

Central Lincolnshire Policy S22 Affordable Housing Evidence Report

Formerly Policy S21

March 2022



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1. Introduction

- 1.1. The Central Lincolnshire Local Plan is being updated since the first Local Plan for Central Lincolnshire, an area covering the districts of City of Lincoln, North Kesteven and West Lindsey, was adopted in April 2017.
- 1.2. This Evidence Report (which is one of a collection) provides background information and justification for Policy S21, which relates to the delivery of affordable housing.

2. Policy Context

National Policy and Guidance

- 2.1. Since the Central Lincolnshire Plan was adopted the National Planning Policy Framework (NPPF) was updated in July 2018 with subsequent additional changes being published in February 2019 and a further update in July 2021.

- 2.2. Paragraph 7 of the NPPF explains that:

“The purpose of the planning system is to contribute to the achievement of sustainable development. At a very high level, the objective of sustainable development can be summarised as meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

- 2.3. Paragraph 8 goes on to state that:

“Achieving sustainable development means that the planning system has three overarching objectives, which are interdependent and need to be pursued in mutually supportive ways (so that opportunities can be taken to secure net gains across each of the different objectives):

*... b) a **social objective** – to support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations; and by fostering a well-designed and safe built environment, with accessible services and open spaces that reflect current and future needs and support communities’ health, social and cultural well-being; and...”*

- 2.4. Section 5 of the NPPF relates to Delivering a sufficient supply of homes. Specifically relevant to this policy are:

Paragraph 62, which states

“...the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes).”

Paragraph 63 goes on to state:

“Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:

a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and

b) the agreed approach contributes to the objective of creating mixed and balanced communities.”

Paragraphs 64 and 65 provide additional detail regarding the provision of affordable housing, including when homes should be provided and the proportion of provision. Specifically, it says that affordable housing should not be sought from residential developments that are not major (i.e. up to 10 dwellings) and that 10% of that being sought should be available for affordable home ownership.

2.5. Annex 2 provides a definition of 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.”*

- 2.6. The Planning Practice Guidance (PPG) was first introduced in 2014 which offers 'live' government guidance. The PPG provides guidance to help in the implementation of policy in the NPPF.
- 2.7. The PPG contains a section titled 'Housing needs of different groups'. Within this, paragraphs 005 to 008 (ref 67-005-20190722 to 67-008-20190722) relate to Affordable Housing and how to calculate need.
- 2.8. Whilst Starter Homes are defined in Annexe 2 of the NPPF, this type of affordable housing has been effectively superseded by the introduction of First Homes. The First Homes Policy also explicitly replaces entry level exception sites currently set out in para 71 of the NPPF.
- 2.9. The First Homes guidance was published as part of the PPG in May 2021, setting out the requirement for the provision of first homes and how this can be addressed through the Local Planning process. The guidance specifically states:

"Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required. Subject to the transitional arrangements set out in Paragraph: 018 (Ref: 70-018-20210524), this should include policies for First Homes.

Policies for First Homes should reflect the requirement that a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes." (Paragraph 013 Ref 70-013-20210524)

- 2.10. This section provides detailed guidance for the expectations of and options for local plans in relation to First Homes. This guidance defines First Homes as:

"First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

a) must be discounted by a minimum of 30% against the market value;

b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);

c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,

d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).

First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations." (Paragraph 001 Reference ID: 70-001-20210524)

- 2.11. It also provides a set of First Homes criteria which are the minimum requirements that must be met in order to qualify as a First Home. These are that:

“a) a First Home must be discounted by a minimum of 30% against the market value;

b) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London); and,

c) the home is sold to a person who meets the First Homes eligibility criteria, as set out in first 2 paragraphs under First Homes eligibility criteria.

In addition, to qualify as a First Home, there should be a section 106 agreement securing the necessary restrictions on the use and sale of the property, and a legal restriction on the title of the property to ensure that these restrictions are applied to the property at each future sale, as described in What is the legal mechanism to ensure that the discount is passed on to all future purchasers?. The price cap of £250,000 (or £420,000 in Greater London), however, applies only to the first sale and not to any subsequent sales of any given First Home.

