

**REPORT TO:** Cabinet 3 February 2021

**LEAD CABINET MEMBER:** Lead Member for Housing – Councillor Hazel Smith

**LEAD OFFICER:** Head of Housing – Peter Campbell

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## **Greater Cambridge Housing Strategy Annexes**

### **Executive Summary**

1. The Greater Cambridge Housing Strategy action plan proposed some annexes to housing strategy in areas where policies did not exist or needed updating. With no up to date Housing Supplementary Planning Document, a need was identified for policy frameworks to cover: the relatively new 'Build to Rent' tenure introduced through the National Planning Policy Framework (NPPF); and how affordable housing should be distributed across sites in the context of higher density developments. Both of these policies will help to inform the emerging Greater Cambridge Local Plan.
2. The setting of Affordable Rents was also added to the list following recent increases to Local Housing Allowance Rates.
3. In developing these policies, a Member workshop and an officer workshop have been held, alongside additional consultation with key members of staff across the Council.

### **Key Decision**

4. Yes - as it is significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions in the area of the relevant local authority.

The key decision was first published in the December 2020 Forward Plan.

## **Recommendations**

5. It is recommended that Cabinet approves the draft policies relating to Build to Rent, Clustering and Distribution of Affordable Housing and Affordable Rents as an annexe to the Greater Cambridge Housing Strategy.
6. Following approval, this will then go out to wider public consultation and Cabinet are asked to give delegated authority to the Lead Member for Housing to approve the final policies subject to minor amendments, if any, arising from the consultation.

## **Reasons for Recommendations**

7. The inclusion of the Build to Rent and Clustering policies as part of the Greater Cambridge Housing Strategy will ensure that the Council can provide policy direction in terms of applications coming forward for Build to Rent schemes and the clustering and distribution of affordable housing. Whilst these policies will not carry the same weight as policies within the Local Plan, they will be a material consideration in determining planning applications and will help to inform the joint Local Plan currently in development.
8. The policy regarding the setting of Affordable Rents will set out the expectations of the Councils in terms of its priorities for homes to be truly affordable. Whilst the Council cannot make this a requirement, the policy draws on the existing partnership approach with Registered Housing Providers to provide clear guidance which they should have regard to when determining their Affordable Rents.

## **Details – Summary of draft policies**

### **Build to Rent**

9. Build to Rent is a relatively new model of housing delivery which provides purpose built homes entirely for rent, which are professionally managed and offer tenancies of three years or more. An element of affordable housing is expected to be provided as 'affordable private rent'.

10. The draft policy follows some research recently commissioned between the two Councils and takes into account requirements in the NPPF and government Build to Rent guidance.
11. It covers issues such as: housing mix; quality of homes and management; approach to provision of affordable housing; eligibility and rent setting in relation to the affordable homes; minimum covenant lengths for maintaining a scheme as Build to Rent; financial clawback requirements if homes are decommissioned in future; etc
12. The national guidance requires councils to take a 'positive approach' to Build to Rent, so the policy tries to steer a path between not being too prescriptive but also trying to minimise risk of some of the potential negative impacts– particularly in relation to place shaping.

