

## **KNOWSLEY LOCAL PLAN: CORE STRATEGY**

### **KNOWSLEY METROPOLITAN BOROUGH COUNCIL**

#### **HEARING STATEMENT 13C**

## **2. COUNCIL'S RESPONSE TO INSPECTOR'S INTERIM FINDINGS**

### **Affordable housing provision**

2.10 *Are the reduction in the proportion of affordable housing sought from sites within the urban area (modification M169), and the flexibility relating to tenure split (modification M175), soundly based on evidence of viability?*

#### **Reducing the proportion of affordable housing sought in the urban area**

2.10.1 The Council has produced a Technical Report: Affordable Housing Policy (TR09) to support its proposed approach to modifying the amount of affordable housing sought by policy CS15 of the KLPCS. These proposed modifications respond to discussions at the initial hearing sessions in November 2013, in which concerns were voiced regarding the appropriateness of the target in the submitted Plan, given evidence of challenging economic viability for new residential development in Knowsley. In his Interim Findings, the Inspector noted that the Council had yet to decide its approach to the affordable housing policy (EX26, para 18).

2.10.2 The Technical Report (TR09) assesses a range of evidence-based options for revising the approach to the affordable housing target. These covered two areas: firstly, how the affordable housing target could be varied, and secondly, to what extent the target could be reduced. The generation and assessment of options was undertaken with reference to evidence in the Knowsley Economic Viability Assessment (EVA) (EB06) and to: the degree to which the options complied with KLPCS strategic and sustainability objectives; affordable housing delivery; and impacts on deliverability and implementation of the policy approach.

2.10.3 The Technical Report sets out full details of how the options were generated and assessed. The following paragraphs summarise the justification for the preferred approach with respect to viability evidence.

#### **Split between target for urban areas and for Sustainable Urban Extensions**

2.10.4 In reconsidering the available viability evidence, the Council assessed whether the affordable housing target for Knowsley should be changed from a standard target sought across the whole area of Knowsley, to one which better reflected the variance in viability demonstrated through the EVA (EB06). The evidence indicates clear differences in baseline viability when considering similar development schemes within different land types, land designations, and viability zones. Of these, the most significant difference

was attributable to schemes within the existing urban area, as compared to schemes on sites within the existing Green Belt (see TR09, Tables 1a-1d), where the EVA found that baseline viability varied by approximately £150-200 per square metre (see EB06, section 6.1). Given this evidence, the option of having a lower target in the urban area was favoured over continuing with a standard target across all areas, and over the alternative methods of varying the target. In terms of development sites, this variance applies to the areas of the existing Green Belt identified within the modifications to the KLPCS as proposed Sustainable Urban Extensions for new residential development, as compared to sites within the boundary of the existing urban area.

#### Variation of target between urban areas and Sustainable Urban Extensions

- 2.10.5 Having established that an appropriate split for the affordable housing target would be between urban areas and Sustainable Urban Extensions, the Council subsequently considered to what extent the target in the less viable urban areas should be reduced. The 25% target for Sustainable Urban Extensions was considered appropriate to retain, given that these locations were considered to be the most viable for new residential development. The Council considers that there is sufficient evidence to indicate that the 25% target is reasonable in the Sustainable Urban Extensions having regard to the evidence in the EVA with respect to the viability of residential developments within the Green Belt.
- 2.10.6 With respect to the target within urban areas, the Council considered that this needed to be reduced from 25%, in order to better reflect viability evidence. Three options were assessed: reduction to 15%, 10% or 5%. Of these, the Council considered that the economic viability evidence supported a target of 10%. This represented a major reduction in terms of the costs for new development attributable to the policy (a reduction of 3/5ths of the costs of a target of 25%). The Council considers that a sufficiently significant proportion of new development within the urban area, particularly development on greenfield sites, would be able to comfortably meet this target. Appendix C of TR09 provides specific evidence for this. Further justification for this approach is set out in TR09, including in relation to the impacts of the modifications on the delivery of affordable housing (also mentioned in relation to question 2.11 below).
- 2.10.7 It should be emphasised that the preferred option of reducing the affordable housing target to 10% in urban areas whilst maintaining the 25% target for Sustainable Urban Extensions is accompanied by the caveat that levels of affordable housing sought for individual development schemes could be lowered where it is demonstrated that achieving the identified provision would render the development not economically viable. This means that there is significant additional flexibility within the policy to ensure that viability can be considered on a site-by-site basis, where appropriate. This will account for schemes which for particular site-specific reasons, can demonstrate an economic viability position which is significantly different to that set out in the EVA. Contributions towards affordable housing provision

will also be considered within the wider context of developer contributions prioritisation, as set out in the proposed modifications to policy CS27 and the relevant supporting Technical Report (TR08).

