

Affordable Housing

Supplementary Planning Document 2020

Development Plans



milton keynes council



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Introduction

The Government intends that everyone should have the opportunity of having a decent home. Local councils have a significant role to play in addressing housing requirements. Historically the main emphasis would have been through the provision of Council housing for rent and Milton Keynes Council (MKC) still provides a large amount of housing as a landlord. This is still critical in addressing a sector of housing need. However, whilst the Council is returning to the role of providing new Council housing, its main role is that of 'enabler' and 'regulator', assisting others in meeting the housing requirements of the community. The Housing Strategy 2012-2015 outlines how the Council will work corporately and in partnership with others where it can to meet this goal. The Council has recently consulted on a new housing strategy and it is expected to be approved and adopted in early 2020.

The planning system, through its influence on new development, plays a critical part in addressing the housing needs of the community. Local Planning Authorities have to take into account and plan for local community housing needs in aiming to achieve sustainable communities. This includes the provision of affordable and supported housing for which there is a requirement in Milton Keynes. This Supplementary Planning Document (SPD) has a role in making this process clear and transparent.

Since its designation as a New Town in 1967, Milton Keynes has grown rapidly with the Borough now having a population of over 248,000 people (2011 Census). The ONS mid-year population estimate for 2017 (published June 2018) estimated that the population of Milton Keynes was 267,521. Milton Keynes is a focus for growth, and Plan:MK (which replaces the Core Strategy) sets out an Objectively Assessed Need (OAN) for the plan period 2016-2031 of approximately 26,500 dwellings, which equates to approximately 1,766 dwellings per annum. The importance of affordable homes is reflected in Policies HN1, HN2, HN3, HN4 and HN 10 of Plan:MK.

This review of the Council's position on affordable housing and the tenures that it wishes to see delivered in new development is in response to the changes in national planning policy and in the funding and support offered to Registered Providers in the delivery of affordable housing. The Council believes that affordable housing should be provided that meets the range of needs that residents of Milton Keynes have and the rent levels they can afford. In line with revised national planning policy and guidance, there will be limited circumstances where viability testing at the planning application stage would be justified. The Whole Plan Viability Study 2017

underpinning affordable housing and planning obligations policies within Plan:MK was found to be robust by the Plan:MK Inspector, with policies governing the supply and type of housing to be sound.

The SPD has been informed by evidence contained in the Strategic Housing Market Assessment (SHMA, February 2017); Whole Plan Viability Study (November 2017); through previous rounds of consultation; and through discussions with MKC officers and elected Members.

Status of the document

Officers of the Council have prepared this SPD to support policies in the Milton Keynes Council Plan:MK and to supersede the Affordable Housing SPD adopted in 2013. This document will be considered a material consideration in the determination of planning applications submitted to the Council.

Consultation on the SPD

Milton Keynes Council consulted on two draft versions of the SPD between 19 March and 27 April 2018 and between 8 May and 3 July 2019. A variety of stakeholders were consulted during this period including Town and Parish Councils, Ward Members, Registered Providers of affordable housing, local organisations, and developers, house builders and landowners. The draft SPD was available on the Council's consultation portal and website and in Milton Keynes Council libraries.

Purpose of the SPD

The SPD will help to ensure that the Council meets Plan:MK policy objectives with regards to housing and to help meet housing need. In particular, it aims to assist the delivery of good quality affordable housing of the most suitable type, tenure and size through the planning process. It clarifies the roles that the Council, Landowners and Developers, Registered Providers and Town and Parish Councils will undertake in the provision of affordable housing. It aims to provide greater certainty and a consistency of approach to dealing with planning applications and their implementation.

The SPD also brings to developers/landowners attention that planning obligations will be required to accommodate affordable housing, including housing for specific groups. This requirement will ultimately need to be reflected in the land purchase.

The objectives of the SPD are to:

- a. Provide clear guidance on how the Council will interpret Plan:MK policies for affordable housing;
- b. Increase the efficiency of Section 106 negotiations and reduce the time taken to determine planning applications to ensure that housing delivery targets are met;
- c. Enable the delivery of affordable dwellings of a tenure, type and size that helps to meet housing need in Milton Keynes;
- d. Outline factors which may reduce the amount of affordable housing sought and the mechanisms that will be used to assess financial viability;
- e. Ensure that affordable housing is effectively integrated within development sites that are 'tenure blind' in terms of location and design to create mixed and balanced communities;
- f. Give an indication of when it may be appropriate to locate affordable housing on alternative sites or provide payments in lieu; and
- g. To provide more clarity on options for affordable housing delivery in rural areas.

Structure

The SPD is split into two main parts. A section that outlines planning policy guidance on housing as outlined in the National Planning Policy Framework and Plan:MK, and a section that provides more detailed guidance on how affordable or supported housing should be delivered.

