

JRF Submission to the Housing Green Paper

Attached Paper 1 – Planning

Key Points

- The Comprehensive Spending Review/Pre Budget Report has changed the baseline from which the government aims to expand the provision of affordable housing.
- Grant has been increased to £4bn – a billion more than the minimum promised in the Green Paper – but this alone cannot deliver the numbers.
- The question now becomes one of how to change the system to ensure the output target is actually achieved; – in terms of finding the land; building the market housing; providing other sources of funding; and ensuring that developers and RSLs alike are up to the job.
- The elements that need to be in place are:
 - Revised RSS targets
 - LDFs that can deliver
 - Sufficient land release
 - Speedier planning permissions
 - Delivery from the private sector
 - Increasing take from S106 for affordable housing
- Currently Section 106 (s106) is delivering increasing proportions of shared ownership in order to meet targets and make sites viable and this pressure is likely to increase.
- S106 has always depended on market output and increased shared ownership raises questions about financial viability in an economic downturn.
- RSLs are already using their reserves to make s106 schemes viable. Expanding the programme will place further pressure on RSL finances unless rents are allowed to rise. (At the same time as

research in the regions is showing that intermediate products are becoming increasingly unaffordable for target households).

- How the CSR-PBR proposed planning charge for infrastructure will function is not yet clear. Setting it too high will affect viability, setting it too low will not fund sufficient infrastructure. Either way since it will be negotiated after the planning charge has been levied there is a danger that affordable housing will lose out.

The Green Paper

The Green Paper concentrates almost wholly on the issues associated with how to increase the supply of housing and to make that housing more affordable. With respect to supply, it promises more homes overall; more funding for social housing; an increased emphasis on social rented housing; a new approach to ensuring land availability through the planning system, including a new form of delivery grant; and a comprehensive approach to delivery.

It also sets out a variety of different ways in which Section 106 (s106) might work in relation to Planning Gain Supplement (PGS), but since the publication of the Green Paper PGS has been abandoned in favour of allowing Local Planning Authorities (LPAs) to apply planning charges to new development, alongside negotiated contributions for site-specific matters including affordable housing. This new policy statement comes after a long period of change and uncertainty, particularly with respect to how the planning system should be improved to achieve additional affordable housing together with continued exhortation to produce more of all types of dwellings.

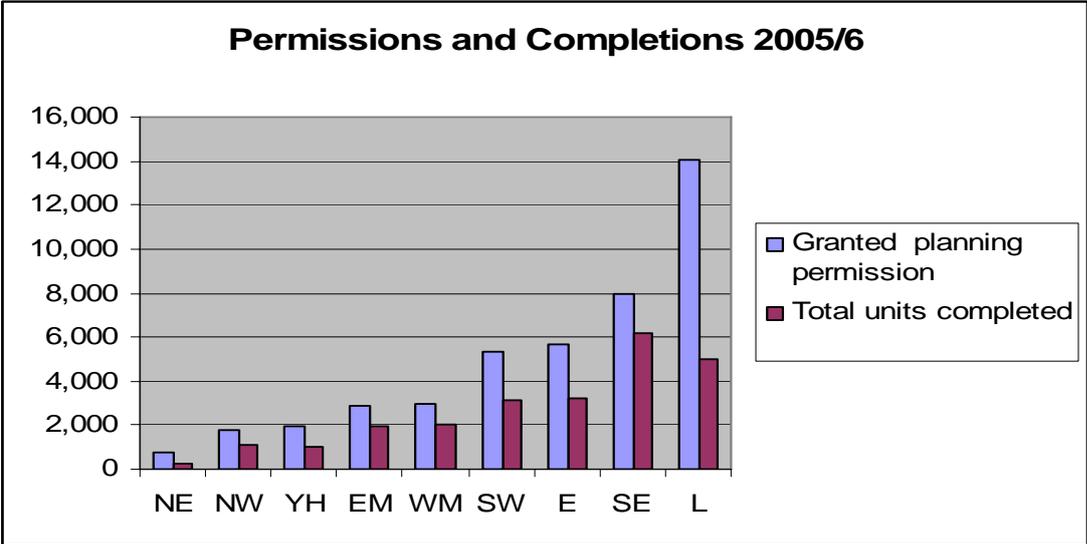
Our research has concentrated particularly on the changing role of s106 in delivering affordable housing and therefore includes findings relevant to all of these elements. The consultation process asks for both responses to specific questions and more general comments. The majority of our comments relate to the way in which the system is currently operating and how the suggested changes might improve the system.

