



REPORT TO:	Planning Policy Committee
DATE:	9 th November 2023
SUBJECT:	Affordable Housing
PURPOSE:	For Members to consider whether the current affordable housing contribution percentages (%) and trigger are appropriate given the evidence in the updated Economic Viability Assessment
KEY DECISION:	N/A
PORTFOLIO HOLDER:	Councillor Tom Ashton
REPORT AUTHOR:	Simon Milson
WARD(S) AFFECTED:	All – the Local Plan covers the whole District
EXEMPT REPORT?	<i>No</i>

SUMMARY

The following report considers

RECOMMENDATIONS

The report contains a number of options and recommended choices. These are all set out below and in the conclusions. The recommendation for the 3 different value areas within East Lindsey is:

Coastal: keep this at 0 % contribution

Inland: reduce this to 25% contribution

Woodhall Spa: maintain this at 40% contribution

In relation to the trigger, the recommendation is to keep this at the current level of 15. This means that any site with 15 or more houses would trigger the need for an affordable housing contribution. It is recommended that this is reduced to 10 units or more and 5 units in the Wolds AONB.

REASONS FOR RECOMMENDATIONS

The recommended choices would allow the policies in the Local Plan that relate to affordable housing to remain aspirational, but realistic. These targets are not minimums and higher levels of affordable housing could be achieved when working with developers.

OTHER OPTIONS CONSIDERED

- a) These are set out in the report below.

1. Current Policy Position

- 1.1 The National Planning Policy Framework 2023 (NPPF) in paragraph 20 requires strategic policies to make sufficient provision for housing, including affordable housing. It goes on in paras 22-23 to require Local Planning Authorities to produce strategic policies that look ahead over a minimum period of 15 years. It also sets out that “Broad locations for development” should be set out along with land use designations and allocations.
- 1.2 The NPPF goes on to say in paragraph 35:

*“Plans should set out the contributions expected from development. This should include setting out the **levels and types of affordable housing provision required**, along with other infrastructure (such as education, health, transport flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.”* [Highlighting added]
- 1.3 And in paragraph 62:
“...the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children”
- 1.4 The NPPF expands further on the expectation of affordable housing provision in para 63:
*“Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:

a) Off-site provision or an appropriate financial contribution in lieu can be robustly justified; and
b) The agreed approach contributes to the objective of creating mixed and balanced communities).”*
- 1.5 In relation to the trigger threshold for requiring affordable housing, para 64 that this cannot be sought for residential developments that are not major. A major application is

defined as 10 units or more¹. However, exceptions can be made in designated rural areas² where a lower threshold of 5 units may be set.

- 1.6 The Current Local Plan Policy 28 sets out contributions will be secured on major schemes. Occasionally a condition on the planning approval is used to secure the Affordable Housing. There is a preference for affordable housing to be provided within the development site. However, when negotiating the details of a planning application, a developer may be able to evidence that it is unable to provide affordable housing within the site. In such circumstances there is a mechanism to allow the developer to provide a commuted sum of money. This money is used to help provide affordable housing elsewhere.
 - 1.1. The Current Local Plan sets out the approach to affordable housing in Strategic Policy 7 – Affordable and Low-Cost Housing. This sets out that the trigger for providing affordable housing is a site of 15 dwellings or more. It goes on to set out the current contribution requirements:
 - 1) Medium and high value areas: 30%
 - 2) Coastal low value area: 0%
 - 3) Very high value area (Woodhall Spa Parish) 40%

2. Economic Viability Assessment (EVA) and Strategic Housing Market Assessment (SHMA)

- 2.1. There are two key pieces of evidence to be considered when looking at affordable housing. The first is establishing what the need is (SHMA). The second is establishing what levels of affordable housing can be provided at a site for it to remain viable (EVA).
- 2.2. The Council commissioned an update to the Strategic Housing Market Assessment in 2021. This looked at housing need across the District, including assessing affordable housing need.
- 2.3. The Strategic Housing Market Assessment identified a potentially high level of unmet affordable housing need in the district (492 per annum) however when this was refined further the final affordable need figure is 4,421 or 221 per annum over a 20 year Plan period. This is an increase from the current Local Plan requirement of 188 per year.
- 2.4. Current delivery rates can be found in the Annually produced monitoring report³. However, delivery rates are consistently lower than the 221 requirement. A report is being prepared by other Council Officers looking at the difficulties Registered Providers (RP's) are having in securing funding and taking on affordable housing secured by S106 agreement. This has been restricting recent build rates.

