

**KENNET DISTRICT COUNCIL**

**PLANNING POLICIES EXECUTIVE COMMITTEE, 1<sup>st</sup> February 2007**

**COMMUNITY DEVELOPMENT EXECUTIVE COMMITTEE, 6<sup>th</sup> March 2007**

**AFFORDABLE HOUSING POLICY REVIEW**

**Report by the Housing and Planning Services Managers**

**Report Number HSM/PSM/04/07**

**1 PURPOSE OF REPORT**

- 1.1 To consider issues raised by Members during the 'State of Kennet' debate in October 2006, clarify interpretation of the Council's current affordable housing policies in the context of new government planning guidance and establish principles for future policy development subject to public consultation on the Local Development Framework and Housing Strategy.

**2 FINANCIAL AND STAFFING IMPLICATIONS**

- 2.1 No direct financial or staffing implications result from this report.

**3 LEGAL IMPLICATIONS**

- 3.1 Although there no legal implications arising directly from this report, the Council has a wide range of statutory obligations for which a coherent affordable housing policy framework is important.

**4 BACKGROUND**

- 4.1 Full background information including details of current housing needs was presented to members in the Director of Community Services' report on The Provision of Affordable Housing at the Council Meeting of 24<sup>th</sup> October 2006.
- 4.2 Policy HC28 of the Kennet Local Plan 2011 includes a target to enable the provision of 1575 affordable homes during the period 2000 to 2011. This assumes completion of an average of 125 'subsidised' homes (RSL for rent or shared ownership) each year together with a total of 200 'low cost market' homes during the plan period. Other policies in the Plan (HC 29 to 33) support the delivery of this target and were adopted in the context of the relevant government guidance at the time, in particular Circular 6/98 and PPG3: Housing.
- 4.3 The Council's Corporate Strategy to 2024 identifies the provision of additional affordable homes as a key area of activity to meet the full range of needs within local communities. The Housing Strategy for the period 2004-2008 seeks the

delivery of 400 affordable homes, reflecting the Corporate Strategy's 20 year vision of 2000 additional affordable homes.

- 4.4 At the Council Meeting on 24<sup>th</sup> October 2006 members took the opportunity to discuss affordable housing provision as the subject of the 'State of Kennet Debate'. Taking account of recent evidence on housing needs, the discussion raised a number of issues on which officers were asked to report further to the appropriate committee. In summary these issues were:
- Giving higher priority to subsidised provision by RSLs for social rent
  - Clarifying the definition and role of low cost market provision for sale
  - Should the 50% affordable quota for allocated sites be retained (assuming only free land) or should developer contributions be negotiated as a lower proportion of completed dwellings?
  - Reviewing the 'threshold' size of development at which affordable housing contributions from landowners/developers are triggered
  - Focussing new affordable provision on family homes and possibly specifying provision in terms of bedspace numbers rather than dwelling units
  - Allocating more land for new development on the edges of existing village communities
  - Guiding applicants for affordable housing towards rented options offered by private landlords
  - Lobbying the Government to remove the obligation on RSLs to grant lifetime tenancies
- 4.5 Following the Council's October meeting revised government guidance was issued in November 2006 in the form of Planning Policy Statement 3:Housing (PPS3) together with an additional policy statement entitled 'Delivering Affordable Housing'. In December a further consultation document on proposed 'Changes to Planning Obligations' was issued. The arrival of these documents significantly changes the context for the current policy review, raising issues about the interpretation of current Local Plan policies and the development of future strategy.
- 4.6 The Council is progressing the production of its Local Development Framework (LDF) to meet the requirements of current legislation. The Local Development Scheme identifies affordable housing policy as a key element of the LDF's Core Strategy and its content will need to be consistent with new guidance and the local evidence base. The Council's Housing Strategy 2004/2008 is also due to be reviewed during 2007 and the development of planning policies to deliver additional affordable housing will continue to be an important objective of a 'fit for purpose' strategy.

