



planning for affordable housing



tcpa

Planning for Affordable Housing

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Contents

3	Foreword
4	Executive summary
6	Section 1 Introduction
7	1.1 The need for more social housing in England
8	1.2 Town planning and its role
9	1.3 Building on earlier TCPA research supported by the Nationwide Foundation
10	1.4 The Planning for Affordable Housing project
12	Section 2 Overview of policy on planning for affordable housing
13	2.1 The impact of national policy on the delivery of affordable housing
14	2.2 The revised National Planning Policy Framework and other planning policy change
17	2.3 The Social Housing Green Paper
20	Section 3 Overview of project activities
21	3.1 Activities in phase 1 of the project
22	3.2 Analysis of Local Plans
24	3.3 Regional seminars
26	3.4 Survey of councils
28	3.5 Expert roundtable
29	3.6 Interviews
32	Section 4 Key themes
33	4.1 Theme 1: Defining affordable housing
36	4.2 Theme 2: Planning for mixed communities
42	4.3 Theme 3: Delivering affordable housing within the current planning framework
44	4.4 Theme 4: The role of the local authority
46	Section 5 Recommendations
47	5.1 Theme 1: Defining affordable housing
48	5.2 Theme 2: Planning for mixed communities
50	5.3 Theme 3: Delivering affordable housing within the current planning framework
53	5.4 Theme 4: The role of the local authority
54	Appendices
55	Appendix 1 Notes on research methodology
56	Appendix 2 Glossary



Foreword

It is now widely accepted that there is a desperate need for more affordable housing in the UK. Many people on low incomes are struggling with housing costs and in some cases are simply unable to find anywhere suitable to live with the income they have available. This has significant negative impacts on the people living in these households. It affects the schooling and education of children, it restricts employment and social interaction opportunities, and it has a detrimental impact on the health and wellbeing, both physical and mental, of people who simply want to be able to settle in a home that they can afford.

We have funded this insightful research by the TCPA to provide evidence and recommendations on how the UK's planning system should be improved so that it becomes more effective at delivering affordable homes. This includes considering how local authorities could be given more powers to secure high-quality, mixed-tenure developments, as well as ensuring that they can maximise and use the powers they already have.

As a charitable funder that aims to increase the availability of decent affordable homes for people in housing need, we are concerned that the TCPA found that only 2% of councils say developers meet policies for affordable housing all the time. It also alarms us that councils in deprived areas are struggling the most to secure enough affordable homes through the planning process. These residents and communities are the ones which most need help.

These findings are clear proof of why there needs to be reform of the planning system. In this report, the TCPA recommends key changes to the existing planning system in support of councils as they attempt to help those in greatest housing need. We believe that it is essential to ensure that the planning system easily allows councils to maximise opportunities to build affordable homes and that any barriers are removed.

We are encouraged that the overwhelming response from councils has been a willingness to use new approaches to secure the affordable housing required in their areas, and a desire to work more closely with national government, Homes England, developers and other delivery partners to secure mixed-tenure homes.

We hope that this report and its recommendations will be widely read by central government officials and the wider housing and planning sector. We want to mobilise an appetite to reform the planning system so that it delivers truly affordable homes where they are needed.

Jonathan Lewis

Programme Manager
The Nationwide Foundation

Executive summary



This report of the Planning for Affordable Housing project, undertaken by the TCPA and supported by the Nationwide Foundation, is being launched at a key point in the debate on the future of social housing in England.

The government has published the Social Housing Green Paper for consultation, with an aim to ‘kickstart a national conversation’ about social housing. The Prime Minister announced at the National Housing Summit that an additional £2 billion will be made available to housing associations from 2022 to 2028/29 to build affordable and social homes, and then made a commitment to scrap the council housing borrowing cap at the Conservative Party Conference.

These announcements represent a welcome re-commitment by government to social housing and provide greater certainty about longer-term funding, and are a boost to council innovation. Nevertheless, this report highlights that, owing to the scale of need for genuinely affordable housing that exists across England, the investment committed by government is not significant enough to support councils in their immediate task of providing homes for people in the greatest need. As a result, the planning system will continue to be relied upon to fill the gap in supply, through requiring developers to build affordable housing within new development or to contribute to building affordable housing elsewhere.

The Planning for Affordable Housing project has engaged with over 120 councils about their experience of delivering affordable housing through the planning system – through a survey, a series of regional seminars, interviews, a roundtable and an analysis of the performance of recently adopted Local Plans. During the project, councils have explained the problems that they face in attempting to secure affordable housing through the current planning system. At the same time, local government officers and councillors have shown a strong willingness to take new approaches to deliver the affordable housing required in their area, and a desire to work more closely with national government, Homes England, developers and other delivery partners.

The findings from these discussions with councils were submitted in response to the consultation on the revised National Planning Policy Framework (NPPF) and have been used to formulate the following **13 recommendations to government** (set out in more detail in Section 5) on how the planning system can be improved to deliver more high-quality and genuinely affordable housing. However, these recommendations must be accompanied by a significant central government investment programme in social housing, not taken as replacements for it.

Theme 1: Defining affordable housing



Reinstate a definition of affordable housing which links affordability to income.



Set an overall target for the number of affordable homes required in England (including those available for people in greatest need) and issue a clear strategy on the routes for delivering them and the role of the planning system.

Theme 2: Planning for mixed communities



Refocus the planning system to meet the basic needs of people.



Improve the status of the development plan to provide greater certainty on the delivery of affordable housing.



Create a fairer and more effective way to share the betterment gained through the granting of planning permission, to produce a more equal distribution of values and deliver greater amounts of affordable housing.



Create a duty on local planning authorities to plan for the housing needs of their area.

Theme 3: Delivering affordable housing within the current planning framework



Further reform the viability test in planning guidance to close the loophole enabling developers to avoid building affordable housing.



Make changes to the compensation code to remove 'hope value'.



Rescind permitted development rights allowing for commercial-to-residential conversion without planning permission, in order to maximise the number of affordable homes built through the planning process and prevent poor-quality outcomes for people.



Reform planning guidance to help councils secure affordable homes on smaller sites.



Help local authorities to secure the type of affordable housing required in their area.



Set out the minimum requirements for standards for residential development.

Theme 4: The role of the local authority



Support councils so that they can play a key role in delivering affordable housing using their planning and land assembly powers.

Section 1

Introduction

This Section considers the need for more affordable housing, the role of the planning system in meeting this need, and the scope of the Planning for Affordable Housing project.

1.1

The need for more social housing in England

Investment in social housing is a core element in securing mixed and thriving communities. Decent housing in a well planned environment provides a foundation to help people maximise their own potential in life and contribute fully to society, and it is fundamental to creating areas that are economically prosperous. Investment in high-quality social housing can also save public funds, through, for example, reducing poor physical and mental health outcomes that are currently experienced by those living in an unstable private rented sector or in temporary accommodation.

We face an urgent housing crisis, and the latest statistics emphasise the scale of the problem. Research has shown that we need to build 340,000 homes each year in England to 2031, including 145,000 affordable homes, of which 90,000 should be for social rent.¹ In 2016/17, just 41,530 new affordable homes were delivered in the country, of which 5,380 were available for social rent. In addition, statistics from the Chartered Institute for Housing show that since 2012 151,000 social rented homes were lost as a result of Right to Buy sales, conversions to 'affordable rent', and demolition.² These figures paint a stark picture: there is clearly a major shortfall in the amount of social and affordable homes available, with potentially devastating social and economic consequences across England.

Fundamental change is needed in how we deliver more genuinely affordable homes. The Social Housing Green Paper is silent on this, implying that a 'business as usual' approach will be taken to meet the gap in supply. In the absence of a comprehensive investment programme in genuinely affordable housing, the Green Paper implies that the planning system – which 70% of councils currently rely upon substantially to deliver affordable housing³ – will continue to be a vital source of supply.

This is therefore a timely moment for us to reassess how the planning system is performing in delivering affordable housing. This report sets out the outcomes of research that the TCPA has carried out with over 120 councils about the challenges and opportunities that the planning system presents; whether or not the revised National Planning Policy Framework (NPPF) will make a difference; and what needs to change.

1 See 'England short of four million homes' Webpage. Crisis, May 2018, quoting research carried out by Heriot-Watt University for Crisis and the National Housing Federation. <https://www.crisis.org.uk/about-us/latest-news/england-short-of-four-million-homes/>

2 *Rethinking Social Housing*. Chartered Institute for Housing, Jun. 2018. <http://www.cih.org/rethinkingsocialhousing>

3 See the survey results in Section 3.4 of this report

1.2

Town planning and its role

Town planning is a vital means of securing the long-term wellbeing of our communities. At its best, good planning has a transformational role to play in shaping the places in which we live and the quality of life of our society – enabling the efficient use of resources and infrastructure, with multiple benefits to society, the environment and the economy.

To be effective, the planning system must be capable of dealing not simply with land use, but with broader social, environmental and economic implications for people and places. The challenge is that it must strike a balance, in which the development needs of our communities are met in the most sustainable ways.⁴

Town planning has played an essential role in the delivery of new affordable housing through legal agreements ('Section 106 agreements'⁵) which capture, for the benefit of the wider public good, the betterment gained by a developer or landowner through the granting of planning permission. Affordable housing is one of the vehicles for capturing this betterment, alongside the provision of infrastructure such as schools, healthcare facilities, transport, and green infrastructure. These agreements are negotiated at a local level between local planning authorities and developers as a condition of the granting of planning permission.

Planning therefore can make a vital contribution to creating high-quality places with strong communities that are mixed in housing tenure. The planning system's role relates to delivering not just the quantity of housing, but the quality of our communities – ensuring not only that we build enough homes but that the homes are of the type and tenure needed, with supporting infrastructure to ensure good outcomes for the people who live in them.

‘At its best, good planning has a transformational role to play in shaping the places in which we live and the quality of life of our society – enabling the efficient use of resources and infrastructure, with multiple benefits to society, the environment and the economy’

4 For more on the definition of planning, see *Planning 2020: Interim Report of the Raynsford Review of Planning in England*. TCPA, May 2018. <https://www.tcpa.org.uk/Handlers/Download.ashx?IDMF=8c619109-a721-4efc-8eac-c9ba8ecee4b5>

5 Agreements made under Section 106 of the Town and Country Planning Act 1990 – see the glossary in Appendix 2 for further information

1.3

Building on earlier TCPA research supported by the Nationwide Foundation

The Planning for Affordable Housing project is a follow-up to the *How Can Councils Secure the Delivery of More Affordable Homes?*⁶ project undertaken by the TCPA and supported by the Nationwide Foundation, which ran from February to November 2017 and involved a series of activities, including regional workshops, roundtables, and a survey of councils. It delivered a series of worksheets and a guidance document for councils signposting resources available to help them secure affordable housing.

The 2017 project found a number of examples of local authority innovation, and the final report made a series of recommendations on the barriers preventing councils from maximising their role in building new affordable homes – including the borrowing cap on councils' Housing Revenue Accounts, restrictions on the use of Right to Buy receipts to fund the building of new homes, and skills and capacity constraints within councils that work against them playing an active role in building new homes. Section 2 of this report considers whether the government has taken forward these recommendations to date.

The findings of the 2017 project re-enforced the argument that an effective planning system has a major role to play in helping to tackle the housing crisis, by leveraging investment and securing cross-sector buy-in to the delivery of mixed communities. The project also identified examples of good practice that other councils can learn from and highlighted some of the high-level barriers to more effective delivery of affordable housing, ranging from the policy framework through to the skills, capacity and confidence of local authority officers and councillors.



6 *How Can Councils Secure the Delivery of More Affordable Homes? New Models, Partnerships and Innovations*. TCPA (supported by the Nationwide Foundation), Nov. 2017. <https://www.tcpa.org.uk/Handlers/Download.ashx?IDMF=84887d6c-08a1-4df4-b72b-0f3e56e212b4>

1.4

The Planning for Affordable Housing project

With the foregoing as the starting position, the Planning for Affordable Housing project aims to change the way that councils use their planning powers; to raise the levels of ambition of councils; and to empower officers and councillors to secure much greater investment in affordable homes in new development. The project aims to achieve this by influencing national policy to help councils deliver affordable housing; by increasing the confidence of councils through sharing good practice; and by conducting training across England to maximise the level of engagement with the guidance created.

