

Review of Affordable Housing

Cost of Living Overview and Scrutiny Board

March 2015



Foreword

As Chair of the Cost of Living Overview and Scrutiny Board, I am committed to the important role that scrutiny board and members have to play in challenging decisions made by the Council Cabinet, scrutinising existing and developing council policies and making informed recommendations to drive improvement and the development of services within our remit.

The Council is committed to providing affordable housing and has identified a level of need for the city. However, meeting this need is likely to be a real challenge and there is a significant gap between the amount of affordable housing needed and the amount of affordable housing currently being provided. As chair of the Cost of Living Overview and Scrutiny Board I sought to challenge this 'gap' in provision, investigate the main reasons for this and try to identify possible alternatives to help reduce the gap as much as possible in the future without constraining general housing delivery.



One of the biggest problems facing social housing is that we are not building enough affordable homes to meet the rising demand. As a result, waiting lists for the right types of social housing continue to grow and more and more people move into private rented accommodation as a result. Often this form of housing, with short-term contracts, unpredictable rent rises and a lack of security is unsuitable for those who are vulnerable or in housing need. Investing more money into building new social housing is a crucial element to bridging the affordable housing gap and providing Derby's citizens with a good quality of life.

This report sets out the main evidence that we, the Cost of Living Board have received to enable us to carry out an effective review and form what we hope are some valuable recommendations.

I would sincerely like to thank all those who have given their time in taking part in this review with particular thanks to Andy Waterhouse (Spatial Planning Group Manager), James Beale (Housing Development Team Leader) and Chris Neve, Joint Managing Director at Radleigh Homes.

I would also like to thank Councillor Frank Harwood who gave up additional time for the completion of this review and fellow board members for their contributions.

Finally, this report could not have been completed without the co-ordination and support of the Cost of Living Board Overview and Scrutiny Officer, Clare Harrison.

Councillor Hardy Dhindsa
Chair of the Cost of Living Board

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Review of Affordable Housing

Introduction

1. Affordable housing is a key priority for the Council. Delivery in the city is recorded under National Indicator 155 'Number of affordable new homes provided' and the Council has a target to deliver up to 300 affordable homes in the current financial year. The needs of the citizens of Derby are greater than this. This report is an attempt to explore how to close this gap.
2. It is generally accepted that the need for affordable housing becomes more acute in times of financial pressure on household incomes. Many households cannot afford to access private market housing (for purchase or for rent) without support. Affordable housing is needed to plug the gap between what the market can supply and what is needed to meet the housing needs of the whole community in a sustainable manner, both in terms of affordability and security. At a more strategic level, the appropriate delivery of affordable housing on new market sites and within regeneration schemes provides for a mixed and balanced community in the long term.
3. In planning policy terms, the need for affordable housing is evidenced through a defined housing needs assessment, to which the key is identifying the level of housing need not met through private market delivery. Assessed unmet housing need in terms of gross numbers can often outweigh the number of houses actually being delivered or planned. Planning policies therefore at a strategic level need to strike a balance between meeting housing needs and ensuring an adequate level of market delivery to meet demands for private housing.

Local Overview

4. The latest Strategic Housing Market Assessment (SHMA) for the city has identified an affordable housing need of 4,647 new dwellings between 2012 and 2017. Furthermore, the SHMA estimates the city's overall affordable housing need from 2012 to the end of the Core Strategy period in 2028 as just over 10,000 homes over and above the existing affordable housing stock.
5. It is almost certain that not all of this need will be able to be met through the planning system. This review therefore proposes to investigate the ways in which the current gap between affordable housing need and affordable housing provision can be bridged.

Scope of the review

6. The review of affordable housing considered:

- How housing developers can be encouraged to supply a higher level of affordable homes.
- How housing developers can be encouraged to commence, continue or complete approved developments in a timely manner.
- The scope for further affordable housing provision to be met through:
 - private Registered Providers (Housing Associations), Derby City Council and Derby Homes respective development programmes,
 - financial assistance/ mortgage schemes,
 - change of class use/conversion of existing buildings.

Evidence Received by the Board

7. Evidence has been gathered from council officers with specialist or technical knowledge of planning and housing strategy. This included:

- Andy Waterhouse – Spatial Planning Group Manager
- Steven Lee - Policy Team Leader
- Jonathan Pheasant - Senior Planning Officer
- Rosie Watson – Planning Implementation Team Leader
- James Beale - Housing Development Team Leader
- Ian Fullagar - Head of Strategic Housing
- Perveez Sadiq - Director of Integrated Commissioning
- Pranali Parikh - Principal Regeneration Manager

Evidence was also provided by Chris Neve, joint managing director of Radleigh Homes, a local housebuilder. Chris attended the evidence gathering meeting to give his views on affordable housing provision from a housing development perspective.

Thanks and acknowledgment is offered to these individuals for their contribution to the review.

8. A substantial amount of information and evidence was provided in written form and presented to members at a formal meeting of the Cost of Living Overview and Scrutiny Board held on 22 September 2014. This information included relevant detail provided to the Planning, Housing and Leisure (PHL) Board on 12 November 2013 which gave members a narrative overview of affordable housing in the city and responded to specific enquiries from members of the PHL Board.
9. For information, at the meeting of 22 September 2014, Members were provided with a list of Affordable Housing Providers (see Appendix 1), Section CP7 of the Draft Core Strategy covering affordable and specialist housing (see Appendix 2) and the current affordable housing delivery programme (see Appendix 3).

