

PLANNING DEVELOPMENT CONTROL COMMITTEE

21 JUNE 2012

AFFORDABLE HOUSING – FREEMAN'S YARD, SCHOOL LANE, CHERITON

REPORT OF HEAD OF HOUSING STRATEGY AND DEVELOPMENT

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RECENT REFERENCES:

[PDC858](#) – Item 1 - 17 June 2010

EXECUTIVE SUMMARY:

Planning permission was granted for the redevelopment of this site for 19 dwellings in 2010. A S106 required the provision of 5 units as affordable housing for Social Rent.

Application has been made to vary the existing S106 Agreement that restricts use of the affordable housing to Social Rent. This application is the consequence of recent changes in Government affordable housing policy, most particularly the introduction of a new form of affordable housing, Affordable Rent, and the reduction in Government capital subsidy.

RECOMMENDATION:

That the S106 Agreement be varied to:

1. Include *Affordable Rent* within the definition of affordable housing.
2. Require that, in the case of *Affordable Rent*, for tenancies to be a minimum of 6 years, 11 months.
3. Limit, in the case of *Affordable Rent*, rent levels to those set out in the report, other than in accordance with arrangements made for annual rental increases established by the HCA.

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DETAIL:

- 1.1 Freemans yard is a former timber yard in Cheriton that was originally granted planning permission in 2006 to be redeveloped for a mixed use development, including 6 flats as affordable housing. The developer considered that the original proposal was unviable and subsequently submitted planning application 09/02590/FUL on 14 December 2009, which was for an entirely residential scheme of 19 dwellings. During the application process new supplementary planning guidance was adopted for affordable housing and the affordable housing provision was renegotiated so as to provide 5 houses in a terrace - comprising 1 x 4-bedroom, 1 x 3-bedroom and 3 x 2-bedroom dwellings – which was considered by Strategic Housing to be more appropriate to 6 flats.
- 1.2 The application was brought to Planning Development Control Committee with a recommendation for approval on 17 June 2010 because of the number of objections received (14) and at the request of Cheriton Parish Council. The proposal was also a departure from policy H5 of the Adopted Winchester District Local Plan Review 2006 as the amount of affordable housing proposed was less than that required by Policy H5. The applicant had undertaken a development appraisal to demonstrate that a relaxation of policy was justified to achieve a deliverable scheme for the site.
- 1.3 Planning Development Control Committee accepted the officer recommendations subject to conditions and a Section 106 agreement that, among other matters, required the affordable housing to be for social rent. As part of the Section 106 agreement a clause was also inserted to ensure that should market conditions improve then more affordable housing should be delivered. This clause required the developer to submit a revised development appraisal for the scheme. The Section 106 agreement was duly completed and the decision notice issued on 4 January 2011.
- 1.4 The yard has been cleared, work on the residential scheme has commenced and some units have been substantially completed but none were occupied at the time this report was drafted. Improvements to the existing access, including the provision of a lay by and footpath and provision of land for a school playground for the adjacent Cheriton Primary School have also been completed. The shells of the 5 houses allocated for affordable housing have been constructed.
- 1.5 In 2011 the Government announced its intention to introduce a new affordable housing tenure, *Affordable Rent*. The National Planning Policy Framework

includes *Affordable Rent* amongst the tenures of affordable housing it recognises.

- 1.6 The most obvious effects of this change is to allow Registered Providers (RPs) to charge rents of up to 80% of market rent (*Social Rents* having been pegged at around 50%) and to grant less than lifetime tenancies. Despite the different rent levels the target client groups for *Affordable* and *Social Rent* properties are identical, i.e. those on local authority housing registers.
- 1.7 The Government's move to *Affordable Rent* as the preferred delivery route for new affordable homes signalled a shift from a capital subsidy to revenue subsidy system for affordable housing. So, from a system largely based on subsidising the bricks and mortar of development through capital grants in an effort to keep rents low, to one using the benefit system to provide a subsidy direct to eligible tenants, should they need it.
- 1.8 As part of the Government's approach it also, through the Homes and Communities Agency (HCA), introduced a new capital subsidy system. This saw grants for individual developments reduced to around 25% of previous levels. As a result, RPs now place a far greater reliance on funding development through the additional private finance that can now be raised as a result of their higher rental streams.

2 The Proposal and Considerations at Freemans Yard

- 2.1 The consequence of these changes is that the RP (Radian) developing the affordable homes at Freemans Yard are two-fold. Firstly, they are required by the HCA to provide the homes as *Affordable Rent*. Secondly, they need to charge these higher rents to ensure the scheme is viable. Radian are, therefore asking for the S106 Agreement to be varied to allow for the affordable homes to be provided as *Affordable Rent*.
- 2.2 The table below sets out comparison rental levels.

Property Type	Social Rent (incl. service charge)/week	Affordable Rent (incl. service charge)/week
2 bed house	£103.14	£168
3 bed house	£120.01	£192
4 bed house	£135.79	£202

- 2.3 The introduction of *Affordable Rent* is a cornerstone of Government housing policy that is complemented by recent changes to welfare rules and legislation. It is however, important to take account of local circumstances, most particularly affordability and viability.
- 2.4 The rent levels proposed by Radian are within the cap set by Government, with the 4 bed unit rent levels being set at well below that cap level to improve affordability. Taking account of this, together with the Government's approach to welfare reform and additional support that Radian provides for their tenants, it is considered the properties would be affordable.

- 2.5 The Head of Estates has considered a viability report prepared by the developers and confirms that the site developers are not seeking an excessive payment from the RP for the new homes. Without *Affordable Rents* underpinning the offer the RP have made for the affordable homes it is unlikely that the units would be capable of being made available as affordable housing for rent.
- 2.6 It is worthy of note that more recent S106 Agreements entered into by the Council on other sites have included the option of the *Affordable Rent* tenure to reflect the changed Government policy landscape.
- 2.7 It is, therefore, considered that the request to vary the S106 to allow for this alternative tenure is reasonable. Not to do so would prejudice the delivery of affordable housing on this site and undermine the Council's planning and housing objectives.

OTHER CONSIDERATIONS:

3 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 3.1 The proposal supports Active Communities objectives in that it facilitates the provision of affordable housing.

4 RESOURCE IMPLICATIONS:

- 4.1 Costs of varying the S106 Agreement will be recovered from the applicant. There are no other capital or revenue implications for the Council.

5 RISK MANAGEMENT ISSUES

- 5.1 There are no direct risks to the Council as a result of this proposal. However, if the application were refused there would be a risk of affordable housing not being delivered. This would compromise achieving the objectives set out in Section 3 above.

BACKGROUND DOCUMENTS:

Viability Report

APPENDICES:

None