The project is being carried out in three phases:

- **Phase 1:** Research on affordable housing policies in Local Plans, to influence national policy.
- **Phase 2:** Development of good practice guidance for local authorities on planning for affordable housing.
- **Phase 3:** Advocacy and training for local authorities across England.

The scope and structure of this report

This report presents the outcomes of phase 1 of the project.



Section 2 of this report outlines the current context in England in planning for affordable housing – in particular the policies in place at national government level which impact on the delivery of affordable homes across the country.



Section 3 sets out the activities of the project, which are designed to provide a greater understanding of how the current policy context is playing out on the ground in terms of whether planning decisions are delivering the affordable homes that are needed across local authority areas. The main lessons learnt from each of the activities are outlined.



Using the results from these activities, **Section 4** presents an analysis of the main issues in planning for affordable housing under key themes, and considers what is and is not working.



Section 5 outlines a series of recommendations to government based on the project's findings, formulated to ensure that the planning system fulfils its potential to create the affordable homes that are required in England.



Section 2

Overview of policy on planning for affordable housing

This Section provides an overview of the current policy framework for planning for affordable housing, particularly the policies in place at national government level which impact on the delivery of affordable homes across the country.

2.1

The impact of national policy on the delivery of affordable housing

The last two years have seen an unprecedented scale of political and legislative activity on social housing. The TCPA's *How Can Councils Secure the Delivery of Affordable Housing?* project, supported by the Nationwide Foundation, tracked the changes

and events that took place in 2017. Box 1 provides a timeline of the major announcements, policies and legislation relating to affordable housing and planning during the first nine months of 2018.

Box 1	Major political announcements, policies and legislation relating to affordable housing and planning, January-October 2018
8 January	The government renames the Department for Communities and Local Government the Ministry of Housing, Communities and Local Government, with a renewed focus on housing.
9 January	Dominic Raab MP replaces Alok Sharma (who was in post for just over six months) as Housing Minister.
11 January	Launch of Homes England (the rebranded Homes and Communities Agency), as outlined in the Housing White Paper. Homes England is established with a greater focus on delivery, including land assembly.
16 February	The government announces the award of £45 million to 41 councils (in a total of 79 projects) to unlock council-owned land for building up to 7,280 homes.
24 February	The first wave of the Planning Delivery Fund, amounting to £15.8 million out of a £25 million total budget, is awarded to 68 projects.
5 March	The government publishes the updated NPPF for a ten-week consultation period.
3 April	The Homelessness Reduction Act 2017 comes into force.
30 April	James Brokenshire MP is appointed Secretary of State for Housing, Communities and Local Government, replacing Sajid Javid MP.
25 June	Publication of the <i>Independent Review of Build Out: Draft Analysis</i> , an independent review led by Sir Oliver Letwin, considering the cause of the significant gap between housing completions and the amount of land allocated or permissioned on large sites in areas of high housing demand.
26 June	The government publishes the <i>Additional Housing Revenue Account Borrowing Programme</i> , a prospectus inviting local authorities in areas of high affordability pressure to bid for additional borrowing to build new council housing.
2 July	£163 million of support announced for communities outside London through the Community Housing Fund.
3 July	Announcement of first wave of strategic partnerships between Homes England and eight housing associations, aimed at delivering 14,280 additional affordable homes by March 2022.
9 July	Kit Malthouse MP is appointed as the new Housing Minister, the eighth Housing Minister in eight years and the third in just over a year.
24 July	The government publishes the final version of the revised NPPF, with updated PPG.
9 August	The government announces that all supported housing funding will be covered by the welfare system, dropping a proposal to give councils control of funding for short-term accommodation.
13 August	The government publishes its Rough Sleeping Strategy, backed by £100 million funding and a commitment to end rough sleeping entirely by 2027.
14 August	The government issues <i>A New Deal for Social Housing</i> , its Social Housing Green Paper, for consultation until 6 November, and <i>Use of Receipts from Right to Buy Sales</i> , for consultation until 9 October.
19 September	The Prime Minister announces that an extra £2 billion will be made available to housing associations between 2022 and 2028/29.
3 October	The Prime Minister announces plans to scrap the council housing borrowing cap.

2.2

The revised National Planning Policy Framework and other planning policy change

The government has a dominant role in shaping outcomes at the local authority level in England through publishing and reforming legislation and by issuing policy such as the National Planning Policy Framework (NPPF). As well as the NPPF and the accompanying national Planning Practice Guidance (PPG), the Ministry of Housing, Communities and Local Government (MHCLG) issues specific policy on an ad hoc basis through ministerial statements and letters to chief planning officers. MHCLG deals with caseloads from 'called-in' planning applications and is the sponsoring department for the Planning Inspectorate, which deals with planning appeals, the examination of Local Plans, and applications through the separate 2008 Nationally Significant Infrastructure Projects regime.

The NPPF was introduced in 2012 and sets out the government's planning policies for England and how they are expected to be applied. It sets the framework for how councils must prepare their Local Plans, and is a 'material consideration' (a matter that should be taken into account) when determining a planning application. A range of policies such as those on affordable housing and infrastructure provision are set out in the NPPF, which is accompanied by the PPG and National Policy Statements for major national infrastructure.

During the course of phase 1 of the Planning for Affordable Housing project, the government issued a draft revised NPPF, making significant changes to the policy context for planning and affordable housing. Following a ten-week consultation period, the final revised NPPF was published on 24 July.⁷

The revised NPPF sets out some major changes that could impact on the ability of councils to secure affordable housing through the planning system.

The viability test

The viability test is explained in the following terms in the revised PPG:

*'In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.'*⁸

The revised NPPF and associated PPG make significant changes to the viability test, which was introduced in the original NPPF in 2012.

These changes broadly cover the following areas:

- There are changes to guidance on how benchmark land values should be calculated, including the principle that they should be based upon 'existing use value plus' (EUV+), with the 'plus' described as premium which 'should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements' (PPG, para. 016). The premium for landowners is not defined. The PPG also confirms that this EUV+ approach should disregard hope value.

7 **National Planning Policy Framework. Cm 9680. Ministry of Housing, Communities and Local Government, Jul. 2018.** https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740441/National_Planning_Policy_Framework_web_accessible_version.pdf

8 **'Viability'. National Planning Policy Guidance. Ministry of Housing, Communities and Local Government, Jul. 2018, Para. 010, Ref. ID: 10-010-20180724.** <https://www.gov.uk/guidance/viability>

Box 2 The NPPF definition of affordable housing

'Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

- a) **Affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).
- b) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.
- c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.
- d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.'

- The PPG also makes clear on several occasions in relation to viability assessments that 'the price paid for land is not a relevant justification for failing to accord with relevant policies in the plan' (PPG, para. 002 and subsequent variations in expression).
- The PPG makes clear that the role for viability assessment is primarily at the plan-making stage.
- An attempt is made to introduce greater transparency in viability, including an expectation that 'any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances' (PPG, para. 021).
- Further guidance is provided on the use of viability review mechanisms.
- It is made clear that 'for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies' (PPG, para. 018).

One of the objectives of the Planning for Affordable Housing project is to understand whether local authorities consider these changes to be significant, and whether they are likely to have an impact on the number of affordable homes secured through the planning system. It is important to clarify that this assessment is made on the basis of how local authority representatives anticipate the changes might work, as, in practice, it will take some time for them to work through the system and for plans to be adopted in accordance with them.

The NPPF's definition of affordable housing

The revised NPPF contains (in the glossary in Annex 2) a revised definition of affordable housing, as set out in Box 2.

Other relevant changes in the revised NPPF

Other important paragraphs in the NPPF on the delivery of affordable housing include the following:

- Paragraph 63 states that ‘provision of affordable housing should not be sought for residential developments that are not major developments’ (defined by guidance as more than ten units), which brings into national policy the Written Ministerial Statement of 28 November 2014.⁹
- Paragraph 63 also states that ‘where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount’.

- Paragraph 64 sets out a requirement that ‘where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership’, qualified by a list of exemptions.

These changes represent a substantial shift from the approach taken in the 2012 NPPF, and the Planning for Affordable Housing project has sought to understand what the impact will be on the delivery of affordable housing, particularly for those in greatest need.

Permitted development rights and affordable housing

A significant change in recent years has been greater permitted development rights on the conversion of rural buildings and commercial and office space to residential uses, with a light-touch ‘prior approval’ process.

Crucially for the Planning for Affordable Housing study, the process involved does not require full planning permission, including contributions to public infrastructure such as affordable housing. This change was introduced as a temporary measure, with secondary legislation following the Localism Act 2011, and made permanent by the Housing and Planning Act 2016.

The 2017 Budget Statement announced further proposed deregulation to extend permitted development rights to allow commercial buildings to be demolished and rebuilt as housing without the need for planning permission, the details of which are subject to a future consultation.

9 **Small-Scale Developers. Written Statement by Brandon Lewis, Minister of State, Department for Communities and Local Government. Hansard, 28 Nov. 2014, Cols. 54WS-57WS.**
<https://publications.parliament.uk/pa/cm201415/cmhansrd/cm141128/wmstext/141128m0001.htm#14112842000008>

2.3

The Social Housing Green Paper

The Social Housing Green Paper, *A New Deal for Social Housing*,¹⁰ was published on 14 August 2018 for a consultation period running until 6 November. Its aim is to ‘kick-start a national conversation’ about the future of social housing. The Green Paper re-emphasises the further £2 billion committed to the Affordable Homes Programme, as confirmed in the 2017 Autumn Budget, alongside ‘flexibility to offer Social Rent’. It does not announce any new funding to increase the supply of social housing, but the Prime Minister subsequently confirmed on 19 September 2018 that an extra £2 billion will be made available to housing associations between 2022 and 2028/29.

The government provides clarity on some key definitions in the Green Paper. Social housing is defined as ‘housing to rent below market level rents or to buy through schemes such as shared ownership’. Social rent is defined at levels which ‘take into account a measure of relative local earnings as well as relative property values’, typically set ‘at around 50-60 per cent of market rents’.

Policy areas

The Green Paper covers a wide spectrum of policy areas within separate chapters, the last two of which are of particular relevance to providing affordable, high-quality homes within mixed communities:

- ‘Ensuring homes are safe and decent’;
- ‘Effective resolution of complaints’;
- ‘Empowering residents and strengthening the Regulator’;
- ‘Tackling stigma and celebrating thriving communities’; and
- ‘Expanding supply and supporting home ownership’.

Planning for high-quality social homes

The Green Paper commits the government to publishing further guidance on applying to social housing the principles set out in the revised NPPF on delivering high-quality buildings and places. This commitment covers strengthening guidance on security; making healthy and safe communities; ensuring that new affordable homes are designed to the same high quality as other tenures and are well integrated; and encouraging design that reflects changing needs, such as inclusive design for an ageing population.

New supply of social and affordable homes

In Chapter 5 of the Green Paper, which covers supply, the government reiterates its goal to deliver 300,000 homes a year by the mid-2020s. It says (in para. 142) that social housing ‘remains central to our supply ambitions’. The Green Paper also states (in para. 146) that ‘to deliver the social homes we need, central and local government, housing associations, private developers and others must pull together and radically increase the number of homes built every year’. The government sets out a vision of helping local authorities to secure more social housing by:

- allowing them to borrow more by exploring new flexibilities over how they spend their Right to Buy receipts to fund new homes beyond the three-year time period currently allowed, and by exploring whether to allow a greater proportion of the cost of new social rent council homes in areas of high affordability pressure to be met through Right to Buy receipts, and allowing greater flexibility over the tenure of replacements (which is the subject of a separate consultation).

