

AFFORDABLE HOUSING POLICY

Local Planning and Environment Advisory Committee – 24 March 2015

Report of Chief Planning Officer

Status: For Consideration

Key Decision: No

Executive Summary:

This report reviews the implementation of Core Strategy Policy SP3 on affordable housing. It considers the outcomes in terms of delivery of affordable housing and financial contributions received. It looks at the prospects for future delivery taking account of potential developments in the pipeline and changes to Government policy, including new thresholds for provision and the introduction of the Vacant Building Credit. It notes that policy will be reviewed as part of the forthcoming review of the Core Strategy and suggests that the target for delivery be reviewed in the next Authority Monitoring Report. It recommends that the Affordable Housing SPD be updated to take account of current government policy guidance.

This report supports the Key Aim of Sustainable Economy from the Community Plan.

Portfolio Holder Cllr. Piper

Contact Officer Alan Dyer Ext. 7196

Recommendation: That the report be noted and that the Portfolio Holder be recommended to agree the amendments to the Affordable Housing SPD set out in Appendix A.

Reason for recommendation: To update the Affordable housing SPD to take account of current government guidance on thresholds for provision and the vacant building credit..

Introduction and Background

1. The Council's adopted policy on affordable housing is Core Strategy Policy SP3. It states:

In order to meet the needs of people who are not able to compete in the general housing market, the Council will expect the provision of affordable housing in all types of residential development including specialised housing. The location, layout and design of the affordable housing within the scheme should create an inclusive development.

The level and type of affordable housing required in any residential development will be assessed against the following criteria:-

- 1. In residential developments of 15 dwellings or more gross 40% of the total number of units should be affordable.**
- 2. In residential developments of 10-14 dwellings gross 30% of the total number of units should be affordable**
- 3. In residential developments of 5-9 units gross 20% of the total number of units should be affordable**
- 4. In residential developments of less than 5 units that involve a net gain in the number of units a financial contribution based on the equivalent of 10% affordable housing will be required towards improving affordable housing provision off-site**

Where an element of affordable housing is required at least 65% of the affordable housing units should be social rented, unless the Council is satisfied that an alternative mix meets a proven need.

In exceptional circumstances where it is demonstrated to the Council's satisfaction through an independent assessment of viability that on-site provision in accordance with the policy would not be viable, a reduced level of provision may be accepted or, failing that, a financial contribution towards provision off-site will be required.

Permission will be refused where the size of the development is artificially reduced to fall below the threshold requiring provision of affordable housing.

2. Thus under the policy the following thresholds are applied:

Sites of 15 dwellings or more	40% on-site affordable housing
Sites of 10-14 dwellings	30% on-site affordable housing
Sites of 5-9 dwellings	20% on-site affordable housing
Less than 5 units	Equivalent to 10% financial contribution

However, the thresholds are subject to a provision as part of the policy that the requirement can be reduced if it is demonstrated that meeting the requirement in full would render the development non-viable. The inclusion of this "viability clause" was necessary to achieve compliance with national policy and ensure the plan was found sound.

3. The policy is supported by the Affordable Housing SPD which contains guidance on its implementation, including the use of financial contributions.

Changes to National Planning Practice Guidance

4. On 28 November 2014, the Government published changes to the National Planning Practice Guidance and a written ministerial statement was issued on planning obligations. The key changes for SDC are:

- In most areas, contributions should not be sought from developments of 10-units or less (where the combined gross floorspace is no more than 1000 sq m);
 - In designated rural areas, the Council can choose to apply a lower threshold and require financial contributions (not on-site provision) on sites of 6 units or more. Rural areas are defined under the Housing Act 1985 and in Sevenoaks District these are currently equivalent to Areas of Outstanding Natural Beauty.
 - Where planning permissions involve bringing a vacant building back into lawful use or it is demolished to be replaced by a new building, the developer should be offered a 'vacant building credit' equivalent to the building's floorspace, which can offset part of the contribution. Therefore, contributions should be proportionate to the increase in floorspace, regardless of the use of the buildings.
5. Where there is conflict between national and local policy national policy will generally take precedence if applications go to appeal. Even though the District's policy forms part of an adopted development plan it is unlikely to be supported on developments that fall below the Government's new threshold. The result is likely to be that a very large proportion of future developments that would have required either an on site or off site contribution to affordable housing under the policy will now no longer be required to contribute or only be required to make a reduced contribution. In developments of 6-10 units in designated rural areas the requirement will now be for a financial contribution rather than on-site provision.
 6. In view of the adverse implications for affordable housing in the District, Cabinet on 5 March resolved to lobby Government to rescind or amend the changes.
 7. While it is hoped that policy will change in the future the Council does need to adjust to the current situation and amendments to the SPD are proposed (see below)