## 5 OVERVIEW OF ISSUES AND THE IMPLICATIONS OF NEW GUIDANCE

### Definition of Affordable Housing

- 5.1 The Council's Local Plan definitions of affordable housing and its various categories were set in relation to the limited guidance given in Circular 6/98 'Planning and Affordable housing' (April 1998) and PPG3 Housing (March 2000). These definitions are now superseded by the guidance in PPS3 Annex B giving new terminology and definitions. The table below sets out the changes:

Old Definitions (Circular 6/98, PPG3 and the Kennet Local Plan 2011 )	New Definitions (PPS3 Annex B)
<p><b>Affordable Housing</b> : 'Local Plan policies should define what the authority considers to be affordable in the local plan area in terms of the relationship between local income levels and house prices or rents for different types of households' (PPG3 Para 15)</p> <p>'The policy should define what the authority regards as affordable but this should include both <b>low-cost market</b> and <b>subsidised</b> housing as both will have some role to play in meeting local needs.' (Circular 6/98 Para 9 a))</p>	<p><b>Affordable Housing</b>: 'includes <b>social rented</b> and <b>intermediate</b> housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Include provision for the home to remain at an affordable price for future eligible households or if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision'</li> </ul> <p>'The definition does not exclude homes provided by private sector bodies or provided without grant funding. Where such homes meet the definition above they may be considered for planning purposes as affordable housing'</p>
<p><b>Subsidised Housing</b>: (KLP Policy HC 29) 'provided by a Registered Social Landlord, village trust or similar body which has the benefit of social housing grant ... for <b>letting at affordable rents</b> ....'</p>	<p><b>Social Rented Housing</b>: 'rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime.....It may also include rented housing owned and managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant'</p>

<p><b>Subsidised Housing:</b> (KLP Policy HC 29) 'provided by a Registered Social Landlord, village trust or similar body which has the benefit of social housing grant ... for <b>sale on a shared ownership</b> (now Homebuy) basis</p>	<p><b>Intermediate Housing:</b> 'housing at prices or rents above those of social rent, but below market price or rents and which meet the criteria set out above. These can include shared equity products (<b>eg HomeBuy</b> (formerly shared ownership) other low cost homes for sale and intermediate rent.'</p>
<p><b>Low Cost Market Housing</b> (KLP Policy HC29) 'offered for sale at or below the lower quartile of prevailing market values provided the proposed sale price is affordable based on average incomes at the time of application.' (Detailed affordability criteria in the Council's Affordable Housing Policy Guide require sale at discounted prices so as to be affordable for people on average incomes)</p>	<p><b>Intermediate Housing:</b> 'housing at prices or rents above those of social rent, but below market price or rents and which meet the criteria set out above. These can include shared equity products (eg HomeBuy (formerly shared ownership) <b>other low cost homes for sale</b> and intermediate rent.'</p>

5.2 PPS3 (Para 29) makes it clear that the Council's Local Development documents should:

- Set an overall (ie plan-wide) target for the amount of affordable housing to be provided
- Make the target reflect the definition of affordable housing in PPS3 (Annex B) – see above
- Take account of the economic viability of land and delivery risks
- Draw on informed assessments of likely availability of finance including public subsidy and the level of developer contributions that can be secured
- Aim to ensure the provision meets the needs of current and future occupiers taking into account the Strategic Housing Market Assessment
- Set separate targets for social rented and intermediate housing (Annex B)

**Target for new affordable housing provision**

5.3 In previous Local Plans and successive Corporate Strategies the Council has set numerical targets for enabling new affordable housing over specific periods in time. While these targets have taken account of estimates of need they have reflected what has been considered realistic and achievable in terms of the opportunities and resources available. In practice however this has meant acknowledging that the targets would only address a small proportion of the overall affordable need evidenced by survey and other evidence. Nevertheless this approach has been successful in giving the Council's efforts a strong sense of direction and establishing a reputation for effective delivery. It needs to be remembered of course that any target will also be subject to qualitative issues (eg the type of provision) and a variety of external factors outside the Council's control.

