



GL Hearn

Part of Capita Real Estate

Addendum to Towards a Housing Requirement for Melton Borough Report

Prepared for Melton Borough Council

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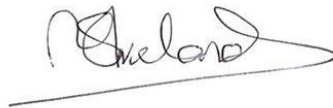
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Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

1 INTRODUCTION

- 1.1 This short report has been prepared to consider the implications of updated viability evidence on the setting of the housing requirement in Melton Borough's emerging Local Plan. It considers the policy basis in the Pre-Submission Draft Local Plan, the *Towards a Housing Requirement* report which GL Hearn prepared in January 2017, together with the updated viability evidence –the *Revised Local Plan and Community Infrastructure Levy Viability Study* - prepared by Cushman and Wakefield, May 2017.

2 EMERGING LOCAL PLAN HOUSING POLICIES

- 2.1 Melton Borough Council published a Pre-Submission Draft Local Plan for consultation in November 2016.
- 2.2 The Plan set out strategic objectives to help provide a stock of accommodation that meets the needs of the community, including for affordable housing; developing a housing stock to provide for the future aspirations for the local economy; enhancing the vitality and viability of Melton Mowbray Town Centre; creating a mixed economy with increased knowledge-based jobs and wages; reducing traffic congestion in Melton Mowbray; and improving access to services and facilities amongst others.
- 2.3 Policy SS2 proposed making provision for the development of at least 6,125 homes and 51 hectares of employment land between 2011-36, with the priority location for growth being the main urban area of Melton Mowbray. The scale of housing provision proposed was derived from the 2014 Leicester and Leicestershire Strategic Housing Market Assessment, but the plan made clear that housing provision was important for the sustainability and success of the local economy, in both urban and rural settlements.
- 2.4 The Plan outlined that Melton Mowbray should grow through strategic development to the north and south of the town, which could deliver new homes and employment development together with additional services and facilities and strategic highways investment through contributing to the delivery of an outer distributor road addressing traffic congestion in the town.
- 2.5 The supporting wording to Policy SS6 outlined that work with other local authorities across Leicestershire was underway on a joint Housing and Economic Development Needs Assessment (HEDNA) and joint Strategic Growth Plan, with the policy making provision for an early review and/or release of additional sites to respond to these as necessary or to respond to a five year land supply shortfall, should this be required.

- 2.6 Responding to an affordable housing need based on the then current evidence of 71 dwellings per annum (dpa), Policy C4 set out that the Council would seek to manage delivery of at least 1,775 new affordable homes. To do this developments of 11 dwellings/ 1000 sq.m floorspace and over would – subject to market conditions, viability and infrastructure requirements – be expected to deliver 37% affordable housing. Additionally, Policy C5 supported rural exception site development in settlements with less than 3,000 population where a demonstrable local need existed.

3 THE TOWARDS A HOUSING REQUIREMENT REPORT

- 3.1 GL Hearn prepared a report entitled *Towards a Housing Requirement for Melton Borough* in January 2017 which considered factors which are relevant in setting a housing requirement in the forthcoming Local Plan. The report considered evidence regarding objectively-assessed housing need (OAN); the alignment of the plan's housing and economic strategy as required by Paragraph 158 in the National Planning Policy Framework (NPPF); and the role which higher housing provision above the OAN could have in supporting local services in the Borough; delivering infrastructure – in particular the Melton Mowbray Transport Strategy; delivering affordable housing for local people; and meeting unmet needs from other areas.
- 3.2 The report was published alongside updated joint work on objectively assessed housing need across the HMA. The Leicester and Leicestershire Housing and Economic Development Needs Assessment (HEDNA), also published in January 2017, identified a need for 4,250 dwellings (170 dpa) in Melton Borough.
- 3.3 The *Towards a Housing Requirement* report concluded that there were a range of relevant considerations which the Council should take into account in setting a housing requirement for the Borough, and clear economic and social benefits in delivering housing provision above the OAN. These included:
- Positively supporting sustainable growth in the Borough's economy and aligning with the evidence in the Employment Land Study. It set out that this would require between 230 – 274 dpa depending on what proportion of older people remained in the workforce, recognising the strong manufacturing employment in the Borough .
 - Delivering the Melton Mowbray Transport Strategy, including the eastern, northern and southern distributor roads, which would positively support town centre regeneration; address congestion and rat running in the town; and enable the delivery of new employment sites and support economic investment. The transport strategy would help deliver the local plan's economic strategy/ ambitions.
 - Boost significantly the supply of housing, with positive impacts in terms of both improving overall housing affordability and meeting the need for affordable homes in the Borough. It identified that notionally 280 dwellings per annum would be needed to meet the affordable housing need in full at 25% affordable housing delivery (as recognised in the HEDNA).