10. Members were asked at this meeting to consider further proposed draft questions to put to officers as part of the review and to submit any additional questions to the scrutiny officer in order to gather further evidence for the following meeting. A co-ordinated response from officers across the Council to the questions was provided to Members at the meeting of 24 November 2014.
11. At the meeting of the Cost of Living Board held on 12 January 2015, the Board agreed that they would like to hear further evidence from a housing developer to gather their views and perspective on delivering affordable housing in the city before concluding the Board's findings and making recommendations.
12. A meeting took place between; Chris Neve, joint managing director of Radleigh Homes, Council Officers and members of the Board on Thursday 19 February. A summary of the evidence received from this meeting and throughout the review can be found below.

Summary of evidence

13. Why do we need affordable housing?

- Many households cannot afford to access private market housing (for purchase or for rent) without support.
- Affordable housing is needed to plug the gap between what the market can supply and what is needed to meet the housing needs of the whole community in a sustainable manner, both in terms of affordability and security.

14. Affordable housing tenures

Affordable housing offers a range of tenure options. The public perception of affordable housing is the traditional social rent model, which forms the vast bulk of the existing stock.

a) Rental

- Social rented housing is on secure or assured tenancies at below market rents. The rent levels charged are set by a formula which produces a 'target rent'.
- Government affordable rent model - rents charged are determined as a proportion (up to 80%) of the market rental value.

b) Affordable ownership

- Shared ownership
- Shared equity
- Mortgage assistance schemes.

15. **Housing need**

- The Strategic Housing Market Assessment (SHMA) for the city has identified an affordable housing need of 4,647 new dwellings between 2012 and 2017.
- The SHMA estimates overall affordable housing need from 2012 to the end of the Core Strategy period in 2028 as just over 10,000 homes over and above the existing affordable housing stock.
- It is not realistic to expect to deliver these numbers through the planning system.
- Policies are required that balance meeting affordable housing needs with other demands for a full range of housing options

The latest SHMA Indicative Affordable Housing Targets for Derby City by Size (SHMA Update 2012) are set out below.

- 1 bedroom 20-25%
- 2 bedrooms 30%
- 3 bedrooms 35%
- 4+ bedrooms 10-15%

16. **The Core Strategy (Local Plan – Part 1)**

This allocates land for development including positive and proactive policies for the delivery of housing. It provides a clear indication of the scale and distribution of growth required to meet the city's needs. The Core Strategy is also the main mechanism by which planning and infrastructure issues are identified and solved.

There is often a delicate balance to be struck between delivering development and meeting expectations in terms of such things as affordable housing.

There is already clear evidence that the 'process' of preparing the Core Strategy has encouraged land owners and developers to progress housing schemes that they would not have been able to under the current planning policy context.

The emerging Core Strategy has taken on board the requirements of the National Planning Policy Framework (NPPF), which suggests the development should not be 'overburdened' by planning obligations as these are often cited as a reason that developments have not come forward. The NPPF also makes it clear that policies should be designed to ensure both landowners and developers are able to make a 'reasonable return'.

Land is generally identified for development through the preparation of the Development Plan. In our case, this currently means allocating 'strategic' sites in the Core Strategy. We expect to allocate smaller sites within what we are calling the 'Part 2' plan. We also have a 'Strategic Housing Land Availability Assessment' (SHLAA) which contains records of all sites that have been submitted to the Council for consideration for housing development (some of which are not considered suitable for development).

The draft Core Strategy seeks the provision of 30% affordable housing on developments of more than 15 dwellings, subject to viability. This policy is based on trying to achieve a balance between housing delivery and the meeting affordable housing needs. It recognises there will be times when 30% is not viable and provides scope for negotiation. Evidence from the SHMA and a city-wide viability appraisal have been used to inform the policy position.

There is virtually no remaining suitable housing land available within the city boundary that is not either already allocated in the emerging Core Strategy or likely to be allocated in the Part 2 Local Plan. Further development land would necessitate looking at green wedge land not already released (and probably abandoning that policy entirely), Green Belt, public open space, or, for example, brownfield sites that we do not think are suitable for housing or which need a considerable amount of work to determine their suitability. Celanese would be example of this latter type of site.

The 'pre-submission' version on the Core Strategy, including policies on affordable housing, lifetime homes and other planning obligations, was approved by Full Council in November 2014. There will be a final consultation on this document later this year before it is submitted to the Secretary of State. It will then be examined by an independent Planning Inspector. Assuming it is found 'sound' it will then be adopted by the Council.

