Housing Affordability and Balanced Communities

Background

Housing affordability has for a number of years presented a big issue nationally, with demand outstripping supply, leaving a limited choice of genuinely affordable homes and routes to home ownership.

These issues are particularly acute in Herefordshire, where there is a considerable disparity between average incomes and property prices, making for a poorer affordability ratio than the national average.

It is important that a genuine range and mix of housing is made available, in order to achieve more balanced and sustainable communities in Herefordshire. This area of planning policy needs to address this by ensuring that new residential developments contribute appropriately to providing a genuine range of sizes, types and tenures that meet the needs of all household types.

The following sets out how housing affordability is addressed through the County Plan and the Local Plan's draft vision and objectives.

Herefordshire County Plan

The County Plan cites the role that the new Local Plan 2021-2041 will play in delivering - '*Carefully planned policies for growth- sustainable development which meets the needs of local people while respecting our heritage and natural environment*'. '*Working with housing associations and developers to enable them to build more homes for sale and for long term rent*'. And '*to support Community Land Trusts and Community-owned housing projects to succeed*'.

A key measure of the success of the steps it sets out to take will be an improved housing affordability ratio of the county.

Local Plan Draft Vision

The Local Plan 2021-2041 has a community themed countywide draft vision, which states:

'*Herefordshire will be an exemplar of 21st century rural living, where rural settlements and market towns have resilient communities, which are well connected digitally. Hereford will be recognised nationally as a green and pioneering university city, and will be a popular place to live, work and visit*.'

Improving access to home ownership and diversifying the offer of housing to be create more inclusive and balanced communities has a significant role to play in fostering resilience in the county's rural areas and market towns.

Local Plan Draft Objectives

The need to deliver a diverse range and mix of housing is addressed in the Local Plan's community themed objectives, namely objective 5.

- Provide a range and mix of housing types to meet local needs, including affordability and specialist requirements. To provide diverse opportunities for home ownership for all.

Creating the conditions to foster balanced and resilient communities and increase home ownership through housing based planning policy could also contribute in a less direct way to achieving a number of the other Local Plan objectives.

National Guidance

Updated national guidance recommends consideration of a more diverse range of mechanisms that can deliver mixed and affordable units to be considered, and referenced in Local Plan policies. For example, through self and custom build projects and Community Land Trusts. Community Led Housing schemes can provide affordable homes for rent, shared ownership or sale, typically on sites which are less attractive to the development industry; and ensure the long-term protection for local people in housing need through legal and/or financial controls. The support for enabling Community Land Trusts is echoed in the County Plan. The Council maintains a register of those people who are interested in self or custom housebuilding in the county and is required to grant enough planning permissions to meet that demand in given time periods.

National planning guidance on First Homes requires a minimum of 25% of all new affordable housing delivered through Planning Obligations to be First Homes. These are a specific type of discounted market sale housing, to be sold at least 30% less than the market value with restrictions on the Land Registry Title to ensure that this discount is retained at each subsequent title transfer to those eligible to purchase. Local Authorities or Neighbourhood Planning groups may set their own eligibility criteria in addition to those set nationally, though care should be taken to ensure that these would not be so demanding that the properties would be difficult to sell.

National planning policy states that lower thresholds may be set as low as five dwellings locally to seek affordable housing contributions, but only in designated "rural areas", of which the only ones currently existing in Herefordshire are its AONB areas. It also suggests that Local Authorities should consider Vacant Building Credits. This allows for affordable housing contributions to be reduced by a proportionate amount if the development in question is bringing vacant existing buildings back into use.

National policy also states that Local Planning Authorities should support the development of entry-level exception sites, suitable for first time buyers and renters, unless the need for such homes is already being met within the authority area. They should be on land that is not already allocated for housing, and comprise entry level homes offering more than one type of affordable housing and be adjacent/proportionate to existing settlements.

Local Considerations

Housing affordability is a big issue in the county, with an affordability ratio of 9.0 when compared with the West Midlands region (6.8) as a whole. The main reason for this is that the offering comprises a high proportion of larger, high council tax band properties. This greatly limits opportunities for younger and lower income households to be able to afford to buy their own home, which presents a significant obstacle to achieving social mobility.

Housing affordability and mix still remains a particular issue in the more rural areas. A recent survey of Parish councils (February 2022) frequently highlighted a lack of affordable units being delivered in their areas with the new developments that they have accommodated. This is in part due to the sizes of developments that come forward in these areas, many of which are insufficient in scale to be able to trigger policy requirements to contribute to a range and mix of housing types and tenures. There has been support shown for requesting this in policy from smaller scale developments.

With increasing trends in home-based working across certain industry sectors, it needs to be considered whether ensuring that homes make sufficient provision of spaces for, or can be adapted to facilitate this is an issue that should be dealt with by this policy area.

Evidence Base

- The Housing Market Area Needs Assessment (HMANA) provides calculated evidence, using the Government's new 'standard method' on identified need for affordable and specialist types of housing in the county including affordable housing, housing for older people, House size split and student housing.

Existing Policy

The existing policies in the adopted Core Strategy concerned with ensuring the delivery of affordable and an appropriate range and mix of housing are SS2, H1, H2 and H3. An Affordable Housing Supplementary Planning Document (SPD) was published in June 2021 to offer guidance on the implementation of these policies in planning decisions. This was produced in light of revisions to the NPPF in 2019 and new local evidence. Whilst the policies remain valid and NPPF compliant in the general approach they take, the numbers of affordable housing and the mix required should currently be determined using the latest evidence available from Housing Market and Needs Assessment (HMANA), published in July 2021.