General evidence on the working of s106

Our latest research for the Royal Institute of Chartered Surveyors and the Joseph Rowntree Foundation shows that generally local planning authorities (LPAs) are increasing both the amount of housing for which planning permission is being given and the proportion of that housing which is affordable. Permissions with respect to additional affordable housing in 2005/06 were over a third above completions with the largest increases concentrated in London, the South East and the East of England and to a lesser extent the South West (Figure 1). Permissions however are relatively stable or even falling in much of the North and the

numbers of affordable homes achieved appears to depend on a shift towards shared ownership rather than social rented housing (Table 1).

Figure 1: Planning permissions and completions by region 2005/06



Source: HSSA

Table 1: Planning permissions given to social rented and shared ownership units, 2004-6

	SR 2006	SO 2006	SR 2005	SO 2005	SR 2004	SO 2004
North West	481	575	252	18	362	26
North East	660	87	352	538	289	302
Yorkshire & the Humber	890	172	1,025	136	904	208
West Midlands	1,007	1,030	1,290	1,087	921	456
East Midlands	1,397	1,247	958	708	1,387	573
South West	2,434	1,330	2,830	1,014	3,061	950
East of England	3,063	1,425	5,457	2,925	5,554	2,639
South East	4,626	2,588	3,850	2,487	3,772	1,972
London	8,037	4,763	2,130	1,126	2,085	527
England	22,595	13,217	18,144	10,039	18,335	7,653

Source: HSSA

Studies show that what is agreed via s106 is largely delivered (Monk et al 2006) and steadily growing amounts of affordable housing are now coming through s106. Equally the numbers of units being provided by other means – notably single tenure sites – continues to decline so that

the success of s106 provision has to some extent simply filled this gap (Monk et al 2005).

One important implication of this relationship is that success in expanding output and turning permissions into completion depends heavily on the macro economy. To the extent that our research covers earlier downturns, what was observed was a short term shift towards social rented housing made possible by the availability of grant which helped developers maintain their cash flow but a longer term decline in overall output which is only now being fully reversed. Over the next cycle affordable housing construction will be more dependent on market factors and on land supply and delivery systems.

Secondly, although there is general improvement in terms of negotiating s106 there is wide variation between authorities in how they negotiate and what they achieve (Burgess et al 2007, Crook et al 2006). It has been shown that clarity in LPA policy facilitates negotiations and contributions (Crook et al 2006). All build their negotiations around target numbers but some see their role as only being to achieve local policy targets. Others, usually the larger urban authorities with more to play for, are directly concerned to increase the scale of the developer contribution by determining the prices that RSLs must pay for the affordable homes. There is clearly ambiguity as to whether s106 in relation to affordable housing is about providing land or also about providing finance – this ambiguity is not yet resolved and evidence suggests planners do have varying attitudes to using s106 to source finance. In so far as it is about finance, LPAs face the problem of maximising financial contributions from developers whilst not forgoing units which is partly a problem of asymmetric negotiating skills.

This spectrum of approaches reflects three important issues:

(i) concern by many professionals that the role of planning should be to plan rather than to act as tax collector or to organise financial arrangements for the provision of affordable housing;

(ii) policies aimed at raising the game across all LPAs (e.g. through common starting points) should not be at the cost of constraining the best authorities who are achieving considerably more than any general rule could ensure; and more technically;

(iii) that in a world where s106 has been in place for many years, it is difficult to determine the true extent of developer contribution because the contribution should have been reflected in reduced land values. Comparisons between achievements in different areas are therefore difficult to make. Moreover, although the terminology of the Green Paper is in terms of developer contribution, in principle developers should only bear the costs of the planning obligations themselves if they make a mistake; the economic environment changes; or they are the long term landowner.

Another important and obvious point is that the s106 for affordable housing has hardly been put to the test because improvements in the economic environment over the last ten years have meant everyone can gain from increased land values after the negotiations are complete and during the period of development. This position cannot continue indefinitely; an economic downturn would have a significant impact on the capacity to fund either infrastructure or housing.