17. Planning policy and S106

- Provision of affordable housing through planning policy is delivered as part of a Section 106 (of the Town and Country Planning Act 1990) planning obligations agreement.
- Affordable housing is currently required through Policy H11 of the City of Derby Local Plan Review and the S106 Supplementary Planning Document (SPD). The SPD (along with relevant national and local policies and regulations) are what set out the Council's planning obligation requirements. A target of 30% affordable housing is set out in the SPD.
- Section 106 agreements need to balance other planning demands such as road infrastructure, education etc.
- The competing on and off site demands for every site has to be considered against the overall financial viability of the site.
- The current economic situation means that achieving 30% is challenging, particularly when factoring in other requirements such as highways, education or open space provision. In the years immediately preceding the recession an average of 28% was achieved. In the post-recession period of 2008-2013, this had fallen to a 16% average across recent agreements. While there is some sign of minor improvement, evidence collected to support the Core Strategy suggests that viability will continue to be a challenge for the foreseeable future.

- The Council could reduce other Section 106 contribution requirements to make 30% affordable housing more viable. However this is likely to put unacceptable pressure on schools, highways and community facilities if there are no funds to provide facilities and education places for new residents.
- In a depressed housing market a site will deliver less than in a buoyant market because the subsidy for affordable housing is expected to be provided by the landowner/developer.
- In some cases, developers may choose to provide more than 30% affordable housing. For example, at the Bath Street (now Parkland View) extra care scheme the Council is acquiring the whole site for affordable housing. The Core Strategy policy does not preclude this from happening, nor does it stop other mechanisms outside the requirements of the S106 agreement being used to encourage additional affordable housing.
- The Council could consider entering into discussions with our neighbouring local authorities with regards to pursuing financial contributions, in lieu for land outside the city, to meet the city's affordable housing needs.

18. **Derby's Affordable Housing**

- The main affordable housing landlord is the city council. The city council owns and manages through Derby Homes around 13,200* habitable properties.
- A number of providers manage a total of approximately 6225 properties in the city. More detail on providers and the number of properties can be seen at *Appendix 1*.

* Taken from the Keystone Asset Management Database on 31/03/2015.

19. **Building affordable housing**

- Most affordable housing is actually built by developers on Section 106 sites to the specification of the partner Registered Provider (RP).
- RPs do build on their own acquired land, in these cases the subsidy can be provided by Homes and Communities Agency grant funding.
- In September 2012 Derby City Council and Riverside entered into a Non HRA Housing PFI contract to provide and maintain a total of 170 affordable homes within the City. 104 of these are new build homes across 3 sites with the balance being a mix of existing properties which will be purchased and refurbished where necessary. Housing PFI schemes are however legacy funding streams and it is doubtful that Government funded public private partnerships will support affordable housing delivery in the foreseeable future. A fuller picture of the city's current affordable housing delivery programme is set out in *Appendix 3*.

20. Large sites

On the larger sites where established developers are leading, some of the key issues stalling delivery are site viability, land owner expectation of receipt, infrastructure costs and requirements. Evidence received from Radleigh Homes provided a lot of detail on some of the issues facing developers in achieving affordable housing.

- The 30 per cent target for affordable housing for large housing developments (over 15 units) was introduced around 2002. According to officers, in the years following its introduction, from around 2002-2007, the level of affordable housing provided came in close to target at around 28-29 per cent. From 2008-2009 this reduced to around 15-16 per cent following the economic downturn.
- Previous Government grant funding regimes administered by the Homes and Communities Agency or its predecessor body provided higher grant rates than are currently provided. During the downturn from 2007 funding was provided under initiatives such as the 'Kickstart' scheme that allowed developers to convert properties (they were unable to sell at market value) to affordable housing. This contributed towards higher levels of affordable housing. Since 2012, Homes and Communities Agency grant rates have been lower and it has been more difficult to achieve grant funding to support S106 sites.
- In the early/mid 2000s, housebuilders were encouraged through the national planning policy guidance prevailing at the time to build at much higher densities. Building at higher densities allowed developers to achieve a higher notional scheme value which supported much higher numbers of affordable housing. Now housing densities are lower which results in lower notional scheme values which can support less affordable housing.
- The largest barrier to achieving affordable housing is viability. In current economic conditions, there is insufficient value in most schemes to provide a reasonable return to the developer, a reasonable return to the land owner and to cover all of the costs of development – including affordable housing and other requirements. In order to make schemes viable and promote delivery, there have been occasions where affordable housing requirements have had to be reduced to very low levels or, in some cases, zero. Developers now frequently use an independent viability appraisal to demonstrate this to the planning authority.
- Much of the education and highways infrastructure requirements have previously been funded through a variety of capital grants schemes. These are now expected to be paid for by the developer through S106. Developers are now having to pay for improvements to the education provision and road networks (because existing provision is at capacity) as well as having to provide 30 per cent affordable housing and 20 per cent of "Lifetime Homes" for large housing developments. This puts an unachievable pressure on the S106 pot and the ability of the developer to achieve all the site requirements as well as to deliver a financially viable site. Evidence provided by Radleigh Homes suggests that schools taking in children from out of area and keeping them at capacity also causes a problem with site viability.

