



To: Executive Councillor for Planning and Climate
Change: Councillor Tim Ward
Report by: Head of Planning Services
Relevant scrutiny Development Plan Scrutiny Sub- 09/07/2013
committee: Committee
Wards affected: All Wards

Cambridge Local Plan 2014 – Update on Draft Local Plan Policy 45 – Affordable Housing and Dwelling Mix in relation to Small Sites – Affordable Housing Viability

Key Decision

NO

1. Background

- 1.1 The council is in the process of reviewing its Local Plan in order to plan and manage development to 2031. In order to inform development of the council's affordable housing policy position, the council commissioned consultants to carry out a high level assessment of the likely potential for the provision of affordable housing on smaller sites than currently required through the adopted Cambridge Local Plan 2006 (15 units). This may be either through on-site provision of affordable housing or via a financial contribution mechanism.
- 1.2 The findings of the report (Supplementary Report Small Sites – Affordable Housing Viability) informed the development of the draft policy on affordable housing which was reported to and agreed at Full Council on 27 June 2013.
- 1.3 This report updates Development Plan Scrutiny Sub-Committee on the policy as developed and the evidence base that supports it.

2. Recommendations

- 2.1 This report is being submitted to the Development Plan Scrutiny Sub Committee for prior consideration and comment. The Executive Councillor for Planning and Climate Change is recommended:
- a) To endorse the content of the Supplementary Report on Small Sites – Affordable Housing Viability 2013, the findings of which have been used as a part of development of the draft affordable housing policy agreed at Full Council on 27 June 2013, for use as an evidence base for the review of the Local Plan and as a material consideration in planning decisions.

3. Background

- 3.1 The adopted Local Plan does not currently seek affordable housing from sites of less than 15 dwellings. Within the overall requirement for housing across the city, the demand for affordable housing is a major issue. Given the high level of need for affordable housing, the council appointed consultants to consider the viability of introducing a requirement for affordable housing provision on sites of less than 15 dwellings by reducing the affordable housing threshold/percentage so that the burden of providing much needed affordable housing (or in some cases making financial contributions towards meeting need) falls more equitably across a greater range of sites.
- 3.2 The consultants' advice was used to inform amendments to policy 45 Affordable Housing and Dwelling Mix agreed at Full Council on 27 June 2013. The evidence was based on information provided by the council and supplemented with information gathered by and assumptions made by the consultants, Dixon Searle Partnership. The study has been produced to inform the council's ongoing work with regard to the potential for sites in the range between 2 and 14 units to contribute towards the provision of affordable housing either on-site or via a financial contribution.
- 3.3 This study tested a range of affordable housing options on sites of between 2 and 14 dwellings by running development appraisals on a variety of development scenarios or site typologies that reflect the nature of development coming forward across the city. These scenarios reflected and added to those

tested within the earlier viability reports for the council. This enabled testing of the impact of affordable housing both through on-site provision and via a financial contribution mechanism. As a key part of the process, viability was also considered over a range of values ('value levels') evidenced by research, so that it could be assessed how viability varies with location within the city and could also change over time taking into account variations in market conditions.

- 3.4 It is important that the council's policies do not deter development through unduly reducing the supply of land brought forward for residential development more widely. Any policy must balance delivery of affordable housing and planning obligations with maintaining sufficient incentive (reasonable land value levels) for landowners to release land – allowing developers to promote and bring forward schemes.
- 3.5 The study found that smaller developments are not necessarily any less or more viable than larger ones – site size alone is not a determinant of viability. A wider range of factors come together to influence scheme viability and a practical approach by the council could be responsive to these whilst contributing by way of an important additional housing enabling funding stream. However, it is often difficult to integrate on-site affordable housing into smaller sites, due to the fraction of whole affordable housing units being delivered or design and management issues.
- 3.6 Mathematically, the study states that the viability results are potentially strong enough to allow for the provision of 10% affordable housing; but possibly not quite strong enough for 20% on sites accommodating between 2 and 9 units (the relevant part of the range modelled). This also takes into account the likely introduction of a CIL payment (tested here at £125/m²). At 10%, the financial contributions route (rather than on-site) would be most appropriate as it is not possible to provide on-site affordable housing in real terms at this level (i.e. 10% of 5 units is 0.5 units).
- 3.7 The study also notes that on sites providing 10 - 14 units, between 20% and 30% provision of affordable housing should be sought. It notes that the council's CIL study stated: *"We would strongly recommend the consideration of a lower affordable housing target % if to be placed on developments of a reduced size compared with the current threshold. In the event of developing policy in this area, the affordable housing target should be no higher than 30% and in fact the positive viability benefits of a 20% level can be seen in comparison with that too"*.

