

**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**LOCAL PLAN ADVISORY COMMITTEE – 12 NOVEMBER 2014**

Title of report	<b>AFFORDABLE HOUSING</b>
Contacts	<p>Councillor Trevor Pendleton 01509 569746 <a href="mailto:trevor.pendleton@nwleicestershire.gov.uk">trevor.pendleton@nwleicestershire.gov.uk</a></p> <p>Director of Services 01530 454555 <a href="mailto:steve.bambrick@nwleicestershire.gov.uk">steve.bambrick@nwleicestershire.gov.uk</a></p> <p>Planning Policy Team Manager 01530 454677 <a href="mailto:ian.nelson@nwleicestershire.gov.uk">ian.nelson@nwleicestershire.gov.uk</a></p>
Purpose of report	To advise members of the intention to include a policy in the Local Plan in respect of affordable housing and to outline what matters such a policy might include.
Council Priorities	<p>These are taken from the Council Delivery Plan:</p> <p>Value for Money Business and Jobs Homes and Communities Green Footprints Challenge</p>
Implications:	
Financial/Staff	None
Link to relevant CAT	None
Risk Management	The National Planning Policy Framework requires that the full objectively assessed need for affordable and market housing be met. A policy in respect of affordable housing is required to ensure that the Council is complying with this requirement.
Equalities Impact Assessment	None
Human Rights	None
Transformational Government	Not applicable

Comments of Head of Paid Service	The Report is Satisfactory
Comments of Section 151 Officer	The Report is Satisfactory
Comments of Monitoring Officer	The Report is Satisfactory
Consultees	Local Plan Project Board
Background papers	National Planning Policy Framework which can be found at <a href="http://www.gov.uk/government/publications?topics%5B%5D=planning-and-building">www.gov.uk/government/publications?topics%5B%5D=planning-and-building</a>  Leicester and Leicestershire Strategic Housing Market Assessment which can be found at <a href="http://www.nwleics.gov.uk/pages/shma_5_year_housing_land_supply">www.nwleics.gov.uk/pages/shma_5_year_housing_land_supply</a>
Recommendations	<b>THAT THE ADVISORY COMMITTEE NOTES:</b>  <b>(I) THE NEED TO INCLUDE A POLICY IN THE LOCAL PLAN IN RESPECT OF AFFORDABLE HOUSING; AND</b> <b>(II) NOTES AND COMMENTS ON THE POSSIBLE CONTENTS OF SUCH A POLICY AS OUTLINED IN THE REPORT</b>

## 1.0 BACKGROUND

- 1.1 The National Planning Policy Framework (NPPF) NPPF requires that we meet “the *full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework...*”.
- 1.2 It also requires that where a need for affordable housing has been identified then policies should be set to meet this need on-site “*unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified*”. Policies for affordable housing “*should be sufficiently flexible to take account of changing market conditions over time*”.
- 1.3 Therefore, a key issue for the new Local Plan to address is that of the provision of affordable housing.
- 1.4 As with all of the policies in the Local Plan, it will be necessary for any policies in respect of affordable housing to be supported by a Sustainability Appraisal/Strategic Environmental Assessment (SA/SEA) to demonstrate what account has been taken of sustainability issues in preparing the plan and to show what the likely impacts of the plan will be in sustainability terms. The SA/SEA identifies a number of objectives covering a wide range of economic, environmental and social issues against which the sustainability credentials of the local Plan can be assessed. As part of the SA/SEA process it is

necessary to consider all reasonable alternative options when preparing policies and strategies.

- 1.5 In addition to SA/SEA, the Local Plan needs to be subject to viability testing in order to ensure that the various policies and proposals, particularly those which place a cost upon a development (such as affordable housing), would not make development unviable. Such testing can only take place when all of the policies for the Local Plan have been drafted.
- 1.6 It will be necessary to develop and test, against both the SA/SEA and viability, matters such as the targets and thresholds for affordable housing. However, identifying any specific figures at this time would not be appropriate in view of the lack of certainty and therefore, this report does not set out any specific details but sets out a framework for possible policies.
- 1.7 It should be appreciated that whilst the planning system has an important role to play in securing the provision of affordable housing, primarily as part of general housing development, it is just one means of doing so. The Council can assist with the provision of affordable housing through a variety of roles. For example, making sites available to housing associations for them to develop specifically for affordable housing; providing financial support to help realise developments as well as the potential for the Council itself to build new affordable housing.