21. **Facilitating and encouraging development on larger sites**

- The Council can front fund infrastructure through its capital programme and take contributions as the development progresses to repay its investment. However this would have to be supported from borrowing until it is reimbursed from the development.
- Reducing the dependence on the S106 pot for delivering infrastructure requirements such as school expansion and school building, as well as off-site transport infrastructure would be needed in order to achieve sufficient levels of affordable housing.
- The Council can increase the use of its Right to Buy receipts as grant to support the affordable housing element. This would reduce or eliminate the cross subsidy required from the private sale units thereby improving overall viability.
- On a site specific basis, the Council can revise its affordable housing tenure requirements. For example, increasing the ratio of affordable home ownership to rent would improve viability, as would increasing the ratio of affordable rent to social. The Council could also consider reducing the Lifetime Homes requirement and focussing on a smaller number of bespoke adapted property. This has been reflected in the revised Core Strategy policy that will be consulted on later this year. The Draft Core Strategy stipulated an 80/20 split between social rent and intermediate housing. In light of consultation responses and viability evidence, the draft policy has been amended to increase flexibility. It is now proposed to allow a mix of tenures based on the most up-to-date evidence available. As noted above, this policy is not in place at present, but would demonstrate to the development industry that we are willing to be flexible in our approach.
- Conversely the Council can consider accepting off-site provision, part off-site provision or contribution in lieu of on-site affordable housing, as many developers will argue that affordable housing itself is an impediment to delivery. However this sets a precedent and planning officers indicated that this should not be advised in all but exceptional circumstances. It is highly unlikely that Planning Control Committee (PCC) would accept off site provision in most cases. There has recently been a higher profile given to on site affordable housing at PCC. The current Local Plan and the emerging Core Strategy both allow for this to happen – though do state this should only be in exceptional circumstances.
- The Council can and does use many methods within the S106 agreement to help viability such as phased and delayed payments, as well as reduced contributions and overage clauses.
- Theoretically the Council has CPO powers available to it to acquire land, but the burden of proof, legal hurdles, and risk of challenge and costs make this an unattractive option.
- It was suggested that more regular communication between the Council, developers and Registered Providers, to discuss the options on S106 sites and to more of a 'partnership approach' to housing development would be beneficial and well-received in the development community.

22. Medium and smaller development sites

On the medium/ smaller sites that are stalled the reasons are often more complicated. Many sites are not led or owned by developers and some issues are;

- The land/development opportunity is simply not attractive in financial terms.
- Residential development does not realise the value in the current market that the landowner aspires to and may not compete with the existing commercial use value.
- Some landowners may not be fully aware of the options available to them.
- Some existing or lapsed applications were submitted within a different market paradigm, for example, when apartment development was in vogue, and would need revised applications to align with current market conditions.

23. Facilitating and encouraging development on smaller sites

- The Council can contact (and is contacting) landowners to offer a facilitating and supporting role if landowners are unsure of how to proceed with their sites.
- Some small/ medium sites could be suitable for affordable housing provision and the Council could acquire through the HRA or facilitate contact between the landowner and a Registered Provider, which the Council can subsequently support with RtB receipts or S106 funds.

24. Other reasons for stalled development

- The main reason that developments stall is because landowners expect unrealistic prices for their land than it is now worth. They may have historical option agreements that tie the developer into paying this unrealistic price.
- The cost of materials and labour is currently high. If the land prices and material prices are high, it squeezes the amount the developer has available for S106 contributions and the levels of affordable housing they can afford to offer, especially if house prices have not returned to the level they were when the option agreement was signed. The developer and land owner both have a right to make a reasonable return.
- This means that Section 106 and affordable housing requirements are not often the only reason a development stalls. Even in cases where historic S106 agreements may render a scheme unviable, developers are able to renegotiate agreements to reflect current conditions.

25. Barriers to changing the use of existing empty properties to residential

- Layout and compliance with housing standards - The layout of commercial properties often does not lend itself well to residential use. For example:

- flats above shops where the only access to the living accommodation is through the commercial area of the building, or
- where dividing the available space would result in rooms with little or no natural light.
- Cost of renovations - The cost of necessary extensive renovations and compliance with relevant housing standards can also be a barrier, especially where outdated services (particularly mains water) are in place and will need to be comprehensively renewed. A recent case where premises above a shop were converted into three flats illustrates this point. The pipes and pressure on site were found to be inadequate for domestic use and the cost of replacement was around £10,000.
- Locality
 - An area that is predominantly commercial may not be an attractive place to live due to a lack of facilities such as schools and parking, plus late night noise associated with town centres.
 - Premises such as restaurants, takeaways and bookmakers (for example) may operate at anti-social hours and generate unwelcome noise and smells, detracting potential tenants and therefore discouraging the initial investment in conversion.
- Loss of Business Rates Income - there is currently a three month business rates exemption for empty commercial buildings, following this time full rates are charged. Business rates levels are typically much higher than equivalent residential council tax bands, meaning that there may be a financial penalty to the local authority in approving change of use permission requests.

26. The planning process for change of use

- Approval is usually required though this has been mitigated to some degree since April 2014. New class 'IA' allows change of use and some associated physical works under current small business uses to be converted to residential use. This involves a prior approval process and the local planning authority can consider the impacts of the proposed change. Up to 150 square metres of retail space can be changed to residential use without permission.
- 27 prior notification applications for this have been received across the city from May 2013. This includes only 4 refusals (based on the policy tests laid down by central government) and equates to only 1.4% of total application submissions from May 2013 to date.
- The Council has a long standing planning policy designed to encourage the use of upper floors of retail buildings for residential use and to make more use of underused or vacant commercial floorspace. These policies have been in place since at least the 1998 Local Plan and are being carried forward into the Core Strategy. A lack of market for such uses has been the main 'barrier' as opposed to the planning process.

