

READING BOROUGH COUNCIL

REPORT BY EXECUTIVE DIRECTOR OF ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

TO:	POLICY COMMITTEE		
DATE:	28 SEPTEMBER 2020		
TITLE:	DRAFT AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT		
LEAD COUNCILLOR:	COUNCILLOR PAGE	PORTFOLIO:	STRATEGIC ENVIRONMENT, PLANNING AND TRANSPORT
	COUNCILLOR ENNIS		HOUSING
SERVICE:	PLANNING	WARDS:	BOROUGHWIDE
LEAD OFFICER:	MARK WORRINGHAM	TEL:	0118 9373337
JOB TITLE:	PLANNING POLICY TEAM LEADER	E-MAIL:	<u>mark.worringham@reading.gov.uk</u>

1. EXECUTIVE SUMMARY

- 1.1 The Council has adopted a new single local plan to set out how Reading will develop up to 2036. In order to provide additional guidance on elements of the new Local Plan, a new Affordable Housing Supplementary Planning Document (SPD) is needed, which will replace the existing Affordable Housing SPD adopted by the Council in July 2013. Once adopted, the new SPD will be a material consideration in the determination of planning applications.
- 1.2 This report seeks Committee's approval to undertake community involvement on a Draft Affordable Housing SPD (Appendix 1). Community involvement will then be undertaken and will be considered in preparing a version for adoption.

2. RECOMMENDED ACTION

- 2.1 That the Affordable Housing SPD (Appendix 1) be approved for consultation.
- 2.2 That the Deputy Director of Planning, Transport and Regulatory Services be authorised to make any minor amendments necessary to the SPD that do not alter the policy direction, in consultation with the Lead Councillor for Strategic Environment, Planning and Transport, prior to consultation.

3. POLICY CONTEXT

- 3.1 The Reading Borough Local Plan was adopted on 4th November 2019 and contains a comprehensive set of planning policies and proposed sites to manage development in Reading up to 2036. The Local Plan has 'development plan' status and is therefore the first consideration in determining planning applications in Reading.
- 3.2 Securing affordable housing is one of the key roles of the Local Plan. It contains two policies with particular relevance to affordable housing. Policy H3 (Affordable Housing) ensures that new residential development makes appropriate contribution to affordable housing, as set out below:
- on sites of 10 or more dwellings, 30% of the total dwellings will be in the form of affordable housing;
 - on sites of 5 - 9 dwellings, a financial contribution will be made that will enable the equivalent of 20% of the housing to be provided as affordable housing elsewhere in the Borough; and
 - on sites of 1 - 4 dwellings, a financial contribution will be made that will enable the equivalent of 10% of the housing to be provided as affordable housing elsewhere in the Borough.
- 3.3 The requirement in H3 for small sites (less than 10 dwellings) to contribute towards affordable housing was a particular consideration through the Local Plan process, as this is contrary to the National Planning Policy Framework (NPPF). This is a matter on which this Council and West Berkshire District Council challenged the government through the courts when the policy was initially introduced in a ministerial statement. Although that challenge was ultimately unsuccessful, it did establish that national policy does not override local policy where that policy is justified by local circumstances, and a number of appeals have since been decided in the Council's favour. The Council were able to satisfy the Planning Inspector for the Local Plan examination that there were local circumstances which justified the divergence from national policy, and that small sites should therefore contribute to affordable housing.
- 3.4 Policy H3 identifies the priority affordable needs as being housing with two or more bedrooms that can house families. The policy also makes the following types of development exempt from the requirement to provide affordable housing:
- Replacement of a single dwelling with another single dwelling; and
 - Conversion of a dwelling to self-contained flats where there is no new floorspace.
- 3.5 Policy H4 (Build to Rent Schemes) deals specifically with the form of purpose-built residential development in single ownership for rental. Such developments should provide affordable housing in line with the percentages under policy H3, but, in line with national policy, there is allowance for a specific 'affordable private rented' tenure.
- 3.6 Whilst there is some level of detail within these policies, the policy text and supporting text recognise the need for an Affordable Housing Supplementary Planning Document (SPD) to provide further detail, particularly on matters such as the specific tenure sought and on implementation details. SPDs are documents which supplement higher

level policy in a development plan, but which cannot introduce new policy in themselves.

