Levvel

INNOVATION IN HOUSING AND PLANNING

Report on Affordable Housing Policy and Practice in High Peak

for

DEVELOPMENT OF UP TO 150 HOMES
ON
LAND AT NORTH ROAD, GLOSSOP

By Levvel Ltd

On behalf of

Gladman Developments

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1.0 Introduction

1.1 Levvel has been asked by Gladman Developments Ltd to carry out a review of affordable housing policy and practice in High Peak and to consider their application to the proposed scheme of 150 units at North Road, Glossop. The intention is to make an appropriate and compliant contribution towards the area's recognised needs.

1.2 Gladman Developments Ltd recognises the importance ascribed to affordable housing both nationally and locally. Its business model is based upon the delivery of policy compliant packages of affordable housing which make significant contributions towards meeting an important pre-existing local need and foster a mixed and sustainable community where households of different backgrounds and circumstances live alongside one another. The company has a large programme and a track record of delivering all the required affordable housing units. In the present case, the applicant proposes to deliver 30% of the total number of homes (45 homes) in the form of affordable housing.

1.3 On the basis of its experience, Gladman is confident that the package of affordable homes set out below is deliverable in the current market. The proffered package of affordable units is not, therefore, subject to viability.

1.4 There is an urgent need for additional affordable homes in High Peak, this has been established by a number of surveys since 2001 – most recently one carried out by John Herrington Associates in 2006 and published in 2007. The study considered the extent of need in Derbyshire Dales and High Peak over the period up to 2011 and is therefore, in its own terms, out of date. On the other hand, we have no reason to suppose that the acuity of the need has diminished since that time. The study found that there was an annual need for 329 additional affordable homes in High Peak and, since the actual output since that time has been roughly 10% of this level, there is little reason to suggest that the need has fallen.

1.5 The study also found that, although only 18% of all housing delivery was directed to Glossop by the Council's emergent policies, some 60% of the affordable housing need in the Borough arose in Glossop and the surrounding areas. With the need for affordable housing such an important element of overall need in High Peak, we find this mismatch striking.

1.6 However, affordable housing policy must rest upon two core items of evidence; not only upon the assessment of need but it is also necessary to demonstrate that the inclusion of an element of affordable housing does not render development unviable.

1.7 The Council has carried out a viability assessment (by Ekosgen) which found that the viability of development varied considerably across the study area. Although there were some areas in which it was likely that 30% affordable housing would generally be viable, in Glossop and the surrounding area, development was found not to be viable even with the lowest level of affordable housing tested (13.3% and 20%). The study recommended two possible housing policies; one in which the target was varied depending on the scale of development and another in which the affordable housing target varied in

response to both scale and location. Under the latter option, the site under present consideration would be required to deliver 20% affordable housing.

1.8 Despite this, the preferred options draft Local Plan (February 2013) continues to seek 30% affordable housing from all sites in excess of 25 units.

1.9 There are therefore considerable grounds to assume that much of the development coming forward in the area around Glossop will be unable to deliver the affordable housing target in full and this is the more unfortunate because of the high proportion of affordable housing need located in Glossop.

1.10 However, even across the District as a whole, affordable housing output has been far lower than anticipated. At the time of the Housing Needs Study, Herrington Associates noted existing commitments of 187 additional affordable homes per annum across the study area in the period up to 2011. But it was assumed that this total would be added to as additional sites came forward. In fact, the total number of new affordable homes delivered High Peak in the last five years totals just 179 – an average of 36 per annum.

1.11 The principle cause of this is the low overall output of homes. Over the period since the base date of the RSS, housing output has averaged around 50% of the target envisaged by RSS – just 150 units per annum. This is despite the warning in the Strategic Housing Market Assessment (DTZ 2008) that maintenance of an appropriate supply of housing was perhaps the most important aspect of achieving the delivery of affordable housing.

1.12 Having reviewed the various drafts of policy and, crucially, the evidence underpinning that policy, it is clear that there is a particular issue in respect of the capacity of developments in Glossop to provide affordable housing. However, our client recognises the target and the aspiration behind the draft policy, as well as the fact that such a high proportion of housing need is located in Glossop. He is confident that the development at North Road can meet the percentage requirement in full.

1.13 Within the overall percentage, the mix will reflect the Council's overwhelming preference for rented, rather than intermediate units. We have therefore proposed an 80:20 ratio between the tenures. However, in line with current Government policy, and in order to assist with the delivery of what the Council's own consultants admit to being a very ambitious target, the rented units should take the form of Affordable Rented, rather than Social Rented housing. The Government has been quite explicit in expressing its preference for this form of tenure, as has the HCA. The introduction of this housing form represents a clear shift in the Government's housing philosophy and sets a new default approach. This issue is further explored in section 5.0 of this report.

1.14 In terms of the sizes of units, we would suggest that, overall, around 60% of the units should have two bedrooms with 40% having three bedrooms and a very small element of 4 bedroom homes. In dividing the units between affordable rented and intermediate tenures, we have biased the intermediate units strongly towards smaller units. There is, after all, little correlation between the size of a household and its income and larger households with an affordable housing often have less money available to meet their housing costs than smaller ones. Taking all such matters into consideration, we consider that an appropriate mix of affordable units would be as follows.

Type	Affordable	Affordable Rent	Intermediate
2 Bed	60%	19	8
3 Bed	35%	15	1
4 Bed	5%	2	
Total	100%	36	9

1.15 In order to promote the formation of a single, cohesive community where distinctions of tenure are minimised, the affordable housing will be distributed across the site in small clusters – generally of between six and ten units. External standards of fit and finish will be similar to those of the private homes except where small variations are required in order to conform to the employers' requirements of the managing Registered Provider. Affordable homes will also conform to all other relevant standards where practicable – including those set by the HCA as conditions of funding.

