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Report of the Director of City Development

Report to Executive Board

Date 18th December 2013

Subject: Planning Policy for Affordable Housing

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	☐ Yes	⊠ No
Are there implications for equality and diversity and cohesion and integration?	⊠ Yes	☐ No
Is the decision eligible for Call-In?	☐ Yes	⊠ No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	☐ Yes	⊠ No

Summary of main issues

- Meeting Leeds housing needs forms part of the Vision for Leeds and the aspiration to be the 'best city in the UK'. The Best Council Plan seeks to develop a coherent approach to meeting housing needs which includes the provision of affordable housing. In seeking affordable housing the plan proposes 407 affordable houses for 2014. The Council uses a number of interventions to deliver affordable housing to include grant funded schemes delivered by Registered Providers (RP's), the Council's new build programme, and those delivered through the planning system as a result of section 106 agreements. The delivery of affordable housing via the planning system plays a vital role in meeting the Council's ambition in meeting housing growth and need.
- 2. The Council's submission Core Strategy, as part of the Local Development Framework, has recently been the subject of Independent Examination, with the main block of Hearing sessions in October 2013. Within this context, Core Strategy Policy H5 sets out the approach to affordable housing. This currently advocates the use of a Supplementary Planning Document (SPD) to set thresholds and targets for the delivery of affordable housing. The Council argued at Examination that this approach is consistent with the regulations that govern the use of SPD and would enable the Council to respond to changes in market conditions in a timely way.
- 3. In response to this approach, the Inspector for the Examination, concluded (Appendix 2) that the use of an SPD for setting affordable housing thresholds and targets is inappropriate. He recommends that thresholds and targets for affordable housing be

incorporated within the Core Strategy. At Examination additional information was also requested to be submitted post Examination in relation to ranges for targets of 5-50% and the evidence to support an offsite contribution below 10 units (Appendix 1).

4. The Inspector's conclusion was reached following the Affordable Housing Examination Hearing session (7th October 2013), and notwithstanding the case presented by the Council which argued that the setting of targets in an SPD is a sound approach. The Inspector has specifically commented, "By failing to set the local standards for thresholds and targets, Policy H5 conflicts with national policy and is not sound". The focus of this report therefore is to seek the approval of Executive Board, to propose a modification to the Core Strategy which incorporates the affordable housing thresholds and targets within the Core Strategy, and following consideration by the Inspector, for this revision to be subsequently advertised as a 'Main Modification'.

Recommendations

- 5. Executive Board is requested to:
 - i) agree the overall approach to the revised affordable housing targets and thresholds in Core Strategy Policy H5 as set out in Para. 3.2 and as amended in Appendix 3 of this report, and to authorise the Chief Planning Officer to take such steps as are necessary to pursue this modification to the submitted Core Strategy as part of the formal examination;
 - ii) and to note:
 - the stages required to implement the decision as outlined in paragraph 3.6
 - proposed timescales for implementation as outlined in paragraph 3.6
 - that the Head of Forward Planning and Implementation will be responsible for implementation following formal adoption of the plan.

1 Purpose of this report

1.1 To inform Executive Board of the outcome of the Core Strategy Examination in relation to affordable housing policy, as set out in Appendix 1, and to seek approval to propose a modification to the Core Strategy which incorporates the affordable housing targets and thresholds within the Core Strategy.

2 Background information

2.1 Current affordable housing policy is set out in the City Council's Unitary Development Plan, Supplementary Planning Guidance (SPG 3) Feb 2003, SPG annex July 2005, revision April 2013. Within this context, the informal interim affordable housing policy was approved by Executive Board on 18th May 2011 and came into effect on 1 June 2011. The interim policy sets out revised affordable housing targets in response to the economic downturn based on an Economic Viability Assessment (EVA) (June 2010), which assessed the viability and need for affordable housing in the current housing market. The Economic Viability Study (EVS) which was published in January 2013, updated the EVA, further the EVS considered the viability impact of the Core Strategy policy requirements, in particular affordable housing, greenspace,

and sustainable construction. Similar assumptions as those in the EVA were used, however the EVS tested viability of the whole of the Core Strategy requirements cumulatively. The EVS also importantly determines the differential CIL rates that could be applied to the full range of development types within the different levy zones. In relation to affordable housing the EVS further tested the cumulative impact of targets and thresholds. Based on this evidence base it is proposed to amend the Core Strategy Policy H5, setting evidence based targets and thresholds in the Core Strategy to address the Inspector's concerns and to ensure that the Core Strategy is sound.