- Make a positive contribution to meeting the potential unmet needs arising from other local authorities within the Housing Market Area, through the Duty to Cooperate. The HEDNA identified that provision above 154 pa would be regarded as contributing to meeting these unmet needs. Provision higher than the OAN in particular would represent positive planning, as required by national policy, contributing both to meeting unmet needs; supporting workforce growth; and delivering additional market and affordable housing.

3.4 The January Report concluded that there is a clear justification, on the basis of these factors together, for planning for between 5,750 – 7,000 dwellings over the 2011-36 period (230 – 280 dpa), a level which is notably above the OAN established in the HEDNA, subject to Sustainability Appraisal. It identified that without housing growth, the needs and demand of the Borough's ageing population for services – such as schools, shops and public transport – would become increasingly difficult to meet.

4 THE UPDATED VIABILITY EVIDENCE

4.1 Affordable housing delivery is influenced by residential development viability and the availability of funding support for affordable housing provision. The NPPF (Paragraph 173) is clear that:

“Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. 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.”

4.2 National policy is thus clear that residential development viability, and the costs of delivering infrastructure which may influence this, are relevant and important influences on what level of affordable housing provision may be sought through policies in local plans.

4.3 Since the preparation of the *Pre-Submission Draft Local Plan and Towards a Housing Requirement* report, updated viability evidence has been prepared which, taking account of contributions towards infrastructure delivery and updated calculations, indicates that affordable housing delivery is expected to be lower than previously envisaged. The previous viability evidence prepared in October 2016, had modelled a tenure mix, where starter homes comprised 20% of overall housing delivery. Using this mix, 40% affordable housing (20% starter; 15% rented; 5% intermediate) was found to be viable in the higher rural value areas, with 30% affordable (20% starter; 10% rented) being viable in the lowest rural value area. The North Sustainable Neighbourhood at Melton Mowbray was assessed as being viable with 30% affordable (20% starter; 10% rented), and the South Sustainable Neighbourhood at 20% (all starter homes). Melton Mowbray Urban Area was not

viable at 20% affordable housing (all starter homes) and a lower rate was not tested in the study. The Cameron Government's consultation proposals to require 20% starter homes in new development has however not been taken forward by Government through regulations, and the Housing White Paper changes the policy emphasis to support delivery of a broader range of affordable housing including for rent and other affordable home ownership tenures. The updated evidence is set out in the Revised *Local Plan and Community Infrastructure Levy* report, May 2017, prepared by Cushman and Wakefield. This is a plan-wide viability study which responds to national policy and guidance, and considers the range of policies within the local plan together with CIL charges which could impact on viability. Subsequent to the publication of HEDNA and *Towards a Housing Requirement January 2017*, it was determined that the mix modelled in the October 2016 viability study did not sufficiently meet the affordable housing needs of the borough. The Revised Local Plan and CIL Viability Study (May 2017) re-examined residential development viability with a tenure mix of 4.4% starter homes as part of overall 10% provision for affordable home ownership.

