

Local Government Association Submission to the Barker Review of Housing Supply

1 Introduction

1.1 The Local Government Association speaks for nearly 500 local authorities and its membership includes every local authority in England and Wales. The LGA provides the national voice for local communities in England and Wales; its members represent over 50 million people, employ more than 2 million staff and spend over £65 billion on local services.

1.2 The Local Government Association (LGA) welcomes the opportunity to contribute to the Government's review of the underlying causes for the lack of supply and unresponsiveness of housing in the UK.

1.3 Given the short-time frame, this submission represents our initial response to the issues raised within the Review. We are continuing to consult with our members on the issues raised by this Review and we look forward to further dialogue on these matters prior to the publication of the final report.

1.4 This submission is focused around the third theme in the Barker review: 'the causes of unresponsiveness in housing supply'. Prior to addressing questions specifically outlined in the letter we would like to highlight a number of key issues which we believe are important in the context of this Review.

2. The key issues that the LGA considers need to be addressed in the Review:

- **The key role of local authorities in delivering sustainable development and communities**
- **Delivery against housing targets**
- **The need for a national perspective**
- **Relationships between national, regional and local policy**
- **The need for a more integrated approach**
- **The type and form new housing supply should take**
- **The need to look beyond planning policy and procedures**

The key role of local authorities in delivering sustainable development and communities

- 2.1 Local authorities have a central role to play in the delivery of sustainable development and communities. Planning policy and processes inherently involve the need for local planning authorities and elected members to respond to a range of competing priorities and tensions within the system. Local authorities need to ensure that:
- Appropriate land is available for development in line with national and regional guidance
 - Housing provision is of high quality reflects the wide spectrum of local housing needs
 - Local planning policies and procedures are effective, transparent, democratically accountable and reflect local needs and priorities
 - Pressures underpinning the drive for greater speed and scale of development are balanced with the need to ensure high quality and sustainable development that leads to the creation of mixed and sustainable communities
 - local communities understand and are properly engaged with development processes
 - Housing growth is properly integrated with other economic, environmental and social needs
 - Competing priorities and tensions inherent within the planning system and arising from different stakeholders are effectively managed, reconciled or resolved.
- 2.2 Further inherent tensions arise as a result of the planning system through the use of planning obligations being used to secure 'public facilities' such as affordable housing, infrastructure provision and development costs from private sector developers. Increasingly, growing expectations and reliance on private sector contributions to fund 'public' goods reflects inadequate national strategies and long-term public sector investment in those areas. At a local level the process of securing planning gain through negotiations with developers is often fraught with tension and resistance from the development industry.
- 2.3 Overall, it must be recognised that managing and reconciling the inherent tensions and conflicts within planning policy and processes reflects some of the most contentious, difficult and complex issues faced by elected members and local authorities. The importance of providing high quality, mixed use, sustainable development that meets local needs should not be overlooked. Schemes and proposals that reflect local needs, engage local people in the process are likely to get support.
- 2.4 It is important that these issues are borne in mind, and are not overshadowed by the over-riding emphasis being placed on improving the speed and scale of development within the Review. The review team should build on local authority partnership and accountability and bolster the planning reforms the government is intent upon, and not undermine them because delivery issues are complex. Sustainable communities need to be supported by local people and their representatives in local government.

Delivery against housing targets

- 2.5 In terms of the current development plan and development control system, the Review should recognise the basic fact that past performance demonstrates that the planning system can enable the delivery of a supply of houses roughly twice current levels (i.e. in 1960s/70s). The following table illustrates that Local Planning Authorities have a good record of delivering agreed housing targets.

Dwelling Completions in South East (Old Region)	Annual Average Completions 1996/97 To 2000/01 (a)	RPG 9 Average Annual Rate for period (b)	(a) as % of (b)
Berkshire	2,618	2,620	100%
Bucks	2,915	3,210	91%
East Sussex	2,011	2,290	88%
Hampshire	5,499	6,060	91%
Isle of Wight	661	520	127%
Kent	5,001	5,700	88%
Oxfordshire	2,344	2,430	96%
Surrey	2,574	2,430	109%
West Sussex	2,561	2,890	89%
Hertfordshire	3,402	3,280	104%
Essex	6,116	5,240	117%
Home Counties	35,701	36,570	98%

Source: South East Regional Assembly

- 2.6 Where there has been under-performance in terms of completions in Kent, for example, the difficulties have been associated with the absence of public sector investment, and especially roadworks needed to open up brownfield sites, rather than with land allocations via the planning system.
- 2.7 Delays caused by the need for appropriate utilities provision such as water, gas and power supplies and complex, time-consuming compulsory purchase arrangements and S106 negotiations have also in some areas affected completion rates.
- 2.8 The lack of engagement by government agencies in major infrastructure planning at the RPG and development plan stage is seen as a significant cause of delay in the delivery of agreed housing numbers through large housing development schemes. For example, the Highways Agency has been known to hold off any commitment to the identification of the required level of infrastructure provision to the planning application stage. Similarly, outside the South East, the Strategic Rail Authority has been unable to give the level of commitment at RPG level to line and station upgrades on which major housing growth proposals are contingent. This seems to reflect, amongst a number of things, the lack of any national frame of reference that relates transport to land use, i.e. a national spatial development strategy.
- 2.9 There is also growing recognition that skills and resource shortages within local planning authorities have had an impact on the scale and speed of development. The LGA welcomes the injection of additional resources provided through the new Planning Delivery Grant which will help to address these issues. However, this will

take time to filter down and it will take time to impact on outcomes at a local level. Additionally, we believe that uncertainty over the time-frame and continuation of this funding may limit the achievement of desired objectives.

Need for a National Perspective

- 2.10 There is concern that this review is being too determined by the need to address housing pressures in the South East and that this has led to undue emphasis being placed on how the speed of construction and scale of development can be increased to meet demand. The LGA believes much greater thought needs to be given to regional imbalances in housing markets and relationships between them. There is also a need to be considered and address regional economic disparities which contribute to current imbalances in housing markets across the country.
- 2.11 The LGA concurs with the conclusion and recommendation put forward by the recent Select Committee on sustainable housing and communities, which stated:
- 2.12 “The Government does not have a strategy which seeks to rebalance economic activity and housing demand across England. It needs to bring forward a comprehensive strategy to show how jobs and the demand for housing could be distributed more fairly across the regions as part of an integrated strategy. A national spatial strategy could help ensure that the supply of housing is better balanced with demand, reduce the impact on the environment and share out economic opportunities (paragraph 16).”

