

Report for Discussion

Report to	Sustainable development panel 2 December 2011
Report of	Head of planning services
Subject	Interim statement on the off-site provision of affordable housing

Item

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Purpose

The report identifies issues with the implementation of JCS policy 4 with regard to the provision of affordable housing and suggests in certain limited circumstances it may be justifiable, in the light of government policy and local circumstances, to allow payment of a contribution in lieu of provision on site. An interim statement allowing the acceptance of such contributions is proposed alongside a scale of charges.

Recommendations

To comment on the emerging interim statement and to recommend its endorsement to cabinet on 14 December 2011.

Financial Consequences

There are no direct financial consequences for the council relating to endorsing this document. However, if the proposed policy document is endorsed this is likely to result in additional sec 106 funding being received by the Council. Any such funding will be ring fenced and only able to be spent on the provision of affordable housing. If the interim statement increases the amount of planning and development activities there may also be financial impacts associated with planning fees and new homes bonus payments to the Council.

Risk Assessment

Not applicable.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority "Strong and prosperous city – working to improve quality of life for residents, visitors and those who work in the city now and in the future" and the service plan priority to deliver the Local Development Framework for Norwich

Cabinet Member: Cllr Bremner

Ward: All

Contact Officers

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Background Documents

None

Report

Background

1. In March of this year the council adopted the Joint Core Strategy. The adoption saw a significant change in policy towards housing and provision of affordable housing in particular. Prior to March policy had been contained in the City of Norwich Local Plan (particularly policy HOU4) and this was elaborated by a supplementary planning document (SPD) on affordable housing that was adopted in October 2009. In March this policy framework was superseded by policy JCS 4 and both HOU4 and the SPD ceased to be part of the development plan for Norwich.
2. In summary the framework that existed prior to March provided for an element of affordable housing to be provided on all housing sites of 25 dwellings or more. The proportion of affordable housing was the subject of negotiation on a case by case basis but the SPD set at target requirement of 40%, albeit one that could be reduced if evidence could be produced to demonstrate that a development was not viable was this level of provision.
3. The approach in JCS4 differs in two respects. It reduces the threshold at which the requirement for provision of affordable housing is applied and the target level of provision is specified in the policy. A proportion of affordable housing is now sought on all sites providing 5 or more dwellings (net). The proportion sought varies depending on the number of dwellings proposed or size of the site: 20% for 5-9 dwellings, 30% for 10-15 dwellings and 33% for 16 dwellings or more. The policy still provides for the proportion of affordable dwellings sought to be reduced where development would be unviable.
4. It should be noted that both HOU4 and JCS4 sought provision for affordable housing to be made on the site concerned. Neither policy set a framework to allow provision for affordable housing to be made off-site. However, the previous SPD did allow where a proposal was not viable consideration to be given to whether an off-site contribution would achieve an improved number or range of affordable housing in certain circumstances.

Affordable housing need and issues with delivery

5. The need for affordable housing is determined by the September 2011 update to the Strategic Housing Market Assessment. The current requirement in Norwich is for 677 new affordable dwellings each year to meet the identified need of which 651 should be for social rent or at lower intermediate levels and it is recognised that the demand for affordable housing is growing ever greater with the lack of availability of mortgages.
6. The scale of the challenge involved in meeting these needs cannot be overstated. In both 2009/10 and 2010/11 the total number of net housing completions in Norwich has been below these levels (at around 400 homes in each year) with the proportion of these dwellings which are affordable being 30% in 2010/11. It would appear that the numbers of those in housing need is likely to increase at a rate faster than the likely rate of provision of affordable

housing irrespective of the measures taken to increase supply. The greatest level of need currently identified is for housing suitable for families with children although the impact of future benefit changes may increase need for other forms of housing in future.

7. The field of affordable housing delivery has changed considerably recently. The funding regime for Registered Providers (RPs) of social housing has changed, the availability of grant support to assist with the provision of affordable housing on sites being developed for open market housing is much reduced, the affordable rented tenure is being promoted by government and a number of RPs are re-examining their business models and are reducing their development activity. Combined with increased build costs, increased costs of capital and a general risk aversion this has resulted in some uncertainty in the market and an increased reluctance of RPs to take on management of certain types of properties.
8. As this period of change has coincided with continued challenging conditions in the development market and the implementation of the reduced threshold for sites where affordable housing is required there have been particular challenges in seeking to negotiate acceptable proportions of affordable housing on site. These problems have been particularly acute in relation to relatively small sites where flatted development is proposed.