10 *A New Deal for Social Housing. Green Paper. Ministry of Housing, Communities and Local Government, Aug. 2018.*
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733605/A_new_deal_for_social_housing_web_accessible.pdf

- considering whether further reforms are needed to the Housing Revenue Account borrowing cap, following the £1 billion borrowing programme for councils in areas of high affordability pressure (an area of affordability pressure has been defined as an area where there is a difference of £50 more per week between average private sector rents and social sector rents¹¹);
 - not requiring local authorities to make a payment in respect of their vacant high-value council homes – withdrawing a proposal made in the Housing and Planning Act 2016 following concerns from councils about the impact this would have on their ability to make long-term investment decisions (this will, in practice, mean the repeal of the high-value assets provision of the Housing and Planning Act 2016); and
 - unlocking additional supply through community-led housing trusts and local housing companies – while setting out the government’s expectations regarding maximising affordability, increasing supply, providing opportunities for homeownership, and the management of the homes built through local housing companies.
- the guarantee of £3.25 billion of borrowing under the Affordable Housing Guarantee Scheme;
 - the strategic partnerships announced with eight housing associations up to 2022; and
 - the announcement of the decision not to implement the provisions in the Housing and Planning Act 2016 to restrict the use of lifetime tenancies by local authority landlords, following ‘growing recognition of the importance of housing stability by those who rent’.

Analysis of action on the policy recommendations made by the 2017 TCPA/Nationwide Foundation project

Many of the policy reforms and announcements set out in the Social Housing Green Paper relating to local authorities address recommendations that were made in the 2017 TCPA/Nationwide Foundation project *How Can Councils Secure the Delivery of More Affordable Homes?* – which resulted from conversations with over 200 councils across England.

Table 1 gives an overview of what has, and has not yet, been carried forward from these earlier recommendations, reviewing the announcements and policy changes in 2018.

Other related measures put forward in the Green Paper are:

- committing the government to actively investigate how to provide longer-term certainty to help housing associations build more, building on the new rent settlement of consumer price index + 1% to 2025;

11 ‘Brokenshire confirms social housing investment boost’. Press Release. Ministry of Housing, Communities and Local Government, Jun. 2018. <https://www.gov.uk/government/news/brokenshire-confirms-social-housing-investment-boost>

Table 1 Policy action on recommendations made by the How Can Councils Secure the Delivery of More Affordable Homes? project of 2017	
Report recommendation	Policy outcome
The forthcoming Green Paper on social housing is a unique opportunity for the government to set out how it will deliver much greater numbers of genuinely affordable housing.	The Green Paper does not commit any additional funding for social housing, but the Prime Minister subsequently confirmed extra funding for housing associations beyond 2022.
The Autumn Budget commitment to lifting the Housing Revenue Account borrowing cap on councils in areas of 'high affordability pressures' is welcome but should be extended to all authorities with housing stock to help them maximise their potential as a major contributor to meeting the shortfall in supply of affordable housing.	The Prime Minister announced plans to scrap the council housing borrowing cap at the Conservative Party Conference on 3 October.
The government should enable councils to retain 100% of their Right to Buy receipts to reinvest into building new affordable housing.	The government has published a consultation setting out proposed changes to the way that local authorities can use Right to Buy receipts to deliver new homes.
The government should make it clear to all councils whether or not local housing companies which are delivering homes using funds outside the Housing Revenue Account are exempt from the Right to Buy.	The Social Housing Green Paper provides information about government expectations on building affordable homes through local housing companies, but councils have reported uncertainty about the meaning of this. ¹²
The government needs to clarify whether the developer contribution model for delivering new affordable housing via Section 106 agreements remains a policy objective, and if not where the alternative funding for new affordable housing will come from.	The Social Housing Green Paper does not cover the supply of new affordable housing through Section 106 agreements.
The updated NPPF provides a key opportunity for the government to publish a definition of social housing at genuinely affordable levels of rent, distinct from other affordable housing products.	The revised NPPF does not include a meaningful definition of housing affordability. The heart of the issue is the change that the government has made from a measure of affordability based on income to one fixed to an arbitrary percentage of market prices.
The government should urgently revise the viability test in the NPPF.	The government has made significant changes to the viability test – including increasing transparency at plan-making stage. Further changes to planning guidance are required to close the loophole enabling developers to avoid building affordable housing and ensure that affordable homes are delivered through the planning system.
The government should enhance skills and boost capacity within councils to fulfil their role in securing new housing of all tenures.	The government encourages council innovation in the Social Housing Green Paper. From January 2018, councils have been able to apply a fee increase of 20% for planning applications. However, councils in low-demand areas must make able to adequately resource their planning and housing departments to spearhead growth.
There is a need for accessible information and support for councils about establishing local housing companies and the powers available to councils, which the government can facilitate.	Initiatives such as the Local Government Association's Housing Advisers Programme have been developed to support councils seeking to innovate in meeting the housing needs of their communities.
The government's support for community-led housing through the Community Housing Fund is welcomed, but needs expanding to encourage the establishment of more community land trusts in urban areas.	The government has expanded its programme, making £163 million available across England up to 2020/21 through the Community Housing Fund.

12 N Barker: 'Green paper leaves question marks over council housing companies'. *Inside Housing*, 28 Aug. 2018. <https://www.insidehousing.co.uk/news/news/green-paper-leaves-question-marks-over-council-housing-companies-57682>

Section 3

Overview of project activities

This Section provides an overview of the Planning for Affordable Housing project activities and the key lessons learned from them.

3.1

Activities in phase 1 of the project

Phase 1 activities included a variety of quantitative and qualitative methods, designed to:

- give a better understanding of how the planning system is currently performing in delivering affordable homes;
- gauge the perspectives of local government councillors and officers across England on what changes to the system are required for the planning system to do more; and, importantly,
- feed these views back into the consultation on the draft revised NPPF and thereby influence emerging national policy to maximise the delivery of genuinely affordable housing.

Phase 1 of the project has involved:

- analysis of a selection of recently adopted Local Plans, assessing, first, whether policy requirements are accurately reflecting the need for affordable housing at a local level, and, secondly, whether affordable housing policy is being delivered under the current policy framework;
- a series of regional seminars (jointly held with the Smith Institute) with senior officers and councillors, held in Exeter, Manchester and York, to better understand the different pressures to secure affordable homes being faced regionally;
- a survey sent to all councils in England on the challenges and opportunities in delivering affordable housing through the planning system, and seeking their reaction to the draft revised NPPF;
- a roundtable with experts in the sector to analyse the responses to the survey and inform the consultation response to the draft revised NPPF;
- a briefing report submitted in response to the consultation on the draft revised NPPF, using the results of Local Plan analysis and the outcomes of the seminars, survey and roundtable;
- a series of interviews with senior officers on planning for affordable housing;

- a report setting out recommendations for national and local government on how Local Plans could set a higher ambition for affordable housing and how to ensure that this ambition is delivered; and
- a parliamentary launch event for the final report.

As noted above, 2018 has seen a significant period of policy change regarding the delivery of affordable housing. Phase 1 of the Planning for Affordable Housing project was carried out during this period, providing a unique opportunity to influence emerging policy at a national level using the feedback received from councils and the results of the research undertaken. Box 3 sets out the timeline for activities of phase 1 in relation to the publication of the NPPF and Social Housing Green Paper, and the rest of this Section gives detail on these individual activities and their key findings.

Box 3 Timeline of activities in phase 1, in the context of policy evolution

Activity	Timescale
Analysis of Local Plans	January-August 2018
<i>Draft revised NPPF published for consultation</i>	5 March 2018
Regional seminars	March 2018
Survey of councils	3-27 April 2018
Interviews with councils	May-August 2018
Expert roundtable	2 May 2018
Submission of a TCPA briefing report in response to the NPPF consultation, drawing on project findings	10 May 2018
<i>Final revised NPPF published</i>	24 July 2018
<i>Social Housing Green Paper, A New Deal for Social Housing, published for consultation</i>	14 August 2018
Launch of the phase 1 report	11 October 2018

3.2

Analysis of Local Plans



One of the key project objectives is to gain robust evidence on how the planning system is currently working, and to evaluate cases where councils are delivering high levels of genuinely affordable housing and how lessons can be learnt from these approaches.

To create this evidence base, one of the first tasks was to analyse a selection of Local Plans that have been recently adopted (between September 2015 and February 2017) but have been in force for sufficient time to be able to gauge their level of performance in policy implementation. The task was to assess whether the policies accurately reflect the need for affordable housing, and whether affordable housing policies have been acted upon.

From the resulting 48 Local Plans which fitted these criteria, 21 case studies were chosen for an in-depth analysis of their policy and delivery. The methodology for the selection of the Local Plans was as follows:

- a mixture of 'spatial types' – urban/rural local authorities;
- a mixture of local authorities within areas of high, low and medium scores on the Index of Multiple Deprivation; and
- a variety of local authority profiles, including areas with a mixture of housing affordability challenges (at different ends of the scale of affordability against income).

The analysis also included regional plans that were under preparation, to understand the challenges and opportunities in working across housing market areas to plan for affordable housing.

For each of the case studies, the following was investigated:

- the **current need** for more affordable housing in the local authority area, including the quantity and tenure of housing required;
- the **policy** for affordable housing within the adopted Local Plans, including:
 - the percentage of new homes required to be affordable (above the threshold set out in Planning Practice Guidance – that contributions should not be sought from developments of ten units or less);
 - the percentage of social rented homes required as part of this policy (if such a requirement exists); and, as a result,
 - the extent to which the adopted policy meets the actual need for affordable housing in the local authority area;
- for each of the local authority areas, the **implementation** of the Local Plan policy, in particular:
 - ‘starts on site’ recorded for affordable housing for 2016/17; and
 - completions recorded for affordable housing for 2016/17; and
- through a calculation using the outcomes of this assessment of implementation, the percentage of **delivery** against policy and need.

As well as assessing the need, policy and delivery of affordable housing in these areas, the 21 case study plans were assessed to determine the **scale of innovation** taking place in order to deliver affordable housing through the planning system. The detailed outcomes of this analysis are presented under the themes explored in Section 4.

Lessons learnt

The following general lessons emerged from the analysis:

- The analysis illustrates a stark picture of a planning system falling significantly short of delivering the levels of affordable housing required across the country. Combined with the outputs from other routes of delivery (for example grant-funded schemes, and those led by housing associations), there is a major shortfall in the delivery of affordable housing.
- There is significant variation in outcomes on securing affordable housing across the country, between areas of high and low land values.
- Social rented homes – those available at the lowest levels – are not being delivered through the planning system in the vast majority of local authority areas.

3.3

Regional seminars



The TCPA, in partnership with the Smith Institute, held three seminars with councils to consider the challenges and opportunities in delivering affordable housing. The seminars were a continuation of the first TCPA project supported by the Nationwide Foundation in 2017, with the report and guidance document from this earlier project disseminated at these events.

The seminars, held in Exeter, Manchester and York (the same locations as for seminars held in the 2017 TCPA/Nationwide Foundation project), provided an opportunity to better understand the challenges in securing affordable housing faced in different parts of the country, and to assess how councils are responding to the current policy framework in order to deliver homes through the planning system and other routes. Returning to

the same seminar locations provided an opportunity to track the progress of local innovation in delivering affordable housing, and to provide an update on national policy which had been identified in the previous project as of particular importance.

The TCPA presented the results of the earlier TCPA/Nationwide Foundation project on innovative models for delivering affordable housing; the current policy context on planning for affordable housing; and details of the new project on planning for affordable housing. At the time of the seminars being held, the draft NPPF had been published for a ten-week consultation period. The seminars included a discussion about the expected impact of the draft revised NPPF on the ability of councils to secure affordable

housing. The Smith Institute presented the outcomes of its project on local housing companies, which had been carried out alongside the 2017 TCPA/Nationwide Foundation project.¹³

Local authorities and delivery partners also presented on the local context and new methods being taken forward to deliver affordable housing.

Lessons learnt

The main messages from the regional seminars were as follows:

- There was consensus at the seminars that the focus on quantity over quality is a kind of ‘false economy’, which only stores up problems for future generations.
- The quality of new build affordable homes is of particular concern, and especially space standards, which councils suggested are being pushed down by developers. The argument has gone from ‘Is it good enough to approve?’ to ‘Is it bad enough to refuse?’.
- There is growing interest in retrofitting empty homes, using the model taken forward by Leeds City Council and featured in the first TCPA/Nationwide Foundation report.
- In parts of the North, the costs of the homes are not necessarily the problem; instead, the challenge is peoples’ ability to afford a deposit for a mortgage.
- In all seminars there was agreement that the definition of affordable housing needs to be linked to incomes rather than market pricing, which does not represent a true reflection of affordability. Some authorities, such as the Greater Manchester Combined Authority (GMCA), are making this link already.
- In low-demand areas in the North, there is a need for funding for regeneration, not for Help to Buy.
- Attendees suggested that there is a need for a spatial plan for England, with a regional approach to housing, including greater devolved powers.
- Councils reported that greater powers are required in planning and place-making in the regions – the GMCA, for example, does not have the ability to call in planning applications, unlike the Mayor of London.
- There is an opportunity for councils to take a lead and act as a beacon for delivering high-quality affordable housing.
- It was clear from the seminars that council innovation in building affordable housing has taken off in recent years (as discussed in the first TCPA/Nationwide Foundation project). At the time of the seminars there had been no follow-up to the government’s indication in the Housing White Paper that councils must apply the Right to Buy to homes built by local housing companies – a boost to this innovation, as councils reported that this would undermine the business plan for these companies.