- Long Term Effects - There has been disquiet from professional bodies such as the Royal Institute of Chartered Surveyors (RICS) on the possible long term consequences of converting commercial to residential. Whilst making a contribution to the shortfall of homes there are concerns that this could be creating a related problem for businesses looking to expand as economic confidence grows.
- One potential effect of change of use is that the Council is not able to consider whether a 'satisfactory living environment' can be created (for example, it cannot consider 'amenity' issues when considering prior notification applications). This may result in less than desirable outcomes in the longer term.
- It should be noted that as most conversions from office to residential are now permitted development, no S106 contributions will be negotiable from them. Also, where the Council is a landowner or developer in a scheme it can make the S106 more difficult to negotiate as the Council cannot enter into an S106 agreement with itself.

27. **Other comments made by Radleigh Homes**

It was raised that under-resourcing and cuts to Council services are causing considerable delays to the commencement of development activity.

S106 looks at every single site individually and therefore developers can see what their contributions will be spent on and that the money is going in the "right places". The Community Infrastructure Levy is too generic, inflexible and would become akin to a "meaningless tax".

Conclusion

28. It is critical to understand that the housing developer has a right to make a reasonable return and that the development needs to be attractive in commercial terms in order for the developer to proceed. It is important therefore that the Council works in co-operation with developers and landowners to find suitable solutions to ensure that a good level of affordable housing can be achieved without making the development commercially unviable.

In the event that the overall viability of a scheme would result in a reduction in the proportion of on-site affordable housing, the Cost of Living Board believes that the Council could offer more flexibility in the ways in which it works with developers to provide affordable housing. There are also issues with regards to Government funding that need to be addressed. It is highly unlikely that Derby will be able to get close to meeting the 30% affordable housing target and housing need outlined in the SHMAA without the reintroduction of previously provided subsidies and investment from central government.

The Board has made a number of recommendations in response to the evidence heard and collected on the delivery of affordable housing. These recommendations and context relating to the reasons for making them are outlined over pages 17 – 19 of this document.

Recommendations

29. Recommendation 1

The Council should consider extending the use of Right to Buy Receipts to provide the maximum of 30 per cent of these costs in locations where it is appropriate to maximise the levels of affordable housing.

External grant funding for affordable is not generally applicable to Section 106 and is currently allocated at around 15 per cent of development for general needs housing, however the Council could consider allocating its Right to Buy receipts to Section 106 sites to increase affordable housing delivery. The Council is allowed to allocate grant funding up to 30 per cent of development costs which would increase site viability. This would need to be considered on a case by case basis within the S106 agreement.

Recommendation 2

On a site specific basis, the Council should consider further reviewing the tenure mix to increase the proportion of shared equity and switching rental from social rent to affordable rents.

This would improve the viability of achieving the levels of affordable housing required across the city.

Recommendation 3

On a site specific basis, the Council should consider reviewing the number of "Lifetime Homes" required and give less priority to developing "Lifetime Homes" to "Affordable Homes" for large developments and consider a smaller number of specifically adapted dwellings.

Lifetime Homes are very expensive to build and may include adaptations that are not required by any future occupant. This requirement currently puts additional pressure on the S106 pot.

Recommendation 4

The Council should build on the existing 'partnership approach' to housing development and gauge appetite for an Affordable Housing Forum or similar group to form.

Radleigh Homes suggested that the Council does not engage enough with its external partners with regards to affordable housing. More regular communication between the Council (planning, housing and regeneration), developers and Registered Providers to discuss the options on the use of the S106 pot for housing development sites would be beneficial.

Recommendation 5

A workshop/conference should be held to encourage more communication and partnership working between the Council, developers, landowners and Registered Providers to discuss options and ideas for S106 contributions and the delivery of affordable housing.

See Recommendation 4.

Recommendation 6

Derby City Council should consider entering into discussions with our neighbouring local authorities with regards to pursuing financial contributions in lieu for land outside the city to meet the city's affordable housing needs.

Land identified for housing development outside of the city's boundaries to meet the city's need is somewhat out of the city's control, as permissions will be given by neighbouring authorities. It may be appropriate for Derby City Council to seek a financial contribution towards off-site affordable housing provision within the city boundaries from developers applying to other authorities.

Recommendation 7

The Council should consider accepting off-site provision, or part off-site provision, of (or a financial contribution towards) affordable housing more frequently when viable on sites (as opposed to 'in exceptional circumstances') where the provision of affordable housing may not be appropriate to the site location. If pursued, the off-site provision should be in a more sustainable location.

Some development sites may not be attractive for the provision of affordable housing, for instance if the site is largely inaccessible by public transport or located at a distance from public amenities. Clauses to ensure that the developer does not complete over a certain percentage of the on-site units prior to the completion of the off-site affordable housing units could be built into the S106 agreement. A split between some affordable housing provision on-site and some off-site could also be considered to increase site viability.

