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TO:	EXECUTIVE
DATE:	20 APRIL 2017
EXECUTIVE MEMBER:	COUNCILLOR V. BROAD

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	ALL

SUBJECT:	EMERGING HOUSING POLICY (INCLUDING MOTION FROM COUNCIL)
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RECOMMENDATIONS:

1. That the Executive agrees the following actions to support its emerging housing policy for the Borough:
 - a) to consider, on a case-by-case basis, how the Council's property activities can continue to deliver housing products that benefit local people;
 - b) to continue to explore opportunities to promote and support the provision of affordable housing solutions through its annual review of Service and Financial Planning; and
 - c) to review the Council's policy on affordable housing as part of the Development Management Plan preparation process to take account of the latest evidence of local housing need and national policy changes.
2. That the Motion presented to the Full Council on 9 February 2017 regarding Affordable Housing be noted on the basis of the Council's emerging housing policy illustrated above.

REASONS FOR RECOMMENDATIONS:

1. Local evidence demonstrates that housing costs in the borough are beyond the reach of local households on moderate to low incomes. The Council has already demonstrated that it can provide housing that meets local needs.
 - a) Considering future opportunities to use its own property portfolio on a case-by-case basis will retain important local flexibility, allowing consideration of how Council development can meet not only housing needs but also the wider sustainability objectives of the Council.
 - b) The Council's 2018/19 Service and Financial Planning review provides an appropriate opportunity for the Council to consider how it can be more proactive in achieving corporate objectives to maximise the delivery of

housing that is affordable to local people in the future, and contribute to the Government's housing provision objectives set out in the Housing White Paper.

- c) The Local Plan making process provides the mechanism for a review of affordable housing targets, which allows for proper appraisal and testing of policy options and for local evidence, as well as national policy, to be taken into account.**
- 2. The Council's emerging housing policy will help address the affordability challenges noted in the motion.**

EXECUTIVE SUMMARY:

The affordability challenge in the borough is undeniable, with many on moderate to low incomes unable to afford to rent or buy in the borough. At the same time, the Council's ability to secure some of the more traditional types of affordable housing (such as social rented housing) to meet those in greatest need is increasingly constrained.

Despite the challenges faced, the Council is already doing much good work in relation to housing provision to meet the needs of those on moderate to low incomes in the borough. The recently published Government White Paper 'Fixing our broken housing market' asks that local authorities are as ambitious and innovative as possible to get homes built in their area. It is therefore important that the Council continues to take a proactive approach to maximising the delivery of housing that meets the needs of local people.

There are a range of opportunities available to the Council to help meet the affordability challenge. At its meeting on 9th February 2017, the Council resolved to refer a motion to the Executive for consideration. The motion proposed that the Council's Property Company invest in affordable housing. It also proposed that the Council agree that public owned sites should deliver higher levels of affordable housing than the plan for the borough as a whole, including properties for social rent.

The Council's Five Year Plan recognises that the Council will need to become an increasing commercial organisation and to be financially self sufficient by 2020. To achieve this priority, a Property Company has been established by the Council to generate profits to be re-invested in services which are important to our residents. This focus means that the Property Company is unlikely to be the right mechanism to deliver affordable housing.

However, the Council already has a good track record of providing, on its own sites, housing that meets local needs and secures wider community benefits.

The report seeks the agreement of the Executive that opportunities to use its property portfolio to provide housing to meet local needs are considered on a case-by-case basis taking into account particular local needs and circumstances as well as wider sustainable development objectives. This is felt to be a more appropriate approach than a 'one-size fits all' commitment to provide affordable housing on Council-owned sites.

There are also other innovative models of housing delivery that the Council may wish to consider. The report therefore seeks the agreement of the Executive that further work to explore these opportunities is taken forward through the annual Service and Financial

Planning Review process.

Finally, the Council's planning policies have a role to play in securing affordable housing from developers. The preparation of the Development Management Plan provides an opportunity to ensure that our Local Plan policies maximise the affordable housing that can be secured in this way.

The Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. The Council has a number of statutory powers in relation to housing and housing provision.
2. Planning: The Planning and Compulsory Purchase Act 2004, the Planning Act 2008, the Localism Act 2011, the Housing and Planning Act 2016 and associated regulations set the statutory framework for the production of Local Plan documents by Local Planning Authorities. The National Planning Policy Framework sets out the Government's planning policies and requires local authorities to plan to deliver a wide choice of housing, including affordable housing where there is a need for this.
3. Housing: The Council has a number of legal duties towards households at risk of becoming homeless and homeless households. These duties are enshrined in the Housing Act 1996, Homelessness Act 2002, Localism Act (2011) and Homelessness (Suitability of Accommodation) (England) Order 2012.
4. Trading Companies: Local authorities have the power, under section 95 of the Local Government Act 2003, to establish Local Authority Trading Companies, and the Borough Council has recently established its Property Company. The company is a controlled company as defined in the Local Government and Housing Act 1989.