Planning Policy Framework for Affordable Housing

National Planning Policy Framework

In March 2012, the Government replaced its suite of Planning Policy Statements and Guidance notes with a single National Planning Policy Framework (NPPF), covering a wide range of planning issues. The NPPF 2012 has since been reviewed, with a revised NPPF being published in February 2019, alongside updated national planning practice guidance. Affordable housing is discussed under 'Delivering a sufficient supply of homes' of the NPPF 2019, specifically paragraphs 61-64. Paragraph 71 also provides policy on entry-level exception sites for first-time buyers or renters that offer affordable homes. Paragraph 77 also provides policy on rural exception sites to meet local affordable housing needs. Part 2 Planning Guidance of this SPD considers this in the Milton Keynes context.

In relation to viability, Planning Practice Guidance 2019 states that:

"Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage.

Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force." (PPG, 10-007-20180724)

The Whole Plan Viability Study 2017 underpinning affordable housing and planning obligations policies within Plan:MK was found to be robust by the Plan:MK Inspector, with policies governing the supply and type of housing found to be sound by the Inspector in February 2019 (subject to agreed modifications). Plan:MK now provides up to date policies, and as such development proposals that broadly accord with the

typologies tested in the Council's Whole Plan Viability Study 2017 will be expected to provide 31% affordable housing alongside other planning obligations in line with the results of that study.

Plan:MK and Policy HN2 were prepared and examined under the National Planning Policy Framework (NPPF) 2012, as informed by the Council's evidence, notably the Strategic Housing Market Assessment 2017 and Whole Plan Viability Study 2017. Paragraph 213 of the NPPF 2019 states that policies should not be considered out-of-date simply because they were adopted or made prior to the NPPF 2019, with due weight given to them according to the degree of consistency with the NPPF 2019. There are some differences between the 2012 and 2019 versions of the NPPF which have a bearing on affordable housing and Policy HN2 of Plan:MK.

The most notable differences are within paragraphs 63 and 64 of the NPPF 2019, relating to thresholds for making provision for affordable housing, and an expectation that 10% of affordable housing provision is for affordable home ownership unless this would exceed the level of affordable housing required in the area or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.

With regard to the threshold, Policy HN2 is considered to be consistent with paragraph 63 of the NPPF 2019 in that it does not seek affordable housing on schemes which are not major development.

With regard to the clause *"significantly prejudice the ability to meet the identified affordable housing needs of specific groups"* within paragraph 64, the Council's evidence on affordable housing need over the period 2016-2031 was considered to be robust by the Plan:MK Inspector and has informed Policy HN2. This evidence is clear that Starter Homes would not meet the needs of those who require affordable housing within Milton Keynes as that product would be unaffordable. Since Starter Homes are, in essence, homes sold at 80% of the market value, it is reasonable to conclude that other "affordable home ownership" products (with the exception of Shared Ownership products at certain levels of equity tested in the Council's SHMA) where homes are sold at 80% of market value would also be unaffordable and would therefore not meet the identified needs for affordable housing in Milton Keynes. Until further evidence of their affordability within Milton Keynes has been prepared, these and other products falling within the affordable home ownership category of the national affordable housing definition, such as rent to buy, will also be considered to not meet the identified needs for affordable housing in Milton Keynes.

Therefore, when determining applications, the tenure split within Policy HN2 is considered to still carry considerable weight and should be the starting point when considering the provision of affordable housing on qualifying proposals alongside the revised NPPF 2019 which would be treated as a material consideration.

Plan:MK

Policies HN1 to HN4 and HN10 of the Milton Keynes Plan:MK set out the Council's approach to delivering affordable housing. The objectives of these policies are to:

- HN1: Set out the approach to housing mix, including the mix of affordable housing.
- HN2: Set out the proportion of affordable housing and tenure mix the Council will seek; MKC's approach to viability testing and off-site provision/payments in lieu; and build to rent policies.
- HN3: Set out requirements for supported and specialist housing to help contribute towards meeting the needs of older persons and households with specific needs.
- HN4: Set out how new homes (including a proportion of affordable units) will need to incorporate accessible and adaptable design features from the outset to help people remain independent in their own homes and enjoy a good quality of life, and to minimise overall costs to society.
- HN10: Set out when the Council's rural exceptions policy will apply, and ensure that any such schemes are rigorously assessed as to their suitability and legitimacy for meeting local housing needs.

Affordable Housing Target and Tenure Mix

Policy HN2 (Affordable Housing) of Plan:MK requires that proposals for 11 or more homes should provide 31% affordable housing. The policy states a tenure mix of affordable housing will consist of approximately:

20% of units under the Affordable Rent model (up to 80% of market rents) or Local Housing Allowance (whichever is lower);

5% of units at a level broadly equivalent to Social Rent; and

6% Shared Ownership (based on a range of 25% - 40% equity share).

Policy HN1 adopts a flexible approach to the mix of type and size of homes, with proposals to be considered on a case-by-case basis. Evidence and information on the housing need of different households will be kept under review to ensure decisions on housing mix within development proposals are suitably informed. HN1 adopts a flexible approach to ensure that appropriate densities can be arrived at on a case-by-case basis whilst supporting the wider ambition and objectives of the Council and taking into account the criteria set out in Policy HN1 and elsewhere in the plan. Related to policy HN1, HN2 sets out the Council's requirements for affordable housing and preferred tenure mix.

