

DRAFT NORTH WEST LEICESTERSHIRE LOCAL PLAN 2020 - 2040

TOPIC PAPER - HOUSING TYPES



1. NATIONAL POLICY & GUIDANCE

- 1.1. The NPPF (2023) confirms that strategic policies must make “sufficient provision” for housing, including affordable housing (paragraph 20).
- 1.2. Further, “the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies. These groups should include (but are not limited to) those who require affordable housing; families with children; older people (including those who require retirement housing, housing-with-care and care homes); students; people with disabilities; service families; travellers; people who rent their homes and people wishing to commission or build their own homes.” (paragraph 63, emphasis added).
- 1.3. With respect to affordable housing:
 - planning policies should specify the type of affordable housing which will be required (paragraph 64)
 - with limited exceptions, the affordable housing should be provided on site, (paragraph 64)
 - affordable housing should not be sought on a residential scheme which is not major development¹ (paragraph 65)
 - in certain circumstances, a reduced affordable housing requirement applies to schemes which reuse/redevelop vacant buildings (paragraph 64 and NPPG Paragraph: 026 Reference ID: 23b-026-20190315)
 - with some exceptions, the expectation is that “at least 10% of the total number of homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.” (paragraph 66)
 - rural exceptions sites are a way to meet a need for affordable housing in rural areas (paragraph 82)
 - the concept of exception sites for community-led development is an addition to the December 2023 version of the NPPF (paragraph 73)
- 1.4. More generally, “where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable”. (paragraph 58).
- 1.5. The NPPF glossary explains the different affordable housing tenures, including:
 - **Affordable housing for rent:** this includes Social Rent and Affordable Rent.
 - **Discounted market sales housing:** including First Homes.
 - **Other affordable routes to home ownership:** such as shared ownership, for example.
- 1.6. First Homes were introduced by the Government by the [Written Ministerial Statement of 24 May 2021](#).
 - At least 25% of the affordable housing requirement on a site should be provided as First Homes.

¹ For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more.

- The First Homes default discount is 30% of the property’s open market value and this discount applies in perpetuity.
- First Homes are for first time buyers only.
- The gross household income of the purchaser/s must be less than £80,000.

Housing needs of different groups

1.7. The NPPG acknowledges that the housing needs of specific groups may be a high proportion of, or even exceed, the overall housing figure. “Strategic policy-making authorities will need to consider the extent to which the identified needs of specific groups can be addressed in the area, taking into account:

- the overall level of need identified using the standard method (and whether the evidence suggests that a higher level of need ought to be considered);
- the extent to which the overall housing need can be translated into a housing requirement figure for the plan period; and
- the anticipated deliverability of different forms of provision, having regard to viability”.

1.8. In addition, plan-makers are urged to:

- assess the need for housing of different groups; and
- have regard to deliverability when considering how the identified needs can be addressed.

(Housing Needs of Different Groups. Paragraph: 001 Reference ID: 67-001-20190722)

1.9. In respect of the housing needs of older people, the guidance states that “Plan-making authorities should set clear policies to address the housing needs of groups with particular needs such as older and disabled people”. (Housing for Older and Disabled People. Paragraph: 006 Reference ID: 63-006-20190626). This could include a quantification of the types of housing likely to be required whilst also recognising the role that more general housing can play such as bungalows and adapted homes.

1.10. The guidance continues; “it is up to the plan-making body to decide whether to allocate sites for specialist housing for older people”. Also “the location of housing is a key consideration for older people who may be considering whether to move (including moving to more suitable forms of accommodation). Factors to consider include the proximity of sites to good public transport, local amenities, health services and town centres”. (Housing for Older and Disabled People. Paragraph: 013 Reference ID: 63-013-20190626).

2. DELIVERY

2.1. Over the 5-year period 2017/18 to 2021/22, Affordable Rent has been the predominant tenure delivered in NWL².

² <https://commonslibrary.parliament.uk/local-authority-data-housing-supply/>

	Affordable Rent	Affordable Home Ownership	Other rent	Social Rent
No. affordable homes (April 2017-22)	579 (67%)	233 (27%)	49 (6%)	3 (<1%)