1.16 I conclude that there is a considerable need for affordable housing in High Peak – a need which long pre-dates this application. In other words, unlike certain other forms of planning obligation, this scheme does not create the need for the affordable housing which policy requires it to provide. This means that any affordable housing provided is a benefit of development which should be weighed positively in the planning balance. A scheme such as that proposed at Glossop, which meets the Council's affordable housing policy in full should therefore be given considerable positive weight – especially in view of the low output of affordable homes in recent years.

1.17 This view has been tested at a number of recent inquiries and successive decisions from Inspectors and the Secretary of State at Congleton, Tarporley, Fylde and Bloxham have confirmed it.

2.0 Policy

National Planning Policy Framework

2.1 The Government has made reform of the planning system one of its major priorities and, following extensive consultation, it published an "unashamedly pro-growth" National Planning Policy Framework in March 2012.

2.2 The Government's concern is to ensure that the planning system delivers development which meets the economic, social and environmental requirements of the communities it serves. In relation to housing, it stipulates that,

"To boost significantly the supply of housing, local planning authorities should: use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period;"[1]

2.3 The nature of these needs is set out in detail:

"To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:

- Plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);

- Identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and

- Where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time."[2]

2.4 The mechanism for the identification of these needs is the Strategic Housing Market Assessment. Local planning authorities should:

"prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:

[1] NPPF Paragraph 47

[2] NPPF paragraph 50

- meets household and population projections, taking account of migration and demographic change;

- addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);

- caters for housing demand and the scale of housing supply necessary to meet this demand;"[3]

2.5 The Framework is therefore clear, local planning authorities should identify their needs through robust research and then adopt policies designed to meet all of those needs. There is, however, something of a limitation in the shape of economic viability. For the delivery of planning gain in general and affordable housing in particular creates burdens upon development which can render development undeliverable. For this reason, local planning authorities are required to consider the viability of development in their area when developing their policies.

"Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence."[4]

[3] NPPF Paragraph 159

[4] NPPF Paragraphs 173-4

East Midlands Regional Spatial Strategy

2.6 The Regional Strategy for the East Midlands (Revocation) Order came into force on 12 April 2013, removing the RSS from the development plan. The Order also, at paragraph 3, revokes preserved Structure Plan policies that were saved as part of the transitional provisions under Schedule 8 to the Planning and Compulsory Purchase Act 2004.

2.7 In High Peak, the most recent draft of planning policy is the High Peak Local Plan Preferred Options of February 2013. At this time, the Council does not appear to have carried out a detailed assessment of the overall level of housing required in order to feed into the emerging Local Plan. For this reason, we presently assume that the overall housing delivery target of 300 homes p.a. implied by the RSS for High Peak should be maintained.

Local Policy

The High Peak Local Plan 2005

2.8 The High Peak Local Plan was adopted 31 March 2005. An application was made to the local Government Office to save certain of the policies from the High Peak Local Plan which was confirmed in a direction given from the Government Office of the East Midlands (GOEM) dated 26 March 2008. These saved policies are collated into a new document entitled the Saved Policies Local Plan.

2.9 The purpose of the saved policies was to provide policy guidance in the intervening period until the Core Strategy was adopted. The Core Strategy was to be a joint one between Derbyshire Dales District Council and High Peak Borough Council, however this has since been abandoned following the changes to the planning system introduced by the Coalition Government.

2.10 The High Peak Interim Housing Policy Statement came into effect on 2 January 2009, the purpose of the statement is to clarify the Council's interim approach to residential applications in light of the emerging Regional Spatial Strategy for the East Midlands at that time, in particular the Secretary of State's Proposed Changes released in July 2008. Whilst the document does not represent an alteration in policy, it does signal a change in the way that Development Plan policy was interpreted and applied in parts of High Peak. As such, the document should be read in conjunction with other relevant policies of the Saved Policies Local Plan.

2.11 Turning now to the matter of affordable housing, Policy 44 H9 of the Saved Policies Local Plan concerns the provision of affordable housing on development sites. The policy confirms that it will apply in settlements of less than 3,000 population to sites of 0.17 hectare or more; or developments of 5 dwellings or more. Elsewhere the policy applies to sites of 0.5 hectares or more; or development of 15 dwellings or more. The policy also confirms that the proportion of affordable housing will be negotiated with developers on the basis of a set of criteria including:

- “the level and type of affordable housing needed in the area, having regard to the council's most up-to-date analysis; and
- the suitability of the site to accommodate a range of house types and sizes, including a proportion of affordable housing; and
- proven site development constraints, including the level of new infrastructure required; and
- the proximity of local services and facilities and access to public transport.”

2.12 Further matters are covered in the policy including that affordable housing will be secured for the benefit of “initial and subsequent occupiers” and that off-site contributions would also be acceptable.

2.13 It is left to supporting text, at paragraph 6.60 of the Saved Policies Local Plan, to set out the proportion of affordable housing to be sought from qualifying sites of at least 30% to meet the reported high need for affordable housing. The text also offers that the annual requirement for affordable housing, at the time of adoption and taken from the 2001 survey for affordable housing need, is for 337 homes per year outside of the National Park boundary (paragraph 6.56). We note, however, that, strictly speaking, it is the policies which are saved by the saving directive. Supporting text and reasoned justification, not being part of policy proper are not saved. The fact that the supporting text references evidence of housing need that was 6 years old at the time of the directive suggests why.

