



Policy LP11 Affordable Housing Evidence Report

(Policy formerly titled 'Meeting Housing Need')

Proposed Submission April 2016

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1 Introduction and Policy Context

Introduction

- 1.1 A joint Local Plan for the Central Lincolnshire area is being produced which will set the framework for how development will be considered across the districts of the City of Lincoln, North Kesteven and West Lindsey to 2036.
- 1.2 This Evidence Report (which is one of a collection) provides background information and justification for policy LP11, which relates to the delivery of affordable housing.

National policy

- 1.3 The National Planning Policy Framework (NPPF) was published in March 2012 and the National Planning Practice Guidance (NPPG) was introduced in 2014 which offers 'live' government guidance. The NPPF defines affordable housing (see NPPF glossary) – though see para 1.7 below.
- 1.4 Section 6 of the NPPF concerns the delivery of a wide choice of high quality homes and there is a separate section on "Plan-making". The following paragraphs are particularly relevant:
 - Paragraph 47- Local planning authorities should: use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.
 - Paragraph 50- where local authorities have identified that affordable housing is needed, they should set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.
 - Paragraph 173- To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.
- 1.5 The NPPG includes guidance on assessing housing need, including affordable housing need (paragraphs 014 to 029 of part 2a).
- 1.6 The above NPPF policy and guidance has been taken into account in preparing the Local Plan as a whole, and policy LP11 in particular.
- 1.7 **Important Note:** At the time of writing (early April 2016), we are aware of the Housing and Planning Bill, and associated government consultations which have been issued in early 2016, including the Starter Homes Regulations (Technical consultation) issued on 23 March 2016, with a closing date of 18 May 2016. Policy LP11 as per the Proposed Submission Local Plan (April 2016) takes no account of 'Starter Homes' emerging national policy at this

stage. However, if, during the examination of the Local Plan, legislation or national policy is firmed up in respect of a Starter Homes requirement, then we will be happy to discuss with the Inspector the implications of such, and whether it be necessary and appropriate to suggest a Modification to the Local Plan (accepting, of course, that only the Inspector can formally recommend a Modification once the Local Plan has been Submitted for examination).

2 Central Lincolnshire Context in Relation to Policy LP11

- 2.1 The level of need for affordable housing is evidenced in the Strategic Housing Market Assessment (SHMA, July 2015). The findings suggest that across Central Lincolnshire, there is a need for 17,400 affordable homes between 2012 and 2036. To help meet this need it is therefore important that a reasonable, but viable, proportion of all new housing developments are affordable.
- 2.2 The need of 17,400 new homes equates to an average of 725 homes per annum over the 24 year period. The SHMA identified a need for 911 dwellings per annum over the short term (2014 – 2019) and 676 dwellings per annum for the remaining period. If the full 17,400 affordable homes needed was met from the total homes being proposed for the plan period (i.e. 36,960), it would equate to 47% of all homes being affordable.

3 Local Plan Policy: Preliminary Draft

- 3.1 The Preliminary Draft version of the Local Plan (published for consultation in October – November 2014) included a policy on meeting affordable housing needs. However, at that preliminary stage, evidence work had not been completed to establish potential targets and thresholds for affordable housing, and as such the policy did not set out such thresholds or percentage requirement. Instead the policy was more generic, but made it clear that such thresholds would be proposed in the next round of the Local Plan, and asked for views on this. The evidence work was underway, and of particular importance was:
 - The SHMA (to help establish the need) – by consultant, Turley's
 - The Viability Study (to help establish what was viable to ask for) – by consultant, Peter Brett Associates (PBA)
- 3.2 The comments received in response to the Preliminary Draft version of this policy included support for affordable housing contribution from all sites, with emphasis that this is essential for rural areas where development sites tend to be small. Others expressed support for affordable homes to be provided on all development sites except very small scale in-fill.
- 3.3 In relation to the percentage contribution required, 30% was suggested, while support was also expressed for the principle of variable affordable housing rates in recognition of the fact that there are significant variances in land values.
- 3.4 It was also suggested that the policy should include a specific approach to affordable housing provision in the sustainable urban extensions (SUEs) to recognise the specific financial difficulties in delivering SUEs.
- 3.5 It was also commented that the retention of a viability caveat is essential to maintain flexibility to reflect site specific circumstances and in response to the relative inflexibility of the forthcoming community infrastructure levy (CIL) tariff.