3. AFFORDABLE HOUSING EVIDENCE

- 3.1. We have two assessments of affordable housing needs. The first of these, the [Local Housing Needs Assessment Report 3 - Affordable & Specialist Housing Needs \(June 2020\)](#), covers NWL only.
- 3.2. Following the NPPG's approach, the study identifies a need for 190 affordable rent homes/ annum which equates to 3,605 for the period 2020-39. Adjusting this to the 2040 Local Plan end date increases this to **3,795 affordable homes** (2020-40). This is not a target; the amount of affordable housing which can be achieved will be limited to the amount that can viably be delivered. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.
- 3.3. The aspiration for home ownership is one which the Government supports through the planning system. The NPPG does not provide a methodology for estimating the need for affordable home ownership and whilst the LHNA takes an objective approach to quantifying the need for affordable home ownership in the district, the matter is not clear-cut. The LHNA finds the following:
- there are many households in NWL who are being excluded from the owner-occupied sector. Key issues are access to capital (e.g. for deposits, stamp duty, legal costs) as well as mortgage restrictions (e.g. where employment is temporary) in addition to the purchase cost of a home.
 - There is undoubtedly a potential need but there is also a notable supply of market homes which fall within the relevant price bracket.
 - For the 10% home ownership requirement in the NPPF, it is suggested that shared ownership is the most appropriate option due to the lower deposit requirements and lower overall costs (given that the rent would also be subsidised).
 - For other forms of affordable home ownership (e.g. discounted market), it is recommended that the Council considers setting prices at a level which (in income terms) are equivalent to the levels needed to access private rented housing. This would ensure that households targeted by the new definition could potentially afford housing – this might mean greater than 20% discounts from Open Market Value for some types/sizes of homes in some locations.
- 3.4. The LHNA finds there is an annual need for around 197 affordable home ownership homes (2020-39), priced for households able to afford to rent but not buy. This equates to **3,940 for the plan period**.

- 3.5. The [Leicester & Leicestershire Housing & Economic Needs Assessment \(June 2022\)](#) was prepared jointly with the HMA partner authorities. The study identifies a need for 236 affordable rent homes/ annum³ which equates to **4,720 for the plan period** (2020-40).
- 3.6. Affordable home ownership – is estimated at 146/year (based on numbers in the gap between renting and buying and supply of so re-sales. But if the number of lower quartile home are considered, the need may effectively and in theory be zero)).
- 3.7. Broadly:
- The evidence would support policy approaches which seek to prioritise rented affordable housing delivery to meet those with acute needs with few alternative housing options; but there are viability considerations and policy priorities which individual authorities will need to balance.
 - Similarly through policy-making, local authorities will need to balance discounts applied to discounted market sale properties or First Homes against the delivery of other forms of affordable housing
 - AHO need is difficult to estimate. There is undoubtedly a potential need but there is also a notable supply of market homes which fall within the relevant price bracket. But if the number of lower quartile home are considered, the need may effectively and in theory be zero).
 - The estimates for AHO should be regarded as maximum levels.
 - This is where the balance needs to be struck - Most crucial need Vs widening choice (and Govt policy). And tested through the viability study.
- 3.8. In the LHNA, the tenure split equates to 49: 51(max) affordable for rent to affordable ownership. This can be rounded to 50:50 for ease. The ‘for reference’ tenure split in the HENA equates to a 62:38(max) split, rounded to 60:40.
- 3.9. The tables in Appendix 1 look at the implications of four different tenure splits on different sized schemes (350, 100, 50 and 11 dwellings) and with varying percentage requirements (20%; 30%; 40%).
- 1 – NPPF: at least 10% Affordable Home Ownership and 25% First Homes
 - 2 – LHNA: 50% Affordable for Rent/50% Affordable Home Ownership
 - 3 – HENA: 60% Affordable for Rent/40% Affordable Home Ownership
 - 4 – Affordable for Rent priority: 70% Affordable for Rent/30% Affordable Home Ownership
- 3.10. This reveals:
- First Homes will be the predominant Affordable Home Ownership tenure. First Homes would be delivered at the expense of tenures such as shared ownership which are generally available to a wider range of purchasers.
 - With a 40% requirement, all the options (1-4) can achieve a tenure mix which matches the requirements for First Homes and AHO in the NPPF
 - This is also the case at 30%, with the exception of Option 4 (although the shortfall is marginal)

³ The difference between the LHNA and HENA figures appears to be driven by a) different population forecasts and b) declining supply though re-lets.

- With a requirement of 20%, the 50:50 option (Option 2) delivers NPPF levels of First Homes and AHO. Options 3 and 4 generally do not.
- Option 1 (NPPF) matches or exceeds Option 2 in terms of the number of Affordable Rent units at each of the percentage levels. At 40%, Option 1 also outperforms Options 3 and 4 on this measure.
- At the lower percentages (30%, 20%), Option 4 achieves more Affordable Rent units than the other options.