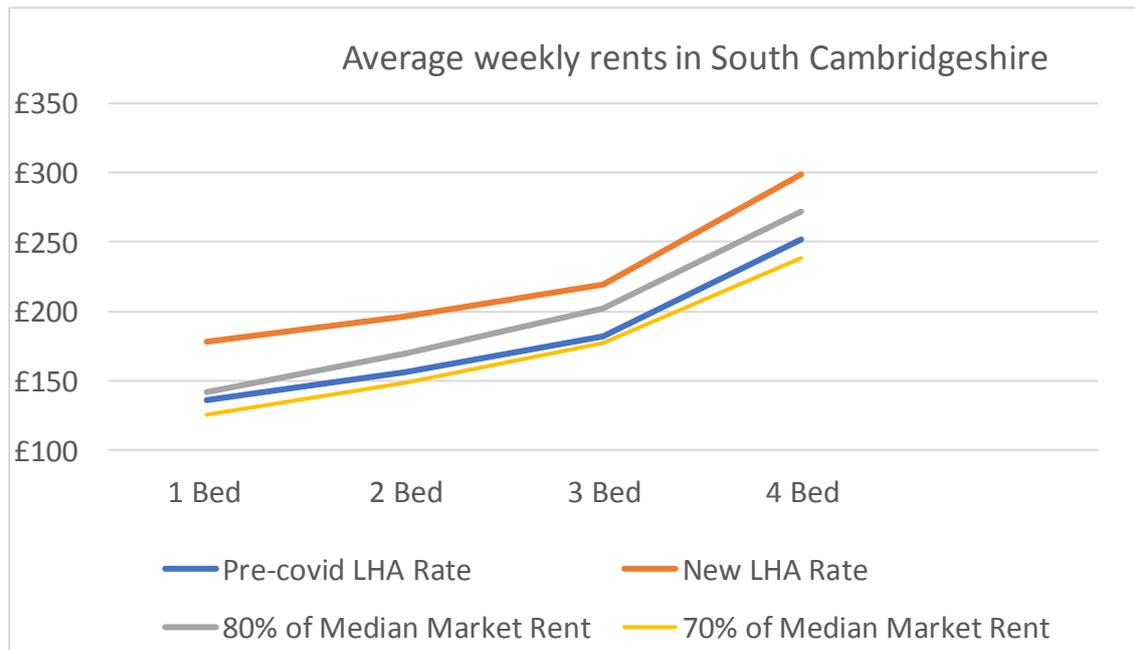
### **Clustering and distribution of affordable housing**

13. The current policy in the Councils' Affordable Housing Supplementary Planning Documents was set in the context of the previous Local Plans. It requires affordable housing to be well-distributed throughout sites, and lays down some maximum 'cluster' sizes aimed at providing mixed, balanced and sustainable communities.
14. Much of the existing policy approach to cluster sizes and to distributing affordable housing throughout schemes still seems to be accepted as good practice nationally, and the draft policy suggests a continuation of this approach. However, as we see larger, higher density developments coming forward, or for schemes providing 100% affordable housing, the policy did not support this. The draft policy adds some new maximum cluster sizes for larger schemes and also allows for some exceptions where these are clearly not achievable.

## Setting of Affordable Rents

15. Government policy states that an Affordable Rent is at least 20% below local market rents (including service charges where applicable). The current approach in the Greater Cambridge Housing Strategy is to ask Registered Providers to cap Affordable Rents for social housing at Local Housing Allowance (LHA) rates, to keep them affordable to people on low incomes.
16. LHA rates were increased significantly in April 2020, meaning that setting Affordable Rents at those levels could now seriously impact on affordability for people in high levels of need on the housing register. Since the increase, we have seen Affordable Rents increase by £200 per month in some cases. Whilst the Local Housing Allowance would still cover these rents for those on full housing benefit, some larger households on Universal Credit will be hit by the benefit cap which will mean that the gap between benefit and rent will increase. Also higher rents charged will impact on those on lower incomes who may be forced into claiming benefits where previously they were just managing or for those currently reliant on full or partial housing benefit, making them less likely to be able to break the benefit cycle.
17. The proposal is to ask for Affordable Rents to be set at a percentage of current local market rent (60% for City and 70% for South Cambs, based on affordability analysis). This would bring it more in line with the previous pre-covid LHA Rate. There is also the option to continue to base Affordable Rents on the pre-covid LHA Rate (plus an annual inflationary increase) where Registered Housing Providers consider undertaking a Royal Institute of Chartered Surveyors (RICS) valuation prohibitive due to costs or too onerous. Either option will ensure that Affordable Rents remain at appropriate levels, whilst having regard to viability of schemes.
18. As an example, the graph below shows that the new post-covid LHA Rate is higher than 80% of an average market rent in South Cambridgeshire (based on February 2020 rental data). Therefore it would not be possible to set an Affordable Rent at the post-covid LHA Rate level under the Affordable Rent

definition where this would be higher than 80% of a market rent. It is also considered that because of the high rents in the area that an Affordable Rent set at the maximum of 80% of a market rent would be unaffordable for many households in housing need. The proposals for 70% of a market rent to be applied will be much more aligned to the pre-covid LHA rate but will vary depending on the location and valuation of the property at the time of setting a rent.