- 3.6 The Ministry of Defence submitted a representation explaining that it considers that development proposals for the provision of Service Family Accommodation for MOD personnel should not generate a requirement to provide affordable housing. The MOD explained that this type of development is already meeting a housing need, specifically for service personnel and their families and will therefore not be available on the open market: it considers that it would therefore be inappropriate for affordable housing provision to be required on such sites.
- 3.7 Comments on how affordable housing should be integrated with other housing showed mixed opinion, with some supporting affordable housing contributions being made on-site, and others expressing the opinion that affordable homes should not be constructed alongside 'expensive' housing.
- 3.8 There was concern that the policy makes no reference to rural exception sites for affordable housing.

4 Local Plan Policy: Further Draft

- 4.1 The policy in the Further Draft version of the Local Plan (Oct 2015) was amended from the original Preliminary Draft to include proposed affordable housing requirements, in response to the evidence that was presented in the SHMA, emerging viability evidence and in light of comments received during the consultation on the Preliminary Draft version of the Local Plan.
- 4.2 In terms of some 'headline' elements of the Policy, introduced at the Further Draft stage, it included:
- Affordable Housing to be sought on housing schemes of 3 dwellings or more
 - Percentage Affordable Housing sought proposed to be:

- Lincoln Strategy Area (excluding SUEs)	25%
- Lincoln Strategy Area SUEs	20%
- Other SUEs	15%
- Elsewhere	20%
- 4.3 The supporting text, in the Further Draft, made it clear (para 4.5.3) that "*it is important that we get the right balance between meeting affordable housing and infrastructure needs (in the form of S106 and CIL) whilst ensuring that Central Lincolnshire continues to be an attractive and viable place to build and invest*".
- 4.4 The Further Draft version of policy LP11 retained the flexibility that was presented in the Preliminary Draft Local Plan: specifically, it stated that the Central Lincolnshire authorities will negotiate with developers if an accurate viability assessment demonstrates that the affordable housing contributions cannot be met in full.
- 4.5 The comments made by the MOD (summarised at 3.6 above) have been noted and consequently the revised policy now states that affordable housing contributions will not be sought on MOD housing development schemes (though a caveat added should such homes be sold or rented in the future).
- 4.6 With regard to the concern that the policy does not include reference to rural exception sites, this is because the Local Plan is not proposing to have settlement boundaries, therefore exception sites are not applicable. The revised policy LP11, for the Further Draft, did however include a section on rural affordable housing, which states that permission for rural affordable housing may be permitted as an exception to the policies within the Local

Plan (i.e. may be permitted even if there is a degree of conflict between the proposal and a local plan policy/ policies).

Further Draft Consultation

4.7 Various comments were received in relation to policy LP11 during the consultation on the Further Draft Local Plan. The key issues raised included:

- Concerns in relation to the viability of the proposed threshold and required level of affordable housing. There were also concerns expressed over assumptions made in the Peter Brett Associates Viability Study and over viability testing in combination with the other requirements set out in the Local Plan.
- Support for the flexibility provided by the policy in terms of ability to provide affordable housing on an alternative site or pay a fee in lieu of site provision where appropriate.
- The Local Plan acknowledges that new affordable housing is not the only solution to respond to affordable housing need, however there is concern that the other solutions will not be able to respond to the significant shortfall in provision that will be delivered through policy LP11.
- Development should not be subject to such a scale of obligations that viability is threatened: whilst developers can negotiate lower affordable housing provision on the grounds of viability such negotiations incur additional costs (financial and time) which impairs housing delivery.
- Comments in relation to affordable housing threshold included:
 - 3 is too low;
 - Threshold of 3 does not tie in with the proportions of affordable housing being sought, as 15 / 20 / 25% of 3 dwellings does not generate a single dwelling given the requirement to round up to the nearest whole dwelling: threshold of 5 suggested, with the requirement to round down to the nearest whole dwelling;
 - Should be increased to 10;
 - Should seek affordable housing contribution on all sites, but the contribution on sites of less than 3 units should be in the form of a commuted sum.
- Mixed opinion on level of affordable housing required:
 - Support for requirement of 15% / 20%;
 - Should be higher: 47% suggested;
 - Percentages stated should read 'up to';
 - Concerns over the blanket requirement of 25% across the Lincoln strategy area: there are a range of sites across this area with very different circumstances, e.g. complex previously developed sites;
 - The Peter Brett Associates study that supports this policy explored the options of 15% and 20%: it is unclear why the 25% has been proposed.
- Concern about the requirement in criteria (a) regarding subsequent linked developments: issues such as different ownership, different applicants and time lag between applications will prove a minefield. Also concern that sites owned by the same landowner may come forward at different times due to site constraints, financial issues and agreements with different developers.
- Rural affordable housing section only refers to rural exception sites: concern that these are going to be in limited supply given Government proposals, so there is a need for a plan led approach for rural communities.
- Revision of Preliminary Draft version of policy to exempt MOD development for service personnel from the requirement to provide affordable housing is welcomed. However, the MOD has concerns over the explicit requirement that homes subsequently sold or rented should be transferred to a Registered Provider: the homes could be sold beyond the plan period, potentially in a very different housing and planning policy context. A

more appropriate approach would be to enable case by case discussion at application stage, through Section 106 agreement.

- Support expressed for seamless integration of affordable housing.

5 Local Plan Policy: Proposed Submission

- 5.1 Policy LP11 has been amended in the Proposed Submission version of the Local Plan in response to issues raised during the Further Draft consultation, as well as taking account the latest viability evidence.
- 5.2 The threshold for seeking affordable housing has been increased from development sites of 3 units, to 4 units. A threshold of 4 dwellings will mean that in the Lincoln Strategy Area (excluding SUEs), where a 25% affordable housing contribution is required, developments of 4 dwellings will be required to deliver a whole dwelling onsite (unless exceptional circumstances exist), rather than provide a commuted sum in the case of a threshold of 3 dwellings. This amendment will also help the viability of small developments of 3 dwellings or fewer, thus supporting small scale building firms (which is a clear national priority).
- 5.3 Following careful consideration of all the representations, and taking account of the updated viability work by PBA (April 2016), the percentage affordable housing sought has not been amended from that set out in the Further Draft Local Plan. Overall, the level of affordable housing 'ask' set out in the policy has been set based on a strategic aim to deliver the 17,400 affordable homes identified as needed, but moderated down to a level which is both (a) viable and (b) enables the three district councils within Central Lincolnshire to set an appropriate Community Infrastructure Levy (CIL) rate (and hence enable other forms of infrastructure to be delivered).
- 5.4 For the avoidance of doubt, the Central Lincolnshire Joint Strategic Planning Committee (CLJSPC) is responsible for preparing the Local Plan for Central Lincolnshire, but it is not responsible for deciding whether a CIL should be levied anywhere in Central Lincolnshire, nor at what rate CIL should be set at. However, it is necessary for the CLJSPC to ensure that it does not set affordable housing requirements at such a (high) level as to render the ability to levy a CIL to be constrained. If it did so, it would prevent other much needed forms of infrastructure to be delivered (such as the Lincoln Eastern Bypass), which in turn would likely impact on the ability of the Local Plan to be delivered.
- 5.5 Thus, whilst the decision making on the Local Plan and the three respective emerging CILs are independent of one another and by different authorities, the evidence behind such work has been produced on a shared basis. Close working between the CLJSPC and the districts has taken place, with the collective aim of taking the evidence as a whole (including housing need, infrastructure need and viability considerations) to set both affordable housing requirements and CIL rates at appropriate and viable levels.
- 5.6 Elsewhere in the policy, a section on specialist housing for older people has been introduced. This should not be confused with specialist accommodation for those in need of care or assistance. It is referring to housing schemes, built by a commercial developer, with units sold on the open market, but restricted (by the developer – not normally by the local planning authority) to those over a certain age (normally meaning the whole development scheme would not be occupied by any children).
- 5.7 Responding to the MOD's comments in relation to the proposed requirement that a proportion of MOD dwellings subsequently sold should be transferred to a Registered Provider, the points raised have been noted. In response, this requirement has been revised and the contribution will be negotiated and agreed through a Section 106 agreement: this provides suitable flexibility should the dwellings be sold beyond the plan period, or within a very different housing market situation.

