

	<p><b>REPORT TO PLANNING &amp; DEVELOPMENT COMMITTEE TO BE HELD ON 4 OCTOBER 2019, CABINET ON 15 OCTOBER 2019 AND COUNCIL ON 4 NOVEMBER 2019.</b></p>				
	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;"><b>Key Decision</b></td> <td style="text-align: right;"><b>YES</b></td> </tr> <tr> <td><b>Forward Plan Ref No</b></td> <td style="text-align: right;"><b>ECC 5</b></td> </tr> </table>	<b>Key Decision</b>	<b>YES</b>	<b>Forward Plan Ref No</b>	<b>ECC 5</b>
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<p><b>Corporate Aims People/Place/Prosperity/Council</b></p>	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;"><b>Cabinet Portfolio Holder</b></td> <td style="text-align: right;"><b>Cllr Liz Colling</b></td> </tr> </table>	<b>Cabinet Portfolio Holder</b>	<b>Cllr Liz Colling</b>		
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**REPORT OF DIRECTOR: Richard Bradley – 19/181**

**WARDS AFFECTED: All**

**SUBJECT: ADOPTION OF AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT**

**RECOMMENDATION (S):** It is recommended that:

- i) That Members recommend that Council adopts the revised Affordable Housing Supplementary Planning Document and that the document is thereafter used in the determination of planning applications.

**REASON FOR RECOMMENDATION (S):** Since the Affordable Housing Supplementary Planning Document (SPD) was updated and adopted earlier this year further work has been carried out to provide guidance on the provision of 'Discount for Sale' homes. It is important that the SPD is updated to include new forms of affordable tenure types to guide prospective developers.

**HIGHLIGHTED RISKS:**

The risks associated with not taking forward the proposed alterations are that the SPD will not accord with the latest national planning guidance on the definition of

affordable housing and insufficient guidance will be available to assist developers when submitting proposals for residential developments.

## **1. INTRODUCTION**

- 1.1 The current Affordable Housing SPD was adopted in January 2019.
- 1.2 The report prepared for its adoption made a recommendation that further research and consultation be carried out into the Discount Sales Market Housing product by Planning and Housing Services and further guidance on this be published as an addendum to the Affordable Housing SPD if necessary.
- 1.3 A report was brought before members (19/133) in July 2019 which set out proposed changes to the Affordable Housing SPD in respect of Discount for Sale Housing. The content of the report and the revised SPD was accepted for the purposes of consultation.
- 1.4 A consultation was carried out on the proposed revisions to the SPD over July and August 2019 on which a small number of responses were received. These are detailed in the Assessment with the officers' response to these comments and sets out the recommendation on revising the document for adoption. A copy of the SPD is also appended which shows any deletions in ~~strikeout~~ and additions in ***bold italic*** compared to the previously adopted version.

## **2. CORPORATE OBJECTIVES**

- 2.1 The Affordable Housing SPD has a significant impact on the delivery of the vision of 'a high quality life for all'. It also accords with the priority of a safe, happy, healthy population as good quality housing is a fundamental contributor towards that goal.

## **3. BACKGROUND AND ISSUES**

- 3.1 The issues for Members' consideration and attention are:
  - The proposed amendments to the Affordable Housing SPD;
  - The proposed adoption of the SPD.

## **4. CONSULTATION**

- 4.1 A consultation was carried out for a period of six weeks which specifically targeted Housing Developers, Registered Providers and other statutory consultees as well as the consultees on the Local Plan consultee list.

## **5. ASSESSMENT**

5.1 The revisions to the Supplementary Planning Document received responses from six consultees. Five of these responses were simply to state that they had no comments to make on the SPD or the revisions. The only response with specific comments was received from the Home Builders Federation (HBF).

5.2 The HBF's response is shown below:

*"We understand Scarborough's Affordable Housing Supplementary Planning Document (SPD) is to be used alongside the Local Plan in order to make decision on planning applications. The proposed amendments to the SPD relate to Discounted Sale Housing. The NPPF 2019 defines discounted market sales housing as 'that sold at a discount of at least 20% below market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households'.*

*It should be noted that PPG (ID: 61-008 and reiterated in ID: 12-028) states that 'Supplementary planning documents (SPDs) should build upon and provide more detailed advice or guidance on policies in an adopted local plan. As they do not form part of the development plan, they cannot introduce new planning policies into the development plan. They are however a material consideration in decision-making. They should not add unnecessarily to the financial burdens on development.'*

The HBF has concerns that the proposed amendments go over and above providing more detailed advice or guidance to the affordable housing policy and should have been tested at examination by an independent Inspector.