19. The language in the policy leans towards the Councils’ ‘preference’ rather than ‘requirement’ in this area, as rent levels are not something we have any real powers to control; but we need to set guidance as to our preferred approach.

### Progress to date and timescales

20. A project team, made up of both Housing and Planning officers, is managing the project.

Key Dates	Action
14/12/2020	SCDC – Informal Cabinet
15/12/2020	City – Labour Group meeting
3/2/2021	SCDC – Cabinet
8/2/2021	Public consultation – to be completed before City’s pre-election period starts (29/03/2021)
June/July 2021	Approval to adopt

## **Options**

21. To approve the draft policies relating to Build to Rent, Clustering and Distribution of Affordable Housing and Affordable Rents to go out to public consultation. To delegate authority to the Lead Cabinet Member for Housing to approve the final policies as annexes to the Greater Cambridge Housing Strategy, subject to minor changes arising from the consultation.
  
22. To reject the draft policies relating to Build to Rent, Clustering and Distribution of Affordable Housing and Affordable Rents will leave the Council with little policy direction on these topics.

## **Implications**

23. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:-

### **Financial**

24. There are no additional financial consequences for adopting these policies. The setting of Affordable Rents has taken into consideration the Councils' own viability in terms of their new build programmes.

### **Legal**

25. The National Planning Policy framework and guidance has been taken into consideration in the development of the Build to Rent Policy. The government Policy Statement for Rent for Social Housing has also been taken into account in terms of the Affordable Rents Policy.

### **Staffing**

26. No additional staffing requirements identified to implement these policies.

## **Equality and Diversity**

27. An equality impact assessment for each policy has been undertaken and are available as background papers upon request. There were no adverse impacts on any protected groups, identifying only positive outcomes for tenants who may also be identified within the protected groups. A review of the assessment will be undertaken following responses to the consultation.

## **Climate Change**

28. Within the Affordable Rents Policy, there is an acknowledgement that where the design and quality of homes is above the national or local standards required to help achieve the Councils' objectives in relation to zero carbon homes, consideration will be given for Affordable Rents to be charged at up to 80% of a market rent. Registered Housing Providers will need to demonstrate that the overall affordability of the home, in terms of fuel costs, etc. will be sufficiently reduced so that it is cost neutral to tenants.

29. The Build to Rent policy also makes reference to the quality of schemes and that they should meet the Councils' Sustainable Design and Construction Supplementary Planning Document.

## **Consultation responses**

30. The draft policies have been developed in consultation with key officers across the Councils and following a Member workshop. If the draft policies are approved, these will then go out to wider public consultation.

## **Alignment with Council Priority Areas**

### **Growing local businesses and economies**

31. Having a balanced but positive approach to the delivery of Build to Rent schemes will support the economic growth of the area in terms of an alternative provision for housing.

## **Housing that is truly affordable for everyone to live in**

32. The Affordable Rents Policy seeks to ensure rents are kept at a reasonable level based on the local market context.

33. The Clustering and Distribution of Affordable Housing Policy will help to promote health & well-being and tackle inequality through the creation of mixed, balanced, and inclusive communities.

## **Being green to our core**

34. The Affordable Rents Policy supports the Councils' ambitions in terms of being zero carbon and makes allowances in terms of build costs and rents charged.

35. The Build to Rent Policy states that schemes must meet the Councils' Sustainable Design & Construction SPD. It also looks to creating links between housing and local employment, helping to reduce reliance on private car journeys and promoting active travel, including through walking and cycling.

## **Background Papers**

National Planning Policy Framework

National Build to Rent Guidance

Savills Report – Build to Rent

Arc4 Report – Build to Rent

Policy Statement for Rent for Social Housing (published February 2019)

Equality Impact Assessments

## **Appendices**

Appendix 1: Greater Cambridge Housing Strategy Annexes – draft policies.

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