

The effectiveness of planning policies for affordable housing

The planning system is now an important means of providing new affordable housing. Yet there has been little analysis about how much housing is being produced in this way or whether it is located in those areas with the greatest need. Interim results from a research study underway at the Universities of Sheffield and Cambridge show considerable variation in the interpretation of affordable housing policies across England and in the amount of affordable housing obtained. In particular:

- f** Almost all local authorities have policies in place to secure affordable housing through the planning system. Lack of identified need for additional affordable housing is the reason given by those local authorities which do not.
- f** Government data on the numbers achieved from planning policies suggest about 15,000 affordable homes a year are being approved. However, these data are not produced on a consistent basis either across authorities or over time and the research showed inaccuracies and some double counting.
- f** Questionnaire results suggest that - on sites where affordable housing is being approved - proportions now range from 11 per cent in the North East to 27 per cent in the South East. However, affordable housing is only approved on a minority of sites.
- f** In areas of high housing need, especially in the South, housing policies focus on rented housing outputs. In contrast, shared ownership and lower cost market housing are more often acceptable to planning authorities in the north of the country.
- f** The extent of housing pressure is only one of several variables that influence the amount of affordable housing secured. In high pressure areas, limited availability of suitable land is often seen as a binding constraint. It is usually more difficult to secure affordable homes on brownfield sites, except in parts of London and the South East where costs can more easily be absorbed.
- f** Local authorities see the lack of clarity in the policy framework set by central government as the single most important constraint on their capacity to achieve affordable housing.
- f** There is remarkable consistency across local authority areas in the way in which 'rural exceptions' policies are implemented. However, the process is often perceived as unnecessarily time-consuming. The numbers produced on exception sites are very small.

Background

Policy

Since the mid-1990s, government policy has regarded the need for affordable housing as a material consideration for planning authorities when considering applications for planning permission for residential development. If there are identified needs in local areas, planning policies are incorporated in development plans and suitable sites are available, these authorities can require an element of affordable housing in all larger residential developments, using Section 106 agreements. In certain circumstances this requirement can be met through commuted sums. Planning authorities may also choose to allow additional developments in rural areas so long as these 'rural exception sites' provide only affordable housing.

Coverage

Eighty-nine per cent of authorities have affordable housing policies in their development plans, suggesting that these policies are now embedded in the local development plan and development control process. A higher percentage of rural authorities (98 per cent), including all National Park planning authorities, have affordable housing policies compared with urban authorities (83 per cent). The main reason given for not having a policy is that there is no need for additional affordable housing in the area.

The numbers

Housing Investment Programme figures

In 1998/99 and 1999/2000, the Government used the Housing Investment Programme (HIP) process to collect data about affordable housing secured through the planning system. The definitions were altered in the second year, but essentially refer to the amounts of new affordable homes to be provided in the future as a result of successful outcomes of Section 106 negotiations. The data for 1998/99 show that 13,892 units of affordable housing were 'secured' through planning policies. In 1999/2000, 15,529 units were 'approved'. This represents about 10 per cent of all new homes. In both years London and the South East account for almost half the national total (see Figure 1).

Survey results

A postal survey returned by 117 planning authorities suggests that the HIP figures should be treated with caution. There appear to be both inaccuracies and double-counting. Very few authorities reported the same outputs in the postal survey as in their HIP return. Interviews with 40 of these authorities reveal that many did not consistently check to see if and when the affordable housing included in a planning permission was actually built. The records in other local authorities do not distinguish between affordable housing secured through the planning system and housing built by registered social landlords as part of their normal development activities.



Table 1: Affordable housing secured by the planning system 1992-2000

	<i>Total</i>	<i>Urban</i>	<i>Rural</i>
No. of dwellings completed	179,043	134,858	44,185
No. of affordable units completed	2,926	1,911	1,015
No. of rural exception units completed	991	126	865
Total no. of affordable dwellings	3,917	2,037	1,880
Percentage of total dwellings completed that are affordable units	2.19	1.51	4.25
Committed sums received	£10,868,323	£10,763,323	£105,000

The postal survey shows that for the 47 local authorities that provided the necessary data, only 2.2 per cent of all housing built between 1992 and 2000 was affordable housing secured through the planning system (see Table 1).

However, these figures mask the increasing use of the policy over the decade. On sites where affordable housing is being approved the proportions in 1997/98-1998/99 ranged from 11 per cent in the North East to 27 per cent in the South East. However, affordable housing is only approved on a minority of sites. Many sites fall below the threshold.

Do the numbers follow need?

