



Leicester
City Council

All Wards

HOUSING SCRUTINY
STRATEGIC PLANNING AND REGENERATION SCRUTINY
CABINET

10 OCTOBER 2002
17 OCTOBER 2002
27 JANUARY 2003

'AFFORDABLE HOUSING' AND THE PLANNING PROCESS

Joint Report of the Corporate Director of Housing and Corporate Director of Environment
Regeneration and Development.

1. PURPOSE OF REPORT

- 1.1 The report discusses the contribution that planning policies have and can make towards the provision of affordable housing in Leicester.

2. RECOMMENDATIONS

- 2.1 That the proposed Affordable Housing Policy Statement as set out in Appendix 1 is agreed. (See Section 3)
- 2.2 That a post is created in the Environment Regeneration and Development Department to co-ordinate and join-up work on planning gain, including the securing of affordable housing through the planning process. (See Section 4)
- 2.3 That Cabinet endorses the decision taken by officers in conjunction with the Cabinet Lead to extend the current moratorium on affordable housing within parts of the Leicester Regeneration Company area to cover planning applications and commenced within 18th months and that a report on the impact of the moratorium is considered by Cabinet in June 2003. (See Section 5).
- 2.4 Proposals for a framework and process for securing developers contributions are brought to a Cabinet meeting in two months.

FINANCE

The proposal for an additional post will need to be considered in the context of 2002/2003 Budget Strategy.

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DECISION STATUS

Key Decision	Yes
Reason	City wide impact on communities
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)

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SUPPORTING INFORMATION

1. DEFINITION OF ‘AFFORDABLE HOUSING’

- 1.1 ‘Affordable housing’ is defined in the Government’s ‘Local Housing Needs Assessment : A guide to Good Practice’ (HMSO, 2000) :

“*Affordable housing* is housing of an adequate standard which is cheaper than that which is generally available in the local housing market. This can comprise a combination of subsidised rented housing, subsidised low cost home ownership (LCHO) including shared ownership, and in some market situations cheap housing for sale.”

This definition includes, but is not only, homes for rent or shared ownership provided by the Council or a Housing Association.

- 1.2 The recent Housing Needs Survey looked at house prices and private rent levels in Leicester and calculated the income required to buy or rent privately. Many households cannot afford this housing and therefore must rely on social housing. If ‘affordable housing’ is to be provided by the private sector, it too must be made available at below market costs at a price linked to earnings in the city.

2. PLANNING POLICIES

- 2.1 Since 1994, Leicester’s planning policies require that affordable housing should normally be provided on larger residential sites. Local Supplementary Planning Guidance, adopted in January 2000, states that the City Council will seek to achieve at least 30% affordable housing from all suitable development sites (over 25 dwellings or in excess of 1 hectare). The actual affordable housing contribution is assessed against a number of criteria including whether there are any particular costs associated with the development and whether the provision of affordable housing would prejudice other planning objectives. For windfall sites and conversions, “a flexible approach is adopted where the developer is able to prove that the viability of the scheme will be adversely affected by the provision of affordable housing”.
- 2.2 Appendix 2 shows the outcome of the policy:

In summary, planning conditions and/or s106 agreements have required that 15% of the units for which planning permission has been given since 1999 should be affordable (514 out of 3403 units). This comprises on site provision for 420 units with 94 units to be provided off site through commuted sums (£1.68M). From these detailed permissions, some of which are recent, 111 affordable homes have been built. (3.2% of units built.) Commuted sums to the value of £285K have been received, which will provide a further 14 units in total.

2.3 The Appendix does not include outline planning permissions because their outcome is less certain. However, there is a large site in North Hamilton with outline permission on which a s106 agreement has already been signed. This aims to provide 226 affordable homes on site and a commuted sum of £722,000 (50 units).

2.4 The majority of affordable housing requirement/provision agreed so far has been for low cost home ownership. (487 (62%) low cost homes, 303 (38%) rented).

The consultants Housing Needs report emphasises the pressing need for rented units, at rents close to social housing levels.

2.5 Analysis has been done of residential planning applications for sites below 25 units i.e. those sites to which affordable housing policies do not apply. In the past three years planning permission has been granted on 25 sites, 10 of which were for 24 units.

3.0 AFFORDABLE HOUSING POLICY STATEMENT

3.1 The 2002 Leicester Housing Needs Survey report included advice from the consultants on the preparation of an affordable housing policy statement that would be “acceptable to a Planning Inspector, acting on the basis of Government advice and will stand a good chance of providing new build affordable housing that meets housing need without generating social exclusion”.

3.2 Appendix 1 summarises the Consultants advice, which they base on the Government guidelines and the results of the Leicester Survey. Appendix 1 also sets out a proposed policy statement, in particular the definition of low-cost market housing is clarified.

