

DRAFT SUPPLEMENTARY PLANNING GUIDANCE NOTE

AFFORDABLE HOUSING

- 1.1 This note gives guidance to supplement policies 3.10, 3.11 and 3.12 of the London Plan published on 22 July 2011. In particular, it gives the guidance on how the new affordable rent housing product brought forward by the Government can be used to implement the policies in the Plan (see paragraph 3.63 – unless otherwise indicated, references refer to paragraph numbers in the Plan). It is being published alongside early minor alterations to the Plan which formally incorporate the new product into policy. In time, it will be incorporated into a more comprehensive Housing supplementary planning guidance document, but given widespread uncertainty about how the planning system in London should respond to the new product the Mayor considers it important to issue this guidance urgently.
- 1.2 The Mayor will shortly publish for consultation draft supplementary planning guidance dealing comprehensively with housing issues, including the matters dealt with in this note. His intention is that this note will be incorporated into the main document at an appropriate stage.
- 1.3 This draft supplementary planning guidance is published for public consultation and your comments are invited. All comments must be received by 6pm on Friday 3rd February 2012. Please send your comments to:

By post:

Andrew Barry-Purcell
(Affordable Housing SPG)
FREEPOST 15799
PP18 – Greater London Authority
City Hall
More London
The Queen's Walk
London SE1 2BR

By email:

Please send emailed comments to:

Mayor@london.gov.uk with 'Affordable Housing SPG' in the subject box.

Please note, if you send in a response by email it is **not necessary** for you to also send in a hard copy. Any representations made in relation to the consultation will be made available for public inspection.

2. The status of this document

- 2.1 This document is guidance supplementary to the London Plan of the kind referred to in paragraph 2.22 of Government Office for London Circular 1/2008. It will be consulted on and formally adopted in accordance with the process set out in the Circular. It is based on

policies in the London Plan, and is consistent with national policy, as the Circular requires. Although it will not have the formal development plan status of the Plan itself, it will be a relevant consideration in taking planning decisions, and will guide the Mayor in drawing conclusions about whether boroughs' draft plans are in general conformity with the London Plan. It will be kept under review and updated/replaced as necessary.

3. Context

3.1 As the London Plan makes clear, provision of affordable housing (particularly for families) is a particular priority in the capital. Against the background of a growing city with an increasing number of households¹ and taking account of incomes and housing costs, the London Strategic Housing Market Assessment² suggests an annual affordable housing requirement of 18,200. The scale of the challenge is compounded by the cost of housing in the capital – in August 2011, the average market price of a home here was £347,500³ and prices in the lowest quartile were 75 per cent higher than in the country as a whole⁴. Buying a home is increasingly difficult for people on average incomes – in the late 1990s lower quartile home prices in London were four times those of lower quartile earnings; by 2010 this had risen to nine times⁵. Private rental costs are also very high in London – the median monthly rent for a two bedroom home in the capital was £1,190 in June 2011, more than double the national median of £550 a month⁶.

4. The London Plan policies

4.1 London Plan contains a suite of policies to enable delivery of affordable housing to help meet this need through the planning system:

- Policy 3.10 sets out a definition of affordable housing, which is then elaborated in the supporting text (para. 3.61). This definition is taken from national planning policy⁷ and covers social rented and intermediate housing. The text also refers to the Government's new affordable rent product (see below), although not as a matter of policy. This was announced too late in the London Plan process to be incorporated into policy, and the Mayor is bringing forward an early minor alteration to do this.
- Policy 3.11 states that "The Mayor will, and boroughs and other relevant agencies and partners should, seek to maximise affordable housing provision". It goes on to set strategic housing targets of 13,200 more affordable homes per year (the text explains how an assessment of viability, including likely available funding for provision and historic delivery were taken into account to move from the 18,200 requirements figure) and within this a 60%:40% split between social rented and intermediate housing. This policy also requires boroughs to set their own targets taking account of these strategic ones, the priority for affordable family housing, the need to promote mixed and

¹ See London Plan, Chapter 1

² Mayor of London, Strategic Housing Market Assessment, GLA 2009

³ Department for Communities and Local Government Housing price Index, August 2011

⁴ Department for Communities and Local Government, Housing Live Table 583

⁵ Department for Communities and Local Government Housing Live Table 576

⁶ Valuation Office Agency, Private Rental Market Statistics, September 2011

⁷ Planning Policy Statement 3: Planning for Housing

balanced communities (dealt with in Policy 3.9), land availability and viability and availability of resources. These targets can be expressed as a number, or a percentage.