- 2.2 National Planning Policy for affordable housing is set out in Para 50 of the National Planning Policy Framework (NPPF). The NPPF states that where affordable housing is needed, policies should be set for meeting this need. Within this remit the submitted Core Strategy sets affordable housing policy to meet that need setting a range of targets and thresholds.
- 2.3 Policy H5 of the submitted Core Strategy sets out the requirements for affordable housing to include the ranges for affordable housing targets (5 to 50%) and thresholds between 10 and 15 dwellings for on site provision (dependent upon the housing market zone) of affordable housing, with a commuted sum provision for all developments of 1 unit and above. The same approach is advocated in the amended policy however, in order to address the Inspectors concerns, exact targets and threshold will be set rather than a range.
- As a consequence of the position the Planning Inspector has taken, Members no doubt wish to understand the process going forward should there be a need to change the thresholds and targets in response to changes in housing market viability. Accordingly, targets and thresholds which are set out in Core Strategy can only be changed through a Development Plan Review process. An early review of the Development Plan would entail an updated evidence base (to reflect improved housing market conditions), consultation, Publication document and Submission, followed by Public Examination to be consistent with national guidance and LDF regulations. It should be noted that the Council's evidence on viability has still to be tested through the examination of the CIL charging schedule. The timing of any review would be influenced by that examination. Based on evidence of improved viability the Council could choose to amend its affordable housing targets, CIL rates or both, subject to completing the formal stages described earlier.

3 Main Issues

3.1 At the Core Strategy Examination (Affordable housing session, 7th October 2013), the Inspector explored a number of questions relating to the appropriateness of setting targets and thresholds in an SPD (see Appendix 1). The Council put forward a robust response to demonstrate that its approach was lawful and sound and explained the rationale behind the intended us of SPD. Namely the SPD is more flexible and more easily responds to market signals. However the Inspector was not convinced. Following the close of the Hearing sessions, the Inspector has subsequently written to the Council (8th November 2013, Appendix 2) commenting that 'by failing to set the local standards for thresholds and targets, Policy H5 conflicts with national policy and is not sound.' Further the Inspector states, 'Given

the Council produced an interim affordable housing policy in 2011, I can see no reason why it would not be possible to set thresholds and targets in the Core Strategy. If it does not, I cannot assess whether the development planned in the Core Strategy is viable and deliverable. The Inspector concludes that 'Unless it is modified, Policy H5 and the Core Strategy's approach to the provision of affordable housing cannot be said to be sound.'

3.2 Given the Inspector has given a clear direction that the Core Strategy Policy H5 should set out targets and thresholds, it is proposed that those targets and thresholds be set out to reflect evidence set out in EVA (June 2010) and EVS (January 2013). The requirements are therefore essentially the Council's interim affordable housing targets, with some limited boundary change to ensure consistency with CIL zones, reflecting the viability evidence. These proposals are certain, viable and deliverable as they evidence based and ensure that the cumulative impact of other policies in the Core Strategy are taken into consideration. It is proposed that the affordable housing zones which are consistent with the EVA (June 2010), and EVS (January 2013), which was the subject of a separate report to the Executive Board, be adopted. This would result in a reduction of the 5 current affordable housing zones to 4. The interim Affordable Housing Policy (June 2011) identified 5 Affordable Housing zones, however for affordable housing policy to be consistent with the evidence base and CIL the boundaries have been aligned to 4 zones. The boundaries are shown in Appendix 4. The thresholds and targets arising from this evidence are summarised below:

Thresholds

For zone "North" on-site affordable housing will normally be expected for schemes of 10 or more dwellings.