The relationship between national, regional and local policy

- 2.13 Ideally, the Review of housing supply should assess how national policy is cascaded down to regional and local level and how that affects individual planning decisions. It should look at whether or not policies to secure the right numbers and types of houses are reasonably being translated through the various plans and decisions. It needs to establish if there is evidence that either the system, or how the system is being operated, is obstructing delivery of housing needs both in type and numbers. Key consideration also needs to be given to the likely effects of the proposed reforms to the planning system. A sounding of local planning authorities across the country indicates a wide range of different experiences in this respect, both between regions and within regions. The LGA is concerned that the limited consultation period for this element of the review may weaken the robustness of the findings. (See **Appendix 1** on inter and intra regional differences in housing land supply issues)

The need for a more integrated approach

- 2.14 The Government is keen to encourage a much more integrated approach at regional and local level between housing, planning and economic strategies. The LGA supports this commitment but would suggest that greater clarity is still needed about the mechanisms to achieve this. We also believe that in part, the difficulties of achieving a more integrated approach at local and regional level derive from the absence of a nationally integrated strategy and framework.

The type and form new housing provision should take

- 2.15 The LGA supports the Review's commitment and need to examine the underlying causes of the lack of supply and responsiveness of housing in the UK and to remove blockages that inhibit effective and necessary development. However, we strongly believe that the focus on improving the supply of housing needs to be shaped by careful consideration of evidence of the type and nature of housing needed.
- 2.16 A significant part of the difference between the current levels of housing supply being achieved nationally and those over the past 30 years appears to be the very low levels (and getting lower) of affordable housing completions. While over recent years the provision of market housing has been reasonably constant the construction of publicly subsidised social housing has declined dramatically, especially since the 1980s. And whilst there is an approximate match between numbers of households at any one time and the numbers of houses, the issue is one of regional mismatch. This has the effect of disguising the affordability issue except in those high demand areas where it has obvious impacts on the economy and public services in terms of labour and skills shortages.
- 2.17 Following the publication of the Sustainable Communities Plan, many local authorities are concerned about being adversely affected by resources being concentrated in selected growth and neighbourhood renewal pathfinder areas. In particular, for authorities outside the identified growth areas there is concern about how they will leverage resources to address affordable housing pressures and necessary infrastructure development. In examining how public money for affordable housing investment is provided, the Government must avoid exacerbating affordable housing shortages by ensuring sufficient resources are available to support affordable housing provision where it is needed in **all** communities
- 2.18 In light of the above issues we would like to re-iterate and support the questions raised by the National Housing Federation (NHF) in their submission to this Review which ask:
- 2.19 "If more supply is required - and the NHF believe it is – what is the purpose of providing it, who is the additional supply for, where should it be provided, and of what should it comprise? Are the policy instruments needed to encourage greater supply of *market housing* different from those needed to encourage more *affordable housing*?"

The need to look beyond planning policy and procedures

- 2.20 The LGA believes it is important that the scope of the Review is not too narrowly focussed around the planning system and its role in increasing the supply of housing. A wide range of other policies and factors affect both the demand and supply of housing and associated development. Not least, the attractiveness of housing for institutional investors, salary levels, the availability of mortgages, and stamp duty. While we welcome the attention given to looking at the impact of different fiscal and tax regimes we also believe that key areas of housing policy such as empty homes and housing finance also need to be considered.

- 2.21 The publication of *Sustainable Communities: Building for the Future* contains significant housing finance proposals, including the abolition of local authority social housing grant (LASHG), pooling of housing capital receipts and decisions on housing investment being made at regional level through regional housing boards. An analysis of the impact of the abolition of LASHG is being undertaken by the LGA. The strong suspicion is that the increased central pot will primarily be redistributed to the growth areas.
- 2.22 Another key problem that affects the supply of affordable housing is the inadequacy of housing benefit when compared to market rents. The excessively complex rules in assessing housing benefit, non-dependent deductions, local reference rent requirements and the single room rent restrictions all deter private sector landlords from letting properties to those on housing benefit, especially in areas where the housing market is buoyant and they can easily obtain higher rents without going through all the hurdles and delays involved in processing housing benefit claims. When the housing market is depressed this becomes less of an issue. However, many young households who might otherwise be adequately catered for in the private sector are effectively being denied access to housing because of the inadequacies of the benefit system.

3. Response to key questions and themes specifically raised by the Review

Is there a shortage of suitable land for development? What are the factors affecting the of supply land

- 3.1 In terms of the availability of land supply in the South East the LGA would like to direct the attention of the Review team to analysis put forward in a **report on Housing Supply in the South East (Oct 2002) produced by the South East Regional Assembly Planning Committee**. The report highlighted that:
- 3.2 “There is no formal measure of the sufficiency of future land availability or the pace at which it is expected to come forward. However, at 2000 (the latest data that is available for the whole of the region) the total ‘formally identified supply’ amounted to 169,400 dwellings, comprising 72,500 dwellings with planning permission and 96,900 allocated in local plans (at first deposit stage or later). There is also a substantial supply projected from unidentified sites (130,600 dwellings to 2016), along with commitments for another 59,500 dwellings which are not yet locationally specific.
- 3.3 To a large extent this supply reflects the policy environment existing when current structure, unitary and local plans were approved rather than the more recent emphasis on urban renaissance and reuse of previously developed land, application of the sequential approach and encouragement of development at higher densities. Nevertheless, **the formally identified supply is substantial – equivalent to six**

years' supply of housing at RPG rates. The formally identified supply is also greater than it was in the late 1990s. "

- 3.4 The LGA will be consulting with other regional planning bodies to further investigate the extent, nature and constraints on land supply.
- 3.5 On the issue of land constraints the LGA believes the following factors are relevant:
- The **landowners "hope value"** can often lead to land not being brought forward for development. This is especially true where the site is in fragmented ownership and there is no consensus among owners in respect of value of component parts of the overall site.
 - The impact and extent to which Developers engage in practices of **land banking** and restricting the supply of land needs to be further investigated.
 - The impact of the **principle of 'best consideration'** in the disposal of public land has affected the supply of land and particularly the provision of affordable housing. The LGA welcomes the new General Disposal Consent 2003 which will enable local authorities to sell off land, in certain circumstances at less than market value. This measure should be extended to all publicly owned land.
 - Local authorities have experienced considerable **difficulties in bringing forward land for development owned by government Departments and agencies** such as English Partnership.

