



Hull Local Plan: 2016 to 2032

SPD15 Affordable Housing Supplementary Planning Document

Consultation Statement – Addendum

September 2019

1. Background

- 1.1 In preparing Supplementary Planning Documents (SPDs) the Council is required to follow the procedures laid down in the Town and Country Planning (Local Planning) (England) Regulation 2012.
- 1.2 Regulation 12 states that before adoption of a SPD the local planning authority must prepare a statement setting out:
 - the persons that the local authority consulted with when preparing the SPD;
 - a summary of the main issues raised by those persons; and
 - how those issues have been addressed in the SPD.
- 1.3 This Consultation Statement accompanies the Hull Affordable Housing Supplementary Planning Document. This document provides additional planning guidance on the following policy of the Hull Local Plan: 2016 to 2032, which was adopted on the 23rd November 2017:
 - Policy 5 Type and Mix of Housing
 - Parts 2, 3 and 4 Affordable Housing

2. Consultation

- 2.1 Preparation of the draft SPD was undertaken with input from officers from Housing Strategy and Renewal, Legal Services, NPS Humber and the District Valuer. The draft SPD has been through the Council's committee regime and elected members have had the opportunity to comment on the draft document. At Planning committee on 19th February 2019 and Cabinet on 25th March 2019, Members agreed to approve the draft SPD for consultation purposes.
- 2.2 The draft SPD was made available for public consultation between 1st April and 13th May 2019. A public notice to publicise this event was published in the Hull Daily Mail on Monday 1st April 2019.

2.3 The draft SPD and associated documentation was made available for inspection on the Council's website and at the following Council locations:

- the Wilson Centre;
- Guildhall reception;
- Hull History Centre; and
- all Council Customer Service Centres and libraries.

2.4 In addition, over 30 potentially interested parties, including house builders and registered social providers, were emailed directly with details of the consultation.

3. Consultation responses and main issues

3.1 The Council received representations from only three respondents, despite reminders being sent out. Representations received and the Council's responses are set out in Appendix 1.

3.2 Main issues raised included:

- Greater reference to affordable housing for sale needed, reflecting the current NPPF definition of affordable housing.
- Greater flexibility in planning conditions and agreements and to allow for changes in market conditions.
- Clarification on the level of affordable homes for sale needed to contribute to meeting the overall affordable housing requirement.
- Objection to the inclusion of transfer values.

4. Main changes to the SPD

4.1 The responses to the consultation have been considered in preparing the final SPD and the main changes made are summarised below:

- Additional references to affordable housing for sale; and
- Clarifying that transfer values and commuted sums are indicative.

4.2 An additional change was made to Appendix 2 'Information Required to Review Financial Viability' to reflect recent changes to the National Planning Policy Framework (NPPF) and accompanying National Planning Practice Guidance (NPPG), as summarised below:

- 2nd paragraph revised to state that viability assessments will be publicly available other than in exceptional circumstances.

5. Second Consultation

5.1 A second consultation on the revised SPD was held between 12th July and 23rd August 2019, with documentation available for inspection and comment on the Council's website and at the Wilson Centre.

5.2 No further comments were received and no further changes have been made to the SPD.

Appendix 1: Representations to SPD15 Consultation

<i>Respondent</i>	<i>Section of SPD</i>	<i>Comment</i>	<i>Council response</i>
Compendium Living	<p>Policy 6 Housing Space Standards</p> <p>3. In Housing Market Value Zones 3, 4 and 5, housing development should meet the national minimum internal space standards.</p>	<p>In Ings, which sits within Zone 4, the High Market Value Zone, we have recently secured our first planning approval under the new policy space standards. We have already provided evidence to our client in the council's Housing Strategy & Development that the space standards are reducing land value significantly. We have estimated an average loss of more than £4,500 per plot as a result of increased build costs not being met by commensurately increased values. This will clearly have an impact on council receipts on public land disposals. We recognise the need for adequate space in new homes, and have been developing larger than average homes to date in the city. However we believe that, especially in suburban developments, with garden and other external space, the nationally described standards are in excess of that actually demanded by purchasers, and in lower value areas will actually prevent some developments altogether.</p>	<p>This policy is already in the adopted Local Plan. It is provided as context for the SPD and is not subject to this consultation. Consultation on the policy took place as part of the Local Plan preparation process. Comments received were considered by the Planning Inspector at the Local Plan examination. The Inspector recommended adoption of the policy as worded in the current Local Plan.</p>
Compendium	Section 106 Agreements and	On brownfield regeneration projects	Yes, the Council will retain this

