

SUBJECT: MONMOUTHSHIRE LOCAL DEVELOPMENT PLAN AFFORDABLE HOUSING SUPPLEMENTARY PLANNING GUIDANCE
MEETING: CABINET
DATE: 2 MARCH 2016
DIVISION/WARDS AFFECTED: ALL

1. PURPOSE:

The purpose of this report is:

- 1.1 To advise Cabinet of the results of the recent consultation on Draft Supplementary Planning Guidance (SPG) on Affordable Housing to support the policies of the Monmouthshire Local Development Plan (LDP).
- 1.2 To seek Cabinet's endorsement of the SPG, with a view to it being formally adopted as SPG in connection with the Monmouthshire LDP and to recommend to Council accordingly.

2. RECOMMENDATIONS:

- 2.1 To endorse the SPG with a view to it being formally adopted as SPG in connection with the Monmouthshire LDP to take effect from 1 April 2016 and to recommend to Council accordingly.

3. KEY ISSUES:

3.1 Background

This report was presented to Cabinet on 3 February 2016 but was deferred to provide additional time for Planning Committee to consider the proposals. Subsequently, a Members' seminar on the Affordable Housing SPG took place on 9 February 2016.

- 3.2 Council endorsed Draft Affordable Housing SPG to be issued for consultation purposes on 22 January 2015. The report to Council (which was rearranged from 18 December 2014) is attached as **Appendix A**. The consultation took place for a period of 6 weeks from Thursday 19th February 2015 to Thursday 2nd April 2015. A notice was placed in the Monmouthshire Free Press on 18 February 2015 and 388 individual notifications were sent out to:

- Specific (including Town and Community Councils), General and Other consultees, as identified in the LDP Community Involvement Scheme;
- Residents who were on the LDP consultation data base and had specifically requested to be notified of the SPGs;
- Agents/developers who work in the Council area.

- 3.3 11 replies were received. These have been split into 41 representations that are summarised, together with the suggested Council response, in the Report of Consultation provided as **Appendix B**.

- 3.4 The main themes arising from the consultation are considered to be:

- 3.4.1 Objections to affordable housing requirement being based on the theoretical capacity of the site when a density of 30 dwellings per hectare is not achieved.

Response: It is recognised that it would be unreasonable to require a higher percentage of affordable housing than that set out in LDP Policy S4 if there were good reasons to justify a development not achieving 30 dwellings per hectare. Policy S4, however, does require that the capacity of a development site will be based on an achievable density of 30 dwellings per hectare. This figure will still be used to establish whether or not a development achieves the threshold that requires affordable housing to be provided on site. It is accepted, however, that the percentage of affordable housing required should be based on the 'agreed' capacity of the site rather than the 'theoretical' capacity and the text of the SPG has been amended accordingly.

3.4.2 Objections to the Council identifying a preferred Registered Social Landlord (RSL) for developers to work with.

Response: It is accepted that the Council cannot insist that a developer works with a specific RSL. There are sound reasons, however, for the Council's preference for working with the RSLs that are zoned for Monmouthshire. The paragraph stating that the Council will identify a preferred RSL (paragraph 5.3.3, formerly 6.3.4), therefore, has been amended to provide a more neutral wording that explains the position. Paragraph 5.12 (formerly 6.9) has also been amended for clarity.

3.4.3 Clarification is requested on when an affordable housing financial contribution on small sites will be payable because of concerns over cash flow issues.

Response: Concerns regarding potential cash flow issues for small businesses are recognised. The Council is content to adopt a flexible approach in such circumstances. An additional paragraph has been added to clarify this, stating that commuted sums are normally required when 70% of the units on site are completed and occupied but that this is open to negotiation should viability considerations make that necessary.

3.4.4 Queries on how the Affordable Housing financial contribution is calculated.

Response: A number of detailed queries on this issue are addressed in the Report of Consultation. Some additional text has been added to the SPG to try and better explain the process.

3.4.5 Queries over neutral tenure requirements and the relationship with Policy SAH11 sites (rural housing allocations).

Response: It is recognised that the way in which the draft SPG was written had potential for causing confusion. Section 6 of the SPG on the options for the delivery of affordable housing has been amended to deal with SAH11 sites under a separate heading. All general affordable housing will be required to be built to Welsh Government (WG) Development Quality Requirements (DQR) and be neutral tenure. More flexibility will be offered in relation to SAH11 sites because of the more difficult viability issues. If intermediate housing products are provided on SAH11 sites the standard of construction would not necessarily be DQR but would be negotiated to a standard agreed by the Council and its RSL partners.

3.4.6 Objection to the lack of flexibility in the definitions of affordable housing.

Response: It is considered that the Council needs to follow the definitions in TAN2, which sets out affordable housing policies for Wales, notwithstanding that other approaches may be acceptable under English planning policy. In any event, the greatest need for affordable housing in Monmouthshire if people on the housing waiting list are to be accommodated is for housing for social rent. Provision of tenure neutral housing as set out in the SPG provides the flexibility to also achieve Low Cost Home Ownership. Other approaches are not considered to be appropriate for Monmouthshire as they will not be meeting the Council's housing need.

3.4.6 Objections to the viability implications of building affordable homes to DQR, commenting also that this requirement conflicts with the aim of ensuring that affordable units are indistinguishable from owner occupied homes.