2.14 The High Peak Interim Housing Policy Statement at paragraph 2.13 states that the annual supply of housing land based on the RSS was 270 units per annum, however it is also noted that supply of housing land could potentially tail off and the purpose of the Interim note was to support a revised interpretation of Policy H1.

2.15 The policies for affordable housing in the 2005 Local Plan are supported by the Housing Needs in High Peak - Supplementary Planning Document which was adopted in November 2007.

The Core Strategy

2.16 Following the re-organisation of the Planning system, work on the Joint Core Strategy (which would have covered High Peak and the Derbyshire Dales was abandoned. The intention was to replace it with a new local plan for High Peak alone – although the areas covered by the national park are covered by a separate planning authority.

2.17 This draft envisaged (CS 13) that the whole of High Peak would deliver 6,000 homes over the period 2006 – 2026, an annualised rate of 300 per annum. This target seems to have been derived from RSS. However, in assessing the scale of allocations, that it would be necessary to make over the period of the plan, it was acknowledged that, in the 3 years 2006-2009, total completions had been only 640, equivalent to an annualised rate of 213.

2.18 The draft also contained an affordable housing policy, CS 14.

2.19 This policy references the target, set out in the RSS, of achieving an additional 6,100 affordable homes over the period of the plan – to 2026 and notes that this represents 61% of planned provision of all housing tenures.

2.20 Supporting text also references both the Housing Needs Survey and SHMA (see below) and the finding of the Housing Needs Survey that it would be necessary to deliver between 443 and 591 affordable homes in order to meet newly arising and backlog needs in the Peak Sub-Region over a period of five years.

2.21 The Policy then goes on to set a target that 30% of all homes on sites in excess of 25 units should be affordable in High Peak in order to contribute to that need. No breakdown of these units by tenure is provided in policy but supporting text makes clear that the Council will generally expect a ratio of 80% social rented housing to 20% intermediate.

2.22 The question of financial viability has been considered in the formulation of this policy. Paragraph 7.11 notes that, in some sub areas of the combined Derbyshire Dales/High Peak area, it has been calculated that as much as 60% of all the homes on a site could be delivered "without affecting the profitability of sites" [sic] but, in Glossopdale, the sub area where the present proposal would be situated, "land values and house prices are not sufficient to facilitate the delivery of even the lowest levels of affordable housing."

2.23 This finding has not been reflected in the policy at all. Nor is it the case that the element of housing delivery envisaged for Glossopdale is too small to affect the overall picture, according to draft policy CS 13, some 1,100 units, or 18% of the total envisaged for High Peak as a whole, were to be situated in Glossopdale.

2.24 Clearly, the policy set out in the draft Core Strategy was neither adopted nor was it examined by an Inspector through the EiP process. Its soundness has not therefore been considered. However, the elements of evidence upon which the policy would have rested are the same as those available today.

High Peak Local Plan Preferred Options February 2013

2.25 In February 2013, the Council published preferred options for its new Local Plan. The policy it contains, H5 seeks to maximise the provision of affordable housing provided by means of planning obligations as follows:

> 30% affordable housing on sites of 25 units or more
>
> 20% affordable housing on sites of 5-24 units.

2.26 The policy also expresses a requirement that 80% of the homes thus provided should be of social rented tenure.

2.27 I have serious concerns regarding the soundness of this proposed policy. Whilst the policy does reflect one of the potential policy options suggested by the Ekosgen viability report, it is not fully supported by the evidence in terms of viability. In fact, as we shall see below, Ekosgen found that even the lowest levels of affordable housing tested would *not* be viable in Glossopdale.

2.28 These lowest levels were 13% and 20%. At least at the level of this sub-area then, the policy is not only unsupported by evidence but actually contradicted by the Council's most recent data – both in terms of research and delivery.

2.29 The second area for concern is the insistence upon such a high level of social rented housing in the mix of affordable homes to be delivered. We recognise that the government's affordable housing reforms have not been universally welcomed but it has been made abundantly clear that the vast majority of new affordable homes delivered should take the form of affordable rented homes (where rents may be up to 80% of the market rent) rather than social rent (where rents are set according to a complex formula known as target rents).

2.30 Whilst the Affordable Homes Programme (AHP) does contain the flexibility for the provision of new social rented homes, the circumstances under which this is envisaged are rare. Paragraph 4.20 of the Framework document is clear:

> "Social rent provision will only be supported in limited circumstances. For example, social rent could be considered in regeneration schemes where decanting existing social tenants into new homes is necessary".

2.31 The other circumstance under which inclusion in the programme will be considered is where the Local Authority is committing its own resources and social rent offers "similar value for money to that achieved for Affordable Rent offers". Clearly, does not mean, where the Local Planning Authority would prefer this form of provision. In the first two years of the Affordable Homes Programme no social rented homes at all were included in the Programme – even on a grant free basis.

2.32 It is, of course, true that there is a presumption against funding for any affordable homes provided through S106 and that the option exists to deliver affordable homes outside the Affordable Homes Programme. The difficulty here is that Registered providers are being incentivised by their regulator to deliver as many homes as possible *within* the programme. They are also being asked to maximise output. This cuts across the objective of delivering what are now unusually deeply discounted units in certain cases.

2.33 Such concerns might not matter had the Council demonstrated that its policies were viable in all cases. It has not. The viability study found that it would not be possible to deliver 20% affordable housing on sites in Glossopdale, let alone 30%. Whilst only 18% of all housing in the area is planned for Glossopdale, the area does represent a higher proportion of the overall need.