For zones "South", "Inner" and "City Centre" on-site affordable housing will normally be expected for schemes of 15 or more dwellings.

Targets

The following affordable housing targets based the on the EVA (June 2010) and EVS (January 2013) are to be applied.

North 35% South 15% Inner 5% City Centre 5%

Boundaries

The affordable housing zones are shown in Appendix 3, (North, South, Inner and City Centre). CIL has one additional zone as the southern zone is split into two to reflect CIL viability. These Zones are derived from the EVA (June 2010) and the Community Infrastructure Levy (CIL) EVA (January 2013).

Off-site provision for smaller schemes

For housing schemes below the on-site size thresholds (below 10 units in the North, and below 15 units in the South, a commuted sum will be taken.

- 3.3 In reflecting the Inspector's conclusions on this matter and the evidence based work described in Para. 3.2 above, Appendix 3 sets out the proposed modifications to Policy H5, to incorporate these changes.
- 3.4 As originally submitted the affordable housing policy suggests that all small schemes below the threshold, even down to a single unit, should make some financial contribution to affordable housing. However, this is not supported by the viability evidence and the approach now recommended therefore differs from that previously agreed by members.
- 3.5 The basis for calculating commuted sums for housing schemes smaller than those requiring on-site provision is based on evidence set out in the EVS (Jan 2013). The EVS provides evidence to support the use of a commuted sum for the North and South areas but no viability is currently evidenced in the City Centre and Inner Areas. In terms of how much the commuted sum will be, the starting point will be to calculate the equivalent financial liability of providing on-site affordable housing at the minimum thresholds of 10 dwellings (North) and 15 dwellings (South) to provide the relevant percentage target of affordable housing for the relevant geographical area. In essence, this will be the difference between providing the required onsite affordable housing (at prices deemed affordable for the earnings profile of households needing the affordable housing) and providing housing for unrestricted market sale. The financial liability figure should then be tapered down to zero contribution at zero dwellings with whatever number of dwellings proposed asked to pay a proportionate contribution related to the tapered scale. Further guidance will be provided to help amplify how the approach will applied in practise. If the scheme has exceptional costs a financial appraisal will be necessary to determine what contribution can be provided without undermining scheme viability.
- 3.6 There is a process for the proposed changes to Policy H5 to be made to the Core Strategy. The Council must publish post examination "modifications" for at least 6 weeks of public consultation. A first set of post examination modifications will be consulted upon in early 2014, but a further set may be necessary in response to the Inspector's views on the Core Strategy as a whole. Public comments received will then be considered by the Inspector who will determine whether the Examination needs to be reopened to consider any new issues or whether the Core Strategy is "sound" and can be adopted.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Any suggested amendments to the Core Strategy will need to be subject to consultation through advertising the main modifications. Officers will discuss the timing of this with the Inspector.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An equality impact assessment (EIA) screening has been undertaken as part of this report. Equality considerations have been given due regard. The provision of

affordable housing in particular has an impact on the young in terms of access to homes which are affordable.

4.3 Council policies and City Priorities

4.3.1 Meeting Leeds' housing needs also forms part of the Vision for Leeds and the aspiration to be the 'the best city in the UK'.

4.4 Resources and value for money

4.4.1 This report is concerned with planning policy for affordable housing, to ensure that the City Council is able to secure the necessary contributions, to help address wider housing needs across the District.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The report seeks to ensure that the Council complies with relevant duties as set out in housing and planning legislation. Also any modifications or review of the Development Plan would have to comply with 2012 regulations governing the process.
- 4.5.2 The amendments are due to the the formal examination of the Core Strategy in October 2013.
- 4.6 A decision may be exempt from call in if the decision maker considers that the decision is urgent. It is necessary for this decision to be exempt from call in order to allow publication of modifications as part of the Core Strategy timetable.

4.7 Risk Management

4.6.1 This decision will help ensure that Policy H5 of the Leeds Core Strategy is more likely to be found sound and the Core Strategy is adopted. This outcome would lessen the risk of further delay to the Core Strategy process and linked to this the preparation of the Site Allocations Plan.