There is no simple correlation between the degree of housing need in an area and the amount of affordable housing secured under planning policies. The following factors are important in this context:

- Where there are constraints on the overall release of land for housing, the small number of sites available means that there is little opportunity to secure additional affordable housing. However, these are often areas with a high housing need.
- In contrast some areas with a plentiful supply of housing land are characterised by a lower level of need.
- Political priorities towards planning and affordable housing issues, and local authority officers' understanding and experience of operating the system, also affect the amount of affordable housing that is secured.

Defining affordable housing

In the context of Section 106 agreements, there are considerable differences between local authorities about what is regarded as affordable housing. Some only want rented housing (and sometimes shared ownership) delivered by a registered social landlord and their policies are applied accordingly. Others are happy to

include housing for sale at discounted market values or even low cost market housing. In general, northern local authorities are more likely to accept low cost market housing as a suitable way to meet local affordable housing needs. Commuted payments are accepted across a range of authorities, notably in areas where there is an overall shortage of land for housing.

Rural exceptions policies

While almost all rural authorities have exceptions policies, as do some urban authorities in the more rural parts of their districts, these are seen as time-consuming and difficult in relation to the outputs achieved. There is remarkable consistency in how districts interpret and implement the policy. Apart from the National Parks, the numbers of affordable dwellings on exception sites are very small. The shortage of suitable sites and lack of Social Housing Grant are seen as important constraints on rural exceptions housing provision in some areas.

Problems in securing affordable homes

Local authorities identify a lack of clarity in the policy framework set by central government as the main problem in achieving affordable housing through Section 106 agreements. More detailed problems in implementing the policy include: difficulty in determining the level of financial contribution developers should be expected to make; estimating what the developer can afford to provide from a particular site; and securing sufficient Social Housing Grant for the sites that come forward.

The survey asked how important affordable housing is compared with **other kinds of planning obligations** on residential sites. A typical respondent said "there is no such thing as a typical site, our priorities depend on the characteristics of each site". Even so, the vast majority feel that affordable housing is the most important form of obligation, followed by road improvements and (some way behind) community facilities and environmental improvements.

The policy states that local authorities should **negotiate with developers** to determine the level of contribution to affordable housing required. Authorities in the South with high housing need tend to adopt a stricter approach to negotiation with developers. However, the majority are prepared to negotiate around a target figure. In areas of low demand local authorities more readily accept low or no contributions.

Policy encourages a **mix of market and social housing** on the same site but where this is provided, the rented housing is normally grouped together and may be on a physically distinct part of the site. There is less separation where the affordable housing takes the form of discounted market or low cost market housing.

Generally, less affordable housing is secured on **brownfield sites** than greenfield. Local authorities often take specific account of the impact of site clearance and reclamation costs on the viability of the development and reduce the affordable housing requirement accordingly. The exception to this is very high value sites in London and the South East where some local authorities argue that the land values allow the costs of remediation and affordable housing to be absorbed.

The use of Social Housing Grant

Some authorities see the policy as a means of achieving additional affordable housing to that achieved by a registered social landlord with Social Housing Grant (SHG). These authorities specifically exclude the use of SHG on sites secured through affordable housing policies. In the majority of cases, SHG is seen as a necessary addition to the developer contribution in order to make the affordable housing viable. In some areas planning negotiations appear to be running ahead of financial capacity so that lack of SHG is one reason why affordable housing is not secured on a particular site. Elsewhere there appears to be a plentiful supply of SHG for affordable housing and this sometimes reduces the extent of the developer contribution. These questions are part of the wider issue of how much *additional* housing is secured, which forms a core element in the next stage of the study.

About the project

The study aimed to evaluate the processes by which affordable housing is achieved through the planning system, to assess outputs and identify who is paying for the homes provided. The study was based on an

analysis of HIP data, a postal questionnaire to 197 planning authorities in the summer of 2000 followed by case study visits to a sub-sample of 40 planning authorities during late 2000 and early 2001. The questionnaire was returned by 117 authorities, a response rate of 59 per cent. The case studies were illustrative rather than statistically representative because the study focused on areas where some output had been achieved. In addition to the JRF, the study is funded by the Countryside Agency, the Housing Corporation, the RICS and the RTPI. The work was undertaken by Professor Tony Crook, Alastair Jackson and Steven Rowley at the University of Sheffield and by Professor Christine Whitehead, Sarah Monk, Jennie Curry and Kerry Smith at the University of Cambridge. The final stage of the project is under way, investigating site-specific implementation of the policy. Final outputs from the research will include a further report and JRF *Findings*.

How to get further information

A report of the findings from the survey and the case studies, **The provision of affordable housing through the planning system: A joint research project at the University of Sheffield and the University of Cambridge** (price £7.50, inc. p&p), is available from the Cambridge Centre for Housing and Planning Research, Department of Land Economy, University of Cambridge, 19 Silver Street, Cambridge CB3 9EP. Tel: 01223 337118.

For further details of the study, contact Sarah Monk at the above address.