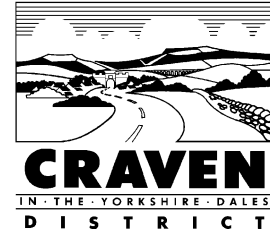


Policy Committee – 19th July 2016

NEGOTIATING AFFORDABLE HOUSING CONTRIBUTIONS



Report of the Strategic Manager for Planning and Regeneration

Ward(s) affected: All wards that are wholly or partly outside the Yorkshire Dales National Park

1. **Purpose of Report** – To seek approval of a revised approach to negotiating affordable housing contributions, in connection with planning applications for residential development.
2. **Recommendations** – Members are recommended to:
 - 2.1 Implement the lower threshold for affordable housing contributions in designated rural areas and, in those areas, seek cash contributions from developments of 6–10 dwellings;
 - 2.2 Require that affordable housing contributions are paid in respect of developments of less than 6 dwellings with a combined gross floor space of more than 1000sqm;
 - 2.3 Approve the approach and guidance set out in the document titled “Negotiating Affordable Housing Contributions (Draft July 2016)”, a copy of which is contained in the appendix to this report, so that it may be published on the council’s website and brought into use for development control purposes.
3. **Report**
 - 3.1 On 29th May 2012, the Policy Committee approved an “Interim Approach to Negotiating Affordable Housing Requirements”, which has been used as a stop-gap measure during preparation of an affordable housing policy as part of the new local plan. Guidance explaining the approach is published on the council’s website and has been updated, improved and expanded over time – the latest version is dated December 2015. However, there have been significant changes in national planning policy, which necessitate an equally significant change in the council’s approach to affordable housing negotiations.
 - 3.2 A Written Ministerial Statement in November 2014 and subsequent changes to national planning policy guidance (PPG) sought to bring in a number of measures intended to lift the burden imposed on small developers by affordable housing and tariff style (section 106) contributions. The Government’s decision to adopt new policy by way of Written Ministerial Statement was quashed in July 2015. However, that decision was overturned by the Court of Appeal in May 2016. Accordingly, the

Written Ministerial Statement and amendments to the nPPG have been reinstated. The main effects on national affordable housing policy and guidance are as follows:

- A new national site-size threshold has been introduced. Local Planning Authorities should no longer seek affordable housing contributions from developments of 10 dwellings with a maximum combined gross floor space of 1000sqm or less.
- In designated rural areas (see page 2, footnote 2 of the appendix) authorities may choose to implement a lower threshold of 5 dwellings or less, but only cash contributions (as opposed to on-site provision) should be sought from developments of 6–10 dwellings.
- Vacant building credit has been introduced. Authorities should apply the credit where developments include the re-use or redevelopment of empty buildings, so that affordable housing contributions relate only to net increases in floorspace.

3.3 The revised approach and guidance, contained in the appendix to this report, is based on the December 2015 version, but incorporates new site-size thresholds (page 2), cash-sum contributions (page 7) and vacant building credit (page 8). A contributions flowchart has also been added to help explain how affordable housing contributions are now determined (page 14). The following table appears on page 2 of the appendix and sets out a general approach to affordable housing negotiations.

Proposed development	Affordable housing contribution
More than 10 dwellings	40% of the units to be built on-site should be affordable housing
More than 1000sqm	
6 to 10 dwellings in designated rural areas	A cash contribution should be paid, once a reasonable proportion of the units is occupied, in lieu of on-site affordable housing provision
Less than 6 dwellings, but more than 1000sqm, in designated rural areas	
All contributions will be subject to vacant building credit and site-specific financial viability	

3.4 As mentioned in paragraph 3.2 above, the Written Ministerial Statement and PPG state that local authorities may choose to implement a lower threshold of 5 dwellings or less in designated rural areas, but, if they do, only cash contributions should be sought from developments of 6–10 dwellings rather than on-site provision.

