

Central Lincolnshire Local Plan 2012-2036 Examination

**MATTER 2 – OAN, the Housing Requirement and Affordable Housing**

Central Lincolnshire Joint Strategic Planning Committee  
Hearing Statement

October 2016

## **MATTER 2: OAN, the Housing Requirement and Affordable Housing**

### ***Issue 2a – Housing Market Area***

***Q1. Is the degree of containment sufficient to justify Central Lincolnshire as a single HMA for the purposes of the Local Plan?***

Yes, as confirmed by evidence set out in Chapter 2 of the SHMA (2015) (E003)

***Q2. Does the HMA include the western part of East Lindsey, which forms part of the Lincoln HMA as defined in The Lincolnshire Sub-Regional Housing Strategy? If so, what implications would this have on calculating OAN?***

The SHMA (2015) (E003) undertook a thorough review of evidence and past research to help determine where an appropriate and pragmatic HMA exists, based on District boundaries. It concludes (para 2.68) that Central Lincolnshire (CL) is an appropriate, single, HMA area, and it is not essential to include parts of East Lindsey. Determining HMA areas is not an exact science, and there will always be some overlap with other HMAs, and for CL this includes parts of East Lindsey as identified in historic assessments. Whilst the western part of East Lindsey could be argued to be within the functional CL HMA area, this is broadly offset, in population and housing terms, by areas of Central Lincolnshire that may fall within other HMAs: e.g. Grimsby, Scunthorpe. For Local Plan purposes HMAs have to be defined on the basis of the best fit to local authority boundaries, both because of the wider range of data available and in order to implement policies.

***Q3. Have any neighbouring authorities identified housing needs which they are unable to accommodate, and which could affect the Central Lincolnshire HMA?***

The Committee is not aware of any such scenario, and has not been approached by any authority to accommodate any of their housing need. Documents E052 and E052A set out further details in respect of the Duty to Cooperate, which has links to this question.

**Issue 2b – Objectively Assessed Need for Housing ('OAN')****Q4. Does the latest data have any bearing on the OAN?**

No. See the Committee's response to the Inspector's Initial Questions, Question 4 (**ED004**).

However, since ED004 was published (which undertook a rather quick comparison of the data), some further sensitivity testing has been done, which compares household growth under both datasets with the second comparing the implied dwellings following the application of consistent vacancy rates used within the SHMA<sup>1</sup>.

**Table 1.1 Comparison of 2014 and 2012 base SNHP datasets - Households**

Households Local Authority	2014-based		2012-based (Figure 6.1 of SHMA)		Differenc e p.a.
	Change 2012-2036	Average p.a. 2012-2036	Change 2012-2036	Average p.a. 2012-2036	
Lincoln	6,813	284	5,834	243	+41
North Kesteven	9,021	376	9,652	402	-26
West Lindsey	7,210	300	6,813	284	+16
Central Lincolnshire	23,044	960	22,299	929	+31

**Table 1.2 Comparison of 2014 and 2012 base SNHP datasets – Converted into Dwellings**

Dwellings Local Authority	2014-based		2012-based (Figure 6.1 of SHMA)		Differenc e p.a.
	Change 2012-2036	Average p.a. 2012-2036	Change 2012-2036	Average p.a. 2012-2036	
Lincoln	7,249	302	6,240	260	+42
North Kesteven	9,319	388	9,984	416	-28
West Lindsey	7,534	314	7,128	297	+17
Central Lincolnshire	24,102	1,004	23,352	973	+31

Whilst the difference remains relatively small it is more pronounced that that implied in the Committee's response in ED004 when comparing either household or dwelling growth figures consistently.

It is equally important to recognise that whilst the overall scale of projected household (or dwelling) growth remains broadly aligned there is a small degree of variation in the age profile of the underpinning population projections. This, coupled with the slightly different distribution of growth between the authorities, would have an impact on the subsequent adjustments applied in deriving

<sup>1</sup> These vacancy rates are set out at paragraph 2.36 of Appendix 1 of the SHMA – Lincoln 6.4%, North Kesteven 3.3%, West Lindsey 4.5%

the OAN with regards to adjustments to headship rates and alignment with forecast employment growth. For example, the 2014 SNPP show a slightly younger projected profile of the population than the 2012 SNPP. This may impact on the scale of assumed additional migration required to support forecast job growth and the distribution of this population into households. The scale of difference is, however, relatively minor.

Overall, the Committee's position is that the new data sets could, if a full SHMA and ENA evidence reports be re-run, result in marginal (if at all) changes to the OAN conclusions set out in the SHMA, but that it would be a disproportionate use of resources to undertake such a full re-run of the evidence, as well as considerably delay the Local Plan, to reach conclusions which are highly likely to be either the same or only slightly different from the current conclusions (and certainly within the margins of error of forecasts in any event).

**Q5. The baseline household projection has been adjusted upwards based on 10 year migration trends (rather than 5 years assumed in the CLG figures). Why are 10 year trends more likely to be representative of what will happen over the plan period than 5 year trends?**

The SHMA used the then latest 2012-based official projections produced by ONS/DCLG as the 'starting point' for assessing future need resulting from the projected growth in population and households<sup>2</sup>.

The 2012-based ONS / DCLG datasets draw primarily upon the historic period 2007 – 2012 as the basis for their forward projections. In the case of Central Lincolnshire the SHMA identifies that a substantial part of this period has been affected by the onset of recession.

The SHMA compared pre and post-recession levels of migration<sup>3</sup> identifying that the period 2007 – 2012 saw a level of net migration which was some 42% lower than levels seen between 2001 and 2007 across Central Lincolnshire.

This lower level of migration reflected a higher level of out-migration to other parts of the UK from Central Lincolnshire. This migratory picture was again notably different to that seen prior to the recession.

In this context the SHMA considered that a trend-based projection which was primarily based upon this historic period (2007-12) would be unlikely to be adequately representative of long-term needs<sup>4</sup>.

In order to reflect the distinct pre and post-recession demographic picture the SHMA used a longer-term period from which to derive trend-based projections spanning the period 2002 – 2012 as a basis from which to project forward future demographic growth. This presented a more balanced picture of likely future needs, off-setting the concerns around the unduly pessimistic demographic picture presented post-recession<sup>5</sup>.

This position is supported by the latest PAS Guidance on calculating OAN, which observes with regard to the base period used in the latest official projections [2012 based projections in this context] '*covers all of the last recession, in which migration was severely suppressed as many households were unable to move*'. The PAS Guidance goes on to highlight that where related

<sup>2</sup> Document Number 040 Reference E008 paragraph 6.10

<sup>3</sup> Document Number 040 Reference E008 Figure 4.8

<sup>4</sup> Document Number 040 Reference E008 paragraphs 6.15 – 6.28

<sup>5</sup> Document Number 040 Reference E008 paragraphs 9.13 – 9.15

issues are observed 'a 10-to-15 year base period should provide more stable and more robust projections than the ONS's five years.'<sup>6</sup>

The SHMA considers that this is appropriate in the context of both reduced levels of development following the recession in Central Lincolnshire and the impact of an economic period over more recent years during which jobs were lost in the area<sup>7</sup>. This position is considered further in response to Q6.