Overall there is a general acceptance of the s106 policy by all parties involved at the local level. However there are concerns about the ever changing and increasing pressures on costs particularly in terms of more complex brownfield sites; increasing environmental standards; larger requirements for other types of contribution. Moreover this acceptance depends upon being able to demonstrate that the benefits from s106 and other land 'taxes' remain local and do not lead to reductions in other funding sources. This position is in part addressed in the latest statement in the Comprehensive Spending Review/Pre-Budget report (CSR/PBR).

Funding Issues

The Green Paper pointed to a large increase in capital funding to support the expansion of the provision of affordable housing. This has now been confirmed in the CSR/PBR.

Most fundamental in this context is the concern about the levels of grant still required to provide affordable and particularly social housing. Although many of the LPAs that have been included in our research expect developers to provide affordable units without grant, the actual amount of grant per unit has increased significantly over the last few years and is projected to fall only slightly in the next planning period.

Whether even this reduction, given the large expansion in the programme will prove possible is unclear.

The most important issues raised in our research here relate to the 'value added' achieved from such additional funding. The fundamental is that the potential availability of funding can, at one extreme, simply mean that land prices are higher than they would otherwise be and, at the other, that the result is more affordable housing and/or a better mix of types and tenure. In between these extremes, the availability of grant, even if not absolutely necessary on paper, may facilitate negotiations and ensure development goes ahead. There is experience of this type of approach in at least one Growth Area where there is little past experience of achieving affordable housing. Other LPAs see it as important not to force negotiations to the limit as they are in a better position to ask for higher quality or a better mix of dwellings. In other areas negotiations are based entirely on a no grant regime and grant is only available for 'value added' additions such as more social housing or more large units. Even in these circumstances its ultimate availability for 'value added' purposes has an impact on prices as well as what is achieved.

Equally importantly there is little evidence to show how grant relates to the quality of what is provided. Watson's analysis for the JRF suggested however that there were very real problems with respect to the standards of dwellings being delivered to RSLs under S106 and that Code 3 targets could be put at risk by these by zero grant regimes (Watson 2006).

A model which appears to be finding favour in some areas is one where the price at which transfers to the RSL should take place is specified in the agreement, based on the discounted cash flow of rents. An increasingly important issue here relates to evidence that this type of approach can generate additional contributions by RSLs either through post-contractual competition – i.e. another RSL bids for the affordable housing thus reducing the developer contribution **or** because targets are only achievable by looking to increase payments from RSLs. The first reduces developer contributions in relation to the contracted amounts; the second may increase value for money – but it is extremely difficult to determine the actual outcome. An irony is that a system that aims to increase landowner and developer contributions is becoming increasingly dependent on RSL funding – which are paid for mainly by past grant.

More generally, interviews and focus group discussion with LPAs and other stakeholders suggested that increased grant availability should not be used just to expand the total supply of affordable homes but should also help to ensure 'value added' by enabling a better mix of homes (e.g. larger houses); more mixed communities – which may be made easier by not maximising developer contribution; improved environmental standards with potential benefits for tenants through reduced energy costs; and a more appropriate tenure mix within affordable housing.

The announcements included with the CSR/PBR address these issues through the requirement of a 6% pa 'efficiency saving' some of which will come from real cost reductions while the rest will come from increased RSL contributions. The very large grant allocation is undoubtedly going to place major financial strains on the sector because their capacity to service debt is limited by their rental income stream, which is itself limited by the rent regulation formula of RPI+1/2. There is already some evidence that RSLs are taking on social rented housing which will not go into surplus for 30 years on affordable housing under the current rent regime. Finally it is quite likely that interest rates will rise in the medium term increasing the costs of RSL borrowing per unit delivered. To take on a programme of the size now envisaged will place massive additional pressures on RSLs to take on additional debt and risks to achieve these outcomes.

The most likely outcome is that the rent regime will be modified – implying that some of the costs will be borne by existing tenants – and through Housing Benefit by the Government. In addition the current relative rent position of RSLs suggests the potential for change over the next few years (Cao and Whitehead, forthcoming). The new role for ALMOs in development is likely to generate further pressures for rent increases. Any change would have important implications for models of developer contributions based on current rent regulation.