Strategic Objective 11 is the relevant objective that drives the Council's approach to affordable housing (as set out in policies HN1-HN4 and HN10):

"To facilitate the delivery of housing that meets the needs of all sections of the community through:

- *Providing sufficient developable land for new housing;*
- *Construction of viable levels of diverse housing including affordable, supported and specialist housing;*
- *Providing housing that supports the growth of the knowledge economy and a vibrant cultural offer, and;*
- *Taking account of the need for houses in multiple occupation."*

Chapter 7 and the Monitoring Framework (Appendix F) of Plan:MK set out that MKC shall adopt an Affordable Housing SPD in order to satisfy Plan:MK Strategic Objective 11 (delivery of affordable housing) in conjunction with Policies HN1-4.

The Council Plan 2016-2020 includes three key aims for Milton Keynes:

A City of Opportunity: Milton Keynes has limitless potential. We want every person to have the chance of a good, well paid job and the skills to do it in a more equal society; a prosperous Milton Keynes with a strong, diverse economy that has an international reputation for innovation. We are in the right place to succeed, taking advantage of our excellent links to the wider regional, national and international economies, building on our success in the service and professional industries and taking advantage of new opportunities in a knowledge-based, high skilled economy. We will support people to succeed, develop the skills they need to access well paid employment and have the opportunity to meet their potential.

An Affordable City: We want to create communities that can attract, retain and enable people from every background. Milton Keynes has been built on meeting the

aspirations of people to live in a good home at a price they can afford to rent or buy, and businesses being able to access high quality, affordable premises that meet their needs. We will promote more affordable good quality housing and create the space for business to thrive. We want to ensure citizens have access to high quality services, a well maintained built environment and green space, and a range of facilities and cultural offers that are the fabric of any modern, diverse and successful city.

A Healthy City: We will ensure lifelong wellbeing for all. We want Milton Keynes to be an active, vibrant place with people living long, healthy and fulfilling lives. We will support people and invest in services that promote prevention, choice and empowerment. We will reform public services to encourage aspiration, independence and resilience; ensure children and vulnerable people are protected from harm and neglect and work with partners to integrate services, improve outcomes and reduce health inequalities.

Growth and affordable housing is a key priority in the Council Plan: *“securing the future of Milton Keynes by continuing to support Plan:MK and supporting the aspiration that MK should grow to a population of 500,000 and beyond by 2050. Ensuring people have access to a home they can afford by supporting policies that enable more affordable homes to be built, building more council houses and securing funding to deliver more social housing...”*

Need for Affordable Housing in Milton Keynes

The definition of affordable housing is set out in the NPPF 2019. Affordable housing within Milton Keynes is housing that will enable the asking price or rent to be lower than the prevailing market prices or market rents in the Borough and set at a level so as to be accessible to households in housing need. It is provided to eligible households whose needs are not met by the market.

The relationship between incomes and housing costs and also what can be regarded as affordable housing is dynamic, and this has particularly been the case in the unstable economy of the last five years. Factors such as benefits levels, changes in interest rates and mortgage lenders' practices or fiscal incentives issued by Government can have an impact on affordability levels.

Therefore, on this basis, a definition of what is affordable in terms of cost to the customer that is expected to endure for the lifetime of a Local Plan is unlikely to be possible. A SHMA gives a snapshot at a particular moment, taking factors that define affordability into account.

The Milton Keynes Strategic Housing Market Assessment 2016-2031 Report of Findings (Opinion Research Services February 2017) makes a comprehensive assessment for the need for affordable housing. This is provided by tenure and bedroom size:

Table 3.1. Source: Figure 69 Milton Keynes SHMA 2016-2031 (ORS, February 2017)
Columns may not sum to 100 due to rounding

Affordable Housing Mix				
		Social Rent	Affordable Rent	Shared Ownership
Flat	1 bedroom	13.8%	2.7%	3.9%
	2+ bedrooms	8.6%	7.4%	9.1%
House	2 bedrooms	33.7%	27.9%	35.2%
	3 bedrooms	34.5%	44.2%	42%
	4+ bedrooms	9.4%	17.7%	9.7%
TOTAL		100%	100%	100%

Table 3.1 sets out the preferred mix of housing to be sought, although these percentages are not rigidly applied across all sites, rather being one of the factors used to inform the mix of housing on a particular scheme. Table 3.1 is based on the best available evidence from 2017, the size and tenure mix should be as indicated by MKC's most up to date housing needs analysis at the time of application. Officers and

Members shall take account of the above housing mix evidence to work in collaboration with applicants to bring forward schemes with a varied housing mix, tenures and unit sizes. Proposals located within CMK and larger sites should be capable of accommodating families and specialist housing needs within affordable tenures. This should include larger affordable homes of 3+ bedrooms. The amount of affordable housing to be delivered on qualifying sites is calculated from the total housing target.