**Q6. Figure 6.2 of the SHMA illustrates that levels of net internal migration were higher between 2001-07 than from 2007-12 (on which the DCLG projections are based). What factors caused the higher levels of internal migration pre-2007? What evidence is there to suggest that these factors will underpin a higher rate of internal migration over the plan period going forward?**

*What factors caused the higher levels of internal migration pre-2007?*

Consideration was given within the SHMA to factors which are likely to have influenced the distinct demographic picture seen pre and post 2007 in Central Lincolnshire<sup>8</sup>. It was observed on the basis of the evidence contained within the Economic Needs Assessment (ENA) that the economy of Central Lincolnshire was notably different pre and post-recession with strong job growth recorded between 1998 and 2008 but a decline in employment between 2009 and 2012<sup>9</sup>.

Alongside a picture of stronger economic growth leading up to 2007 it is apparent that across Central Lincolnshire levels of housing completions were also on average notably higher than that seen from 2008/09 onwards<sup>10</sup>. The SHMA considered the correlation between net completions and migration identifying a comparatively strong relationship between the two factors<sup>11</sup>. The conclusion being reached that underlying levels of net migration within the area have been influenced by the delivery of housing.

*What evidence is there to suggest that these factors will underpin a higher rate of internal migration over the plan period going forward?*

The ENA considers in detail likely future levels of job growth across Central Lincolnshire, concluding a baseline level of 9% growth in employment.

The baseline level of job growth forecast is slightly lower than that seen pre-recession, approximately 630<sup>12</sup> jobs per annum compared to a pre-recession rate of 870 jobs per annum, it evidently assumes a return to a growing economy which was associated with higher levels of net migration and population growth.

The Adjusted Scenario (Higher Growth) implies a level of job growth over the period to 2030 which closely aligns with that seen during the pre-recession period<sup>13</sup>, an unrealistic scenario in the view of the Committee.

<sup>6</sup> 'Objectively Assessed Need and Housing Targets Technical advice note – Second edition', PAS, July 2015

<sup>7</sup> Document Number 040 Reference E008 paragraphs 6.40 and 9.42

<sup>8</sup> Document Number 040 Reference E008, Section 4 considers historic demographic and economic evidence noting the distinction between pre and post-recession periods.

<sup>9</sup> Document Number 040 Reference E008 Figure 4.22 and paragraph 4.50

<sup>10</sup> Document Number 040 Reference E008 Figure 5.10

<sup>11</sup> Document Number 040 Reference E008 Figure 5.13

<sup>12</sup> This level of job growth is presented over the full Plan period 2012 – 2036 and set out at Figure 4.26 of Document Number 040 Reference E008. The baseline forecasts suggest a slightly higher level of job growth over the period 2012 – 2030 based directly upon the Oxford Economics forecasts as shown at Figure 4.25 of Document Number 040 Reference E008

<sup>13</sup> Document Number 040 Reference E008 Paragraph 4.64

The Plan seeks to accommodate for the projected growth in the population associated with both a return to longer-term migration trends and forecast employment growth through a sufficient level of housing provision. The projected growth in the population will therefore, it is anticipated and planned for, be supported through a return to stronger levels of net housing development facilitated by the certainty provided by the Local Plan housing policies.

**Q7. Is the increase in the OAN to account for Unattributable Population Change reasonable and justified?**

To be clear, it is only the lower end of the range of OAN that has been increased to account for UPC, not the housing target because that is based on employment forecasts.

Nevertheless, the SHMA confirmed that the overall scale of UPC was relatively minor across Central Lincolnshire<sup>14</sup>. Figure 4.9 of the SHMA identifies a total UPC of some 1,125 persons between 2001 and 2011, equivalent to around 4% of all population change over this period.

The impact of including UPC in the forward projections is also shown in the SHMA to represent a marginal scale of difference<sup>15</sup>. As shown when comparing the modelled outputs using POPGROUP of the 10 Year Past Growth Scenario excluding and including UPC as shown in Figures 6.8 and 6.10 of the SHMA, the key outputs of which are duplicated in Table 1.1.

**Table 1.1: The impact of Including / Excluding UPC on the 10 Year Past Growth Scenario – Central Lincolnshire**

	Change 2012 - 2036		Average per year	
	Population Change	Households Change	Net Migration	Dwellings
10 Year Past Growth Scenario (excluding UPC) <sup>16</sup>	56,404	31,339	2,054	1,367
10 Year Past Growth Scenario (including UPC) <sup>17</sup>	57,452	31,777	2,086	1,387

*Source: Data extracted from Figures 6.8 and 6.10 of the Central Lincolnshire SHMA (2015)*

Recognising that across Central Lincolnshire the impact of including UPC represented a marginal uplift on the demographic projection of need it was considered prudent, in the context of an absence of a clear and consistent position in the application of the PPG, to allow for the implied

<sup>14</sup> Document Number 040 Reference E008 paragraph 4.22

<sup>15</sup> Document Number 040 Reference E008 paragraph 6.40

<sup>16</sup> Popgroup modelling outputs from Figure 6.8 of Document Number 040 Reference E008

<sup>17</sup> Popgroup modelling outputs from Figure 6.10 of Document Number 040 Reference E008

modest increase. This approach was considered both reasonable and justifiable on the basis of the information available at the time the SHMA was prepared<sup>18</sup>.

It is recognised that following the preparation of the SHMA a number of Local Plan Inspectors have concluded that UPC should not be used to adjust migration levels in the projection of future needs, with this position reinforced by the ONS's continued exclusion of UPC from its SNPP projections, including the 2014 based dataset. For example, the Eastleigh and Rochdale<sup>19</sup> Local Plan Inspectors have both dismissed the inclusion of UPC as a justification for elevating projections of housing need with the Aylesbury Vale and Arun<sup>20</sup> Local Plan Inspectors equally dismissing its inclusion as a justification for reducing the assessment of housing need. By contrast, however, the Inspector considering the Cornwall Local Plan<sup>21</sup> considered it appropriate to account for UPC in parallel with the use of longer-term migration period to arrive at a variant demographic 'starting point'.

In the context of the concluded OAN it is important to recognise that the inclusion or exclusion of UPC does not have a direct bearing on the range of need associated with supporting forecast employment growth scenarios which forms the basis for the recommended OAN range in the SHMA and the subsequent housing target in Policy LP3.

The only material consideration is that, if the Inspector deems the UPC should not be used to adjust migration levels, then this further extends the numerical difference between the 'demographic' based conclusions in the SHMA and the 'employment forecasts' based conclusions (with the latter, being the highest, ultimately being used to determine the plan's housing target).

**Q8. Is the return to previously higher household formation rates for younger people (aged 20-39) reasonable and justified?**

The PPG suggests that adjustment to demographic factors, with specific reference to household formation rates, may be required to reflect factors which are not captured in past trends. The PPG specifically identifies that for example: *'formation rates may have been suppressed historically by under-supply and worsening affordability of housing'*.