¹³ *Delivering the Renaissance in Council-Built Homes: The Rise of Local Housing Companies*. The Smith Institute, Oct. 2017. <http://www.smith-institute.org.uk/book/delivering-renaissance-council-built-homes-rise-local-housing-companies/>

3.4

Survey of councils

An online survey (open between 3 April and 27 April 2018) was sent to all councils in England during the consultation period on the draft revised NPPF. The objective was to find out more about the experiences of councils in securing affordable homes through the planning system, and their reaction to the draft revised NPPF. An invitation to complete it was sent to all councils in England – including heads of planning and lead members for planning. A total of 88 councils responded, yielding a mixture of responses from councillors and officers from housing and planning departments.

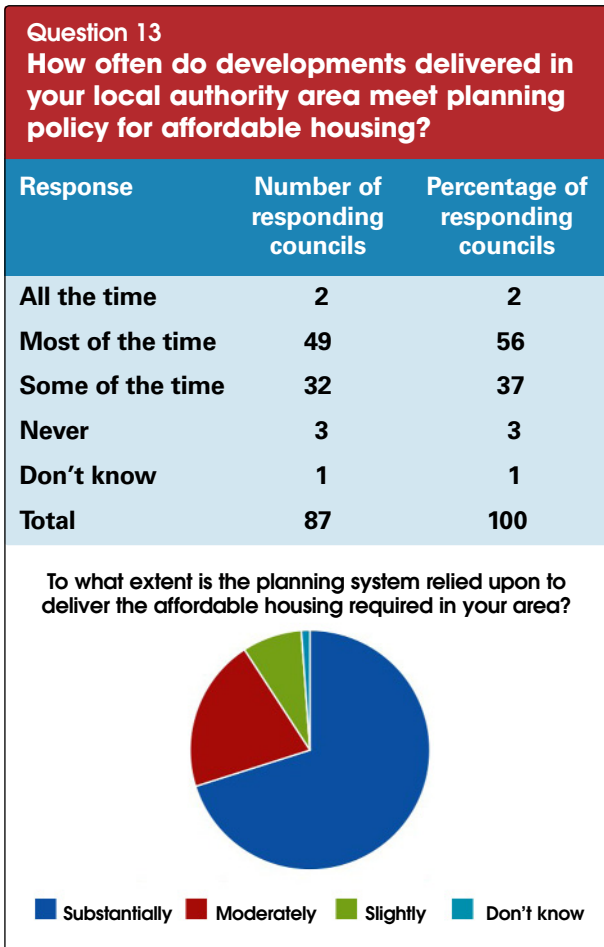


Figure 1 Responses to the survey questions on delivering affordable housing through the planning system

Lessons learnt

The main messages from the survey of local authorities were as follows:

- The survey results showed that the majority of councils (51%) have requirements in their Local Plans for social rented homes – those available at lowest rent for people in greatest need. There is a willingness and ambition among councils to secure these homes by requiring developers to contribute; however, the statistics show that they are clearly not being delivered in practice.
- Councils feel that the plan preparation stage is the most influential stage in determining whether or not affordable homes are secured through the planning process (38% said it was the most influential).
- Around 70% of councils said that they rely substantially on the planning system to deliver the affordable homes that their area needs – indicating the current scale of reliance on planning.
- A mere 2% of councils reported that developments in their area meet planning policy for affordable housing ‘all the time’; while 56% said that planning policy is met ‘most of the time’ and over a third (37%) said it is met ‘some of the time’.
- Around 70% of councils said that they did not believe that the definition of affordable housing set out in the draft revised NPPF would meet the need for affordable housing in their area. The reasons given for this view included the omission of social rent from the definition in the draft (re-inserted in the final revised version) and the linking of affordability with market prices rather than local incomes.

Table 2 Policy action on messages from councils set out in the TCPA's <i>Planning for Affordable Housing</i> briefing paper	
Messages from councils in the TCPA briefing paper	Outcome in the final revised NPPF and the Social Housing Green Paper
Greater investment is needed in genuinely affordable homes so that we are not over-reliant on the planning system.	No further investment in genuinely affordable homes has been committed by government before 2022.
The omission of social rent in the definition of affordable housing in the NPPF must be reversed.	Social rent has been re-included in the definition in the final revised NPPF.
The government must link affordability with local incomes, rather than define it as a percentage of market rents.	The final revised NPPF does not link affordability to incomes in the definition of affordable rented homes.
The changes to the viability test to provide more transparency at the Local Plan stage are welcomed, but the viability loophole must be fully closed to ensure that councils can secure affordable housing through the planning system.	The government has updated Planning Practice Guidance, but it must go further to prevent viability assessments being used by developers to avoid building affordable homes.

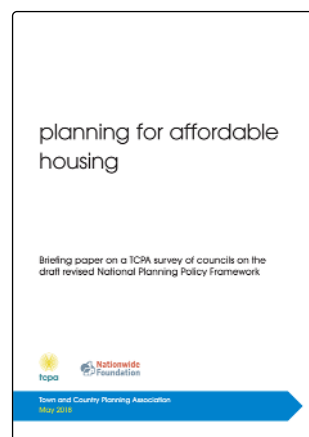
Briefing paper

A briefing paper on planning for affordable housing and the draft revised NPPF was published using outcomes from the survey, regional seminars, interviews and roundtable, setting out the views of councils on the current planning framework and the changes to the NPPF proposed in the draft revision. It covered four key themes, with findings under each:

- planning policy;
- the delivery of affordable housing;
- innovations in delivering affordable housing through planning; and
- the draft revised NPPF.

The briefing paper contained key messages from councils to the government on the changes needed to the final revised NPPF. Table 2 summarises the extent to which these changes were incorporated in the final revised NPPF and the Social Housing Green Paper.

The briefing paper was submitted to the government as an annex to the TCPA's submission in response to the consultation on the draft revised NPPF, and the results were used to inform the main text of the TCPA's submission.



The TCPA briefing paper submitted in response to the consultation on the draft revised NPPF

3.5

Expert roundtable

During the consultation period on the draft revised NPPF, the TCPA held a roundtable with experts in the sector to discuss the draft and the results of the survey of councils, in order to inform its consultation response. Invitations were sent to all contacts in the sector who were involved in the 2017 TCPA/Nationwide Foundation project, along with all respondents to the survey who showed an interest in being involved in the project. Attendees included representatives from local government across the country, including local authorities in the South West, the North West, the South East and

the East of England, as well as representatives from housing and town planning institutes and NGOs. A submission was also received from the Greater London Authority to consider at the meeting in place of attendance.

The TCPA presented on the policy context for planning for affordable housing, including the briefing on the draft revised NPPF and affordable housing. The attendees were also given a presentation on the survey results.

Lessons learnt

The main messages from representatives at the roundtable were as follows:

- It was agreed by the delegates that the loss of social rent from the definition of affordable housing in the draft revised NPPF was particularly significant for the outcomes that could be secured from the planning system for those in greatest housing need, and they encouraged the TCPA to make this point in the Association's response to the consultation.
- Local Plan policy on some topics – such as rural exception sites – has not been delivered in practice.
- Current affordable housing policy at a national level does not take sufficient account of the differences between high- and low-value areas.
- There needed to be a stronger link between affordability and local incomes in the final revised NPPF.
- Planning is relied upon heavily to deliver affordable housing – but, as one delegate noted, 'if you don't deliver the affordable housing required through the planning system, then how else can you do it?'
- There is a much greater emphasis on delivering affordable housing through the planning system, rather than other key infrastructure.
- National policy is being measured against targets for first-time buyers rather than housing for rent for those in need.
- The affordable rent model is delivering smaller homes rather than family housing.
- Some changes to the viability test in the draft revised NPPF were encouraging, such as the move towards greater transparency and the removal of hope value from calculations of land values. However, there were still areas that required greater clarification, including the premium offered to landowners from the 'existing use value plus' approach proposed in the draft PPG.

3.6

Interviews

Following analysis of the case study Local Plans, interviews were conducted with officers from five local authorities selected for a mixture of different affordability challenges.

The interviews were conducted across the period of time from the publication of the draft revised NPPF through to the publication of the final revised NPPF, thus allowing insight to be gained on the impact of this crucial piece of national policy on the ability of councils to secure affordable housing across England.

Invitations to take part in the interviews were sent to council officers, together with an outline of the themes that would be covered. The interviews were in a semi-structured format and were entirely anonymous to provide the opportunity for an honest reflection of the challenges and opportunities.

Lessons learnt

It is clear that the situation varies widely across the country, according to local land values, specific affordability challenges, and skills within the local authority. However, some common themes emerged as follows:

Defining affordable housing

- Some councils have strong approaches to setting rent levels for new homes at genuinely affordable rates, linked to local wages, or insisting on social rented homes. However, this is dependent on the approach of individual councils.
- One council officer reported that rent levels generally do not match up with welfare levels and particularly with Local Housing Allowance rates (the approach taken to work out Housing Benefit granted to tenants of private rented homes).
- Many councils say the delivery of social rented homes is simply not viable. But other councils prioritise this tenure – and create an expectation among housing associations and developers that they must deliver.

Planning for mixed communities

- Council officers feel that planning is simply ‘tasked with too much’ and is being used, according to one officer, as a way of ‘government avoiding their responsibilities’ on investing in affordable housing. At the same time, councils said that as a country we are relying on the development industry to build the affordable homes we need when it is not within their business models to do so.
- Planning is responsible for managing the entire place-making process, and affordable housing cannot be the sole factor that is considered, according to at least one council.
- It was reported by councils that changes to permitted development that allow commercial properties to be switched to residential use without requiring full planning permission are having a significant and detrimental impact on the ability of councils to secure enough affordable housing.

Lessons learnt

Delivering affordable housing within the current planning framework

- Council officers all agreed that viability is the defining factor in deciding whether councils can secure affordable housing. Higher-value sites are much more likely to secure affordable housing than those of lower value. The result is that people in some areas 'feel they are being left behind'. However, sometimes applications are received in high-value areas with low levels of affordable housing.
- Councils are increasingly looking at sophisticated approaches to viability, with viability assessments being an important skills base for emerging planners.
- One council officer said that the current policy framework plays into the hands of developers – and that the changes to the final NPPF are unlikely to make a difference to this.
- Another council officer believed that national policy is unfocused and does not provide enough clarity on key terms to support councils.
- Council officers believed that they need to be able to have more local discretion in deciding what type and tenure of affordable housing is required.
- A couple of council officers pointed out that the existing planning system makes it difficult to capture increases in land value to commit to affordable housing.
- A consistent message from councils was that the lower threshold (of ten units) for developments which are not required to contribute towards affordable housing has a major impact on the number of affordable homes being secured.
- One council officer said that the type of affordable housing being delivered is as much a problem as the tenure – family-sized homes being particularly challenging to deliver under affordable rent for some councils.

- Taking a commuted-sums approach to affordable housing contributions can affect the delivery of mixed communities, according to one council officer, because the commuted sums tend to be spent on affordable housing units built together rather than integrated among market homes.

The role of the local authority

- Councils that have a strong institutional and corporate commitment to securing social and affordable housing, with dedicated staff resources, have greater levels of success.
- Councils want to do more by themselves in delivering affordable housing – but the Housing Revenue Account borrowing cap and restrictions on the use of Right to Buy receipts have been handicapping them substantially.
- Councils working jointly on planning policy are finding that there are benefits in creating a consistent approach towards financial contributions and viability. However, the policy is difficult to agree on across councils, and often leads to the outcome of the 'lowest common denominator', according to one council.
- There is significant interest in the approach being taken by the Greater London Authority to set a threshold at which viability assessments are not required if policy compliance is reached. Councils will be closely watching the level of success achieved by this policy in delivering affordable housing.
- Council resources that are invested in negotiations with developers over contributions to affordable housing can be a major burden on wider services, according to one council.



