UK house prices

TT: +35

London councils accept record cash in lieu of affordable housing

Developers spent over £250m in 2014 despite absence of measures to ensure money is used as intended

© Bloomberg

Judith Evans, property correspondent FEBRUARY 14, 2016

London councils are accepting a rapidly increasing number of cash payments from property developers in lieu of building affordable homes, despite the absence of measures to ensure the money is used as intended.

Developers spent more than £250m in 2014, the most recent year for which full data are available, on payments to avoid fulfilling requirements that housing developments include affordable homes, according to a report from London First, a business lobby group.

Payments in lieu of affordable housing have shot up since 2011, before which they had not exceeded £20m across London in any given year. The payments in 2014 were more than double the 2012 level and more than five times the pre-crisis norm.

In 2015 the Royal Borough of Kensington and Chelsea received £26m in such payments, while a single development on the Strand in central London will generate £24m of income for the borough of Westminster.

London First is urging the new mayor, due to be elected in May, to ensure the cash is not used "for general expenditure" but spent "directly building or supporting the delivery of affordable homes".

"There needs to be a pan- London system for making this work — it's a wasted opportunity that some of this money isn't being fully utilised," Jonathan Seager, director of housing policy at London First, said.

The call comes as London faces a crisis of housing affordability after rents and house prices rose steeply. Councils meanwhile face steep cuts as part of government austerity measures: between 2009-10 and 2014-15, spending by England's local authorities was cut by one-fifth.

In depth

Mr Seager said that high land values in central London were a factor behind the rise in payments in lieu of affordable housing.

"In some central London boroughs it's very difficult to do the development [of affordable homes] in terms of viability. It often makes more sense, since land values are so high, to collect payments in lieu because you can get more bang for your buck in terms of delivering affordable homes [elsewhere]."

However, there are often long delays in deploying the money, he said, partly because councils must arrange construction themselves — something for which they may lack resources and expertise.

The London Plan adopted under mayor Boris Johnson states that "in exceptional cases" payments can be made instead of on-site affordable housing provision "where this would have demonstrable benefits in furthering the affordable housing and other policies in this plan".

There are no specific requirements on how soon off-site provision must be delivered and no monitoring programme.

The Greater London Authority said it held little information on the payments, as did London Councils, which represents local authorities in the capital. The Royal Borough of Kensington and Chelsea said it ringfences the funds and produces an annual breakdown of intended uses.

Related article

London First is urging that councils be required to put in place clear criteria for when the payments can be made, calculate the sums consistently and declare them to the GLA as part of its annual monitoring process.

They should also be required to use them within a fixed period, such as three years, or transfer them to the mayor to use in one of the GLA's affordable housing programmes, it said.

Building the required affordable housing in a different place is not universally popular, however. Darren Johnson, deputy chair of the GLA's housing committee, said: "Tightening up the oversight and use of this money would be very welcome. But it won't address the fundamental flaws with off-site provision, including the tendency for councils to stick the affordable housing in the cheaper neighbourhoods so we don't get mixed communities."

Get alerts on UK house prices when a new story is published Get alerts

Topic Tracker : UK house prices Hide