In the analysis of market signals the SHMA considered both of these aspects for Central Lincolnshire<sup>22</sup>. As set out in response to the questions above it was identified that over recent years in particular the net supply of housing had fallen somewhat below Plan targets. Equally within the SHMA it was apparent from a review of historic trends that the affordability ratio for each of the Central Lincolnshire authorities had increased, in particular since 2001<sup>23</sup>.

The SHMA examined the historic and projected household formation rates of different age groups for each of the component authorities within Central Lincolnshire<sup>24</sup>. It was identified that a number of the younger age groups had seen household formation rates fall between the Census years and that in a number of cases the 2012 SNHP projected a continuation of rates seen in 2011 or indeed a further assumed reduction in the propensity to form households.

<sup>18</sup> Document Number 040 Reference E008 paragraph 6.107

<sup>19</sup> 'Report to Rochdale Metropolitan Borough Council on the Examination into the Rochdale Core Strategy', August 2016

<sup>20</sup> Inspector's correspondence with the Council 'IDED18 OAN Conclusions' (February 2016)

<sup>21</sup> 'Cornwall Local Plan Strategic Policies, Inspector's Report', September 2016

<sup>22</sup> Document Number 040 Reference E008 Figures 5.7 - 5.9 consider affordability ratios over time and the analysis at paragraphs 5.26 – 5.52 consider historic rates of development in the context of plan targets.

<sup>23</sup> Document Number 040 Reference E008 Figure 5.8

<sup>24</sup> Document Number 040 Reference E008 Figures 6.15 – 6.17)

On this basis the SHMA applied a sensitivity test examining the impact of returning headship rates in the 2012 SNHP to levels seen in 2001 for younger households where this was not already assumed within the projection<sup>25</sup>.

As set out in the SHMA<sup>26</sup> a return to 2001 rates was considered appropriate with this period representing a time at which the ratio between house prices and earnings was at the long-term average with this representing a less constrained period for younger households to exercise the choice to form a new household.

The applied adjustment used within the SHMA, which sees a return to previously higher household formation rates for the selected age groups therefore represents a positive adjustment which takes into consideration evidence that within Central Lincolnshire the household formation rates of younger households have been suppressed historically by under-supply and worsening affordability of housing. The justification for this approach is further considered in the response to the next question.

***Q9. Is it appropriate to use adjustments to household formation rates of younger people (aged 20-39) as a mechanism for responding to worsening market signals? Is the level of uplift appropriate?***

It is appropriate to use adjustments to household formation rates of younger people as a mechanism for responding to worsening market signals.

The Government within its Explanatory Notes to the Housing and Planning Act 2016 indicates a link between the impacts of worsening affordability coupled with a failure to provide sufficient numbers of homes and falling rates of home ownership and increasing numbers of concealed younger households. Within the policy background to the Act the Government references a number of statistics including the English Housing Survey, which confirms that the proportion of under 40 year olds who own their own home has fallen by a third from 61% to 38% and ONS statistics which indicate that as of 2014 26% of people aged 20 to 34 were still living with parents. The Act puts in place various tools and requirements of local authorities aimed at addressing these statistics to deliver against the Government's manifesto commitment to '*build more homes that people can afford*'.

The analysis of market signals contained within the SHMA<sup>27</sup> confirms that there was evidence of worsening symptoms of affordability resulting from an imbalance between the supply and demand for property that has occurred in particular since the turn of the century.

The SHMA considers that housing market factors, including affordability, are most likely to have impacted on younger households with regards to their capacity and ability to form households in Central Lincolnshire<sup>28</sup>. The adjustment to household formation rates of younger people therefore responds to the analysis undertaken in the SHMA which highlights that rates have been suppressed as a result of market factors which can be traced back to the turn of the century. The application of an adjustment to household formation rates ensures that the worsening market signals that have beset Central Lincolnshire over more recent years do not constrain future estimates of housing need. The adjustment made allows a return to a healthier and more

<sup>25</sup> Document Number 040 Reference E008 paragraphs 6.46 – 6.63

<sup>26</sup> Section 6 of Document Number 040 Reference E008 includes a detailed consideration of historic household projection and household formation rates.

<sup>27</sup> Document Number 040 Reference E008 Section 5

<sup>28</sup> Document Number 040 Reference E008, paragraph 6.56

sustainable set of housing market conditions, thereby positively responding to worsening market signals.

*Is the level of uplift appropriate?*

In the context of the methodology applied the level of uplift is considered appropriate and has been found to be justified by other Local Plan Inspectors. It has been calculated based on an assessment of market signals in Central Lincolnshire and the harmful impacts that these have had on household formation for younger people. The SHMA identifies that a number of market signals in Central Lincolnshire have worsened since the turn of the century<sup>29</sup>, which in turn are considered likely to have constrained household formation levels in younger age cohorts.

The level of uplift specifically addresses these worsening conditions and enables the modelled housing need figure to reflect a return to 2001 levels of household formation.

The adjustment applied resulted in an uplift of between 3% and 5%, dependent upon the demographic scenario to which it was applied<sup>30</sup>. The adjustment is the output of a technical modelling exercise which is considered reasonable in the SHMA in the context of the analysis of market signals and the associated justification for a moderate uplift<sup>31</sup>.

The application of the adjustment to household formation rates of younger households is also an approach which has been accepted through the examination of Local Plans elsewhere in England. For example a comparable methodology to that used within the Central Lincolnshire SHMA has been accepted by the Inspector examining the Arun Local Plan. He concluded the appropriateness of such an adjustment in deriving the OAN<sup>32</sup>. Equally the Inspector examining the Horsham Local Plan, which has subsequently been adopted, concurred with the appropriateness of an adjustment to the household formation rates of younger people by way of a response to market signals<sup>33</sup>.

**Q10. Has the assessment of housing need adequately taken market signals into account, including in respect of land prices, house prices, rents, affordability, rate of development and overcrowding (PPG Ref 2a-030-20140306). Should any specific uplift be made to the OAN?**

Section 5 of the SHMA presents analysis of each of the six market signals referenced within the PPG. Consideration is given to the relative performance of each of the Central Lincolnshire authorities using the latest data available at the time the SHMA was prepared in 2015 and through a consideration of historic trends.

Whilst detailed analysis is undertaken using the data available for each of the Central Lincolnshire authorities comparison is also made with national (England) indicators as well as other neighbouring authorities to Central Lincolnshire for key indicators. The relative performance of the Central Lincolnshire authorities against key market signals is summarised in Figure 5.21 of the SHMA (showing the relative performance by ranking authorities).

The SHMA concludes on the basis of this analysis that taken as a whole *‘Central Lincolnshire has not seen a significant worsening of market signals, compared to neighbouring authorities and the national context.’* The SHMA does conclude, however, that there *‘has been a limited worsening in*

<sup>29</sup> Document Number 040 Reference E008 paragraphs 5.73 – 5.76

<sup>30</sup> Figure 6.20 of Document Number 040 Reference E008

<sup>31</sup> Document Number 040 Reference E008 paragraph 9.24

<sup>32</sup> Inspector’s correspondence with the Council ‘IDED18 OAN Conclusions’ (February 2016), paragraph 1.21

<sup>33</sup> ‘Report to Horsham District Council on the Examination into Horsham District Planning Framework’, October 2015

*some market signals – primarily house prices and affordability, in Lincoln in particular*<sup>34</sup>, which may justify a moderate or modest uplift against the level of housing implied by the household projections, reflecting the guidance of the PPG.

