



CITY DEAL

Preston, South Ribble & Lancashire

CITY DEAL EXECUTIVE AND STEWARDSHIP BOARD

Private and Confidential: NO

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Title of report: Affordable Housing Provision Update

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Executive Summary

The City Deal Executive and Stewardship Board has requested that they be provided with further information on the delivery and role of affordable housing provision with the City Deal programme area, including an explanation as to why targets are not achieved on all sites granted planning permission. The report provides a summary position to date.

Recommendation

That the City Deal Executive and Stewardship Board is asked to note the report.

Background and Advice

1. The provision of affordable housing is a requirement of the National Planning Policy Framework (the Framework), and on eligible sites through the Central Lancashire Core Strategy.

National Policy

2. The most recent revisions to the Framework were published in February 2019. Affordable housing is defined in Annex 2 of the Framework as inclusive of:
 - Affordable and Social Rented.
 - Discount market value housing.
 - Starter Homes.
 - Other affordable routes to home ownership.
3. Paragraph 62 of the Framework states that where a need for affordable housing is identified planning policies should specify the type required and expect it to be met on-site unless off-site provision or a financial contribution can be robustly



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justified and the approach agreed contributes to the objective of creating mixed and balanced communities.

4. Paragraph 63 of the Framework states that affordable housing should not be sought for residential developments that are not 'major' developments. 'Major' housing developments are defined in Annex 2 of the Framework as those which involve the provision of 10 or more dwellings or where the site area is 0.5 hectares or more. The exception to this rule is in 'designated rural areas' where a lower threshold of 5 or less dwelling can be set. There are no 'designated rural areas' within the City Deal area.
5. Finally, paragraph 64 of the Framework states that where major housing development is proposed, planning policies and decisions should expect at least 10% of the dwellings provided on-site to be available for affordable home ownership, as per the definition of affordable housing in paragraph 2 of this report.
6. It is also worthy of note that in August 2020 the Government launched a consultation on four key changes to the current planning system, two of those proposed changes potentially have a direct impact on the future delivery of affordable housing. The first being the introduction of a new affordable housing model – First Homes – which is, in effect, a variant to the discounted market value tenure in that it is to be prioritised to first time buyers.
7. The Government consultation proposed that a minimum of 25% of all affordable housing secured on site, or as financial contributions in-lieu of on-site provision, would be ring-fenced to the First Homes product. The implication being that a lower proportion of other affordable housing tenures, including rented products, would be a likely consequence.
8. The second, and perhaps more concerning proposal was to lift the minimum threshold for developments which would be required to provide affordable housing set out in the Framework from 10 dwellings to '40 or 50 dwellings'. This would be a radical change in approach and would clearly have a detrimental impact on the ability of the Councils within the City Deal area to achieve their affordable housing targets.
9. Preston City Council objected in the strongest terms to Government on these proposed reforms.

Central Lancashire Core Strategy

10. Policy 7 of the Central Lancashire Core Strategy sets a target for 30% of the dwellings provided on market housing schemes of 15 or more dwellings (or a site area of 0.5 hectares or more) in the urban parts of Preston and South Ribble to be affordable. 30% provision is a target, not a requirement and only applies where



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development considerations such as financial viability and the contributions required to other community services have been taken into account.

11. In the rural areas of Preston and South Ribble, a target of 35% is applied to developments proposing 5 or more dwellings (or a site area of 0.15 hectares). So called 'Rural Exception Sites', which are sites adjoining village settlement boundaries or sites in the Green Belt are to be required to provide 100% affordable housing.
12. The policy also allows for off-site provision, or financial contributions, to be provided in-lieu of on-site provision, where this is robustly justified.
13. Whilst Policy 7 was adopted in July 2012, after the first iteration of the Framework, it is no longer, on the whole, an up to date policy as the requirements contained within it have, in part, been superseded by subsequent revisions to the Framework. Specifically:
 - The lower 5 dwelling threshold in rural area can no longer be implemented as the minimum threshold set out in the paragraph 63 of the Framework (as set out in paragraph 4 of this report) is now 10 dwellings.
 - The 'Rural Exception' affordable housing requirement of 100% can no longer be implemented as paragraph 71 of the Framework requires Local Planning Authorities to support 'entry-level exception sites' on sites which adjoin rural settlements, and paragraph 77 of the Framework asks Local Planning Authorities to consider allowing some market housing on these sites to help facilitate this.
14. Overall, since the start of the City Deal period, although the evolution of national policy has provided a stronger and robust basis upon which Local Planning Authorities can seek affordable housing contributions, it is the case that more recent changes to national policy have reduced both the range of sites from which affordable housing contributions can be sought and the proportion which can be sought. In addition, it is clear that future potential reforms to national policy may continue this trend.