3.5 Under the council's current approach, which was adopted on 29th May 2012, on-site provision has been sought from all developments of 5 dwellings or more, with cash contributions accepted only in exceptional circumstances. The approach has worked well and the council has secured on-site provision from six developments of 6–10 dwellings in designated rural areas, delivering approximately four affordable homes per year on average. Though relatively small in number, these homes will have a significant impact on sparsely populated rural areas, helping local people to stay living and working in the communities in which they have been brought up. Whilst changes to national policy and PPG mean that the council can no longer

require affordable homes to be built on sites of 6–10 dwellings, cash contributions can be required in designated rural areas, which could avoid a disproportionate effect on rural communities. Cash contributions must be of ‘broadly equivalent value’ to on-site provision (which is defined in the appendix to this report as the difference between affordable housing transfer values and market values) and would therefore enable the council and its Registered Provider partners to secure broadly equivalent provision off-site. A list of appropriate uses for cash contributions was approved by the Policy Committee on 3rd March 2015 and includes, for example, acquiring existing properties, securing additional on-site provision in other developments, developing council sites and funding equity loan schemes. Whilst some cash contributions are likely to be small, they may still be effective when combined with others and, whilst off-site opportunities may be more limited in rural areas, cash contributions will always be put to use in reducing the district’s overall affordable housing shortfall of 114 dwellings per year (identified in the 2015 Strategic Housing Market Assessment).

- 3.6 Paragraph 3.2, above, explains that changes to national policy and guidance are intended to lift the burden on small developers. It should be noted, therefore, that replacing the 5 dwelling threshold, adopted in 2012, with a 6 dwelling threshold will represent an improvement for landowners and developers in designated rural areas. Furthermore, cash contributions will be preferable to many, when compared to on-site provision and the council operates a fair and open-book process for appraising the viability of individual development proposals (refer to Section 13: Financial viability, on page 9 of the appendix to this report). Generally, it is likely that the viability of development will continue to be favourable, as evidenced by the council’s Affordable Housing and Community Infrastructure Viability Study (Draft Report, August 2013), which indicates that on-site provision would be viable in developments of 5 dwellings or more and cash contributions would be viable on developments of less than 5 dwellings. It is therefore considered that the recommendations at paragraphs 2.1 to 2.3, above, are likely to support the appropriate development of new homes, by small developers, in rural areas.
- 3.7 The appendix document, “Negotiating Affordable Housing Contributions (Draft July 2016)”, has been prepared jointly by the council’s planning policy, development control and housing development teams, and in consultation with the council’s appointed valuer (who assesses financial viability appraisals). If approved, as recommended above, it will be published on the council’s website – to replace the current out-of-date approach and guidance – and will be used by planning and housing services as the basis for negotiating with applicants for planning permission on the provision of affordable housing contributions.

4. **Implications**

- 4.1 **Financial and Value for Money (vfm) Implications** – None arising directly from this report. The formula for calculating the affordable housing contribution required from developers is contained within the document attached as an appendix to this report – refer to Section 11: Cash-sum contributions, on page 7.

- 4.2 **Legal Implications** – In line with the Written Ministerial Statement and amendments to the nPPG, the Council is required to determine whether affordable housing commuted sums should be sought for developments of 6-10 dwellings (or less than 6 dwellings with a combined floor space of more than 1000sqm) in designated rural areas before such sums can be secured from developers.

Commuted sums will be secured by way of unilateral undertaking or s106 Planning Agreement.

Designated rural areas under s157 Housing Act 1985 are designated by SI 1988/2057.

- 4.3 **Contribution to Council Priorities** – The revised guidance will contribute to the council's Enterprising Craven priority by supporting the delivery of affordable homes.
- 4.4 **Risk Management** – No significant risks, requiring an entry in the council's Risk Register and completion of a CRAM form, are associated with the report and recommendations. However, deviation from the recommendations may hinder the delivery of affordable housing (including the council's own shared equity schemes) and may therefore pose a significant risk to the achievement of corporate priorities (see section 4.3, above), the delivery of services and the maintenance of a good reputation.
- 4.5 **Equality Analysis** – The revised guidance does not have the potential to cause negative impact or discriminate against different groups in the community based on age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.
5. **Consultations with Others** – Planning Services (Development Control), Housing Services, Harrogate Borough Council's valuer (the council's appointed valuer).
6. **Access to Information: Background Documents** – None (only published material in the public domain).
7. **Author of the Report** – Roy Banks, Planning Assistant. Telephone: 01756 706449. Email: rbanks@cravenc.gov.uk.
- Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.
8. **Appendix** – Negotiating Affordable Housing Contributions (Draft July 2016)