The SHMA also recognises through its consideration of market signals that the relatively low levels of development seen over more recent years has generated a backlog against historic plan targets, which *'could have implications for both projected population change and household formation'*.<sup>35</sup>

In deriving the OAN the SHMA considers the uplift associated with the adjustments to household formation rates of younger households, coupled with an assumed return to more positive net migration assumptions to represent a reasonable basis for understanding the scale of need implied by demographic factors and the evidence of some worsening in a number (but not all) market signals<sup>36</sup>.

#### *Should any specific uplift be made to the OAN?*

Within the calculated OAN in the SHMA no separate adjustment was made to directly represent a further uplift directly associated with market signals. It is recognised that a number of Local Plan Inspectors have sought to apply specific % uplifts to respond to evidence of worsening market signals<sup>37</sup>. The application of these uplifts alongside other adjustments to the demographic starting point has not, however, been consistent. This reflects the PPG's recognition that establishing future need for housing *'is not an exact science'*<sup>38</sup> or that there is a single approach that will provide a definitive answer. This was also reinforced through a recent High Court judgment which confirmed that the calculation of the OAN *'is a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgement about trends and the interpretation and application of the empirical material available.'*<sup>39</sup>

Whilst no specific uplift has been applied in the SHMA it is important in this context to recognise that the concluded OAN range 1,540 – 1,780 associated with supporting job growth within the SHMA is acknowledged in the evidencing of the OAN as representing a positive adjustment from the DCLG 'starting point' projections but also an uplift from the adjusted demographic projection<sup>40</sup>. Indeed the OAN range represents an uplift of between 7.5% and 24% against the adjusted demographic scenario which takes account of both a return to stronger levels of net migration and the adjustments to household formation rates (the uplift against the household projection starting point is some 58% - 83%).

This scale of adjustment from the demographic projection of need compares reasonably to the scale of adjustment applied by Local Plan Inspectors where a prescribed % uplift has been the preferred approach.

The SHMA concludes that both ends of the OAN range associated with supporting job growth would represent a boosting of long-term housing supply. In this context the absence of a separate specific uplift related to market signals is considered appropriate, it being captured by the other

<sup>34</sup> Document Number 040 Reference E008 paragraph 5.74

<sup>35</sup> *Ibid*, paragraph 5.76

<sup>36</sup> Document Number 040 Reference E008 paragraph 9.24

<sup>37</sup> For example the Inspector examining the Eastleigh Local Plan applied a 10% uplift to the demographic projections in response to market signals. The same uplift was also recommended by the Inspector examining the Uttlesford Local Plan

<sup>38</sup> PPG Reference ID: 2a-014-20140306

<sup>39</sup> Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government, ELM Park Holdings Ltd, [2015] EWHC 2464 (Admin)

<sup>40</sup> Document Number 040 Reference E008 paragraph 9.36

adjustments and uplifts accounted for in the concluded OAN range linked to the employment growth forecasts.

Overall it is considered that the cumulative scale of adjustments applied in deriving the OAN range result in a level of concluded need which would make a positive response, if delivered, to addressing recognised modest issues associated with market signals, affordability and previous under-provision as well as the other factors required through the PPG to derive the full OAN.

**Q11. What factors underpin the difference between the Experian Economic Forecasts and the Oxford Economics Forecasts for total job creation? Why are they so different? Why does the Oxford Economics baseline provide the more robust set of data and why has it been used? Is this justified? Applying the Oxford Economics baseline, what would be the requirement for new employment land?**

*What factors underpin the difference between the Experian Economic Forecasts and the Oxford Economics Forecasts for total job creation?*

The Economic Needs Assessment<sup>41</sup> (ENA) which informed the SHMA<sup>42</sup> is based on three sets of baseline forecasts of employment growth in Central Lincolnshire between 2012 and 2030 – two baseline forecasts from Experian (from two separate releases) and one from Oxford Economics.

There are differences between the levels of employment growth forecast in the Experian Economic Forecasts and the Oxford Economic Forecasts. At the Central Lincolnshire level the Experian Models estimate that employment will grow by 15% to 16% (some 19,960 to 21,420 additional jobs) while the Oxford Economic Model estimates that employment will grow by 9% (some 12,200 additional jobs). The Experian Model forecasts are also more buoyant at the national level (+19% in both Experian forecasts compared to +14% in the Oxford Economic Model).

There are two factors which contribute to the difference between the models at the local level:

- The level of employment growth forecast for each Local Authority Area within Central Lincolnshire
- The level of employment growth forecast for each sector

Each of these factors is discussed in turn below.

#### *Differences by Local Authority*

The Experian Economic Forecasts show a higher level of employment growth in each Local Authority area than the Oxford Economics Forecasts as shown in the table below. This applies to Lincoln in particular where employment growth has been low historically. Further analysis suggests that the distribution of employment growth in the Experian model aligns closely to the distribution of the current employment base, while the Oxford Economics model are more closely aligned to the distribution of historic employment growth (i.e. between 1998 and 2008).

**Figure 1.1: Employment Forecasts by Local Authority Area (% Change, 2012-2030)**

#### **Employment Forecasts by Local Authority Area (% Change, 2012-2030)**

<sup>41</sup> Document Number 034 Reference E003

<sup>42</sup> Document Number 040 Reference E008

Area	Oxford Economics	Experian 1	Experian 2
Lincoln	7%	14%	18%
North Kesteven	11%	16%	12%
West Lindsey	11%	15%	20%
Source: Economic Needs Assessment (Document 040 Reference E008), Oxford Economics, Experian			

### *Differences by Sector*

Both the Experian and Oxford Economics Models largely forecast that the same sectors will grow or decline<sup>43</sup>. The main difference relates to the magnitude of the uplift forecast for sectors that are growing.

As set out in the table below, the higher levels of growth in the first set of Experian forecasts when compared to Oxford Economics are driven by:

- Professional and other private services (+8,540 in Experian compared to +5,276 in Oxford Economics)
- Public services (+6,900 in Experian compared to +2,235 in Oxford Economics)
- Accommodation, food and recreation (+3,660 in Experian compared to +1,990 in Oxford Economics)

However, in the second set of Experian forecasts, the growth forecasts have been revised downwards for the public sector (from +6,900 to +3,070), and this has been compensated for by even higher levels of growth in:

- Professional and other private services (+11,790 in Experian compared to +5,276 in Oxford Economics)
- Construction (+3,780 in Experian compared to +2,326 in Oxford Economics)
- Wholesale and retail (+3,910 in Experian compared to +1,677 in Oxford Economics)

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<sup>43</sup> The main exceptions are: (i) The Oxford Economics model forecasts that employment in public administration and defence, finance and insurance and utilities will decline (where as these sectors are forecast to grow in the Experian Model); (ii) The second batch of forecasts from Experian indicate that transport and storage will decline (where as the first batch of forecasts from Experian and the Oxford Economics Model forecast that these sectors will grow). While these differences contribute to the overall difference in employment growth levels, the contribution is minimal.