Living	<p>Unilateral Undertakings</p> <p>'In general, the Council prefers to use S106 agreements for the provision of affordable housing. This is because they are flexible and enable the Council to negotiate the details of provision, such as size, type and mix, to ensure it is the best option for meeting need. S106 agreements also allow for changes to the design of the development through the application process.'</p>	<p>and in areas where land value might not necessarily generate adequate value to fund the locally required quantity of affordable housing, it is often necessary to apply grant subsidy (e.g. via Homes England). At present Homes England rules preclude the use of its grant to meet S106 affordable housing obligations. In such circumstances, does the planning authority intend to retain the flexibility to require affordable housing e.g. via a planning condition enforceable through a unilateral undertaking?</p>	<p>flexibility. The SPD does not preclude the use of planning conditions and unilateral undertakings.</p>
Persimmon Homes	<p>Affordable home ownership</p>	<p>The draft SPD starts by defining affordable housing with reference to the National Planning Policy Framework ('NPPF' or 'the Framework') and outlines national policy. These are the only points at which the SPD makes reference to affordable home ownership.</p> <p>Persimmon Homes wishes to see stronger support given to the discounted market sales housing as an affordable homes tenure particularly given the Government's drive not only to increase the supply of housing but to increase levels of</p>	<p>The definition of affordable housing was expanded to include home ownership when the revised NPPF was issued in July 2018. The Hull Local Plan was adopted in November 2017, prior to the new planning definition.</p> <p>Planning policies cannot be revised through SPD, but SPD can assist in the interpretation of policy. The Affordable Housing SPD therefore includes reference to the new definition. The SPD can be amended to add reference to affordable housing for sale (see below). When the Local</p>

		<p>home ownership.</p> <p>There is a strong demand for discounted market sales products in Hull. This is driven by rising costs in private rented accommodation and low average incomes in the city, with median full-time gross weekly earnings of £511.80 in 2017 (Annual Survey of Earnings and Hours 2017; Office for National Statistics).</p> <p>Discounted sale products allow those in need of housing to step onto the home ownership ladder with a lower deposit and smaller mortgage, and these products increase the number of people who are able to own their own home who would not otherwise be able to. A lower deposit enables people to access home ownership more quickly, while a smaller mortgage allows for lower monthly repayments. A wide range of mortgage options exist for those seeking to acquire homes provided in this manner.</p> <p>The national policy position set out at Paragraph 64 of the Framework, which states that 10% of the homes provided by major development</p>	<p>Plan is reviewed at a future date, the affordable housing policy will be considered for revision.</p> <p>Page 5, add to end of last paragraph:</p> <p><u><i>‘Provision of affordable housing for sale is supported and the Council will work with developers to bring forward affordable home ownership products.’</i></u></p>
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		<p>proposals should be made available for affordable home ownership, applies to both plan-making and decision-taking and we support an amendment to the SPD which demonstrates the Council's clear commitment to bringing forward affordable home ownership products. Persimmon Homes would welcome the opportunity to work constructively with the Council to develop a suitable policy.</p>	
Persimmon Homes	Planning conditions	<p>The fourth paragraph of this section states that applications for outline planning permission will be granted with a condition which requires affordable housing to be provided. It is requested that such conditions should be worded to allow for flexibility to ensure that developers are able to respond to changing market conditions. We suggest that conditions should be worded to allow a viability assessment to be submitted with subsequent applications for the approval of reserved matters should this be necessary to respond to market conditions.</p>	<p>The wording of the condition will be appropriate to the specifics of the application.</p>
Persimmon	Negotiating with registered	The following paragraph notes that,	The SPD makes provision for the