BACKGROUND

The affordability challenge

5. Accessing housing (to own or to rent) is challenging for many in the borough on low to moderate incomes. This is demonstrated by the following statistics:
 - a. Market housing: In 2016 the average property price in the borough was 10 times the average income. According to Land Registry data the median property value in the same year was £355,507. This means that ownership of market housing is beyond the reach of many working households.
 - b. Housing waiting lists: In the last 12 months the waiting list for social housing has increased by 130 to 960 households, including 120 families in temporary accommodation. For the past two years, nominations to social housing have been steady at around 330 per year.
 - c. Homelessness: In the same period homeless applications have remained the same averaging around 150 per year and homeless preventions have increased averaging around 240.
6. In parallel to this, recent and emerging national policy and legislation has impacted on (and will continue to effect) the ways in which the Council can address the affordability challenge:

- a. The National Planning Policy Framework makes it clear that in seeking to secure affordable housing as part of new development, local authority policies must not threaten the viability of development.
 - b. Ministerial statements have constrained the ability for local authorities to collect financial contributions towards affordable housing from smaller development sites.
 - c. The Localism Act in 2011 introduced a new 'affordable rent' tenure which allows affordable housing rents at up to 80% of local market rent (compared to the more traditional 'social rented' tenure with rents at around 50-65% of market rent levels). The Homes and Community Agency capital funding programme restricts registered providers in receipt of HCA funding (such as Raven Housing Trust) to the delivery of the Affordable Rent tenure, despite this tenure being beyond the reach of many of those on low incomes.
 - d. The Homeless Reduction Bill (expected to be enacted this Spring) will introduce the most significant change in local authorities' homelessness duties in the last 20 years. It will place more obligations on Councils to prevent homelessness and to accommodate more households both temporarily and permanently.
7. These changes mean that, in the future, the Council will need to consider how it can best address issues of housing affordability, and affordable housing provision, in the borough to support local residents.

Council Motion

8. At the Council meeting of 9 February 2017, the following Motion was moved by Cllr McKenna, seconded by Cllr Essex:

"This Council notes that housing locally is becoming increasingly unaffordable. The current average house price in our borough continues to rise and is now £399,000 (November 2016) which is over ten times the average earnings of our residents. Even a one bedroomed unit sold on a shared ownership basis is beyond the price range of many of our residents.

This Council also notes that our Council has a policy of providing affordable housing for new build schemes, and congratulates the Council on choosing to include 100% affordable housing on the recent Court Lodge development in Horley.

The Council now agrees that publically owned sites should deliver higher levels of affordable housing than our plan for the borough as a whole, including properties for social rent.

This Council also agrees that the Council's new Property Company should also invest in affordable housing."

9. In accordance with Council Procedure Rule 2.17, the Motion stood referred to the Executive for consideration.

KEY INFORMATION

10. The Council's Five Year Plan recognises the need for the Council's Local Plan to deliver affordable and other types of housing. It also makes it clear that that – in order to continue to provide the high quality services that residents need and expect – the Council will need to become an increasingly commercial organisation.

Recent council achievements

11. Despite the challenges faced, the Council is already doing much good work in relation to housing provision to meet the needs of those on moderate to low incomes in the borough. Examples include:
 - a. Adopting a Local Plan affordable housing policy that seeks 30% of units of sites of 15 dwellings. This has secured, since 2012, over 400 units of affordable housing. In addition, approximately £2 million of developer contributions towards affordable housing provision is currently held by the Council.
 - b. Using developer contributions for the acquisition of temporary accommodation to help meet the needs of homeless people in the borough.
 - c. Securing 25% (151 units) of social rented tenure affordable housing at Westvale Horley (the North West Sector).
 - d. The development of Littlefield Close, Court Lodge, Horley with 19 units targeted at local people.
 - e. Submission of a planning application to develop starter homes on land at Pitwood Park in Tadworth.

Building on our success to date

12. Planning: The Council's Core Strategy, adopted in 2014, recognises the challenge of providing affordable homes, and has allowed the Council to secure, on average, 100 units of affordable housing per year, including both sites offering a mix of tenures (rented and intermediate housing) alongside market housing and some 100% affordable schemes.
13. However, recent announcements from Government, including changes to how affordable housing is defined, mean that Council policy in relation to affordable housing will need to be reviewed through the preparation of the Development Management Plan. This provides a positive opportunity for the Council to ensure that as much affordable housing is secured from new development as possible, and of the appropriate tenure, within the constraints of national policy.
14. Until such time as this policy is amended, the Core Strategy affordable housing policy will continue to be implemented, with affordable housing being sought on relevant planning applications unless it can be demonstrated that this level of provision is not financially viable (in line with national policy). In such instances, clawback clauses will be used to ensure that should project viability improve, a financial contribution to affordable housing can be recouped.
15. The Council will also continue to lobby Government to re-introduce national policy support for local authorities who wish to collect financial contributions from smaller development sites towards affordable housing.
16. Development on Council land: In addition to its planning activities, the Council can also influence housing and affordable housing provision through its own development activities, as exemplified above. Use of our own assets, coupled with the understanding that we have of our communities, means that our development activities can be targeted to deliver maximum benefits for the local community and population. In some parts of the borough, the need may be for traditional affordable housing products, whereas in others, the need may be for something different (such as a wider choice of tenures, or housing to complement regeneration initiatives). In

some cases, the Council may be able to work alone to deliver schemes, but in other cases, additional benefits may be secured through working in partnership with other organisations.