Issues around on-site and off-site provision and flexibility in planning

9. Seeking provision for affordable housing to be made on-site is an important and longstanding aspect of government planning policy. On-site provision is favoured as it ensures that affordable housing is integrated with open market housing thereby reducing any stigma that may be associated with affordable housing and promoting social cohesion.
10. This approach is embodied in current Planning Policy Statement 3 (Housing) which states (in para 29) that: "In seeking developer contributions, the presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing. However, where it can be robustly justified, off-site provision or a financial contribution in lieu of on-site provision (of broadly equivalent value) may be accepted as long as the agreed approach contributes to the creation of mixed communities in the local authority area."
11. This approach is essentially proposed for retention in the National Planning Policy Framework (NPPF). The draft NPPF published in July 2011 proposed where local authorities have identified the need for affordable housing they should: "set policies for meeting this need on-site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified ... and the agreed approach contributes to the objective of creating mixed and balanced communities".
12. The consideration of flexibility in the planning system is also relevant to this matter. In a ministerial written statement on planning for growth issued in March this year the Rt Hon Greg Clark MP effectively urged local authorities to be flexible with planning requirements to allow development to proceed. He stated to "ensure that development can go ahead, all local authorities should

reconsider, at developers' request, existing sec 106 agreements that currently render schemes unviable, and where possible modify these obligations to allow development to proceed; provided this continues to ensure that the development remains acceptable in planning terms." He went on to indicate that the Secretary of State will take these principles into account when determining applications that come before him for decision with significant weight being attached to the need to secure economic growth.

13. The City Council had previously already agreed an approach to allowing development to proceed in circumstances where this may be considered acceptable notwithstanding the full range of planning requirements rendering a scheme unviable. This prioritisation framework was originally agreed by Executive in May 2009 and an updated version was agreed by Cabinet in March 2011 shortly before the statement from Mr Clark was issued.
14. The prioritisation framework sets an approach (for use by Officers and Planning Applications Committee when determining individual planning applications) for ranking requirements for developer contributions which may be covered by planning conditions, s.106 agreements or planning obligations. The Framework is based on attributing a ranking of requirements based on the following categories (listed in priority order): 1) site specific critical requirements; 2) essential policy requirements (including affordable housing); and 3) other related requirements. The framework acknowledges that the ranking of these factors is ultimately a matter of judgement and allows for local member and portfolio holder input into this process.

Proposed Interim Statement

15. In the light of the assessment set out above both in relation to the need for affordable housing and the problems with delivering it, and with regard to flexibility being urged in the planning system by government. Officers have examined the possibility of introducing an interim statement designed to examine the circumstances where a financial contribution to allow provision for affordable housing to be made off-site may be considered acceptable and not to undermine the objective of creating mixed and balanced communities. The issues are finely balanced but Officers tend to the view that the benefits of introducing such a statement outweighs the disbenefits.
16. A draft of this possible statement is attached and three particular circumstances have been identified where it is considered that departures from policy JCS4 may be justifiable. All such proposals would need to be considered on a case-by-case basis, the portfolio housing for planning would be informed and decisions will ultimately rest with the Planning Applications Committee. In summary these circumstances are:
 - On any site where there is insufficient viability to justify provision of a single social rented dwelling on the site (this would allow pooling of small contributions to deliver housing elsewhere);
 - On relatively small sites proposed for flatted developments (typically developments of 15 or fewer units on sites of 0.2ha or less) where it can be demonstrated that RPs are reluctant to take on the management of a small number of affordable units; and

- On small to medium sites with exceptional factors which would not be attractive to RPs and where it is capable of using contributions in lieu to deliver more affordable units off-site than would have been provided on-site elsewhere in the local area.
17. Officers have also examined the level at which contributions would need to be made in order to ensure a level of provision of affordable housing off-site of equivalent value to that which would have resulted from meeting the policy on-site. There are various means of doing this but the favoured method is to calculate a figure based on the saleable floorspace proposed and reflecting the level of affordable housing and tenure split that would have been required. Due to the varying level of floorspace in flatted development this is considered to be more robust than charging on a per bed room basis. It would also enable contributions raised from one form of private development to be used to fund a different form of affordable housing development.
 18. It should be noted that as with the requirement for provision of on-site affordable housing, where provision off-site is considered appropriate and a scheme can be demonstrated to be unviable, then it will still be possible for the level of contribution to be reduced in accordance with the prioritisation framework. It does not necessarily follow that where such a viability exercise is conducted and this shows a development only to be viable with a minimal contribution to affordable housing that the development will itself be acceptable. A balanced judgement will need to be taken on whether the benefits of the development outweigh any disbenefits including the need to secure mixed and balanced communities. In reaching this view the local planning authority will need to have regard to all relevant material considerations including the issues of precedent and possible cumulative impacts. It is anticipated that in view of the levels of need for affordable housing in Norwich it will be very hard to justify any scheme with minimal levels of contribution to provision of affordable housing in this context.
 19. Any statement that is issued will need to be issued on an interim basis pending the preparation of either a revised Supplementary Planning Document on Housing and/or the introduction of the Community Infrastructure Levy (CIL). CIL in particular may have a significant impact on policy in this area as the government is currently consulting on whether CIL receipts should be able to be used to fund affordable housing. If CIL is introduced and receipts are allowed to be used on affordable housing then this may restrict the ability of the local authority to pool planning obligations to contribute to the provision of affordable housing.
 20. The City Council's draft response to the latest CIL consultation should be considered as a separate agenda item at this meeting.