- Policy 3.12 deals with negotiation of affordable housing on individual private residential and mixed use sites. It states that the “maximum reasonable amount of affordable housing should be sought when negotiating on individual private residential and mixed use sites”, having regard to the strategic and local needs for affordable housing established under Policy 3.11 and other policies in the Plan; the need to encourage rather than constrain overall housing delivery; the need to promote mixed and balanced communities; the size and type of affordable housing needed in particular locations and the specific circumstances of individual sites. Negotiations should also take account of individual circumstances such as development viability, the availability of public subsidy, the implications of phased development (including provisions to reassess the viability of schemes and their ability to support additional affordable housing) before they are implemented).

The policies are set out in full in Annex 1 to this note.

5. Recent developments

- 5.1 There have been two related developments since the London Plan examination in public ended in December 2010.
- 5.2 The first is the Government’s introduction of a third form of affordable housing to sit alongside social rent and intermediate housing – affordable rent. This is “rented housing provided by registered providers of social housing to households who are eligible for social rented housing. Affordable rent is not subject to the national rent regime, but is subject to other rent controls that require it to be offered to eligible households at a rent of up to 80% of local market rent”⁸.
- 5.3 The second is a new, more flexible approach to delivering affordable housing, including affordable rent. Instead of a scheme-by-scheme approach to funding decisions, there will be one based on providers’ overall capacity to deliver a given number of units and outcomes in a way more closely integrated with its wider asset management strategy over a four year programme. This draws on four funding sources:
 - Additional borrowing capacity supported by the greater rent income from converting social rent housing to affordable rents, and providing new affordable rented homes
 - Existing sources of cross-subsidy (from outright sales, for example)
 - Homes and Communities Agency (HCA) funding where required for development to be viable and payable on completion (and in London after 2012, the Greater London Authority)
 - Other sources of funding or means of supporting development such as land made available at a discount or on a “build now, pay later” basis, and other contributions from boroughs or other public sector organisations

⁸ Planning Policy Statement 3: Planning for Housing (June 2011): Annex B

- 5.4 Under this approach, the HCA (and in London after 1 April 2012, the Mayor) will effectively be a co-funder, sitting alongside delivery partners to secure best value – both on agreeing the initial framework and through a continuing collaborative approach over the delivery period.
- 5.6 This note provides guidance on how the policies in the London Plan should be applied given these two changes.

6. Target setting (Policy 3.11)

- 6.1 In considering setting affordable housing targets, boroughs should always have regard to the whole range of factors set out in Policy 3.11:
- The importance of maximising affordable housing provision in the light of current and future housing requirements
 - The need for consistency with Londonwide strategic targets and the approach to coordinating provision and targets at Londonwide, sub-regional and local levels
 - The need to promote mixed and balanced communities
 - The capacity to accommodate development
 - The viability of future development taking into account future resources as far as possible.
- 6.2 The most immediate implication of the changes outlined above is the addition of affordable rent as a third form of affordable housing alongside the previous two – and the fact that Policy 3.11A sets a strategic target for 60% of affordable homes to be social rent and 40% intermediate housing. Although the new affordable rent product is defined as up to 80 per cent of market rents', the definition of affordable rent in national guidance makes clear its similarities with social rent in terms of the segment of housing need it is intended to meet. As a practical matter, boroughs are recommended to include it alongside social rent, and this is the approach the Mayor will be taking in his early alteration to the London Plan (which makes clear that for the purposes of the 60:40 social rent:intermediate split both social and affordable rent should be included within the 60%)..
- 6.3 Whatever approach is taken, boroughs should ensure that they do not constrain affordable housing delivery (particularly for family housing) through their approach to affordable housing definitions and targets (for example by confining the sub-market rent element solely to conventional social rented housing). Government is clear that there will be no grant funding for social rented housing in the 2011-15 spending round and that funding for most new affordable housing will be provided as affordable rent.
- 6.4 While the Mayor has set a strategic investment benchmark that across the affordable rent programme as a whole rents should average 65% of market rents, this is an average investment output benchmark for this spending round and not a planning policy target that can be applied in Local Development Frameworks or in negotiations on individual schemes (see below). The nationally-set definition of the affordable rent product makes clear that it will be available at rents of up to 80% of market rent; seeking to impose a lower rent ceiling or ceilings through the planning system would result in something other than the affordable