5 Conclusion.

5.1 As outlined in this report, through the Core Strategy Examination process, the planning Inspector has indicated that Policy H5 will be found to be unsound, unless revised to incorporate affordable housing thresholds and targets within the Policy. In reflecting this outcome, revised wording is therefore proposed to this Policy, to be presented to the Inspector as a Main Modification, to the submission Core Strategy.

6 Recommendations

- 6.1 Executive Board is requested to:
 - i) agree the overall approach to the revised affordable housing targets and thresholds in Core Strategy Policy H5 as set out in Para. 3.2 and as amended in Appendix 3 of this report and to authorise the Chief Planning Officer to take

such steps as are necessary to pursue this as a modification to the submitted Core Strategy as part of the formal examination.

ii) note:

- the stages required to implement the decision as outlined in paragraph 3.6
- proposed timescales for implementation as outlined in paragraph 3.6
- that the Head of Forward Planning and Implementation will be responsible for implementation following formal adoption of the plan.

7 Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

Appendix 1

<u>Inspectors questions (Core Strategy Examination Hearing Session 8th October)</u>

1. Policy H5 seeks to devolve decisions regarding thresholds and targets for affordable housing to a Supplementary Planning Document (SPD). Parts 4 and 5 of the Town and Country Planning (Local Planning) (England) Regulations 2012 prescribe the form and content of local plans and SPDs and which documents are to be local plans. The effect of this is that SPDs can only contain environmental, social, design and economic objectives which are relevant to the attainment of the development and use of land. SPDs cannot make statements on the development and use of land, allocate sites for a particular type of development or use or contain development management and site allocation policies to guide the determination of applications for planning permission.

The National Planning Policy Framework (NPPF) states in its glossary (page 56) that SPDs can `add further detail to the policies in the Local Plan. They can be used to provide further guidance for development on specific sites, or on particular issues, such as design'.

In light of the above is it appropriate for thresholds and targets to be left to a SPD?

2. It is the Inspector's view that the answer to the above question is no. If this is the case Policy H5 fails to plan positively for the provision of affordable housing and conflicts with the NPPF. How can this be rectified?

Additional information requested by the Inspector at the Hearing Session, regarding affordable housing and viability.

- 1. Can the range of 5-50% be delivered within the Plan period?
- 2. The evidence to support an offsite contribution below 10 units.

3. Appendix 2

Letter from Core Strategy Planning Inspector 8th November 2013

Examination of Leeds City Council Core Strategy

Mr D Feeney
Head of Forward Planning & Inspector: Anthony Thickett BA(Hons) BTP

MRTPI Dip RSA

Implementation

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By email only

Date 8 November 2013

E mail: progofficer@aol.com

Dear Mr Feeney,

1. As promised at the affordable housing and gypsy and traveller sessions on 7 and 16 October I write setting out my findings regarding; i) whether it is appropriate for affordable housing thresholds and targets to be set out in a Supplementary Planning Document (SPD) rather than in the Core Strategy and, ii) whether Policy H7¹ is supported by adequate evidence.

Affordable Housing

- 2. I have considered the RWE Npower Renewables Ltd case ² and acknowledge that it supports your contention regarding what may be included in a SPD but thatdoes not mean that SPD is the best or most appropriate place to set affordable housing thresholds and targets, or that leaving them to SPD complies with national guidance. In order to be sound, the Core Strategy must be consistent with national policy.
- 3. Paragraph 174 of the National Planning Policy Framework (NPPF) states that; 'Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing'. With regard to affordable housing, these standards include the thresholds which trigger the requirement for affordable housing and the percentage target that will be sought. SPDs are not Local Plans³ and I do not consider setting a range complies with this guidance, particularly a target which spans from 5 to 50%. By failing to set the local standards for thresholds and targets, Policy H5 conflicts with national policy and is not sound.
- 4. In order to ensure that development and the infrastructure to support it can be delivered the NPPF⁴ states that it is important that; 'infrastructure and development policies should be planned at the same time, in the Local Plan'. The NPPF goes on to say that; 'Any affordable housing or local standards requirements that may be applied to development should be assessed at the plan making stage, where possible, and kept

