

**EXTRAORDINARY MEETING OF FULL COUNCIL**

**4<sup>th</sup> JULY 2017**

**REPORT OF THE HEAD OF REGULATORY SERVICES**

**DRAFT MELTON LOCAL PLAN – CHAPTER 5, POLICY C4: AFFORDABLE HOUSING**

**1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to outline the new evidence available about the amount of new affordable housing needed and the amount of such housing that can be viably sought as part of new private housing developments. It goes on to summarise the key matters raised in representations received to draft Policy C4: Affordable Housing Provision of the Pre Submission Draft Melton Local Plan, and to suggest responses to the representations in the light of the new evidence. The final section of the report sets out the resulting proposed change to draft Policy C4 and its supporting reasoned justification.

**2.0 RECOMMENDATIONS**

**2.1 It is recommended that Council:**

- (i) Notes the new evidence relating to affordable housing contained in the Housing and Economic Development Needs Assessment (January 2017) (HEDNA) and the Revised Melton Local Plan and CIL Viability Report.**
- (ii) Notes the relationship between the provision of affordable housing and the amount of CIL that could be collected from new housing developments;**
- (iii) Agrees the detailed responses to representations, taking account of this new evidence (Appendix 1);**
- (iv) Agrees that the proposed change to Section 5.8 of the draft Local Plan, including Policy C4, as set out in the Focused Changes Appendices (item 3I of this agenda), be agreed as part of a consultation on an Addendum of Focussed Changes to the Draft Melton Local Plan (see para 3.7.6 below).**

**3.0 KEY ISSUES**

- 3.1 New evidence needs to be taken into account in plan preparation, and interested parties need to have the opportunity to comment on it, to help ensure that the draft Local Plan can be found sound at examination, and on which more detail is given in **Item 3A of this agenda.**

3.2 After the Pre Submission Draft Local Plan consultation closed on the 19th Dec 2016, further evidence and information has become available, which leads to the need to reconsider the reasoned justification and policy for affordable housing. This new evidence is as follows:

- a) Leicester and Leicestershire Housing and Economic Needs Assessment (HEDNA), Jan 2017
- b) Housing White Paper published 7th Feb 2017
- c) Revised Local Plan and CIL Viability Study, May 2017

3.3 Item a) above and is addressed in **Item 3B of this agenda** and the Executive Summary is an Appendix to that item.  
Item b) was published by the Government in February 2017 <https://www.gov.uk/government/publications/fixing-our-broken-housing-market> and Item c) forms **Appendix C of Item 3K of this agenda**

### **3.4 New evidence: Housing and Economic Development Needs Assessment (HEDNA)**

3.4.1 The HEDNA found an affordable housing need for Melton Borough of 70 dpa, (which equates to a total of 1750 over the 25 year plan period). This is a very slight change from the Leicester and Leicestershire Strategic Housing Needs Assessment (SHMA), 2014 which found an affordable housing need for Melton Borough of 71 dpa.

### **3.5 New information: Housing White Paper**

3.5.1 The Housing White Paper indicated a change of stance by the Government on Starter Homes. During the Coalition Government, there was a proposal for all residential developments to have 20% Starter Homes. The current Government proposes, through the Housing White Paper, to amend the National Planning Policy Framework (NPPF) to “introduce a clear policy expectation that housing sites deliver a minimum of 10% affordable home ownership units”. This not only reduces the percentage, but also changes the proposed requirement from Starter Homes to all affordable home ownership options.

### **3.6 New evidence: Revised Melton Local Plan and CIL Viability Study**

3.6.1 The study shows that 37% affordable housing across the whole of the Borough is not viable. Instead varying percentage levels of affordable housing in different value areas of the Borough is viable, whilst still allowing reasonable levels of CIL to be collected (**see item 3K of this agenda for details**).