- 2.10.8 The Council believes that the approach set out in the proposed modifications strikes an appropriate balance between setting realistic targets for affordable housing which reflect the available viability evidence, with the required flexibility to account for circumstances where scheme viability can vary on a site-by-site basis.

Increasing the flexibility within tenures of affordable housing sought

- 2.10.9 During the initial hearing sessions into the soundness of the KLPCS, concerns were raised regarding the tenure mix of affordable housing to be provided as part of schemes for new market housing. This was noted in the Inspector's Interim Findings as a further area of affordable housing policy about which the Council was yet to decide.
- 2.10.10 The submitted KLPCS (policy CS15) requires that the tenure of affordable housing to be provided as part of new market housing should be informed by evidence regarding local housing needs. The supporting text for policy CS15 (paragraphs 7.8 and 7.9) referred to the existing evidence base (within the SHMA, EB04) which stated that an appropriate tenure split would be 75% social/affordable rented housing and 25% intermediate housing. Having reflected on the discussions at the hearings, and the wider consideration of the issues of economic viability and their relationship to policies seeking developer contributions such as affordable housing, the Council considers it appropriate to incorporate further flexibility into the approach to this issue.
- 2.10.11 The Council's preferred approach is to emphasise the importance of the provision of tenures of affordable housing to meet local needs, and to provide only a general statement about the mix of tenures which may be appropriate, as indicated by the available evidence base on this matter (which at the current time, remains the SHMA, but is expected to be updated during the life of the KLPCS). This statement about the general evidence is incorporated in modifications to supporting text (KLPCS para 7.8, M175) emphasising its advisory status. Through this approach, the Council is seeking to maximise flexibility for developers who may seek a range of different solutions to the affordable housing tenure mix, including a higher proportion of intermediate housing where this can be demonstrated to be required locally. This additional flexibility may also assist developers seeking to promote a scheme of market housing which incorporates a requirement for affordable housing, as in general terms, intermediate housing is a less financially onerous requirement than social/affordable rented housing (see EB06, para 7.3.11). Intermediate homes may also be provided by market housing developers themselves (rather than involving a Registered Provider or other partners), which again may reduce the financial burden of the policy ask. Following extensive discussion of the viability of housing sites within the Council's land supply, this approach reflects the Council's intention to take a

more sensitive approach to matters affecting development viability and is reflected in other proposed modifications to the Plan.

2.11 *What are the implications of the affordable housing changes for the KLPCS objective of re-balancing the housing market?*

2.11.1 As noted in response to question 2.10, the Council's new Technical Report (TR09) supports its proposed modifications to the affordable housing policies of the KLPCS. As part of this, the implications of different policy options were assessed against the Strategic Objectives of the KLPCS and the Sustainability Objectives used in the Sustainability Appraisal of the KLPCS. These objectives include delivering "a well balanced housing market" (KLPCS Strategic Objective 2) and "to provide good quality, affordable and resource efficient housing" (Sustainability Objective S6).

2.11.2 The reduction in the target for affordable housing to 10% in urban areas proposed in the modifications to the KLPCS performs well against these objectives. The reasons for this are summarised below:

- With a more realistic affordable housing target for urban areas, Knowsley is likely to become a comparatively more attractive place for developers to consider investing in, boosting the overall supply of market housing;
- Re-balancing the housing market also requires the provision of a significant amount of market housing during the plan period, which will be facilitated by more realistic affordable housing targets in the urban area;
- Increased flexibility regarding the tenures of affordable housing sought may improve the viability position of some developments in urban areas, particularly in combination with the reduction to the overall target, increasing the likelihood of delivery within these areas;
- Increased flexibility to provide intermediate homes may better assist those in Knowsley identified as being in affordable housing need, but who have aspirations for home ownership;
- The submitted Plan included flexibilities for development to negotiate contributions towards affordable housing where viability is challenging. The modifications may therefore not practically reduce the amount of affordable housing secured in many cases, since for sites in urban areas where viability is genuinely challenging, developers would have been likely to invoke this clause and therefore where evidence supported claims, would have been successful in reducing contributions;
- There is still likely to be a supply of affordable housing from market housing developments within the Sustainable Urban Extensions, where a target of 25% is sought;
- There is a considerable pipeline of affordable housing from within the Affordable Homes Programmes and other investments from Registered Providers, at least in the short-medium term. These programmes will not be substantially affected by the proposed reductions in the affordable housing target for market housing schemes.