The HBF has concerns in relation to the detail provided by the proposed text, particularly in relation to the viability of the proposals and the additional financial burden this would create for developers. The HBF would strongly recommend that the Council undertake a full viability assessment of this proposed amendment to ensure that it is viable and that it does not impact on the delivery of homes

Paragraph 34 of the NPPF (2018) established the importance of viability to ensure that development identified in the Plan should not be subject to such scale of obligations and policy burden that their ability to be delivered might be threatened.

The HBF also has concerns regarding the eligibility criteria and the impact that this will have on the delivery of homes and the impacts on future financing and rights of occupants."

5.3 The first concern raised by the HBF appears to revolve around whether this goes beyond what an SPD can set out and quotes Government guidance (PPG). This is not considered to be correct in respect of the revisions proposed. The Local Plan sets out the Affordable Housing policy under HC 3. This policy sets out the Housing Market Areas, the thresholds for provision and the percentages of affordable housing that should be provided. The SPD adds depth to that policy and provides significant amounts of technical detail in respect of, for example, how financial calculations are worked out and

transfer values. The policy in the Local Plan cannot and should not set out every bit of detail in respect of affordable housing policy. This update is a direct result of a request from a national housebuilder who has previously asked for 'Discount for Sale' housing to be considered on future projects in the Borough. At that time there was a lack of guidance on that matter, hence the proposed update to the SPD. This was the purpose of the review and was reported back in January 2019 when the previous SPD was adopted.

- 5.4 The changes to the SPD do not introduce new planning policies; they simply provide guidance to developers on a form of affordable tenure that was missing from previous iterations. It is similar to how transfer values have been updated and established in the SPD for the differing tenure types. It is not practical to update the Local Plan each time national policy is updated or the definition of affordable housing changes.
- 5.5 A further concern of the HBF appears to be viability and that policy should not place undue burdens on housebuilders. The first thing to note on this matter is that the only change to the SPD is the guidance on 'Discount for Sale' housing. There is no obligation on a housebuilder to provide this form of tenure when providing affordable homes. There has been no change to guidance on other forms of low cost home ownership tenures such as shared equity. It is therefore a choice for the developer as to whether they choose to bring forward this form of tenure. The report of July 2019 (19/133) specifically considered the impact of providing this form of tenure on the finances of the developer including the proposed administration fee. In most cases set out in the report, the financial return from 'Discount for Sale' housing was shown to be potentially greater than other forms of low cost tenures when using the adopted transfer values. The examples in the previous report are copied below to remind members of this:

Example 1: A property valued at £200,000 in Whitby would, depending on tenure type, result in revenue for the developer of the following:

- Rented – (40% of Open Market Value) = £80,000
- Low Cost Home Ownership (eg Shared Equity) – (45% of Open Market Value) = £90,000
- Discount for Sale – (45% discount) = £110,000

Example 2: A property valued at £175,000 in Filey would, depending on tenure type, result in revenue for the developer of the following:

- Rented – (42% of Open Market Value) = £73,500
- Low Cost Home Ownership (eg Shared Equity) – (47% of Open Market Value) = £82,250
- Discount for Sale – (40% discount) = £105,000

Example 3: A property valued at £150,000 in Scarborough would, depending on tenure type, result in revenue for the developer of the following:

- Rented – (55% of Open Market Value) = £82,500
- Low Cost Home Ownership (eg Shared Equity) – (60% of Open Market Value) = £90,000
- Discount for Sale – (40% discount) = £90,000

5.6 Furthermore and importantly the previous report and the proposed SPD specifically states that the indicative discount figures provide an expectation or start point for the discount that will be sought. The Local Planning Authority and Housing Section will:

- assess each case individually and, if necessary, impose a higher or lower discount for the properties being offered for discount for sale; and
- monitor the situation over time and will, if considered necessary, update the discount figures to reflect up to date evidence.

