

BRECKLAND DISTRICT COUNCIL

Report of: Councillor Gordon Bambridge, Executive Member for Growth

To: Local Plan Working Group 17.03.17

Author: Jemma March, Principal Planning Officer

Subject: Local Plan Affordable Housing Policy

Purpose: The purpose of this report is to advise Members on the preferred policy requirements for affordable housing to be included within the Local Plan

Recommendation(s): It is recommended that:

- a) Members accept the Local Plan and CIL Viability Assessment as evidence for the Local Plan
- b) Members consider the content of this report, and endorse option 1 to recommend the Local Plan be progressed with an affordable housing requirement of 25%.

1.0 Background

1.1 The Local Plan and CIL Viability Assessment (referred to as the Assessment or Viability Assessment in this report) were presented to the Local Plan Working Group on the 3rd February 2017.

1.2 Since that time, minor modifications have been made to address matters raised at the previous Local Plan Working Group, although the general content and findings of the Assessment remain unchanged. The areas which have been amended are section 10 onwards

1.3 The conclusions within the reported include recommendations relating to affordable housing, based on its findings about the general viability of development (sale prices, build costs etc) and therefore ability to support affordable housing provision.

1.4 Given the central importance of affordable housing to the local plan, members of the Working Group requested a further, more targeted, report that specifically looked at the matter of affordable housing provision and the available policy choices, as informed by the findings of the Viability Assessment.

1.5 It is important to note at the outset that the need for (and viability of) affordable housing must be balanced with the need for infrastructure to support development, as identified within the Infrastructure Delivery Plan (IDP).

1.6 This report aims to provide additional information to inform members of the options available in relation to setting of affordable housing policy within the Local Plan.

1.7 Local Context

1.8 The need for infrastructure

1.9 The Infrastructure Delivery Plan (IDP) is currently being drafted to support the Local Plan, setting out the infrastructure required, capacity issues, solutions, costs and funding mechanism. A draft version was presented to Member's at the Local Plan Working Group held 3rd February 2017. The IDP sets out that the majority of the required infrastructure

(classified as 'critical' or 'essential') to support the proposed allocations could be obtained from developers through S106 agreements, or may be delivered via the asset management plans of other bodies (such as Anglian Water, UK Power Networks etc). There are generally few alternative funding sources. However, the Council has been successfully working with partners to secure the funding for strategic projects such as a new sub-station at Snetterton or towards transport improvements for Attleborough SUE. These have been secured by grants from the New Anglia Local Economic Partnership.

1.10 The IDP has identified limited capacity of existing infrastructure categories including water (particularly the piped wastewater network and some WwTW's, local transport networks (particularly Dereham), health services and education and therefore a wide range of new or improved infrastructure has been identified in the IDP to support the allocations. This emphasises the importance of balancing the need affordable housing with seeking vital financial contributions from developers via s106. However, whilst emphasising the requirement for development contributions (via s106) to fund infrastructure, the IDP has not identified any critical or essential infrastructure which can only be delivered by implementing CIL.

1.11 **The need for affordable housing**

1.12 The Central Norfolk Strategic Housing Market Assessment SHMA (Jan 2016) sets out the affordable housing need across central Norfolk (includes neighbouring authorities; North Norfolk, South Norfolk, Broadland and Norwich City). The SHMA identifies a need for 882 affordable homes a year for the remainder of the plan period to meet current unmet need for affordable housing in addition to the projected future growth in need. This equates to 31.9% of the total housing stock covering the whole central Norfolk SHMA area.

1.13 In relation to affordable housing need, the SHMA concludes: *'It is apparent that Central Norfolk would benefit from a higher level of affordable housing delivery if that was viable, as this could reduce the number of households relying on housing benefit in the private rented sector'*. As recognised in the SHMA, one of the key factors in delivering affordable housing is viability. Whilst there is an optimum target to address affordable housing need, it is necessary to take into account what can realistically be delivered so that policies in the plan do not constrain the overall delivery of housing by placing excessive restrictions on the development industry.

1.14 **Affordable housing/S106 achieved between 2015-2017**

1.15 Breckland's Annual Monitoring Report reports that in the last full financial year (April 2015 - March 2016) 20.8% of dwellings completed were affordable. This provides a broad indicator of what level of affordable housing is being built in the district taking into account all types of development sites including affordable housing exception sites and smaller sites under 11 units that do not provide any affordable housing.

1.1 Analysis of major sites which have been given planning permission since April 2015, which have been subject to a section 106 agreement has shown that on average they have achieve 36% affordable housing whilst also providing a financial contribution of £2,127 per dwelling. It should be noted however, that the sample size of suitable permission for this analysis to be undertaken on was low (a total of 14 sites, of which half are outline permissions). It does include sites of 11 or more dwellings, where there is a known affordable housing split. Both the Thetford SUE and affordable housing exception sites were excluded from the analysis and it was considered they would represent exceptional circumstances and are not typical of development within Breckland.

1.2 The size of the sample data is not sufficiently large to develop a robust conclusion on

affordable housing, although it does indicate that the current policy of 40% is not being achieved in the district. Historical data is patchy and does not take into account the impact of proposed policies in the Local Plan on viability, or pressing infrastructure needs which rely on S106 contributions which are key considerations in developing a new target threshold.