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¹ As proposed to be changed by Council's Hearing Statement S11/1a, Appendix 2
² R on the application of RWE Npower Renewables Ltd and Milton Keynes BC and Ecotricity (Next Generation) Ltd [2013] EWHC 751 (Admin); S3/1
³ Town and Country Planning (Local Planning)(England) Regulations 2012
⁴ Paragraph 177

under review'. Given that the Council produced an interim affordable housing policy in 2011⁵, I can see no reason why it would not be possible to set thresholds and targets in the Core Strategy. If it does not, I cannot assess whether the development planned in the Core Strategy is viable and deliverable.

- 5. Paragraph 47 of the NPPF requires local planning authorities to 'use their evidence base to ensure that their Local Plan meets the full, objectively assessed need for market and affordable housing'. Unless Policy H5 sets thresholds and targets which are certain, viable and deliverable, I cannot see how I can conclude that the Core Strategy will meet the identified need for affordable housing.
- 6. I am aware that the Council considers that targets and thresholds set in a SPD could be reviewed more easily. However, the NPPF envisages that parts of Local Plans may be reviewed, enabling local planning authorities to respond flexibly to changing circumstances⁶. For the reasons given above, I consider that thresholds and targets should be set out in Policy H5 and that, unless it is modified, Policy H5 and the Core Strategy's approach to the provision of affordable housing cannot be said to be sound.

Gypsies and Travellers

- 7. It is generally accepted that the 2008 Gypsy and Traveller Accommodation Assessment (GTAA) is out of date (and it only runs to 2015). At the hearing on 16 October we discussed the Gypsy and Traveller Pitch Requirement study carried out by the Council⁷ and I have considered the further work submitted on 6 November⁸.
- 8. Policy H7, as proposed to be amended⁹, includes a target of 41 pitches for gypsies and travellers and 15 plots for travelling showpeople. I am aware that the figure for travelling showpeople arises from discussions with the Showmen's Guild and I am satisfied, on the evidence currently before me, that this is appropriate.
- The work done since 16 October is welcomed and I do not doubt the figures arising from it but I do not consider that, on its own, it can be said to provide a robust and reliable indicator of the full need for gypsy and traveller accommodation in Leeds. As stated by Mrs Jones from Leeds Gypsy and Traveller Exchange (GATE), families may be reluctant to register on the Council's waiting list, either because of its length or dissatisfaction with the Cottingley Springs site which is the only Council site available.
- 10. Planning Policy for traveller sites (PPTS) does say that local planning authorities should make their own assessment of need but that does not mean that any assessment will do. Paragraph 6 of PPTS provides advice on how to gather evidence and more detailed guidance can be found in DCLG's 2007 publication, 'Gypsy and Traveller Accommodation Needs Assessment¹⁰. This document sets out the steps

⁵ CD6/50

⁶ Paragraph 153

⁷ S11/1, Appendix 1

⁸ S11/1a

⁹ S11/1a, Appendix 2

¹⁰ CD15/35

required and the type and range of information necessary to produce a robust indication of need and who should be involved, which includes groups like GATE and neighbouring authorities. I am aware that GATE's views have been sought with regard to the further work submitted on 6 November but without a GTAA of a type which accords with government guidance, I cannot determine that Policy H7, as proposed to be amended, complies with PPTS and is sound.

Conclusions

- 11. As it stands Leeds City Council's Core Strategy is not sound. With regard to the matters raised in this letter this could be addressed by:
 - a. Including thresholds and targets in Policy H5 which are supported by evidence regarding viability (including cumulative impacts 11)
 - b. The production of a GTAA and, depending on the results, the revision of Policy H7
- 12. The above advice is given without prejudice to my findings regarding other elements of the Core Strategy. I will do all I can to help the Council in relation to the way forward, although you will appreciate the restricted nature of my role in this regard and that any advice given is without prejudice. I look forward to hearing your views on how the examination might be progressed. Should you wish to proceed, I anticipate that a suspension would be required and I would appreciate an indication of the time you consider would be necessary to enable you to carry out this work.