Homes meeting the above minimum criteria can be sold as First Homes and should be considered to meet the definition of ‘affordable housing’ for planning purposes. A developer should be able to show that the homes they intend to sell as First Homes will meet the above criteria.” (Paragraph: 002 Reference ID: 70-002-20210524)

- 2.12. The PPG provides additional guidance including in relation to eligibility for First Homes including the ability for local authorities to set their own local criteria (paragraphs 007-009), to amend the price cap and percentage discount being applied (paragraphs 004 and 005) disapplying First Homes criteria (paragraphs 010 and 011), and how this should be dealt with in plans including through developer contributions and addressing the remaining 75% of affordable housing (paragraphs 012-016).
- 2.13. Importantly paragraph 005 details that local authorities can reduce the £250,000 cap if a need for this can be demonstrated and that any local price caps should be determined through the plan-making process and with regard to local income levels, related to house prices and mortgage requirements. (Paragraph: 005 Reference ID: 70-005-20210524).

Local Policy

- 2.14. The adopted Local Plan contains a specific policy relating to Affordable Housing. This policy, Policy LP11, sets out when and how much affordable housing will be sought from housing development schemes. The policy also sets out how the provision of Affordable Housing will work in relation to specific developments and scenarios that are specifically relevant to Central Lincolnshire, such as housing development on MOD sites.

3. Context and Evidence

- 3.1. The level of affordable housing need is evidenced in the Housing Needs Assessment (HNA) (April 2020). The findings suggest that across Central Lincolnshire, there is a newly arising need for 12,439 dwellings to 2040. To help meet this need it is therefore important that a reasonable, but viable, proportion of all new housing developments are affordable.

- 3.2. The need of 12,439 new homes equates to an average of 592 affordable homes per year to the end of the plan period (2040). If it were to be provided in full through planning obligations, this figure would equate to approximately 45% of the total housing need (1,325 dwellings per annum) identified in the HNA.
- 3.3. The HNA also identifies that affordable rent is generally the only product that requires a substantially lower income than would be required to rent in the open market based on locally evidenced rental levels. Other products, such as shared ownership and discounted market sale, can nonetheless play a role particularly where households purchase a small share (25%).
- 3.4. The 2021 Whole Plan Viability Assessment provides information on development viability across Central Lincolnshire and sets out recommendations for the viable level of developer obligations that can be secured from eligible developments.
- 3.5. This assessment establishes and defines four value zones across Central Lincolnshire. To ensure viable development, having regard for overall development cost, development value and developer obligations, the percentage level of affordable housing obligation is varied for each of these value zones.
- 3.6. The zones and percentage obligations are:-
- Zone A 25%
 - Zone B 20%
 - Zone C 15%
 - Zone D 10%
- 3.7. Recognising the local need for affordable rented housing as a priority, Policy S21 sets out a First Homes requirement at the required minimum level of 25% of all affordable housing delivered through developer obligations at least 30% below full market value.
- 3.8. In line with the Local Authorities' ability to impose a lower price cap set out in the national guidance for First Homes and in recognition of lower quartile local incomes, industry standard mortgage lending multipliers and average house prices in the local area, the maximum sale price of £140,000 after application of the discount for a First Home is proposed to be applied. This is based on an undiscounted asking price maximum of £200,000 to ensure that First Homes are affordable to first time buyers and that they actually achieve what the Government intends.
- 3.9. If the nationally derived price cap were not amended locally first homes being delivered at the £250,000 after reduction cap would be unobtainable for most on lower incomes. ONS statistics for Gross Annual pay published in 2020¹ showed that the mean average gross income in was £25,841 in City of Lincoln, £29,877 in North Kesteven and £27,611 in West Lindsey. These are significantly lower than the England average of £32,299 meaning that the nationally suggested cap would not be affordable for many wanting to buy their own home in Central Lincolnshire.

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<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/placeofresidencebylocalauthorityashetable8>

- 3.10. Under s157 of the Housing Act 1985 North Kesteven District Council applied for and secured designated rural settlement status in 2018, for eligible rural settlements (with a population of under 3000) in North Kesteven and with existing council housing stock.
- 3.11. West Lindsey District Council have also recently secured designated rural settlement status for eligible settlements in its district.
- 3.12. This designated rural status means in these settlements that the affordable housing obligation trigger can be set at a lower level than the 10 or more dwellings threshold. In North Kesteven this is proposed to be lowered to 5 or more dwellings to help increase the delivery of affordable housing in rural areas.
- 3.13. The rural designation may also exempt these settlements from other national planning policy and written ministerial statements, where a rural exemption is explicitly set out.
- 3.14. In line with this, First Homes exception sites cannot be delivered in rural designated settlements, rural exception sites being the sole exception site that can come forward in these locations.