17. The flexibility that the Council currently has over how it uses its own assets is a strength. In considering how assets should be used or developed in the future, it is important that this flexibility is not overly constrained. The alternative, a 'one-size fits all' approach (such as committing to provide traditional forms of affordable housing on all sites) is unlikely to allow local circumstances to be properly reflected, and could mean opportunities to secure added value from development schemes, or deliver wider sustainability benefits, are lost.
18. It should be noted that the Council's Property Company has been established to generate profits for the Council to reinvest in key Council services and to help the Council meet the funding challenges set by Government. Traditional affordable housing products do not generate profit, and therefore the central focus of the Property Company will need to continue to be market housing and other commercial developments.
19. Other opportunities available to the Council: Notwithstanding the remit of the Council's Property Company, there are other models that the Council could consider to help address the affordability challenge. For example:
 - a. Further investment in temporary accommodation and/or affordable units
 - b. Establishing a separate housing company to deliver homes of a type and tenure that meet the needs of local people
 - c. Becoming a registered provider and acquiring affordable housing provided on larger development sites
 - d. Seeking to influence major development proposals being promoted in the borough in terms of the type, mix and tenure of homes provided.
20. The recently published White Paper, 'Fixing our broken housing market' asks that local authorities are as ambitious and innovative as possible to get homes built in their area. In Reigate & Banstead, the Council's annual Service and Financial Planning Review process provides the opportunity to explore if and how it can be more proactive in delivering housing in the future.

OPTIONS

21. Option 1: Do nothing. This option is not recommended. There is a real opportunity for the Council, through its planning and housing policies, to make a positive contribution to providing homes for local people, and to do nothing would represent a missed opportunity.
22. Option 2: For the Executive to consider, on a case-by-case basis, how the Council's property assets can be used to meet the housing needs of local people. This option is recommended as it retains local flexibility to consider how Council development can meet housing needs as well as the wider sustainability objectives of the Council.
23. Option 3: For the Council to consider more generally, through the Service and Financial Planning process, other options that could allow it to deliver more housing to meet local needs. This option is recommended as it reflects and recognises the affordability challenges in the borough, and the ambitions set out in the recent White Paper. There is a well established process for securing member agreement of

Service and Financial Planning objectives, which will allow a range of different opportunities to be explored, and potentially pursued.

24. Option 4: To agree that publically owned sites should deliver higher levels of affordable housing that the local plan for the borough as a whole suggests, including properties for social rent. This option is not recommended as it would limit flexibility and remove the ability of the Council to consider, on a case-by-case basis, how its assets can best be used to benefit local residents and communities (which may not always be through the provision of traditional affordable housing products or social rented properties).
25. Option 5: To explore, through the preparation of the DMP, whether adopted affordable housing policy needs to be amended. This option is recommended as it will allow for proper appraisal and testing of policy options and for local evidence, as well as national policy, to be taken into account.
26. Option 6: To agree that the Council's Property Company should invest in affordable housing. This option is not recommended as the objective of the Property Company is to generate profit to enable the Council to meet its funding challenges. Affordable housing products do not generate profit and therefore would not contribute to this objective.

LEGAL IMPLICATIONS

27. No legal implications have been identified arising directly from this report.

FINANCIAL IMPLICATIONS

28. There are no financial implications arising from this report.

EQUALITIES IMPLICATIONS

29. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

30. No communications implications have been identified.

RISK MANAGEMENT CONSIDERATIONS

31. There are no risk management implications arising from this report.

OTHER IMPLICATIONS

32. No other implications have been identified.

CONSULTATION

33. Consultation will be undertaken on any proposed amendments to planning policy in line with statutory requirements, and – with members – on emerging Service and Financial Planning proposals for 2018/19 in the usual way.
34. The proposer of the original motion, Cllr McKenna, will be provided with a copy of the report.

POLICY FRAMEWORK

35. The Council's Five Year Plan sets out its key priorities and objectives, which inform the Service and Financial Planning process. Key aspects are summarised at para 7.

36. The adopted Core Strategy (referred to in paragraphs 12 and 14 above) is also part of the Council's Policy Framework.

Background Papers:

- Corporate Plan 2011-15, available at http://www.reigate-banstead.gov.uk/council_and_democracy/about_the_council/plans_and_policies/corporate_plan/index.asp
- Core Strategy, available at www.reigate-banstead.gov.uk/corestrategy
- Affordable Housing Supplementary Planning Document, available at: http://www.reigate-banstead.gov.uk/downloads/download/62/affordable_housing_spd
- Housing White Paper 2017, available at: <https://www.gov.uk/government/collections/housing-white-paper>
- Homeless Strategy 2017-21 (including Review & Action Plan), available at http://www.reigate-banstead.gov.uk/info/20040/housing/550/housing_strategies/2