Housing Needs in High Peak Supplementary Planning Document 2007

2.34 The SPD on affordable Housing in High Peak was adopted in 2007 with the intention of clarifying the policy set out in the adopted plan. This was necessary because the Plan referenced evidence of need published in 2002, whereas by the time of the SPD, more recent evidence was available, in the form of the Housing Needs Survey of 2007.

2.35 Nonetheless, the SPD confirms that it continues to draw its force from policies H9 and H10 of the 2005 Local Plan, which are reproduced – without supporting text, as

an appendix to the SPD. The Local Plan target of 30% provision is not therefore included in the policy inherited from the higher level document.

2.36 According to the SPD, the Housing Needs Survey identified a shortfall of 329 units per annum in the level of affordable housing provision across High Peak Borough. This figure is comparable to the upper end of the range cited in the Core Strategy and is therefore consistent with "unfavourable" conditions but it is, nonetheless in excess of total planned housing output.

2.37 The SPD establishes that the Council's priority need is for social rented housing, it then states that High Peak's first preference in terms of the form of provision is for "on site provision of housing to rent," followed by "on site provision of intermediate housing combined with housing to rent."

2.38 This would rather suggest that the Council's first preference is for 100% social rented provision. However, later in the document, the SPD cites the SHMA itself "Social Rented housing is still by far the most important of the tenures required and should account for 80.5% of provision." This would imply an 80:20 split between the tenures.

2.39 Finally, the SPD contains an indicative mix of the unit sizes that would need to be sought in order to make up an appropriate package. We reproduce the substance of the table at para 18.1 below.

Home type	% Requirement
Bedsit	-8%
One bed	6%
Two bed	60%
Three Bed	40%
Four Bed	2%

2.40 This table is a useful guide although, of course, it does not disaggregate the need for rented homes from intermediate homes. It is also based on a study which has been superseded.

2.41 Finally, in respect of the SPD, we note that it is predicated on the need for social rented housing rather than affordable rented housing. Affordable rent, the Government's present preferred tenure, was not introduced until after the publication of the SPD. This is of potential significance because High Peak's priority for social rented housing was predicated on the fact that Social Rented housing is cheaper to occupy than affordable homes. Rent levels in affordable rented housing are intended to be higher than those of social rented housing – the point being that the higher rents would then off-set the need for capital subsidy. Rent levels in affordable rent levels are tied not to the Target Rent regime, as social rents were but to a discount on the open market rent. In most parts of the country, this would represent a large increase (although the increase in Glossop may not be so great as elsewhere) and this might be considered to render the unit less affordable.

2.42 In practice, the relative affordability of different rented tenures is something of a moot point. At a national level in 2012, something of the order of 60% of those taking up a social rented home were in receipt of Housing Benefit (HB) in order to meet the rent at that level. The introduction of affordable rent is liable to increase

the percentage further and will, inevitably, increase the overall scale of the Housing Benefit bill but this is not strictly speaking an affordability issue. Intermediate housing, by contrast remains largely in the form of shared ownership housing – this would not be HB eligible and the cost is borne by the occupier. For the benefit of clarity then, and despite the increase in rents associated with affordable rent, it remains the case that affordable rent is more accessible than intermediate housing and can therefore be considered a direct replacement for social rent in this context.

3.0 Evidence Base

3.1 High Peak Council has conducted a number of assessments of the affordable housing requirement in its areas. We shall confine our comments to the two most recent documents – the Peak Region Housing Needs Survey of 2007, (which was conducted in 2006 and is therefore sometimes referred to as the 2006 HNS) and the 2008 SHMA.

The Derbyshire Dales and High Peak Joint Housing Needs Study 2006

3.2 The Joint Housing Needs Study (hereafter 2007 HNS for its publication date) was commissioned from John Herrington Associates in 2006 and uses that year as a base date. The Study examined the need for affordable housing over the period 2006/7 – 2010/11 and is therefore explicitly out of date. Nonetheless, it is worthy of attention since it was the basis of the SPD which gives the clearest available guide to policy in High Peak.

3.3 The key finding of the study was that there was a large need for affordable housing in High Peak and across the Peak sub region as a whole.

3.4 In respect of the sub-region, the study found that there was a net need for 443 additional affordable homes per annum under favourable conditions but, under unfavourable conditions, the total might be as high as 591. However, these figures took no account of commitments which, would raise the two figures to 604 and 752.

3.5 Of the figure of 591, net affordable homes required, across the study area, 329 were needed in High Peak (317 in the areas not covered by the National park). The detailed breakdown of the location of that need, shows Glossop to be the area with the greatest gross need, the greatest supply and the largest net need of affordable homes. It is therefore not only an area with a substantial requirement for more homes but also central to the operation of the affordable housing “market” in High Peak.

3.6 The table below summarises table 8.7 of the study and shows the net needs in the 5 sub areas that cover High Peak.

Sub Area	Net annual need
4 North (Glossop)	209
5 Central	35
6 Buxton	39
7 High Peak within National Park	12
9 Rural High Peak outside National Park	34
Total	329

3.7 It can be seen that Glossop represents the lion's share of all the net affordable housing need in the Borough. Indeed, it could be argued that, in an area where the identified need for affordable homes outstrips the planned output of all housing, it is somewhat odd that, under the draft plan, only 32% of total housing output is planned for Glossop.

3.8 The study also gives us the breakdown of need by unit sizes in the Study Area, in High Peak and in North/Glossop. Again, I have summarised the information for clarity.