Mixed Tenure

There are major and increasing tensions in the system with respect to the tenure mix within affordable housing. All the immediate incentives are to increase shared ownership at the expense of social rented housing. First, it is still the case that shared ownership properties cost less, partly because of size but also because regulatory requirements

and environmental standards can be fewer. Second, both the developer and the RSL can do well financially out of staircasing, as long as the market is maintained. Third, most shared ownership can be done without grant. Fourth, the increasing financial pressures associated with the large CLG/PBR settlement will increase the pressure on RSLs to include as much shared ownership as seems feasible. Fifth, it is usually perceived as a way of encouraging mixed communities (particularly in an environment where there have been large scale Buy-to-Let investment). Finally, shared ownership therefore makes it easier to meet targets, given other constraints.

However there are potential risks, especially if there is a downturn in the market. First, in the context of planning, the pressure to increase targets almost inherently leads to a higher proportion of shared ownership as the vast majority of LPAs (and elected members) suggest that social rented should not go above 20%, or at the most 25%, of the total site. This can mean up to 15% and in some cases 25% shared ownership. Second, shared ownership properties tend to be smaller than rented properties – so they make it easier to meet targets but sometimes at the cost of a poor mix of units. Third, shared ownership has not, on outturn grounds, been a good buy. People who are able to would over the last few years have done better to buy 100% through a discounted mortgage. Equally in most areas, especially outside the most pressured regions of London and the South East, people can move to a cheaper area – resulting in marketing problems and a limiting the range of purchasers. (This is a problem particularly observed in the East Midlands but there is evidence of discounting in other areas). Finally, shared ownership is particularly vulnerable in economic downturns as was shown in the early 1990s – and in other countries to a far greater extent, notably Australia.

A rather different issue is the extent to which the types and location of dwellings provided under shared ownership is targeted at quite a narrow range of households. The government has indicated their intention to require that a proportion of additional output comes in the form of larger units. However the new dwelling premium and location factors may make this more difficult to achieve. It also involves a further layer of direction within the s106 agreement.

Thus the system, whilst it may help marginal purchasers into owner-occupation, is riskier than it was in the last economic downturn and riskier than social rented housing. The large scale CSR/PBR settlement

at first sight removes some of the financial pressures to place further emphasis on shared ownership, but other pressures to increase relative outputs remain.

The relationship between s106 and other planning obligations

Following consultation, the Green Paper indicated that the Government would be prepared to defer legislation to introduce PGS if a better way could be found to ensure that local communities receive more of the benefits from planning gain, to invest in necessary infrastructure and transport. The Housing Green Paper sought views on PGS and possible alternatives.

The CSR/PBR pre-empted this process by announcing that the Government would not continue with PGS but would instead go for a planning charge option based in part on a paper put to Treasury on behalf of developers. The RTPI and others also supported the shift away from PGS towards more locally based funding, in part on the grounds that the local infrastructure requirements associated with the scales of residential development envisaged could only be achieved with large scale allocations of funds.

Following further discussion with key stakeholders, the Government will legislate in the Planning Reform Bill to empower LPAs in England to apply planning charges to new development, alongside negotiated contributions for site-specific matters through Community Infrastructure Levies (CILs). Revenue from these levies will be used entirely to fund the infrastructure identified through the development plan process. Charges are expected to include contributions towards the costs of infrastructure of regional or sub-regional as well as local importance. Further details will be published shortly by CLG (CSR 6.17)

The system envisaged is therefore one of LPA-wide tariffs for infrastructure plus site-specific negotiations, with affordable housing continuing to be negotiated on a site-specific basis.

Figure 3: Planning obligations sought by a unitary authority, 2005 SPG

- Affordable business space provision
- Affordable housing provision
- Community facilities provision (includes meeting rooms, improvements to library facilities, improvements to existing community halls, community use of private facilities, e.g. health clubs, schools etc)
- Community Forest contributions
- Education facilities provision
- Highway infrastructure works (includes fees for the processing of Traffic Regulation Orders (TRO's))
- Landscape improvements
- Local labour and training Initiatives
- Maintenance payments (relating to obligations for the provision of traffic signals, street trees and recreational facilities)
- Park and ride contributions
- Pedestrian, cycle and public transport improvements
- Plant and wildlife habitat areas conservation and enhancement
- Pollution control contributions
- Public art provision
- Public realm provision
- Recreational facilities provision (includes formal and informal play space, sports provision, open space enhancements)
- Training & Employment fund contributions (includes Childcare provision)
- Travel plans

This raises a number of issues about the overall scale of contributions, the trade off between infrastructure and other requirements and whether funding gaps will remain. Obviously the announcement does not try to answer all of the questions that will need to be addressed before the legislation is brought forward – and some of the issues raised here may soon be clarified. But there are fundamental tensions that appear not to be addressed.

