

# Southend-on-Sea Borough Council

Agenda  
Item No.

## Report of Corporate Director for Place

to  
Cabinet

on

**20<sup>th</sup> September 2016**

Report prepared by:

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### **Corporate Policy for Planning: Interim Affordable Housing Policy**

**Place Scrutiny Committee**

**Executive Councillor: Councillor Flewitt**

#### ***A Part 1 Public Agenda Item***

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## **1. Purpose of Report**

- 1.1 To seek Members agreement to the Interim Affordable Housing policy being adopted as Corporate Policy.
- 1.2 The policy sets out the approach the Council will take in respect of Affordable Housing Policy and financial contribution calculations, until such time that any amendments are made to adopted planning policies as part of the Local Plan review, which will be informed by updates to the Strategic Housing Market Assessment (SHMA). It is in direct response to recent Government changes to national housing policy.
- 1.3 For the avoidance of doubt, this Interim Affordable Housing Policy will supplement but not supersede the following existing adopted planning policies:- Core Strategy Policy CP8 and Development Management Development Plan Document (DPD) policy DM7.

## **2. Recommendations**

- 2.1 That Members agree the following:
  - 2.1.1 **Agree the “Interim Affordable Housing Policy (September 2016)” document attached at Appendix 2 as Corporate Policy; and**
  - 2.1.2 **Delegate to the Corporate Director for Place in connection with the Portfolio Holder for Housing, Planning and Public Protection authority to make any minor amendments to the Interim Affordable Housing Policy to take into account the latest available evidence from the SHMA or its equivalent successor.**

### 3. Background

- 3.1 The Council secures affordable housing through adopted planning policies:- Core Strategy Policy CP8 and Development Management Development Plan Document (DPD) policy DM7.
- 3.2 Recent changes in national housing policy dealing with how Registered Providers operate and how development viability is considered, has led to developers increasingly seeking to deviate from adopted affordable housing policy in terms of mix of tenure and unit sizes. This presents significant risks in terms of the Council's ability to meet the Borough's affordable housing needs. This Interim Affordable Housing Policy seeks to minimise these risks as far as possible and assist in meeting the Borough's affordable housing needs. It also seeks to ensure that a fair and consistent affordable housing provision is required of all developers, avoiding any site being disadvantaged in comparison to any other due to the impact that changes in tenure and unit sizes have on residential sales values.
- 3.3 The Council is experiencing unprecedented levels of housing demand as a result of the changes in national housing and planning policies, which combined with welfare reforms is making it increasingly difficult for a household on a low income to meet their own housing needs.
- 3.4 In addition, since the publication of the Core Strategy in 2007 the Council has not published any further guidance in relation to the preferred arrangements for obtaining a financial contribution to fund off-site provision where, exceptionally, the Council is satisfied that on-site provision of affordable housing is not practical, feasible or appropriate. This will be formally addressed in the Local Plan review of affordable housing policies; however, this is a lengthy and formal statutory process that is prescribed in the Town and Country Planning Regulations (2012), so in the interim it is deemed appropriate to adopt a Corporate Policy describing in more detail how the Council intends to apply the existing adopted policies.
- 3.5 To ensure that the approach to securing financial contributions in lieu of on-site provision of affordable housing is fair, consistent and comparable with other local authorities, a report by BNP Paribas Real Estate (a leading consultancy specialising in this area) were commissioned to review and prepare a report. This report assessed the pros and cons of different approaches and concluded that the Council's current adopted approach allows for a simple, transparent and quick calculation of a payment in lieu, which is one of the Council's objectives in avoiding full viability assessments on each occasion an application is considered. A copy of this report is included in **Appendix 1**.
- 3.6 **Appendix 2 and 3** include copies of the proposed Interim Affordable Housing Policy (September 2016) and an example of a payment calculation where a payment is being accepted in lieu of on-site provision of affordable housing. This is set out in a table at **Appendix 3**. This table will enable planning and housing officers to establish the level of financial contributions for affordable housing where considered appropriate.