¹ <https://www.legislation.gov.uk/ukxi/2015/595/article/2/made>

² <https://publications.parliament.uk/pa/ld201719/ldselect/ldrurecon/330/33008.htm#:~:text=The%20National%20Planning%20Policy%20framework,of%20the%20Housing%20Act%201985%E2%80%9D.>

³ <https://www.e-lindsey.gov.uk/article/6165/Authority-Monitoring-Report>

2.5. It can also be seen from figure 1 that there have been some issues with the ability to source accurate affordable housing figures. This has now been resolved by bringing the affordable housing monitoring 'in-house' to the Service where it is being fully backdated. The Council has also employed a new Strategic Housing Officer. In 2017/18 and 18/19, in particular, the build rates were somewhat closer to the requirement of 221 set out in the updated SHMA and there is an increasing trend showing.

Year	Target set out in the Local Plan	Affordable dwellings completed	Affordable dwellings granted permission	under/over-supply of completions	% above or below target
10/11					
11/12		51			
12/13		74			
13/14		48			
14/15		140			
15/16		102			
16/17		124			
17/18	193	170	287	23	-12%
18/19	188	152	216	36	-19%
19/20	188	97**	192	91	-48%
20/21	188	83**	???*	105	-56%
21/22	188	67 **	???*	121	-64%
Total	945	569*	503	376	-40%

Table 6: Affordable housing provision. Period: 12months to February

*total is from 17/18 onwards

** the data sources available were incomplete/unavailable at the time so the actual figures are likely to be slightly higher than those reported here

2.6. The Council also commissioned and updated Economic Viability Assessment, which was completed in 2021. This involved research to understand the current build costs associated with development, any additional/abnormal cost pressures, current land and property market prices, and carrying out residual valuations to work out the remaining value of the land to the landowner. The findings of the report were brought to Policy Committee in April 2021. That Committee report is attached in appendix A and explains the methodology and detailed findings.

2.7. The EVA is used to work out whether contributions such as Health, Education and Affordable Housing are viable in different locations. This work also involved holding workshops with local landowners, agents and developers to gain first-hand information on the costs of developing on the ground. Allowances were also included for additional requirements such as Biodiversity Nett Gain costs, Carbon Reduction and the costs of installing electronic vehicle charging infrastructure. It also assessed the impact on viability from the First Homes initiative.