**Figure 1.2: Employment Forecasts by Sector (No. Change, 2012-2030)**

<b>Employment Forecasts by Sector (No. Change, 2012-2030)</b>			
Sector	Oxford Economics	Experian 1	Experian 2
Professional and other private services	+5,276	+8,540	+11,790
Public services	+2,235*	+6,900	+3,070
Accommodation, food services, recreation	+1,994	+3,660	+3,630
Construction	+2,326	+2,840	+3,780
Wholesale and retail	+1,677	+1,480	+3,910
Information and communication	+807	+510	+990
Transport and storage	+492	+480	Forecast decline
Utilities	Forecast decline	+260	+510
Finance and insurance	Forecast decline	+160	+60
<b>Total Net Growth</b>	<b>+14,807</b>	<b>+21,170</b>	<b>+27,740</b>
Source: Economic Needs Assessment (Document 040 Reference E008), Oxford Economics, Experian **Note this is based on growth in education and health and social work and decline in public administration and defence to ensure figure is comparable with the Experian definition of public services			

There are also differences in the magnitude of job losses in sectors which are forecast to decline in the Oxford Economics and Experian models, although this has less of an impact on the overall difference.

#### *Why are they so different?*

It is not unusual for employment forecasts to vary between models and this is a common challenge that has been raised at other Local Plan Examinations across the Country.

The forecasts are produced using bespoke forecast models and underpinning assumptions. In most cases, these begin with an assumption with regards to the potential level of growth in the national economy, which is then broken down to local economy forecasts.

The models and the resulting forecasts depend on two factors:

- A view on the level of national employment growth (which varies in both of the Experian and Oxford Economic forecasts used in this study)
- A view on how this will be distributed sectorally and locally (which again varies in the Experian and Oxford Economic forecasts used in this study)

Therefore, an optimistic forecast could be based on high levels of national growth and/or a higher proportion of growth being allocated to a particular geography.

#### *Why does the Oxford Economics baseline provide the more robust set of data and why has it been used? Is this justified?*

The decision to use the Oxford Economics baseline was based on the comparison of the three forecasts, analysis of data on the historic performance of the Central Lincolnshire economy and

intelligence gathered through the consultations conducted as part of the Economic Needs Assessment. In summary, the decision was based on the following factors:

- The scale of growth forecast in the Oxford Economics Model is more realistic given the area's historic employment performance and indications that business confidence and growth is expected to slow in the interim period (from 2014)
- The volatility and significant differences between the two Experian forecasts, particularly with regards to the sectoral and geographical distribution of employment growth.

As set out in the table below, the Experian forecasts would require Central Lincolnshire to exceed the average annual level of employment growth secured during a period of sustained growth nationally (requiring between 1,098 and 1,190 additional jobs per year on average, compared to the 870 delivered per year between 1998 and 2008). In the case of Lincoln, the average annual increase would need to be almost three times as high as the increase delivered in the City between 1998 and 2008 to meet the Experian Forecasts. The forecasts also indicate that Lincoln would experience the highest level of employment growth of the three Central Lincolnshire Local Authorities in actual terms, which does not align with historic trends.

The scale of the challenge increases when trends from 2009 and 2015 are taken into account. This shows that between 2009 and 2015, on average, Central Lincolnshire has underperformed both the Oxford Economics and the Experian Forecasts.

**Figure 1.3: Comparison of Historic Growth and Employment Forecasts (Average annual change, 2012 - 2030)**

Comparison of Historic Growth and Employment Forecasts (Average annual change, 2012-2030)					
Area	Historic Growth		Forecasts		
	1998-2008	2009-2015*	Oxford Economics	Experian 1	Experian 2
Lincoln	+140	+0	+200	+469	+583
North Kesteven	+450	+167	+291	+402	+297
West Lindsey	+280	+333	+186	+228	+308
<b>Central Lincolnshire</b>	<b>+870</b>	<b>+500</b>	<b>+678</b>	<b>+1,098</b>	<b>+1,190</b>
Source: Economic Needs Assessment (Document 040 Reference E008), Oxford Economics, Experian					
*Since the publication of the ENA, further employment statistics have been released which allow the average annual growth up to 2015 to be examined (rather than up to 2012 as per the ENA report)					

Therefore, the Committee shares the view of the conclusions in the SHMA that the Oxford Economics forecasts are considered the most realistic baseline position.

#### *Applying the Oxford Economics baseline, what would be the requirement for new employment land?*

The ENA calculates a requirement for 22.9 ha of new employment land associated with the scale of job growth forecast under the Oxford Economics baseline<sup>44</sup>.

<sup>44</sup> Document Number 034 Reference E003 Table 10.10

This is made up of 18.2ha of land to accommodate B1a/b office and R&D uses and a further 27.7ha of land for B8 storage and distribution uses. The combined total of 45.9ha is offset by a loss of 23ha of land for B1c/B2 industrial uses, on the assumption that this land could (subject to its suitability, availability and deliverability) be reused to accommodate growth in other employment sectors. Where this is not possible the requirement for new employment land will be higher.

Consideration was also given in the ENA to the land requirements associated with the Adjusted (Higher Growth) and Adjusted (Lower Growth) Scenarios, which generate requirements 53.2ha and 41.2ha hectares respectively. These land requirements are set out within Tables 10.10 and 10.13 of the Economic Needs Assessment Report.

However, for a fuller response on land related issues, see questions and answers in relation to Matter 7.

***Q12. The Local Plan states (paragraph 3.5.10) that baseline job growth will result in a requirement for around 23 ha of new employment land over the plan period. However, the Local Plan allocates significantly more – some 153 ha (111ha through Policy LP5 and 42ha through the SUEs). Given that the housing land requirement is based on baseline economic growth, will the supply of housing land be sufficient to ensure that there are enough workers in relation to the amount of allocated employment land?***

As set out in **PS.EVR5**, it is accepted that an over-provision of employment land is made in the Local Plan, compared with the identified need. However, **PS.EVR5** explains (p13-17) that this overprovision is due to:

- sites allocated already having the benefit of consent (and thus it would be nonsensical to not allocate them, as there is no clear evidence that they are unlikely to come forward); and
- the need to make provision for an element of employment land within the SUEs.

If monitoring identifies that all of the 'over-allocation' of employment land is taken up (or appears likely to be taken up in the plan period), and if this creates a greater increase in job growth than forecast, then Policy LP54 comes into place, releasing potentially a further 11,500 dwellings.

As such, yes, the supply of housing land is considered sufficient to ensure enough workers are available.

***Q13. What if employment land development and job creation is higher than the baseline forecast, and subsequently there is insufficient housing to support the development of allocated employment sites? Will there be a need to find more housing sites?***

No.

See response to Q12

***Q14. Should this be monitored and should there be a review mechanism in the Local Plan to review job growth against the forecasts?***

Policy LP54 explicitly refers to such monitoring and review mechanism.