MKC encourages alternative models for the delivery of affordable housing alongside market housing, in particular models that are community driven such as Community Land Trusts, co-housing and community groups pursuing self/custom-build schemes that will deliver affordable housing products that meet the definition of affordable housing.

Sites on which a contribution to Affordable Housing will be sought

Affordable Housing will be required on sites of 11 or more units. This threshold does not preclude developers from providing affordable housing on smaller sites. The Government encourages developers to consider such provision where they think it feasible and appropriate.

Build to Rent

Policy requires proposals that meet the MKC definition of Build to Rent to make provision for 31% affordable housing in the form of Discounted Market Rent, that being properties that are rented out at 80% of market rates or at the Local Housing Allowance rates, whichever is the lowest.

It was accepted by the Plan:MK Inspector in his final report, that there is insufficient evidence to properly understand the ability of Build to Rent proposals to provide 31% affordable housing, and therefore viability testing of such proposals at application stage would likely be necessary. He stated that

“The plan-wide viability study’s advice on the build-to-rent sector is that it cannot viably deliver affordable housing. However, I am cautious that a residual land value model may well struggle to capture the intricacies of a build-to-rent scheme, particularly given the very few examples in Milton Keynes. In my view a precautionary approach is required and exempting this sector [from Policy HN2] would not be justified.”

In line with Policy HN2 but reflecting the issues noted by the Plan:MK and the more recent advice contained in the national planning practice guidance on Build to Rent and viability, it is acknowledged that the circumstances of the Build to Rent model presents challenges in terms of the viability of providing affordable homes within such schemes. Where it can be demonstrated by applicants that it would be unviable to provide 31% of Build to Rent units at 80% of market rates or at Local Housing Allowance rates, the Council will expect applicants as part of their viability evidence to test and demonstrate the viability of alternative levels of provision in the following sequence:

1. 25% of units at 80% market rate/LHA rate
2. 20% of units at 80% market rate/LHA rate

To be considered a 'Build to Rent' scheme proposals must meet the following definition:

- a development, or block/ phase within a development, of at least 30 units;
- the homes to be held as Build to Rent under a covenant for at least 10 years;
- all units to be self-contained and let separately;
- unified ownership and unified management of the development;
- professional and on-site management;
- longer tenancies offered (ideally three years or more) with defined in-tenancy rent reviews; and
- property manager to be part of an accredited Ombudsman Scheme and a member of a recognised professional body.

New homes within Build to Rent schemes will be secured as Build to Rent for a minimum period through a covenant in a Section 106 agreement. During this period the homes are retained in single ownership; individual homes cannot be sold and overall ownership of the scheme can only change if the scheme stays as Build to Rent. Section 106 agreements will also include a 'clawback' mechanism in the event of units being sold out of the Build to Rent sector during the covenant. Section 106 agreements will be set on a case-by-case basis and will clearly set out how the clawback will operate, including details of how it will be calculated.

Balancing Affordable Housing with other Section 106 obligations

As part of a residential development, the provision of affordable housing should be balanced with the need to deliver other services and infrastructure through planning obligations. These developer contributions will be sought by the Council on a case-by-case basis depending on the need. This process is set out in the Planning Obligations SPD.

Factors which may allow a reduction in the proportion of Affordable Housing sought

In line with national planning practice guidance, Plan:MK provides up-to-date policies on the contributions expected from development. Therefore, proposals which comply with Plan:MK will be assumed to be viable. The Whole Plan Viability Study 2017, which underpins affordable housing and planning obligations policies within Plan:MK, was found to be robust by the Plan:MK Inspector, with policies governing the supply and type of housing to be sound (subject to agreed modifications). As such, development proposals that broadly accord with the typologies tested in the Council's Whole Plan Viability Study 2017 will be expected to provide 31% affordable housing alongside other planning obligations in line with the results of that study.

The Council is mindful of the Government's aim of increasing housing supply and the targets set in Plan:MK. It has a positive approach to new development and the potential benefits that it can bring. The Council is aware that on some sites, particularly brownfield sites in regeneration areas such as Wolverton and Bletchley, that financial viability may be an issue. In addition, on some sites there may be other higher priority objectives that provide wider benefits to Milton Keynes which may mean a reduction in the amount of Section 106 obligations that the development can sustain. The Council, consistent with Policy HN1 and HN2, accepts that the proportion and/or tenure mix of affordable housing that it will seek on individual sites may vary in relation to site and market conditions.

The Council accepts that a pragmatic stance will need to be taken where circumstances of a given proposal markedly differ to the typologies and assumptions set out within the Council's Whole Plan Viability Study (such as abnormal costs, perhaps related to previously unidentified contamination or allowing for the conservation and/or enhancement of historic assets on a development site). This is to ensure that the delivery of affordable housing as part of wider residential development is viable and achievable.