Problems associated with land assembly, particularly brownfield land

- 3.6 Tackling the problem of brownfield land development presents a key challenge for local authorities and their partners. In November 2001 the LGA set up a task group to examine how local authorities and key partners approached the issue of brownfield land development. A report of their findings, 'something old something new' was published in June 2002. The report also identified key barriers to development and outlined recommendations for change to help better achieve the sustainable use of brownfield land.
- 3.7 Key barriers to brownfield land development included issues around the:
- economic/commercial viability of brownfield sites due to negative or low land values; need for remediation/decontamination of land;
 - lack of high quality infrastructure in brownfield areas e.g. transport links, community services etc
 - difficult, complex and time-consuming processes involved in land assembly (e.g. CPOs)
 - insufficient 'gap funding' and longer-term funding to support land reclamation
 - lack of resources for local authorities to finance site acquisition and assembly.
 - application of triple stamp duty payments in a single development process
 - lack of funding and focus on reclamation for soft-end uses, green spaces/amenities

- ability of the planning system to respond to challenges of brownfield development- inflexible/out of date land use plans
 - difficulties arising from negotiating planning obligations (section 106 agreements)
 - liabilities attached to residual contamination and lack of awareness around insurance solutions.
- 3.8 The LGA welcomes the enhanced role and funding for English Partnerships and the Regional Development Agencies to remediate and assemble brownfield land to produce Brownfield Land Action Plans. We believe it is critical that these agencies work closely with local authorities in undertaking these tasks as well as supporting and further developing local authority good practice around brownfield land development. (The LGA brownfield land report included a number of excellent good practice examples where local authorities have taken positive and innovative approaches to addressing problems of brownfield land development in their localities.)

Is the land allocated for housing in local development plans sufficient to meet housing need?

- 3.9 This issue needs to be considered in the light of the reforms to the planning system which propose to speed up the development system, make plans more flexible and easier to update so that they can be more responsive to changing circumstances such as the housing market. The new system, will however, take time to bed down.

Is the RPG housing shortfall explained by a shortfall in the number of appropriate planning applications?

- 3.10 Please refer to points 2.9 - 2.11.

Issues around Industry Constraints

- 3.11 The LGA believes that issues around skills and work force shortages within the development industry may affect it's ability to actually deliver both the necessary level of housing and to ensure that it is delivered in a environmentally sustainable.
- 3.12 The Association believes that much more work needs to be done to support the recruitment and training of local people and to address the under representation of certain groups (eg people black and minority ethnic backgrounds) within the sector. The need for better training and greater support for apprenticeship programmes needs to be explored to improve participation and skills within the sector.

Policy Environment

Planning policy reforms and changes to process & format

- 3.13 The current uncertainty generated by the Planning Bill is likely to have a detrimental impact on the delivery of agreed housing supply for the foreseeable future. Whilst the current round of Regional Planning Guidance documents may well be lined up for automatic conversion to RSSs, they will still be lacking any district level specification of housing numbers for the shire county districts. This is recognised by Government but it will take time to put the necessary sub-regional work in place and reflect the output in the next review of RSSs. It is noted that the Government's intention to abolish structure plans, if carried through into a Planning Act, is likely to have the perverse consequence that, for housing numbers at least, the useful life of most structure plans is likely to be extended beyond what would be expected if the current development plan system were to be continued.
- 3.14 Overall, it must also be borne in mind that the current scale of reform to planning policies and processes will take time to bed down and filter through at ground level.

Planning policies

- 3.15 There are a number of problems that local authorities have experienced in relation to interpretation and implementation of planning policies and guidance that impact on the delivery of housing and associated development. These are outlined below.

Lack of clarity in planning policy guidance and frameworks.

- 3.16 The evidence suggests that many local authorities have difficulty interpreting government policy and putting it into practice, and distinguishing between policy they are expected to follow and good practice guidance that is offered to assist them in their work. Recent research undertaken by the Joseph Rowntree Foundation indicates that the delivery of affordable housing continues to be impeded by lack of clarity with both the process and planning policy framework. The research states that many authorities are still unsure about the extent of their powers, including the ability to set thresholds and targets and to demand specific tenures. The current reforms to the planning system may help to address these issues. The review of planning policy guidance is aimed to making it much clearer and simpler to use and will hopefully draw much clearer distinctions between guidance, good practice and statutory requirements.

Practical problems around PPG3 and Circular 6/98

- 3.17 An LGA survey undertaken in spring 2001 identified a wide range of practical problems local authorities experience in using PPG 3 and Circular 6/98 to secure affordable housing gain. A number of recurrent themes and major issues regarding the delivery of affordable housing revealed not only inherent tensions between the Circular and PPG3 but also fundamental problems with the Circular itself. The principle local authority concerns were:

- The inclusion of low-cost market housing in a definition of “affordable” gives developers a reason for not providing rented accommodation, which is often needed the most, especially in areas of high house prices and demand, where even discounted owner-occupied housing is inevitably out of reach of people on low incomes.
- Delivering PPG3 and the Urban Renaissance is often dependent upon the redevelopment of small brownfield sites, and this is exploited by developers who submit applications for housing schemes, which are just below the affordability threshold. The majority of responders argued that local authorities should have greater flexibility to set their own thresholds for providing affordable housing, in order to reflect local circumstances.
- The reference in the Circular to “economics of provision” is frequently used by developers to argue against the viability of providing affordable housing on small sites in any form, but especially onsite rented units – which are fundamental in attaining the vision of balanced and mixed communities set out in PPG3.
- The LGA supports in principle the preference for development on previously developed land rather than on Greenfield sites. However, there were several calls for the need for a more flexible and balanced approach to the use and adoption of the ‘sequential approach’ outlined in PPG3. This was seen acting as a constraint on the development of necessary sites for housing in some areas.

3.18 The LGA welcomes the Government's recent consultation documents outlining revisions to PPG3 and development of new Practice Guidance that will cancel Circular 6/98. Development of new Guidance offers the opportunity to address many of the issues raised above.

3.19 The LGA believes it is important that the Review Team take into account consultation submissions on the changes to PPG3 when formulating its conclusions and recommendations.

Planning obligations and use of section 106 agreements

3.20 The LGA believes that planning obligations constitutes an important mechanism within the planning system to secure affordable housing gains and other infrastructure needs that mitigate against the external costs imposed on a local area by development. However, there are a number of serious problems to the way the system currently works and fundamental issues around whether it can deliver all that is expected from it. A summary of key issues of concern is outlined below. (A more detailed explanation can be found in **Appendix 2**)

- Statutory guidelines are seen to be outdated
- There is lack of public confidence in the planning obligations system
- There is seen to be unpredictability around how planning obligations work
- Planning obligations are seen to be a key source of delay.
- Not seen to be fair or consistent

- Planning gain is dependent on negotiations skills of local authorities rather than the merits of the case.
 - Affordable housing gains made through S106 are too small and variable
- 3.21 A key message is that while local authorities need greater flexibility to secure the range and type of affordable housing, which specifically meets the needs of their residents, planning obligations may not necessarily be the most suitable mechanism for delivery in the planning system. The increasing focus on developing on brownfield sites is likely to further increase development costs and contribute to the already increasing expectations placed on planning gain to secure necessary affordable housing and other public facilities. The LGA strongly believes that serious consideration needs to be given to identifying alternative ways of financing affordable housing and other necessary public facilities as well as revising the way the system currently works.
- 3.22 In our response to the Planning Green Paper the LGA argued for the flexible use of planning impact fees. We also indicated that planning gain should be clearly linked to priorities outlined in community strategies and therefore should be capable of wider application. Impact fees could be scaled according to value, allowing the cumulative impact of small-scale development to be picked up. We suggested that there could be a particular role for impact fees in removing some of the problems associated with affordable housing contributions from small housing sites and other commercial developments. Clearly defined expectations could help to offset planning gain costs onto the purchase price of the land. Finally we highlighted the importance of retaining some flexibility for local authorities and developers to negotiate on larger sites.
- 3.33 The LGA have also argued that greater use of Supplementary Planning Guidance and better links between housing and planning could help to improve the process. The establishment of joint commissioning partnerships with housing associations and the use of a planning obligations template have also been recommended good practice.