Yours faithfully

A Thickett

Inspector

¹¹ NPPF, paragraphs 173 to 177

Appendix 3

Main Modification to Core Strategy Policy H5

Reasoned Justification suggested changes;

Affordable Housing

Para 5.2.12

In conformity with national planning guidance, affordable housing will be required to meet local needs. The policy has been informed by the evidence base, including the Leeds Strategic Housing Market Assessment (Update 2011) (as referred to in PPS3, Annex C). (as referred to in the NPPF, Para 159) and the Economic Viability Assessment 2010, and the Economic Viability Study 2013, (in accordance with NPPF Para 174).

Para 5.3.18

Within this context, Policy H5 provides an overall framework for the provision of affordable housing. It is appropriate that details such as thresholds and targets is provided through a Supplementary Planning Document. This will reflect market conditions and can be reviewed as economic conditions change and the life of the Core Strategy within the context of Policy H5. For schemes that are below the threshold to require the provision of on-site affordable housing, the City Council will seek financial contributions in the North and South housing zones toward affordable housing based on the EVS (January 2013). If the scheme has exceptional costs a financial appraisal will be necessary to determine what contribution can be provided without undermining scheme viability

POLICY H5: AFFORDABLE HOUSING

The Council will seek affordable housing either on-site, off-site or financial contributions from all developments of new dwellings. Housing developments above a certain threshold should include a proportion of affordable housing to be normally provided on the development site. The affordable housing provision should provide for a tenure mix in terms of submarket and social rented housing. Over the plan period to 2028 the threshold, amount of affordable housing and tenure splits may vary depending on housing needs and market conditions applicable at the time. An Affordable Housing Supplementary Planning Document will therefore provide up to date guidance on thresholds, targets, affordability mix and provision sought, which may vary depending on the local area. An annual update to the SPD of affordable housing price benchmark figures will also be provided. The broad range of provisions for a Supplementary Planning Document will be:

i) A threshold between 10 and 15 dwellings will apply — on site affordable housing will be sought on any development at or above the threshold. There is no site size threshold. ii) Overall targets for affordable housing will vary from 5 to 50%.

Affordable Housing Boundaries

The boundaries which form the 4 Housing Market Zones (North, South, Inner and City Centre) are derived from the EVA (June 2010) and CIL EVA (Jan 2013). The Boundaries are shown on Map 12.

Thresholds

For zone "North" on-site affordable housing will normally be expected for schemes of 10 or more dwellings.

For zones "South", "Inner" and "City Centre" on-site affordable housing will normally be expected for schemes of 15 or more dwellings.

Targets

The following affordable housing targets based on the EVA (June 2010) and EVS (Jan 2013) are applicable;

North 35% South 15% Inner 5% City Centre 5%

Off-site provision for smaller schemes

For housing schemes below the on-site size thresholds (below 10 units in the North, and below 15 units in the South, Inner and City Centre) an offsite commuted will be taken.

iii) Affordability of affordable housing to be designed to meet identified needs of households as follows:

- 40% affordable housing for households on lower quartile earnings
- 60% affordable housing for households on lower dectile earnings

iv) off site contributions to take into account geographical variations in the housing market.

The affordable units should be a pro-rata mix in terms of sizes and types of the total housing provision, unless there are specific needs which indicate otherwise, and they should be suitably integrated throughout a development site.

Applicants may choose to submit individual viability appraisals to verify that the affordable housing target cannot be met. In such cases, affordable housing provision may be reduced accordingly.

Affordable housing provision should be on site, unless off site provision or a financial contribution can be robustly justified.

Elderly persons sheltered housing and low cost market housing should not expect the requirement for affordable housing to be automatically waived or reduced, although individual viability appraisals will be taken into account.

Secure arrangements in the form of S106 agreements, must be agreed to ensure delivery and that affordability embodied within affordable housing is maintained for future people of Leeds in housing need.

Appendix 4

Affordable Housing Market Zones