### **Sustainable construction**

- 2.12 *Do the modifications proposed to policy CS22 fully take into account the Government's latest thinking on the approach to sustainable construction?*
- 2.12.1 The Council has prepared proposed modifications (M207 - M210, M212 and M215) to amend and remove previous clauses of KLPCS policy CS22. The changes respond to and are consistent with Government intentions to introduce proposed minimum energy performance standards into the Building Regulations and to legislate for the creation of an allowable solutions scheme. The scheme will enable all new homes to be built to a zero carbon standard, via a mixture of enhanced energy efficiency measures and off-site carbon abatement measures, as announced in the Queens Speech 2014 (AD49, pgs. 26 and 27).
- 2.12.2 The Council considers that the policy approach in KLPCS policy CS22 (including proposed modifications) provides necessary flexibility to account for any mandated requirements of different types of new development in meeting carbon reduction targets and any future national housing design guidance prepared by the Government. This includes announced options of meeting the zero carbon homes standard by building at Code for Sustainable Homes Level 5, or alternatively building at Level 4 with additional off-site carbon abatement measures. The Council is also mindful of the need to allow for potential exemptions, including those for small sites as announced in the Queens Speech 2014 (AD49, pg. 26), with further details to be set out in regulations following consultation by the Government. As a consequence, the previous clauses 3 - 5 of KLPCS policy CS22 are considered to be out of date and are removed (by modifications M208 - M210).
- 2.12.3 In accordance with NPPF (document PG01) paragraph 95, KLPCS policy CS22 clause 3 (as modified by modification M211) includes flexibility for local targets relating to sustainability to be introduced via the Local Plan: Site Allocations and Development Policies if appropriate. This policy approach is appropriate to ensure flexibility and noting that the Council does not have any current local evidence to justify requirements that extend beyond those which are mandated nationally. This approach is also consistent with the Government's on line Planning Practice Guidance (library reference PG01b) (see Reference ID: 6-009-20140306).
- 2.12.4 KLPCS policy CS22 clauses 4 and 5 (as modified by M213 and M214) are consistent with NPPF (PG01) paragraph 96, as they identify feasible opportunities for decentralised energy as evidenced in document EB18, and including flexibility for additional "Priority Zones" to be identified in the Local Plan: Site Allocations and Development Policies based upon opportunity and need.

### **Infrastructure and Viability**

- 2.13 *Are the modifications to policy CS27, including the prioritisation of developer contributions, consistent with the overall strategy of the plan?*

- 2.13.1 The Council has prepared a Technical Report: Developer Contributions (TR08) to support its approach to the modifications to KLPCS policy CS27. These modifications have been proposed following discussions at the hearing sessions regarding the operation of the Council's developer contributions policies in circumstances where development viability is proven to be challenging. The Inspector's Interim findings highlighted that the Council was still to consider whether guidance is necessary on the relative priority to be given to various non-mandatory requirements of KLPCS policies in cases where viability issues arise (EX26, para 19).
- 2.13.2 The Council considers that a prioritisation framework within KLPCS policy CS27 is an appropriate tool for addressing these concerns. This framework would give greater certainty regarding which of the policy asks within the KLPCS should be prioritised, in circumstances where all asks could not be met without affecting scheme viability. The Technical Report (TR08) assessed a range of options against the Strategic Objectives of the KLPCS, so that the implications of prioritising different policy asks could be understood. This included options for both residential and commercial developments. The methodology also considered a range of other factors, including the impacts of options on the implementation of policy, infrastructure delivery, economic viability, Sustainability Objectives and implications for other Council service areas and priorities. Importantly, the Report also considered the constraints of national legislation, policy and guidance with respect to the use of developer contributions, including the NPPF tests about making development acceptable and being related to the development (PG01, para 204).
- 2.13.3 The Council considers that the preferred option, as set out in the relevant modification to policy CS27 (M236) and its supporting text (M243-245), is consistent with these objectives and with the overall strategy of the Plan. Importantly, the framework retains an element of flexibility, in order that the most significant impacts of individual developments, which may vary to a considerable degree, depending on the size, nature and location of development, can be accounted for. Document TR08 sets out the full justification for this approach, and table 1 below sets out how the Council considers that each element of the prioritisation framework will contribute to this conclusion.

