



CABINET

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To: Councillors Bailey, Barkley (Deputy Leader), Bokor, Harper-Davies, Mercer, Morgan (Leader), Poland, Rattray, Rollings and Smidowicz (for attention)

All other members of the Council
(for information)

You are requested to attend the meeting of the Cabinet to be held in the Preston Room, Woodgate Chambers, Woodgate, Loughborough on Thursday, 10th June 2021 at 6.00 pm for the following business.

Chief Executive

Southfields
Loughborough

27th May 2021

ITEM 6 – SUPPLEMENTARY REPORT

6. CHARNWOOD LOCAL PLAN PRE-SUBMISSION CONSULTATION AND SUBMISSION 3 - 8

A report of the Head of Planning and Regeneration, for recommendation to Council.

Key Decision

CHARNWOOD BOROUGH COUNCIL

CABINET MEETING

Supplementary Report to ITEM 6

10 June 2021

Recommendation

That it be recommended to Council that the local plan is amended in accordance with the wording in the Appendix to this supplementary report

Reason

To reflect the changes in government policy on affordable housing and First Homes

Background

On 28 May 2021, the government announced changes to the affordable housing policy framework in a Ministerial Statement: <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>. Consequential changes have been made to the Planning Practice Guidance.

The changes follow consultation on First Homes and the new model for shared ownership and the government's response to those proposals, published on 1 April 2021. They come into force from 28 June 2021.

Transitional arrangements are provided for Council's preparing local plans that have reached publication stage by 28 June 2021. However, the decision to publish the plan will not be considered until 21 June and the publication will not happen until 12 July 2021 and it is therefore considered that the transitional arrangements do not apply in the Council's case.

Proposed changes

There is a new national requirement for 25% of affordable housing to be First Homes, as well as a requirement for 10% of all homes to be for affordable home ownership.

From 28 June 2021, a home meeting the criteria of a First Home will also be considered to meet the definition of 'affordable housing' for planning purposes. The First Homes Criteria means:

- A First Home must be discounted by a minimum of 30% against the market value; and,

- after the discount has been applied, the first sale of the home must be at a price no higher than £250,000.

First homes must be prioritised for first time buyers and not be sold to any household with a combined annual income in excess of £80k or to persons that can afford to buy without a mortgage. Lower caps and eligibility criteria may be set locally. The units must be retained the primary residence and not be used for investment or commercial gain. They must be retained as affordable units in perpetuity and this will be recorded by the Land Registry.

The attached appendix is an extract from the draft Local Plan showing the necessary amendments required to reflect the change in government policy. Proposed new text is shown underlined and deleted text shown ~~struck through~~.

Appendix

Affordable Housing

The difference between house prices and household incomes makes it difficult for some people to afford to buy a home. Market rent levels can also be unaffordable for some people who are unable to or do not wish to purchase their home.

Evidence from the Land Registry shows that house prices in Charnwood have increased significantly over the last decade and have done so by more than the regional and national average. Household earnings have not kept pace with this increase in house prices. The generally accepted ratio for the amount of mortgage a household can borrow is 3 to 3.5 times household income and in Charnwood average house prices are over 7 times average earnings.

We wish to help people whose housing needs are not being met by the market by seeking the delivery of new affordable homes. These are usually homes that are made available to buy a share in, buy at a discount or rent through a Registered Provider such as the Council or a Housing Association.

The National Planning Policy Framework categorises affordable housing into four main types:

- (a) **Affordable housing for rent:** owned and managed by a Council or other Registered Provider with rent set at a level which does not exceed 80% of the local market rent or Social Rent set in accordance with the Government's rent policy.
- (b) **Starter homes:** new dwellings which are available for purchase by qualifying first-time buyers and are sold at a discount of at least 20% of the market value, subject to a price cap and with restrictions on sale or letting.
- (c) **Discounted market sales:** housing which is sold at a discount of at least 20% below local market value with eligibility determined by local incomes and house prices and with provisions to ensure housing remains at a discount for future eligible households.
- (d) **Other affordable routes to home ownership:** for those who could not achieve home ownership through the market including shared ownership, equity loans, low cost homes for sale and rent to buy.

~~In April 2021 the Government confirmed the introduction of a replacement for the Starter Homes scheme, known as First Homes. This will require 25% of all homes delivered through developer contributions to be made available to buy with a minimum discount of 30% below their full market value. The implementation date for the changes and associated updates to the National Planning Policy Framework are expected shortly.~~

There is an identified need for 476 new affordable homes for rent (category a) a year in Charnwood over the plan period to meet existing and newly arising needs. The majority of that need is for homes where rent is charged at the social rent level, which is less expensive than the affordable rent level. It is recognised that there is also a role for affordable rents and our evidence suggests that a significant proportion of the need for affordable homes for rent could be met by either affordable rent or social rent when access to housing benefits and the local housing allowance cap sought on affordable rents are taken into account. It is clear from our evidence that both tenures of homes are likely to be required in all areas of the Borough.