Recommendation 8

The Council should consider making better use of our own brownfield sites to maximise affordable housing delivery. This could be in building our own affordable housing, in extra care provision, or in partnership with developers in delivering off-site provision.

Some brownfield sites located in the centre would be ideally located to provide pockets of affordable housing. These sites could be used to help developers or housebuilders to maximise and accelerate affordable housing delivery.

Recommendation 9

Derby City Council should lobby for additional grant subsidies for the provision of Extra Care facilities in order to make these developments financially viable for the developer.

Extra Care can now be accepted as provision of affordable housing and can provide large numbers of affordable housing per development. However Extra Care housing is more expensive than speculative housing and does require additional external funding for the developer to make these developments financially viable.

Recommendation 10

Derby City Council should lobby for additional grant subsidies for the provision of education and transport infrastructure (or affordable housing).

Nationally funded schemes are needed to help either with the provision of affordable housing, or with the provision of education and transport infrastructure. The evidence suggests that the dependence on the S106 pot for delivering infrastructure requirements such as school expansion and school building, as well as off-site transport infrastructure and affordable housing is too much for developers to achieve. Success in achieving 30% affordable housing has only occurred at times when externally provided government grants have also been available.

Recommendation 11

Additional work should be carried out to support the provision of affordable housing. This could include the acquisition/provision of land suitable for affordable housing development and the provision of subsidies to housing developers/landowners to deliver higher levels of affordable housing.

It is currently highly unlikely that Derby will be able to meet affordable housing targets and the housing need outlined in the SHMAA. Any opportunities for the Council to further assist in meeting the affordable housing need of the city, particularly if the Council's economic position improves, should be taken as and when possible.

Recommendation 12

The School Admissions policies for schools in areas likely to be affected through large scale housing developments identified in the Derby HMA Strategic Housing Market Assessment should be reviewed prior to development commencing.

Evidence suggests that schools taking in children from out of area and keeping these schools at capacity also causes a problem with site viability for housing developers. A more strategic approach should be taken in areas of expected high housing development to ensure that school places currently given to children out of area are made available for children within their own areas to free up capacity.

Affordable Housing Providers

Housing Manager / Landlord	No of properties	Local management base	Further comments
Action Housing and Support	Under 50	1 Chatsworth House, Raynesway, Derby	Small specialist provider. Focusses on young people.
Affinity Sutton	358	13 Shalfleet Drive, Alvaston, Derby	Mainstream RP. No development in the city.
Derventio Housing	c200	33 Abbey Street, Derby	Small specialist provider. Focusses on homelessness and complex needs.
Derwent Living	2170	1 Centro Place, Pride Park, Derby	Active in both management and development. Have commercial arm providing private rental and student accommodation in the city.
Friendship Care and Housing	652	Ely House, Wyvern, Derby	Mainstream RP. No development in the city.
Metropolitan Housing	2072	Masons Place Business Park, Nottingham Road, Derby	Reassessing their stock profile through some disposals and transfers. Still have development interest in the city.
Nottingham Community Housing Association	12	12/14 Pelham Road Sherwood Rise Nottingham	Actively developing in the city (Mackworth College, Kingsway) and their stock numbers will grow as a result.
Raglan Housing Association	114	Suite C, Lancaster House Grange Business Park, Leicester	Mainstream RP. No development in the city.
Salvation Army Housing Association	32	Magee Court, Regent Street, Derby	Small specialist RP.
Guinness Partnership	488	3.1 Clarendon Park Clumber Avenue Nottingham NG5 1AH	Mainstream RP. No development in the city.
Riverside Group	171	Riverside House 49 Western Boulevard Leicester	Actively developing in the city (Mackworth College, Kingsway) and their stock numbers will grow as a result.
Tuntum Housing	49	90 Beech Avenue New Basford Nottingham	Small RP focus on BME communities.
Windrush Alliance	c15	31 Gregory Street Nottingham	Small RP focussing on delivery of empty homes.

Excerpt from the Draft Core Strategy

CP7 – Affordable and Specialist Housing:

The Council is committed to meeting needs for affordable and specialist housing and will seek to ensure that identified needs are met through a range of mechanisms. A flexible approach will be adopted which seeks to deliver as much Derby's affordable housing needs as are viable without unduly constraining general housing delivery. The Council is also committed to meeting the specific housing needs of the aging population and people with disabilities or additional mobility requirements.

The Council will :

- a) work in partnership with its partners and developers to explore and implement innovative ways of delivering affordable homes and homes which are designed and built to consider people's additional mobility needs
- b) require the provision of affordable housing and lifetime homes standard housing within residential developments on sites of 15 or more dwellings. Where this threshold is met developers will be required to provide 30% affordable homes and 20% lifetime homes on site. The following factors will also be considered in applying the policy:
 - 1. Evidence of local need for affordable and other types of specialist housing which contribute to the delivery of the Council's strategic housing objectives
 - 2. Site size, suitability and economics of provision
 - 3. The presence of competing planning objectives
 - 4. Any relevant review of the Council's Planning Obligation Supplementary Planning Document
 - 5. In the case of lifetime homes, access to local facilities, shops and public transport
- c) support the delivery of Extra Care housing in areas where there is an identified need subject to the scheme being supported by appropriate on-site infrastructure, delivering an appropriate 'critical mass' of units and having a robust and appropriate long term management plan in place.
- d) seek opportunities to release public sector land and particularly land owned by the Council in order to provide sites for the delivery of new Council Housing and affordable homes.
- e) Where there is an identified local need, require developers to provide a proportion of homes to meet full wheelchair access standards. Where units are required to meet wheelchair access standards they will be provided as a proportion of the lifetime homes requirement.