However, it is the role of the developer, not decision makers, to mitigate risks to viability. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price of land be relevant justification for failing to accord with relevant policies in the plan. For example, in the case of brownfield sites it is expected that the need for decontamination or site clearance should be adequately reflected in the price offered for the site, rather than such costs affecting the provision of affordable housing or other planning obligations. In line with national planning practice guidance, where a viability assessment is submitted, it should refer back to the Whole Plan Viability Study 2017, evidencing how site circumstances markedly differ to the typologies and assumptions used therein and what has changed since the study was produced.

Where the developer is proposing that costs associated with the level of affordable housing sought by the Council will make a development unviable, an 'open book' approach verified by a Council-appointed appropriately qualified chartered Quantity Surveyor or Valuer will be sought. This will be used to determine the extent to which affordable housing can be provided as a result of development of the site. The information provided by the developer will be transparent and made publicly available. In some instances elements of the appraisal may remain confidential (in exceptional circumstances), to protect the developer's commercially sensitive information. However, developers must reflect the requirements of the Local Plan and this SPD of the need to provide affordable housing in the purchase price for the site. Officers of the Council will be willing to advise developers on likely affordable housing and wider planning obligation requirements prior to site purchase.

In such circumstances, and where the level of affordable housing provisions is considered to adversely affect viability, the Council will firstly test alternative tenure mixes. If viability is still adversely affected with a change from the preferred usual tenure mix, then the Council will work with the developer to assess the extent of other site specific planning obligations; the proportion of affordable housing; and in exceptional circumstances off-site provision or financial contributions of equivalent value may be accepted.

The economic and financial model for Build to Rent schemes differs to the Residential Land Value model which underpins traditional build for sale development schemes, where the developer's capital is only tied up for a relatively short period of time before housing is sold. In contrast, the investor's capital is locked in the residential property over much longer timescales within Build to Rent schemes. This and other difference between the two models creates difficulties for Build to Rent

developers to compete in the land market and secure land at values that enable the Build to Rent model of housing to be viable. Criteria D of Policy HN2 includes a viability release valve which would allow Build to Rent developers opportunity to justify a lower provision of affordable housing based upon a viability assessment. The Council will follow the pragmatic approach set out above to the provision of affordable housing within Build to Rent schemes where viability would demonstrably render the proposed scheme undeliverable.

Location of Affordable Housing negotiated

In order to promote more mixed and balanced communities, the affordable housing should be provided on the proposed development site. The affordable housing should be 'pepper potted' throughout the site to avoid creating large affordable housing 'clusters' (which should generally not exceed 12 affordable dwellings). Smaller groups of affordable housing pepper-potted across large residential sites will be acceptable. There may be circumstances, such as in proposals for flats, where a slightly larger cluster in excess of 12 units is, on balance, acceptable in order to achieve a more feasible and efficient layout for Registered Providers which does not compromise the objective of creating mixed, sustainable and inclusive communities. Proposals for more than 50% of affordable housing in any one development would only be supported provided that they would maintain (or help create) a mix of housing tenures and therefore a mixed and sustainable community within the wider neighbourhood the proposal is situated in.

Flatted developments should encourage, by their design and facilities, interaction between residents and the community around them, to encourage community cohesion, e.g. shared facilities, open space, active ground floor uses (e.g. convenience retail/cafés etc.)

Within flatted developments there may be circumstances where a concentration of affordable housing of the same tenure type should be considered e.g. whole floors or wings with appropriate card key access. Applicants should consider possible management arrangements and liability for service charge for affordable homes. The costs of service charges should be made clear, including what the charges shall pay for within the development. However, it is expected that blocks of flats should generally be designed to be no greater than three-storey if a lift is not being provided. In addition, blocks should be designed in such a way that no more than 12 affordable dwellings will be in one block. Examples of exceptions could be in areas

where the density of development is significantly higher than average, such as in Central Milton Keynes, or some supported schemes such as sheltered housing.

There may be exceptional situations where the type of development proposed is such that it is not considered appropriate to make on-site provision. Examples of this might be the conversion of a Listed Building, sites where there could be a high service charge, or within an older people's scheme where a need has been identified for family housing.

In such cases, the Council will seek contributions to off-site provision, equivalent to the cost of providing on-site provision. In all cases, the Council will need to be satisfied that an alternative layout or design cannot be accommodated on-site to overcome the reason that off-site provision is sought.

Provision of Affordable Housing on an identified alternative site

There may be exceptional cases where the provision of affordable housing on an identified alternative site is the preferred solution for both the Council and the developer. If this were the case, the Council's preference would be for the affordable housing to be located on a nearby site.

There may be cases where the alternative site proposed is also over the threshold on which the affordable housing requirement will be sought. In these scenarios, the developer will be expected to contribute to the affordable housing that would have been sought had this alternative site also been subject to housing development in addition to the affordable housing transferred from the other site. In these scenarios, the amount of affordable housing required from the two sites combined will be the amount that would be required if they were developed as one site. The funding mechanisms are expected to be the same as those for on-site provision.