1.3 Modelling of different rates of affordable housing and S106 financial contributions in the Assessment

1.4 Chapter 10 of the Assessment details the results of the residential appraisals. Table 10.7a of the Assessment shows a detailed consideration of a selection of example sites of different sizes, general locations and whether it is a brownfield or greenfield site based on information published in the Council's SHLAA. The tables use the example site type to show the impact on residual value against a benchmark when applying different thresholds of affordable housing and a range of potential developer contributions from £0 to £30,000 per dwelling. The results are graded into green, amber and red representing viable, marginally viable and not viable respectively. The modelling has taken into account the impact of proposed policies in the Local Plan on viability in the figures on residual value.

1.5 It is clear from the table that the higher the affordable housing threshold, the greater number of site types become unviable, with only the medium sized and some small greenfield sites being able to make any financial contributions to infrastructure. Bearing in mind that the smaller site types (below the national threshold of 11) would not contribute towards affordable housing due to the size of site. A much higher range of site types are viable to make financial contributions to infrastructure when considering a threshold of 20% and 25%. There is essentially little difference in the modelling between these two levels with a similar range of sites being viable. However, when adopting the lower target of 20%, it is possible to derive a higher amount of financial contribution from those sites which is about £5,000 more than at the 25% level. This could allow for a greater level of contributions towards infrastructure identified in the IDP, but does not have the benefit of seeking the best position in terms of delivering affordable housing for those in identified need.

1.6 The Assessment is a high level exercise based on many assumptions and therefore these tables are a useful tool to consider, but there are limitations. The key finding is that when adopting a threshold of 30% or above affordable housing this starts to reduce the amount of site types that would be viable to contribute to infrastructure, or likely come forward for development. When considering lower thresholds there appears to be little difference in terms of considering a 20% or 25% threshold on viability in terms of broad categorisation (green / amber / red). The lower threshold would allow for a greater financial contribution towards infrastructure as standard, however, if the policy requirement was set at 25% then there would still be opportunity for viability to be assessed on a case by case basis where this level of affordable housing and s106 contributions are sought, but for those schemes which are viable at this level a greater overall level of contributions will be secured. Because of the similarity in terms of broad categorisation it would not be considered to compromise overall plan viability.

1.7 Consideration of the findings of the Assessment in relation to the recommendations on CIL and the affordable housing threshold

1.8 It is not the purpose of this report to consider whether or not CIL should be progressed. Therefore, whilst the study does provide some initial evidence on this matter there are a greater range of factors that authorities will need to take into account which are not considered here.

- 1.9 The CIL Guidance and CIL Examiner's reports say that CIL should not be set at the margins of viability. In the situation that the Council wanted, at some point in future to pursue CIL, the study recommends adopting a policy which seeks 20% as standard, rather than 25%. If the rate of affordable housing was set at a lower level and CIL not progressed for a period, or at all, this would have the effect of increasing the developers profit in the ensuing period.
- 1.10 The study noted that sites adjacent to the main settlements of Dereham, Attleborough and Thetford would not contribute towards CIL. This accounts for the majority of development in the district (83%) largely due to the scale of the SUE's.
- 1.11 Therefore, if the Council chose to progress CIL at a point in future, this would need to be undertaken in parallel with a single policy review in relation to affordable housing.
- 1.12 **Conclusions**
- 1.13 In summary
- 1.14 A) The SHMA has identified a significant affordable housing need, which we are required to seek to address as part of providing for our objectively assessed housing need.
- 1.15 B) The IDP has identified that it is critical that an allowance is made for s106 contributions to ensure the provision of essential infrastructure as part of allocations
- 1.16 C) The study identifies that a level of affordable housing of up to 25% still allows for a level of developer contributions without undermining viability.
- 1.17 D) As a consequence, setting policy at 25% will maximise the level of affordable housing required, whilst ensuring contributions to infrastructure can be made. In doing so, it is accepted that for certain sites, in certain locations, a site specific viability assessment may still be required and a lower level of contributions or affordable housing sought. However such an approach will maximise the amount of affordable housing delivered overall.
- 1.18 E) There is opportunity to review the affordable housing threshold as a single policy review, without having to review or amend the entire Local Plan, should further evidence support changes to the adopted policy.
- 1.19 **Recommendation**
- 1.20 The results of a consideration of available evidence including the SHMA, modelling in the Viability Assessment, the need for infrastructure and the data on recent delivery of affordable housing and S106 collections over the past 2 years points to a recommended affordable housing rate of 25% on qualifying sites.
- 1.21 Such a level is lower than historical rates received on permitted sites because the former threshold does not take into account the effect of proposed planning policies in the plan on viability (used to inform the modelling) or the level of infrastructure required to be funded through S106 agreements.
- 1.22 Officers recommend that a threshold of 25% affordable housing is adopted in policy in the Local Plan as this maximises the potential to receive S106 financial contributions from developers to fund the critical and essential infrastructure identified in the IDP. It also

broadly reflects the recommendations in the Viability Assessment, which whilst recommending a lower figure of 20% did so from a position of applying the higher threshold land value which would apply should CIL be pursued. The modelling has demonstrated that at 25% that a range of site types would remain viable with scope to make contributions to infrastructure. There would still be scope for negotiation in the development management process to negotiate a lower affordable housing level if the site was proven not to be viable when applying the 25% threshold in exceptional circumstances.