	Study Area	High Peak	Glossop
Bedsit	6	9	8
1 bed	259	97	56
2 bed	198	132	77
3 bed	112	85	61
4 bed	8	5	6
5+ bed	9	0	0
Total	591	329	209

3.9 It can be seen that the greatest need is for two bedroom units, then for 3 bed units and then for one bed units. There is comparatively little need for four bedroom units. We would also point out that the majority of the general needs requirement for one bedroom units typically comes from young, single people. Such individuals may have other options in the short term, such as sharing accommodation in the private rented sector with friends. The same cannot be said of families with a need for three bedrooms. Where it is clear that not all need can be met, it is common practice to focus on priority needs. This appears to explain the differential between this mix and the mix reported in the SPD.

3.10 The study noted that policies currently in place across the sub region averaged 36% of total provision and would therefore, if implemented in full, deliver only 17% of the total requirement. The 187 affordable dwellings for which funding had been secured in the period to 2009/10 also fell short of the identified need and even if 50% of the total supply envisaged by RSS were to be affordable, only 35% of need would be met.[5]

3.11 The study then goes on to suggest that the problem is exacerbated by the number of developments which will escape making provision by reason of their being below the threshold for the trigger of the policy and invites the Council to consider a review of threshold and contemplation of affordable housing targets as high as 70% of total output.

3.12 Such an approach fails to take account of the economics of development – a matter which the Council had not considered formally at the time of the study. With the benefit of hindsight and an assessment of viability available (see below) we can see that such a policy would be absurd. The situation therefore appears, irretrievable. However, all of this is based upon the notion that all need including the backlog

[5] Joint HNS Exec Summary p.10

must be eliminated within 5 years. Such an approach is, of course good practice albeit that I am unaware of a single authority who has ever managed the feat.

3.13 In fact, if we look a little more closely at the composition of the need, we see that the situation is not quite as desperate as it might appear. I reproduce below, table 8.6b of the HNS 2007.

Elements of Forecast Need	Derbyshire Dales	High Peak	National Park	Total
Annual reduction in the backlog	158	172	101	431
Newly arising nee	207	463	72	742
Less projected supply	166	319	198	582
Net Shortfall	**199**	**317**	**75**	**591**
% Total	33.7%	53.6%	12.7%	100%

3.14 From this it can be seen that, in High Peak, there is a supply of 319 affordable dwellings arising from re-lets of the existing stock and new need arises at the rate of 463/annum. It is therefore necessary to deliver some 144 additional affordable homes per annum in order to keep pace with the rate at which new need arises. The achievement of this level of delivery would be a challenge – it would, after all require the delivery of 48% of all planned new homes to be affordable and even then would only just keep pace with new requirements – rather than eliminating the backlog.

3.15 Even this modest ambition remains extremely challenging. But another issue emerges from this more detailed way of looking at the figures – that it is absolutely essential to maintain the overall supply of homes in order to maximise output of affordable homes. According to the study[6] around 64% of the additional affordable homes provided across the Peak sub area were delivered as a result of planning gain. If targets were set at a level which discouraged development, a huge element of supply would be lost to the system.

3.16 As we shall see, the level of development in High Peak has fallen well below the level proposed by the RSS and contemplated by the abandoned Core Strategy.

[6] Joint HNS Para 7,33

Strategic Housing Market Assessment 2008

3.17 Almost immediately after the publication of the Housing Needs Study, the Council seems to have appointed DTZ to carry out a Strategic Housing Market Assessment across the same area. The role of a SHMA is subtly different from that of a housing needs study – being to look at the market as a whole but the methodology for examining housing need is broadly similar. For this reason, the SHMA did not revisit the calculation of the level of housing need undertaken by JHA and has confined itself to the other functions of the study.

3.18 The conclusions of the SHMA stressed the importance of overall housing delivery to the achievement of the maximum possible level of affordable housing:

"However, increased provision of affordable housing depends on new development unless there are funds for purchase of existing properties, be they existing properties in good condition or properties in need of renovation. In the recent past an increasing proportion of affordable housing has been secured in conjunction with the development of new market housing through Section 106 agreements. It is important therefore to secure new market housing development as a means to secure additional affordable housing provision, and to encourage market provision at the more affordable end of the spectrum of market housing."[7]

3.19 This issue is taken up again, a few pages later in its first recommendation:

"DTZ cannot emphasise enough the importance of ensuring an adequate supply of land for residential development and property suitable for redevelopment or conversion, for both meeting housing provision targets and helping to address the very substantial and urgent requirement for more affordable housing."[8]

3.20 Other recommendations include maximising the level of affordable housing to be delivered on S106 sites. Whilst the site under consideration will meet rather than exceed the Council's approach to this issue, it should be recognised that it would be doing so in an area where the viability study saw little or no prospect of any substantial proportion of affordable homes being delivered via this mechanism and will do so in an area which encompasses the bulk of the Borough's identified need.

3.21 A further recommendation notes the need to ensure a range and mix of unit types, noting that part of the affordable housing issue in High Peak relates to the Bias in the stock towards larger, and hence more expensive, detached properties. The proposed development under consideration will include a diverse mix of market units as well as affordable housing.

3.22 Affordable Housing Viability Study 2010

3.23 In 2010, the Council published a viability study intended to examine the financial impact of different affordable housing targets in the two local authority areas. The study was carried out by Ekosgen with input from Lambert Smith Hampton on Values and from Cyril Sweet on costs. All appraisals were carried out using the HCA's then relatively new DAT model. This model has been through several

[7] DTZ SHMA 2008 10.27

[8] DTZ SHMA 2008 10.46

subsequent iterations but the issues addressed in the iterations were mostly of marginal significance and the model is appropriate for a study of this nature.

3.24 Essentially the format of the study was to consider the viability of two major, strategic scale sites – intended to reflect only two such sites anticipated across the study area at the time – and then a small and a medium sized site in each of a number of sub areas.