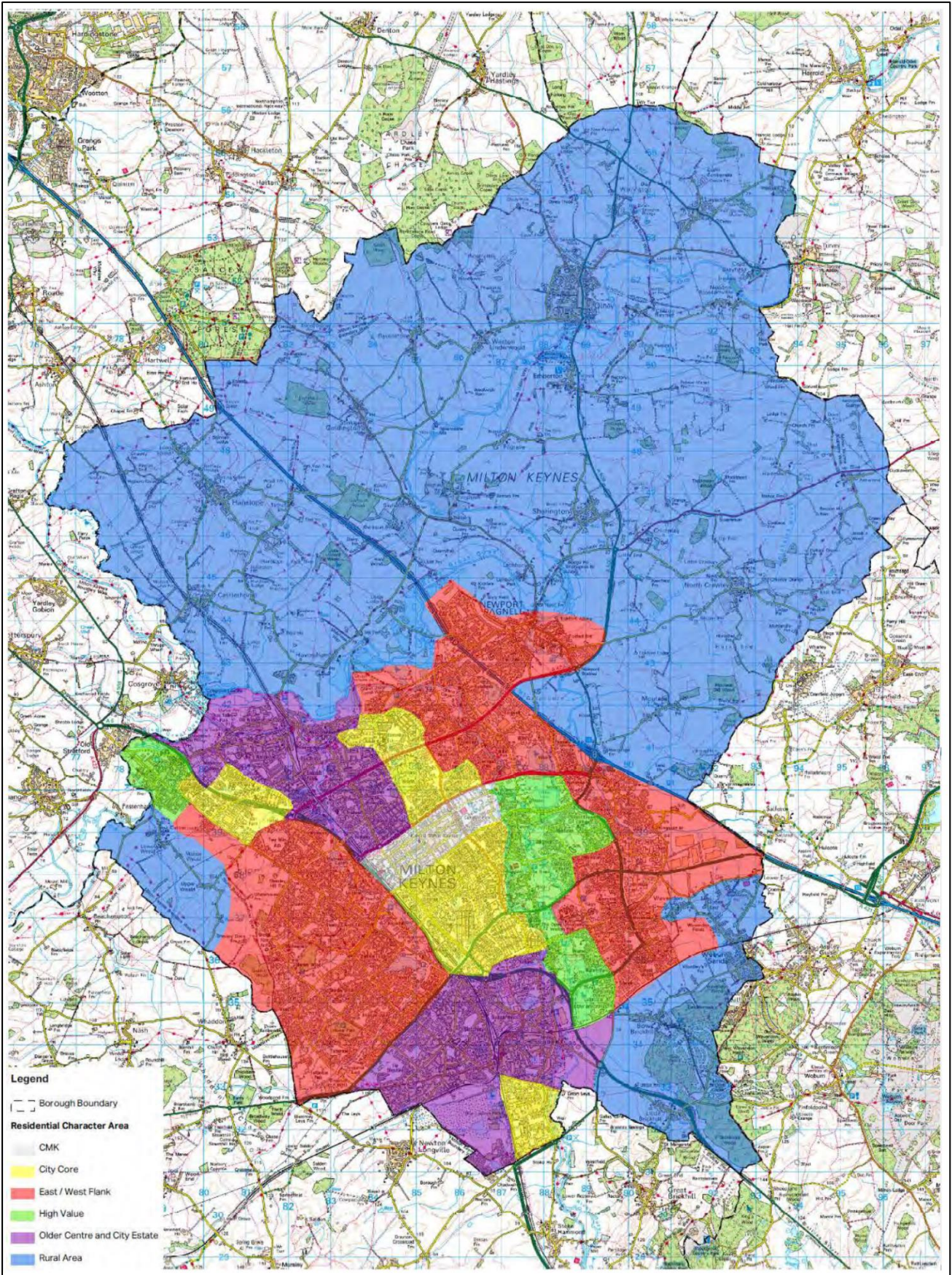
Payments in lieu of on-site provision

Paragraph 62 of the NPPF 2019 states that where it has been identified that affordable housing is needed a Council should set policies for meeting this need on site, unless off-site provision or an appropriate in lieu financial contribution can be robustly justified. It is the Council's preferred approach, as set out in Policy HN2 of Plan:MK, that affordable housing is provided on site however it is accepted that in exceptional circumstances, it may be appropriate for the Council to accept financial

contributions in lieu of the provision of on-site affordable units in order to deliver affordable housing elsewhere in the borough.

The level of such payments were considered in the Whole Plan Viability Study 2017 where the following amounts payable for each affordable home not provided on site were assessed. These figures are a snapshot in time based on the best available evidence from 2017. In the exceptional circumstances where the Council agrees to accept a financial payment in lieu of on-site provision the below rates will be payable. The payment amounts shall be kept under review throughout the plan period in line with CPI Indexation (using April 2019 as the base date).