Performance – What has Been Delivered?

15. **Table 1** shows the total number of homes delivered across the City Deal area from signing of the City Deal to date.
16. In the case of Preston these figures cover the period April 2013 to October 2020. In the case of South Ribble these figures cover the period April 2013 to April 2020.



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Table 1 – Delivery of Affordable Homes

| | Preston City Deal | South Ribble City Deal | Total Overall |
|---|------------------------------|---------------------------------------|--------------------------|
| Number of homes delivered 2013 to 2020 | 4,430 | 2,065 | 6,495 |
| Number of affordable homes delivered 2013 to 2020 | 730 | 351 | 1,081 |
| Percentage affordable | 16.5% | 16.9% | 16.6% |

17. Interrogation of the data in **Table 1** in the most simplistic of terms reveals that both Councils are failing to achieve the policy target of 30% affordable housing. Overall across the City Deal area, 16.6% of housing development has been affordable.
18. However, as stated, this level of interrogation is highly simplistic, and arguably not particularly meaningful. First and foremost the biggest issue with proportional comparisons such as this is that, quite obviously given the explanation provided earlier in this report, not all the sites which contribute to the overall number of dwellings delivered will have even been eligible to provide an affordable housing contribution. Many dwellings delivered in the City Deal area are sourced from smaller windfall sites which do not breach the 15 dwelling minimum requirement in the main urban area or the 10 dwelling minimum requirement in rural areas. Factoring this into account means that the data as shown in the table above will, in almost all cases, never reflect the policy target of 30% and that does not mean a policy failure is occurring, it simply means that not all sites meet the policy threshold.
19. Secondly, on larger sites, the phasing of development is key. Even if a housing development is granted planning permission on the basis of a policy 'compliant' 30% on-site provision, it may not be that in any given year the actual delivery of dwellings on the ground is 70% market housing, 30% affordable housing. Indeed it would be rather odd if it were. So, there is a clear time-lag and phasing issue which requires the simplistic data in **Table 1** to be treated cautiously. A major site may comprise several clusters of Registered Provider affordable housing that actually, due to grant funding arrangements for example, may only come on stream as a delivered affordable home in the fourth year of an eight or ten year construction programme. In all other years dwelling delivery statistics would be heavily skewed to market housing dominated delivery when actually the scheme is entirely policy 'compliant'.



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20. Indeed, looking comparatively at affordable housing delivery in the City Deal area against affordable housing delivery across Lancashire since City Deal was signed paints a very positive picture. Ministry of Housing Communities and Local Government (MHCLG) statistics published nationally can often show slight variances to the locally available information (shown in **Table 1**) for a number of reasons, but this data does show in the same period of time a total delivery of 878 affordable dwellings in Preston and 610 in South Ribble. Overall that calculates as 1,488 which represents an annual average delivery of 248 affordable dwellings across the City Deal area.
21. In Lancashire only Chorley (917) has delivered more affordable housing than Preston in the same period of time with South Ribble in sixth place over the City Deal period.
22. In the six years previous to City Deal a total of 328 affordable dwellings were delivered in Preston, representing an annualised average of 55 affordable dwellings. This means that affordable housing delivery has increased by almost 168% in Preston in the seven years since the City Deal started compared to the six years prior to it starting.
23. Isolating the most up to date information on affordable housing delivery across Lancashire, for the 2019/2020 monitoring period, only West Lancashire (259) has delivered more affordable housing than South Ribble (229), with Preston (182) sitting in third place. Looking outside of Lancashire, this performance isn't out of kilter with that of Salford (301) or Liverpool (255).
24. Indeed, when one interrogates the Lancashire wide data for the last year further, it is apparent that of the affordable houses delivered, only Burnley (156) has delivered more affordable rented tenure than Preston (146), a figure which is comparable to Liverpool (163) and higher than Manchester (96).
25. In actual terms therefore, rather than the proportional comparison in **Table 1**, the data shows that the track record on affordable housing delivery across the City Deal area, and most recently, compares favourably to the rest of Lancashire and even to the larger cities in the North West region.

