

NORTH LINCOLNSHIRE COUNCIL

**HOUSING AND STRATEGIC PLANNING
CABINET MEMBER**

AFFORDABLE HOUSING FINANCIAL VIABILITY ASSESSMENT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform the Cabinet Member of the outcomes of the recently completed Affordable Housing Financial Viability Assessment.
- 1.2 To highlight the impact of the findings for the evidence base in support of the affordable housing policies of the Local Development Framework Core Strategy.

2. BACKGROUND INFORMATION

- 2.1 The North Lincolnshire Local Plan (May 2003) is to be superseded by the North Lincolnshire Local Development Framework (LDF). This together with the Regional Spatial Strategy for Yorkshire and the Humber will be the development plan for North Lincolnshire and will form the basis for all planning decisions. It will be made up of a number of Development Plan Documents (DPD's) and Supplementary Planning Documents (SPD's). Through this process the planning policies are being reviewed.
- 2.2 The current policy for affordable housing provision in North Lincolnshire is based upon Planning Policy Statement 3: Housing (PPS3) and the Regional Spatial Strategy. This sets out that on all sites of 15 or more dwellings up to 30% affordable housing should be sought.
- 2.3 This is a deviation from what was the adopted policy for affordable housing in the Local Plan, which sought a range of provision from between 5% to 20% and of thresholds of 25 units or more in Scunthorpe and Bottesford or 15 or more in the Market Towns. The percentage applied depended on the location of the development site. This change in policy came about due to the Secretary of State's direction that policies H11 and H12 (relating to the provision of affordable homes) of the North Lincolnshire Local Plan were out of date and so could no longer be used.

- 2.4 Planning Policy Statement 3: Housing states that local authorities should set affordable housing targets which *'...reflect an assessment of the likely economic viability of land for housing in the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can be reasonably secured.'*
- 2.5 In addition to a Financial Viability Assessment, it is also a requirement of Planning Policy Statement 3: Housing that the council has an up to date Strategic Housing Market Assessment. North Lincolnshire's Strategic Housing Market Assessment was updated in November 2008. The Strategic Housing Market Assessment concluded that in order to meet existing and newly arising housing need 373 new affordable homes per year would need to be made available for the next five years. Securing affordable housing through the planning system is one such method of providing new affordable homes.
- 2.6 In September 2008 the Strategic Housing team jointly with the Spatial Planning team commissioned Adams Integra to carry out an Affordable Housing Financial Viability Assessment to test whether it is financially viable for a developer to provide affordable housing as part of a development site at the thresholds and target percentages proposed in the draft housing policies of the Local Development Framework Core Strategy Preferred Options Document.
- 2.7 The key findings of the report are summarised below. The full report along with the executive summary will be published on the council's website and used as part of the evidence base for the Local Development Framework Core Strategy.
- 2.8 The key recommendations of the report are;
- Not to pursue affordable housing targets of more than 30%;
 - A target of 20% affordable housing should be applied to all sites of 15 or more dwellings in the Scunthorpe and Bottesford areas;
 - Up to 30% affordable housing **could** be provided on certain greenfield site allocations in Scunthorpe and Bottesford;
 - In the market towns a target of 20% affordable housing should be applied to sites of five or more dwellings;
 - The council should consider seeking a target of between 10% and 20% as a financial contribution on sites of three or more in rural areas;

- A suggested mix for the tenure split would be 70% rented and 30% intermediate tenure;
- All delivery levels will need to be monitored and recorded; and
- Ensure policy wording is clear so as to show that the figures are targets and that each site will be considered on a site-by-site basis.

3. OPTIONS FOR CONSIDERATION

- 3.1 Option one: Use the findings of the Financial Viability Assessment to inform the development of the affordable housing policies contained within the Local Development Framework Core Strategy.
- 3.2 Option two: Continue to use the Regional Spatial Strategy and Planning Policy Statement 3 (Housing) as the basis for securing affordable housing in North Lincolnshire.

4. ANALYSIS OF OPTIONS

- 4.1 Option one: As outlined above the Financial Viability Assessment puts forward a series of recommendations aimed at the development of the affordable housing policies contained within the Local Development Framework Core Strategy. Using these findings, together with the housing needs evidence established through the Strategic Housing Market Assessment will ensure that a sound and most importantly deliverable policy is adopted through the Local Development Framework Core Strategy.
- 4.2 Option 2: If we take this option the financial viability of housing development across North Lincolnshire will be put at risk. It is likely that this would lead to reduced development levels, and so in turn the amount of affordable housing actually delivered would be less than that likely to be delivered through a realistic and financially viable policy. In addition, if the results of this study are not used to inform the affordable housing policies contained within the Local Development Framework Core Strategy, the document may be deemed 'unsound' at public inquiry.
- 4.3 The preferred option is therefore option one.

5. **RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1 Staffing

5.11 Negotiation of affordable housing and monitoring of affordable housing delivery is part of the role of the Affordable Housing Development Officer.

5.2 Financial

5.21 The cost of producing the assessment has been accounted for in the current budget.

5.22 An accurate assessment of the financial viability of providing affordable housing on private housing developments will ensure that policy targets are realistic, deliverable and critically they will not deter development in the area.

5.23 On average each affordable home gained through the planning system secures investment into the area of around £45,000.

6. **OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)**

6.1 Local Authorities have a duty to apply policies to ensure affordable housing is provided through the planning system on all sites above the relevant threshold and where it is financially viable.

6.2 The provision of affordable homes ensures that those in housing need, including vulnerable people have access to good quality homes that meet their needs.

7. **OUTCOMES OF CONSULTATION**

7.1 Local Estate Agents, House builders and Registered Social Landlords were consulted throughout the assessment to provide accurate and up to date figures for sales, new builds and other relevant information. This was an integral part of the work and has informed the conclusions drawn through the report. This is all recorded within the appendices of the report.

7.2 The Strategic Housing Team provided details of the affordable housing levels negotiated on existing sites, which also informed the findings.

8. RECOMMENDATIONS

8.1 That the Housing and Strategic Planning cabinet member for notes the findings of the report.

8.2.1 That the Housing and Strategic Planning Cabinet Member endorses the use of the findings in preparing the affordable housing policies within the Local Development Framework Core Strategy.

HEAD OF STRATEGIC REGENERATION, HOUSING AND DEVELOPMENT

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Background Papers used in the preparation of this report

North Lincolnshire Affordable Housing Financial Viability Assessment 2009

North Lincolnshire Local Plan (adopted May 2003)

North Lincolnshire Local Development Framework – Core Strategy
Development Plan Document Preferred Options (October 2006)

Planning Policy Statement 3: Housing

Regional Spatial Strategy for Yorkshire and the Humber (May 2008)

Report to Cabinet Member for Housing and Strategic Planning:
Commissioning of consultants to undertake the Financial Viability Assessment
(October 2008)