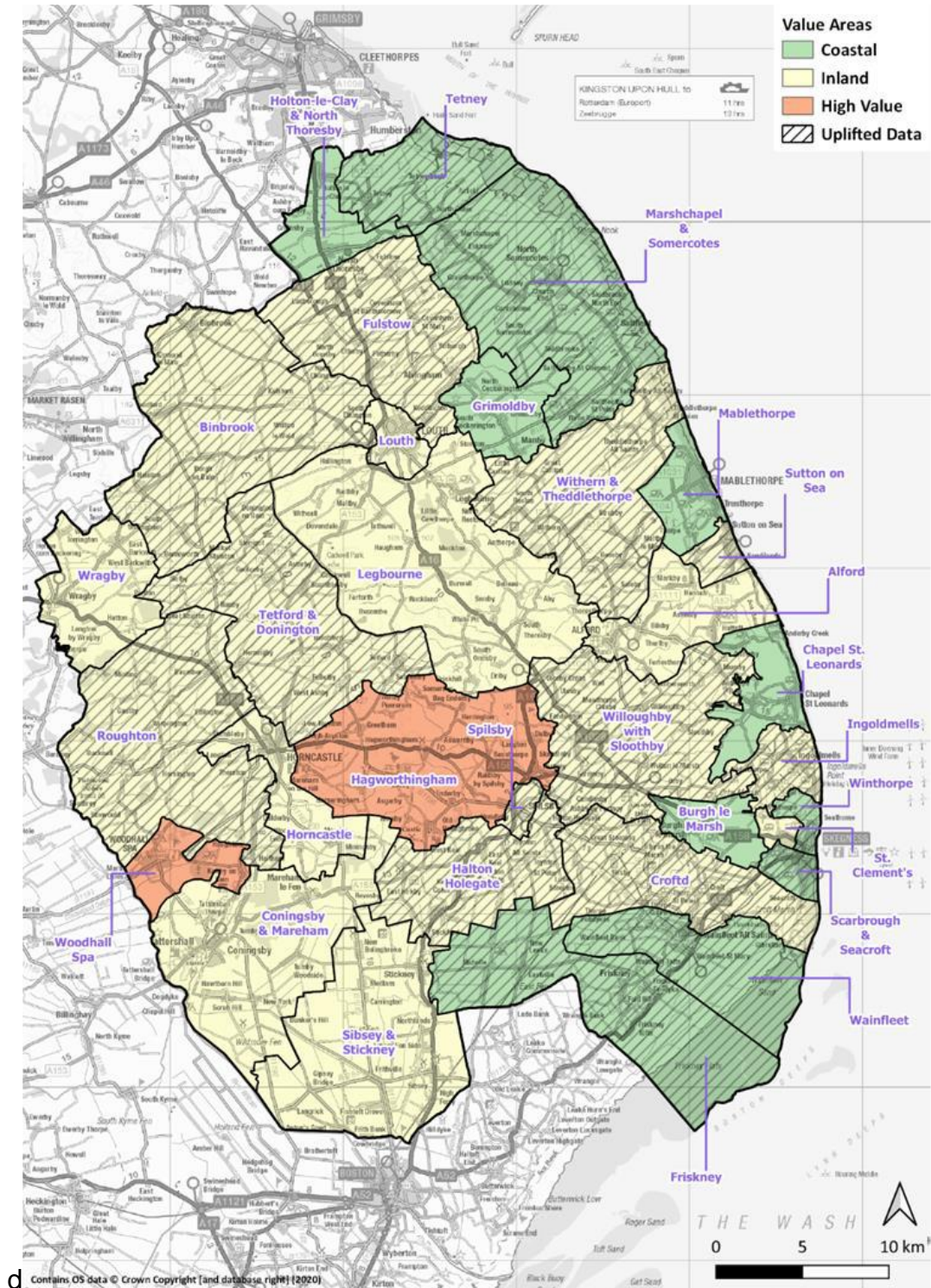
2.8. The 2015 EVA had 4 value areas and is shown in figure 1. This underpins the current SP7 wording. The 2021 EVA identified reduced this to 3 key value areas across East Lindsey. These are shown in figure 2 and below:

- a) Coastal Value Area
- b) Inland Value Area
- c) High Value Area

2.9. The High Value area includes a smaller area around Woodhall Spa but adds in Hagworthingham and Spilsby. In these locations a mix of a limited available properties and the generally higher property prices from being desirable locations result in higher levels of viability for development.



Figure 1 - from the 2015 East Lindsey EVA



d Contains OS data © Crown Copyright [and database right] (2020)
 Figure 2 - from the updated East Lindsey EVA (2021)

2.10. The EVA assessed the viability of various different site sizes across the District using a host of source data including industry benchmarks for development costs, actual developer input, housing market data. This method demonstrates a range of viability not only between the 3 value areas but also across different site sizes. These were also tested at a range of densities that were consistent with delivery in our towns and villages of around 20-30 dwellings per hectare.

Coastal Value Area

2.11. The EAV shows that viability continues to be poor across all site sizes within the Coastal Value Area. Property prices in this area are generally much lower than regional and

national averages, with build costs increased by the need for complex flood mitigation measures. This results on added pressures on profit margins.

- 2.12.** The current Local Plan has a zero % contribution requirement and the EVA also recommends keeping a zero requirement. Affordable Housing will continue to come forwards in this area as either an offer from developers or on exclusively Affordable Housing schemes.

Inland Value Area

- 2.13.** As noted earlier this area covers the largest portion of the District and currently has a 30% requirement. The EVA indicates a mix of viability depending on the size of the sites. Larger sites were shown to have slightly less viability in general due to the need to include higher/larger levels of infrastructure thus increasing the development costs. Whilst some smaller sites were viable at 30% the larger struggled at 25% and some even 20%.
- 2.14.** Given this area covers many of our growth towns and large villages such as Louth, Horncastle, Coningsby/Tattershall, Holton le Clay, Stickney etc). These are locations where the Council would still want to be aspirational, but not overreach and put developers off. It is considered that a reduction to 25% would still ensure viability and provide encouragement that the target for a site remained realistic. This will in turn give planning officers a more realistic starting point when engaging in negotiations.