5.4 In the context of the new guidance, and the recent evidence of a much increased shortfall of affordable provision, it is considered that achieving the current KLP target to 2011 remains an appropriate objective because:

- There is now a substantial pipeline of committed schemes making it possible to generate completions up to 2011 at an average of over 200 pa
- The prospects for securing Social Housing Grant (SHG) from the Housing Corporation and RSL investment are good
- Local property values and market conditions provide a favourable climate for maximising the contribution of Landowners/developers

For the period after 2011 the situation is much harder to predict. However officers' current assessment is that an annual average of at least 100 affordable completions ought to be possible and the option of increasing this say to 125 per annum should be investigated further depending in particular on final RSS allocations.

**Proposal 1: To confirm the Council's current overall affordable housing target of 1575 homes over the period 2000 to 2011**

**Proposal 2: For the purposes of consultation on the LDF core strategy to consider affordable provision within the range of 1500 to 1900 homes over the period 2011 to 2026 subject to the final content of the RSS**

### **Giving more priority to subsidised provision for social rent**

5.5 Striking an appropriate balance between affordable housing for rent and providing affordable home ownership has been a major challenge in recent years, largely due to uncertainty of SHG funding following the ending of Local Authority SHG and reliance on limited Housing Corporation funding. In addition the restrictions on specifying tenure included in previous planning guidance (PPG3) were a major handicap in a number of recent Section 106 negotiations, including two major appeal sites. As a result the proportion of HomeBuy (formerly shared ownership) homes has increased within the 'subsidised' category. Together with the 'low cost market' provision included in the current Local Plan around 60% of the affordable completions programmed over the next four years will be providing home ownership opportunities and around 40% for rent.

5.6 In the short to medium term there is limited scope to change the tenure balance on schemes covered by completed Section 106 agreements or where negotiations with developers are close to agreement. However the new planning guidance (PPS3 Annex B: Page 25) now identifies social rented housing as a specific sub-category of affordable housing. With the benefit of survey data indicating the majority of people in need require this type of provision a more robust approach is possible from now on. Initially this should focus on ensuring wherever possible that the 'subsidised' requirements included in the current Local Plan (generally 30% of total units on allocated and larger windfall sites) will be delivered as social rent. In preparing the Local Development Framework it

may be appropriate to consider a higher proportion of social rent subject to the circumstances of individual sites and the need to create mixed communities.

- 5.7 In the case of village proportions schemes experience shows there is a clear case for specifying all affordable provision is social rented. Recent policy changes mean previous restrictions on shared ownership staircasing are being abandoned due to leasehold enfranchisement complications. Although pre-emption (buy back) clauses are proposed there are serious doubts over retaining affordable opportunities for future occupiers if provision is made on a HomeBuy (formerly shared ownership) or other intermediate basis. It is therefore proposed that contributions in the form of intermediate housing would not be agreed in village proportions schemes.
- 5.8 The caveat on this issue is the availability of Housing Corporation SHG or other forms of subsidy. The proportion of social rented homes the Council would be targeting requires more subsidy than would be required by equivalent HomeBuy or other intermediate types. The improved funding climate in the region should enable this to be achieved in the medium term but there will always be some uncertainty about future funding particularly where SHG is concerned. The new guidance (Delivering Affordable Housing Paras 93-95) lays emphasis on the need to consider alternative options (sometimes called 'cascade' arrangements). Without attempting to cover this area in detail these alternative options could include reductions in overall affordable numbers or substituting intermediate provision.