- 4.4 In respect of residential development, the Viability Study defines five value areas, one relating to the Melton Mowbray urban area and three to different geographical rural areas within the Borough (Value Areas 1 – 4), based on residential values. It considers schemes of various sizes, from 3 to 175 dwellings. It then provides specific modelling relating to the north and south sustainable urban extensions proposed to Melton Mowbray taking account of the strategic infrastructure costs associated with these (including schools; distributor roads; and in the case of the South SUE a community hall and primary sub-station). It considers scenarios for between 5 – 40% affordable housing provision, with the results considering the viability of these and potential 'headroom' for CIL.
- 4.5 The updated evidence concludes that the policy requirement as currently drafted for 37% affordable housing provision on schemes of 11+ units would not realistically be viable, other than in the highest value rural area. The viability evidence indicates that:
- 40% affordable housing is viable in Value Area 1, which includes Somerby, Wymondham, Frisby on the Wreake, Gaddesby and Great Dalby.
 - 32% affordable housing is viable in Value Area 2, which includes Bottesford, Croxton, Kerrial, Harby, Hose, Long Clawson, Scalford, Stathern, Waltham on the Wolds, Easthorpe and Thorpe Arnold.
 - 25% affordable housing is viable in Value Area 3. This includes Asfordby, Old Dalby, Ab Kettleby and Asfordby Hill.
 - 15% affordable housing is viable in Value Area 4. This includes Buckminster and Sewstern.
 - In Melton Mowbray's existing urban area, the Study identifies that 10% affordable housing provision would be viable, but recommends that a 5-10% would be appropriate.
- 4.6 For the two strategic urban extensions, which are expected together to deliver 3,700 dwellings, the Viability Study finds that 15% affordable housing provision could be supported. Viability can be

sensitive on large sites such as this and the Council should work closely with landowners and promoters to support their delivery.

5 EXPECTED AFFORDABLE HOUSING DELIVERY

Affordable housing delivery to date

5.1 Taking account of monitoring data and a projection from the Council, net affordable housing delivery of 150 dwellings is expected between 2011/12 – 2017/18. This breaks down into net affordable completions of 118 dwellings between 2011/12 – 2016/17, and an expected delivery of 32 affordable dwellings in 2017/18.

5.2 The 118 net affordable completions between 2011/12 – 2016/17 is compared to total net completions of 639 dwellings. Affordable housing completions thus equated to 18.5% of the total new housing built.

Delivery through Mixed-Tenure Development Schemes

5.3 The Council has worked to consider the implications for affordable housing delivery of the updated viability evidence, considering the expected trajectory of affordable housing as required by Paragraph 47 in the NPPF.

5.4 If development schemes achieved the levels of affordable housing indicated in the Viability Study , the current evidence would suggest that provision of around 1,100 affordable dwellings could be achieved over the period from 2018-36. This assumes that:

- Policy is set in accordance with the viability evidence;
- Sites in Melton Mowbray deliver between 5% - 10% affordable housing;
- Schemes of over 11 dwellings deliver policy compliant levels of affordable housing;
- The SUEs deliver 15% affordable housing provision.

5.5 No affordable housing contribution is assumed from Value Area 4 as no allocations are proposed in this area, or sites below the threshold for affordable housing provision.

5.6 The table below indicates the calculated contribution from different value areas/ geographies within the Borough.

Table 1: Affordable Housing Delivery through Mixed-Tenure Schemes

	Assumed % Requirement	Estimated Delivery 2018-36
Melton SUEs	15%	478
Rural Value Area 1	40%	106
Rural Value Area 2	32%	286
Rural Value Area 3	25%	101
Melton Mowbray Urban Area	10%	142
Total Affordable Housing Provision	-	1113

Source: GL Hearn based on MBC Analysis

5.7 Not all development schemes will be able to viably deliver policy compliant levels of affordable housing. However on the other hand additional affordable housing delivery can be expected to be supported through rural exceptions sites, which are supported by Policy C5, through direct delivery by registered providers and with funding support (such as through HCA funding or from the Council). This may result in higher (above-target) affordable housing provision on some development schemes.

