

REPORT TO: Planning Committee

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WARD(S): All

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PART I
FOR DECISION

REVISION OF HOW CORE STRATEGY AFFORDABLE HOUSING POLICY IS APPLIED.

1 Purpose of Report

To revise how the affordable housing element of Slough Core Strategy policy 4 (Type of Housing) is applied in respect of contributions sought from housing developers through Section 106 planning obligations. The revision is to take account of the Council's emerging new Housing Strategy, changes to legislation and Government guidance and the current housing market. Members approval is sought in preparation for a revision of the Developers Guide. The Guide will provide more detail and will be presented to a future Planning Committee for adoption.

2 Recommendation(s)/Proposed Action

The Committee is requested to resolve to approve the revised approach for how affordable housing planning policy is applied.

3 The Slough Joint Wellbeing Strategy, the JSNA and the Five Year Plan

3a. Slough Joint Wellbeing Strategy Priorities

Ensuring that developers contribute towards affordable housing will have an impact upon the following SJWS priorities:

- *Housing*

3b. Five Year Plan Outcomes

Requiring contributions from developers for affordable housing will contribute to the following Priority Outcomes:

- 4 Our residents will have access to good quality homes.

4 Other Implications

(a) Financial

There are no financial implications.

(b) Risk Management

It is considered that the risks can be managed as follows:

<i>Recommendation</i>	<i>Risk/Threat/Opportunity</i>	<i>Mitigation(s)</i>
Approve the revised approach for how affordable housing planning policy is applied.	Opportunity to increase effectiveness of policy. If policy not adopted risk of weakening chance of gaining affordable housing through the planning system.	Agree the recommendations.

(c) Human Rights Act and Other Legal Implications

There are no Human Rights Act Implications as a result of this report.

(d) Equalities Impact Assessment

There are no equality impact issues.

5 Supporting Information

Current position

5.1 The Council's 2008 Core Strategy policy 4 (type of housing) contains an overarching requirement for development sites of 15 or more new homes to provide between 30% and 40% as affordable housing. How this policy is implemented is detailed within Part 2 of the published Developers Guide (Sec 106 obligations). In summary it provides for the following developer contributions in relation to affordable housing:

- Sites of 15 to 24 new homes – a financial contribution (based upon a published schedule of rates)
- Sites of 25 to 69 new homes – 30% of homes to be social rent
- Sites of 70 or more homes – 30% social rent and 10% other affordable housing (In practice 'other' is usually shared ownership tenure).
- In exceptional circumstances (for 25 plus homes) a financial contribution is made in lieu of the developer building new affordable homes on site

5.2 Firstly the Housing Section wish to review how the Council's affordable housing policy is implemented which is outlined in para 5.9 below.

5.3 Secondly since the 2008 financial crisis the ability to negotiate affordable housing, in particular social rent tenure, has been restricted. This has been due to a combination of development viability issues on brownfield redevelopment sites, significantly reduced public funding for Housing Associations and Government policy changes that weaken the Council's negotiating position and widen the definition of affordable housing.

5.4 Thirdly the reduction of Government funding since 2010 has resulted in very few Housing Associations being able to purchase social rented housing within private development sites.

5.5 In terms of past performance the percentage policy targets above have in general

been achieved for greenfield developments but not on brownfield sites. This is expected to a certain extent because development viability is much more of an issue on sites that have relatively high existing use value because of existing buildings on the site, above average construction costs (for example due to contamination) or low residential values because of poor surroundings.

- 5.6 Negotiations with developers have, on some occasions, resulted in a lower percentage of affordable homes in return for gaining social rent tenure in place of shared ownership or bigger than average (affordable) homes, in particular family homes, which are of value to the Council. For some sites the Council has preferred to take a financial contribution in lieu of homes on site.
- 5.7 Regarding overall performance set against overall housing completions for the eight year period 2008/09 to 2015/16 14% of net new home completions in Slough have been affordable housing on private development sites negotiated via the planning system. Please note this percentage is not comparable to the planning policy figures of 30-40% which are applied to certain sites only.
- 5.8 To put the above 14% figure in context for the same eight year period to 2016 30% of net new home completions have been affordable housing. This figure includes affordable housing within private development sites, as mentioned above, plus Council initiated affordable housing built using a combination of its own resources (land and money) and financial contributions from developers via the planning system (in lieu of them building on their sites).