Policy Implementation

8. The Council produces an annual Authority Monitoring Report (AMR) which reviews progress on the implementation of planning policies. This section draws on information from the latest AMR with some additional material.
9. The current policy was adopted in February 2011 and has applied to developments granted permission since that date, but it has taken time to impact on completed developments as there is a lag between permissions and completions and many developments completed since 2011 were permitted before the policy came into effect. Thus even in 2013/4 (two to three years after adoption of the Core Strategy) 128 out of the 264 dwellings completed (48%) were constructed under permissions granted before current policy was adopted.

10. The impact of policy so far can be seen by looking at completions and development in the pipeline. Table 1 below taken from the latest AMR provides information contains details of new affordable housing units completed.

Table 1: Affordable Housing Units Completed

All new affordable housing units completed			
Monitoring Year	2011/12	2012/13	2013/14
All new build housing units completed (market & affordable)	225	195	264
Number of housing units lost (market & affordable)	51	54	40
Net number of new build housing units completed (market & affordable)	174	141	224
All new build affordable housing units completed (Gross)	25	17	51
All affordable housing units lost	0	-32	0
Net number of new build affordable housing units completed	25	-15	51

11. In 2013/4 264 dwellings (gross) were completed of which 51 (19.3%) were affordable. However, 128 of the completed dwellings were permissions that pre dated current policy and, of the remainder, 95 completions were on sites of five units or less where on site contributions are not required. This leaves 41 completions on sites where the policy would suggest on site provision should be made. For 22 units (on three sites) off site contributions were received in lieu of on site provision while for the remainder provision was made in accordance with the policy, while there were also completions on 100% affordable housing sites on land owned by Housing Associations (including redevelopment of sheltered housing in Bonney Way, Swanley which showed a large loss in the previous year). Just eight units were completed on schemes requiring 40% provision under the policy (at Eden Valley School where 40% of the development is affordable).
12. This is a rather complex picture but key points are that most completions were on developments that either pre dated current policy or were too small to require on site provision.
13. The position on financial contributions received is as follows.

Table 2: Affordable Housing Financial Contributions Received

Year	Contributions Received
2011/2	£206,144
2012/3	£356,032
2013/4	£1,351,111
2014/5 (to Feb 2015)	£594,802
Total	£2,508,089

14. Contributions increased as more development has started that is subject to the policy, though the figure for 2013/4 is particularly high due to a one-off large

payment on the Mountwood and Horizons site where a financial contribution of £449,000 was agreed in lieu of on site provision. There is already some evidence of contributions received tailing off since the change in government policy in November 2014.

15. Contributions received have to be spent on affordable housing and decisions on what affordable housing projects are funded are made jointly by the Planning and Housing Portfolio Holders. To date of the funds received £2,263,541.88 has been either spent or allocated to specific projects. This includes the DIYSO shared ownership schemes in which properties on the open market have been purchased adding to the stock of affordable housing.
16. Looking to the future there are outstanding permissions for 232 affordable housing units (at 1 April 2014), including 100 at West Kent Cold Store and 22 at Morewood Close, both sites currently under construction. There are also a number of larger schemes subject to current applications, some of which have substantial affordable housing proposed as part of the scheme. These include:

Scheme	Units	Aff. Units	Comment
Salmon's Site, Sevenoaks	60	9	Viability argument put forward for less than 40%
Broom Hill, Swanley	61	24	40% provision in line with policy
United Ho. Swanley	201	30	Reduced provision based on vacant building credit and viability argument.
Reserve Land, Edenbridge	300	120	40% provision in line with policy
Fort Halstead	450	90	Viability argument put forward for less than 40%

There are also a number of substantial development sites identified in the adopted Allocations and Development Management Plan that have the potential to deliver significant affordable housing. The planning applications remain to be determined and may not all be implemented in the short term, but nevertheless a greater proportion of larger schemes in future completions increases the prospect of achieving more affordable housing. This is particularly true of greenfield schemes which will not be affected by vacant building credit.