Affordable housing

- 3.31 The government is pushing local authorities to make more affordable housing available through the planning process. However, this is rarely feasible without funding to back that up. Authorities outside the low demand and growth areas detailed in the Communities Plan are concerned that they will be adversely affected by the way in which allocations decisions are made in the future and that they will be unable to influence housing investment decisions in their localities.
- 3.32 In relation to some of the wider issues around the provision of affordable housing and ways in which provision can be improved the LGA would like to refer the Review team to arguments put forward in our submission to the Urban Affairs Sub-Committee on Affordable Housing and outlined in a Briefing paper on the Role of Planning Obligations in providing Affordable Housing. (documents are attached as **Appendix 3 and 4**) Recommendations contained in the Briefing paper were supported by the Chartered Institute for Housing, the National Housing Federation, Royal Town and Planning Institute and by Shelter.

The Impact of tax regime on the use of land

- 3.33 The LGA believes that VAT regimes should be harmonised for both new development and for the conversion and modification of existing buildings. There should be no VAT on the essential refurbishment and maintenance of existing buildings. This will ultimately help to ensure the continuing provision of decent and sustainable homes in the future.
- 3.34 One of the key recommendations outlined in our recent Brownfield land report suggested that the Government should consider introducing stamp duty relief for brownfield sites. Under this proposal stamp duty would only be payable once on a development project. At present, two or even three lots of stamp duty can be levied on one site.

Social Housing and the Rental Sector

- 3.35 The review asked why the development industry has not expanded to support provision of affordable housing or housing for rent.
- 3.36 Some of the reasons that industry has not expanded affordable housing are that:
- a) it is less profitable and developers do not like to take risks.
 - b) there is no lull in the private sector market which needs to be filled
 - c) affordable housing in some areas has been under-resourced
 - d) it is unattractive in marketing terms alongside private sector housing.
- 3.37 Successive governments have consistently promoted owner occupation as the preferred tenure option and so not surprisingly, private rented housing has not generally been regarded as a long term tenure choice. The limited UK private rented sector is in marked contrast to buoyant rental sectors in other European countries.
- 3.38 On the front line, local planning officers and members have tirelessly engaged with the development industry to ensure a diversity of housing provision that caters of the full spectrum on local housing needs and ultimately leads to the creation of mixed and sustainable communities. This is undertaken against the backdrop of having to manage and reconcile the competing priorities and tensions that the planning process and system inherently involves.
- 3.39 For its part, central government now needs to take the lead by sending clear signals to the development industry that a culture change is needed within the industry that supports the vision of sustainable communities and the commitment to make it happen.

A summary of work currently been undertaken by the LGA to improve the skills and effectiveness of local planning authorities

- The LGA is supporting and developing a number of initiatives aimed at improving the skills of members and officers. 'Financing the Renaissance' under development by CEDC consultants will provide a national training template for raising awareness of how a developer approaches the viability and profitability of a scheme and a better understanding between key players of relative priorities in the development process.
- Two surveys will provide information on skills gaps and recruitment difficulties in resourcing the profession. Oxford Brooks is conducting research into the match of planners and their training with spatial demands. Similarly an RTPI survey will look at how well councillors feel equipped to comment on major planning applications and issues.

Other contributions that the LGA is promoting are;

- A Best Practice Fair to raise the profile and promote a positive image of planning. This will include exhibitions illustrating achievements, success and good practice exemplified by local planning authorities in a wide range of planning activity.
- The production of a Concordat aimed at outlining features of a model planning authority.
- The revitalisation of the National Planning Forum will offer a ready – made platform for the sharing of information, updating and identifying best practice and will give a coherence to the wide range of initiatives around planning reform. A variety of projects will appear over the coming year.

Appendix 1

Illustration of inter-regional and intra-regional differences in housing land supply issues:

North-East - Housing land supply is not a problem here. This main issue is the low market demand for housing because of degradation of the economic base. Consequently, restructuring of the economy is the priority and the pressure from Government to give overriding preference to re-allocation of industrial sites is even causing house builders to push for housing on premium employment sites of more recent origin that have been serviced with public funds to connect areas of higher market demand with areas of low demand.

North West - The Region is grappling with low housing demand/ market failure in the big cities at the same time as pressures for housing in the higher demand areas such as in Cheshire and Cumbria. Government's across the board reduction in housing numbers in RPG ignores these differences, assuming that Liverpool and Chester or Manchester and Ambleside share housing markets. The Regional Assembly and the local authorities have been aiming to meet housing needs but enforcement of a blanket PPG3 inspired imperative by Government has thus far curtailed their efforts.

West Midlands - Here the mixture of areas of high housing demand and areas of low demand is similar to that in the North West with the added ingredient of market pressures from the South East being exported into the south Warwickshire and Worcestershire areas generating severe affordability issues. Perhaps for this reason, Government appears unlikely to take the same approach as it has in the North West and it is expected that at the levels of housing provision being put forward by authorities and the RPB in the draft RPG (with EP Panel backing) will be accepted.

South West - Here the issues are conditioned by the fact that 70% of agreed housing need is net migration from the South East and the geographical extent and variety of the Region which has many separate and distinct housing markets linked to a variety of economic bases. PPG3 has caused a slowdown in the delivery of agreed housing land supply, particularly with the review of long standing greenfield housing allocations.

South East (inc. London) - High market housing demand predominates here and, arguably, the supply/demand and affordability issues in this Region have been the main driver behind PPG3. So, although housing completions are keeping up with RPG9 rates, the review of long standing greenfield allocations, including the need to carry out urban capacity studies to justify such releases, have caused delay in the delivery of previously agreed housing schemes. In addition, the progressive reduction in the construction of affordable housing nationally has hit the hardest in the South East because of its greater need, i.e. it has the largest population, takes the bulk of international migration and has the greatest disparities between house prices and average incomes.

Appendix 2

Key concerns around the current system of planning obligations as outlined in the LGA Policy Paper on Planning Obligations.

