

PRIVATE DEVELOPERS AND AFFORDABLE HOUSING: THE IMPACT OF PLANNING GAIN

A SUBMISSION TO THE BARKER REVIEW OF
HOUSING SUPPLY

PROFESSOR TONY CROOK¹
Ms SARAH MONK²
Dr STEVEN ROWLEY³
PROFESSOR CHRISTINE WHITEHEAD⁴

¹ Pro-Vice Chancellor & Professor of Town & Regional Planning,, The University of Sheffield

² Deputy Director, Centre for Housing & Planning Research (CHPR) The University of Cambridge

³ Research Fellow, Department of Town & Regional Planning,, The University of Sheffield

⁴ Professor of Housing, LSE and Director of CHPR, The University of Cambridge

Introduction

The purpose of this submission is to draw the review's attention to the results of some recent research on the impact of the system of planning gain on securing additional affordable housing from private developers. The note is a direct response to questions posed in 'Issue 4' of the review brief circulated on 9th June 2003.

Our research

The planning gain system uses S106 agreements to bring together what have in the past been two quite separate land and funding systems. First has been the land use planning system for allocating land for housing. Second has been the housing finance system for financing affordable housing (SHG via the Housing Corporation or local authorities and private borrowing by RSLs). Through S106 agreements private developers may be required to provide both land and financing (the latter through developers' contributions) for affordable housing.

Our research was designed to answer three key questions:

1. how much affordable housing is being secured by the planning gain system?
2. how much of this is additional?
3. what are the key barriers to achieving more?

Our answers were based on several data sources:

- secondary analysis of the HIP returns and Land Use Change Statistics
- a postal survey of a sample of all English planning authorities;
- case studies of the policies and practices of 40 authorities;
- detailed examination (including costs and financing) of 65 sites in 16 of these authorities.

Our key findings

Our evidence shows that, although completions have been increasing in recent years, much less is being secured than is required (according to RPG estimates) and that only a small proportion of this is additional since three quarters of completions have needed funding via SHG.

- we estimate that 10,000 new units of affordable homes were completed on S106 sites in 2001-02;
- most of the completions in southern England are social rented units; in the rest of England more are shared ownership or discounted market units;
- three quarters received SHG; hence only a quarter of completions via S106 were additional;
- S106 sites are by definition those where private developers are selling private market housing; these tend to be the more expensive sites and although

- developer contributions reduced land prices for RSLs they still needed SHG to make the new units affordable;
- the key constraints on securing more additional affordable housing via s106 are:
 - the shortage of development land above threshold size in areas of market demand;
 - competing priorities for planning gain, including a wide range of infrastructure and other community needs as well as affordable housing;
 - the complexities of the negotiation process, and the lack of negotiating and valuation skills amongst local authority planning and housing staff.

Although these results might suggest a very disappointing outcome, we must stress that the policy has produced significant numbers of new affordable homes in mixed communities in areas where until now there have been only limited numbers of affordable homes. In addition, numbers have been increasing as the current system ‘beds down’ and there is scope for increasing numbers within the current system, subject to there being some key amendments. These would include ensuring that adequate land to implement RPG requirements for housing development is released, reducing or eliminating thresholds, and improving local authority negotiating skills. We believe these changes would secure a bigger impact than the introduction of a tariff system as originally proposed by the ODPM.

If the amount of land secured for S106 housing does increase, it is crucial that planning authorities negotiate larger financial contributions from developers as well as larger numbers of affordable housing units. If they do not, the danger is that the increase in S106 units will absorb an ever increasing proportion of the Housing Corporation’s ADP, leaving little for funding other forms of affordable homes on non S106 sites.

Finally it is crucial to stress that the success of the S106 approach to funding affordable homes depends on having a buoyant private market. The recent increase in output on S106 sites is a reflection of the recent buoyancy of this market. In a recession the numbers of affordable homes secured via planning gain will almost inevitably fall.

Our detailed findings

The research on which these findings are based was commissioned by the Joseph Rowntree Foundation (JRF), The Housing Corporation, the Countryside Agency, the RICS and the RTPI, with JRF as lead funders.

Our main report was published by the JRF last year as ‘[Planning Gain and Affordable Housing: Making it Count](#)’. This will be found on the JRF web site (www.jrf.org.uk). We attach copies of the executive summary of the main report and of the interim report. These will also be found on the JRF web site. We also attach our evidence to the ODPM consultation document on planning obligations where we dealt specifically with the question of tariffs.