17. In contrast the prospects for achieving future contributions to affordable housing from smaller schemes are looking much worse. The Government's new thresholds for contributions mean that the vast majority of schemes on which a financial contribution would have been required under the policy will no longer need to contribute. Schemes permitted but not started have the potential to yield up to £2.5 million but there is a high risk attached to this figure as developers are able to bring forward revised proposals that would need to be considered against the revised thresholds.

18. The viability clause in the policy has led to developers bringing forward viability assessments in support of reduced provision. The Council has used independent consultants to review assessments and the review process has led to a variety of outcomes depending on the circumstances of the case. There have been instances where the developer's case has been accepted, but there have also been instances where the independent review has led to an increase in provision over the developer's proposals and cases where proposals have been dismissed on appeal because the developer's viability case has not stood up to scrutiny.
19. We will be reviewing our use of viability consultants over the next few months to ensure we are getting the best advice.
20. Overall the effect of the viability clause has been to reduce the contribution to affordable housing that would have been achieved compared to strict adherence to the policy thresholds. However, it would not have been possible for the Council to adopt a policy that did not include the viability clause in view of Government policy, so any comparison is somewhat hypothetical.
21. Under the Government's new thresholds individual viability assessments are likely to be a less significant factor in the consideration of future applications as the vast majority of cases that would have been subject to viability reviews will now be excluded from contributions, either because they are below the new threshold or because of the effect of vacant building credit.
22. The Core Strategy has a target of delivering 66 affordable housing units per annum. This has not been met and so far has proved to be too optimistic. In the future an increase in delivery could be expected due to larger sites in the pipeline and a greater proportion of developments coming forward that were determined under the policy. But offsetting this is the effect of the new thresholds, including vacant building credit, which mean that most new development proposals will no longer be required to contribute. It is suggested that the next Authority Monitoring Report considers potential change to the target figure taking account of whether the new government thresholds are maintained.
23. The policy has though had a substantial beneficial impact on affordable housing for which there is a high level of need in the District. Schemes have been developed and are currently proposed with levels of affordable provision in accordance with the policy requirement. Any lowering of the policy requirement would therefore lead to less affordable housing. Contributions to affordable housing have also been achieved from smaller developments that would not have otherwise made any contribution. This has included financial contributions that have enabled a range of affordable housing initiatives to be brought forward that would not otherwise have happened.

24. Affordable housing policy will need to be reviewed as part of the review of the Core Strategy which is just starting. The review will need to take account of national policy and local evidence, including an update to the viability assessment that underpins the existing policy. There is no immediate need to bring forward an earlier review of the entire policy.
25. There is, however, a need to update guidance on implementation of policy to take account of the new Government thresholds. It is suggested that this could best be done by amending the Affordable Housing SPD to clarify that contributions will not be sought from developments below the new thresholds and also to give guidance on the application of vacant building credit. For developments that are above the new thresholds Core Strategy policy will continue to apply and guidance on its implementation does not need to change.
26. Appendix A sets out proposed changes to the SPD following the approach above. These are limited factual amendments to take account of new Government policy and, subject to the views of the Committee, it is proposed that they be agreed by the Portfolio Holder.

Other Options Considered and/or Rejected

27. The option of recommending changes to policy now is not recommended as it is considered preferable to review policy as part of a wider review of the Core Strategy.
28. The option of leaving the SPD unchanged is not recommended as the implementation of policy is affected by the new Government thresholds and guidance to developers will be clearer if it takes account of the new rules. A wider review of the SPD can await a general review of policy.

Key Implications

Financial

29. The financial implications of the changes to national policy in terms of reduced affordable housing contributions are set out in the report. The recommendation does not add to the expected negative impact.

Legal Implications and Risk Assessment Statement.

30. No implications arising from the recommendation.

Equality Assessment

31. The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users.

Conclusions

32. Overall the Council's affordable housing policy has had a significant impact in improving affordable housing provision in the District, although the specific target of 66 dwellings per annum has not been met. In part this is due to a preponderance of small developments and a time lag in schemes determined under the policy being developed. A number of larger schemes are in the pipeline with the potential to increase future provision but the changes to Government policy mean that a large proportion of new developments will no longer be required to contribute or contribute to a reduced extent. Changes to the SPD are proposed to take account of change in national policy. Local policy will be reviewed as part of the forthcoming review of the Core Strategy.

Appendices

Proposed Changes to the Affordable Housing SPD

Background Papers:

[LDF Core Strategy](#)

[Affordable Housing SPD](#)

Authority Monitoring Report

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