The Council's Housing Development Programme

5.8 The Council has a programme of affordable housing development on its land assets. It is envisaged that the following schemes will contribute to affordable housing delivery:

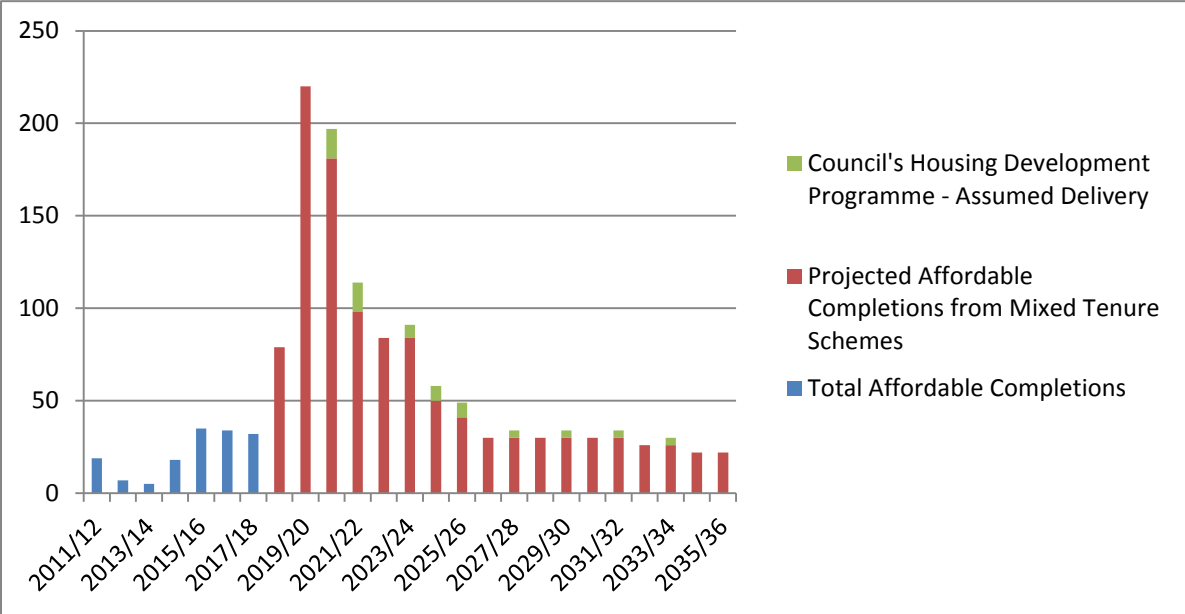
- Gretton Court redevelopment
- Fairmead redevelopment Phase 1
- Development on garage sites
- Redevelopment of non-traditional dwellings.

5.9 The Council has assessed the expected contribution of these to future affordable housing delivery, and identified the potential net affordable completions which might arise. Overall it is expected that these schemes will deliver around 70 affordable dwellings (net) moving forward over the period to 2036.

Overall Affordable Housing Delivery

5.10 Based on drawing together the affordable housing delivery to date, estimated delivery through mixed-tenure development schemes and the Council's programme, total affordable housing delivery of around 1,300 dwellings could be feasible based on current planning assumptions. The chart below shows the expected trajectory of delivery.

Figure 1: Affordable Housing Trajectory



Source: GL Hearn based on MBC Analysis

- 5.11 A particular spike in affordable housing delivery is envisaged between 2018 – 2024, influenced by the overall housing trajectory for the Borough.
- 5.12 Across the plan period as a whole, it is expected that around 21% of net completions would be of affordable housing. This is slightly above recent historical delivery (18.5%).