3.25 The sub-areas were:

- Glossop, Hayfield and Gamesley;
- Buxton;
- Whaley Bridge, Chapel-en-le-Frith and New Mills;
- Ashbourne;
- Matlock, Darley Dale, Tansley, Wirksworth, Middleton, Cromford and Matlock Bath.

3.26 Each site was considered on the basis of its development on greenfield land and on brownfield land.

3.27 The central finding of the study was that, at least among the small and medium sites, the level of affordable housing that was viable varied dramatically, with sites in Glossop, Hayfield and Gamesley being the least viable. Sites in these areas were not viable even under the most favourable conditions – even on a small, greenfield site with only 13.3% affordable housing (two units) and a tenure split of 50:50.

3.28 By contrast, a medium sized site in Ashbourne, built on greenfield land was found to be able to sustain a level of affordable housing between 50 and 55% with the Council's preferred tenure split 80:20 and between 55 and 60% with the split adjusted to 50:50.

3.29 On the basis of these results, the consultants suggested two alternative policy options, both of which recognised that sites in Derbyshire Dales were likely to be able to sustain more affordable housing than those in High Peak.

3.30 The first varied the percentage of affordable housing based upon the size of the site.

3.31 This approach would have seen a target of 20% applied to sites of 5-24 units with a higher target of 30% applied to larger sites.

3.32 The second policy option would see a further distinction of location with different targets for smaller and larger sites in each of the five locations as follows.

Location	Sites 5-24 units	Sites>25 units
Glossop, Hayfield and Gamesley	15%	20%
Buxton	20%	25%
Whaley Bridge, Chapel-en-le-Frith and New Mills	25%	30%

Ashbourne	40%	50%
Matlock, Darley Dale, Tansley, Wirksworth, Middleton, Cromford and Matlock Bath	40%	45%

3.33 The Council appears to have favoured the former approach. We would argue that this makes little sense. The differential in the viability of smaller and larger sites was found to be far smaller than the differential in the viability of sites by reference to location. Given that most of the locations where realistic targets were seen to be higher than 30% were in Derbyshire Dales, it is hard to conclude that the Council has not simply chosen the more ambitious policy.

3.34 This is at least somewhat problematic. Whilst it is certainly the case that sites where viability is compromised will always be able to submit information on their economic circumstance in order to justify a lower proportion as appropriate, the fact is that the policy, as presently drafted, knowingly sets the target well in excess of what sites in Glossopdale and in Buxton have been found to be capable of delivering.

3.35 Moreover, we would stress that the study did not find that the targets of 15% and 20% were actually achievable in Glossopdale – in fact, it found that these targets were *not* viable. The only reason for the retention of these targets seems to be that no lower targets were tested. Such an approach might be reasonable had the findings been marginal but, based on the appraisals contained in the appendix, they were not.

3.36 The most viable site tested in Glossopdale should have been the small site on greenfield land with only 13.3% affordable housing. In this case, the determinant of viability is the achievement of a land value above £617,750. However, on this scheme, the actual land value achieved seems to have been £187,000 less than that (the precise figures are not entirely clear in the scanned reproduction available to us through the Council's website). To put this in context, there were only two affordable units in this appraisal. In order to render this scheme viable, it would have been necessary for those units to be worth an additional £90,000 *each*. In other words, it is not entirely certain that an assessment which included no affordable housing at all would have returned a positive result.

3.37 The situation is not quite as extreme on the medium sized greenfield site. In this case, the hurdle value seems to be in the order of £1.8m. With 20% affordable housing, the scheme is not viable by a margin of just under £500,000. This means that each of the 12 affordable units would need to develop an additional £42,000 in value in order for the scheme to return a viable land value.

3.38 In short, the policy on affordable housing, based upon the results of this study, looks extremely ambitious when compared to the actual results – at least for developments in the Glossopdale area.

3.39 It would be disingenuous not to note the significant fact that the viability study was predicated on the delivery of social rented rather than affordable rented housing and the fact that, absent social housing grant, such units should generally achieve a significantly higher return. There are, however, a couple of countervailing factors. We note, for example that no allowance seems to have been made for the impact of the Code for Sustainable Homes. Although the Code itself has been all but

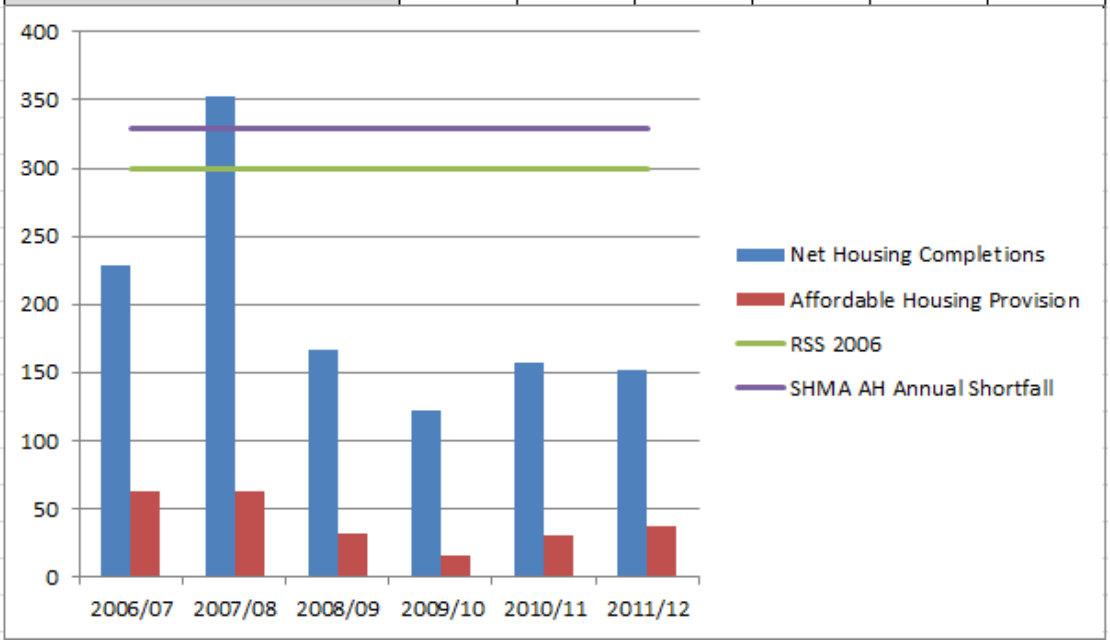
abandoned, the carbon reduction standards it implied and which formed the bulk of the costs associated with it are to be incorporated into the building regulations. These costs are likely to have a very important impact. As recently as 2012, Davis Langdon, another firm of Quantity Surveyors were still advising that the achievement of Code level 6 might add over 30% to the base construction cost of a home.