**Q15. The SHMA identifies that Bishop Grosseteste University has seen sustained periods of growth which reflects their ambitions. Representations from the University of Lincoln also identify plans for growth as part of a new 'food corridor'. Does this have any bearing on the OAN?**

For the housing OAN, the SHMA (**E003**) fully considers student issues, particularly in Chapter 8. Therefore, the SHMAs overall conclusions (and subsequently the OAN and the Local Plan housing target) have factored in student related matters.

For the employment OAN, the employment forecasts are of such considerable uncertainty anyway, that the degree to which the 'food corridor' creates (or not) job growth would not have a material bearing on the OAN and is covered by the degree of sensitivity with which economic forecasts should be treated.

For the avoidance of doubt, the 'food corridor' is a LEP led initiative, not a University one, though of course it is welcomed that the University of Lincoln are supportive of the concept.

### **Issue 2c – Housing Requirement**

**Q16. The conclusions of the SHMA identifies an OAN of between 34,368 - 42,720 (or 1,432 - 1,780 dpa), but confirms that the bottom end of the range only represents a modest 'boost' to long-term housing supply. With this in mind, why was the housing requirement for Central Lincolnshire established as 1,540 (baseline economic growth), which sits towards the lower end as identified by the SHMA?**

Please see **PS.EVR3** for full details, particular paras 4.30-4.33 if a summary of the reasoning is required.

**Q17. Will the housing requirement in the Local Plan significantly boost the supply of housing as sought by paragraph 47 of the Framework? Does it reflect the Vision of the Local Plan which states that Central Lincolnshire will be a location of 'positive growth'?**

Yes.

Since the Framework was published (2012), housing delivery in Central Lincolnshire has been:

2012/13 – 837

2013/14 – 904

2014/15 – 1,002

2015/16 – 992

(source **E007E**)

The Local Plan is making provision to supply 1,540 pa, which is a greater than 50% increase than has been delivered since the publication of the NPPF.

In the short term, the supply is around 2,000 pa, as demonstrated in the latest Five Year Land Supply Report (**E007D**), or a 100% increase above recent delivered supply.

There is no doubt, therefore, that the Local Plan is providing for a significant 'boost', in line with the NPPF.

**Q18. Should the housing requirement at paragraph 2.4.1 and Policy LP3 be expressed as a minimum figure given the range of OAN identified by the SHMA? Is it adequately clear that this figure is the housing requirement?**

The housing requirement set out in the plan is the figure upon which the plan aims to facilitate delivery, and upon which the plan will be monitored in the future (including demonstrating a five year land supply).

It would be inappropriate to use the word minimum, because that sets a completely open-ended target, which is impractical to monitor against, and would put considerable confusion on, for example, infrastructure providers making long term investment plans, as there would be no meaningful figure to base their investment decisions upon.

There appears no meaningful benefit to describing the figures as 'minimum'.

The Committee also considers the plan to be clear as to what housing requirement the plan is seeking to facilitate. There has been no fundamental confusion expressed via the representations on this matter.

**Q19. Is the housing requirement expressed as a net or gross figure? Has the figure taken into account potential demolitions or other changes of use (i.e. any losses from existing housing stock)?**

The figure is net.

An allowance for demolition or change of use has not been made, on the basis that a very conservative allowance for windfall has been made.

If the Inspector considers an allowance for demolition or change of use should be made, then the Committee respectfully requests that a considerably greater allowance for windfall is made eg for change of use of office to residential; windfall allowance for Sleaford and Gainsborough; a more realistic (and greater) allowance for windfall in Lincoln, etc.

The Committee believes it to be completely inappropriate to include an allowance for losses and use a conservative windfall allowance.

**Q20. Have there been any requests from neighbouring authorities to accommodate any of their unmet housing needs?**

No – see response to Q3

## **Issue 2d – Affordable Housing**

### **Q21. Has the affordable housing need (17,400 dwellings) been correctly established?**

The SHMA includes a separate calculation of the need for affordable housing following the stepped process set out within the PPG<sup>45</sup>.

The calculation drew upon the latest available secondary data including data supplied by the Councils from the Housing Register. Where relevant alternative data sources have been compared and contrasted with the Housing Register data to validate the inputs to the calculation. The use of the Housing Register data was preferred at key points to avoid double-counting of needs, an issue highlighted within the PPG<sup>46</sup>.

In estimating the future affordable housing need in Central Lincolnshire the SHMA uses the preferred 10 year migration scenario recognising that this assumes a higher level of future population growth which will in turn be likely to generate potentially future need for non-market housing<sup>47</sup>. The capacity of households to be able to afford market housing are tested against prudent income thresholds, with the assumption applied that a household can spend 3.5 times income on the cost of purchasing a home – minus a 5% deposit – or spending 25% of their income on private rent<sup>48</sup>.

In the context of the operation of the housing market it is noted that a number of Local Plan Inspectors have considered that higher proportions of household income can be reasonably assumed<sup>49</sup>. The assumption, for example that a household could reasonably spend a higher level of household income on housing costs would serve to reduce the calculated level of affordable housing need arrived at in the SHMA keeping all other elements constant. The SHMA assumptions in this regard are, however, considered both reasonable and prudent.

The SHMA does not make any assumptions that the needs of those identified as requiring affordable housing could have their needs met within the private rented sector<sup>50</sup>.

The calculated need of 17,400 affordable dwellings over the plan period is considered to be compliant with the PPG and to represent a full and objective assessment of the need for affordable housing.

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<sup>45</sup> Document Number 040 Reference E008 Section 7

<sup>46</sup> Paragraph Reference ID: 2a-024-20140306

<sup>47</sup> Document Number 040 Reference E008 notes that the higher population growth assumed under the employment-led scenarios are driven by assumed migration associated with employment opportunities and any additional growth in households is less likely to represent an additional need for affordable housing (paragraph 7.43 of the SHMA).

<sup>48</sup> Document Number 040 Reference E008, Paragraph 7.45

<sup>49</sup> The Inspector considering the Stratford-on-Avon Core Strategy concluded within his Inspector's Report (June 2016) that '*I maintain that spending 35% of income on housing costs is reasonable*' (paragraph 55).

<sup>50</sup> Document Number 040 Reference E008 paragraph 7.85

**Q22. How have the three Local Authorities performed since 2012 on the delivery of affordable housing to cover the first years of the plan period? Is the figure of 17,400 still appropriate or does it need up-dating? What overall percentage of affordable housing has been achieved over recent years?**

City of Lincoln:

Total AH provided (2012-16) = 136

Proportion of all homes = 15.6%

West Lindsey:

Total AH provided (2012-16) = 158

Proportion of all homes = 13.0%

North Kesteven:

Total AH provided (2012-16) = 327

Proportion of all homes = 19.7%

Central Lincs combined:

Total AH provided (2012-16) = 621 (out of 3,735)

Proportion of all homes = 16.6%

The 17,400 figure is as established in the SHMA, and remains valid for the purpose of the Local Plan.