3.11. If the policy percentage requirement/s end up being set at the lower end (30% or below), this exercise could suggest that the NPPF requirement re Affordable Home Ownership might “significantly prejudice the ability to meet the identified affordable housing needs of specific groups” i.e. those in need of Affordable for Rent.⁴ However a decision to not meet the NPPF requirement would serve to further curtail the number Affordable Home Ownership units available to non-first-time buyers and more innovative ways to reduce the costs of home ownership (see LHNA paragraph 2.83).

3.12. A new viability study will inform the pre-submission (Reg 19) version of the plan. This will take account of costs of development (including financial contributions) and will assess the implications of different affordable housing options. The Viability Study will be an important piece of evidence as there will be a presumption that applications should comply with the contributions expected from development (NPPF paragraph 58). The affordable housing scenarios that the viability assessment looks at will need to take into account a number of variables:

- Percentage of affordable housing
- Tenure split
- Location
- Development size
- Greenfield/brownfield

4. HOUSING MIX EVIDENCE

4.1. The size of homes needed in the future has been assessed in both the LHNA and the HENA. In the case of the LHNA, this draws on 2016-based subnational population projections and is linked to a housing need figure of 480 dwellings/annum.

4.2. The findings from each assessment are shown in the tables below. The figures in red identify where there are differences between the two studies.

- the two studies are consistent in their findings for affordable home ownership
- The HENA finds a higher need for smaller AHO properties (1 and 2 bed) compared with the LHNA.
- For market homes, the HENA finds a greater need for 2 bed homes and a lower need for 4 bed homes than the LHNA. Notwithstanding this, the studies are consistent that the focus should be on 2 and 3 bed homes. These medium sized properties are suitable as family homes and are also attractive for older households downsizing.

⁴ See Local Housing Need Assessment paragraph 2.82

LHNA (2020)

	Affordable for Rent	AHO	Market
1-bed	25-30%	10-15%	Up to 5%
2-bed	30-35%	40-45%	25-30%
3-bed	30-35%	35-40%	45-50%
4-bed	5%	10%	20-25%

HENA (2022):

	Affordable for Rent	AHO	Market
1-bed	35%	15%	5%
2-bed	40%	40%	35%
3-bed	20%	35%	45%
4-bed	5%	10%	15%

4.3. The HENA and LHNA make the following broad points:

- the recommendations can be used as guidelines to consider the appropriate mix on larger development sites.
- regard should also be had to the nature of the site and character of the area, and to up-to-date evidence of need (such as the Housing Register) as well as the existing mix and turnover of properties at the local level.
- the Council should also monitor the mix of housing delivered to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area.
- The HENA advises that a housing mix on a site which significantly differs from that recommend would need specific justification.

4.4. The HENA also identifies that for affordable for rent tenures, the considerations can be further complicated by:

- 1-bed homes can be less attractive for Registered Providers because of management/higher turnover issues. Also they provide no flexibility for young families.
- Nonetheless, they are likely to be best suited for homeless households and older households
- Providing larger homes can release supply of smaller properties.

350 dwellings

			1	2	3	4
40%	140	AHO	35	70	56	42
		FH	35	35	35	35
		AfR	105	70	84	98
30%	105	AHO	35	53	42	32
		FH	26	26	26	26
		AfR	70	53	63	74
20%	70	AHO	35	35	28	21
		FH	18	18	18	18
		AfR	35	35	42	49

Red options do not achieve at least 10% Affordable Home Ownership

Green identifies the option which generates the highest number of AfR units for each scenario.

100 dwellings

			1	2	3	4
40%	40	AHO	10	20	16	12
		FH	10	10	10	10
		AfR	30	20	24	28
30%	30	AHO	10	15	12	9
		FH	8	8	8	8
		AfR	20	15	18	21
20%	20	AHO	10	10	8	6
		FH	5	5	5	5
		AfR	10	10	12	14

50 dwellings

			1	2	3	4
40%	20	AHO	5	10	8	6
		FH	5	5	5	5
		AfR	15	10	12	14
30%	15	AHO	5	8	6	5
		FH	4	4	4	4
		AfR	10	8	9	11
20%	10	AHO	5	5	4	3
		FH	3	3	3	3
		AfR	5	5	6	7

11 dwellings

			1	2	3	4
40%	4	AHO	1	2	2	1
		FH	1	1	1	1
		AfR	3	2	3	3
30%	3	AHO	1	2	1	1
		FH	1	1	1	1
		AfR	2	2	2	2
20%	2	AHO	1	1	1	1
		FH	1	1	1	1
		AfR	1	1	1	2