As the Green Paper and earlier statements made clear there are three levels of infrastructure requirement.

1. Site specific, which will now remain as part of s106 – although its coverage has not yet been clarified;
2. Area/locality specific – i.e. affecting a number of sites, but still local. The announcement suggests that it will be this element which will benefit most from the charging approach – although there remains no certainty that the amounts achievable will be adequate to meet the needs of the community;
3. Strategic/regional infrastructure which was expected to be covered by PGS and is now to be covered in part by a better funded regional infrastructure fund but also by the tariff to the extent that it is included in the development plan process.

On the first, the range of contributions to be required **within** s106, the evidence shows that ‘other’ planning obligation requirements continue to increase. An example of a long LPA ‘wish list’ is shown in Figure 2. The list makes it clear that it is not simply affordable housing which is the source of delay and uncertainty in negotiations – nor is affordable housing any longer the only major use of developer contributions. There is also no guarantee that affordable housing will be the priority even within the s106 negotiations, especially if the charges are relatively narrowly drawn -as has been the experience in Milton Keynes. The proposed shift to a mix of tariff and site specific negotiated s106 is unlikely to reduce these other pressures.

On the second, the announcement implies that the charges will be constant across sites (but whether within or between LPAs is unclear) but may be related to the identified need for infrastructure rather than to the uplift in the value of land following from planning permission. This raises major issues of viability on the one hand and the achievement of adequate resources on the other. To the extent that sites differ from one another the more consistent the charge levied across sites the more the s106 negotiations will have to take the strain where the extent of uplift is more limited. It is difficult to see how such a system can generate both adequate funds and certainty/viability at the same time. It will also generate further uncertainties with respect to what will be viable with respect to affordable housing – given that site specific negotiations will follow behind the determination of tariffs.

There is very little to say about the third at this stage - but there is certainly no obvious way of ensuring the necessary funding – and the need for local infrastructure is likely to make it difficult to allocate funds to broader based projects.

Perhaps the key issue regarding the CSR announcement from the point of view of affordable housing is that planning charges for infrastructure create all the problems of tariffs and doubly so as they run alongside negotiated on site and affordable housing. How can you have a fixed charge for all sites for infrastructure (even if on per bed-space for example) sitting alongside a negotiated contribution? If the charge is too high then the chances of getting affordable housing may be diminished and if it is too low LPAs may get the affordable housing but not the schools etc. on which developers argue they depend for successful sales and thus the cash flow to pay the charges. This could be the worst of all worlds from the point of view of achieving government aims and in particular could mean that grant for affordable housing will be being used to fund wider infrastructure requirements.

Additionally the capacity for delays whilst charges are fixed in development plans and have to relate to infrastructure plans is enormous. Will charges be for all sites, which would be equitable, or not? Many of the criticisms of earlier proposals to run PGS alongside s106 also apply here – the only difference is that LPAs fix a local tax. These issues will need to be carefully considered in further Government consultation with stakeholders.

Finally, one other suggestion in the Green Paper was that the charges should only be levied on greenfield sites. This is not inherently ruled out by the CSR/PBR announcement. The rationale however is unclear, especially in the context of large scale regeneration as there are very significant infrastructure costs associated with brownfield sites. It would also tend to exclude small sites many of which are currently excluded from s106. Any distinction of this type could change the relative site viability of green and brown field land and might have a negative impact of the supply of affordable housing from large greenfield sites without a compensating increase on smaller inner city sites.

What is proposed appears to be analogous to the roof tax that has been negotiated in Milton Keynes – but it is not clear that it will work so well in smaller authorities with modest targets where developments may be

spread over many years. Nor is it clear that even in Milton Keynes the amount of funding raised is adequate to pay for the infrastructure required. There must be real concern that the infrastructure funding gap has not been filled.

Land Availability

The first requirement must be that Regional Spatial Strategies actually reflect the numbers that government requires – and that the LDFs follow on to provide at the local level in line with the strategy. This is likely to involve significant top down intervention.