Guidelines are outdated Statutory guidelines have been overtaken by changes in Government's and local authorities' planning priorities; examples are the greater emphasis on comprehensive regeneration, off -site provision and cross - subsidy, revenue schemes, and collectivised contributions.

A lack of public confidence . Planning obligations have a extremely poor public image. This is due to a combination of factors: the need for commercial confidentiality, local authorities' own procedures which can lack transparency, and the wide gap between Government's guidelines on planning obligations on the one hand and case law and what is practised by local authorities on the other. The perception that local authorities "sell" planning permissions is a threat to the credibility of both local planning authorities and the planning system as a whole. Lord Nolan's Committee on Standards in Public Life stated that planning obligations were "the most intractable aspect of the planning system with which we have had to deal... [and that they] have a tremendous impact on public confidence".

Unpredictability of the nature of obligations. The University of Sheffield study identified the lack of certainty over how planning obligations are meant to work as a major problem for the development industry. One particular issue identified was the confusion as to the nature of planning obligations which are directly or reasonably related to development.

Delay. Planning obligations are frequently cited as the biggest single delay in the planning process and the University of Sheffield study stated that developers, local authority planners and non-governmental organisations all believed that better policy frameworks, either within development plans or Supplementary Planning Guidance (SPG), would simplify and speed up the process.

Not fair or consistent. Criticism has been levelled at the current system because of its non-standardised nature which means that uncertainties are experienced by developers as to the scale of obligation which is likely to be required by a local authority. There are also major regional differences within the country. The advantage of local planning authorities providing a reliable indication of the type and scale of planning obligations well in advance of a planning application being submitted, is that the cost can be built into the price of the land at an early stage in the development process.

Planning gain dependent on negotiations skills of local authorities rather than the merits of the case. There are some real issues with regards to the level of expertise, knowledge and overall effectiveness of negotiating teams within different local authorities (particularly smaller authorities) which impact on affordable housing and other planning gains. There is a need for a system to deliver affordable housing which is not haphazard and reliant on the negotiating skills of the local authority, rather than the merits of the case. This is especially true for smaller authorities, for whom the financial costs of any inquiry are a major consideration when seeking developer contributions for affordable housing.

Affordable housing gains made through S106 small and variable. Recent research by the Joseph Rowntree foundation points to the fact that around only 12000 affordable units are being secured each year through S106 sites, well below official numbers. (around 10 percent of total completions). Developer's contribution to affordable housing often represents only a small proportion of the value of the development. Furthermore , counter to the notion of promoting mixed communities affordable homes are often separated from other units.

Local Government Association
Submission to Urban Affairs Sub -Committee Inquiry on
AFFORDABLE HOUSING

The Local Government Association speaks for nearly 500 local authorities and its membership includes every local authority in England and Wales. The LGA provides the national voice for local communities in England and Wales; its members represent over 50 million people, employ more than 2 million staff and spend over £65 billion on local services.

The LGA welcomes the opportunity to make a submission to the Inquiry. Our comments are set out in relation to the specific questions posed by the Sub -Committee. The key points that we would like to make are the need for more resources, stronger planning powers, changes to Circular 6/98, better integration between planning, economic and housing strategies at both local and regional level and a level playing field between the investment options for local authorities and housing associations.

Definition of affordable

A clear definition of the use of the term "affordable" within the local context needs to be set out in all local and regional plans, and national guidance should ensure that authorities do this. Too much time and resources are spent on trying to negotiate the terms of affordable contributions with landowners and developers without the benefit of clear government guidance. Circular 6/98, which includes low cost homeownership as affordable housing, contributes to this ambiguity and lack of clarity as it requires the definition of affordable housing to be tenure neutral.

Defining and identifying affordability remains a complex area, often subject to dispute. There are differences between economic affordable housing (including low cost homeownership) and social rented housing but all should provide homes that people want to live in and which they can afford. Authorities should, in the local plan or supplementary planning guidance, clearly set out their policy on affordability, based on proper assessments of housing need and supply, so that landowners and developers are left in no doubt about their interpretation of affordability and their expectations for the delivery of affordable housing.

The LGA view is that the definition of what is affordable should be defined locally according to the relationship between local low income levels, house prices and rents. This must be done at a local authority level since even within a county or region there will be considerable variations with pockets of both low incomes and of high prices compared to the regional norm. Any need for low cost market housing, shared ownership and key worker housing should be identified and defined separately from the need for subsidised social rented sector housing. While the various low cost homeownership options may well meet certain need in some areas, in many others housing sold below average house prices for the area is still beyond the means of local households although the developer may consider it to be an affordable housing contribution.

Increasingly many authorities are finding it necessary to make provision not only for those on the lowest incomes but also for middle income groups who are still unable to afford to

buy or rent in the private sector. While the LGA welcomes the government's Starter Home Initiative we consider it is too restrictive as it primarily focuses on nurses, teachers and the police and the schemes are concentrated in Southern England. The LGA considers the initiative should be broadened in both scope and purpose. In many areas the lack of essential staff, such as other public sector workers, service providers and agricultural workers, can have serious consequences on both the local economy and the sustainability of the local community. The LGA considers that local authorities are best placed to define key workers according to local needs.

Scale and location of the demand for affordable housing

The nation-wide situation on affordable housing is complex. While the acute shortage of affordable housing in London and the South is well known, even in areas generally considered to be in low demand such as the North and parts of the Midlands many local people are effectively being priced out of their communities. Areas with good motorway access may attract affluent commuters and rural or semi-rural areas are popular with second homeowners and the retired. These groups have greater purchasing power that can inflate house prices beyond the reach of local income levels, particularly in rural areas where wages are lower than the national average. In some authorities a booming housing market in one area may be next to a collapsing market nearby. This means that the response to addressing these problems must become increasingly more sophisticated at local, sub-regional and regional level.

The LGA agrees that responsibility for planning new provision should be devolved to local authorities but this does not negate the Government's responsibility for making broad estimates at regional and national level to inform decisions about the necessary level of resources to be provided. The housing needs identified through the local and regional planning processes should be linked to the distribution of Housing Corporation resources.

Quality of affordable housing

In general the Housing Corporation sets high standards in the provision of social rented housing which the LGA supports. Scheme development standards, Egan principles and partnering have all improved the quality of new social housing provision in recent years. However, the rigidity of the grant and TCI regimes means that, if costs are high, standards may be lowered below the optimum in order to make the scheme financially viable. Developments produced without the benefit of social housing grant are likely to have poorer space and insulation standards. The LGA would prefer that all future new housing be built to lifetime homes standards. However, such requirements do add to the cost of development, especially when compared to private sector new build, even though the long-term maintenance costs are reduced.

The LGA welcomes the additional powers and flexibilities for local authorities in private sector renewal as a result of the deregulation of the grants regime. This now needs to be matched with additional resources to address the growing problem of deterioration in the private housing stock.