## **2.0 WHAT IS THE LEVEL OF NEED FOR AFFORDABLE HOUSING?**

- 2.1 Any policy needs to be based on robust evidence. In respect of affordable housing this was covered as part of the Strategic Housing Market Assessment (SHMA). This follows the requirement in the NPPF to “*Address the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes)*”.
- 2.2 The SHMA identified that in North West Leicestershire the estimated level of annual need for affordable housing for the period 2011-2031 was 212 dwellings. To put this in context, the highest overall housing requirement suggested in the SHMA up to 2031 was 350 dwellings each year. The affordable housing need equates to about 60% of the overall housing need, although it should be noted that based on the advice of G L Hearn (the SHMA authors) the affordable housing figure is not a subset of the overall requirement figure.
- 2.3 In assessing the need for affordable housing the SHMA identifies that need can either be newly arising (from those households who will form over the period being assessed or from existing households falling into housing need) as well as existing households already in need. The largest amount of need is generated from newly arising households.
- 2.4 In considering affordability the SHMA had regard to information about income levels and how these compared to house prices and rents. Amongst its findings in respect of North West Leicestershire were:
  - Median house prices were about £140,000;
  - Median monthly private rental was about £520;

- Ratio of income to house prices was between 5.67 (median house prices) and 6.27 (lower quartile house prices);
- Indicative income level to required afford lower quartile purchase price was £34,300 and lower quartile rent £19,000;
- Mean income was £32,464 and ;
- Median income £24,692

2.5 The key point to note is that both the mean and median income levels were below that required to be able to purchase a property, although they were above the level required to rent.

2.6 To provide some form of context as to who may be in need of affordable housing, based on information obtained from the NHS careers website, a fully qualified nurse could be expected to earn up to about £28,000, whilst those with some form of specialism or responsibility for others could earn up to about £34,500. For a newly qualified teacher the Department for Education reports that salaries would be in the range of about £22, 500 up to £32,200 whilst the starting salary for a police constable is reported as being about £23,300 to £26,000.

### **3.0 WHAT MIGHT A POLICY ON AFFORDABLE HOUSING INCLUDE?**

3.1 As noted already it is not proposed to include any specific details at this stage, but instead to provide a framework for future policy development and an indication of possible policy approaches.

Any policy on affordable housing will need to include details in respect of:

- Targets and thresholds
- Split between different tenure types;
- Dwellings sizes required and
- Preference for nature of provision

#### **Targets and thresholds**

3.2 For clarification, a target would be the amount of affordable housing sought on individual sites (for example 20% of all development on a particular site) whilst the threshold would establish the number of dwellings above which affordable housing would be sought. These could be either the same across the district or varied. The advantages and disadvantages to these approaches are considered below.

#### Same target and threshold across the district

##### Advantages

- Simple to understand, fixed policy position district-wide;
- Reduced negotiations on individual schemes;
- Potential for developers to build in viability into their costing as there would be a fixed policy position

#### Disadvantages

- Dependant on the target, locations where there is the potential for larger housing developments would also be a larger proportion of affordable housing - this could result in an uneven distribution of affordable housing across the district;
- Dependant on the threshold there could be a reliance on exceptions sites being developed for affordable housing in the more rural areas;
- Lacks flexibility

#### Varied targets and thresholds across the district

#### Advantages

- Would be the same kind of policy structure as there is currently;
- Would allow for affordable housing to be delivered more evenly – i.e. threshold could be tailored to allow more affordable housing where there are smaller development sites;
- Could take more account of viability – targets and thresholds could reflect land values across the district;
- Provides more flexibility in terms of how it is applied

#### Disadvantages

- Likely to increase the time taken for negotiations on individual proposals;
- Could result in developers seeking lower provision as this is considered acceptable elsewhere.

3.3 On balance it is considered that having varied targets and thresholds would be the most appropriate approach as it provides greater flexibility and would more accurately reflect the different circumstances which exist across the district from a housing market perspective.

3.4 In terms of a target, based on the information from the SHMA this could be up to 60%. However, such a level of provision would raise significant issues in respect of both viability and deliverability. Therefore, any target will be significantly less than 60%.

3.5 In terms of thresholds, the NPPF does not provide any guidance on this, but the Government has announced that it will consult on proposals to limit the threshold of developments above which affordable housing (and other infrastructure) can be sought to developments of 10 or more dwellings only. If this proposal is confirmed then the options available to the Council will be restricted accordingly. This matter will be kept under review in developing policies.

#### **Split between tenure types**

3.6 The SHMA identifies that in North West Leicestershire 70% of those households who cannot afford market housing can only afford social rent or below; 11.9% can afford between social rent and 80% market rent and 18.1% can afford 80% market rent.

3.7 The SHMA suggests that this information should be used alongside any local evidence to determine an appropriate tenure split. This matter is currently being looked in to.

- 3.8 It will also be necessary to consider what possible role the Council may have to play in directly providing new housing itself, rather than relying upon the private sector or the register providers.

#### **Dwellings sizes required**

- 3.9 The SHMA provides guidance in respect of the possible mix of affordable housing that will be needed.
- 1 bed – 30-35%
  - 2 bed – 35-40%
  - 3 bed – 20-25%
  - 4+ bed – 5-10%
- 3.10 It goes on to suggest that this evidence should be used alongside any local evidence to determine an appropriate mix of dwellings sizes.
- 3.11 This matter is currently being looked in to alongside work in respect of tenure as referred to above.

#### **Preference for nature of provision**

- 3.12 As noted the NPPF advises that provision for affordable housing should normally be made on-site unless off-site can be justified. In the absence of any evidence to suggest otherwise it is considered that this should be the approach taken in any policy on affordable housing in the Local Plan.