Background

- 5.9 The Council's consultation draft Housing Strategy highlights growing affordability issues in the town for a wide range of people. Below are comments of the Strategic Director Regeneration Housing Resources on this matter which is a key reason for reviewing the planning policy:
1. The Housing Strategy discusses the fact that large numbers of households in the Borough live on incomes which mean that they cannot afford market house prices or market rents. More affordable housing is therefore required. However, households requiring affordable housing have a wide range of incomes. One third of households in the Borough have incomes that are insufficient to afford market housing but above that needed to be eligible for social housing. New housing provision for this group is very limited.
 2. The Housing Strategy therefore suggests that a range of affordable housing is required to rent and to buy and that the Council should consider a more flexible approach to Affordable Rented housing in particular and a wider range of rents.
 3. Unfortunately, the funding position at national level is such that providers, whether private developers, housing associations or local authorities are having to look at rent levels in order to make the funding go further. Although in the latest national Affordable Homes Programme the Government has restored some funding for Affordable Rent it is still heavily skewed towards shared ownership and other "Intermediate" products.
- 5.10 The Berkshire Strategic Housing Market Assessment (2014) highlights the need for affordable housing in the area and the need for a range of affordable housing

to include the gap between owner occupation and social rent housing. As part of the Review of the Local Plan the Council must use the Assessment to inform its housing policies. The overarching Core Strategy policy can only be changed as part of the on-going Local Plan review process. At this stage it is just the way it is implemented that is under review.

- 5.11 Government policy and guidance now expects affordable housing to cover a wider range of households in need than in the past and not just those eligible for social rent. This includes affordable rent (between market rent and social or target rent) and intermediate housing which covers shared ownership; low cost homes for sale and intermediate rent.
- 5.12 The Government's recent Housing White Paper proposes affordable home ownership units with a minimum 10% to be provided on major development sites (10 homes or more). This category would include Starter Homes (discounted homes for eligible first time buyers), shared ownership and rent to buy (the latter with discounted rent adjusted locally to make it affordable).
- 5.13 A further category proposed in the White Paper is Affordable Private Rent. A new emphasis is given to Build to Rent to encourage large scale institutional investment in rented housing – largely at market rents. However, in order to deal with the perceived difficulty of providing traditional affordable housing within a private rented development, the Government is proposing a new form of affordable housing – “Affordable Private Rent.” The current proposal is that this new form of affordable housing would be a minimum of 20% of homes in a development and at a minimum 20% discount from local market rents. It is not yet clear exactly how this would relate to a Local Authority's other Affordable Housing policies. However, the Government currently proposes that a local authority should consider taking Affordable Private Rent instead of other forms of Affordable Housing and that they should not seek other forms of Affordable Housing on Build to Rent schemes.
- 5.14 Some Councils, such as the Greater London Authority (GLA), are adopting their own local definition of affordability relating it to local household incomes.
- 5.15 Viability studies are submitted by most developers of brownfield development sites to justify non compliant levels of affordable housing. In nearly all brownfield site cases there is genuine justification for not achieving the 30% and 40% affordable housing policy targets. This is referred to in para 5.5 above; the percentage targets in the Core Strategy, when first drafted, were aimed at greenfield sites. However although negotiation usually results in developers increasing their initial offer the level of affordable housing finally agreed is always below the policy target. Consequently an option to consider is incentivising developers to include a substantial level of affordable housing but avoid the complication of a viability assessment.
- 5.16 A key element of the Housing White Paper is the Government's wish to speed up the delivery of new housing, including affordable housing. This follows a similar theme being adopted by the new Mayor of London in his supplementary planning guidance issued in 2016. In London, in order to speed up the planning and development process and incentivise developers to provide more housing a “threshold” is being adopted beyond which a detailed viability assessment would not be required by the planning authority. This is being set at 35% affordable housing on any one scheme, against a normal target of 40%.

- 5.17 Regarding accepting financial contributions in lieu of new homes built by developers there is a benefit in the Council keeping this option open and introducing more flexibility in the guidance. This is due to the scale of projected development in Slough over the next few years and the difference between town centre, suburban and fringe greenfield sites. In addition circumstances that prevail at any one time may be different to now in terms of funds or development opportunities available or need for a particular type of accommodation. The key issue is the Council being in control of when it decides to accept a financial contribution instead of homes on site.
- 5.18 Regarding sites of 15 to 24 units and the schedule of rates for payment of financial contributions recent experience is that developers aim for 14 unit schemes. This is for 2 reasons; firstly the policy has a 'cliff edge' at 15 units. And secondly the rates make larger schemes unviable. A review of these rates is desirable to encourage developers to consider 15 – 24 unit schemes.