Homes	providers	<p>where practicable, negotiations with registered providers should be in advance of the submission of a planning application. Registered providers will typically only seek board approval for the acquisition of affordable homes once planning permission has been granted. This is because at this stage there is certainty of the number, tenure and type of products available to acquire.</p> <p>We regularly pursue expressions of interest and formal written offers which are subject to later board approval at prior to the grant of planning permission to ensure that we can deliver affordable homes. However, there are unfortunately times when it is difficult to find a registered provider who is willing to acquire additional affordable homes.</p> <p>While this is rare, we feel it is important that the Council is willing to support the inclusion of cascade mechanisms within S.106 agreements. These mechanisms should allow for unsold affordable homes to be sold on the open market after a period of advertising in which a registered provider has not be</p>	<p>payment of a commuted sum in lieu in cases where the affordable housing cannot be sold (page 7, 5th paragraph).</p>
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		<p>willing to acquire the units, or in the case of direct sales of affordable home ownership products where there is a shortfall of eligible persons in any particular area. In these instances, a commuted sum would be paid in lieu of the provision which should be utilised by the Council to support the provision of affordable housing delivery.</p>	
Persimmon Homes	Commuted sum for a partial unit	<p>The third paragraph of this section states that where the affordable housing requirement does not equate to a whole number of units, that a financial contribution equivalent to the commuted sum for a partial unit should be paid in lieu.</p> <p>The imposition of this policy cannot be properly effected via a policy contained within a SPD. It is a policy which should be subject to viability testing as part of the local plan production process. The Council's adopted Local Plan Policy 5 (Type and mix of housing) does not reference a requirement to provide a commuted sum.</p>	<p>Policy 5(4) states that 'in exceptional circumstances, where on-site provision is not suitable or feasible, off-site provision or payment in lieu will be accepted'.</p> <p>The provision of less than one affordable unit is an example of where either on-site or off-site provision is not feasible and payment in lieu is appropriate.</p>
Persimmon Homes	Offer period	The fifth paragraph refers to a twelve month offer period to registered	The offer period will be reviewed in the light of experience once the SPD has

		<p>providers. A shorter offer period for the marketing of affordable homes will ensure that developers are not unnecessarily restricted from delivering homes and a shorter period should be welcomed by the Council particularly where a developer has already approached many registered providers to seek to contract the sale of affordable homes.</p>	<p>been in operation for a period of time.</p>
<p>Persimmon Homes</p>	<p>Market value</p>	<p>The fifth paragraph further notes that where a commuted sum is payable in lieu of on-site provision that this should be calculated as the market value minus the transfer value. Persimmon Homes wish for the market value to be defined to ensure that this approach takes full account of the additional costs that a developer incurs in selling a property on the open market when it cannot be delivered as an affordable home.</p> <p>Once an affordable unit is to be sold on the open market, the financial risk and costs for the developer increase significantly and this needs to be reflected in the calculation of any commuted sum so the developer is not any worse off than if they are</p>	<p>Market value minus transfer value is a widely adopted calculation for commuted sums. Other factors may also be taken into account in determining the appropriate sum. Appendix 3 states that 'transfer, values and commuted sums are indicative ... They are intended as a starting point for negotiation.'</p> <p>The main text of the SPD can be amended to reflect this flexibility, as follows:</p> <p>Page 7, amend end of 5th paragraph:</p> <p><i>'These sums will be based on the size, type and tenure mix specified in the S106 agreement using the <u>indicative</u> transfer values shown in Appendix</i></p>