3.40 Also of note is the fact that, since the publication of the report in January 2012, the Land Registry's House Price Index for Derbyshire has fallen by approximately 5% from 225 in January 2010 to 215 in January 2013.

4.0 Delivery

4.1 In order to place the Council's policies in context, it is appropriate to consider outcomes as well as the policies and their evidential underpinnings. To this end, we have reviewed overall and affordable housing output in High Peak since the beginning of the RSS period in 2006.

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Net Housing Completions	229	353	167	122	157	152
Affordable Housing Provision	63	63	32	16	31	37
RSS 2006	300	300	300	300	300	300
SHMA AH Annual Shortfall	329	329	329	329	329	329



4.2 The above chart has been compiled from the Council's published Annual Monitoring Reports and shows the net output of all homes and of affordable homes. The exception is the data for the year 2011/12 which has not yet been published. We therefore used another source of reliable information – the New Homes Bonus Allocations. These run from November to November rather than following the financial calendar as the Annual Monitoring Reports do and the data is not therefore entirely comparable. Nevertheless, the data does cover one year and is very much of a piece with the results in preceding years.

4.3 The line data on the graph show the targets for total and affordable housing and highlight the fact that, in all years since the publication of the SHMA, overall housing delivery has fallen approximately 50% short of the RSS target. Moreover, even given the very low total output, the percentage of affordable homes delivered has hovered around 20% of the total.

4.4 When the SHMA was published in 2008, it was asserted that commitments of affordable housing in the study area over the period to 2011 amounted to 187 per annum. Since that time, only 179 affordable homes have been delivered in total in High Peak.

4.5 This may have something to do with the withdrawal of capital funding under the Coalition government's housing reforms. The intention was that increased rents would off-set the withdrawal of grant. This is true to an extent but the fact remains that affordable rents in High Peak are not vastly higher than social rents were. We extracted the following data from Committee Papers presented to the Council.

Property type	RP Social Rent (average across HP)	100% Market Rent	80% Market Rent 'Affordable Rent'	£'s difference	% difference
1 bed property	£67.20	£92	£74	£6.80	10%
2 bed property	£78.10	£115	£92	£13.90	18%
3 bed property	£88.90	£144	£115	£26.10	29%

(Source: Hometrack June 2012)

4.6 If the additional rent were capitalised as 6%, this would be equivalent to social housing grant at the following rates:

Property	Capitalisation of additional rent to off-set withdrawal of grant
One Bed	£5,890
Two Bed	£12,000
Three Bed	£22,620

4.7 There is no question that additional revenue helps with viability but the sums are comparatively small in the face of the viability challenge. Moreover, this calculation leaves out the fact that service charges need to be netted off affordable rents, where they were *additional* to social rents and the fact that management costs may be higher in the case of affordable rent because of the shorter tenancies granted and the higher turnover of stock implied. The additional capital value ascribable to affordable rented units may therefore be lower than these figures suggest.

4.8 We recognise that, although the presumption against grant funding for affordable housing has been strengthened and particularly strengthened on S106 sites, it has not been completely stopped. We therefore referred to the HCA in order to find out the rate of recent funding decisions. Under the Affordable Homes Programme, such allocations take place in two stages. Registered providers first bid for an indicative package of units, among which, substitutions can be made. Commitments of funds are only made later and in arrears. Schemes which do not hit their milestones lose the grant and there are other reasons why the package of units delivered may vary relative to what was assumed in advance. For this reason, it is not possible for the HCA to provide detailed information in advance about the nature of bids received. Future allocations are not therefore broken down beyond a "minimum geography area" level. In the case of High Peak, the relevant area is Nottingham and Derbyshire.

4.9 Over the 4 year period of the 2011-15 AHP, a total of £20,400,000 was assigned to some 1,311 affordable homes. In the first 19 months of the scheme – to December 2012, £5,890,000 was paid out, in arrears, on 333 units. This suggests that delivery is a little behind the assumed rate but the average allocation per unit has been a little higher than anticipated.

Area	Assigned	Committed	Units	Grant Per Unit
Nottingham & Derbyshire	£20,397,991	-	1,311	£15,559
Nottingham & Derbyshire	-	£5,871,351	333	£17,631

4.10 However, not one of the 333 units delivered in Nottingham and Derbyshire was in High Peak. This seems consistent with the low levels of delivery identified by the Annual Monitoring report and the New Homes Bonus Payments.