6 IMPLICATIONS

- 6.1 The current evidence would suggest that the Local Plan, as currently drafted, would support delivery of around 1,300 affordable homes over the plan period. This evidently falls short of the Council’s previous intention for “the delivery of at least 1,775 new affordable homes between 2011 and 2036”, as set out in Policy C4 in the Pre-Submission Draft Local Plan.
- 6.2 There are good reasons why affordable housing delivery is now expected to be lower. These relate to the updated viability evidence which suggested that 37% affordable housing would only be viable in Rural Value Area 1. There is little point in setting policies for affordable housing at levels which are not viable – it would inhibit housing delivery. Where housing developments are not brought forward, no affordable housing is delivered. It would also be contrary to national policy.
- 6.3 The implications which arise, and which the Council needs to consider, are:

- Whether higher overall housing provision should be considered in the local plan, in order to boost delivery of affordable housing; and/or
- Whether an alternative spatial strategy should be delivered which sees greater housing provision in areas where viability is stronger.

Considering Higher Housing Provision

6.4 The HEDNA identified an affordable housing need for 70 dwellings per annum (2011-36). The delivery of affordable housing is influenced by:

- The overall level of housing provision;
- Residential development viability; and
- Funding and other delivery mechanisms for affordable housing.

6.5 Planning Practice Guidance as currently drafted outlines in considering affordable housing needs evidence that:

“The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.”¹

6.6 Case law² has interpreted the PPG in this regard as requiring the *consideration* of an increase [in the requirement] to deliver the required number of affordable homes, rather than an instruction that the affordable housing need should be met in full – recognising that in practice very often the calculation of unmet affordable housing need will produce a figure which a planning authority has little or no prospect of delivering in practice.

6.7 The affordable housing needs evidence on this basis was considered to justify a 15% upward adjustment from the demographic need in calculating the OAN of 170 dpa within the HEDNA.

6.8 In the *Towards a Housing Requirement Report*, GL Hearn identified that if 37% of all homes were delivered as affordable housing, 189 dpa would be required to meet the affordable need in full. At 30% delivery, 233 dpa would be required; with 280 dpa required at 25% delivery [Para 6.20]. It identified that the evidence clearly demonstrated that a housing requirement above the OAN of 170 dpa would contribute positively to affordable housing delivery in the Borough and that a requirement of 245 dpa would potentially fully meet the affordable housing need. However is also commented that in many other areas within the HMA, meeting the affordable housing need in full was not realistic and would require unrealistic levels of development, far beyond what could realistically be

¹ ID 2a-029-20140306

² *Kings Lynn & West Norfolk vs. SSCLG & Elm Park Holdings Ltd* [2015] EWHC 2464 (Admin)

considered deliverable [Para 6.21]. The report was thus not reliant solely (or indeed principally) on the scale of affordable housing delivery expected in drawing conclusions.