- 5.8 In terms of meeting the strategic aim of 17,400 affordable homes over the plan period, it is accepted that this aim will not be met entirely through developer contributions (it would require 47% of all homes to be affordable, something which the Viability Study makes clear is far from a viable ask). The Central Lincolnshire Authorities are committed to utilising other mechanisms, such as direct delivery of affordable homes themselves, in order to assist in maximising overall affordable housing delivery. Further details on this are set out in the Draft Housing Growth Delivery Plan (Ref E006 in our library), which is scheduled to be adopted as final by the point of examination of the Local Plan (and will be labelled E006A in the library). In addition, the Local Plan has considerable flexibility to deliver growth beyond 36,960 homes, and if it did so, this would provide a further opportunity to address the gap of achieving the 17,400 strategic aim.

6 Alternative Reasonable Options

- 6.1 The following alternative options have been considered for this policy. (Option 3 is the preferred policy approach which has been taken forward.)
- 6.2 **Option 1 (i.e. Further Draft Policy):** Policy setting affordable housing threshold at 3 dwellings and requiring affordable housing at varying percentages across the Lincoln Strategy Area, Lincoln Strategy Area Sustainable Urban Extensions (SUEs), other SUEs, and elsewhere. This approach is largely taken forward, but has been discounted because the threshold of 3 is deemed too low, and instead has been increased to 4 dwellings for reasons set out in this evidence report.
- 6.3 **Option 2:** Lower threshold (below 3) at which affordable housing contribution is required. This policy approach has been discounted to prevent development being subject to such a scale of obligations and policy burdens that the ability to be developed viably (in combination with other obligations) is threatened.
- 6.4 **Option 4:** Introduce a single requirement percentage across Central Lincolnshire (rather than have the varying percentages of 15 – 25% across different locations). This policy approach has been discounted: the varying affordable housing requirements in the sustainable urban extensions, Lincoln and other areas, reflects the varying viability considerations across these different localities as well as enables the ability to set appropriate CIL rates. A universal requirement could render development unviable in some areas if too high, or if the requirement is lower, it may mean that sites in the more viable areas deliver less affordable housing than could viably be delivered, thus making a less significant contribution to meeting the affordable housing need identified in the SHMA.
- 6.5 **Option 5:** Introduce higher affordable housing percentages (i.e. higher than the 15-25% range). This policy approach has been discounted. Whilst slightly higher percentages may be able to be set and remain viable (and would therefore have the positive effect of increasing affordable housing supply), it would render it likely impossible for the districts to set any meaningful CIL (if any at all), which would have significant negative impacts on the ability to delivery much needed infrastructure (such as the Lincoln Eastern Bypass), and would consequently likely render parts of the Local Plan to be undeliverable.
- 6.6 **Option 6:** Introduce lower affordable housing percentages (i.e. lower than the 15-25% range). This policy approach has been discounted. Whilst this would improve the viability of development schemes, and likely enable the districts to set a higher rate of CIL (with the consequential benefit of delivering a greater range of much needed infrastructure), it would have the significant negative effect of reducing the supply of much needed affordable homes.

7 Conclusion

- 7.1 This Evidence Report demonstrates the rationale for the proposed policy as contained in the April 2016 Proposed Submission Local Plan. We hope this helps demonstrate how we have responded to comments received during both the Preliminary and Further Draft consultations, as well as how the latest evidence and national guidance has been taken into account.