Adequacy of existing supply and amount of resources available

To meet the objective of giving everyone the opportunity of a decent home, the Government must significantly increase the level of available resources in order to at least double the current output of affordable homes. Despite the increase in grant rates and the review of TCIs last year high land prices means that it is difficult for housing associations to find sites for new housing. They are often outbid by speculative developers who will also frequently challenge the affordable housing requirement set by local authorities. The potential gain for the developer is huge but for smaller local authorities the financial risk involved in a legal challenge or planning inquiry can be a considerable deterrent to enforcing these conditions. Increasingly, sites are small and below the thresholds set out in Circular 6/98. Yet often it is these small sites that are the most valuable in terms of sustainable communities.

The definition of obtaining "best consideration" in the sale of public land should be amended to enable all or part of the site or the sale proceeds to be used for affordable housing.

A key problem that affects the supply of affordable housing is the inadequacy of housing benefit when compared to market rents. The excessively complex rules in assessing housing benefit, non-dependent deductions, local reference rent requirements and the single room rent restrictions all deter private sector landlords from letting properties to those on housing benefit, especially in areas where the housing market is buoyant and they can easily obtain higher rents without going through all the hurdles and delays involved in processing housing benefit claims. When the housing market is depressed this becomes less of an issue. However, many young households who might otherwise be adequately catered for in the private sector are effectively being denied access to housing because of the inadequacies of the benefit system.

Single person households, of all ages, represent the highest growth area in new household formation. The existing social rented and home ownership sectors will not be sufficient to cater for this group. The expansion of a fully licensed, well managed and properly maintained reputable private rented sector is essential and good private sector landlords should be further encouraged. Many young people might prefer to rent if the quality of accommodation and the price was right. The emphasis on home ownership at all costs inhibits labour mobility and can create financial hardship. Very few home owners are spending enough on maintenance and this is building up problems for the future. In urban areas well designed high density and mixed use housing also has a part to play.

The LGA considers that the various investment options (stock transfer, stock retention, arms length management or PFI) for local authorities should be on a level playing field with those for housing associations. The LGA also considers that authorities and their tenants should be given as wide a range of investment options as possible, including securitisation in which rental income is used as security for loans, so that they are able to make informed choices appropriate to local needs.

Extent to which planning gain can fund the level of affordable housing required

Planning policy on its own has only achieved relatively low levels of affordable housing, although the proportion has increased as the policy has been incorporated more widely into local plans. Greater use of Supplementary Planning Guidance and better links between

housing and planning would improve the process but authorities still need stronger planning tools. The establishment of joint commissioning partnerships with housing associations and the use of a planning obligations template is recommended as good practice.

The LGA welcomes the proposed tariff approach set out in the Planning Green Paper supplementary proposals on Planning Obligations. The Association considers that this approach has the potential to achieve more predictable, speedier, less costly and transparent outcomes than is currently the case with many negotiated Section 106 agreements. However, the system should not divert contributions away from other planning benefits to affordable housing. It is not a substitute for government provision of adequate funding for affordable housing.

Currently, authorities balance the distribution of developer contributions between, for example, affordable housing, transport and open space demands. In deciding upon the balance, authorities must have regard to Circular 6/98 and Planning Policy Guidance 3. If the tariff system is to replace this then the requirement to provide affordable housing, where there is demonstrable need, must be very explicit in any guidance and the Government should keep under review the amount of affordable housing delivered through the tariff system.

In rural areas the additional flexibilities allowed in small communities of 3,000 should be expanded to larger settlements. In sustainability terms a significant proportion of the need for rural affordable housing should be provided in market towns where people have greater access to a wider range of facilities.

Balancing resources between social housing and options for owner occupation

The LGA believes that local authorities should have the power to determine the mix, size, type and tenure of affordable housing provision and that such decisions should be made on the basis of a robust assessment of housing need, and an analysis of housing market and demographic trends. Regional and sub-regional needs should also be taken into account. The planning system as it currently operates permits these key decisions to be subject to frequently protracted negotiations that contribute to inflated land prices.

The right to buy (RTB) has had a significant impact on the availability of affordable housing, especially in rural areas. As properties have been sold on and not replaced RTB has reduced the number of properties available for low income households in housing need. The LGA considers RTB should be brought into line with the right to acquire for certain housing association tenants which excludes properties in designated rural areas and requires the receipts from sales to be used for replacement housing.

However, in other areas new financial models may be required to develop low cost home ownership, as part of a neighbourhood renewal package, where the housing market may be too weak to act on its own or where there is a disproportionate density of social rented housing. A number of local authorities are currently developing innovative approaches to the problem of market failure and the LGA supports the call for a Housing Market Renewal Fund to tackle the problem of abandonment and low demand.

One of the problems with shared ownership is that, as house prices rise, so does the shared ownership purchase price which can mean this form of housing is still beyond the reach of local people. Mechanisms need to be identified that will keep shared ownership at affordable levels. There is also a need to develop a more comprehensive resale market for shared ownership homes as occupants can find it very difficult to move should their circumstances change. Low cost market housing is rarely genuinely affordable and is difficult to regulate to ensure that low, or even middle, income households are able to access it. However, in some areas this can benefit key workers in the middle income range. The use of restrictive covenants to ensure affordable housing units are only sold on to local people would also help to lower prices.

Are targets in Regional Planning Guidance appropriate?

Current regional guidance sets out provisional indicators for affordable housing rather than clear targets. At present these are, in the main, unachievable without additional resources and stronger powers. The proposed Regional Spatial Strategies should more explicitly address and define the need for affordable housing at both regional and sub-regional level and should be more directly linked to Regional Economic Development Strategies and Regional Housing Statements. Local authorities should work together to develop a regional planning framework that recognises different approaches and needs at local level while accepting the contribution that individual local authorities can make to meeting regional and sub-regional need. Cross authority issues, while fraught with difficulty, must be acknowledged. In some places the only access to growth or mobility will be in other local authority areas.

Regional plans should include a breakdown by size, type, tenure and affordability in each region. This information would be informed by local needs surveys. The regional planning body should then monitor provision and advise planning authorities to adjust supply accordingly. Funding regimes should be more closely integrated to regional housing and planning strategies but this is unlikely to be achieved while regional housing statements remain in the ownership of government regional bodies and the Housing Corporation.

Will central and local government meet decent and affordable housing targets?

The LGA welcomes the commitment in the Housing Green Paper to tackle the £19bn investment backlog in council housing within 10 years. However, it is clear that achieving this target remains dependent on a significant stock transfer programme that is in itself likely to be difficult to meet. Unless considerable resources are made available to local authorities in the next Spending Review period then the Decent Homes target will be at risk.