The Green Paper looks to LPAs to provide a five year land supply which is actually available for development and a further ten years for later development. This is a major commitment for LPAs especially as the sites must be seen to be viable as well as available. This introduces an additional stage in the planning process which, however desirable the objective, could add significantly to the workload of LPAs, especially if developers query viability at the first stage, based on their own detailed information. This problem is already seen as significant among some of the LPAs involved in our latest research. One way forward might be to develop a template which can be used by all parties to ensure compatibility and enable effective bench marking. However developers will inherently have more specific information putting LPAs at a disadvantage – and biasing the likely list of sites towards those where developers are particularly keen to commence work.

As the Green Paper suggested, how PGS or, as we now know, its alternatives will work is fundamental to the reduction of bottlenecks in infrastructure provision and so ensuring appropriate land supply. What is clear is that the suggested system gives no certainty that infrastructure (e.g. schools, public transport) will be completed in time for the developments given planning permission; the connection between the permission and the funding of the infrastructure will not be straightforward. However the major problem is clearly one of its impact on viability. If setting the charge is left to the planning authorities they run the risk of setting it too high (hence reducing the numbers of sites coming forward) or too low (getting less than is possible).

Overall, there is a genuine risk that proportionately less affordable housing will be secured than under current arrangements at a time when the objective is to almost double the programme. All our evidence shows that there are enormous variations both in what can be achieved from different sites **and** in what the local authority wants in terms of affordable housing site by site. Standardisation both reduces the overall take and the capacity to adjust to local circumstances.

A further issue is the contribution that public sector land can make to meeting housing targets. The government is suggesting that 30,000 more dwellings can be put on public sites and that councils and ALMOs can respond rapidly to these challenges. Whether the capacity is there to achieve this is questionable. It will be difficult given that many of the sites are likely to be small and inefficient and even subject to flooding. In this context it needs to be made clear that the same planning requirements must apply whoever is the land owner.

Planning Delivering Grant

The second tranche of the Planning Delivery Grant (PDG) for local authorities in 2007 has been provisionally allocated as £91m. As part of the proposed planning reforms intended to improve local incentives and enforcement, the PDG is to be replaced with a new grant. From 2008, a new Housing and Planning Delivery Grant (HPDG) will reward the delivery of both new housing on the ground, and the identification of at least 5 years worth of sites ready for development and the further 10 years worth in plans as required by planning policy. The new grant will be paid to those local authorities that meet their agreed development timetables for new housing, based upon the requirements set out in PPS3. To ensure optimum impact, the housing supply element of new grant will be targeted at the areas where housing growth is a priority.

The form of the Housing and Planning Delivery Grant has not yet been finished. However there are clear tensions associated with providing this type of incentive mechanism. First, if the requirement is to reduce bottlenecks the grant should be associated with evidence of the need for additional finance. If it is to reward those who meet their timetables there are (perverse) incentives always to go for the easiest and cheapest option (in which case why not simply leave it to be private sector, and use the grant to ensure speed rather than 'value added'). Finally the Green Paper states that the optimum impact will be achieved by

targeting the supply element on growth areas. The evidence of this is very slim; although it is certainly the case that spreading what is anyway a relatively small sum too widely will reduce its impact.

Governance

There is a tension between centralised standardisation of policy and promoting local democracy. There is also a tension between achieving greater certainty and achieving as much affordable housing as possible at local level. The way forward is to provide frameworks rather than 'answers' and to this end the Green Paper states the government's intention to bring together evidence and information into a single place to ensure that local communities are equipped to resolve the problems of housing locally. This 'toolkit' will include:

- house price and affordability data
- projections of household demand
- information on local waiting list for council housing
- data from local housing market assessments
- details of the LAs five year supply of land.

The research findings support this approach, especially as there has been little or no detailed guidance on these issues until very recently (Strategic Housing Market Assessments Practice Guidance, 2007).