Section 4

Key themes

This Section highlights the main themes that have emerged from the research undertaken, and analyses findings on the ability of the current planning system to secure affordable housing for those most in need. The methodology used in collecting the data presented in this Section is outlined in Appendix 1.

4.1

Theme 1: Defining affordable housing

Linking affordability to the housing market

A key component of the final revised NPPF – and one that was under significant scrutiny during the consultation period on the draft – is the definition of affordable housing. Throughout the research, councils have highlighted the problems inherent in linking affordability to a set proportion of the market rate, as with the affordable rent model (which is defined as up to 80% of market rent). There is some variation across the country in how this applied – some councils have policies that require rents to be set at Local Housing Allowance level, while others find that, in reality, rents are set at 80% of market rent, which has severe impacts on affordability for people struggling with rent payments.

Many councils report that this problem is coupled with changes to the welfare system which mean that in many areas Local Housing Allowance does not match rents, with a severe impact on affordability.

The research has identified profiles of a number of councils that give an indication of the range of problems faced locally by a national, market-led approach to affordability. An example of the reality is found in Great Yarmouth:

*'the most appropriate level at which to set Affordable Rent would be 65% (although it was acknowledged at the stakeholder consultation event that it is most likely to be provided at 80%).'*¹⁴

Similarly, in the London Borough of Lambeth: *'analysis of rental levels across the borough demonstrates that rents set at 80% of market rent will be unaffordable to most households currently eligible for social rented housing in Lambeth.'*¹⁵

Another case study of Birmingham reported: *'We find that, if Affordable Rent in Birmingham was set at 80% of the median market rent, very few households in need could afford it.'*¹⁶

In areas of high deprivation in the north of the country, the picture is quite different:

*'The [Strategic Housing Market Assessment] shows that in Pendle the difference in rental costs between a social rented and affordable rented (when rent is set at 80% of market rent) property is minimal and in some cases affordable rent is cheaper than social rent.'*¹⁷

Furthermore, in Pendle 47% of households cannot access even the most affordable type of housing without assistance from the state. It is clear that the current approach is not working, with the SHMA for Burnley and Pendle stating that:

*'It is unusual for intermediate housing to form the most affordable form of tenure, but reflects the very low house prices in both Burnley and Pendle and further demonstrates why there is a need to provide additional affordable housing in both Burnley and Pendle.'*¹⁸

14 **Strategic Housing Market Assessment. Great Yarmouth Borough Council, Nov. 2013, para. 5.47.**
<https://www.great-yarmouth.gov.uk/CHttpHandler.ashx?id=1241>

15 **Lambeth Local Plan Proposed Submission. Topic Paper 1 – Housing. London Borough of Lambeth, Nov. 2013, para 3.15.**
<https://www.lambeth.gov.uk/sites/default/files/HousingTopicPaperNovember2013.pdf>

16 **Strategic Housing Market Assessment 2012. Executive Summary. Birmingham City Council, Revised Jan. 2013, p.ii.**
https://www.birmingham.gov.uk/downloads/file/1210/strategic_housing_market_assessment_2013_executive_report

17 **Pendle Local Plan Part 1: Core Strategy 2011-2030. Pendle Borough Council, Dec. 2015, para 10.127.**
https://www.pendle.gov.uk/info/20072/planning_policies/275/development_plan_documents/2

18 **Burnley and Pendle Councils Housing Needs Study and SHMA. Burnley Borough Council and Pendle Borough Council, Dec. 2013, para 9.37.** https://www.pendle.gov.uk/info/20072/planning_policies/277/evidence_base_documents/4

‘Market rents are an inadequate way to determine social housing needs’

Council survey respondent

Question 8 Do you have policies in your Local Plan that link affordability to levels of income, as opposed to market prices?		
Response	Number of responding councils	Percentage of responding councils
Yes	16	18
No	61	69
Don't know	11	13
Total	88	100

Figure 2 Responses from the councils surveyed showed that only 18% had policies in their Local Plan that link affordability to income levels, with the majority taking a market-led approach

There is a significant shift in the revised NPPF from the 2012 version, which stated that ‘eligibility is determined with regard to local incomes and local house prices’ for all types of affordable housing. The only reference to incomes in the final revised NPPF is in relation to **discounted market sale** housing, not rented housing. This could impact on councils’ ability to set their own policies for rent, linked to local incomes.

The picture emerging is that, with such a varied set of circumstances across the country, it is vitally important that – rather than adopting a nationwide approach that arbitrarily pegs affordability to market levels – councils have the ability to set their own rents based on local incomes to create policies to meet local need. This will enable councils to adopt policies that accurately reflect need and ultimately deliver through the planning system homes that are most appropriate locally.

The emphasis on homeownership

The attendees at the roundtable agreed that the current focus in national policy is on helping people into homeownership, rather than on the delivery of homes for those in greatest need. While there is undoubtedly a need for various types and tenures of housing (including intermediate tenures that help to provide a route to homeownership), there has been a shift in focus away from the delivery of housing for rent, for which there is the greatest need across the country.¹⁹

This national policy approach is clear in the conflicts within the Social Housing Green Paper – which on one hand aims to end the stigma of social housing, but on the other promotes homeownership:

‘This Green Paper sets out a new vision for social housing. A vision which values and respects the voices of residents, with landlords treating them with decency and respect, backed up by clear consequences when they do not. A vision centred on how social housing can support people to get on in life, making it more likely, not less, they will go on to buy their own home...’ (Executive Summary)

The emphasis on homeownership above other tenures is a feature of the revised NPPF, which includes a requirement that, with some specific exceptions, for major developments ‘planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership’ (para. 64). The councils interviewed in the Planning for Affordable Housing project voiced their concern that this new requirement would squeeze out the total number of social and affordable rented properties built.

¹⁹ See *How Can Councils Secure the Delivery of More Affordable Homes? New Models, Partnerships and Innovations*. TCPA (supported by the Nationwide Foundation), Nov. 2017. <https://www.tcpa.org.uk/Handlers/Download.ashx?IDMF=84887d6c-08a1-4df4-b72b-0f3e56e212b4>

‘We have concerns with regards to the inclusion of forms of affordable housing that do not remain in perpetuity, and housing that is not truly affordable, such as starter homes’

Council survey respondent

Some councils raised issues over the take-up of these intermediate products, as in Pendle:

‘Concern has been raised over the current uptake of certain tenure products and this needs to be taken into account. In the past there has been little demand shown for intermediate tenure accommodation and where products of this tenure have been provided relatively few have been occupied.’²⁰

This analysis makes it clear that government policy must empower councils to set locally specific planning policy targets, to effectively meet housing need.

Social rent

The revised NPPF re-inserts reference to social rent in its definition of affordable housing in the glossary in Annex 2. Councils had argued in the survey that removing this reference undermined their ability to require social rented homes from developers, and the government has responded to the comments on this issue during the consultation period by re-introducing the term, after ‘local authorities and interest groups raised concerns [in response to the consultation] about how changes in policy will affect the delivery of affordable housing’, and specifically after ‘a large proportion of respondents said that social rent should be included in the definition of affordable housing, as its exclusion could lead to more people being forced into private renting’.²¹

However, it is important to view this minor change within context. The overall picture is that social rent has arguably been downgraded in the revised NPPF, as it is now subsumed within the overall category of affordable housing for rent. The wording of the category suggests that developers can deliver either at affordable rent or social rent levels; or at least 20% below local market rents. The feedback from councils is that this could have significant implications in securing social rented homes rather than affordable rent in their Local Plans.

Securing affordable housing in perpetuity

Historically, one of the key features of affordable housing has been that any subsidy – provided either by grant or through capturing the betterment gained by the granting of planning permission – has been retained either in the stock itself or through recycling the subsidy into creating replacement affordable homes.

There is again a significant shift on this in the revised NPPF. In the original NPPF, all types of affordable housing were required to be affordable in perpetuity; in the revised NPPF, only two of the four potential definitions are required to be so. One of the other two categories (‘other affordable routes to home ownership’) is required to remain affordable only where public grant funding is available. The final category, ‘starter homes’, does not include any such requirement in its definition.

20 *Pendle Local Plan Part 1: Core Strategy 2011-2030*. Pendle Borough Council, Dec. 2015, para 10.128.
https://www.pendle.gov.uk/info/20072/planning_policies/275/development_plan_documents/2

21 *Government Response to the Draft Revised National Planning Policy Framework Consultation*. Ministry of Housing, Communities and Local Government, Jul. 2018.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728498/180724_NPPF_Gov_response.pdf

4.2

Theme 2: Planning for mixed communities

The potential of planning and the impact of recent changes

The planning system, at its best, has the ability to create mixed and thriving communities. The delivery of affordable housing is a chief component of successful mixed communities, and the planning system has a fundamental role to play in ensuring that new developments provide housing for those whose needs are not met by the market. One of the benefits of delivering affordable homes through the planning system is that integrated communities can be secured.

The research undertaken in the Planning for Affordable Housing project shows that in recent years changes to the planning system have been focused primarily on delivering high levels of private market housing for sale and rent, and this has often been at the expense of wider place-making objectives. There has been insufficient focus on where new homes are being delivered, and whether they meet the needs of local people, and instead the focus has been on meeting housing number targets. The research provides an insight into the extent of this problem, and particularly who is missing out as a result of the current policy framework on planning for affordable housing.

Reliance on the planning system

Many of the respondents to the survey and those interviewed spoke of the reliance that is placed on the planning system to deliver the affordable homes that are needed. This is problematic, especially because of the low levels of affordable housing that are being secured in many areas. Around 70% of the councils who responded to the survey said that they rely significantly on the planning system to deliver the affordable homes

required in their area. One attendee at the expert roundtable agreed that planning is being relied on 'massively' at the expense of the delivery of other key infrastructure. As a result, councils agree that affordable housing is not seen as an integrated component of strategic planning in the present policy context, but rather as an output in its own right from the planning system and a target to be met. This has an impact on the broader outcomes that are secured through planning in terms of place-making and inclusive communities.

However, owing to the current lack of funding available for affordable housing, the planning system is seen as the only viable route to plug the gap in the provision of affordable homes. The view was also expressed that this is an inefficient system of securing affordable housing, owing to the relatively small numbers of affordable housing secured through the planning system despite the large resources required to negotiate – and renegotiate – Section 106 contributions during the different stages of the planning process.

Many officers who were interviewed admitted that the current reliance on planning to deliver affordable housing was unrealistic, especially given the viability challenges that many available sites face. The targets set in Local Plans consequently recognise these constraints. Table 3 shows the proportion of affordable housing need met through planning policies in Local Plans. Importantly, Table 3 highlights the levels of ambition of councils in their Local Plan policies and the feasibility of delivering affordable housing need through planning.

There is a huge variation in the extent to which the need for affordable housing is reflected in local planning policy. Analysis of individual Local Plans reveals more about the process of preparing

Table 3 Proportion of affordable housing need met through policies in recently adopted Local Plans

Council	Proportion of affordable housing need met by planning policy requirements, %
Birmingham City	9
Great Yarmouth Borough	9
Pendle Borough	10
Knowsley	14
London Borough of Islington	15
Blackpool	28
Ipswich Borough	31
Rochdale Borough	34
London Borough of Hounslow	36
London Borough of Wandsworth	38
London Borough of Lambeth	44
East Riding of Yorkshire	47
Carlisle City	48
Cornwall	58
Crawley Borough	75
Rotherham Metropolitan Borough	90
North Somerset	131
Vale of White Horse District	132
East Staffordshire Borough	219

Information on sources and definitions is given in Appendix 1

these policies. In Pendle, one of the most deprived areas of the country, affordable housing is a major issue. As set out in the Pendle Local Plan:

*'The Burnley and Pendle SHMA [Strategic Housing Market Assessment]... indicates that the net annual affordable housing need in Pendle is 236 dwellings. In order to meet this level of need, between 74% and 84% of the total annual housing requirement would have to comprise affordable housing. The SHMA indicates that this is a particularly high affordable housing need. It suggests that a figure of 40% would be more appropriate and that this would allow a significant proportion of the housing needs to be met.'*²²

However, the council is required by the viability test in the NPPF to realistically assess whether a target of 40% is achievable. As a result the Local Plan states that:

*'The targets set out in the policy must reflect the current economic conditions and likely levels of viability. As such the 40% target can only be considered as a longer term aspiration.'*²³

Resulting from this assessment, the policy in the Pendle Local Plan is for 0-20% of new development to be affordable homes. This is an example of the challenge that councils across the country face if they are to deliver affordable housing through the current planning framework.

