, developing spatial frameworks, addressing the problems of low income owners, tackling skill and training deficits, improving environmental features, and working with communities to develop all these strategies and more. A few examples of the early evidence of this transformational role includes:

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<sup>112</sup> <http://www.housing.org.uk/library/viewfile.asp?fid=5505>

- Manchester Salford – 129 residents affected by negative equity helped into sustainable, refurbished high quality owned homes
- New Heartlands (Liverpool) - £6000 refurbishment scheme for individual owner occupiers
- Bridging Newcastle Gateshead – site acquisition for family housing in conjunction with development of Science Central, a combined university and business development
- Partners in action (Oldham / Rochdale) – development of innovative model to track resident mobility, to help assess Pathfinder impact on social cohesion

## Infrastructure

1. Wherever there is housing need, in the Growth Areas and beyond, appropriate infrastructure needs to be delivered in tandem with new homes. This means capital investment in physical infrastructure such as roads, water supply and schools and also an extension of the capacity of services, such as education, health and social services, through a boost to long-term revenue funding
2. We encourage the Government to ensure that it gives proper attention to 'soft' infrastructure needs as well as the 'hard' infrastructure items identified above. Soft infrastructure might include community resources such as youth or community centers, play areas, recreation facilities and the like. Without soft infrastructure we are likely to be creating new buildings but not new communities and neighbourhoods and government will be unable to deliver against the vision set out in the Sustainable Communities Plan and subsequent documents.
3. Government should recognise that to support housing growth in what are truly sustainable and mixed communities will also require supported and specialist housing to meet the needs of those members of newly formed communities which cannot be met in mainstream housing e.g. the frail elderly, those with physical disabilities or those with mental health problems.
4. Government should also recognise the need to forward plan to meet the inevitable re-investment and revenue support requirements that infrastructure generates over time. Without this neither the infrastructure nor the communities it supports will be sustainable in the longer term.
5. In assessing infrastructure requirements, it is important to consider the proposed size, type and occupancy of any new dwellings as much as the number of new dwellings themselves. Provision of existing infrastructure (particularly for public services such as health and education) is often predicated on assumption of family occupancy delivering much (but not all) infrastructure at a relatively wide geographic scale. The potential for reduced population density driven by smaller sized dwellings and households may serve to increase the geographical area a hospital, school or similar needs to draw from in order to be economically viable.
6. For other infrastructure the relationship may be reversed. For instance smaller dwellings housing smaller households may produce a need for increased provision e.g. car parking and roads.
7. We need strong, integrated national and regional economic visions and strategies that inform spatial and housing strategies supported with longer-term resource allocations for infrastructure. A growing economy requires housing and economic policies to move in step with one another, and we urge government to re-integrate these issues within its analysis and funding allocations. In particular:
  - **Longer-term funding** - Five year funding cycles for infrastructure would help local areas and regions plan and deliver sustainable communities

- **National co-ordination** - Government needs to work across Whitehall departments to ensure that there is a comprehensive and co-ordinated approach to assessing and funding infrastructure needs across capital and revenue programmes to support housing and economic growth
  - **Fairer deal for regions** - an objective regional resources distribution for infrastructure needs to be implemented to take account of economic and housing growth
  - **Growth Areas** - adequate infrastructure must be provided in tandem with housing development. Unless new residents can access local services, transport and jobs, there is danger that unsustainable “dormitory suburbs” will be created. **The ODPM Select Committee assessed the infrastructure need across the whole SCP for the Growth Areas at £20 billion.**
8. We believe that Government could improve the supply of land available by continuing to take steps to improve the functioning of the planning system. These are set out in detail in the section on Planning and Land Supply elsewhere in this document.
9. We are concerned that revenues from the proposed Planning Gain Supplement (PGS) will not be sufficient to meet all the country’s need for local and regional infrastructure funding requirements and that it is not a substitute for long-term capital and revenue allocations from Whitehall to match economic and housing growth. We believe that the proposed introduction of PGS and the reform of s106 must ensure that planning gain continues to support at least the current level of additional homes it delivers for affordable renting and low cost home ownership.
10. In particular:
- There must be no loss of affordable housing contributions via section 106 relative to the current position
  - Within PPS3, local authorities must be able to define the type, size and affordability of the housing to be built on sites in an appropriate way, to ensure that planning gain delivers the right mix of homes to meet local requirements and is in line with the strategic vision for the area
  - **Housing associations, local authorities and other non-commercial affordable housing suppliers should be exempt from planning gain supplement.** If local authorities are enabled to levy PGS on associations this will simply result in the transfer of funds from DCLG’s affordable housing programme without delivering any additional housing. Modelling on the basis of PGS being levied at 20% and extrapolating typical land-value uplifts, where affordable housing is being built, across the whole of the Housing Corporation’s programme, suggests that **PGS could add 5% to grant costs and reduce the number of new affordable homes built by 2,000 homes per year.**
11. Government should consider whether PGS will be levied at the appropriate point in the development process. An alternative would be for Government to consider a Land Value Tax on developable sites as an incentive to

release suitable land for affordable housing, or in other suitable locations  
mixed use development including homes.