5.0 Affordable Rent and Social Rent

5.1 In 2010, the Chancellor of the Exchequer announced the creation of a new affordable housing tenure – Affordable Rent in the statement which accompanied the Comprehensive Spending Review. Registered providers were given greater flexibility to set rents at levels up to 80% of the open market rent for the property and to issue shorter tenancies – originally as short as 2 years although 5 years was subsequently made the norm.

5.2 The introduction coincided with a shift in the government's philosophical approach to affordable housing and a radical withdrawal of capital funding for new affordable homes.

5.3 With Capital funding for new affordable housing (especially affordable housing delivered by means of planning obligations) cut back to a bare minimum, the intention behind the higher rents associated with affordable housing was to increase the price that Registered Providers could pay for affordable homes and thus to maintain the output of much needed affordable homes at a time when output might otherwise have fallen sharply.

5.4 In its options appraisal for the introduction of the new tenure, the Government explicitly considered the question of whether it would be more beneficial to secure a larger number of less subsidised Affordable Rented homes or whether it would be better to continue to deliver a smaller number of more deeply subsidised Social Rented homes. It found in favour of the former. In doing so, it assumed that households moving into rented affordable housing came mostly from the private sector, where they needed to be supported by significantly higher levels of housing benefit. The higher rents associated with affordable housing would blunt the savings to the benefit bill in individual cases but, in aggregate, the higher capital values would deliver more affordable homes and thus spread the benefits further.

5.5 Nor did the Government see this as a short terms solution limited to the provision of new homes whilst its top priority of reducing the national deficit precluded significant capital funding for affordable homes. In fact, the Chancellor announced that Registered Providers would be permitted to transfer existing Social Rented homes to the new tenure as they fell vacant and became available for re-letting. This was to allow the RPs to use the higher rents to release capital to be reinvested in the delivery of new affordable homes.

5.6 This marks a philosophical shift. There are two ways to support people in need of affordable housing – either through subsidising the individuals concerned through housing benefit or by subsidising the homes themselves. The view of the present Government is that deeps subsidies to the homes themselves (through the provision of social rented housing) is inefficient. The theory being that households might be allocated to the home at a uniquely vulnerable moment in their lives perhaps following a redundancy but, once provided with an affordable home, their circumstances should improve. If the household's circumstances subsequently change such that they no longer require the subsidy it is then impossible to make the subsidised home available to a household with a present need because social rented tenancies are granted for life.

5.7 The new tenure is intended to support households at their time of need rather than indefinitely. The intention is that, as households get back on their feet, they either

move into the private sector or, alternatively buy a share in the equity of the home, thus releasing a subsidy which can be used to help others.

5.8 Affordable Rent should be the primary form of affordable housing delivery across the country and is built into the framework of the Affordable Homes Programme, the government's flagship programme for new affordable homes. The framework to the AHP makes it abundantly clear that the Homes and Communities Agency sees the provision of new social rented housing as making up only the most marginal element of the overall programme.

"Affordable Rent is expected to be the main element of the product offer from providers both for new supply and conversion of re-lets. But we want providers to respond appropriately to a range of local needs and development opportunities. We will therefore consider the inclusion of affordable home ownership in proposals, where it is a local priority and offers value for money.

Funding for social rented housing may be considered in exceptional cases."[9]

5.9 Just how exceptional those cases would be is set out later in the same document.

"Social rent provision will only be supported in limited circumstances. For example, social rent could be considered in regeneration schemes where decanting existing social tenants into new homes is necessary.

In all cases providers, supported by the relevant local authorities, will have to make a strong case to demonstrate why Affordable Rent would not be a viable alternative. All such cases will be considered on their individual merits.

Alternatively a local authority may wish to support the provision of social rent through the application of its own resources, for example, the provision of free land or its own funding. The HCA will consider such cases where this results in the level of HCA funding requested offering similar value for money to that achieved for Affordable Rent offers."[10]

5.10 The published statistics on the output of new homes under the Affordable Homes Programme up to the end of June 2013 contains not a single instance of social rented housing[11]. This data contains the funding details of some 38,000 new homes, including those which did not receive any public funding.

5.11 However, we recognise that not all elements of the Government's programme have been implemented. In particular, conversions of existing social rented homes to affordable rent have been relatively rare and, even if the absence of new social rented homes in the AHP turns out to be a reporting error (which is possible) – it is possible to deliver affordable homes outside the Affordable Homes Programme. Frustratingly, despite being the regulator for the entire affordable housing sector, the HCA has no statistics at all on delivery outside the AHP and was unable to confirm or deny whether such delivery was taking place or to what extent.

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[9] Affordable Homes Programme Framework para 4.1-2 HCA 2010

[10] Affordable Homes Programme Framework para 4.20-22 HCA 2010

[11] http://www.homesandcommunities.co.uk/sites/default/files/our-work/2011-15_ahp_-_schemes_confirmed_by_the_hca_end_of_june_2013.xlsx

5.12 In summary then, the government is seeking to maximise the delivery of affordable housing. In order to ensure this, it's view, and that of the HCA, is that all new rented affordable homes should take the form of Affordable Rent rather than Social Rent. In view of the recent performance in terms of affordable housing delivery in High Peak, this would appear to be of the utmost importance.

5.13 We conclude that there is room for a discussion with the Council's registered Provider partners as to what the Affordable Rent should be and whether it should indeed be charged at the full 80% of the open market rent but, in order to give the maximum level of certainty, the Council should accept that Affordable Rented housing is accessible to all and meets the identified housing need in the Borough. As such, provision of affordable rented units complies fully with adopted policy.