3.3 The statement is for inclusion within, or amendment to, the following formal policies:

- a revised “Supplementary Planning Guidance on Affordable Housing” (for use on development sites);
- the “Replacement Local Plan” (revised deposit stage, due to be published Spring 2003).
- current revisions to the Regional Housing Statement.

3.4 It is important to note that the term “accommodation for keyworkers” is not synonymous with affordable housing. When a scheme claims to provide for ‘key workers’ their assumed income should be made explicit. Some Key Workers will need “affordable housing” as defined in this report. Others need assistance to get market housing. The Council may develop separate policies for those who have restricted choice in the open market.

4.0 SECURING AFFORDABLE HOUSING THROUGH THE PLANNING SYSTEM

- 4.1 In regeneration schemes (brownfield sites and building conversions) developers often argue that an affordable housing condition would make the development uneconomic. It should be noted that Circular 6/98 Planning and Affordable Housing advises LA's to take account of any particular costs associated with development of the site and other planning objectives. This argument has often been accepted and is the reason why planning conditions have seldom required the full 30% on brownfield sites where development costs are usually higher.
- 4.2 It is important to balance the requirement for affordable housing against other planning gain the Council may wish to seek from developers and to balance all demands against the possibility of affecting the viability of the scheme overall. This is an issue that many other Council's are addressing. Big developers work in several local authorities. Keeping abreast of what is achievable is important. For example it would be useful to explore s106 agreements that linked the level of planning gain to changes in landlord property values during the life of the permission.
- 4.3 Some Councils have appointed dedicated Officers to deal with 'planning gain'. It is felt that such a post would be useful in Leicester. It is proposed that the post is based in the Environment, Regeneration & Development department and would work closely with the Housing and other departments.
- 4.4 Work is underway in the Environment Regeneration and Development Department on a framework for securing developers contributions in the light of recent government proposals. Officers will also explore the role of members in prioritising different elements of planning gain.

5.0 REQUEST FROM LEICESTER'S REGENERATION COMPANY

- 5.1 In December 2001 Cabinet agreed to the request of the Leicester Regeneration Company (LRC) for a moratorium on the Affordable Housing policy for all sites in the St. George's, Frog Island and Old Town areas of the City Centre, for a period of fifteen months.

Appendix 2, last page, shows the planning application history in these areas.

- 5.2 The LRC has recently requested that the moratorium is extended to 'summer 2003'. The Corporate Director of Housing and the Corporate Director of Environment Regeneration and Development, in consultation with Cabinet Leads have agreed to extend the moratorium until the end of September 2003.
- 5.3 The LRC, the Housing Department and the Environment, Regeneration & Development Department have jointly commissioned independent research to assess the impact of the moratorium. The research results will be available in time to inform a report to Cabinet, before the end of September 2003, on the impact of the moratorium.

6.0 SOCIAL HOUSING GRANT

- 6.1 Registered Social landlords (Housing Associations) can bid to the Housing Corporation for social housing grant to support both rented and shared ownership housing. There will continue to be a presumption against supporting such bids for sites where social housing is a planning requirement.

7. OTHER IMPLICATIONS

Other implications of this report are as follows:

Other Implications	Yes / No	Paragraph reference within supporting papers
Equal Opportunities	Yes	Whole report
Policy	Yes	Section 3.0
Sustainable & Environmental	No	
Crime & Disorder	No	
Elderly people	No	
People on low incomes	Yes	Whole report
Human Rights Act	No	

8. DETAILS OF CONSULTATION

8.1 Before being presented to Cabinet for approval a draft Affordable Housing Policy was the subject of consultation with the following:

Housing Scrutiny Committee
 Strategic Planning and Regeneration Scrutiny
 Leicester Housing Association Liaison Group
 Leicester Regeneration Company
 Local housing advice bodies (SHARP, etc.)
 Regional housing bodies (Housing Corporation, Government Office, etc.)
 The House Builders Federation
 Leicester Strategic Partnership
 Leicestershire Strategic Economic Partnership

8.2 Housing Scrutiny Committee

Committee noted the shortfall of affordable housing and the role of planning policy and its contribution to addressing this issue. It was resolved that Cabinet be informed that the Committee considered that any private sector housing developments should include up to 30% affordable housing and that all new development should include a residential component.

Strategic Planning and Regeneration Scrutiny Committee

Committee Members welcomed the report which described the pressing housing needs in the City and the role it could play in supporting the Councils position at a planning appeal. Members noted a dilemma – the need to regenerate areas of the City and the need for affordable housing - where the pursuit of one may be at the expense of the other.

The following concerns were expressed:

- The viability of developments containing affordable housing, especially in the inner City.
- The achievability of addressing the overall shortfall in affordable housing in relation to commitments in the Structure Plan
- In consideration of planning approval there were many other aspects to weigh up in making a decision apart from the 30% affordable housing target.