22 **Pendle Local Plan Part 1: Core Strategy 2011-2030.** Pendle Borough Council, Dec. 2015, para 10.108. https://www.pendle.gov.uk/info/20072/planning_policies/275/development_plan_documents/2

23 **Pendle Local Plan Part 1: Core Strategy 2011-2030.** Pendle Borough Council, Dec. 2015, para 10.119. https://www.pendle.gov.uk/info/20072/planning_policies/275/development_plan_documents/2

Table 4 Affordable housing delivered through the planning system in local authority areas across England, 2016/17

Council	House prices to earnings ratio	Index of Multiple Deprivation rank	Total affordable units delivered through planning, 2016/17	Total affordable units delivered through other sources, 2016/17	Percentage of total affordable units delivered through planning
Vale of White Horse District	9.70	311	270	10	96
London Borough of Islington	16.24	24	162	27	86
East Riding of Yorkshire	6.18	195	121	26	82
London Borough of Wandsworth	16.20	158	164	49	77
Cornwall	8.60	95	621	207	75
Crawley Borough	10.03	171	158	91	63
Great Yarmouth Borough	6.69	25	6	6	50
Carlisle City	5.65	116	62	69	47
London Borough of Lambeth	14.98	44	35	44	44
Rotherham Metropolitan Borough	5.08	52	41	54	43
North Somerset	7.83	196	46	83	36
Brighton & Hove City	11.43	102	20	35	36
Birmingham City	6.03	7	69	295	19
Rochdale Borough	5.20	16	5	51	9
Derby City	5.06	55	14	159	8
East Staffordshire Borough	6.41	152	7	143	5
Blackpool	4.90	1	0	43	0
Knowsley	4.85	2	0	81	0
Pendle Borough	3.99	38	0	47	0
Ipswich Borough	6.90	71	0	89	0
London Borough of Hounslow	11.90	117	0	281	0

Information on sources and definitions is given in Appendix 1

Table 4 illustrates the variation across the country in the delivery of affordable housing through the planning system. It is clear that – on the whole – areas of high value are more successful in securing affordable housing through planning agreements, whereas lower-value areas are seeing fewer affordable homes being delivered through the planning system.

Evidence explored in this report suggests that even though lower-value areas are generally more affordable, affordability is, nevertheless, still a major concern in low-value areas, and delivery is well below the levels required. Major investment

in affordable housing is required in these lower-demand areas to make up for this shortfall, alongside a planning system that prioritises the delivery of genuinely affordable housing above other outcomes.

Delivering affordable housing for all through planning

This analysis is backed by the councils interviewed, who highlighted that flaws in the planning system are leading to outcomes that do not meet housing needs and expectations across geographical areas.

One council representative said that a market response is being taken to the housing challenge rather than a planning one. As a result, development is not happening in low-demand areas and ‘people feel like they are being left behind’. The current system for delivering affordable housing provides an imbalance in delivery, the roundtable attendees agreed.

Many of the councils make it clear in their Local Plans that it is important to plan for all types of housing need. Great Yarmouth’s Local Plan summarises this challenge succinctly:

‘Different households can have very different housing needs. For example, someone seeking work might need to rent a home at a very low price, whereas a young couple earning an average wage may require help to buy their first home.’²⁴

A concern was also raised at the expert roundtable about the type of affordable housing that is being delivered through the current planning system and the affordable rent model. One attendee raised the fact that, while smaller properties are easier to deliver through affordable rent, it is the larger family homes needed in the local authority area that are not being delivered.

Changes to the viability test in the revised NPPF

The responses to the project survey provide some important insights into the likely impact of the

changes to the NPPF viability test made in the final revised NPPF and the updated PPG on viability.

Viability assessment

Since the NPPF was first published in 2012, viability assessments have provided an opportunity for developers to argue that the required contributions towards affordable housing and other key infrastructure are not viable. The updated PPG makes an attempt to prevent inflated land prices from resulting in fewer affordable homes being delivered during this process, by stating in several sections of the guidance that ‘under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan’.²⁵

The guidance also attempts to limit the use of viability assessments by making it clear that the role for viability assessment is primarily at the plan-making stage:

‘Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision-making stage.’²⁶

Despite this clarity, the wording of the final revised NPPF itself indicates that developers can make the case for a viability assessment at the planning application stage based on ‘particular

²⁴ *Great Yarmouth Local Plan: Core Strategy 2013-2030*. Great Yarmouth Borough Council, Dec. 2015, para 4.4.7. <https://www.great-yarmouth.gov.uk/CHttpHandler.ashx?id=1884&p=0>

²⁵ ‘Viability’. *National Planning Policy Guidance*. Ministry of Housing, Communities and Local Government, Jul. 2018, Para. 006, Ref. ID 10-006-20180724, and following. <https://www.gov.uk/guidance/viability>

²⁶ ‘Viability’. *National Planning Policy Guidance*. Ministry of Housing, Communities and Local Government, Jul. 2018, Para. 002, Ref. ID: 110-002-20180724. <https://www.gov.uk/guidance/viability>

‘While viability guidance is welcomed ... moving the ‘viability problem’ to the plan-making stage will create new issues which local authorities will struggle to react to’
Council survey respondent

circumstances’.²⁷ Further information about these ‘particular circumstances’ is provided in the PPG:

‘Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force.’²⁸

This is an important issue on which that the government has sought to provide clarification in the updated NPPF and PPG. In response, councils on the whole agreed with the principle that viability assessments ought to take place at the plan-making stage. However, they remain unconvinced that viability will not still be argued by developers at the planning application stages, with the wording in the guidance inviting an opportunity for viability to be re-assessed later on.

One council representative said that there are inherent flaws with measuring viability at plan-making because of changes in costings and values that appear later in the development stage, and that developers would argue this point using the

opportunities presented to do so in the PPG. The overall message received from councils during the Planning for Affordable Housing project is that while the move towards greater transparency and accountability is welcome, the underlying problem remains: viability will still be the determinant in whether or not to approve planning applications. The government must continue to re-balance the planning system towards meeting policy requirements, including delivery of affordable housing.

Benchmarking land values

There are also significant changes made to the approach to benchmarking land values outlined in the government’s guidance. The PPG makes it clear that benchmark land values should be based upon a ‘existing use value plus’ (EUV+) approach, and that ‘existing use is not the price paid and should disregard hope value’. The ‘plus’ part of the EUV+ approach is described as a premium which ‘should provide a reasonable incentive [...] for a land owner to bring forward land for development while allowing a significant contribution to comply with policy requirements’.²⁹ There is inconsistency in that a definition is not provided for the return that a landowner can expect, despite the inclusion of a definition of a ‘suitable return’ to developers as an assumed 15-20% of gross development value.³⁰

Again, this change offers hope for a shift to a new approach that creates a fairer system for sharing

27 **National Planning Policy Framework. Cm 9680. Ministry of Housing, Communities and Local Government, Jul. 2018, para. 57.** https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740441/National_Planning_Policy_Framework_web_accessible_version.pdf

28 **‘Viability’. National Planning Policy Guidance. Ministry of Housing, Communities and Local Government, Jul. 2018, Para. 007, Ref. ID 10-007-20180724.** <https://www.gov.uk/guidance/viability>

29 **‘Viability’. National Planning Policy Guidance. Ministry of Housing, Communities and Local Government, Jul. 2018, Para. 013, Ref. ID 10-013-20180724.** <https://www.gov.uk/guidance/viability>

30 **‘Viability’. National Planning Policy Guidance. Ministry of Housing, Communities and Local Government, Jul. 2018, Para. 018, Ref. ID 10-018-20180724.** <https://www.gov.uk/guidance/viability>

‘While the standard approach is welcomed, the emphasis is still in favour of the developers’

Council survey respondent

betterment values and ultimately contributes to building more affordable homes.

However, there are two particular issues that are yet to be addressed:

- The amount of affordable housing required still depends on market viability, which may not reflect local need.
- While land prices may decline over the long term in reflection of higher policy requirements, there remains the question of how the system will operate in the short and medium term when large amounts of land have already been purchased by developers in anticipation of development consent with much lower planning obligations.



4.3

Theme 3: Delivering affordable housing within the current planning framework

Securing policy requirements for affordable homes

Under theme 2 this report addresses the issue of whether councils are able to set ambitious policies on affordable housing within their development plans. The problems encountered with the implementation of these policies are considered here under theme 3.

Councils are reporting poor outcomes from the planning system in terms of meeting policy requirements for affordable housing. Only 2% of the councils who responded to the survey said that developers met their policies for affordable housing all the time. A council representative who attended the expert roundtable said that while previously their policy of 35% affordable housing was met, now they only receive 20% as a result of viability discussions with developers.

This is most acutely seen in the number of social rented homes being delivered through the planning system. Despite over half of councils surveyed having policies in their Local Plan requiring social rented homes to be built (as shown in Figure 3), project analysis of the figures from the councils with recently adopted plans show that these policies are not being delivered upon. Many of the comments received from councils on this question reported that social rented homes are 'allowed' in the policy but not delivered in practice. This suggests a weak starting position in policy terms as councils negotiate on affordable homes for those in greatest need, and raises wider questions about the status and weight of the development plan in decision-making.

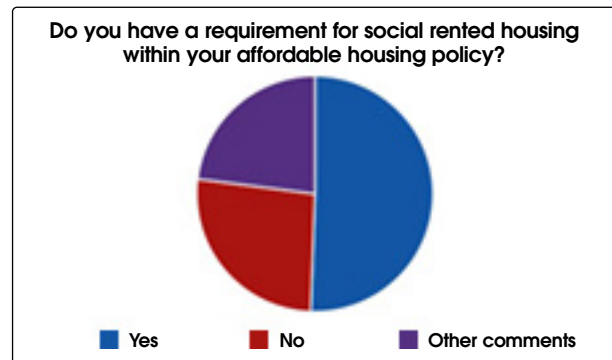


Figure 3 Over half of the councils surveyed said that they have a policy in their Local Plan that requires social rented homes

There are, nevertheless, instances where councils are insisting on delivery of social rented homes and building a relationship with developers and housing associations where this expectation is being met; but these instances are in the minority, and further research is needed in the next phase of the Planning for Affordable Housing project to enable other councils to learn from these examples and replicate the approaches used where social rented homes are in greatest need.

Changes to permitted development

Evidence collected through other TCPA projects has highlighted the significant impacts of the changes to permitted development rights governing changes from commercial to residential use, resulting in development that in many cases can have serious adverse implications for people's health and wellbeing.³¹

One study conducted by the Local Government Association has shown that as many as 7,500 affordable homes could have been lost through this

31 *Planning 2020: Interim Report of the Raynsford Review of Planning in England*. TCPA, May 2018. <https://www.tcpa.org.uk/Handlers/Download.ashx?IDMF=8c619109-a721-4efc-8eac-c9ba8ecee4b5>

Table 5 Social rented homes delivered through the planning system and through other sources, 2016/17

Council	Social rented homes delivered through planning	Other affordable tenures* delivered through planning	Social rented homes delivered through other sources	Other affordable tenures* delivered through other sources
London Borough of Islington	108	54	9	18
Crawley Borough	80	78		91
East Riding of Yorkshire	32	89		26
Rotherham Metropolitan Borough	25	16		54
Vale of White Horse District	17	253		10
North Somerset	16	30		83
Cornwall	15	606		207
Carlisle City	6	56	38	31
Blackpool				43
Knowsley				81
Birmingham City		69	103	192
Rochdale Borough		5		51
Great Yarmouth Borough		6		6
Pendle Borough				47
London Borough of Lambeth		35		44
Derby City		14	6	153
Ipswich Borough				89
Brighton & Hove City		20	12	23
London Borough of Hounslow			135	146
East Staffordshire Borough		7		143
London Borough of Wandsworth		164		49

* Including affordable rent/intermediate rent/shared ownership/affordable homeownership
Information on sources and definitions is given in Appendix 1

policy.³² There are also significant quality concerns, with recent research finding that in its study sample only 30% of the units delivered through this route met minimum national space standards.³³

Securing homes on smaller sites

A consistent and significant message from all the councils that were interviewed and completed the survey in the Planning for Affordable Housing

project concerns the loss of affordable housing due to government policy that prevents affordable homes being required on smaller sites (usually sites delivering up to ten homes). One council estimated a loss of 10% of their affordable homes total per year as a result of this policy. Another council that relies on small sites for 50% of its housing delivery is challenging this policy on the grounds of exceptional circumstances, and is putting forward a case for a lower threshold.