The National Planning Policy Framework states that major housing development proposals should make provision for at least 10% of the overall number of homes to be available for affordable home ownership (categories b, c and d). This is more than sufficient to meet the need for affordable home ownership in the Borough.

First Homes are the Government's preferred discounted market tenure. First Homes are a specific kind of discounted market sale housing (category c) which are discounted by a minimum of 30% against the market value, sold to a person or persons meeting the First Homes eligibility criteria set out in the Planning Practice Guidance and cost no more than £250,000. When sold they must have a restriction registered on the title at HM Land Registry to ensure this discount and other restrictions are passed on at each subsequent title transfer. In accordance with national guidance, we will require at least 25% of all affordable homes delivered through developer contributions to be First Homes.

Our evidence shows that shared ownership is the most appropriate form of affordable home ownership to meet the needs of those most in need in the Borough due to the lower deposit requirements and lower overall costs. Once the First Homes requirement has been met, this will be the preferred affordable home ownership tenure. This will, however, need to be considered in the context of any First Homes requirement, which will need to be accommodated as part of the affordable home ownership provision.

Our approach to meeting the need for affordable housing has also been informed by our viability evidence. This has informed the policy to seek 30% of all homes delivered as part of major developments to be affordable, with the exception of brownfield sites. We recognise that there are greater costs associated with bringing forward developments on brownfield sites than on greenfield sites. Informed by our evidence on viability we will therefore seek a minimum of 10% affordable housing from major developments on brownfield sites.

In order to ~~seek~~ meet the national requirement for 10% of the overall number of homes to be available for affordable home ownership on greenfield sites, we will seek a the tenure split between affordable homes for rent and affordable homes for affordable ownership will be of 67% affordable housing for rent and 33% affordable home ownership (made up of 25% First Homes and 8% other affordable home ownership, preferably shared ownership). This is equivalent to ~~(i.e. 20%/10%~~ of the total number

of homes on the site). We will seek a 50%/50% split on brownfield sites to take account of our much greater need for rented affordable housing and the number of brownfield sites included in our development strategy as part of urban intensification. The 50% affordable home ownership will be made up of 25% First Homes and 25% other affordable home ownership, preferably shared ownership.

In considering alternative tenure mixes the Council will balance the need to meet the objectively assessed needs of our communities with the need for flexibility to avoid delays to the delivery of housing. We will continue to work collaboratively with Registered Providers and housebuilders to consider alternative mixes where there is a clear justification.

In planning for affordable housing, we have taken account of viability to ensure development schemes are not rendered undeliverable as a result of excessive obligations and policy burdens. We have undertaken a whole plan viability study that includes the required level of affordable housing. Where a developer considers that the requirement for affordable housing is making a site financially unviable, the applicant will be required to provide a viability appraisal that meets the requirements set out in the Planning Practice Guidance and meet the cost of an independent assessment of that appraisal commissioned by the Council to inform a discussion of the appropriate development of the site.

It may not always be viable or practical for sheltered housing or extra care housing to provide an element of affordable housing, this will be considered on a case by case basis.

Affordable housing should be provided on-site as part of sustainable and mixed communities. Where there is a lack of a Registered Provider willing to acquire or manage the affordable homes, the Council will also consider proposals for the affordable homes to be gifted to the Council to add to its own social housing stock. Exceptional circumstances may however justify alternative means of affordable housing provision such as the use of a commuted sum in lieu of provision on-site. An example might be a preference from the local housing authority for local affordable housing need to be met in an alternative location.

We will work to ensure that housing proposals are delivered on all suitable sites and will invite interest from developers regarding providing new affordable homes for young first-time buyers at discounted prices on underused or unviable commercial or industrial sites not currently identified for housing, as part of our support for entry-level exception sites.

Our policy follows the National Planning Policy Framework in only seeking contributions from applicants of major developments and excluding small sites of less than 10 dwellings. However, developers are expected to make efficient use of land and attempts to deliberately circumvent the local plan thresholds through the inefficient use of land or subdivision of sites will not be acceptable. When considering whether a development meets the threshold for the provision of affordable housing the Council will consider the development potential of land adjacent to the site. Where the site

forms part of a wider allocation or a larger area within the control of the applicant which is suitable for development, this will be taken into account to ensure comprehensive development and avoid piecemeal development which does not make appropriate provision of affordable housing.

We will monitor the delivery of affordable housing in our Authority Monitoring Report.

Policy H4: Affordable Housing

We will seek 30% affordable housing from all major housing developments with the exception of brownfield sites where 10% affordable housing will be sought.

We will seek the following tenure mix:

	Total Affordable	% of Affordable Homes for Rent	% of Affordable Homes for Ownership
Greenfield	30%	67%	33%
Brownfield	10%	50%	50%

New affordable housing should be delivered on-site and integrated with market housing unless there are exceptional circumstances which contribute to the creation of mixed communities.

A clear justification supported by an independent viability assessment will be required if the applicant considers that particular circumstances justify the need for a lower level of provision.

Developers are expected to make efficient use of land and attempts to artificially reduce the scale of development to below the threshold for providing affordable housing will not be acceptable.

Contributions will not be sought from self-build or custom housebuilding developments.