		<p>transferred to a registered provider.</p> <p>Taking risk, it is widely accepted that the developer's margin on an open market unit should be higher (at least 20%) than on an affordable unit being transferred to a registered provider (at least 6%). This is because a transfer to a registered provider will involve a large number of units in one transaction and provides a number of guaranteed sales that the open market cannot provide.</p> <p>Once those units have to be sold on the open market, the risk to the developer increases and it does so in two ways. Firstly, each of the units is required to be sold to an individual buyer rather than in bulk as part of a single transaction. Secondly, the number of units coming on to the open market is increasing and creating greater competition for the same number of buyers. In effect, the developer is competing with themselves. These open market risks are less likely to exist when the units are sold to a registered provider and need to be reflected in an open market margin on the affordable housing commuted sum.</p>	<p><i>3. The amount payable in lieu of on-site provision is <u>calculated as</u> market value minus the transfer value.'</i></p>
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		<p>Further, when units are sold on the open market, there can be an additional cost burden on the developer associated with selling the units. As noted above, the number of open market units increases but the number of buyers in the market does not. This could mean the length of time taken to sell the units increases which in turn increases overheads (for example, marketing costs) which also need to be accounted for. In addition, open market sales are often subject to sales incentives (such as curtains, carpets, white goods or turf) or sales extras (where the purchaser will purchase certain items as part of the transaction). These items do not contribute to the open market value of the property and should be allowed to be netted of the calculation of the open market value in any formula for calculating a commuted sum.</p> <p>In short, while a mechanism for a contribution via a commuted sum is supported, in its current form it does not take account of the risks and costs imposed on a developer should they be forced to sell the units on the open market.</p>	
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		<p>Persimmon Homes consider that the commuted sum calculation should take account of all proper costs incurred by a developer in selling a property on the open market and that these should be deducted from the commuted sum payable.</p>	
Persimmon Homes	Discounted market sales housing	<p>This section could also be bolstered with a section on how discount sale properties can be delivered. Persimmon Homes has extensive experience in constructing and directly selling discounted sales market housing. In our experience, this process has worked at its best where the developer sells the discounted market sales product directly to an eligible purchaser. The purchaser is assessed by an appropriate body (for example, Help to Buy North East, Yorkshire and Humberside) and in line with any eligibility criteria established.</p> <p>Persimmon Homes would wish to see cascade mechanisms included within any S.106 agreement which would allow for unsold discounted market sales housing to be sold on the open market after a period of advertising in</p>	<p>Reference to affordable housing for sale should be included in this section, as follows:</p> <p>Page 7, add to end of 2nd paragraph:</p> <p><u><i>'If the affordable housing is for sale, the Council will work with the developer to ensure that eligibility criteria are met.'</i></u></p> <p>The SPD makes provision for the payment of a commuted sum in lieu in cases where the affordable housing cannot be sold (page 7, 5th paragraph).</p>

		<p>the event that there is a shortfall of eligible persons in any particular area. In this instance a commuted sum would be paid in lieu of the provision which should be utilised by the Council to support the provision of affordable housing delivery.</p>	
Persimmon Homes	<p>What mix of affordable housing will be required?</p>	<p>The SPD makes reference in earlier sections to Paragraph 64 of the NPPF which requires planning policies and decisions to expect at least 10% of homes to be made available within development schemes for affordable home ownership, unless this exceeds the level of affordable housing required in an area.</p> <p>The SPD as drafted does not suggest that the Council considers that the impact of requiring 10% affordable home ownership products would significant prejudice the ability to meet identified affordable housing needs. Consideration should be given to supporting the provision of affordable home ownership within Hull. The affordable homes requirement for much of the city is above 10% and this would therefore still enable the delivery of other</p>	<p>The affordable housing policy in the Local Plan is based on the NPPF definition of affordable housing existing at the time of adoption (i.e. in the main, affordable housing for rent). Since then, the NPPF definition has been expanded to include affordable housing for sale.</p> <p>The 10% requirement in the Local Plan assumes that provision will be affordable housing for rent. This figure will need to be reviewed to include affordable housing for sale. This will form part of the Local Plan review at a future date.</p> <p>Until this review has taken place, it cannot be assumed that meeting the NPPF requirement for 10% affordable homes for sale would not prejudice the ability to meet the need for affordable homes for rent. Only in HMVZ5 (Kingswood) is the current requirement</p>

		tenures alongside affordable home ownership products.	(at 15%) above the 10% for affordable homes for rent.
Persimmon Homes	What design of affordable housing is appropriate?	<p>The third paragraph suggests that affordable housing should be distributed as individual houses or in small clusters. There are management and maintenance efficiencies for registered providers in acquiring a number of affordable homes which are located together.</p> <p>It is also not always practicable to distribute individual or smaller clusters of affordable homes through developments where the provision involves flats. The SPD should allow sufficient flexibility to respond to different development proposals and to ensure that affordable housing is attractive to registered providers and that they are easy to manage in the drive to achieve mixed and balanced communities.</p>	<p>This is a general principle that may not be applicable in every case. The text can be amended to make this clearer, as follows:</p> <p>Page 8, amend 6th paragraph:</p> <p><i>'Residential development should aim to create mixed and balanced communities; therefore, affordable housing is required to be <u>best</u> distributed as individual houses or in small clusters throughout the development.'</i></p>
Persimmon Homes	Section 106 Agreements and Unilateral Undertakings	This section references restrictions on the number of open market homes which can be occupied before affordable homes have been contractually secured. The SPD should be amended to state that the Council will work proactively with	Planning conditions and agreements can include flexible provisions that reflect the specifics of the development.