**Proposal 3: To seek the provision of at least 30% social rented housing within existing allocated and any eligible windfall housing sites where negotiations remain to be concluded in relation to subsidised contributions under KLP Policy HC 30 (Affordable housing on Large Sites)**

**Proposal 4: To seek equivalent provision of open market and social rented homes on rural proportions sites for the purposes of KLP Policy HC32 (Affordable housing in Rural Areas)**

**Proposal 5: To give priority to social rented provision for the purposes of the LDF Core Strategy consultation and to consider the delivery of up to 80% of the overall affordable housing target in this form**

### **Clarifying the definition and role of low cost market housing**

- 5.9 As shown in Table 1, in the absence of any detailed government advice at the time, the Council was obliged to formulate its own definition of the term low cost market housing for the purposes of the current Kennet Local Plan which was adopted in April 2004. The Council's definition is based on discounting sale prices of 1 and 2 bed homes where necessary to make them affordable to people on average local incomes. A number of schemes negotiated with developers on the model described in detail in the Affordable Housing Policy Guide are currently in progress. In other cases (St Johns, Marlborough and Spitalcroft, Devizes) it has been agreed the equivalent provision will be made by the partner RSL on a HomeBuy basis.

- 5.10 In the new guidance finally issued in November 2006 (PPS3 Annex B) the government makes it clear that the Council's Local Plan definition of low cost market is in fact a form of 'intermediate' housing. The new guidance now uses the term low cost market to refer to a category of open market housing which is outside its criteria for affordable provision. While this change of terminology is potentially confusing the guidance lays considerable emphasis on the continuing need to deliver intermediate provision so as to widen opportunities for affordable home ownership and promote mixed communities.

**Proposal 6: To seek to negotiate the provision of 20% intermediate housing as defined by PPS3 within existing allocated and any eligible windfall housing sites where negotiations remain to be concluded in relation to low cost market housing contributions under KLP Policy HC30 (Affordable housing on Large Sites)**

**Proposal 7: Pending the adoption of the LDF to consider the possibility of reducing intermediate housing contributions under KLP Policy HC30 where this may be necessary to enable an appropriate level of social rented provision to be achieved**

**Proposal 8: To consider an element of intermediate provision for the purposes of the LDF Core Strategy consultation based on achieving the delivery of at least 20% of the affordable housing target in this form**

**Should the 50% affordable quota for allocated sites be retained (assuming only free land) or should developer contributions be negotiated as a lower proportion of completed dwellings?**

- 5.11 The Council's experience since 2004 shows that the application of a 50% quota on most major sites has been successful in generating high levels of affordable provision from both allocated and windfall sites. In a buoyant housing market landowners do not appear to have been discouraged from going ahead with development and the level of developer contribution per unit - no more than the value of the affordable land – has not compromised viability.
- 5.12 It is accepted that some local authorities have agreed significantly lower affordable quotas on the basis that some or all of the affordable construction cost is met as well as land value. Developers have often been happy to do this as they perceive their open market sale values will be enhanced. However this approach risks wasting opportunities to maximise new affordable provision where Housing Corporation SHG and/or internal RSL subsidy may be secured, sometimes at a late stage in development. It should also be noted that the position of such authorities often differs from Kennet in that they have the advantage of much higher levels of housing allocation relative to affordable needs. Under the terms of the new guidance already referred to in Para 5.7 above alternative options (sometimes known as 'cascade' arrangements) can be considered if expected levels of subsidy do not materialise.

5.13 There will be a number of factors to take into account in setting percentage quotas for the LDF and the issue of assessing development viability is likely to be an increasingly important factor. At this stage it is suggested that the 50% quota should be retained as an option with the proviso that further work is necessary to consider the position taking account of:

- Final RSS allocations in Kennet (current proposals range from 5000 to 8150 total dwellings)
- Needs evidence showing a continuing shortfall of the both categories of affordable housing ( a total of 454 homes per annum)
- The council's proposed target for affordable housing
- Thresholds for affordable provision and the likely scale of windfall sites
- Possible quota variations between individual towns or community areas
- Future guidance on the appropriate level of developer contributions
- Possible quota variations to reflect individual site characteristics or other contributions
- The 30% minimum quota included in the draft RSS