The amount of affordable housing that would be viable in each of 6 different value areas (as shown on the plan at Appendix 1) was found to be as follows:

- (v) Value Area 1 (south of the Borough) – 40%
- (vi) Value Area 2 (north of the Borough)– 32.4%
- (vii) Value Area 3 (Asfordby and west of Borough) – 25%
- (viii) Value Area 4 (far east of Borough) - 15%
- (ix) Northern and Southern Sustainable Neighbourhoods – 15%

(x) Melton Mowbray – 5% -10%

### **3.7 Nature of Representations received and analysis:**

- 3.7.1 A total of 33 representations were made on this policy and its associated reasoned justification, of which 3 were expressions of support. A summary of all of the representations received and the suggested responses to them are available to view in Appendix 1.
- 3.7.2 Several representations indicated that the target did not reflect the evidence in the SHMA and the whole plan viability study. The representations also included a range of contrary views. For example, some felt the 37% target was too high and not supported by the viability evidence, and others that it was too low, some considered the policy too flexible, others that its Borough-wide application was too prescriptive. Some questioned if villages were the most appropriate places for new affordable housing, due to the costs of travel to work from them, whilst others felt that the level of provision in villages would exceed needs identified by local survey. One questioned how affordable housing of single dwellings would be provided in the smallest settlements.
- 3.7.3 In responding to the representations, it is necessary to take account of the new evidence provided in the HEDNA (Jan 2017) and the revised local plan and CIL viability study (May 2017), and the proposed changes to Policy C4 addresses many of the objections. The affordable housing needs are for the Borough as a whole, and given the viability evidence, the Council will need to secure these wherever it can to ensure the highest proportion of needs are met as possible. By their definition, 'service centres' and 'rural hubs' have better public transport to main centres of employment, and several villages have local employment to which lower paid workers currently have to commute, due to limited affordable housing nearby. Affordable housing provision in the smaller settlements would be through the 'exceptions site' route (Policy C5).
- 3.7.4 As the viability of the percentages of affordable housing to be sought have been thoroughly tested in the viability study, and buffers to pull back from the margins of viability included on many of the assumptions, the percentages would be sought in all cases, except in exceptional circumstances and/or a clear case for an exception can be made on viability grounds. By setting the policy as minimum percentages, required, there is flexibility to seek higher levels of provision, where the low risk, straightforward nature of a development, e.g. a greenfield site, free of constraints, indicates a likely higher than typical scheme value.
- 3.7.5 Taking account of the proportions of new housing that are being proposed in the different value areas of the Borough, the revised Melton Local Plan and CIL Viability Study suggests that a total of around 1300 affordable homes could be delivered, less than the 1775 target included in the 'Pre Submission' policy. This would meet about 75% of all affordable housing needs, compared to the 1775 target that, if delivered, would have met all affordable housing needs in full. However, it is unusual for a Local Plan to be able to meet an Authority's need in full – examples of local plans that have been found sound in 2017 that have not planned to meet needs in full include Central Lincolnshire, Scarborough and Sefton.
- 3.7.6 As a result, a focused change is being proposed to amend Section 5.8 and draft

Policy C4 to:

- replace references and associated commentary on the SHMA with those for HEDNA;
- reference the implications of the revised viability study;
- amend the percentage requirement of affordable housing on residential developments; rather than having one percentage amount for the whole Borough, varying percentages from 5-10% to 40% across different value areas are proposed to reflect the study results; and,
- reduce the overall target from a total of 1750 affordable homes to about 1300.

3.7.7 The full details of proposed change to Section 5.8 and Policy C4 is set out in the report on Focused Changes, **Item 3i of this agenda**.

3.7.8 The viability modelling tested the amount of affordable housing achievable using a tenure mix balanced more towards social and affordable rented products, which the HEDNA findings show is needed as a majority on any residential developments, rather than delivering affordable housing products that do not meet the needs identified. For example, viability testing for the Pre-Submission Draft Plan included higher proportions of starter homes in line with Government expectations at the time, but not matching the local needs identified. As the social and affordable rented products offer a lower return when offered by developers to registered providers than the return they can get on starter homes, it has reduced the overall total amount of affordable housing that is viable.

3.7.8 The biggest impact of the proposed policy change relates to the percentage of affordable housing that can reasonably be sought in the Sustainable Neighbourhoods to 15%. The change to affordable housing mix is a key factor in this, along with the updated Viability Study which is based upon revised costings and revenues. The revised viability study also notes that 15% affordable housing is at the level that other similar urban extension schemes elsewhere in the country are achieving.