**Table 1: Developer contributions prioritisation framework and compliance with the KLPCS spatial strategy**

<b>Element of Policy CS27 Part 7 (as proposed to be modified)</b>	<b>Commentary regarding compliance with the overall spatial strategy</b>
a) Firstly, contributions which are essential for public safety or to achieve a minimum acceptable level of design quality;	This is likely to include, where required, highways/pedestrian access, flood risk prevention/mitigation works, and minimum standards of residential and commercial design. When assessed, highways and transport works scored highly against a range of strategic objectives, due to their facilitating role in delivering sustainable development. Minimum design standards also demonstrate a range of positive outcomes against the plan objectives, particularly in terms of quality of place and regeneration/attracting investment impacts. Requiring flood risk mitigation works as a high priority where these are required will ensure that many of the objectives of the plan are not placed at risk through issues of flooding on development sites, and hence will facilitate the delivery of the spatial strategy overall. Other “ad hoc” requirements in this category are aimed at delivering an acceptable form of development, which will have positive impacts by ensuring development that contributes towards the objectives of the plan does so in an appropriate manner. This category is considered essential in supporting the amounts of different types of development which are required to meet the overall objectives of the plan.
b) Secondly, developer contributions which are necessary to address a local infrastructure requirement or deficiency that would be caused or exacerbated by the development;	This is likely to reflect evidence around particular localised priorities for infrastructure/service provision. For example, existing evidence indicates there are areas of the Borough which have deficits of greenspace which would be exacerbated by development. This element was assessed as making a positive contribution towards the achievement of a wide range of objectives, including Green Infrastructure, but also reflecting impacts on regeneration, quality of place, and health and wellbeing. Evidence also indicates opportunities for decentralised energy infrastructure for Knowsley Industrial Park – prioritising this policy is assessed as having positive impacts on strategic objectives relating to environmental resources, economic growth and regeneration. In other cases, specific developments may cause or exacerbate a local infrastructure shortage, which would need to be addressed in order that the development overall could be considered to be sustainable in accordance with the objectives and strategy of the Plan.
c) Thirdly, any remaining developer contributions	This is likely to include asks which may not directly address any potentially harmful impacts of development (and hence are of a lower priority than categories a) and b) above), but will still have a positive impact on the delivery of the strategic

<b>Element of Policy CS27 Part 7 (as proposed to be modified)</b>	<b>Commentary regarding compliance with the overall spatial strategy</b>
except for those in category d) below;	objectives of the plan. This includes affordable housing, which will contribute towards the delivery of a balanced housing market, and additional improvements to greenspaces in areas of surplus, which will deliver positive outcomes for objectives around Green Infrastructure provision and quality of place.
d) Finally, those contributions which have the status of being "encouraged" by the Council's planning policies	These items are unlikely to have a major impact on the strategic objectives of the Plan, given that they are not necessary to make development acceptable, and therefore are not reflected as requirements of the KLPCS. This includes optional design standards (e.g. Building for Life), which for example may have complementary impacts to objectives relating to quality of place.

2.13.4 In addition to the above, the prioritisation framework provides an appropriate balance between allowing flexibility and certainty for developers taking account of the range of site specific circumstances which apply. It will better reflect the challenges for the economic viability of development which the Council recognises exist in some areas of Knowsley. This means accepting that some developments will not be able to meet all of the developer contributions sought, and therefore the approach of providing a framework for prioritisation of contributions in these circumstances is likely to facilitate the planning application process. In turn, this could provide a greater level of encouragement for new residential and commercial development to locate in Knowsley, which would clearly be required if the overall objectives and strategy, particularly in relation to amounts of development sought, are to be met.