

SHEFFIELD CITY COUNCIL



Individual Cabinet Member Report

Report of: Simon Green

Report to: Cllr Leigh Bramall

Date: 6th June 2014

Subject: Affordable Housing Interim Planning Guidance (2014 Update)

Author of Report: Emma Wells x34889

Key Decision: YES

Reason Key Decision: Affects 2 or more wards

Summary:

Update of Affordable Housing Interim Planning Guidance

Reasons for Recommendations:

The IPG requires updating for the reasons set out in paragraph 4.1.

Recommendations:

It is recommended that the Affordable Housing Interim Planning Guidance 2014 Update is approved.

Background Papers:

Affordable Housing Interim Planning Guidance (2014 Update)

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Paul Schofield
Legal Implications
NO Cleared by: Paul Bellingham
Equality of Opportunity Implications
NO Cleared by: Ian Oldershaw
Tackling Health Inequalities Implications
NO
Human Rights Implications
NO
Environmental and Sustainability implications
NO
Economic Impact
NO
Community Safety Implications
NO
Human Resources Implications
YES
Capital and Major Projects Implications
YES
Area(s) Affected
City-wide
Relevant Cabinet Portfolio Lead
Cllr Leigh Bramall
Relevant Scrutiny Committee
Economic and Environmental Wellbeing
Is the item a matter which is reserved for approval by the City Council?
NO
Press Release
NO

REPORT TO THE INDIVIDUAL CABINET MEMBER

UPDATE OF AFFORDABLE HOUSING INTERIM PLANNING GUIDANCE

1.0 SUMMARY

- 1.1 The Affordable Housing Interim Planning Guidance (IPG) supports the implementation of Core Strategy Policy CS40 Affordable Housing. It was issued in 2009 and has now been updated, largely to reflect the current viability of housing development sites across the city.
- 1.2 The main changes to the IPG are:
 - Replacement of 30-40% city-wide target with three different target levels based on an independent assessment of viability of development in different housing market areas.
 - Introduction of a mechanism to allow the reappraisal of schemes which are granted permission with a low or no requirement for affordable housing due to viability at the time of permission.

2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

- 2.1 In some areas of the city, the expected developer contribution towards affordable housing provision has been reduced. Although this means we will be requiring less affordable housing, in practice the current high target of 30-40% is unviable on many sites and is very rarely achieved. The new expected levels of contribution may help to stimulate house building as they are less likely to deter developers.
- 2.2 The mechanism to reappraise schemes which are granted with low or no affordable housing provision (see IPG Appendix 5) may increase affordable housing provision compared to the current scenario where sites are not reappraised if the homes are not built within a certain time period.

3.0 OUTCOME AND SUSTAINABILITY

- 3.1 The main outcome of the changes to the IPG is that the Council will be requiring a realistic, evidence-based proportion of affordable housing on residential developments. This may help to stimulate house building as it is less likely to deter developers than a high target. Also, as a 10% contribution applies in a number of areas, it is possible that developers will look to achieve this rather than to negotiate it down further.
- 3.2 The changes represent a business-friendly approach to securing affordable housing through planning.

4.0 AFFORDABLE HOUSING IPG UPDATE

- 4.1 The Affordable Housing (AH) Interim Planning Guidance (IPG) was issued in 2009. It has now been updated in response to:
 - Issues raised in recent months by developers and Kier Asset Partnership Services, particularly on how land values are derived.

- Community Infrastructure Levy (CIL) charges. In setting the CIL charges, it is necessary to take account of the full affordable housing requirement in an area. If this were to stay at 30-40% across the city, independent assessments commissioned by the Council show it would render CIL unviable in most locations.
- The need for a general update of terminology.

4.2 **Guideline G2** sets the target level of AH provision, which is currently 30-40% across the city. Variable expected contributions are required to:

- Reflect the fact that the 30-40% target was derived from the Regional Spatial Strategy that the Government has since abolished.
- Better reflect the current housing markets within Sheffield
- Allow realistic negotiations on land value.
- Assist with preparing the CIL charges by being more specific on realistic affordable housing assumptions.