- 3.7 The Council is also producing a new Housing Strategy, also to be considered at this meeting. The SPD has been drawn up alongside production of the Housing Strategy, and the affordable housing secured by the SPD will be one part of the overarching response of that strategy.

4. THE PROPOSAL

(a) Current Position

- 4.1 The Council has an existing Affordable Housing SPD, which was adopted in July 2013. This SPD supplemented policies in the Core Strategy and Sites and Detailed Policies Document, both of which have now been replaced by the new Local Plan. Whilst some of the headline requirements (including the proportions of affordable housing sought) remain the same as in the previous policies, there are some important changes which mean the need to replace the SPD, including the incorporation of the policy on build-to-rent development. The existing SPD also reflects requirements for employment development to contribute towards affordable housing, which do not appear in the Local Plan. In addition, Reading's most up-to-date needs in terms of tenure should be reflected in the new SPD, as, whilst there are some provisions on tenure within the Local Plan, these were only intended to be a stop-gap until a SPD could be prepared.

(b) Option Proposed

- 4.2 A draft Affordable Housing SPD to supplement policies H3 and H4 of the Local Plan has been prepared and is included as Appendix 1. It is proposed that this be subject to public consultation.

- 4.3 One of the main issues that the SPD addresses is the proportion of on-site affordable housing that would be in different affordable tenures on sites of 10 dwellings or more. It proposes that the following tenure split should be sought:

- 62% rented at 'Reading Affordable Rent'
- 38% intermediate/shared ownership

- 4.4 'Reading Affordable Rent' equates to a cap of 70% of market rents and is pitched at a level considered to be affordable to those in housing need in Reading. In the past, policies have sought social rent (at target rent level) or affordable rent (up to 80% of market rents), but it is considered that a more locally-specific approach is justified and would result in the most significant on-site contribution to secure genuinely affordable housing. This has been subject to viability testing, which found that the mix of tenures sought is viable in most scenarios.

- 4.5 Another key element of the document is its approach to build to rent proposals. This is an emerging form of development in Reading, and the content of the SPD has been informed by experience in dealing with the first handful of proposals to be permitted in Reading, as well as by national Planning Practice Guidance. One of the main points the SPD deals with is what happens if a build-to-rent development changes to another form of residential in the future. It proposes measures for inclusion in Section 106

agreements to ensure that the impact of such changes on affordable housing is addressed.

- 4.6 The SPD also deals with other important matters, such as how viability will be assessed where a development cannot meet the level of affordable housing required by policy, as well as mechanisms for clawing back contributions where viability considerations have led to lower (or no) contributions but viability conditions subsequently change.
- 4.7 If agreed, the document will be subject to a consultation, to begin in October. SPD consultations generally last for six weeks. The consultation will largely be based around making the document available for comment on the website. Public support for the general direction of the policies has already been established during consultations held during development of the new Local Plan.
- 4.8 Responses received will be considered in preparing a final draft SPD for adoption, which is intended for early in 2021.

(c) Other Options Considered

- 4.9 The main alternative options to consider are: firstly, to not proceed with a SPD at the current time; and, secondly, to base the SPD around different tenure expectations for on-site affordable housing.
- 4.10 Not to proceed with a SPD at this point would mean a lack of detailed policy on securing affordable housing, as the existing SPD is now out-of-date and requires replacement. This would mean uncertainty on some key policy matters such as the tenure split for on-site affordable housing, and the provisions for securing affordable housing from build-to-rent developments. This could mean that developments fail to maximise the contribution that they make to affordable housing.
- 4.11 There are a range of different tenure expectations that could be set out in the SPD. There is one set parameter, in that the NPPF states that at least 10% of major residential developments should be available for affordable home ownership products, which therefore equates to approximately 30% of the affordable portion of major developments. However, the rented proportion can be set at different levels, ranging from target rents at 50% of market rates to general affordable rents at 80%. A number of possible combinations have been subject to viability testing, either through the Local Plan or in specific work done for this SPD, which include two possible levels of Reading affordable rent (70% of market rents, as proposed in the SPD, and 65% of market rents). Broadly, the lower the cap on rents, the greater the proportion of shared ownership needed to make the development viable.
- 4.12 Therefore, the following options for tenure split (assuming an overall 30% on site contribution in line with policy) are considered to be broadly viable:

Rent cap (% market rent)	% rented	% shared ownership
80%/Local Housing Allowance	70	30
70% (Reading Affordable Rent Option 1)	62	38
65% (Reading Affordable Rent Option 2)	57	43

50% (Target Rent)	50	50
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- 4.13 Ultimately, this comes down to trying to strike a balance between achieving as much on-site affordable housing as possible and setting rents at a level which is genuinely affordable. The Reading Affordable Rent option with rents set at 70% of market rents is considered to be the option which strikes that balance best.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 Adoption of the SPD will secure on-site and off-site contributions towards affordable housing, and therefore will play a major part in achieving the Council's priorities as set out in the Corporate Plan (2018-2021)¹ through 'Ensuring access to decent housing to meet local needs', including the specific targets for provision of new affordable homes.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 The Sustainability Appraisal of the Pre-Submission Draft Local Plan examined the effects of the Local Plan, including the policies on affordable housing, against a range of environmental objectives. No significant detrimental effects on these environmental objectives were identified. New affordable housing provided as a result of the Local Plan and SPD would need to accord with the high environmental standards set in the sustainable design and construction policies of the Local Plan, as supplemented by the Sustainable Design and Construction SPD, adopted in December 2019.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 The Council's consultation process for planning policy, as set out in the Statement of Community Involvement (adopted March 2014), is that the widest and most intensive community involvement should take place at the earliest possible stage, to allow the community a genuine chance to influence the document. Therefore, significant and wide-ranging community involvement exercises took place during development of the new Local Plan. This established support for the policies and the draft SPD simply outlines details for implementation.
- 7.2 Consultation is expected to last a period of six weeks as described in paragraph 4.7 above. The consultation will involve contacting all individuals and groups on our consultation lists, as well as publication on the website.

8. EQUALITY ASSESSMENT

- 8.1 The Sustainability Appraisal of the Pre-Submission Draft Local Plan incorporated the requirement to carry out a screening stage of an Equality Impact Assessment. A full Sustainability Appraisal that examines the effects of each sustainable design and construction policy has already been completed as part of the Local Plan, and therefore additional Equality Impact Assessment is not required. It is not expected that there will be any

¹ http://www.reading.gov.uk/media/4621/Shaping-Readings-Future---Our-Corporate-Plan-2018-21/pdf/FINALCorporate_Plan_2018_21webpub.pdf

significant adverse impacts on specific groups due to any of the protected characteristics.

9. LEGAL IMPLICATIONS

- 9.1 Regulation 12 and 13 of the Town and Country Planning (Local Planning) (England) Regulations 2012 set out the requirements for undertaking consultation on Supplementary Planning Documents, which must last for a period of at least six weeks. Once the SPD is adopted by the Council, it will hold weight in the determination of planning applications for any development in the Borough.

10. FINANCIAL IMPLICATIONS

- 10.1 The SPD has been paid for in previous financial years by Planning Services.
- 10.2 Consultation exercises can be resource intensive. However, the Council's consultation process is based mainly on electronic communication, which helps to minimise resource costs.
- 10.3 The implementation of the Affordable Housing SPD, in combination with the Local Plan, will result in developments for developments of less than ten dwellings making financial contributions towards the provision of off-site affordable housing. In some cases, larger developments will also make financial contributions in addition to, or instead of, an on-site contribution. In recent years, these funds have contributed towards the Local Authority New Build programme, although the funds could also contribute towards delivery by other registered providers.

Value for Money (VFM)

- 10.4 The preparation of a new SPD will ensure that development complies with the Council's policy on affordable housing. Production of the SPD, in line with legislation, national policy and best practice, therefore represents good value for money.

Risk Assessment

- 10.5 There are no direct financial risks associated with the report.

BACKGROUND PAPERS

- Planning and Compulsory Purchase Act 2004
- Localism Act 2011
- The Town and Country Planning (Local Planning) (England) Regulations 2012
- National Planning Policy Framework
- Reading Borough Council Local Plan (adopted November 2019)