rent product and would not comply with national guidance. This kind of approach is also likely to constrain output (given the importance of the additional rent income from affordable rent to the new funding arrangements described above any attempt to cap that income will result in fewer units of affordable housing).

- 6.5 Any approach to target setting that constrains output would run counter to Policy 3.11 and particularly its emphasis on maximising provision (Policy 3.11A and Cf). Given the pressing need for affordable housing in London, the Mayor is likely to give particular weight to these considerations in assessing whether borough development plan documents are in general conformity with the London Plan.
- 6.6 In setting targets, boroughs are encouraged to consider what resources in terms of land and funding they can bring forward to support affordable housing delivery.

7. Negotiating affordable housing on individual private residential and mixed use sites (Policy 3.12)

- 7.1 The new approach to funding outlined earlier means that negotiating affordable housing provision for individual schemes will no longer centre on site-by-site decisions about grant funding by the HCA. Instead the HCA will negotiate an overall funding package and delivery outcomes with registered providers. These providers will enter into agreements with developers for affordable housing as part of particular developments and the developer and the provider will bring forward an “offer” setting out the resources each will bring (HCA grant, rent income and borrowing from the provider and any contribution the developer is to make secured through planning obligations in the usual way) and the amount of affordable housing they will deliver.
- 7.2 It should be noted that there is no bar to use of planning obligations to secure developer contributions towards affordable housing on sites also receiving HCA/GLA funding. Such contributions should be taken into account as part of the appraisal process outlined below.
- 7.3 It will be for the local planning authority to assess whether the proposed quantum of provision is the best result (in terms of number and mix having regard to factors such as the strategic priority to address affordable family housing needs) available from use of the available resources. They should do this by using the GLA Three Dragons Development Control Toolkit⁹, or another recognised appraisal methodology benchmarked to the Three Dragons Toolkit. Consideration should be given to use of independent valuation advice, such as that of the Valuation Office Agency where this is appropriate.
- 7.4 Boroughs are encouraged to take into account all the resources they may have available for investment in particular schemes (including land they can make available free or at a discount) and which can be taken into account in these viability assessments, in order to support delivery of the affordable housing objectives set out in the London Plan.

⁹ Developed by Three Dragons and the Centre for Residential Development at Nottingham Trent University and available to boroughs from the GLA

- 7.5 Residential planning applications referred to the Mayor must be accompanied by a comprehensive economic viability assessment. He will also take account of the overall proportion of affordable housing proposed; the split between affordable rent, intermediate housing and social rent and the bedroom mix proposed.
- 7.6 In taking planning decisions, in accordance with Policy 3.12 the Mayor will, and boroughs should give particular weight to the importance of securing the maximum reasonable amount of affordable housing (Policy 3.12A), having regard to the range of issues set out in policies 3.10, 3.11 and 3.12, particularly the need to deliver affordable family housing (policies 3.11A and B and 3.12Ae) and considerations of viability and availability of public subsidy (Policy 3.12D)¹⁰.