The Proposal

- 5.19 To deal with the changed circumstances referred to above it is proposed to revise the way the current planning Core Strategy policy is implemented. As the proposal does not involve changing the Core Strategy it can be implemented in advance of the current review of the Local Plan which will eventually supersede the Core Strategy as the Council's Development Plan. Implementation involves revising part 2 of the Developers Guide (this deals with Sec 106 planning obligations) and seeking adoption by the Planning Committee.
- 5.20 Comments from a Members workshop on the revised approach, to be arranged by the Housing Section in advance of Planning Committee, will be on the meeting amendment sheet. If the revised approach is approved the Developers Guide can be redrafted, in liaison with the Housing Section, and presented to a future Planning Committee meeting for final adoption.
- 5.21 Summary of proposed changed approach :

Site-size	Current Policy	Proposed Policy
15 to 24 new homes	Financial Contribution (schedule of rates)	Revise the schedule of rates to reduce cliff edge at 15 units and refine the rates so that they are more likely to be workable in terms of viability of 15 or more 4 units
25 to 69 new homes	30% social rent	Slough Affordable Rent (7.5%) Slough Living Rent (22.5%) (see definitions below) (% - see options below at para -)
70 or more new homes	30% social rent & 10% other affordable housing	30% Slough Affordable Rent and Slough Living Rent as above 10% 'Intermediate Housing' to include: Shared Ownership &

		Rent to Buy (% - see options below at para)
25 plus new homes Exceptional circumstances	Financial contribution in lieu of the developer building new affordable homes on site.	Retain but apply policy when it benefits the Council compared to on-site provision.
Viability Assessments	Requested if % less than policy.	Set target for brownfield sites above which no assessment needed.

	<u>Site Size/Provision</u>	<u>Current</u>		<u>Proposed</u>		<u>Split of tenure</u>
		<u>Total</u>	<u>Tenure/Detail</u>	<u>Total</u>	<u>Tenure/Detail</u>	
1	<u>Building Homes</u>					
	<u>25 to 69 new homes</u>	<u>30%</u>	<u>Social Rent</u>	<u>30%</u>	<u>25% Rent</u> <u>5% Intermediate</u>	<u>Affordable Housing</u> <u>split 80/20</u>
	<u>70 or more new homes</u>	<u>40%</u>	<u>Social Rent 30%</u> <u>Other Aff Hsg 10%</u>	<u>40%</u>	<u>25% Rent</u> <u>15% Intermediate</u>	<u>Affordable Housing</u> <u>split 60/40 approx</u>
2	<u>Financial Contributions</u>					
	<u>15 to 24 new homes</u>	<u>:</u>	<u>Schedule of rates</u>	<u>:</u>	<u>Revise the schedule of rates to</u> <u>reduce cliff edge at 15 units and</u> <u>refine the rates so that they are</u> <u>more likely to be workable in</u> <u>terms of viability of 15 or more</u> <u>units</u>	
	<u>25 plus new homes -</u> <u>Exceptional circumstances</u>	<u>:</u>	<u>Financial contribution in lieu</u> <u>of the developer building</u> <u>new affordable homes on</u> <u>site.</u>	<u>:</u>	<u>Retain policy. Apply when it</u> <u>benefits the Council compared</u> <u>to on-site affordable housing</u> <u>provision.</u>	
3	<u>Viability Assessments</u>					<u>Thresholds</u>
	<u>Viability Assessments</u>	<u>:</u>	<u>Requested if % less than</u> <u>policy target.</u>	<u>:</u>	<u>Retain policy with caveat ∴</u> <u>Set lower target for brownfield</u> <u>sites i.e. no need for</u> <u>assessment provided developer</u> <u>proposes affordable housing at</u> <u>a specified level. See right.</u>	<u>25-69 homes –</u> <u>25%</u> <u>70 + homes – 35%</u>

5.22 Definitions of the two new categories above, provided by the Strategic Director Regeneration Housing Resources , are below :

Slough Affordable Rent would be broadly the existing Council or Housing Association or Target rents (defined by reference to the Homes and Communities Agency policy).

Slough Living Rent would be for people on middle incomes but who cannot access market rents. It therefore meets the ambition in the Housing Strategy to have a wider range of rents available for different groups of the population who cannot afford to accommodate themselves in the market. These rents would also be affordable for people on Housing Benefit and include any service charges. They would be reviewed annually and set at a level that reflected median gross household incomes in Slough. This would be adjusted for the size of the property. Slough Living Rent would also be the affordable rent level used by James Elliman Homes, the Council's new subsidiary housing company and on a proportion of the Council's own new build programme.