3.7.9 Another impact of this change is that a higher proportion of all the affordable housing that is likely to be delivered will be as part of developments outside of Melton Mowbray. Needs are concentrated in the town, associated with the higher population of people in lower paid jobs. If monitoring over time did reveal an emerging significant mismatch, there is also the option of securing contributions for off-site affordable housing provision that can be negotiated through planning obligations, though this generally results in slightly fewer dwellings being delivered, and depends on suitable sites being found in the preferred location. The NPPF advises that we should adopt a flexible approach to the delivery of affordable housing and recommends this approach (para. 50), and Members will be aware that we have secured affordable housing through innovative approaches in a limited number of occasions. The details would be set out in the Supplementary Planning Guidance on affordable housing referred to in the Local Plan, in association with Policy C4.

#### 4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 Affordable Housing remains a Corporate Priority which is reflected in the aims and

objectives of the Plan. It is therefore considered that the reduction to the levels that can be secured as a result of viability should be the smallest achievable in order to reflect this priority.

- 4.2 One of the key strategic priorities and objectives set out in Chapter 3 of the Local Plan is to “help provide a stock of housing accommodation that meets the needs of the community, including the need for affordable housing”. Therefore, it is imperative for the affordable housing policy to be sound, as it is fundamental, as a key ‘building block’ to the soundness of the Plan as a whole. As the findings of the viability work suggest a significant change to the affordable housing policy and its justification, the proposed modification route would not be appropriate, and the ‘focused change’ route is the suitable one.

## **5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS**

### **5.1 Relationship with Potential Community Infrastructure Levy Charging Levels**

- 5.1.1 An increase in the provision of affordable housing would result in a lower amount of CIL chargeable on residential development being viable, and vice versa. Given the shortfall of likely affordable housing provision compared to needs, the balance proposed is in favour of affordable housing provision (see also Para 4.1 above).

## **6.0 LEGAL IMPLICATIONS/POWERS**

- 6.1 Preparing a Local Plan in accordance with a Local Development Scheme is a requirement of the Planning and Compulsory Purchase Act (as amended) 2004 and the Town and Country Planning Regulations 2012.
- 6.2 The National Planning Policy Framework sets out the Government’s planning policies and how these are expected to be applied. This includes affordable housing policies.

## **7.0 COMMUNITY SAFETY**

- 7.1 There are no direct community safety implications as a direct result of this report.

## **8.0 EQUALITIES**

- 8.1 An Equality Impact Assessment has been undertaken for the whole of the Local Plan, which includes the policy and reasoned justification for affordable housing.

## 9.0 RISKS

9.1

<b>L I K E L I H O O D</b>	<b>A</b>	<b>Very High</b>				
	<b>B</b>	<b>High</b>				
	<b>C</b>	<b>Significant</b>				
	<b>D</b>	<b>Low</b>		2		
	<b>E</b>	<b>Very Low</b>		1		
	<b>F</b>	<b>Almost Impossible</b>				
			<b>Negligible 1</b>	<b>Marginal 2</b>	<b>Critical 3</b>	<b>Catastrophic 4</b>

**IMPACT**

<b>Risk No</b>	<b>Risk Description</b>
1	Inadequate evidence and policy affecting the 'tests of soundness' of the Plan.
2	The revised policies and reasoned justification attracts widespread representation.

## 10.0 CLIMATE CHANGE

10.1 There are no direct climate change issues arising from this report.

## 11.0 CONSULTATION

11.1 If approved, the affordable housing policy and associated reasoned justification will be subject to an 'Addendum of Focussed Changes to the Draft Melton Local Plan' consultation (see item 31 of this Agenda)..

## 12.0 WARDS AFFECTED

12.1 All Wards are affected

Contact Officer J Worley, Head of Regulatory Services

Date: 26<sup>th</sup> June 2017

Appendices : Appendix 1 – responses to representations Chapter 5, C4 only. (deposited in Members Room)

Background Papers:

- Leicester and Leicestershire Housing and Economic Needs

Assessment (HEDNA), Jan 2017

- Housing White Paper published 7th Feb 2017
- Revised Local Plan and CIL Viability Study, May 2017