

COUNCILLOR QUESTION NO. 1

Councillor Josh Williams to ask the Chair of the Planning Applications Committee:

Affordable Housing for Reading

Reading's residents desperately need good quality, warm housing that they can afford to live in. The planning system demands a policy compliant 30% affordable housing to be provided on developments over 10 dwellings, but this is often avoided and instead a deferred payment mechanism put in place, where developers agree to pay the Council money if their scheme makes more profit than originally claimed. Does this work?

Can the Chair please provide the committee with a list of all the deferred payment mechanisms for affordable housing have been put in place in the last ten years, along with the payment amount that would have been policy compliant, and the payment amount that was actually received.

**REPLY** by the Chair of the Planning Applications Committee (Councillor Lovelock):

This question relates to the requirement in policy H3 of the Local Plan that residential developments of 10 or more dwellings will deliver 30% of the development as on-site affordable housing units.

National policy refers to the potential for applicants to use viability assessments to demonstrate that delivering affordable housing at policy-compliant levels is not viable, and that therefore a reduced provision is appropriate. Paragraph 58 of the National Planning Policy Framework in particular states that "*It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage*". The potential for applicants to demonstrate a viability case for a lower provision is also referred to within our own local policies, in particular H3 of the Local Plan as well as the Affordable Housing SPD. A policy that did not contain such provisions would have had little chance of being found sound at the Local Plan examination.

The approach to viability assessments is set out in national Planning Practice Guidance. This includes guidance on how the various costs should be established and existing use values defined. It also includes a general expectation that assessments should factor in a 15-20% developer profit. This approach is reflected in our own Affordable Housing SPD.

Therefore, it is an established principle through both policy and practice that an applicant can seek to demonstrate a viability case for a lower affordable housing provision or an off-site financial contribution. Were the Council to refuse an application that had made a viability case that complies with the accepted approach on the basis of not complying with policy H3, there would be a strong likelihood that the application would be allowed on appeal, with the Council also potentially being liable for costs.

Viability assessments are always challenged and negotiated by officers. If the viability assessment demonstrates to officer satisfaction that a development would not be viable

if 30% affordable housing is provided (either through dwellings on site or a financial contribution) officers will negotiate alternative ways to outweigh the deficit or to reduce the policy requirement to allow some benefit to still be captured.

One of these ways is to agree a Deferred Payment Mechanism. Deferred payment mechanisms are a standard tool, used by local authorities and accepted by the industry.

A deferred payment mechanism can be used when it is anticipated that sale values may increase or build costs drop leading to an increase in actual profit that can be shared between the developer and the Council to top up an initially low on-site provision of affordable dwellings or off-site financial contribution.

It is accepted that agreeing a deferred payment mechanism is a risk as an increase in profit is not guaranteed. However, it provides a commercial basis for achieving policy compliance while allowing housing, which is of good quality and in all other policy respects is acceptable, to come forward in the meantime.

I have attached a table of those planning decisions made over the past 10 years where a Deferred Payment Mechanism was agreed and the outcome of those cases.

**PLANNING DECISIONS OVER PAST 10 YEARS WHERE DEFERRED PAYMENT MECHANISM INCLUDED TO PROVIDE AFFORDABLE HOUSING CONTRIBUTION**

App No.	Address	Deed Date	Max Value*	Received	Difference
121062	Kennet Island Phase 3 (excl 3A) Manor Farm Road	11/7/2012	£3,584,233.82	£3,584,233.82	£-
120293	Phase 2 Land At Chatham Place	11/28/2012	£1,586,800.00	£-	£-
121540	4-8 Cross Street	2/3/2014	£82,000.00	£56,000.00	-£26,000.00
140083	Heath Point Upper Warren Avenue	9/17/2015	£125,000.00	£-	
150019	Kings Point, 120 Kings Road	9/30/2015	£2,600,000.00	£1,350,981.47	-£1,249,018.53
160571	92-96 Southampton Street	8/7/2017	£160,000.00	£53,130.69	-£106,869.31
170212	12 Shaftesbury Road	9/14/2017	£65,000.00	£20,683.39	-£44,316.61
170452	32 Northcourt Avenue	11/2/2017	£65,000.00	£26,281.53	-£38,718.47
171127	Land to the rear of The Pond House Ph, 738 Oxford Road	6/27/2018	£138,000.00		
171055	74 Northcourt Avenue	7/9/2018	£30,000.00	£23,202.55	-£6,797.45
162355	470-478 Oxford Road	12/20/2018	£151,144.00		
180418	199 Henley Road, Caversham	12/20/2018			
180591	Mulberry House, 1a Eldon Road	3/27/2019	£49,680.00		
181117	34-36 & 38 Southampton Street	8/5/2019	£215,000.00		
190887	Land to the rear of 209 -219, Henley Road	3/25/2020	£518,000.00		
191043	43 London Street,	4/1/2020	£990,000.00		
182188	Zoar Strict Baptist Chapel, South Street	7/1/2020			
191227	11 Waylen Street	8/12/2020	£23,750.00		
170134	53-55 Argyle Road	11/18/2020	£210,094.00		
201452	Land adjacent, 135 Norcot Road, Tilehurst	5/19/2021	£35,000.00		
190627	Gas Holder, Alexander Turner Close	7/14/2021	£1,517,379.00		
200973	12 Eldon Terrace,	7/29/2021	£36,000.00		
190592	292 Henley Road, Caversham	8/12/2021	£21,500.00		
201233	5 Grass Hill, Caversham,	8/18/2021	£84,800.00		
182137	Broad Street Mall, Broad Street,	12/3/2021	30%		
210811	39 Brunswick Hill	1/26/2022	£272,000.00		
210309	8 Riley Road, Tilehurst	4/13/2022	£75,000.00		
210750	41a London Street	9/28/2022	£43,200.00		