		<p>developers and will consider flexible triggers and timings which do not stifle the delivery of housing. Developers have to respond to a range of constraints and triggers should be informed by a logical build route and cash-flow considerations. For larger schemes, it may be necessary to agree a number of trigger points which reflect the intended phasing of a development proposal.</p>	
<p>Persimmon Homes</p>	<p>Other information</p>	<p>The first paragraph refers to a list of registered providers that work in Hull. While the document does not suggest this to be the case, developers should not be restricted from approaching any registered provider including those that do not currently operate in Hull.</p> <p>Persimmon Homes would wish to market affordable homes as widely as possible to a range of registered providers and would not wish to see a policy approach which could stifle choice in the market or make harder for new providers to enter into the city. Having a larger pool of providers increases the chances of securing an offer and therefore the delivery of</p>	<p>It can be clarified that this list is not exclusive, as follows:</p> <p>Amend page 9, 4th paragraph:</p> <p><i>'The Council has a list of Registered Providers that <u>currently</u> work in Hull. The Council, as a Registered Provider, should be approached alongside other Registered Providers (<u>who may or may not be on the Council list</u>) prior to submitting a planning application.'</i></p>

		affordable homes increases.	
Persimmon Homes	Appendix 2: Information required to review financial viability	This section states that the Council will normally disregard the nature of the applicant and any benefits or dis-benefits which are unique to them. Any assessment of financial viability should always disregard the nature of the applicant because the process should establish the market value for the site and not the value to a specific applicant.	The statement is included for the avoidance of any doubt.
Persimmon Homes	Appendix 3: Transfer values	Persimmon Homes objects to the inclusion of transfer values which should be effected through a local plan policy which has been viability tested. The suggestion that market values, transfer values and commuted sums will be updated periodically through the Council's Annual Monitoring Report (AMR) is also not supported because the AMR is not a local development document and is therefore not subject to any consultation with interested parties.	<p>The viability of affordable housing (and other policy requirements) was evaluated in the 'Hull Local Plan and CIL Viability Assessment' (December 2016). This document was considered by the Planning Inspector at the Local Plan examination. The policy requirements in the adopted Local Plan reflect the recommendations of the Inspector's report. In other words, the level of viability of affordable housing has already been established and is reflected in the Local Plan policy.</p> <p>The purpose of setting indicative transfer values, based on independent valuations by the District Valuer, is to provide 'a starting point for</p>

			negotiation', as stated in the 1 st paragraph of Appendix 3.
Strata Homes	General	We are used to developing AH across a number of areas and this seems to follow many of the other LA application methods for AH to schemes. The guide is a useful reference and would potentially be more helpful to smaller developers.	Support welcomed.
Strata Homes	Appendix 3: Transfer values	<p>The transfer values are low and will not help a scheme's overall viability.</p> <p>The difference in the S106 Affordable Housing and the non-S106 Affordable is normally the grant rate from Homes England.</p> <p>Therefore I would expect that the Transfer Values to have a greater degree of science behind them to drive the RP market a little harder and ensure that they are also contributing to a scheme fairly. The Registered Providers work out the amount they can offer for homes using the Local Housing Allowances for the area and a base appraisal. I would therefore expect the Council need to have a more scientific way of proposing the transfer values rather than a rudimentary %.</p>	<p>The transfer values are 'indicative' and provide 'a starting point for negotiation', as stated in the first paragraph of Appendix 3.</p> <p>An amendment to the 5th paragraph on page 7 (set out above) will clarify that the transfer values are indicative.</p>

		Having the unduly low transfer values, and that Homes England grant cannot be used with S106 units, means that developers may have to lodge viability cases through planning to make schemes stack even though AH may still make up part of the scheme.	
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