It is highly improbable that the planning system alone will be able to provide sufficient affordable housing without a considerable increase in central government subsidy. The Planning Green Paper proposal to reduce the thresholds in Circular 6/98 is welcome. However, authorities still need greater power to designate the type and tenure of housing required which would help to depress land prices.

Are current policies and practices leading to the creation of mixed communities?

The current planning system fails to provide the tools that are sufficiently strong and flexible to deliver affordable housing to meet local need. If planning authorities are to take a truly strategic approach and promote sustainable development in line with local needs and priorities, and regional and sub-regional strategies, then they need to be able to determine the mix of new provision within their communities. Plan monitoring will have a key role to play in collecting the information required to assess whether current policies are leading to the creation of mixed communities.

The commercial considerations of private developers should not be underestimated. They exist to make a profit. In areas of high demand where potential land supply is very limited the potential profit margins for private sector development aimed at the upper end of the market are huge. Without stronger powers the ability of local authorities to ensure genuinely mixed communities are very constrained. Where developers recognise that they will be required to make an affordable housing contribution they will try and do it off site or by offering a financial contribution, since mixed developments are less profitable. Planning guidance should be strengthened to ensure this is the exception rather than the rule and only occurs where site constraints make mixed development genuinely unsuitable.

The segregation of the social housing part of the development from the owner occupied part happens all too often and does nothing to create mixed communities. Design differences can also label social housing and this contributes to social exclusion and lowers the self-esteem of residents. Pepper potting of affordable units that are otherwise indistinguishable from the owner occupied homes remains the best method of ensuring mixed communities. However, developers (for financial reasons) and housing associations (for management reasons) sometimes resist this. On some developments the cost of service charges may also inhibit pepper potting. The acquisition of existing general purpose properties for socially rented accommodation also contributes to sustainability but involves a heavy capital outlay that is rarely feasible when the housing market is buoyant.

In many areas, particularly rural areas and in London, the opportunity to obtain sites for affordable housing on the open market is minimal. Few local authorities have significant land banks. The LGA supports the proposal in the Planning Obligations consultation paper to allow authorities to allocate sites solely for affordable housing where there is a robust assessment of need.

Is more greenfield development needed to meet housing need?

The LGA considers that more should be done to remove the barriers to brownfield development in order to reduce further greenfield development. The planning system is a key delivery mechanism for brownfield regeneration. However, land use plans have become increasingly bogged down and convoluted by adversarial processes that have made the flexibility and responsiveness required increasingly hard to achieve.

There is widespread recognition and acceptance of the need to tackle brownfield regeneration and there are some excellent examples of innovative practice. However, there is also evidence that securing the right development is a difficult, complicated and costly process. In certain areas of the country brownfield sites are simply not commercially viable.

Negative or low land values make sites commercially unattractive to developers. Although not always contaminated, some brownfield sites do require remediation, the cost of which can tip the balance for developers when considering whether sites are viable.

Assembling packages of land for development is often a major stumbling block. Compulsory purchase should be a key tool for overcoming site fragmentation and inertia from land owners. However, CPOs have not been an easy tool to use, existing legislation has become complex and unwieldy. The government has published a series of consultations on the planning system, planning obligations and CPOs that may address some of these problems.

Finally, the lack of public sector funding to facilitate development is seriously impeding local authorities' ability to acquire sites and meet the costs of reclamation. The demise of government grant regimes and the loss or suspension of gap funding measures has had a massive negative impact on land reclamation activities.

In some areas additional greenfield sites will be required. Such sites may offer an opportunity to maximise the proportion of affordable housing since they may be subject to less constraints and fewer competing demands. However, it is also important that large new developments involve mixed tenure schemes so as to maximise community sustainability and to ensure that a range of housing options are available to suit a variety of needs. It is also important to ensure that such sites are only developed with access to adequate facilities, such as schools, shops and transport.

The cost to individuals, businesses and the economy of the shortfall of decent affordable housing

High house prices are creating staff recruitment problems, especially in the public and service sectors, which impact on local economies and businesses and result in key local services being under-resourced. The economically active are forced to move out which means that local businesses fail, leaving premises empty and in disrepair, and contributing to further deterioration of the area. Social exclusion is increasing with those on low income, a high proportion of which are likely to be from vulnerable groups and ethnic minorities, being concentrated in the least popular and poorest quality housing with little real choice of where to live.

More people are being forced to travel further and longer, simply because they cannot afford to live near where they work. This puts greater strain on the public transport and road systems and means that people are working longer hours which has an impact on their health, disrupts family life and increases absenteeism in the workplace. Young people are often forced away from where their families and friends are to areas where house prices are more accessible. The cost of housing and of additional travel can lead to financial hardship and debt.

There is considerable evidence of the impact on both physical and mental health that housing insecurity brings. Many households live in temporary, insecure and inadequate housing often for prolonged periods. The use of Bed and Breakfast accommodation is at its highest ever level and is increasing, not only in London but also in many other areas particularly in the South East, South West and East Anglia regions. Poor quality and

overcrowded accommodation can have a serious impact on educational achievement and lead to associated behavioural problems and criminal activity. Many people are forced to move a long way from family support, the strain of which can lead to family break up. In rural areas young people are being excluded from their villages leaving a disproportionately high elderly population who find it difficult to access services and facilities.

In terms of the broader economy there is a real cost to health care, to welfare benefits that meet the housing costs of low income households and there are costs associated with criminal and anti-social behaviour that are attributable to the stresses and disruption placed on family life.

At the other end of the spectrum large areas of unpopular housing in poor condition with low income occupants unable to maintain the stock can also have an adverse impact on local economies and on sub-regional economic growth.

Briefing Paper
The Role of Planning Obligations in Providing Affordable Housing

**Chartered Institute of Housing, Local Government Association, National
Housing Federation, Royal Town Planning Institute and Shelter**

September 2002

This briefing paper sets out the views and recommendations relating to the provision of affordable housing through planning obligations of five organisations: the CIH, LGA, NHF, RTPI and Shelter. Each of the organisations is concerned with the provision of affordable housing and its role in creating sustainable communities.

We agree with the government's objectives for planning obligations, set out in their consultation paper in December 2001 and would urge the ODPM to maintain the impetus of reform in this policy area. However, certain more immediate reforms to the system would significantly improve the chances of achieving those objectives.