The Challenges

26. Of course this strong performance across the City Deal doesn't come without its challenges, and indeed it is the case that officers believe affordable housing delivery could and should be improved. There are however limitations to this.
27. Development viability is the critical matter which constrains the delivery of affordable housing. Across the City Deal area CIL is a non-negotiable flat rate fee for developers to pay. The Framework advises that development viability is a critical consideration as part of the decision-making process and that any planning obligation, be it an on or off-site financial contribution or otherwise must



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be: necessary to make a development acceptable; directly related to a development; and fairly and reasonable related in scale and kind to a development (Paragraph 56 of the Framework).

28. The 30% target set out in Policy 7 of the Central Lancashire Core Strategy is just that, a target, it is not a minimum requirement. The actual amount agreed with a developer is, as stated in the wording of the policy, related to financial viability and competing planning obligations.
29. On major development sites the list of planning obligations required from an applicant/developer is often considerable. The fixed CIL rate can potentially then be subject to additional 'asks' in the form of, for example; a contribution to education provision; a contribution toward a specific highway improvement; a contribution to the provision of public open space and its maintenance in perpetuity; and, an affordable housing contribution.
30. It is often the case that applicants/developers will submit a Viability Appraisal alongside their planning application which factors in all the planning obligations requested, alongside the building costs, which are then balanced by the land value and the profits forthcoming from that. The conclusion of the Viability Appraisal will, more often than not, be that if the applicant/developer were to fulfil all planning obligations the development as a whole would not be viable and would not therefore take place.
31. What then takes place is a period of negotiation between the Local Planning Authority and the applicant/developer with the aim being to maximise the contributions from the development proposed. This process needs to be reasonable and pragmatic and it is the case that the planning obligations themselves, including the affordable housing provision, are competing against each other.
32. In these circumstances the Local Planning Authority will ask an independent advisor to assess the underlying assumptions and test whether they are robust. It is fair to say that both authorities have had success in securing more contributions from an applicant/developer through this process, but it clearly may be the case that in order to achieve the best possible outcome for a particular scheme, a lower than target affordable housing contribution may be accepted, or indeed a financial contribution in-lieu of on-site provision (either full or in part) for affordable housing elsewhere. Which, for development proposed in urban fringe locations can of course be preferable than on-site delivery, as the money could be put to more efficient use in inner urban, often deprived, areas.
33. Additionally, a key tool available to applicants/developers in their negotiations regarding on-site affordable housing delivery at 30% of the overall provision is that the Framework allows for less. As set out earlier in this report, the most recent updates to the Framework post-date Policy 7, and the Framework only expects major development to achieve 10% on-site affordable housing.



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Developers and applicants clearly see merit in pursuing an argument along these lines.

34. There are a number of specific and technical factors which can pose a challenge to on-site delivery of affordable housing, not least decisions such as withdrawing the financial support/grant funding for social rented affordable tenures. A particularly critical consideration since it is often that tenure which can most closely meet affordable housing need.

Conclusions

35. It is clear that there are a number of interwoven factors which impact on the ability of both authorities to secure on-site affordable housing to policy 'compliant' levels. Decisions need to be made on a case by case basis and can vary dependent on what is the most crucial planning obligation for any particular proposal at any particular time.
36. In these circumstances however the Local Planning Authority is often left undertaking a balancing exercise of trying to arbitrate between conflicting demands from a development when the Viability Appraisals suggest they cannot all be met.
37. That being said, whilst there are challenges to securing and delivering affordable housing, across the City Deal area performance compares favourably, with both authorities amongst the highest performing authorities in the County since the start of City Deal.
38. Officers consider that whilst performance on affordable housing delivery is, on the whole, good, there is always room for improvement and officers continue to strive for the best possible outcome within the policy restrictions we work within.
39. The City Deal Executive should note that increasing affordable housing requirements and delivery across the City Deal area will have a consequential impact on CIL receipts. Certain forms of development, including affordable housing, are exempt from paying CIL so therefore if a greater proportion of housing developments are affordable in tenure, the CIL receipts which the City Deal authorities receive from those developments will reduce and City Deal income will fall.

List of Background Papers

| Paper | Date | Contact/Tel |
|-------|------|-------------|
| None | | |



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Reason for inclusion in Part II

N/A