4. Issues and Options Consultation

- 4.1. The Issues and Options consultation sought respondents' views on proposals for the progression of Affordable Housing policy within the new Local Plan, informed by the refreshed evidence base.
- 4.2. Proposal 13a asked "Do you agree that any new need for affordable housing arising from evidence being produced should be addressed in the new Local Plan? If no, please provide justification." There were 103 responses to this question, 98 supported the proposal, and 5 disagreed. The additional comments are set out below:
 - The Central Lincolnshire Housing Needs Assessment is expected to provide further clarity on the new definitions of affordable housing as detailed in the NPPF 2019 (as amended). The Affordable Housing policy LP11 will therefore need to be amended to address any need the assessment identifies to ensure that the policy is capable meeting need.
 - Agree need for the housing market evidence to be refreshed, fully responding to the wider definition of affordable housing in the NPPF. Important that the Council's evidence reviews the numbers of existing affordable rented tenants who may wish to move on through rent to buy.
 - Affordable housing levels should be based on the most up-to-date housing needs evidence. However, affordable housing policy must also be based on robust commercial/viability evidence. Robust and realistic viability evidence is vital to the setting of realistic and achievable affordable housing targets.
 - The information should be transparent and fully available.
 - The need has already been identified in the village local plan.
 - No basis for change has been presented, and it is not appropriate to suggest any change 'significant' or not, until the evidence supporting any change has been assembled and presented/ the level of affordable housing needed is already clear, doesn't need reviewing and does need including.
 - Consider specific allocations for affordable housing.
 - Change the term affordable to shared ownership or social housing.

- Fill empty houses first.
- Affordable housing must be built where it is affordable to get to work or key services (not need to be a car owner for example).
- Affordable housing gets snapped up by landlords and are then rented to the people who the houses were originally aimed at.
- All new housing unaffordable to many, especially the young. Need higher proportion Local Authority rented houses.
- Developments should offer a variety of dwellings and prices to reflect the variable needs of society as a whole.
- Affordable housing needs should be met in full, including in the rural areas. The current Local Plan approach focuses development on large scale extensions to the urban areas, with housing schemes in rural areas being only of a small scale which are normally below affordable housing thresholds, resulting in needs not being met.
- A review of Council housing for rent should also be reviewed and included.
- A realistic view of potential delivery taking into account viability should underpin any proposed alterations to affordable housing delivery.
- If an application is presented which alleges an inability to meet the adopted affordable need, it should be accompanied by a viability assessment to justify why this is the case.
- Prefabs of 1940's are still viable.
- But it needs to be addressed with regards to Zero hour contracts, and working hours as well.

4.3. Proposal 13b asked “Do you think there is more that the new local plan should do to deliver additional affordable housing? If yes, please provide details.” There were 101 responses to this question, 63 supported the proposal, and 38 disagreed. The additional comments made are set out below:

- Current policy is working well - no motivation for change to it/ the policies are clear/ it is currently set at the right level.
- Cannot see how the plan could do more to insist on affordable housing - it is about balancing priorities.
- Increase % of affordable homes in developments of 10 homes or more.
- Ring fencing affordable housing is key and should be a minimum of 35%.
- Potential to increase % in SUEs.
- Increase % of affordable homes in any development from current levels, especially in the smaller villages.
- A policy approach and/or site allocations which enables larger schemes within the rural areas to come forward, which are above the thresholds for delivering affordable housing.
- Current policy LP11 is stating only 20-25% on all sites can be delivered as affordable housing. This could be interpreted that a site offering more than that is not meeting this policy.
- Evidence should be sought on the extent to which current affordable housing policy targets (and other policy requirements) may be acting as a constraint to delivery on some housing allocations, and this should inform the whole approach.
- Greater flexibility on exception sites.
- Increase the market housing requirement.
- Need for more homes for the disabled, sheltered accommodation, entry level homes and council homes.
- Full account should be taken of the needs of our ageing population.