**Q23. Is MM/SC/3 necessary to make the Local Plan consistent with national planning policy?**

The Committee reluctantly believes that MM/SC/3 is necessary. It is quite apparent, following extensive legal processes, that Ministers are particularly adamant that the national policy (11 homes+ / 1,000 Sqm+) must apply.

Prior to the national policy being re-introduced (post the Local Plan undertaking its Proposed Submission consultation), the Committee were confident that the starting point for affordable housing (4 units) set out in the now Submitted Plan was sound, it being demonstrated as viable (see para 6.6.7 of **E011A**, which states '*The viability evidence has factored in a cost for affordable housing for the four dwellings or more scenarios and these are shown to be viable*').) and would clearly assist, albeit in a relatively small way (perhaps in the region of 400-500 affordable units, though it is very difficult to predict – see Q24 response), in the delivery of much needed affordable homes.

However, in suggesting the Modification, the Committee has placed considerable weight on the Ministerial Statement and national policy guidance, and on persistent Planning Inspectorate appeal decisions which are implementing the national policy even when an adopted development plan sets a lower starting threshold.

That said, it is interesting to note the very recent decision at Esher, Surrey (APP/K3605/W/16/3146699 – 18 July 2016), whereby the Inspector dismissed an appeal on the basis of a lack of affordable housing, and placed greater weight on local circumstances (including a lower affordable housing threshold in the Local Plan) than the Ministerial Statement.

The Committee is without doubt that the modification will result in less delivery of much needed affordable housing, and is without doubt that the applicable policy in the submitted local plan (i.e. without the modification) is viable. But, in making the suggested modification, it has reluctantly come to the conclusion that the Ministerial Statement carries greater weight than the local evidence, and has, therefore, suggested the modification.

At the hearing, the Committee will be very pleased to discuss the merits of the modification, and may withdraw the suggested modification if, following debate, it appears prudent to do so. Ultimately, of course, it is for the Inspector to determine whether the modification (or an alternative modification) is necessary to make the plan sound.

***Q24. Based on a higher threshold of 11 units how many affordable housing units are likely to be delivered in the plan period through the application of Policy LP11 and from any other sources? Policy LP11 recognises that not all of the need will be met through the planning system. What will be the extent of the shortfall? Will Policy LP11 help deliver the Vision of the Plan, which seeks to meet the housing needs of all?***

It is impossible to answer this question with any degree of accuracy, because not all sites will deliver the precise % requirements set out in Policy LP11. Some will provide lower (on likely viability grounds), some may provide higher (eg some schemes by RSLs).

However, all allocated sites will be expected to provide affordable housing irrespective of whether the starting threshold remains at 4 or is increased to 11, because all allocated sites are for 25 dwellings or more.

Thus, it is therefore assumed an average of 20% of all dwellings delivered on allocated sites (committed or 'new' allocations) will be affordable. This would deliver approximately 6,000 affordable units, out of approximately 30,000 dwellings identified in the Local Plan.

Of the remaining dwellings to be delivered, in the plan period, it is assumed a blended average of 10% will be affordable. This is on the basis that many of these remaining dwellings will be on small (less than 11 unit) sites, or even single dwellings, and thus provide no affordable housing. This would provide, therefore, potentially 850 further affordable units.

If the starting threshold remains at 4 units (as per the submitted plan), it is reasonable to assume that perhaps 15% of all units on sites below 25 will be affordable, which equates to around 1,300 units (or around 450 additional units, compared with the starting threshold of 11).

As such, around 6,850-7,300 affordable units are anticipated in the plan period, via 'the market'.

In addition to this, additional units may come forward through other means. The Housing Growth Delivery Plan (April 2016) (**E006A**) acknowledges at section 3.3 the need for affordable housing to come through other means, including via: grant funding; rural affordable housing and council house building programmes. The City of Lincoln Council, for example, is seeking to deliver 220 council homes and 150 RSL homes, outside of the planning system, 2016-2021.

It is difficult, however, to argue that these other means will bridge the gap between the 'strategic aim' of delivering 17,400 affordable homes and the amount delivered via the 'market', but they could, perhaps, provide 1,000-2,000 further affordable homes.

Other mechanisms to deliver affordable housing could be through rural exception sites or Community Land Trust (or equivalent) schemes, but again, it is difficult to predict, with confidence, that, overall, the 17,400 strategic aim will be achieved.

The remaining gap (or 'need') is likely to be filled by the private sector rental sector and/or an element of 'overcrowding' in all forms of dwellings.

That said, the strategic aim of delivering 17,400 affordable homes (and the vision of seeking to meet the housing needs of all) is exactly that: an aim/vision, which is aspirational, and one which the Committee will, working with partners, strive to achieve. But, as the policy makes clear, it will require other mechanisms to be put in place to achieve it, and it will be important that the highest priority need (i.e. the most vulnerable people) is met first.

**Q25. The PPG (Ref 2a-029-20140306) states that an increase to the total housing figures should be considered where it would help deliver the required number of affordable homes (i.e. to deliver more market housing and therefore more affordable housing). Has an uplift to the housing requirement for this reason been considered? If no uplift is proposed, what is the justification for that?**

The SHMA identified that the calculated need for affordable housing over the Plan period, 17,400 affordable homes (725 per annum), represented between 47% and 40% of the total OAN associated with supporting employment growth.

It is recognised within the SHMA that achieving these proportions of affordable housing would be challenging on the basis of historic levels of development<sup>51</sup>.

A recent High Court judgement provided clarification that whilst the SHMA must identify and address the needs for market and affordable housing in determining the OAN, *'neither the framework nor the PPG suggest that they have to be met in full when determining that FOAN. This is in no doubt because in practice very often the calculation of unmet affordable housing need will produce a figure which the planning authority has little or no prospect of delivering in practice'*<sup>52</sup>.

The Secretary of State (SoS) provided further clarification on this matter agreeing with an Inspector's interpretation of the calculation of the OAN in dismissing a view that a substantial uplift be justified to ensure that 'full' affordable housing need was met, confirming the concluded position reached in the High Court decision referred to above<sup>53</sup>.

The SHMA recognises the limitations of directly comparing the calculated affordable housing need figure and the OAN<sup>54</sup>, as subsequently considered in the PAS Guidance on OAN (July 2015)<sup>55</sup>. This recognises the different methodological approaches employed in calculating the two figures with the former including, for example, households within the estimated backlog of need who would themselves 'free up' housing for another household if their needs were met.

The SHMA considered the appropriateness in this context of applying a further uplift to the OAN to respond to the calculated need for affordable housing. It is concluded within the SHMA that the

<sup>51</sup> Document Number 040 Reference E008 paragraph 9.61

<sup>52</sup> Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government, ELM Park Holdings Ltd, [2015] EWHC 2464 (Admin)

<sup>53</sup> In the SoS decision (25<sup>th</sup> August 2016) relating to APP/C1570/A/14/2213025 the SoS confirmed that: *'neither the Framework nor the PPG suggests that the affordable housing needs need to be met in full in the OAN, on the grounds that this may produce a figure which has not prospect of being delivered in practice'*

<sup>54</sup> Document Number 040 Reference E008 paragraph 9.56

<sup>55</sup> 'Objectively Assessed Need and Housing Targets Technical advice note – Second edition', PAS, July 2015 – this issue is considered in section 9 of the advice note.

evidenced scale of need for affordable housing provides a strong justification for planning for an uplifted level of provision above that suggested by the 'starting point'. The scale of uplift associated with the OAN range linked to supporting job growth, however, is considered sufficient in that it would, if delivered, represent a boosting of the supply of housing with no further adjustment recommended to the overall OAN range on this basis.<sup>56</sup>

In the context of both the methodological differences between the two numbers and the subsequent interpretation of the PPG by the High Court and the SoS this conclusion is considered reasonable and justified.