Alternative measures to alleviate the shortfall problems were discussed – such as use of Capital receipts and favourable sale of Council land.

8.3 No views were received from any of the other stakeholders consulted.

9. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Leicester City Council Housing Needs Survey 2002

10. AUTHORS OF REPORT / OFFICERS TO CONTACT

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Proposed Leicester City Council Policy Statement	Comment / notes from 2002 Housing Needs Survey :
<p>1. <u>Definition of 'affordable housing'</u> "Affordable housing" will consist of:</p> <p>(a) Social housing provided by a Registered Social Landlord or Local Authority – allocating accommodation on the basis of need. While such dwellings will normally be made available for rent, they may also include subsidised low-cost home ownership, such as shared ownership, where a registered social landlord or local authority retains a continuing interest;</p> <p>And</p> <p>(b) low-cost market housing (usually, though not exclusively, through a private house builder), providing that:</p> <p>i) such housing requires weekly outgoings at levels <i>appreciably below</i> the minimum cost of local market housing, and linked to earnings in the City area; and</p> <p>ii) such housing should be available, both initially and for subsequent occupancy, only to those with a demonstrable housing need or restriction in their ability to acquire property at open market values.</p>	<p><i>A definition of affordable housing should meet the purposes of housing which meets housing need, as defined in Appendix 2.2 of Local Housing Needs Assessment: A Guide to Good Practice.</i></p> <p><i>The Consultants advise that shared ownership will help only about 14% of the households in need and that the balance should be rented housing.</i></p> <p><i>To assist a reasonable percentage of households in housing need, the weekly costs are required to be appreciably below minimum cost of market housing.</i></p> <p><i>Service Directors note: This could be achieve by an agreement that the property is let to households nominated by the Council or by a shared ownership scheme where the developer retained a continuity interest.</i></p>

2. Development site thresholds

Except where the City Council has agreed an exception for an area of the City for a defined period of time the Policy should apply to residential development sites in Leicester that will provide 25 or more dwellings, or be at least 1 hectare in size;

Government advice is that the policy should apply on developments of 25 dwellings or of 1 hectare.

The advice also states the ‘the Secretary of State considers it may be appropriate for local planning authorities ... who are able to demonstrate exceptional local constraints to adopt a lower threshold’ through the local plan process. The guidance notes that a definition of ‘exceptional local constraints’ should be based upon a good local understanding of housing conditions, that describes levels of need for affordable housing and the relationship of this need to the supply and suitability of existing provision.

The Consultants conclude “given the amount of additional housing required (in Leicester) it would seem reasonable to assume that the Council would want to secure affordable housing on all sites regardless of size. Hence (the consultants) would suggest that a site threshold of 15+ dwellings/0.5 ha on all sites justifiable”.

<p>3. <u>'Affordable housing targets'</u> A target of 30% of all new housing provision on applicable development sites (as defined in section 2 above) should be provided as 'affordable' accommodation.</p> <p>4. <u>Negotiation of 'affordable housing'</u></p> <p>Our policy is to make applicants aware of the affordable housing policy requirements at the earliest possible stage. The detail of the 'affordable housing' to be sought within a particular development will be negotiated at or immediately prior to planning application stage in order to agree a suitable housing mix in line with the needs of the City area, and without generating social exclusion and to assess whether there are <i>particular costs</i> associated with development of the site needing to be considered. The onus will be on the housing developer to demonstrate why any targets may not be met – the presumption will be that each development is able to meet the targets in 2 and 3 above.</p> <p>5. <u>Commuted Sums</u> The presumption will be that affordable housing created in the development of a site will be provided on site.</p> <p>In exceptional circumstances the City Council may approve an element of affordable housing to be provided elsewhere than on the application site. The basis of calculating the commuted sum to represent this 'off-site' provision is the amount of public subsidy which an RSL would require to provide the affordable housing. This sum will be reviewed annually in line with RSL grant rates.</p>	<p><i>The Survey reviews the policy targets of a number of other authorities.</i></p> <p><i>Historically target levels have been about 25% - 30% and are moving towards 40%+ in plans currently in the pipeline. Two London Boroughs have adopted 40% targets which have been approved by Inspectors on appeal. The Consultants state that in most parts of Britain it is easy to justify a target of least 40% and this would be justifiable in Leicester if the requirement for new affordable housing is to be met.</i></p> <p><i>The Consultants recommend that the percentage and type of 'affordable housing' on any given site should only be subject to negotiation at the time of a planning application, so as to allow for issues of viability and mix to be considered and so that market conditions at the time of approval are used. Fordhams also suggest that the possibility of market conditions varying during the life of a project and that s106 agreements should take this into account.</i></p> <p><i>The guidance does not define "particular costs".</i></p> <p><i>The current level at which a commuted sum is calculated is at 02/03 Housing Corporation grant rates. These are now in the region of £55,727 per unit provided off-site.</i></p>
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