- 6.9 With potentially around 21% affordable housing delivery now expected, based on the latest evidence shown in Section 5 above, around 330 dwellings per annum would be required to deliver the 70 dpa of affordable housing in full.³ 330 dpa would be almost twice the OAN calculated in HEDNA.
- 6.10 The question however which arises, consistent with the *Kings Lynn* judgement findings, is whether a higher housing requirement would be deliverable. As Section 7 of the *Towards a Housing Requirement Report* outlined, historical net completions since 1994 in the Borough have averaged 170 dpa over the period since 1994. Delivery of 245 dpa would equate to both increasing and sustaining over a 25 year period a rate of delivery which is a substantial 44% above the longer-term average and 44% above the OAN. This in itself would represent a very substantial boost to housing delivery.
- 6.11 A range of local plan inspectors have in recent decisions accepted OAN or housing requirement figures which do not meet the affordable housing need in full. Recent examples include:
- South Derbyshire (May 2016) – the Inspector considered the market signals and affordable housing evidence together, noted the role the private rented sector played in meeting housing needs of those unable or not wishing to buy a home; and adjustments to headship rates in the OAN calculations which should enable overcrowding, concealed and shared households to reduce in the future.
 - Scarborough (February 2017) – again an example where the affordable housing need was not going to be met in full, but the planned provision was 55% above historical delivery. The Inspector found that there was little to suggest higher housing provision still would materialise even if it was deemed appropriate and justified.
 - Sefton (March 2017) - the Inspector found that the plan would deliver less than half of the affordable housing need, but found that it would not be appropriate to more than double the demographic led need; and that increasing housing provision would draw people from elsewhere with implications for neighbouring authorities;
 - Central Lincolnshire (April 2017) - the Inspector here found that some of those in affordable housing need would continue to be dependent on the Private Rented Sector, but that a further increase in overall housing provision would result in an imbalance in jobs.
- 6.12 For Melton Borough, clearly delivery of 245 dpa would represent a substantial boost to housing supply relative to both historical completions and the OAN. If about 1300 affordable homes are delivered over the plan period, as forecast and feasible, this would meet about 75% of all identified affordable housing needs. Whilst affordable housing delivery would fall short of the identified need, some households whose needs cannot realistically be met through delivery of new affordable housing could live in the Private Rented Sector with housing benefit support.

³ 70 / 18% = 389 dpa

- 6.13 GL Hearn identified that 245 dpa would represent a growth rate in the housing stock of 1.0% pa, which was comparable with the historical evidence of what had been achieved in similar areas, albeit that there were some examples of areas which had achieved stronger housing delivery. It is above the level of housing delivery which the Government's Housing White Paper anticipates nationally (0.8 – 0.9% pa).
- 6.14 There are clearly a range of factors which are likely to influence the rate of development which can be sustained in the Borough in the longer-term, including both national economic and housing market dynamics, as well as local influences. GL Hearn notes the HEDNA's evidence regarding relative economic performance, the distance of the main towns in the Borough from the motorway and strategic road network, relatively low earnings influencing the scale of demand for market housing, and long-term price growth which has been below the national average.
- 6.15 These factors suggest that it would be unrealistically ambitious to expect the market to sustain higher housing delivery in Melton Borough than was envisaged in the Pre Submission Local Plan; notwithstanding for example issues related to the numbers of building firms or construction industry. They limit the scope for sustaining delivery of higher housing provision across the plan period, However proactive efforts by the Council to facilitate housing delivery across the range of potential providers and any future changes to Government housebuilding incentives could support higher delivery than has been seen in the Borough historically..
- 6.16 We come back therefore to what wider evidence there is regarding demand. The *Towards a Housing Requirement* Report concluded that between 230 – 274 dpa would be needed to support economic growth. This assumed above-trend in-migration to the Borough. Given that there need to be additional people and households to occupy homes if they are to be sold, this remains a reasonable basis for drawing conclusions on the level of housing provision. **GL Hearn therefore conclude that the conclusion of the Towards a Housing Requirement Report that a requirement for 5,750 – 7,000 dwellings (230 – 280 dpa) remains appropriate and valid.**

Considering the Spatial Distribution of Housing

- 6.17 The Local Plan has clearly been drafted to support the sustainability of both urban and rural communities in the Borough. It focuses 65% of housing provision within and adjoining Melton Mowbray, this being having the greatest level of jobs and services. Within Rural Areas, the housing distribution has been influenced by the number of households within settlements, and their service provision, with housing focused in service centres and rural hub settlements.
- 6.18 Whilst an alternative spatial distribution of housing could be considered and this could influence affordable housing delivery (through greater development in more viable locations), there are wider

sustainability issues to consider. Indeed the Sustainability Appraisal⁴ (SA) for the plan has already considered and appraised different options, specifically:

- Option 1: Melton Mowbray focus: development focused on Melton Mowbray with small scale development in rural settlements.
- Option 2: Reduced Melton Borough focus: majority of development still in Melton Mowbray but with increased development in rural villages.
- Option 3: Dispersed development: increased development in settlements across the Borough with further reduction in development in Melton Mowbray.
- Option 4: The majority of development concentrated in one location.