32 M Read: 'Permitted development rights should be scrapped, argues LGA'. *The Planner*, 18 Jan. 2018. <https://www.theplanner.co.uk/news/permitted-development-rights-should-be-scrapped-argues-lga>

33 B Clifford *et al.*: *Extending Permitted Development Rights in England: The Implications for Public Authorities and Communities*. Royal Institution of Chartered Surveyors, May 2018. <https://www.rics.org/uk/news-insight/research/insights/the-implications-of-extending-permitted-development-rights-in-england/>

4.4

Theme 4: The role of the local authority



Leadership

One of the attendees at the roundtable said that whether affordable housing is delivered to meet local need comes down to a matter of political will. One council interviewee noted a recent change in attitude at their local authority: whereas previously there was a lack of emphasis on the need for affordable housing, it is now seen as a priority. Another council representative said that ‘there is strong leadership from the council on driving forward housing growth, despite local opposition’. A change in the council’s approach came about as a result of it ‘previously being too reliant on the development industry, and a desire to set the bar higher in terms of quality’.

The aim of phases 2 and 3 of the Planning for Affordable Housing project is to help councils to raise the bar in their ambitions on delivering affordable housing through the planning system.

Question 9

Do you think that your local plan policy is sufficiently ambitious to meet local need for affordable housing?

Response	Number of responding councils	Percentage of responding councils
Yes	48	55
No	34	39
Don't know	6	7
Total	88	100

Figure 4 Nearly two-fifths of the councils surveyed did not think that their policies were ambitious enough to meet local need for affordable housing

Capacity building and recognising the role of councils

Councils have the potential to play an important role in delivering affordable housing. There was consensus during one of the regional seminars that this is an exciting time to be in local government, with new and innovative approaches being taken.

One of the interviewee councils said that ‘the council is central to achieving housing growth’ and that a reorganisation had provided the resources needed to maximise this potential, with housing ‘now being given a clear presence’ and with a focus on housing growth and enabling development. The council has seen successes since this reorganisation and has also established a developers’ forum to aid delivery and help foster cross-sector relationships.

However, the TCPA research has found that many local authority planning departments are struggling with deregulation, demoralisation and a skills and capacity shortage.³⁴ The cumulative impact on both policy and practice is a loss of confidence in planning for affordable housing. One council officer who was interviewed spoke about the significant resources required to negotiate and renegotiate Section 106 agreements, often for small numbers of affordable housing units, and the adverse impact on the morale of officers of working under a current policy framework that prioritises the needs of developers.

Innovation

Despite the strain on local authority resources that securing affordable housing through the planning system entails, some councils have benefited from investing additional resources into teams that enable this delivery. This has helped to boost skills and provide for creative, entrepreneurial approaches.

One council interviewee described their approach of mixing developer contributions together with funding from Homes England and direct funding to form their own grant programme as a council. A strategic programme approach has been taken with housing associations, committing to the longer term. This has fostered good relationships with the housing association sector and allowed flexibility over how developer contributions are spent. The council has also taken the time to create a good working relationship with Homes England and is aiming to adopt a collaborative approach as far as possible to meet local housing need by bringing in a range of partners.

Phase 2 of the Planning for Affordable Housing project will focus more on innovation of this kind, to provide guidance to councils about new approaches being taken to maximise the amount of social and affordable housing being delivered through the planning system. Guidance will be accompanied by training across the country in phase 3.

³⁴ *Planning 2020: Interim Report of the Raynsford Review of Planning in England*. TCPA, May 2018. <https://www.tcpa.org.uk/Handlers/Download.ashx?IDMF=8c619109-a721-4efc-8eac-c9ba8ecee4b5>

Section 5

Recommendations

This report sets out powerful evidence on the challenges facing councils as they attempt to create mixed and thriving communities. Based on this evidence, this Section presents a series of recommendations on how to maximise the potential of the planning system to provide more people with a decent and affordable home. It is, however, important to acknowledge that, even operating at its very best, the planning system cannot be relied upon to deliver *all* the affordable housing that the country needs. Changes to the planning system must therefore be implemented alongside a government commitment to a significant new investment programme in social housing – something missing from the Social Housing Green Paper. With this in mind, the recommendations focus on what can be achieved both through structural changes to the planning system (themes 1 and 2) and by improving the existing system through changes to planning guidance and other legislation (themes 3 and 4).

5.1

Theme 1: Defining affordable housing



Reinstate a definition of affordable housing which links affordability to income.

The revised NPPF does not include a meaningful definition of housing affordability. The definition set out in Annex 2 of the NPPF includes a wide range of intermediate housing ‘products’ which cannot reasonably be described as affordable. The government has made a change from a measure of affordability based on income to one fixed to an arbitrary percentage of market prices. This is not a true measure because it fails to factor in the ability of those on low incomes to pay.

The engagement that this project has had with councils has re-emphasised that there needs to be a clear distinction between intermediate housing products and a genuine measure of affordability. The definition of an affordable home should be based on a measure of income instead of being pegged to an arbitrary proportion of market price. The definition in the NPPF will devalue what can be required through Section 106 contributions and will shift the focus away from the provision of genuinely affordable tenures such as social rent (despite this tenure being re-included within the final revised NPPF).



Set an overall target for the number of affordable homes required in England (including those available for people in greatest need) and issue a clear strategy on the routes for delivering them and the role of the planning system.

There are currently no targets set by central government for the number of affordable homes of different tenures which are required to meet need, despite an overall target of building 300,000 new homes a year by the mid-2020s. Local authorities are required to set out their housing needs locally within housing need assessments, but the research carried out by this project has found that information is often inaccessible. This makes measuring success – and understanding what is and isn’t working – difficult.

The latest statistics provided by Crisis and the National Housing Federation indicate that that we need to build 145,000 new affordable homes a year, including 90,000 for social rent.³⁵ In further developing the policies of the Social Housing Green Paper, and in order to effectively address the urgent question of supply, a clear strategy is required, including an overall target for meeting the shortfall in delivery of affordable housing and details on the role that the planning system is expected to play.

³⁵ See ‘England short of four million homes’. Webpage. Crisis, May 2018, quoting research carried out by Heriot-Watt University for Crisis and the National Housing Federation. <https://www.crisis.org.uk/about-us/latest-news/england-short-of-four-million-homes/>

5.2

Theme 2: Planning for mixed communities



Refocus the planning system to meet the basic needs of people.

In its recently published Civil Society Strategy,³⁶ the government has spoken strongly about the ‘burning injustices and entrenched social challenges’ in the country today. To tackle these injustices, it explains how we must create thriving communities which ‘protect and promote the rights and interests of the vulnerable and disadvantaged in society’, and discusses the role of place-making in achieving this.

The planning system can play a vital role in securing mixed and thriving communities – but the problem is that the system is currently at its weakest in its outcomes for people. The most striking example of this is the extension of permitted development rights that has allowed commercial buildings to be converted for residential use without full planning permission, resulting in poor design outcomes and a lack of basic infrastructure such as play space, public transport and healthcare facilities.

While working out how to ‘fix’ the planning system to build more affordable housing, we must remain conscious that the current system is failing in many other areas, with profound consequences for the future of our country.

In order to achieve thriving communities, fundamental change is needed in how we plan for the future of our country so that the basic needs

of the poorest in our society are met. A refocusing of the planning system – as considered by the Raynsford Review of Planning in England³⁷ – is required to place the health and wellbeing of people at its heart. In practice, this means legal changes and alterations to the NPPF.



Improve the status of the development plan to provide greater certainty on the delivery of affordable housing.

One of the main problems with securing affordable housing through planning system as it stands is the current status of the development plan as guidance: this does not provide sufficient legal weight to influence decisions on the built environment. The multiple benefits of a development plan with greater weight in law would include greater certainty for everyone involved in the development process, and ultimately much better delivery on local planning policies, including policy on affordable housing.

The development plan should be an effective and powerful statement on how a community will develop over the long term and how affordable homes will be delivered. It ought to command the confidence of all sectors by being the product of a participative act of co-creation between local authorities, communities and the wider development sector, all of whom are vital to good place-making.

36 *Civil Society Strategy: Building a Future that Works for Everyone*. Cabinet Office, Aug. 2018. <https://www.gov.uk/government/publications/civil-society-strategy-building-a-future-that-works-for-everyone>

37 *Final Report of the Raynsford Review of Planning in England*. TCPA, Nov. 2018 (forthcoming)

Changes should be made to the legal status of the development plan to make it sovereign, not just for those applying for planning permission but for the local authority and politicians that have adopted it. Making decisions contrary to plan – including on affordable housing – would need to be much more carefully justified than at present.³⁸



Create a fairer and more effective way to share the betterment gained through the granting of planning permission, to produce a more equal distribution of values and deliver greater amounts of affordable housing.

The regulation of land generates substantial betterment values, created by the actions of public authorities but largely accruing as windfall gains to landowners. This can distort the planning system by incentivising speculation in land. It also leads to an unfair distribution of values in terms of meeting the costs of affordable housing, infrastructure and social facilities.

As part of a refocused planning system as advocated under Recommendation 3, we should adopt a more effective and fairer way of sharing land values, such as through:

- measures specific to large-scale growth implemented by Development Corporations and local planning authorities;
- a reformed Section 106 and Community Infrastructure Levy process;
- an element of betterment taxation, as part of capital gains tax, that is directed towards regeneration in low-demand areas; and
- enhanced legal status for the development plan.

This recommendation finds support in the recently published *Land Value Capture* report from the Housing, Communities and Local Government Select Committee on the need for new ways of

capturing the uplift in the value of land, which concludes that:

*'Increases in the value of land arising from the granting of planning permission and the provision of new infrastructure are largely created by the state. It is fair, therefore, that a significant proportion of this uplift be available to national and local government to invest in new infrastructure and public services.'*³⁹



Create a duty on local planning authorities to plan for the housing needs of their area.

Currently there is no legal duty on local planning authorities in relation to meeting housing needs. This is despite the government's strong focus on housing and the fact that planning law contains other outcome-based duties, such as on climate change, design and sustainable development.

Local planning authorities are already subject to housing duties in relation to issues such as homelessness. The recommendation here is that the government should introduce a new duty on local planning authorities to plan for the long-term housing needs of the area, with a particular emphasis on the provision of genuinely affordable homes. The intention is that this would help councils to argue the case for the provision of genuinely affordable housing within their Local Plans. This would require an amendment to Section 19 of the Planning and Compulsory Purchase Act 2004:

*'Development Plan Documents must (taken as a whole) include policies designed to meet the objectively assessed housing needs of the local planning authority's area in such a way as to secure the long-term health, safety and wellbeing of residents. In meeting such needs planning authorities should have particular regard to ensuring that housing is affordable to those on average or below-average household incomes.'*⁴⁰

38 Further detail on a proposed new legal status for the development plan is included in *Final Report of the Raynsford Review of Planning in England*. TCPA, Nov. 2018 (forthcoming)

39 *Land Value Capture*. HC 766. Tenth Report of Session 2017-19. House of Commons Housing, Communities and Local Government Committee, Sept. 2018. <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/766/766.pdf>

40 *Final Report on the Raynsford Review of Planning in England*. TCPA, Nov. 2018 (forthcoming)

5.3

Theme 3: Delivering affordable housing within the current planning framework

The following changes to the existing planning system are recommended, to maximise the ability of councils to secure genuinely affordable housing.



Further reform the viability test in planning guidance to close the loophole enabling developers to avoid building affordable housing.