Summary

- The Comprehensive Spending Review/Pre Budget Report has changed the baseline from which the government aims to expand the provision of affordable housing. Grant has been increased to £4bn – a billion more than promised in the Green Paper – but this alone cannot deliver the numbers. The question now becomes one of how to change the system to ensure the output target is actually achieved; – in terms of finding the land; building the market housing; providing other sources of funding; and ensuring that developers and RSLs alike are up to the job.
- It is not clear that all these elements are in place. First, if targets are to be achieved Regional Spatial Strategies must deliver the numbers and local development frameworks must also deliver these on the ground. This is likely to require a more top down approach to land availability and release than has been apparent in recent years.
- In London and the South East both land and permissions are coming forward. But in much of the North permissions are relatively stable or even falling and in both cases delivery is falling far behind permissions.
- LPAs will need to secure far more affordable housing through s106 agreements than has so far proved possible. This will increase the pressure to shift towards shared ownership rather than social rented housing.
- Many LPAs remain unclear as to whether the priority for s106 is to maximise developer contributions or to secure land and units, and still regard their role as being to ensure land not to act as tax collectors.
- Social sector provision is increasingly dependent on s106 sites being brought forward by the private sector. Success in expanding output and turning permissions into completions depends heavily on market output and thus on the health of the macro economy.
- Equally the pressure for higher proportions of shared ownership must raise concerns about RSLs' and developers' exposure in an

economic downturn which is far greater for shared ownership than for social rented housing.

- A further issue is the contribution that public sector land can make. The government is suggesting that 30,000 more dwellings can be put on public sites and that councils and ALMOs can respond rapidly to these challenges. This will be difficult given that many of the sites are likely to be small and inefficient. The pressure for numbers is likely to reduce value for money both because of the types and location of dwellings provided and because of pressures on land values where grant is not available.
- Efficiency gains in terms of public funding could well be achieved only by increasing RSL contributions but in many instances RSLs are already making significant contributions from their reserves to ensure that schemes that achieve affordable housing targets are viable. Expanding the programme as rapidly as is now envisaged could put their finances under significant additional strain – unless rents are allowed to rise more quickly.
- Perhaps most importantly it is not yet clear how the proposed CIL will work. Under the CRS-PBR proposals there are two main issues: the charges are not to be related to the uplift associated with planning permission – but more to the costs of infrastructure required or more simply based on averages. The charges will almost certainly have to be set before the s106 negotiations – leaving s106 requirements in general and affordable housing in particular as the residual. The impact could therefore be either to make sites unviable or to reduce the amounts of affordable housing obtained. At the very least detailed local infrastructure and housing plans must be developed together if local charges are to work.
- It is probable that this process will leave a significant gap in terms both of infrastructure funding and s106 requirements. There are two scenarios here: the requirements could be set too high for viability; or too low to ensure the required infrastructure funding.

Implications

- We welcome many of the proposals in the Green Paper and particularly the increase in grant promised in the CSR-PBR. However we note that in recent years much of the increased grant has gone in increased costs rather than in additional units.
- The capacity to achieve the large increase in output depends upon updating Regional Spatial Strategies and ensuring consistent local development frameworks. This is unlikely to be a rapid process and may require greater government intervention than has been the case in the recent past.
- In order to ensure that expansion can happen quickly and effectively it must be a priority for the Government to clarify how the infrastructure charges are to be levied and their relationship to s106.
- It is not clear from our evidence that enough funding can be achieved actually to provide the required infrastructure at local, sub regional and perhaps regional levels. Careful consideration will have to be made to ensure that the proposals can deliver.
- The changes implied in the Green Paper and CRS-PBR could unsettle the planning process and lead to significant inefficiencies. One way to prevent this possibility is to define a clear framework for negotiation to be used by all parties.
- There are major tensions in the system which could result in the wrong types of houses in the wrong places. More work needs to be done to ensure the appropriate mix of tenures within affordable housing.
- It may even be necessary to re-examine the current rent formula to ensure effective use of grant and RSL contributions.
- It is of fundamental importance that the trade-offs between numbers, location, size and quality are carefully made. Guidance is needed on how to quantify and make these trade-offs at local level.

- Issues about LPAs' performance in negotiating affordable housing remain. Suggestions for improving that performance include more knowledge-sharing on 'best practice'. The LPAs who do well tend to have clear, consistently applied policy that is supported at all levels within the LPA and by elected members. More understanding of development economics may help those LPAs with little experience of securing s106 affordable housing to negotiate with developers, the use of a common development appraisal toolkit to assess viability may help. This may be particularly pertinent to some of the growth point areas.
- Clear policies that state the priority to be given to affordable housing as compared to other planning obligations within s106, supported by all departments within LPAs, by Chief Executives and by elected members are needed to ensure that schemes deliver both the affordable housing and other requirements.

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