***Q26. Is the requirement for 15-25% affordable housing justified by reference to viability evidence?***

Yes, see paragraphs 9 (executive summary) and paragraph 9.5.4 (recommendations and conclusions) of E011A which confirm that 15-25% affordable housing can be justified.

***Q27. Why is the requirement lower for the Sustainable Urban Extensions (SUEs) (20% in Lincoln and 15% elsewhere), than for other sites in the Lincoln Strategy Area (25%) and elsewhere (20%)? Is this justified?***

The variation in affordable housing policy reflects factors including the difference in approach to developer contributions towards site specific infrastructure costs. See paragraphs 3.2.9 of E011A where this difference in cost is explained. A higher site specific S106 is assumed for the SUEs at £4,300 per dwelling, whilst for all other developments there is an assumption of £2,000 per dwelling.

In addition, paragraph 10 of the executive summary to E011A (paragraph 9.5.5 of the conclusions) states that the SUEs are viable 'based on adopting a pragmatic approach to the scale of policy requirements [including affordable housing], developer profit expectations and landowner land value expectations'. Specifically for affordable housing policy recommendations, this has necessitated a slightly lower affordable housing target when compared to generic (non-SUE) sites. An explanation of the viability model is provided at paragraph 6.3.1-6.3.4 and elsewhere in document E011A, including at paragraphs 6.3.1-6.3.4 reference to phasing and infrastructure in assessing SUE viability. In arriving at conclusions on affordable housing and other policy requirements, Peter Brett Associates allowed for greater viability buffer on SUEs to smooth out any "development uncertainties" which is greater on this type of development compared to generic scenarios. This is within the context of the cashflow sensitive nature of development and the costs of borrowing. The generic scenarios are smaller in size than the SUEs, assume fully serviced site values (for example table 6.4, page 38, of E011A highlights this) and can be built out in fewer phases. The SUEs assume an unserviced land value plus site servicing as additional development costs. Given the size of development and the greater uncertainty of providing the serviced development there are greater "unknowns" with SUEs which justifies a larger viability buffer to ensure development remains viable.

***Q28. Is the policy sufficiently flexible? Should it accept that policy requirements for affordable housing would be proportionately reduced if it were demonstrated that a full contribution would cause a development to be unviable?***

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<sup>56</sup> Document Number 040 Reference E008 paragraph 9.64

The Policy states this already – see third para, commencing ‘The Central Lincolnshire authorities will...’

**Q29. In Rural Areas Policy LP11 states that a local needs assessment is required to demonstrate both a need and a ‘desire’ in respect of exception sites. How is this defined from a development management perspective? Would the Policy be effective in this regard? Does it give sufficient clarity to decision makers, developers and communities?**

By its nature, this part of the policy is an ‘exception’ policy. As such, it is reasonable for evidence to be provided as to what is ‘exceptional’ in order to enable the policy to come into play. As part of this, it is reasonable to expect that the applicant can demonstrate a local ‘need’ for affordable housing. In addition, as well as ‘need’, there should be some reasonable evidence that the local community actually want the additional new homes, as an exception to normal policy, in line with the spirit of the Localism Act. Simply identifying a local need is not considered sufficient to allow an ‘exception’ to be made. The approach is in line with the NPPF definition of rural exception sites (page 55).

The evidence required to demonstrate both a ‘need’ and a ‘desire’ for a rural exception site would require meaningful, but proportionate, engagement by the applicant with the local community.

Whilst not considered strictly necessary, if the Inspector deems appropriate, then the above sentence could be added into LP11, at the end of the *Rural affordable housing* sub-heading.

**Q30. Is the local support for rural affordable housing facilitated by a small amount of market housing a relevant and justified criterion? Would the Policy be effective in this regard?**

Yes. See the NPPF para 54 and NPPF definition of rural exception sites (page 55).

**Q31. Should Policy LP11 and/or its supporting text recognise and/or reference the different types of affordable housing, including Starter Homes?**

At the time of writing, Part 1, Chapter 1 ‘Starter Homes’ of the Housing and Planning Act is yet to come into force nor is s159 of the Act yet in force, which, when it does come into force, inserts s106ZB into the Town and Country Planning Act, and in doing so, by virtue of s106ZB(4)(b), make it clear that affordable housing includes Starter Homes, for the purpose of planning obligations. (see s216 of the Act, and the two subsequent ‘Commencement’ Regulations, to determine which parts of the Act are in force).

Thus, at the time of writing, ‘Starter Homes’, as set out in the Act, do not yet exist as a legal requirement. It would, therefore, be improper for a Local Plan to include such reference to Starter Homes, because there is no legal basis for their inclusion. Potentially, the relevant parts of the Act may never come into force and/or the regulations to implement these relevant parts of the Act may never materialise.

Thus, at the time of writing, the Local Plan should (arguably can) only refer to ‘affordable homes’. In doing so, if the provisions relating to ‘starter homes’ come into force prior to or post adoption, then they would be captured by the generic ‘affordable homes’ terminology. Attempting to include ‘starter homes’ now, when it is not clear what government intends, could potentially make the Local Plan not in conformity with the Act.

Thus, the simplest, most pragmatic solution is for the Local Plan to continue to use the phrase ‘affordable housing’, and make no reference to starter homes, because that will ensure the Local

Plan remains compatible with the Act, irrespective of whether and when the relevant parts of the Act are brought into effect or not.

However, it is accepted that the definition of 'Affordable Housing' in Appendix D 'Glossary' could become dated if the Act comes into force. As such, it is proposed by way of a Main Modification (modification Main/SC/21) that the text be replaced with:

**"Affordable Housing: Housing provided to eligible households whose needs are not met by the market. See national policy and Acts for further details and precise definitions."**

***Q32. Is it necessary to have a review mechanism in the Plan to consider progress against the delivery of affordable housing and to identify any appropriate steps to help increase supply, if appropriate?***

The supply of all homes, including affordable homes, will be monitored via Authorities Monitoring Reports (AMRs). If the supply of affordable homes is insufficient, and/or there is evidence of a growing need for affordable homes (especially for the most vulnerable), then this is a strong indicator for a review of the Local Plan to commence. It is not considered feasible to introduce a policy within the plan now, which in some way 'boosts' the supply of affordable housing in the future, if supply is considered insufficient to meet needs. Only a full review of the Local Plan could tackle this issue.

#### ***Issue 2e – Conclusion on Local Plan Housing Requirement***

***Q33. Overall, is the housing requirement in the plan justified? If not, what should it be?***

Yes, it is justified.