8. Early minor alteration of the London Plan

- 8.1 As indicated in paragraph 3.63 and agreed with the Secretary of State, the Mayor is bringing forward early minor alterations to the London Plan for consultation with the London Assembly and the GLA functional bodies in November 2011. These will:
- Make minor references to affordable rent in supporting text to policies 3.8 on housing choice and 3.9 on mixed and balanced communities
 - Insert affordable rent in Policy 3.10 so that it is included in the definition of affordable housing
 - Alter Policy 3.11 so that affordable rent is included with social rented housing for the purposes of the 60:40 tenure split and emphasising the need to maximise provision and make the best use of available resources in setting affordable housing targets
 - Alter Policy 3.12 to ensure the priority to be given to securing affordable family housing is taken into account in negotiating affordable housing provision on individual schemes, and to make clear in policy the preference for on-site provision, followed by off-site provision and payment of commuted sums where applied to an identified site or an agreed affordable housing programme in order to ensure overall provision is maximised.

They will also deal with the draft National Planning Policy Framework, the cycle parking standards in Chapter 6 of the Plan and the glossary definition of “air quality neutral”.

- 8.2 Although these draft alterations will have limited formal weight in the planning system initially, they will gain in status as the process for making them goes forward. The Mayor will publish further guidance once they have been formally published.

¹⁰ Affordable housing contributions as a whole (including those for Affordable Rent products), and the general priority which the Plan accords them, are addressed in London Plan Policy 8.2D which states that “affordable housing; supporting the funding of Crossrail where this is appropriate; and other public transport improvements should be given the highest importance”

ANNEX 1

LONDON PLAN POLICIES

POLICY 3.10 DEFINITION OF AFFORDABLE HOUSING

Strategic and LDF preparation

- A Affordable housing includes social rented and intermediate housing (see para 3.61), provided to specified eligible households whose needs are not met by the market and should:
 - a meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices
 - b include provisions for the home to remain at an affordable price for future eligible households, or
 - c if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision

POLICY 3.11 AFFORDABLE HOUSING TARGETS

Strategic

- A The Mayor will, and boroughs and other relevant agencies and partners should, seek to maximise affordable housing provision and ensure an average of at least 13,200 more affordable homes per year in London over the term of this Plan. In order to give impetus to a strong and diverse intermediate housing sector, 60% of the affordable housing provision should be for social rent and 40% for intermediate rent or sale. Priority should be accorded to provision of affordable family housing

LDF preparation

- B Boroughs should set an overall target in LDFs for the amount of affordable housing provision needed over the plan period in their areas and separate targets for social rented and intermediate housing and reflect the strategic priority accorded to provision of affordable family housing.
- C LDF affordable housing targets should take account of:
 - a current and future housing requirements identified in line with Policies 3.8, 3.10 and 3.11
 - b the strategic targets and priority accorded to affordable family housing set out in section A above
 - c the approach to coordinating provision and targets to meet the range of strategic, sub-regional and local affordable housing needs in London set out in Policy 3.8, paragraphs 3.65 - 3.67 and Supplementary Planning Guidance
 - d the need to promote mixed and balanced communities (see Policy 3.9)
 - e capacity to accommodate development including potential sources of supply outlined in para 3.67
 - f the viability of future development, taking into account future resources as far as possible.
- D Affordable housing targets may be expressed in absolute or percentage terms in light of local circumstances, reflecting the borough's contribution towards meeting strategic affordable housing targets in light of the framework set by the Plan and

guidance in SPG, and providing a robust basis for implementing these targets through the development control process.

POLICY 3.12 NEGOTIATING AFFORDABLE HOUSING ON INDIVIDUAL PRIVATE RESIDENTIAL AND MIXED USE SCHEMES

Planning decisions and LDF preparation

- A The maximum reasonable amount of affordable housing should be sought when negotiating on individual private residential and mixed use schemes, having regard to:
 - a current and future requirements for affordable housing at local and regional levels identified in line with Policies 3.8 and 3.10 and 3.11
 - b affordable housing targets adopted in line with Policy 3.11,
 - c the need to encourage rather than restrain residential development (Policy 3.3),
 - d the need to promote mixed and balanced communities (Policy 3.9)
 - e the size and type of affordable housing needed in particular locations
 - f the specific circumstances of individual sites.

- B Negotiations on sites should take account of their individual circumstances including development viability, the availability of public subsidy, the implications of phased development including provisions for re-appraising the viability of schemes prior to implementation ('contingent obligations'), and other scheme requirements.