4.3 The proposed variable expected contributions are as follows (shown with proposed CIL rates for comparison):

Affordable Housing Market Area	Expected contribution (%)	Proposed CIL Rate (£ per sq.m. for Residential Development)
City Centre	0	50
Manor / Arbourthorne / Gleadless		30
East		10
North East		0
City Centre West	10	30
North West		30
South East		30
Stocksbridge & Deepcar		30
Chapelton / Ecclesfield		30
Rural Upper Don Valley	30	
South	30	50
South West		80

4.4 The above expected contributions have been drawn up using four main sources of evidence:

- Strategic Housing Market Assessment – ‘need’
- Strategic Housing Land Availability Assessment (2013) – land availability
- BNP Paribas Affordable Housing Viability Study (2009) – viability
- BNP Paribas CIL Viability Study (2013)

4.5 As a result of this work, where a 10% or 30% contribution is expected, these should be viable on most sites in the area. Therefore developers will be expected to provide the full contribution. However, if the full contribution is not viable, an appraisal process will be used to determine any viable contribution, as is the current process.

- 4.6 **Guideline G3** sets out that AH should be on-site wherever possible, but provides exceptions as to when it can be off-site. This has been updated and clarified, particularly with regard to the issue of value for money.
- 4.7 **Appendix 3** sets out how an appropriate level of AH should be assessed, and previously stated that the price paid for land should be 14% of Gross Development Value (GDV). When the IPG was drafted, this approach worked well, but it is not appropriate to the current market. This has therefore been removed, and an appropriate land value will be derived by the District Valuer using a standard valuation method, as part of the development appraisal process.
- 4.8 **Appendix 5:** In the current housing market, it is possible that there may be some planning permissions granted with a low or no affordable housing contribution in the areas with an expected contribution of 10% or 30%. However, these schemes may not be built until the market improves, at which time a higher level of affordable housing may be viable. Appendix 5 therefore introduces a mechanism to reappraise schemes after agreed trigger points are hit.
- 4.9 **Other changes** to the document include reference to Affordable Rent in terms of tenure split, the use of the new Housing Market Areas from the 2013 Strategic Housing Market Assessment, and an updated model planning condition.
- 4.10 The following teams have been given the opportunity to comment on and input into the updated IPG:
- Development Management
 - Housing & Neighbourhood Regeneration
 - Asset Strategy and Commercial Property
 - Legal Services

5.0 **FINANCIAL IMPLICATIONS**

- 5.1 The proposed changes will affect the level of developer contribution required to deliver affordable housing. In all but two of the city's housing market areas, this represents a reduction from the current target. The proposed changes may therefore result in a cost saving to the Council in situations where the Council is acting as a residential developer.
- 5.2 No capital costs are required to instigate these changes. The proposal should have a positive effect on capital receipts as more land development should take place.

6.0 **LEGAL IMPLICATIONS**

- 6.1 Affordable Housing requirements are currently, and will continue to be, secured via a condition attached to the planning consent or through an obligation given under section 106 of the Town and Country Planning Act 1990. The proposed changes will not affect this process.

7.0 **COMMERCIAL IMPLICATIONS**

7.1 No implications.

8.0 HUMAN RESOURCES IMPLICATIONS

8.1 The viability reappraisal process set out in Appendix 5 of the IPG will have some Human Resources implications, in that a Planning Officer will be required to undertake the index linked reappraisals. However, this is not anticipated to be required for a large number of developments so implications for officer time are likely to be manageable. It is not anticipated that this work will change the scope of the role of Planning Officer.

9.0 EQUALITY OF OPPORTUNITIES IMPLICATIONS

9.1 These changes have no identified equality impact. They affect all people equally regardless of age, sex, race, faith, disability, sexuality etc.

10.0 CAPITAL AND MAJOR PROJECTS IMPLICATIONS

10.1 The update to the IPG has positive implications for C&MP, for two key reasons. The reduction of expected developer contributions for affordable housing in most housing market areas means that a higher capital receipt may be achieved on sites that the Council is disposing of, and may also mean that sites are more attractive to developers and therefore easier to sell. The Council could, with proper approval, choose to sell land at below market value if it wished to support a higher level of affordable housing than would otherwise be viable on the site. This decision has to be taken in the context of the Council's overall financial position.

10.2 Also, the removal of stipulation that land value should be 14% of Gross Development Value in the viability appraisal may enable greater capital receipts to be achieved on higher value sites which the Council disposes of.

11.0 ALTERNATIVE OPTIONS CONSIDERED

11.1 An alternative option would be to continue to use the current Affordable Housing IPG, but paragraph 4.1 explains why the update is needed.

12.0 REASONS FOR RECOMMENDATIONS

12.1 The IPG requires updating for the reasons set out in paragraph 4.1.

13.0 RECOMMENDATIONS

13.1 It is recommended that the Affordable Housing Interim Planning Guidance 2014 Update is approved.

Emma Wells
Planning Officer
29th May 2014