1. Rural/High-Value/Flanks	£125,000
2. Central Milton Keynes	£120,000
3. City Core/Older Centres & City Estates	£85,000



Picture 1

Design of Affordable Housing

Developers are expected to reflect the Council's other design policy and guidance in any residential proposals, including the Residential Design Guide. The design and materials used, and amenity provided within any affordable housing scheme on a site should be characteristic of the rest of the development in which it is included. This will help in creating developments that are 'tenure blind'. The accessibility and space standards for affordable dwellings are set out Plan:MK. The environmental quality that dwellings are expected to meet is also set out in Plan:MK as well as within the Milton Keynes Sustainable Construction Guide SPD.

The Council's Approach

In order to ensure that the process of providing affordable housing as part of the planning process is concluded as efficiently and effectively as possible, the Council recommends that early consultation prior to an application being submitted is undertaken. The Council's Officers will undertake the following procedures as part of the pre-application process.

The developer or landowner will meet with Planning, the Housing Enabling Team and (where necessary) Planning Obligations Officers to discuss initial proposals. The Council will clarify its expectations in relation to the development meeting affordable housing requirements. Officers will initially advise the amount, tenure mix, size and location of affordable housing to be provided on-site based upon Plan:MK and the Council's evidence at that time and other material considerations that influence such matters. The Council will encourage developers or landowners to meet with Parish and Town Councils prior to submitting any applications to listen to their views on the provision of affordable housing within the scheme and to share draft proposals with them.

In the case of strategic scale development, this will be done at the masterplan stage for the main development areas. Where appropriate, sources of funding for affordable housing will be identified, Registered Providers identified and other planning obligations sought confirmed. Alternatively, in exceptional appropriate circumstances, the principle of off-site provision, or a payment in lieu will be confirmed. Applicants should provide an indication of phasing and build out rates within their draft proposals.

This will lead to the submission of a planning application which meets:

- The considerations of Plan:MK Policies HN1-HN4 and HN10 and other relevant policies in Plan:MK and other documents that constitute the statutory Development Plan (as of 2019 this consists of Plan:MK; the Site Allocations Plan 2018; the Minerals Local Plan 2017; the Waste Development Plan Document 2008; and any 'made' Neighbourhood Plans).
- A draft Section 106 agreement, with an affordable housing scheme, including; a management schedule, a description of the affordable housing units provided, how they meet needs identified in the SHMA, how they will be managed and allocated, levels of service charges anticipated and how the dwellings will be pepper potted across the site.

Planning permission, if granted, will be subject to the completion of the Section 106 agreement and planning conditions.

The developer will then implement the permission, subject to terms of the Section 106 agreement and planning conditions.

The Planning Officers will then inspect for compliance with planning conditions and ensure that the affordable housing element meets the requirements of the Section 106 Agreement.

Content of Section 106 Agreements

Planning obligations will be used when granting planning permission where affordable housing is sought to ensure that it is provided as approved and occupied as intended.

Section 106 agreements may include:

- a. Mix of affordable housing types and sizes.
- b. Location or distribution of affordable housing within the development site.
- c. Occupancy criteria for the proposal where a partner Registered Provider is not involved.
- d. Timing of construction and the occupation of the land or affordable element in relation to the development of the whole site.
- e. The timing and conditions for the transfer of the land or affordable housing to a Registered Provider. Arrangements regarding the future affordability, management and ownership of the affordable housing, particularly if a Registered Provider is not involved. On non-rural exception sites a 'mortgagee

in possession' clause may be used. The Council will normally require 100% nomination rights on initial lettings and 75% on subsequent lettings in relation to affordable units provided.

- f. Alternative scenarios for the provision of affordable housing should the developer not be able to conclude the initial preferred solution concluding with a financial payment from the developer in lieu of affordable housing on site.
- g. That the full schedule of affordable housing locations and tenure types to be agreed with the Council prior to the commencement of development.
- h. Measures to ensure that payments to the Council by developers are spent on affordable housing within a certain time period, or when certain conditions are met and if not, are paid back.
- i. If agreed the timing of any payments in lieu of off-site provision.

Rural Housing Needs

Policy HN10 outlines the criteria in which planning permission for new housing on “rural exception” sites may be granted. These are small-scale developments on sites of up to 1 hectare or 10 dwellings. This allows for the potential development of affordable housing meeting local needs outside the development limits of rural settlements as an exception to normal planning policies. Approval for these sites will only be granted where there is a demonstrable need for affordable housing that cannot be met from the development of planned sites in the locality.

The National Planning Policy Framework 2019 (paragraph 77 states that '*Local planning authorities should support opportunities to bring forward rural exception sites that will provide affordable housing to meet identified local needs, and consider whether allowing some market housing on these sites would help to facilitate this.*' The Council will take a flexible approach to such proposals where the inclusion of some market housing helps to deliver the aims of this SPD and Local Plan Policy HN10.