High Value Area

- 2.15.** The EVA identifies the High Value Area as being around Woodhall Spa and to the east around Spilsby and Hagworthingham. This area is slightly smaller than in the current EVA and removes areas of the southern Fen's, moving them into the Inland Value Area. It recommends that the High Value Area could actually be increased from 40% to 50%
- 2.16.** The area around Woodhall Spa has decreased in size from the previous EVA and now just encompasses the main village. Woodhall Spa is one of the largest villages and has seen a high level of approvals in recent years. It currently has just under 500 committed plots, although completions are low (just over 20 completed in 2022/23). Whilst the EVA advises the % could be increased, it is clear that delivery on the ground is very low.
- 2.17.** There are a very limited new permissions in Spilsby, with the key future development site being the allocation, which obtained outline permission for 600units in May 2022⁴, al the primary focus of the contributions for this development was providing a new Dr's surgery. Hagworthingham is a large village lying to the West of Spilsby. The A16 forms a physical and visual barrier between the two settlements.

⁴ Application: S/165/02238/20 <https://www.e-lindsey.gov.uk/applications>

2.18. Turning to Spilsby and Hagworthingham: as of the March 2023 position statement Spilsby has approx. 70 committed plots⁵ (this is similar to Alford which has approx. 70 and Hagworthingham only 15 committed plots (the largest permission being 3 plots). By contrast Horncastle has 730 committed plots and Louth just under 1100 plots. The increase from 30% to 40% in these two settlements could help to generate some additional affordable housing for the area from the limited amount of development that does occur, whilst still ensuring those developments are viable. However, it could also be seen by developers as an additional barrier in what are already relatively low growth areas.

2.19. IT is recommended that the % be maintained at the current rate of 40% rather than increasing it further, given that only a limited amount of housing actually comes forwards in this area.

3. Trigger threshold

3.1. The Local Plan in SP7 currently requires sites of 15 or more dwellings to provide an affordable housing contribution. The NPPF sets out that it should be no less than 10 unless in a designated rural area. However, the EVA advises that this could be reduced to 10 dwellings without a significant effect on viability.

3.2. This could help to unlock affordable housing in smaller settlements where development sites tend to be smaller in size. This would in turn boost delivery figures. However, it does place an additional burden on the developers of smaller schemes, of which a significant amount of housing in East Lindsey is provided on. Some smaller developers only develop below the threshold to avoid the added cost, time and stress of negotiating and providing contributions.

3.3. Given the benefits of potentially unlocking additional affordable housing and the monitoring currently indicates we are below trajectory on delivery, the recommendation to members would be to consider lowering the trigger threshold to sites of 10 dwellings or more.

3.4. The NPPF does set out that in designated rural areas the trigger threshold could be reduced further to sites of 5 or more dwellings. The Lincolnshire Wolds Area of Outstanding Natural Beauty is one such area. A lower trigger could help to unlock affordable housing on some of the smaller sites that are more common in this designated area. Given the much lower approval rates in this sensitive area, this lower trigger could assist in approving delivery and contributing to the mix of housing available across the District.

3.5. However the EVA only assesses site sizes down to 9 dwellings. Viability is still shown from 9 units on lower density sites in the Inland Value Area, which covers the Wolds.

⁵ A committed plot is one that has either full or outline permission and is likely to come forwards within the Local Plan period

3.6. It is recommended that Members consider lowering the threshold to 5 in this area. Alternatively it may be possible to re-contract the consultants to provide an addition to the EVA covering sites from 5-9 dwellings to further evidence this need.

4. Other options

4.1. In relation to the % contribution required in each value area Members could choose to:

- a) Keep the % contributions as they are. The current %'s are not substantially different to the recommended ones. There is no evidence to suggest that these targets are causing issues therefore this is a reasonable alternative option.
- b) Change the % contributions to something else entirely. This approach is unlikely to be supported by any evidence if it deviates from the recommendations in the Economic Viability Assessment. This could leave the plan open to challenge.
- c) Have a more nuanced approach splitting the % down further depending on development size and location. This would address the more subtle variations but it is not considered that it would result in a significant change to affordable housing delivery above a simpler approach. This more complex approach also makes it harder for those reading the plan to follow, and for Officers/Members to apply.