- 3.7 The payments in lieu of affordable housing are significantly lower than the open market value (OMV) of the residential properties being constructed within a development. However, the contributions that will be secured are reasonable when considered in the context of the values involved in on-site provision. The reason for this is because when completed affordable housing units are secured by a Section 106 agreement for transfer to a Registered Provider (RP), typically the RP will purchase the units from a developer at a price equivalent to their OMV less approximately 30% to reflect the land value. For example, if the OMV of a residential unit is £200,000 each, a reasonable offer from a RP would be £140,000 each. This would result in the developer making a contribution of £60,000 per unit. Hence, whether the Council receives a financial contribution in lieu of on-site provision or units are provided on-site, the financial contribution towards affordable housing secured from the developer is comparable. It is then proposed that 10% be added to the contribution to reflect the on-costs associated with the local authority delivering the affordable housing instead of the developer. Without the 10%, some of the affordable housing financial contribution would be lost to fees and acquisition costs.

#### **4. Options**

- 4.1 For the reasons set out in this report, officers recommend adoption of the Interim Affordable Housing Policy.
- 4.2 The only alternative option would be to not adopt the Interim Affordable Housing Policy as set out in this report. This would mean to continue developer affordable housing negotiations relating to housing mix, tenure and financial contributions in lieu of on-site provision on a more ad hoc basis. This presents significant risks in terms of the Council's ability to meet the Borough's affordable housing needs; may result in inconsistencies in planning negotiations; and may also delay delivery of development.

#### **5. Reasons for Recommendation**

- 5.1 The proposed Corporate Policy is intended to maximise the potential to deliver affordable housing and meet the Borough's local affordable housing need, through existing planning policy, planning applications and Section 106 agreements, whilst ensuring development remains deliverable.
- 5.2 The proposed Interim Affordable Housing Policy also seeks to ensure that a fair and consistent affordable housing provision is required of all developers, avoiding any site being disadvantaged in comparison to any other due to the impact changes in tenure and unit sizes have on residential sales values.
- 5.3 The proposed Corporate Policy will assist in meeting the key Corporate Priorities relating to affordable housing as set out in paragraph 6.1 below.

#### **6. Corporate Implications**

- 6.1 Contribution to Council's Vision & Corporate Priorities

Any financial contributions received through S106 agreements will be spent on enabling the Council to deliver affordable housing within the Borough. As such, this will support the following Corporate Priorities for 2016/17:-

*Prosperous: Maximise opportunities to enable the planning and development of quality, affordable housing.*

*Healthy: Work with the public and private rented sectors to provide good quality housing.*

## 6.2 Financial Implications

This policy will enable the Council to secure financial contributions in lieu of onsite provision and such financial contributions will support the delivery of affordable housing. The policy will enable a consistent and clear approach to be applied to the negotiation of financial contributions.

## 6.3 Legal Implications

In terms of planning legislation, a Corporate Policy will be given less weight than an adopted planning policy. However, a Corporate Policy will constitute a material consideration in the determination of any planning applications; and until such time that the affordable housing planning policies are formally reviewed as part of the Local Plan review; the Interim Affordable Housing Policy will provide clarity and consistency to developers. The Corporate Policy will also help maximise opportunities for delivering affordable housing.

## 6.4 People Implications

None.

## 6.5 Property Implications

None.

## 6.6 Consultation

None required.

## 6.7 Equalities and Diversity Implications

The proposed Corporate Policy seeks to ensure an equitable approach to affordable housing negotiations and delivery.

## 6.8 Risk Assessment

There is a risk that ad hoc negotiations on a site by site basis will result in less affordable housing being delivered in the Borough; and claims of the Council acting inconsistently.

## 6.9 Value for Money

The proposed Corporate Policy is an important means of ensuring value for money for the wider community from development.

## 6.10 Community Safety Implications

None.

## 6.11 Environmental Impact

None.

## 7. Background Papers/Reference Documents

Development Planning Document: Core Strategy December 2007

Development Planning Document: Development Management Document July 2015

## 8. Appendices

**Appendix 1** Report by BNP Paribas Real Estate

**Appendix 2** Interim Affordable Housing Policy (September 2016)

**Appendix 3** Example affordable housing in lieu payment calculation  
(calculator spread sheet)