The SHMA recognises that there is a need for additional affordable residential units at the Borough-wide level. It does not however, disaggregate this requirement at a settlement level. Therefore where an exception site is being proposed, an up-to-date Housing Needs Study for the settlement (and where appropriate adjoining settlements') requirements will be sought. This should be no more than one year old at the time of submission of a planning application for the development. The Study

will be used not only to justify the necessity for the release of the site, but also to ensure that the housing proposed meets identified needs. In the majority of cases it is expected that the needs assessment will be initiated through and supported by the local community. This may be something that Parish Council's address in a Neighbourhood Plan for their area.

The exceptions sites will be required for local housing need, therefore the Council will expect occupancy controls that reflect priority to be given to locals in perpetuity or where this is not possible a recycling of the receipts to pay for a replacement affordable unit. This will include those that are within the settlement, those that have strong ties to the settlement, either through former occupation, or existing or former family bonds, or where appropriate the same criteria in adjoining settlements. Only in circumstances where households that meet these criteria cannot be found, should alternative occupiers be offered the property.

In deciding on the appropriateness of the proposal, the relationship of the proposed site to the existing settlement will also be taken into account. The site should be well related to the existing settlement. The preference would be for the exceptions sites to be located in close proximity to amenities and facilities required to facilitate more sustainable lifestyles, e.g. shops, schools and public transport routes.

Appendix A Glossary

Affordable Housing - housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

a) Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

b) Starter homes: is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

c) Discounted market sales housing: is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

d) Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for

alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

Affordable Housing Programme – The Homes and Communities Agency’s funding mechanism approved by Government for bids by Registered Providers to finance affordable housing that reflects priority themes. The current programme runs from 2011-2015.

Affordable Housing Provider - Registered Provider within the meaning of the Housing and Regeneration Act 2008 and registered with the Homes and Communities Agency pursuant to that Act, or such other body eligible to receive grant monies from the Homes and Communities Agency and/or capable of owning or managing Affordable Housing Units, or is otherwise approved by the Council. References to Registered Providers throughout this SPD should be taken to include all Affordable Housing Providers.

Build to Rent/Private Rented Schemes - be considered a ‘Build to Rent’ scheme within Plan:MK proposals must meet the following definition:

- a development, or block/ phase within a development, of at least 30 units;
- the homes to be held as Build to Rent under a covenant for at least 10 years;
- all units to be self-contained and let separately;
- unified ownership and unified management of the development;
- professional and on-site management;
- longer tenancies offered (ideally three years or more) with defined in-tenancy rent reviews; and
- property manager to be part of an accredited Ombudsman Scheme and a member of a recognised professional body.

Homes England – the registration, regulatory and main funding body for Registered Providers (RPs) in receipt of Affordable Housing Programme grant funding.

Local Plan - the statutory planning document which this Supplementary Planning Document supports. For Milton Keynes, Ttis is Plan:MK which was adopted on 20 Mach 2019.

Mortgagee in Possession Clause - where a local authority seeks to secure occupancy controls, lenders of private finance often require the Registered Provider to negotiate for the inclusion of clauses in planning obligations. These enable the lender to dispose of the property on the open market, as a last resort, if the Registered Provider is in financial difficulties, subject to a cooling off period, usually maximum of

three months to enable the Council or a Registered Provider to keep the property as affordable housing.

NPPF - National Planning Policy Framework 2019. It should be noted that Plan:MK, which this SPD hangs off, was prepared and examined under the National Planning Policy Framework 2012. As such there are some slight differences between Plan:MK and this SPD when referring to sections of national policy and the actual wording between the 2012 and 2019 versions of the NPPF.

Newbuild Homebuy/Shared Ownership – a leasehold form of tenure introduced to help households on the margins of home ownership to get a foot on the market housing ladder. It enables the occupant to part-rent and part-purchase a dwelling unit from a Registered Provider, with an option to increase the part-purchase element through 'staircasing' up to outright ownership.

Pepper-potting - the dispersal of affordable housing units within residential developments to promote mixed communities and minimise social exclusion.

Plan:MK – The statutory Local Plan for Milton Keynes covering the period 2016-2031

Registered Provider (RP) - a landlord registered under the Housing and Regeneration Act regulated by Homes England, usually set up to provide affordable housing for people in need on a not-for-profit basis. References to Registered Providers throughout this SPD should be taken to include all Affordable Housing Providers.

Section 106 Agreement - a legal contract under Section 106 of the Town and Country Planning Act 1990 between the local authority and named parties stating the terms of planning obligations imposed by the local planning authority in relation to a planning application. Planning permission is not granted until the Section 106 Agreement has been completed.

Social Rented Housing – provided by local authorities, Registered Providers at a rent that is usually heavily subsidised and therefore significantly below market levels.

Supported Housing – Housing for those with special needs, such as young single people, students, older people (especially frail older people), disabled (including people with learning difficulties or mental health problems), homeless, rough sleepers, those recovering from addictive illness and women at risk, including those with children. Usually provided by a Registered Provider, local authority or bona fide group, charity or organisation.

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