6.19 The SA has thus tested a more dispersed distribution of development. Its findings suggest that whilst a higher level of housing in rural communities can have minor positive effects in improving access to housing and facilities in rural areas, there are key sustainability benefits from focusing development at Melton Mowbray in terms of access to employment and services and in terms of supporting use of sustainable transport and reducing journey lengths.

6.20 GL Hearn considers that the impact of distribution on affordable housing delivery would need to be considered in an updated Sustainability Appraisal. There remains clearly a strong logic to continuing to focus development at Melton Mowbray as:

- It is the largest settlement, and is therefore where the largest affordable housing need will arise.
- Households in need of affordable housing are typically on lower incomes, and therefore less likely to have access to private transport. Melton Mowbray is where lower paid jobs are concentrated. It is therefore logical to seek to deliver affordable housing in locations with good access to employment, services and public transport.
- Whilst in percentage terms affordable housing delivery is lower in Melton Mowbray than the rural areas of the Borough, given the spatial focus of development at Melton Mowbray, over 50% of affordable housing expected to be delivered moving forwards can be expected to be in the Town.
- Overall the plan envisages significant affordable housing provision within both Melton Mowbray and the rural areas within the Borough.

Wider Factors

6.21 There are a number of other wider factors which the Council should be aware of. Firstly a General Election has taken place June 2017. The new Government could change both planning policies/guidance and delivery and funding models for affordable housing provision. GL Hearn would note that the last Government signalled in the February 2017 Housing White Paper its intention to consult in due course on a new standardised methodology for calculating OAN, and suggested that its intention was to review the National Planning Policy Framework. GL Hearn considers that there is some potential that in doing so the Guidance related to considering affordable housing need and

⁴ To the Pre-Submission Draft Local Plan

its relationship to overall housing provision could evolve. This is not a reason to delay, but a factor to be aware of which may need to be considered in due course.

6.22 Similarly a new Government could influence funding and delivery mechanisms for affordable housing. The Conservative Party Manifesto for instance indicates the party's intention, to enter Council Housing Deals with ambitious, pro-development local authorities through measures addressing skills/capacity and capital funding. We await to see if this will be taken forward by the new Government. New opportunities to support the funding and delivery of affordable housing should be considered as appropriate by the Council and could influence affordable housing delivery.

6.23 Finally it should be borne in mind that there is an interplay between market housing supply and affordable housing need. Affordable housing needs assessments are informed by housing costs and incomes at the point in time of the assessment, and the scale of affordable housing need shown is sensitive to this. There is thus potential that the scale of affordable housing need (70 dpa) could fall should housing costs fall relative to incomes – such as through actions to support the economy and increase incomes; or through housing cost inflation which is below earnings growth. Notionally in the context of a fixed housing requirement figure, but reduced affordable housing provision, market housing supply is boosted. This higher market housing provision could in time influence entry-level housing costs relative to incomes, reducing the scale of affordable housing need.

Overall Conclusion

6.24 On the basis of the above, GL Hearn considers that the conclusions of the January 2017 'Towards a Housing Requirement for Melton Borough' report hold true. Those conclusions were that there is a clear justification for planning for between 5,750 – 7,000 dwellings over the 2011-36 period (230 – 280 dpa), a level which is notably above the OAN established in the HEDNA, subject to Sustainability Appraisal. Whilst the level of affordable housing delivery is now expected to be lower, at around 1,300 affordable homes over the plan period, it was appropriate to reconsider whether higher overall housing provision was warranted. However, our review of the situation suggests that it would be unrealistically ambitious to expect the market to sustain higher housing delivery in the Borough than the 245 dwellings per annum set out in the Pre Submission Draft Melton Local Plan.