The government has made some welcome changes to the viability test in the revised NPPF and associated viability section of the PPG. These changes have begun to close the door on developers' use of viability assessments to avoid delivering affordable housing. However, the door is still ajar, and it is important for the government to continue to update planning guidance to strengthen the status of Local Plan policy on affordable housing. In particular, this involves listening to the concerns of councils about developers being able to argue viability at the planning application stage.

The PPG also needs to be revised to provide greater clarity on the proposed changes to the way that market values are calculated. Such calculations will now be based on an agreed value for land based on existing use value plus a premium for landowners (the 'EUV+' approach). Greater clarity is particularly required over how this premium will be calculated and what might be an acceptable range of values. The PPG suggests a range of values for acceptable developer profits and should provide an indication of acceptable landowner premiums.



Make changes to the compensation code to remove 'hope value'.

The compensation code is crucial, as capturing the uplift in land values which the granting of planning permission and development creates is vital to fund debt repayment and long-term re-investment in communities. If land compensation deals are too generous to landowners, this funding may be compromised, reducing the ability to deliver public goods such as affordable housing. If, on the other hand, compensation is unfair, landowners may challenge decisions in the courts.

The House of Commons Housing, Communities and Local Government Committee *Land Value Capture* report recommends reform of the 1961 Land Compensation Act:

'The Land Compensation Act 1961 requires reform so that local authorities have the power to compulsorily purchase land at a fairer price.'

*'The present right of landowners to receive 'hope value' – a value reflective of speculative future planning permissions – serves to distort land prices, encourage land speculation, and reduce revenues for affordable housing, infrastructure and local services. We do not believe that such an approach would be incompatible with human rights legislation, as there would be a clear public interest and proportionality case to do so.'*⁴¹

41 *Land Value Capture*. HC 766. Tenth Report of Session 2017-19. House of Commons Housing, Communities and Local Government Committee, Sept. 2018. <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/766/766.pdf>



The PPG makes it clear that ‘existing use value is not the price paid and should disregard hope value’. This statement could make a major contribution to the fairer distribution of betterment values and could have a positive impact on the delivery of vital Local Plan policy, including policy on affordable housing. However, for these changes to be effective we need to reform the compulsory purchase compensation rules to provide a fair balance between the interests of landowners and tax-payers.



Rescind permitted development rights allowing for commercial-to-residential conversion without planning permission, in order to maximise the number of affordable homes built through the planning process and prevent poor-quality outcomes for people.

Research published by the Royal Institution of Chartered Surveyors (RICS) has highlighted the multiple negative outcomes for people resulting from the recent changes made to permitted development, such as poor-quality housing produced by developers who are not required to make contributions to affordable housing and

other infrastructure and basic amenities. Case studies show that the relaxation of the permitted development regulations has often led not to more development, but simply to the public benefit that can be gained from developer contributions being stripped away. The findings of the RICS study are that ‘overall, office-to-residential PD has been a fiscal giveaway from the state to private real estate interests, whilst leaving a legacy of a higher quantum of poor quality housing than is seen with schemes governed through full planning permission’.⁴²

The relaxation’s short-term benefits to boosting housing supply are severely undermined by the longer-term social and economic impacts of dealing with unplanned development. The government should immediately reverse the changes to permitted development, requiring planning permission for commercial-to-residential change of use.



Reform planning guidance to help councils secure affordable homes on smaller sites.

All the councils that were interviewed in the Planning for Affordable Housing project reported that one of the major barriers to delivering affordable housing is the threshold that prevents development schemes of less than ten homes from being required to contribute towards affordable housing. In many areas, smaller sites make a significant contribution towards overall land supply for new development, and setting this threshold at a national level prevents these sites from making a valuable contribution not just to the number of affordable homes built, but to the creation of mixed communities.

Councils need to be given greater flexibility in planning guidance to secure affordable homes on smaller sites, in recognition of the multiple benefits from such a policy.

⁴² *Assessing the Impacts of Extending Permitted Development Rights to Office-to-Residential Change of Use in England*. Royal Institution of Chartered Surveyors, May 2018. <https://www.rics.org/globalassets/rics-website/media/knowledge/research/research-reports/assessing-the-impacts-of-extending-permitted-development-rights-to-office-to-residential-change-of-use-in-england-rics.pdf>



Help local authorities to secure the type of affordable housing required in their area.

As discussed in Section 4, the new definition of affordable housing in the revised NPPF includes the requirement that, where major development schemes are proposed involving housing, ‘planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership’, with a list of exemptions, including where this would ‘significantly prejudice the ability to meet the identified affordable housing needs of specific groups’.⁴³ There is uncertainty about the definition of these ‘specific groups’, and over the ability of councils to make a case for being exempt from this requirement. What is clear from the project research is that areas across England have very different requirements for the types of affordable housing that are needed. Earlier TCPA/Nationwide Foundation research found that some affordable homeownership routes, such as starter homes, were identified as the tenure least needed in many local authority areas.⁴⁴

A blanket requirement promoting affordable homeownership has the potential to significantly reduce the amount of genuinely affordable homes secured through planning. Guidance needs to better support councils in meeting their specific need for affordable housing, recognising both the positive contribution that all tenures can make and the risk of building homes that are not required.

Similarly, further clarity is needed in planning guidance about paragraph 63 of the revised NPPF’s assertion that ‘to support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount’, to ensure that this does not prevent councils from securing the affordable housing needed in their local authority area.



Set out the minimum requirements for standards for residential development.

As well as securing much higher numbers of genuinely affordable homes, the planning system must safeguard the interests of people in housing need and their ability to secure a decent home in a well planned environment.

To achieve this, there should be greater clarity in the three sets of existing standards that shape the quality of places and protect people’s health, safety and wellbeing:

- building regulations focused on building fabric set by national government;
- national standards on space and accessibility, currently set out by government but not compulsory and subject to viability testing; and
- local and strategic planning policy.

As well as making clear the precise scope of building regulations, the government should publish a new national building code which brings together a set of issues in which minimum mandatory standards are vital for people’s safety, health and wellbeing.

These standards should include minimum requirements for residential development in relation to:

- health and wellbeing, including fire safety issues not within the scope of regulations;
- internal space standards on room sizes and storage;
- external space standards related to the type of development;
- accessibility standards;
- energy performance;
- standards of access to green and play space; and
- resilience measures, including sustainable urban drainage systems and measures to promote urban cooling.

43 *National Planning Policy Framework*. Cm 9680. Ministry of Housing, Communities and Local Government, Jul. 2018, para. 64. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740441/National_Planning_Policy_Framework_web_accessible_version.pdf

44 *How Can Councils Secure the Delivery of More Affordable Homes? New Models, Partnerships and Innovations*. TCPA (supported by the Nationwide Foundation), Nov. 2017. <https://www.tcpa.org.uk/Handlers/Download.ashx?IDMF=84887d6c-08a1-4df4-b72b-0f3e56e212b4>

5.4

Theme 4: The role of the local authority



Support councils so that they can play a key role in delivering affordable housing using their planning and land assembly powers.

There is a fundamental role for councils to play in securing affordable housing. The Planning for Affordable Housing research has shown that – when equipped with the skills, knowledge and resources – councils are uniquely well placed to drive forward housing growth and meet the needs of all.

Here, a key element is the formation of strong and effective partnerships with central government, developers, housing associations and other delivery partners, recognising the crucial role that affordable housing plays in boosting the local economy.

Councils can play an active and positive role in preparing plans with ambitious policies on affordable housing. They can also positively shape development by acting as the ‘master-developer’ to co-ordinate change in a timely manner.

This involves local planning authorities in operating development companies, purchasing land, acquiring land through compulsory purchase for comprehensive development where appropriate, commissioning work, and forming partnerships with the private sector. The scope of this place-making role is broad and involves provision of infrastructure to ensure affordability through other means, including access to cheaper energy and high-quality public transport.

This notion of an active and positive local planning authority is principally a matter of resources and culture, since most of the legal powers – from compulsory purchase to the general power of competence – exist, albeit in a fragmented way. The Prime Minister has announced a welcome plan to remove borrowing caps for local authorities, and the government should follow through with a commitment made in the Social Housing Green Paper to change the rules on the use of Right to Buy receipts, and create fairer rules on compulsory purchase compensation. Overall, government policy should recognise the value of a stronger public sector lead in the delivery of new and renewed communities.



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Appendices

Appendix 1

Notes on research methodology

In the assessment of Local Plan policy on affordable housing:

- All Local Plans selected for review were adopted between September 2015 and February 2017, with the exception of that of the London Borough of Islington, which was adopted in February 2011 and was selected for comparative purposes. Full information was not available to enable all 21 of the case studies to be included in all tables.
- Development plans, Strategic Housing Market Assessments and Annual Monitoring Reports have been used as evidence of affordable housing need, policy and implementation, along with data from Ministry of Housing, Communities and Local Government Live Tables. On need and policy, where contradictions appear, evidence included in the development plan is given precedence.
- Regarding the percentage of affordable housing need that is met by planning policy requirements, this figure is either taken as stated in the development plan or is calculated as a percentage against the median figure where the policy includes a range. This is calculated as a percentage against the total housing target of all tenures; and it is important to note that housing sites below the threshold of major development are not required to provide affordable housing.
- In Table 4, data on the house prices to earnings ratio are extracted from the Office for National Statistics' *House Price to Residence-Based Earnings Ratio*, at <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoresidencebasedearningslowerquartileandmedian>
- In Table 4, data on the Index of Multiple Deprivation rank are extracted from *File 10: Local Authority District Summaries* (note: rank of average score used), at <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015>
- In Tables 4 and 5, data on social rent and affordable units delivered through planning and other sources are extracted from the Ministry for Housing, Communities and Local Government's Live Table 1011C: 'Additional affordable housing supply: detailed breakdown by local authority, completions', at <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>
- In Table 5, 'other sources' are defined as outside of Section 106 agreements, including homes built by housing associations; through affordable housing guarantees; by local authorities; through a private finance initiative; permanent affordable traveller pitches; other.

Appendix 2

Glossary

- **Housing Revenue Account** The account in which a council's housing revenue (for example tenants' rent payments) and funds for housing costs (for example for property management and maintenance) are kept.
- **Local Housing Allowance** A calculation for determining how much Housing Benefit private tenants are entitled to receive.
- **Local housing company (LHC)** An independent arm's-length organisation wholly or partly owned by councils, which can develop, buy or manage properties within or outside of a local authority area. The homes that LHCs provide sit outside the local government housing financing system (the Housing Revenue Account).⁴⁵
- **Local Plan** Sets out local planning policies and identifies how land is to be used, determining what will be built where. Adopted Local Plans provide the framework for development across England.
- **National Planning Policy Framework (NPPF)** Sets out the government's planning policies for England and how these are expected to be applied. Introduced in 2012 and revised in 2018, the NPPF constitutes guidance for local planning authorities and decision-takers, both in drawing up plans and as a material consideration in determining planning applications. It is accompanied by **Planning Practice Guidance (PPG)** on specific topics.
- **Section 106 agreement** An agreement made between local authorities and developers, under Section 106 of the Town and Country Planning Act 1990, that can be attached to a planning permission to make acceptable development which would otherwise be unacceptable in planning terms. Also known as 'planning obligations'.
- **Strategic Housing Market Assessment** An assessment of estimated current and future housing requirements, to inform development plans with a better understanding of how housing markets operate. The revised PPG on housing needs assessment published in September 2018 sets out a new standard method for assessing local housing need.

⁴⁵ *Delivering the Renaissance in Council-Built Homes: The Rise of Local Housing Companies*. The Smith Institute, Oct. 2017. <http://www.smith-institute.org.uk/book/delivering-renaissance-council-built-homes-rise-local-housing-companies/>



Planning for Affordable Housing

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The Town and Country Planning Association (TCPA), founded in 1899, is the UK's oldest independent charity focused on planning and sustainable development. Through its work over the last century, the Association has improved the art and science of planning, both in the UK and abroad. The TCPA puts social justice and the environment at the heart of policy debate, and seeks to inspire government, industry and campaigners to take a fresh perspective on major issues, including planning policy, housing, regeneration, and climate change.

The TCPA's objectives are:

- To secure a decent, well designed home for everyone, in a human-scale environment, combining the best features of town and country.
- To empower people and communities to influence decisions that affect them.
- To improve the planning system in accordance with the principles of sustainable development.