4.2. In relation to the trigger threshold, the EVA recommends a reduction in the size of housing development that triggers a need for an affordable housing contribution, from 15 dwellings down to 10 dwellings. Members could choose to:

- a) Maintain the threshold: this could be seen as an appropriate strategy to take given that it could be seen as aspirational. However, this could reduce the benefit of additional affordable housing from smaller sites and in smaller locations.
- b) Increase the threshold: this would result in only larger sites triggering the need to provide affordable housing contributions. This could result in more smaller sites coming forwards and adding to market housing supply but would also likely reduce the amount of affordable housing provided.
- c) Decrease the threshold further: this would result in smaller sites triggering a need to provide affordable housing contributions. This could result in more affordable housing coming forwards from smaller sites, however it would start to affect the viability of these smaller sites. This could consequently reduce the housing levels, particularly in villages.

5. Recommendations

The recommendation is that the Local Plan policy approach is amended to reflect the following:

- 1) **Coastal Areas:** keep the % contribution at **0%** due to the very poor viability;
- 2) **Inland Areas:** lower the % contribution slightly to **25%** to reflect the lower viability;
- 3) **High Value Areas:** keep the % contribution at **40%** which remains reasonable and achievable, but does not over-burden developers in that location by increasing to **50%**;
- 4) Lower the trigger threshold from 15 to 10;
- 5) In the Wolds AONB, lower the trigger threshold from 15 to 5;
- 6) Agree the affordable housing target of **221 per year** to be included in the Local Plan;

Summary table

- 5.1. The table below shows the current %, the % suggested in the EVA, and finally the % that it is recommended Members select.

	Current Local Plan Policy	EVA recommendation	Recommendation to Members
Coastal Value Area	0%	0%	0%
Inland Value Area	30%	20-30%	25%
High Value Area	40%	40-50%	40%
Wolds AONB	30%	20-30%	30%

Table 1 - % contribution rates

	Current Local Plan Policy	EVA recommendation	Recommendation to Members
Coastal Value Area	na	na	na
Inland Value Area	15	10	10
High Value Area	15	10	10
Wolds AONB	15	na	5

Table 2 - Trigger Thresholds

6. CONCLUSION

6.1. The report recommends the most suitable approach based on the available evidence. This approach is only slightly different to the current approach.

EXPECTED BENEFITS TO THE PARTNERSHIP

The Local Plan assists the Partnership in all its priorities.

IMPLICATIONS

SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP

No direct implications. The outcome decisions made by Committee will inform the review of the East Lindsey Local Plan.

CORPORATE PRIORITIES

The Local Plan assists the Partnership in all its priorities.

STAFFING

None

CONSTITUTIONAL AND LEGAL IMPLICATIONS

Planning and Compulsory Purchase Act 2004

Town and Country Planning (Local Planning)(England) Regulations 2012

DATA PROTECTION

None

FINANCIAL

None

RISK MANAGEMENT

Any risks have been highlighted mitigation/controls suggested

STAKEHOLDER / CONSULTATION / TIMESCALES

None prior to committee.

REPUTATION

None

CONTRACTS

None

CRIME AND DISORDER

None

EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

None

HEALTH AND WELL BEING

None

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None directly. New housing development will bring about its own climate change and environmental implications. These are assessed as part of the Habitats Regulations Assessment and Sustainability Appraisal.

ACRONYMS

None

APPENDICES

(If none then insert the word 'None' and delete the below text/boxes).

Appendices are listed below and attached to the back of the report: -

Appendix A	Economic Viability Assessment
Appendix B	Previous Committee Report
Appendix C	Strategic Housing Market Assessment

BACKGROUND PAPERS

No background papers as defined in Section 100D of the Local Government Act 1972 were used in the production of this report.'

CHRONOLOGICAL HISTORY OF THIS REPORT

Name of body	Date

REPORT APPROVAL

Report author:	Simon Milson (ELDC)
Signed off by:	Mike Gildersleves (ELDC)
Approved for publication:	Councillor Tom Ashton (ELDC)