2.0 OPTIONS

- 2.1 There are three options available to Members, as follows:
- 2.2 Option 1 –That Members endorse an affordable housing requirement of 25% as the basis for preparing the next stage of the plan.
- 2.3 Option 2 –That Members endorse a lower level of affordable housing provision.
- 2.4 Option 3 – That Members endorse a higher level of affordable housing.
- 2.5 Option 4 - Alternatively, Members could choose not to publish the Local Plan and CIL Viability Assessment as evidence for the Local Plan and choose an affordable housing threshold which has no evidential basis.

3.0 REASONS FOR RECOMMENDATION

- 3.1 The recommendation at Option 1 has been made in order to comply with requirements in the National Planning Policy Framework and to support the Local Plan, seeking to strike the optimal balance between affordable housing and infrastructure delivery without compromise overall delivery of our housing supply.
- 3.2 Endorsing Option 2 is not recommended as this will not maximise the level of affordable housing provision in line with identified need, thereby having the effect of providing developers with additional profits beyond that necessary for a scheme to proceed. There may be some sites that will still not be viable at this level, but site specific viability assessments can still be required. Whilst a lower threshold is recommended in the Assessment to support CIL, because of the higher threshold land values the ability to levy CIL is severely constrained, which would have a major impact upon the benefits achieved (which would have to be weighed against the disbenefits of the lower level of affordable housing achieved on those sites which could have achieved 25%). As further work would be required before, as part of a separate exercise, the Council considers whether to pursue the implementation of CIL it would be unwise to set the affordable housing percentage at a level that assumes CIL and give up additional affordable housing in the meantime. If the Council proceeds with CIL the affordable housing percentage could be considered in tandem as part of a single issue policy review and adjusted to the appropriate level.
- 3.2 Endorsing Option 3 is not recommendation at it is not supported by evidence which shows that at this level a high proportion of our Local Plan housing supply would be unable to levy any s106 contribution, compromising ability to delivery essential infrastructure and potentially placing the delivery of the wider local planning strategy for Breckland into question.

Endorsing Option 4 is not recommended there would be no evidential basis for a decision on the affordable housing threshold and therefore the affordable housing policy would not be

compliant with the requirements of the NPPF for policy formulation to be based on appropriate, robust evidence.

4.0 **EXPECTED BENEFITS**

4.1 The NPPF requires Local Authorities to prepare Local Plans. The Study forms an essential part of the evidence base for the Local Plan. The requirement to assess viability forms part of the NPPF, is part of the Strategic Housing and Employment Land Availability Assessment (HELAA) and is a requirement of the CIL Regulations.

5.0 **IMPLICATIONS**

5.1 **Carbon Footprint / Environmental Issues**

5.1.1 It is the opinion of the Report Author that there are no implications.

5.2 **Constitution & Legal**

5.2.1 It is the opinion of the Report Author that there are no implications.

5.3 **Contracts**

5.3.1 It is the opinion of the Report Author that there are no implications.

5.4 **Corporate Priorities**

5.4.1 Publishing the Local Plan and CIL Viability Assessment supports the work on the Local Plan and aligns with corporate priority: Supporting Breckland to develop and thrive; providing the right services at the right time and in the right way; developing the local economy to be vibrant with continued growth and enabling stronger, more independent communities. The production also aligns with the priority of enabling effective planning and delivery of housing solutions to meet local needs.

5.5 **Crime and Disorder**

5.5.1 It is the opinion of the Report Author that there are no implications.

5.6 **Equality and Diversity / Human Rights**

5.6.1 It is the opinion of the Report Author that there are no implications.

5.7 **Financial**

5.7.1 It is the opinion of the Report Author that there are no implications.

5.8 **Health & Wellbeing**

5.8.1 It is the opinion of the Report Author that there are no implications.

5.9 **Risk Management**

5.8.2 The policy could be subject to challenge at examination, however the recommendation approach seeks to strike a balance between the available evidence.

5.10 **Safeguarding**

5.10.1 It is the opinion of the Report Author that there are no implications.

5.11 **Staffing**

5.11.1 It is the opinion of the Report Author that there are no implications.

5.12 **Stakeholders / Consultation / Timescales**

5.12.1 Member's discussion will help to inform the preparation of the pre-submission Local Plan.

6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 The Local Plan has implications for all wards in Breckland.

7.0 **ACRONYMS**

7.1 Acronyms include

- CIL: Community Infrastructure Levy
- HELAA: Housing and Economic Land Availability Assessment
- IDP: Infrastructure Development Plan
- NCC: Norfolk County Council
- NPPF: National Planning Policy Framework
- SUE: Sustainable Urban Extension

Background papers:-

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A: Local Plan and CIL Viability Assessment