**Proposal 9: To continue to negotiate the provision of 50% affordable housing within existing allocated and any eligible windfall housing sites where negotiations remain to be concluded in relation to KLP Policies HC30 (Affordable housing on Large Sites) and HC32 subject to the guidance in PPS3 and Delivering Affordable Housing**

**Proposal 10: To undertake public consultation based on affordable housing quotas in the range 30% to 50% for the purposes of the LDF Core Strategy subject to detailed consideration of relevant information relating to targets and delivery**

**Proposal 11: To consider criteria for alternative options ('cascade arrangements') in negotiating delivery of affordable housing in the course of consultation on the LDF Core Strategy subject to PPS3, emerging guidance on developer contributions and other relevant information**

**Reviewing the 'threshold' size of development at which affordable housing contributions from landowners/developers are triggered**

5.14 The new guidance provides a lower 'national indicative minimum' site size threshold of 15 dwellings although authorities 'can set lower minimum thresholds, where viable and practicable, including in rural areas' (PPS3 Para 29). It is proposed 15 should now become the standard figure for the towns with the proviso that the LDF process will consider whether a lower threshold may be appropriate. The guidance would allow different thresholds and/or quotas for different parts of the District, an option that was applied to Marlborough in the current Local Plan. It may be appropriate to apply a threshold as low as say 5 dwellings in town locations where affordable opportunities are scarce.

5.15 In the villages Local Plan Policy HC32 already includes a threshold of 2 dwellings and this 'one for one' policy has been successful in generating a

number of affordable opportunities in rural communities, although the total of affordable homes completed remains small. It has now been endorsed through three separate appeal decisions but it remains controversial area of policy which members may wish to review. One change that could be considered would be to allow financial contributions from applicants for smaller schemes of up to 5 units towards off-site provision based on an appropriate open market plot value where they did not wish to include an affordable contribution within the scheme. Above 5 units the policy would require the usual on-site provision.

**Proposal 12: To adopt a site size threshold of 15 dwellings or half a hectare for affordable contributions from all allocations and appropriate unforeseen sites currently subject to KLP Policy HC 30 (Affordable housing on Large Sites)**

**Proposal 13: To consider allowing applicants for rural schemes of 5 dwellings or less to make optional financial contributions based on open market plot value towards off-site provision in respect of sites currently subject to KLP Policy HC 32 (Affordable housing contributions in rural areas)**

**Proposal 14: To consider the appropriate site size threshold(s) for affordable contributions as part of the LDF Core Strategy consultation in the light of relevant information taking account of the guidance in PPS3**

**Focussing new affordable provision on family homes and possibly specifying provision in terms of bedspace numbers rather than dwelling units**

5.16 PPS3 (Para 29) encourages authorities to specify the size and type of affordable housing required in the LDF and there would seem to be no particular difficulty in focussing on family housing if the Council judges this to be evidenced by a Strategic Housing Market Assessment. In point of fact the Housing Needs Survey 'Balancing Housing markets' analysis indicates that the largest area of affordable housing demand is for 2 Bed (44%) and 3 Bed (33%) (Kennet HNS 2006 Table 12.1 P.129)

5.17 On the question of negotiating provision in terms of bedspaces rather than dwelling numbers, the question is likely to hinge on development viability if this results in affordable housing taking a larger slice of each scheme. This approach is really of benefit if the affordable provision is mainly smaller flats. While the option should be considered further in the light of government guidance on the level of developer contributions, it is considered that the current system of quotas is preferable as long as the required dwelling types and sizes are achieved.