Summary of main recommendations

- Amend the definition of affordable housing in Circular 6/98 to enabling local authorities to differentiate between social housing and intermediate/sub-market housing
- Produce new good practice guidance to assist local authorities in collecting and interpreting information on financial viability in regard to site development
- Planning guidance to be more specific regarding on-site provision and use of commuted sums
- Removal of site thresholds in Circular 6/98
- Allow local authorities to allocate sites specifically for affordable housing where it is needed to increase social diversity
- Make a clearer distinction between policy and good practice documents in the future
- Improve monitoring of affordable housing provision

The definition of affordable housing

There are three reasons why we believe guidance affordable housing definitions should be changed:

1. local authorities are currently unable to ensure that housing provided is affordable in the long term for those who cannot afford market housing. 'Discounted' housing fetches market prices on second and subsequent purchases, so the benefit is pocketed by the initial buyer. Low cost market housing is only low cost relative to other properties on the same site. It does not necessarily comply with local authorities' definitions of affordable housing.
2. public policy is already embracing the need for various types of 'intermediate-priced' housing to meet the needs of those who, whilst unable to afford market prices, would not normally qualify for social housing. For example:
 - The Starter Home Initiative and recently announced 'challenge fund' for key-worker housing.
 - The London Plan specifically sets out a requirement for 15% 'intermediate' housing (in addition to 35% affordable housing)

- The identification by the Countryside Agency of a need for a range of housing for people on low and modest incomes in rural areas, including subsidised and some low cost sale housing.
3. local authorities carry out assessments of need for different types of sub-market housing to meet needs, but are unable to specify the type of affordable housing that should be provided to meet these needs. *Wychavon D.C. v Westbury Homes (Holdings) Ltd*, and the Planning Inspector's decision concerning St. Albans and Laing serve to confuse the issue.

All three points could be dealt with by distinguishing between two different types of housing that would be counted as 'affordable' for the purposes of planning obligations and allowing local authorities to specify which of the two types of affordable housing, or the mix of the two, are to be built on any site.

Definition 1: homes for rent provided through a regulated organisation

This definition would include housing to rent that is provided through a local authority or housing association that is regulated by an appropriate government body (including regulation of rent levels).

Definition 2: homes available in the long term to meet 'intermediate' housing needs

This definition would embrace the full range of tenures (housing for rent, shared ownership, low cost home ownership and for sale at a discount from the market price) where:

- (i) the cost is affordable to working people who cannot afford market prices in the area, according to a locally defined definition based on the relationship between local income levels and house prices or rents for different types of households; and
- (ii) a planning covenant (in the case of housing for sale) or involvement of a regulated organisation (in the case of housing to rent) ensures that this housing remains affordable in the long term to people identified as being unable to afford market housing.

We suggest that these definitions should be enshrined in a future version of Circular 6/98.

Level of affordable housing contribution to reflect financial realities

This group of organisations welcomed the government's original proposal to introduce a schedule of tariffs on the grounds that it offered the potential for: increasing the provision of affordable housing, improving the predictability and transparency of the system, providing affordable housing on small sites in a way that would not penalise developers and linking developers' contributions to financial realities of development, thus making them fairer

We did, though have some concerns about how this would work in practice, which are:

- the income generated through the tariff might be seen as additional funding and could result in reduced resources for affordable housing
- a cash sum could easily be spent on other purposes
- a cash/tariff contribution could work against mixing of housing on new developments, as it can be easily transferred to other sites, leaving some without any affordable housing

Current practice, in which officers tend to defer to tradition when entering negotiations (often asking for 25% or 30% contribution), leads to difficulties in negotiation. If authorities ask for too much, then developers withdraw, but equally, developers have been known to exploit officers' lack of knowledge and achieve very small contributions as a result. Requesting a fixed contribution obscures the issue of whether or not the contribution imposes an acceptable financial burden, adds to the lack of transparency

and unpredictability and assumes that the same proportion of affordable housing is required in all parts of a local authority.

We suggest, therefore, that authorities should be encouraged to collect information on financial viability and to take this into account when seeking to determine both the level of affordable housing required and the need for public subsidy. Any such calculation should be based on the relationship between the cost of development and property value, taking into account abnormal costs such as decontamination. New good practice guidance is needed to assist local authorities in this task.

The form of the affordable housing contribution should be typically in kind (rather than cash) and provided on the same site. This will help to promote community sustainability by ensuring that house types and tenures are mixed. Certain circumstances could warrant an exception to on-site provision and the payment of a cash sum, as is the current practice. Retaining this small amount of flexibility will give local authorities scope for redirecting some of the cash and provide affordable housing on other sites. We suggest that planning policy should be more specific in regard to on-site provision and use of commuted sums.

These changes would help to achieve some of the desirable objectives but would avoid some of the potentially negative consequences of a full tariff system.

Site thresholds in Circular 6/98

We believe there is no justification to continue to apply thresholds on site size, currently set out in Circular 6/98. The sequential approach to releasing sites to maximise brownfield development has already had the effect of reducing the size of sites becoming available for development. Many constrained urban authorities in the south of England now face the 'inner London problem' that they have no sites above the threshold and are dependent on small windfall sites. In rural areas, thresholds prevent housing being provided except in settlements below 3000.

Smaller sites may sometimes offer lower margins and it is acceptable for a lower contribution to be sought, based on the difference between the development costs and property price. Where a site is too small to sustain development of a whole affordable property, developers should be required to offer an appropriate financial contribution.

Allocating sites specifically for affordable housing

The scope for delivering affordable housing through planning obligations is less in rural areas where the cost of land and of developing small sites are relatively high. More fundamentally, planning obligations will only work where sites are already available for development of market housing. They will not in themselves bring forward land suitable to meet local housing needs.

We therefore support the suggestion (in the original consultation on planning obligations) to allow local authorities to allocate land solely for affordable housing where there is a demonstrated need and where it is needed to increase social diversity in the area. We suggest that there could be a maximum limit on the size of such sites to, say 15 units.

Policy and good practice

Local authorities have difficulty interpreting government policy on planning and particularly in distinguishing between policy they are expected to follow, and good practice guidance that is offered to assist them in their work. Policy documents should set out clear, unambiguous objectives for the

achievement of affordable housing. Good practice should then advise them as to how to go about implementing the policy in their area.

The need for better monitoring

The arrangements for recording affordable housing provision, including that provided through planning obligations, are not adequate for proper monitoring. The figures that are available overstate the picture because of double counting, and in most cases some SHG is also used. A better approach is required and we suggest that local authorities might be expected to measure the following indicators in the future:

- The number of affordable housing units granted permission per annum, broken down by type (social rented, shared ownership, low cost ownership)
- The number of affordable units completed per annum broken down by type
- The proportion of the above provided on s106 sites (and therefore the remaining proportion provided as 100% affordable housing schemes)
- The number provided as 'off site' units
- The amount of cash in lieu received per annum
- The amount of cash spent per annum and the number of resulting additional units provided
- The number of affordable units approved and constructed indicating the amount of Social Housing Grant / Local Authority Social Housing Grant that was included
- An assessment as to whether the affordable housing target set in the local plan has been met (as a proportion of the overall housing completion rate)
- The number of empty homes brought back into use per annum, broken down by type.