Where a developer can provide robust evidence to demonstrate that it is not viable to deliver the policy requirement, the Council will be prepared to negotiate lower percentages of affordable and specialist housing. In such cases, the Council may require developers to enter a 'clawback' agreement which will allow contributions to be increased in the future should higher levels become achievable.

80% of the affordable provision should be for social rent and 20% for intermediate housing unless evidence is provided to the satisfaction of the Council that a different split is acceptable.

The expectation is that affordable and specialist housing will be provided on site as part of the proposed development. However, in exceptional circumstances, financial contributions or off site provision may be accepted, however in these cases off-site provision will be preferable to financial contributions.

In considering the laying out of affordable housing within market housing developments the council will require that affordable homes are well integrated with and appropriately designed to complement the market housing.

- 5.7.1 The National Planning Policy Framework requires local authorities to address the need for all types of housing, including affordable housing and the needs of different groups in the community.
- 5.7.2 The Council will continue to review and update its evidence base as necessary through the Plan period and will use up to date information on specific needs to inform decision making and policy implementation.
- 5.7.3 The Council has identified specific needs to provide affordable housing and to meet specific housing needs of the aging population and of people with disabilities and the policy seeks to ensure that new homes are delivered to meet identified needs and are designed and constructed to meet the needs of people with impaired mobility of other physical needs.
- 5.7.4 The Council understands that the requirements of the policy may have development cost implications and does not want the policy to constrain the delivery of housing generally. An approach will therefore be taken where the Council will seek to secure the delivery of the various policy components to meet known evidenced needs but will be prepared to negotiate with developers for reduced provision of affordable and/or other types of specialist housing where it is demonstrated that delivering the full policy requirement would render a scheme unviable.

Affordable Housing:

- 5.7.5 Evidence in the 2013 Derby HMA Strategic Housing Market Assessment suggests that the need for affordable housing in the City is significant. The Council will require developers to contribute to meeting the City's affordable housing needs through the delivery of new homes provided by way of planning obligations as well as by delivering new affordable housing itself in partnership with providers and will seek innovative solutions to funding and provision.
- 5.7.6 The Council realises that the delivery of affordable homes by developers is a cost burden to them and does not wish to unduly constrain the delivery of new housing generally. The approach adopted will therefore be to seek to secure as much affordable housing as is reasonably viable taking into account development costs and other infrastructure requirements.

- 5.7.7 The Council's policy for securing affordable housing contributions through planning obligations is based on a percentage which has been informed by evidence of broad viability. Where the required level of affordable housing would make development unviable, the Council will be prepared to negotiate a lower affordable provision based on site level viability evidence provided by the developer. In cases where reduced amounts of affordable housing are required, the Council may require the developer to enter into a 'clawback' agreement so that should viability improve over time, the developer can provide the required contribution at a later date.
- 5.7.8 The Council will continue to update and review evidence on affordable need and supply including periodically updating its Strategic Housing Market Assessment. It will work with partners in a co-ordinated approach to meet identified needs. When necessary it will also review and update its Planning Obligations SPD to reflect emerging new evidence and to amend policy accordingly.
- 5.7.9 Evidence suggests that the Private Rented Sector has in the past contributed to meeting affordable housing needs. Although meeting needs in the Private Rented Sector cannot constitute affordable housing, the sector can and will continue to meet some of the current and future affordable need.

Lifetime Homes:

- 5.7.10 The Lifetime Homes standard seeks to ensure that design features are included in new homes that add to the comfort and convenience of the home and support the changing needs of individuals and families at different stages of life.
- 5.7.11 Lifetime Homes are about flexibility and adaptability; they are not 'special', but are thoughtfully designed to create and encourage better living environments for everyone. From raising small children to coping with illness or dealing with reduced mobility in later life, Lifetime Homes make the ups and downs of daily living easier to manage.
- 5.7.12 Whilst the vast majority of the provisions set out in the Lifetime Homes standard are supported by the Council, there are a small number where it can be argued that the benefits achieved by the provision may be outweighed by the benefits achieved by not implementing the provision, mainly in terms of gains in living space and general utility to current occupiers. These provisions can also be prohibitive in terms of build costs and have a significant adverse impact upon the viability of projects.
- 5.7.13 The provisions not required by the Council include:
- The provision of space for a possible future through-floor lift
 - The provision of wheelchair access and circulation space on balconies
- 5.7.14 The provision of space for a possible future through-floor lift can create largely redundant areas which can be more beneficially used as living space. The provision of wheelchair access and circulation space on balconies requires a high level of structural support, making provision generally cost prohibitive.
- 5.7.15 The requirement for a downstairs toilet with room for a shower can also potentially result in a loss of usable living space. Therefore the Council requires that a wheelchair accessible, downstairs toilet is provided with an adjacent space (storage or utility area) of sufficient size and capacity to convert to a shower area containing a shower of 1mx1m.