Options

5.23 In addition to the above various options or questions for further consideration have been put forward by the Strategic Director for Regeneration Housing Resources. These will be discussed at the Member workshop prior to Committee and officers views will be on the Committee meeting amendment sheet. This may result in the proposal above altering slightly or detail going in the future Developers Guide revision. The questions relate to :

Q1 -Further define requirements for Intermediate Housing

Q2 - Tenure split - Affordable Rent vs Intermediate

Q3 - Review financial contributions for 15-25 home sites (see recommendation above in proposal summary)

Q4 - Level at which viability assessment not required

Q5 a - Adopt a more flexible policy on financial contributions (also known as commuted sums)

Q 5 b - Adopt a more flexible approach on off site provision of affordable housing.

5.24 Regarding Q 2 an option is to have more Intermediate and less Slough Affordable Rent in both the 30% and 40% categories. This is common elsewhere in the country – the total affordable housing for a site is currently split 75/25; an option is 60/40.

5.25 Regarding Q 4 suggested thresholds are 35 % (for 70 plus schemes) and 25 or 27% for 25- to 70 unit schemes).

5.26 Regarding Q 5b in the past most affordable housing is built on site but off-site (i.e. built by the developer of the core site on a donor site) has been accepted in a few cases where the location and mix of homes are acceptable to the Council and in particular, where family homes can be achieved instead accepting flats on the core site. A further key requirement is the donor site being not having already been identified as an independent and available affordable housing site.

White Paper

- 5.27 Regarding White Paper proposals for Starter Homes and Affordable Private Rent revised guidance can refer to these but until the Government publishes more detail on these it is difficult to settle what the Council's guidance should be. One option is to include these in the Intermediate Housing category.
- 5.28 However it is likely that the Government will expect or require these two forms of affordable housing to take priority over the Council's view of affordable housing i.e. Starter Homes would count towards the Council's 30% or 40% affordable housing and similarly Affordable Private Rent (within private build to rent schemes), would be in place of Council specified affordable homes. There may be opportunities to influence eligibility and affordability of Affordable Private Rent depending upon how further Government guidance is drafted.

Other Matters

- 5.29 Revised guidance will include clear provision for overage where the Council accept non-compliant levels of affordability. This is the ability for development viability to be reviewed if the developer has not made substantial progress on site within a normal development time frame. The review would identify the scope for additional affordable housing contributions, but no more than the policy compliant level, if there is evidence of property values having risen substantially above development costs.

6 **Background Papers**

Core Strategy DPD

Developers Guide Part 2 (Developer Contributions and Affordable Housing (Section 106)

Housing Strategy 2016-2021 consultation draft

Planning and Housing White Paper

Additions presented at Committee

At the Members workshop on 19th April there was general agreement on the revised approach. An amended table of the revised approach is below. It includes some of the suggested changes put forward by the Strategic Director for Regeneration Housing Resources at paragraph 5.23. It also clarifies what is proposed.

There are three key elements of the provisions – (1) developer building affordable homes; (2) financial contributions for the Council to build or fund affordable homes and (3) viability assessments. Within (1), building homes, there are two tiers – the overall percentage of affordable housing (total column) and the tenure split (rent/Intermediate) expressed by % of total and, in the 'split' column, by proportion of affordable housing. In addition each of the two tenures can be split – this detail is not in the table but see below.

The full wording of how affordable housing policy is to be applied will be incorporated in a revision of the Developers Guide which will be presented to a future Planning Committee for adoption.

Detail of some of the items in the table are as follows :

Rent : - Comprises a combination of Slough Affordable Rent (social rent) and Slough Living Rent as defined at para 5.22.

Slough Affordable/Living Rent split :

Within the 25% Rent category the minimum amount of Slough Affordable Rent (social rent) would be as below. A greater proportion will be requested if required by the Housing Department.

Greenfield Sites : Minimum of 40%

Brownfield Sites : Minimum of 25%

Intermediate Housing

To comprise Shared Ownership and potentially Rent to Buy. No specific split proposed at this stage. Further details will be in Developers Guide. Both of these are 'ownership' based tenures. If the Government introduce Starter Homes the Council has the option of including them within this category rather than reducing the rent category.

Viability assessments for brownfield sites :

The tenure split regarding the 25 % and 35% categories would be in line with the figures in the 'split' column below.