**Proposal 15: To seek to negotiate affordable housing contributions subject to KLP Policy HC30 based on the following proportions of dwelling types subject to adjustment where necessary on individual schemes to reflect local needs including the provision of supported housing**

**Two Bedroom Flats                      5%**

<b>Two Bedroom Houses</b>	<b>45%</b>
<b>Three Bedroom Houses</b>	<b>35%</b>
<b>Four Bedroom Houses</b>	<b>15%</b>

**Proposal 16: To seek to negotiate affordable housing contributions subject to KLP Policy HC32 based on the following proportions of dwelling types subject to adjustment where necessary on individual schemes to reflect local needs including the provision of supported housing**

<b>Two Bedroom Houses</b>	<b>45%</b>
<b>Three Bedroom Houses</b>	<b>40%</b>
<b>Four Bedroom Houses</b>	<b>15%</b>

**Proposal 17: To give priority to family housing for the purposes of the LDF Core Strategy consultation based on achieving appropriate proportions of the following affordable dwelling types subject to detailed assessment of proposed allocations and local needs including the provision of supported housing**

- Two Bedroom Flats**
- Two Bedroom Houses**
- Three Bedroom Houses**
- Four Bedroom Houses**

**Allocating more land for new development on the edges of existing village communities**

- 5.18 Although the concept of rural exceptions sites is a well established feature of planning policy, the allocation of such sites for affordable provision as part of the LDF process is a new departure now sanctioned in PPS3 (Para 30 P.11). Analysis of village design statements will assist in the identification of potential allocation opportunities but the approval of exceptions sites on an ad hoc basis should still be retained as a policy option. A particular area of interest would be the possibility of identifying redundant agricultural property for this purpose where other planning criteria can be met.

**Proposal 18: To consider opportunities for the allocation of appropriate rural exceptions sites in the course of the LDF Core strategy consultation in conjunction with the adoption of a specific target for rural affordable housing as recommended by PPS3**

**Guiding applicants for affordable housing towards rented options offered by private landlords**

- 5.19 The importance of the private rented sector in meeting housing need is already recognised in the incentives offered to landlords through the Council's Surelet scheme and the Housing Association Leasing Scheme. The Council's Homelessness Strategy includes measures to encourage more private landlords to offer tenancies to Council nominees.

**Proposal 19: To consult with landlords and letting agents about other ways in which the Council can encourage them to take nominations**

**Lobbying the Government to remove the obligation on RSLs to grant lifetime tenancies**

- 5.20 Although the proposal has had some national exposure, it will be appreciated that a change of this kind would be controversial and would need primary legislation. The current review of housing policy being carried out by Professor Hills is looking at this issue among others. It is suggested that the first step in any campaign by the Council would be to gather information from RSL partners about the nature of the problem and secure their support for change. The Local Government Association would then be the obvious channel through which to lobby the Government on changing security of tenure.

**Proposal 20: To consult RSL partners on the case for changes to legislation governing RSL Assured Tenancies and submit a further report for consideration by the Community Development Executive Committee.**

**6 RECOMMENDATIONS**

- 6.1 The Committee considers **Proposals 1,3,4,6,7,9,12,13,15** and **16** set out in the report and confirms their adoption for development control purposes where interpretation of current Local Plan policy is required in relation to PPS3.
- 6.2 The Committee approves **Proposals 2,5,8,10,11,14,17** and **18** set out in the report for the purposes of consultation on the Local Development Framework and review of the Housing Strategy where appropriate taking account of the emerging RSS and other relevant government guidance.
- 6.3 The Community Development Executive Committee pursues **Proposals 19** and **20** in the course of its review of the Housing Strategy

**7 BACKGROUND PAPERS**

Fordham Research HousingNeed Survey 2006 – KDC website

DTZ Swindon sub region Housing Market Assessment 2006 – KDC website

CLG Planning Policy Statement 3: Housing (PPS3) & ‘Delivering Affordable Housing’ November 2006 – available CLG website and members room

CLG Planning-gain Supplement Consultation ‘Changes to Planning Obligations’ December 2006 – available CLG website and members room