5.7 As such these figures are not meant to be 100% fixed and it may be in some cases that a percentage discount can be lowered (or raised) dependent on the proposed values of new homes being constructed. This could be applied to schemes in all areas of the Borough. Any deviation from the above will have to be supported by evidence submitted at the planning application stage with specific details relating to the house types, market value and proposed discount being offered for the Discounted Sale units. The Planning Section will take advice from the Housing Section as to whether any such deviation is justified and acceptable

5.8 The last point raised by the HBF is in relation to eligibility criteria and the impact that this will have on the delivery of homes and the impacts on future financing and rights of occupants.

5.9 As a reminder the eligibility criteria has not been finalised as this will be devised and implemented by the Housing Section, however, it will potentially include a financial criteria and a locational or geographical criteria. These are considered necessary to firstly ensure that the homes go to people who genuinely cannot access the open housing market and maximum household incomes is a manner of ensuring this. Secondly locational criteria will ensure that such homes are available to people who live, work or care for family in the Borough area.

5.10 It is not clear what is referred to as the future rights of occupants. Any person purchasing under the 'Discount for Sale' tenure will be fully aware of the financial and eligibility criteria (they will have had to demonstrate they meet it) and that the same restrictions will apply for re-sale.

## Conclusions

- 5.11 The comments from the HBF are noted, however, the SPD is considered to be necessary to provide appropriate guidance to housebuilders who have recently sought a position on providing this form of tenure in the Borough. This SPD does that and it is considered that the guidance set out does not adversely affect the delivery of housing in terms of viability nor are the eligibility criteria considered to be excessive or inappropriate.
- 5.12 The success of the guidance will be monitored if and when schemes to include 'Discount for Sale' housing are submitted. Subject to such monitoring the Local Planning Authority may seek to amend the policy if necessary either through an updated SPD or, if appropriate, through future Local Plan reviews.

## **6. IMPLICATIONS**

### **(a) Policy**

- 6.1 Subject to the Members approval, the affordable housing policy of the Borough Council will be amended as set out in this report.

### **(b) Financial**

- 6.2 The Forward Planning budget takes into account the commitments and resource implications of the preparation and updating of SPD.

### **(c) Environmental Implications**

- 6.3 A sustainability appraisal of the draft SPD was prepared for the previous stage.

### **(d) Legal**

- 6.3 There are not considered be any legal implications.

### **(d) Planning Implications**

- 6.4 The planning implications are as described under (a) Policy.

### **(e) Communications (use of social media, consultation etc)**

- 6.5 The draft document was consulted upon prior to this report and included the use of social media in respect of the Planning Authorities twitter account and the Borough Council.

- 6.6 I have considered whether the following implications arise from this report and am satisfied that there is no identified implications will arise from this decision in relation to Staffing Implications, Crime and Disorder Implications, Health and Safety implications, Co-operation with Health Authorities, Equality implications, Human Rights Act or Environmental implications.

## **7. ACTION PLAN**

7.1 Arising for the consideration of the issues, the following action plan is proposed:

<b>Objective</b>	<b>Target</b>
A. Report considered by P&D	4 October 2019
B. Report considered by Cabinet	15 October 2019
C. Report considered/adopted by Council	4 November 2019

**Richard Bradley**  
**Director**

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**Background Papers:**

Please give details of all publicly accessible (non private) background papers applicable to the report.

Affordable Housing SPD

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## RISK MATRIX

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/Responsible Officer	Action Plan
1	Oct 2019	Council does not update the SPD to include Discount for Sale Housing guidance.	SPD is not based on up to date evidence and affordable housing may not be achieved to its optimum level.	Adopt revised SPD with any required changes.	C2	A2	Mr D Walker / Mr S Wilson	None

### Glossary of Terms

Risk

An event which may prevent the Council achieving its objectives

Consequences

The outcome if the risk materialised

Mitigation

The processes and procedures that are in place to reduce the risk

Current Risk Score

The likelihood and impact score with the current mitigation measures in place

Corporate Objectives

An assessment of the Corporate Objectives that are affected by the risk identified.

Target Risk Score

The likelihood and impact score that the Council is aiming to achieve

Service Unit Manager

The Service Unit or Officer responsible for managing the risk

Action Plan

The proposed actions to be implemented in order to reduce the risk to the target score

### Risk Scoring

Impact	5					
	4					
	3					
	2					

	1					
		A	B	C	D	E
		Likelihood				

Likelihood:

A = Very Low

B = Not Likely

C = Likely

D = Very Likely

E = Almost Certain

Impact

1 = Low

2 = Minor

3 = Medium

4 = Major

5 = Disaster