- 5.7.16 Where there is an identified need for wheelchair accessible homes to be provided the Council will seek their provision on larger development sites. The Council will require that developers provide dwellings to meet that need on developments of 100 or more homes. It would not be feasible to seek fully wheelchair accessible homes on all developments. The Council will use its up-to-date evidence on the need for wheelchair accessible housing and the locations where it is needed.

Housing Stock:

- 5.7.17 Derby's housing stock of just over 100,000 homes is characterised by a mix of 80% private sector and 20% public sector housing. The City has a relatively high proportion of one bedroomed properties (11%), with 31% 2 bedroomed and 57% with three or more bedrooms.
- 5.7.18 The 2013 SHMA Refresh identifies a need to maintain and increase the number of larger three or more bedroomed properties to meet projected market requirements.
- 5.7.19 There is also a need to provide smaller sized market dwellings which are more suitable for older couples who wish to downsize or single people. The provision of these types of homes can help to rebalance the housing stock. This could include smaller homes grouped together for the ageing population.

Extra Care Housing:

- 5.7.20 The development of Extra Care housing is one of the ways in which the special housing needs of an aging population can be addressed.
- 5.7.21 The Council has a target of the development of 925 extra care units by 2015, which is under the recommended target guidelines set by the department of health.
- 5.7.22 Extra Care schemes can provide accommodation which has supporting facilities and management so that as and when people require more support and assistance it is available on site allowing them to stay in their home. Extra care accommodation can also help to free up larger under-occupied houses.
- 5.7.23 The Council supports Extra Care provision generally and will welcome schemes which are in an area of identified need, where they include the necessary communal spaces and supporting infrastructure on site. They should also have a robust long term management plan and be capable of delivering enough units to be feasible to serve their purpose.

Derby's affordable housing delivery programme

Appendix 3

Site name	Location	New build (nb) or refurbish (rf) or conversion (cn)	Total units	Total Affordable units	2014/15	2015/16	Registered Provider	Responsible Dept	Progress
On-site 2014/15									
Mackworth College P1	Mackworth	nb	222	30	17		NCHA	DCC Development	GREEN - On site
Mackworth College P2	Mackworth	nb	221	38		28	?	DCC Development	GREEN - No RP yet
Merrill College	Shelton Lock	nb	88	5	5		Derwent Living	DCC Development	GREEN - Completed 14/15
Castleward Phase1	City Centre	nb	163	30	15	15	Riverside	Regeneration	GREEN - On site
Rocket site	Chaddesden	nb	11	11	11		DCC	Derby Homes	GREEN - Completed 14/15 slipped from 13/14
Max Road	Chaddesden	nb	6	6	6		DCC	Derby Homes	GREEN Completed 14/15 slipped from 13/14
Victory Road	Osmaston	nb	5	5	5		DCC	Derby Homes	AMBER- ? will complete 1415
Hastings Street	Normanton	nb	2	2	2		DCC	Derby Homes	GREEN - Completed
Chesapeake	Chaddesden	cn	6	6	6		Derby Homes (DH)	Derby Homes	GREEN - On site
Thanet Drive	Alvaston	nb	4	4	4	4	DCC	Derby Homes	AMBER - will complete 1516
Maryland Gardens	Chaddesden	nb	3	3	3	3	DCC	Derby Homes	AMBER - will complete 1516
Huntley Avenue	Spondon	nb	42	8	8		Derwent Living	DCC Development	GREEN - Completed 14/15

Elton Road Quadrant	Osmaston	nb	92	40	40		Derby Homes (DH)	Derby Homes/Regeneration/OSCAR	GREEN - DH have been awarded funding to acquire on behalf of OSCAR.
Grange Avenue	Normanton	nb	70	70	70		Housing 21	DCC Development/Older Adults	GREEN - On site - PC 19/12/2014
PFI Refurbishment	Across the city	rf	66	66	16	50	Riverside	DCC Development-PFI contract management	GREEN - 7 acquired and let; 23 in pipeline.
Bath Street			82	82		82	DCC	DCC Development/Older Adults	GREEN - On site - PC Jan 2016
Kingsway hospital site	Mackworth	nb	700	196	21	25	NCHA	Regeneration/ DCC Development	GREEN - Now on site.
Blue Boy pub	Chaddesden	cn & nb	9	6	6	6	Riverside	DCC Development	AMBER - Issue around road onto residential being made up to adoptable standards
Parker Street	Five Lamps	cn	2	2	2		Futures Housing Group	DCC Development	GREEN - Completed 14/15
Empty Homes	Across the city	rf	6	6	4	6	DCC	DCC Development/Empty Homes team	GREEN- Completed 14/15
Pine Court/ Tulip Court	Across the city	rf	24	24	24		DCC	DCC Development	GREEN- Completed 14/15
Sub-Total			1824	640	252	219			
Discounted market housing	Across the city				21	20	Granted to developers	DCC Development	20 units completed so far
Mortgage Rescue	Across the city				15	0	Derwent Living	Welfare advice	GREEN- 14 units Completed.
Sub-Total			0	0	36	20			
Total					288	239			