Response: It is considered essential that DQR is achieved on neutral tenure properties (which is what the Council requires to meet its housing need) to achieve appropriate design, space standards and quality of new homes. Just because an affordable home is larger than a market home does not mean that it cannot be indistinguishable in terms of its external appearance, such as materials and elevational treatment. Should developers be able to demonstrate that the requirement for DQR would have an adverse impact on viability then the percentage affordable housing requirement can be renegotiated (as allowed for in LDP Policy S4, which states that the 35% and 25% requirements are 'subject to appropriate viability assessment').

3.4.7 Objections to the viability implications of the proposed percentage payments to developers for the transfer of affordable housing to RSLs (42% of WG Acceptable Cost Guidance (ACG)).

Response: The greatest need for affordable housing in Monmouthshire if people on the housing waiting list are to be accommodated is for housing for social rent. The maximum that an RSL can afford to pay based on the rental income they would receive from the properties is 42% of Welsh Government Acceptable Cost Guidance (ACG). Whilst the developer would receive a higher percentage of ACG for Intermediate Rent, for instance, this would not be meeting housing need in Monmouthshire. It is considered essential that the 42% of ACG transfer rate remains in order to meet housing need in Monmouthshire. Should developers be able to demonstrate that this would have an adverse impact on viability then the percentage affordable housing requirement can be renegotiated (as allowed for in LDP Policy S4, which states that the 35% and 25% requirements are 'subject to appropriate viability assessment'). Further text has been added to paragraph 6.3.5 (new paragraph 5.3.4) to provide justification for the 42% transfer rate.

3.4.8 Concerns about the implications of 'pepper-potting'.

Response: It is considered that the principle of 'pepper-potting' is an important one. Nevertheless, there would be scope for flexibility in negotiating over design and layout if a developer argued a special justification. It is also recognised that the limit of 10 dwellings on a cluster of affordable homes may be overly restrictive and inflexible, particularly on a large scale development. It is recommended, therefore, that this figure be increased to 15.

3.4.9 The changes made in response to the objections referred to in paragraph 3.4.1 also have implications for the proposed approach to infill sites within Main Villages that are not allocations under Policy SAH11. Some revisions have been made to Section 4.4(D), therefore, to ensure consistency. There is also a need to provide clarity on how the suggested policy will be applied on larger sites in Main Villages where it is feasible to provide affordable housing on site.

3.4.10 A number of additional amendments have been made to the original consultation draft to update and provide greater clarity, including:

- Section 4, Monmouthshire Planning Policies on Affordable Housing, has been re-arranged and given additional paragraph numbering in an attempt to make the process for assessing affordable housing requirements clearer. This has been accompanied by the addition of Appendix 7, which provides a diagrammatic representation of the process.
- Section 5, Rural Exceptions Policy, has been merged with Section 4 and the remainder of the document renumbered.
- Examples of how affordable housing contributions are calculated have been moved from Section 4 to Appendix 6.
- Appendix 4, which provided an excerpt from the Community Infrastructure Levy Regulations to illustrate how the exemption for self-builders' paying affordable housing contributions would operate, has been revised to include a standard

Section 106 agreement for the provision of Affordable Housing Financial Contributions

- An extra paragraph 5.11 has been added to clarify the position regarding service charges and ground rents.

3.4.11 This report on the adoption of the Affordable Housing SPG has been delayed in order that the viability implications of the policies that it introduces could be tested. The SPG sets out enhanced space standards to meet Welsh Government Development Quality Requirements, a revised housing mix and changes to percentage payments to developers for the transfer of affordable housing to Registered Social Landlords compared with what was tested in the initial viability report prepared to establish a charging schedule for a Community Infrastructure Levy (CIL). Potentially, these changed policies could have affected the amount of CIL that can be charged (and the percentage of affordable housing that can be achieved under LDP policy). In this respect, the revised viability testing has not indicated any adverse impacts on viability arising from the policies set out in the SPG.

3.5 An amended SPG, incorporating the changes arising from the issues identified above is attached as **Appendix C**.

3.6 Next steps

3.6.1 It is intended to report the revised Affordable Housing SPG, together with the results of the consultation, to Council with a view to seeking the formal adoption of the document as SPG to support the Monmouthshire LDP.

4. **REASONS:**

4.1 Under the Planning Act (2004) and associated Regulations, all local planning authorities are required to produce a LDP. The Monmouthshire LDP was adopted on 27 February 2014 and decisions on planning applications are now being taken in accordance with policies and proposals in the LDP. The Affordable Housing SPG provides further explanation and guidance on the way in which the affordable housing policies of the LDP will be implemented.

5. **RESOURCE IMPLICATIONS:**

5.1 Officer time and costs associated with the publication of the SPG document. These will be within the existing Planning Policy budget.

5.2 A new funding stream will arise from processes introduced in association with the Affordable Housing SPG. LDP Policy S4, Affordable Housing, makes provision for financial contributions to be required to assist in funding affordable housing in the County where residential developments do not meet the thresholds for providing such housing on site. In addition, a process is set out in the SPG for requiring financial contributions in the exceptional circumstances where it is not appropriate or feasible to provide affordable housing on site.

6. **SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS:**

6.1 These were considered in the report that was presented to Council on 22 January 2015 Council (rearranged from 18 December 2014) and which is attached as **Appendix A**.

6.2 A Future Generations Evaluation is attached.

7. **CONSULTEES**

- Head of Planning

- Senior Strategy & Policy Officer, Housing & Communities
- Strong Communities Select (16 July 2015)
- Cabinet
- SLT
- Planning Committee (1 March 2016)

8. BACKGROUND PAPERS:

- Monmouthshire Adopted LDP (February 2014)

9. AUTHOR & 9. CONTACT DETAILS:

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