- Refer to space standards.
- Assess the use of a defined tenure split.
- Use the term shared ownership or social housing. Affordable is a relative term to earnings.
- Affordable = controlled rent rented accommodation. Home ownership out of reach for most youngsters.
- Identify specific sites for affordable housing.
- Consider allocation of 100% affordable housing sites, rural exception sites and entry-level exception sites in order to deliver additional affordable housing.
- Change of use of other sites to affordable homes where there is a greater need.
- Impose strict building rules on urban structure.
- Developers promise to build affordable homes and then apply for a change of use once applications have been granted/ once planning has been approved the affordable housing levels agreed within the development should never be allowed to be reduced or removed/ viability should not be a get out from the requirement to deliver affordable housing.
- Stop phased developments just under the thresholds which require affordable housing.
- Ensure that developments offering affordable housing have these properties completed in the first phase of development/ housing must remain affordable and not be sold on entirely/ clauses need putting in that affordable houses cannot be bought on mass for private rental/ people connected to developments should not be able to snap up the affordable housing
- A crucial variable is the cost of land - should be regulated or compulsorily bought for this sort of project.
- Central Lincolnshire does not generally have high values and so viability can be more of a concern than in some other parts of the country. The way CIL/S106 is delivered leads to affordable housing delivery being squeezed. The CLLP could take a more proactive approach to the delivery of affordable housing on exception sites if they are well location on sustainable transport routes. Such sites should have an element of market housing on both social integration and viability grounds.
- Relief should be given to affordable housing developments which also meet a set sustainability criteria (possibly similar to the NKDC 'fabric first' requirements), to promote higher quality affordable housing & deter deliver poor quality housing.
- Developers should be encouraged to build more affordable homes – reduce CIL on affordable homes.
- Provide a list of where people have requested to live.
- Councils should be building rented accommodation without being forced to sell under the Right to Buy/Council houses should be built/ build on ex council sites.
- Do not just base on cost but accessibility as well.
- Subsidise it
- Even very high taxes.
- Reduced deposit amounts.
- Explore, in each community, whether the allocation of affordable housing should be mixed with individual developments, or shouldn't be separated from other new-build.
- Does not need to be built in the prime village locations.
- More affordable housing should be built in villages so that local children can afford to buy a house in their village.
- More encouragement needs to be given to reducing the cost of building houses through new modern modular construction (MMC) techniques. One way of

promoting this and reducing existing customer resistance in Lincolnshire would be to allocate a small plot of land for a showcase development.

- Consider Park Homes as affordable.
- The Housing waiting lists are long.
- There is housing overcrowding.
- The general earnings are low.
- The price of housing is expensive to buy or rent.
- The average home to buy is 8 times the average annual income.
- The number of homeless people is increasing.
- The number of people using foodbanks is increasing.

5. Regulation 18 Consultation

5.1. A Consultation Draft of the Local Plan was published for consultation between 30 June and 24 August 2021. During this eight week consultation comments were received on the plan, the policies within the plan, and supporting information and evidence.

5.2. A number of comments were received on this draft policy at the Regulation 18 consultation both in support of and objecting to the overall approach, the numbers proposed, the use of a range and the general distribution. Furthermore, a number of detailed comments were received and can be summarised as follows:

- Support for the use of value zones.
- Objections stating concern that the policy as written would add a further cost burden on developers, which could make development unviable.
- Various detailed suggestions, to improve clarity of policy wording.
- Both concern and support for locally set First Homes criteria.
- Suggestion that the plan is unsound as affordable housing targets are not justified, positively prepared or effective
- The evidence behind the policy is lacking / weak. Suggestion that the HNA should break need down into smaller geographic areas.
- Further specific viability testing needs to be undertaken.
- The policy should set higher standards/ deliver more overall housing to address needs.

5.3. Clearly there were a lot of opposing views on the policy, all of which were carefully considered in coming to a final view on the policy.

6. Proposed Approach in Draft Local Plan

6.1. The Draft Local Plan proposes to include a specific policy in relation to Affordable Housing, Policy S21. This policy sets out the approach to securing affordable housing in Central Lincolnshire.

6.2. The policy sets out the proportion of affordable housing that will be sought from new developments, taking into account the Whole Plan Viability Assessment outcomes and the value zones identified. The approach of the Local Plan in relation to affordable housing provision and specialist housing for older people, rural affordable housing and affordable housing requirements for MOD housing are also set out.

- 6.3. In relation to First Homes, as is required by the NPPF, the policy supports the principle of First Home Exception Sites, but also sets out the criteria for what are considered First Homes locally, in accordance with the PPG. This will help to ensure that First Homes are an affordable product for first time buyers.

7. Reasonable Alternative Options

- 7.1. The following alternative options have been considered for this policy (option 1 being the preferred option within the Draft Local Plan)
- 7.2. Option 2: Require a set percentage based on the NPPF requirement of at least 10% to deliver homes available for affordable home ownership. This option was discounted, as it was not expected to provide the volume and range of homes required to meet the identified needs.
- 7.3. Option 3: Do not require any set percentage and rely on negotiation on a site-by site basis. This option was also discounted as it was not expected to provide the volume of affordable homes required.

8. Conclusion

- 8.1. This Evidence Report demonstrates the rationale for the proposed policy as contained in the Proposed Submission Draft Central Lincolnshire Local Plan. This helps bring together relevant evidence that has informed this policy and how we have responded to comments received during the plan making process, as well as how the latest evidence and national guidance has been taken into account.