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### Notes:

170519 155 Whitley Wood Lane – originally agreed a deferred payment. Superseded by 201765 - payment of £68,000 due on occupation

160959 153 Hemdean Road – originally agreed a deferred payment. Superseded by 191100 for a self build replacement house – no payment due

### KEY:

Implementation not commenced

Deferred Payment not viable as agreed

Deferred Payment made as calculated and agreed

Commenced - Awaiting Deferred Payment trigger

- \* **Max Value** refers to the level of financial contribution as calculated at the time the agreement was entered into that would have been required to be paid to equate to a policy compliant figure. In other words, if the applicant had agreed to pay this figure up front a deferred payment mechanism would not have been required. Therefore, this is the maximum payment we could seek via a DPM.

COUNCILLOR QUESTION NO. 2

Councillor James Moore to ask the Chair of the Planning Applications Committee:

Affordable Housing Contributions

What percentage of approved planning applications regarding housing development have met the 30% affordable housing contribution threshold since this policy was adopted as part of the Local Plan in November 2019?

**REPLY** by the Chair of the Planning Applications Committee (Councillor Lovelock):

This question relates to the requirement in policy H3 of the Local Plan that residential developments of 10 or more dwellings will deliver 30% of the development as on-site affordable housing units.

National policy refers to the potential for applicants to use viability assessments to demonstrate that delivering affordable housing at policy-compliant levels is not viable, and that therefore a reduced provision is appropriate. Paragraph 58 of the National Planning Policy Framework in particular states that *“It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage”*. The potential for applicants to demonstrate a viability case for a lower provision is also referred to within our own local policies, in particular H3 of the Local Plan as well as the Affordable Housing SPD. A policy that did not contain such provisions would have had little chance of being found sound at the Local Plan examination.

The approach to viability assessments is set out in national Planning Practice Guidance. This includes guidance on how the various costs should be established and existing use values defined. It also includes a general expectation that assessments should factor in a 15-20% developer profit. This approach is reflected in our own Affordable Housing SPD.

Therefore, it is an established principle through both policy and practice that an applicant can seek to demonstrate a viability case for a lower affordable housing provision or an off-site financial contribution. Were the Council to refuse an application that had made a viability case that complies with the accepted approach on the basis of not complying with policy H3, there would be a strong likelihood that the application would be allowed on appeal, with the Council also potentially being liable for costs.

It is also worth noting that, where a development is genuinely not viable but still seeks to provide policy-compliant affordable housing, it is unlikely to ever be delivered. In such a case, accepting a reduced level of provision is the only way to secure any additional affordable housing, as well as boosting housing provision overall.

In terms of the specific information requested, since the Local Plan was adopted on 4<sup>th</sup> November 2019, there have been a total of 21 planning applications approved for 10 or more dwellings to which the 30% requirement in policy H3 of the Local Plan applies. This

excludes applications for prior approval under permitted development rights, where there is no ability to require affordable housing.

Of the 21 total permissions, eight have been subject to a requirement to provide at least 30% affordable housing on site. This represents 38% of all applications.

However, a number of those permissions have been for Local Authority New Build for which the purpose of the development has been the delivery of affordable housing. If LANB schemes are excluded, there are 17 total permissions and four exceeding the 30% requirement, representing 24% of permissions.