

## READING BOROUGH COUNCIL

### REPORT BY EXECUTIVE DIRECTOR OF ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

<b>TO:</b>	STRATEGIC ENVIRONMENT, PLANNING AND TRANSPORT COMMITTEE		
<b>DATE:</b>	15 MARCH 2021		
<b>TITLE:</b>	ADOPTION OF THE AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT		
<b>LEAD COUNCILLOR:</b>	COUNCILLOR PAGE	<b>PORTFOLIO:</b>	STRATEGIC ENVIRONMENT, PLANNING AND TRANSPORT
<b>SERVICE:</b>	PLANNING	<b>WARDS:</b>	ALL
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#### 1. EXECUTIVE SUMMARY

- 1.1 This report relates to the proposed adoption of the Affordable Housing Supplementary Planning Document (SPD), for use in determining planning applications for new development in Reading. The SPD gives further detail to supplement the affordable housing policies in the Reading Borough Local Plan (adopted November 2019) to ensure that developments contribute towards meeting affordable housing needs.
- 1.2 A Draft Affordable Housing SPD was approved for consultation by Policy Committee on 28<sup>th</sup> September 2020 (Minute 49 refers). Consultation took place during October and November 2020, and a total of 13 responses were received. A Statement of Consultation summarising the process and the responses is included as Appendix 1.
- 1.3 A revised version of the SPD has now been prepared, taking account of the responses received. This is included as Appendix 2 in tracked changes format. Committee is recommended to formally adopt this as part of the Council's planning policy for determining planning applications.
- 1.4 Appendices:  
Appendix 1: Statement of Consultation on the Draft Affordable Housing SPD  
Appendix 2: Affordable Housing SPD

## **2. RECOMMENDED ACTION**

- 2.1** That the results of the consultation on the Draft Affordable Housing Supplementary Planning Document, undertaken during October and November 2020, as set out in the Consultation Statement at Appendix 1, be noted.
- 2.2** That the Affordable Housing SPD (Appendix 2) be adopted as a Supplementary Planning Document.

## **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.

#### 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.

4.2 Policy Committee approved the Draft Affordable Housing SPD for consultation on 28<sup>th</sup> September 2020 (Minute 49 refers).

4.3 Consultation was undertaken between 2<sup>nd</sup> October and 13<sup>th</sup> November 2020, a total of six weeks. The draft SPD was placed on the Council's website, and all of the contacts on the Council's consultation list were written to advising them of the consultation. A total of 13 written responses were received. The main points raised are summarised below.

- Comments relating to the proposals for Reading affordable rent, with one comment considering that the 70% cap has not been sufficiently justified, with other comments relating more to matters of detail or application such as the inclusion of service charges;

- The need for updated consideration of First Homes, a national approach which had recently been consulted on at the time of the Draft SPD, and which has still not been formally introduced in the National Planning Policy Framework;
- A number of comments on the detailed proposals for the affordable element of build-to-rent and whether these comply with national Planning Practice Guidance, in particular regarding issues such as eligibility and clawback arrangements in the event that units are sold;
- A response from a care provider highlighting that its form of provision falls within the C2 use class and would not therefore generally be expected to contribute to affordable housing;
- A response from the University of Reading asking for further clarification on the circumstances where student accommodation would contribute to affordable housing, and arguing that no contribution should be made where student accommodation has demonstrated compliance with the locational approach in Local Plan policy H12;
- A registered provider (RP) commented that greater involvement from RPs in defining tenure mix should be sought at an early stage of development proposals;
- Concerns about the proposed approach to deferred contributions, in particular that formulae are too simplistic and do not take account of the circumstances that developers may be in, and that this approach can add to risk and the cost of finance;
- Some comments on layout, design and related matters that are applicable to housing provision generally; and
- Concerns around the adequacy of the viability testing report of the tenure proposals of the SPD, which was published at the same time as the draft SPD to inform the consultation.

4.4 A full Statement of Consultation, detailing the consultation measures and the responses received, is included as Appendix 1. Proposed Council responses to each representation are also included within the Statement of Consultation.

(b) Option Proposed

4.5 Committee is recommended to adopt the revised version of the Affordable Housing SPD as attached at Appendix 2. Once adopted, the SPD will be used to supplement the Local Plan for the determination of planning applications for new development.

4.6 The main changes that have been made to the SPD compared to the version that was consulted upon are summarised below:

- Inclusion of additional detail to set out how Reading affordable rent levels were calculated;

- A description of shared ownership and some commentary on how it relates to needs;
- An update on the position regarding First Homes, including how changes to the NPPF will be taken into account alongside the SPD;
- Some changes to the wording on eligibility for affordable private rent units within build to rent schemes to more closely reflect Planning Practice Guidance and the Local Plan policy wording;
- Changes to the approach to the eventuality that build to rent units are sold into another tenure to more closely reflect Planning Practice Guidance and bring it into line with other parts of the SPD;
- Further clarification on the circumstances in which affordable housing contributions will be sought from student accommodation or residential care uses;
- A change to respond to the recent tendency for developers to seek a clause within a legal agreement to allow for affordable units to be disposed of in exceptional circumstances, which the SPD states should be dealt with by safeguards in the Section 106;
- Some amended wording on viability, including removing reference to outdated RICS guidance and giving more guidance on profit margins;
- Change to the occupation trigger point for calculating a deferred contribution to avoid a potential incentive for keeping units vacant; and
- Amendments to the formulae for calculating a deferred contribution to ensure that it fairly reflects how circumstances have changed, and to respond to detailed comments.

4.7 Once adopted, the SPD will be used to supplement the Local Plan in determining planning applications.

(c) Other Options Considered

4.8 The main alternative options to consider are: firstly, to not proceed with an SPD at the current time; and, secondly, to base the SPD around different tenure expectations for on-site affordable housing.

4.9 Not to proceed with an 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.

4.10 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.

- 4.11 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

- 4.12 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)<sup>1</sup> 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.

<sup>1</sup> [http://www.reading.gov.uk/media/4621/Shaping-Readings-Future----Our-Corporate-Plan-2018-21/pdf/FINALCorporate\\_Plan\\_2018\\_21webpub.pdf](http://www.reading.gov.uk/media/4621/Shaping-Readings-Future----Our-Corporate-Plan-2018-21/pdf/FINALCorporate_Plan_2018_21webpub.pdf)

## **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 Community involvement on the Draft Affordable Housing SPD took place between 2<sup>nd</sup> October and 13<sup>th</sup> November 2020, a period of six weeks. Paragraph 4.3 of this report summarises the consultation process already undertaken, and this is set out in more detail in the Statement of Consultation in Appendix 1. The community involvement stages were undertaken in line with the Statement of Community Involvement (adopted March 2014).

## **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 policy relating to affordable housing 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 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. Regulation 14 sets out the requirements for adoption. The production of and consultation on the SPD are in compliance with the requirements under the Regulations. Once the SPD is adopted by the Council, it will hold weight in the determination of planning applications for development in the Borough.

## **10 FINANCIAL IMPLICATIONS**

- 10.1 The work undertaken on drafting the documents and the expenditure on community engagement has been funded from existing budgets.
- 10.2 The implementation of the Affordable Housing SPD, in combination with the Local Plan, will result in permissions 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)

- 10.3 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

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

#### **BACKGROUND PAPERS**

- The Town and Country Planning (Local Planning) (England) Regulations 2012
- Draft Affordable Housing SPD, July 2020
- Adopted Local Plan, November 2019
- National Planning Policy Framework, February 2019
- Planning Practice Guidance
- Reading Borough Council Housing Strategy, 2020