3.8 The consultants suggest that whilst the council should aim to achieve affordable housing on-site for developments delivering 10 - 14 units, financial contributions could also be used. This would give rise to the question of how fractions of units would be dealt with, e.g. a 13 unit scheme providing 3.25 affordable housing units at 25% affordable housing. The detailed approach to this matter will need to be set out through the council's replacement Affordable Housing Supplementary Planning Document.

4. Conclusions and Next Steps

4.1 In summary, the consultants' report made a number of recommendations that informed the development of the council's affordable housing policy.

4.2 These recommendations included the suggestion that for sites between 2 and 9 units, the council could introduce a requirement to collect a financial contribution equivalent to 10% affordable housing, respecting potential viability issues that may arise with any higher proportion. In suitable circumstances, the policy should not prohibit on-site provision of affordable housing (rather than a financial contribution) on smaller sites (sites of 2 - 9 dwellings).

4.3 On sites providing 10 - 14 units, the study recommended that the council require between 20% and 30% affordable housing on sites of 10 - 14 units. Accordingly, the Full Council meeting agreed 25% affordable housing on sites of 10 -14 units at the 27 June 2013 meeting. The preference for provision of affordable housing for schemes of 10 - 14 units is for provision on site, but it was also acknowledged in the study that the route of taking financial contributions should be available where circumstances exist to make delivery on site unviable.

4.4 This study did not look at the viability issues surrounding the provision of 40% or more affordable housing on sites providing 15 or more units or on sites of 0.5 hectares or more. The viability threshold and percentage of affordable housing for larger sites

was addressed through other viability work carried out by Dixon Searle Partnership for the council.

- 4.5 The recommendations made in relation to the provision of affordable housing from developments of between 2 and 9 and 10 and 14 units have been used to inform the development of the draft affordable housing policy for inclusion in the draft submission Cambridge Local Plan 2014. This draft policy was presented by the Executive Councillor for Planning and Climate Change at Full Council and agreed by this meeting on 27 June 2013. The table below sets out the percentages and thresholds of affordable housing to be achieved by the policy and the appropriate delivery mechanism.

Table 1: Percentages and Thresholds for Affordable Housing as set out in Policy 45: Affordable Housing and Dwelling Mix.

Scheme Size	Percentage of affordable housing agreed at Full Council	Delivery mechanism
2 – 9 units	10% or more	Financial contributions (although on site delivery is not excluded as schemes could be 100% affordable for example).
10 – 14 units	25% or more	Whole units to be delivered on site with financial contributions for fractions of units.*
15 units and above	40% or more	Whole units to be delivered on site with financial contributions for fractions of units.*

*Unless negotiation with the developers would result in the number of whole units being rounded up.

5. Implications

(a) Financial Implications

5.1 The cost of preparing a local plan has been budgeted for and included in the draft budget for 2013-2014 and the medium term financial planning for 2015-2016. The agreed approach of preparing one single local plan rather than three separate development plan documents will mean that considerable cost and time savings can be achieved.

(b) Staffing Implications

5.2 There are no direct staffing implications arising from this report.

(c) Equal Opportunities Implications

5.3 There are no direct equal opportunities arising from this report. An Equalities Impact Assessment (as an integral part of the sustainability appraisal) has been undertaken as part of preparing the new local plan.

(d) Environmental Implications

5.4 There are no direct environmental implications arising from this report. The new local plan for Cambridge will assist in the delivery of high quality and sustainable new developments along with protecting and enhancing the built and natural environments in the city. This will include measures to help Cambridge adapt to the changing climate as well as measures to reduce carbon emissions from new development. Overall there should be a positive climate change impact.

(e) Consultation

5.5 The draft submission plan will be consulted on following the Full Council decision in June and more details on the arrangements for consultation will follow in the second report on this agenda. The consultation and communications arrangements for the local plan are consistent with the agreed Consultation and Community Engagement Strategy for the Local Plan Review, 2012 Regulations and the council's Code for Best Practice on Consultation and Community Engagement.

(f) Community Safety

5.6 There are no direct community safety implications arising from this report.

6. Background papers

These background papers were used in the preparation of this report:

- National Planning Policy Framework 2012, which can be accessed at:
<https://www.gov.uk/government/publications/national-planning-policy-framework--2>
- Cambridge Local Plan 2006, which can be accessed at:
<https://www.cambridge.gov.uk/local-plan-2006>
- Cambridge Local Plan Towards 2031 – Issues and Options and Issues and Options 2 consultations, which can both be accessed at:
<https://www.cambridge.gov.uk/local-plan-review>

7. Appendices

- Appendix A: Supplementary Report: Small Sites Affordable Housing Viability

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Joanna Gilbert-Wooldridge
Author's Phone Number: 01223 457103
Author's Email: joanna.gilbert-wooldridge@cambridge.gov.uk