Policy H1 sets out the countywide affordable housing contributions threshold, and targets for the different Housing Market Areas in Herefordshire. It may be necessary to review these in light of the latest evidence from the HMANA. The implications of the government announcement in November 2014 need to be reviewed. This resulted in a national threshold of 10 units and above on market housing sites where affordable housing contributions could be sought and is reflected within the current Core Strategy policy. Local Planning Authorities could apply a lower threshold in areas formally designated as 'rural areas', national parks and Areas of Outstanding Natural Beauty.

However no parishes within Herefordshire were designated as 'rural areas' under the required Housing Act. Therefore possibilities could be explored to apply to the Secretary of State to designate eligible parishes as 'rural areas'. This would be outside of the Local Plan process but have an effect on affordable housing policy.

The thresholds and eligibility criteria for the percentage of affordable housing on individual sites could also be set on a more local level, provided that there is robust evidence in the HMAMA to support doing so and demonstrated by a viability assessment.

Policy H2 sets out the criteria for enabling affordable housing developments outside of or on the edge of rural settlements as an 'exception' to the normal policies that would restrict development at these locations, to support the delivery of affordable housing schemes. The exceptions approach is well established in national policy and it should be retained in the new Local Plan, its removal from the plan is not considered to be a reasonable option.

However, few such schemes have come forward in this way in recent years. Alternative criteria may need to be considered or wording clarified to make the policy more effective. It may be appropriate to direct such developments to the edge of or close to more sustainable rural settlements, with a good range of services. The Rural Settlement Hierarchy, currently being reviewed as part of the new Local Plan, will provide an up to date picture on where these locations are. Criteria may need to be added accordingly.

The potential for NDPs to allocate such sites on a local level, or through the place-based policies of the new Local Plan needs to be examined. Forthcoming consultation upon the Rural Settlement Hierarchy will enable more discussion on this subject.

This policy could also include reference to formal affordable community self-build schemes in line with the Affordable Housing SPD. These would involve groups of local people in housing need, building homes for themselves usually as part of a Community Land Trust or Community Led Housing Group. In these cases, the assets will remain in the ownership of the local community group as affordable homes.

In order to accord with updated Planning Practice Guidance, H3 policy wording will also need to be updated, in order to address the requirement to proactively enable self-build housing developments and support Community Land Trusts. The evidence would suggest that the policy's ability to achieve a mix and range of housing should be broadened to more developments, particularly smaller schemes in rural areas. Currently, this is not being attained on many developments as the threshold within the policy is for sites of 50 units and above.

In practice generally, for the purposes of applying H3, sizes of dwellings are measured by the number of bedrooms. Trends in schemes that have come forward would suggest that this may no longer be the most effective means of attaining genuinely affordable sized dwellings on a site, as many now include 'spare rooms' of a proportion that could effectively be used as an additional bedroom. This issue has been addressed in policy by other councils and may need to be addressed by an updated policy or in its supporting guidance.

On schemes that are 100% affordable housing, the policy could be more explicit in seeking to obtain on these sites a more diverse mixture of tenures and types, based on identified local need, to better deliver on the objective of balanced communities.

As well as the provision of affordable housing, this policy covers ensuring that specialist accommodation that caters for people in the community with additional needs, such as older people and the disabled. In particular, the county has received a large number of applications for care homes and sheltered housing in the plan period so far. This is cited in the HMANA's recommendations as a housing sector to be in high demand in the next plan period. Student accommodation may also increase in demand as Hereford's new university, NMiTE continues to grow.

Neighbourhood Planning

Neighbourhood Development Plans (NDPs) across the county have sought to build on countywide policies by specifying the types and sizes of housing required in their particular areas to diversify the housing offer. Some have also added supplementary criteria for the provision of affordable housing, for example ensuring that such housing is visually indistinguishable from that of market housing. There may be potential for NDPs to play a bigger role in seeking contributions to affordable housing going forward, which will be outlined in the options below.

Housing Policy Options

Option AHS1- Basic Update of existing policy approach

This option would make the necessary updates/additions to the policies and supporting text to reflect changes to national guidance. The proportional requirements for each defined Housing Market Area (HMA) could also be updated, if deemed necessary to reflect the latest identified need in the HMANA and any updated evidence upon economic viability in the county.

This would retain a uniform application of affordable housing development size threshold county-wide (10 and above), which would be simple to implement. However, would remain difficult to attain affordable housing and mix contributions on smaller rural sites.

Option AHS2- Revise the affordable housing threshold within Areas of Outstanding Natural Beauty

This option would make the necessary updates/additions to the policies and supporting text to reflect changes to national guidance. It would also take into account the national policy which allows for a lower affordable housing threshold to be set within Areas of Outstanding Natural Beauty.

Option AHS3 – Reflect possible future designation of parishes as 'rural areas' and ensure there is sufficient flexibility within policy to lower the affordable housing threshold in such circumstances.

This option would allow for adjustments to be made, if Herefordshire Council were successful in applying for parishes to become formally designated 'rural areas' in accordance with the Housing Act 1985.

This would require one or both of the following:

- Clarify in policy that the county's AONB areas may seek contributions on smaller sites than 10, in line with national guidance and subject to evidence.

As the Local Plan process was ongoing, an application would need to be made to the Secretary of State seeking to designate parishes meeting the criteria as 'rural areas' under The Housing Act 1985.

- Parish densities would be required to meet the eligibility criteria and it would require an Order by the Secretary of State to be made. This process is estimate to take around 2 years. There would also be housing transfer and right to buy implications to not related to policy planning which would need to be assessment.

Range and Mix Policy Options

Option MHS1 – Retain existing policy approach

Update and retain the stance of the current policy. This including the criteria applied to the threshold of sites of 50 units and above.

Option MHS2- A more prescriptive mix/range of housing

This would set out a more detailed policy approach to increase effectiveness in achieving a genuine mix and range of housing types and sizes. This would remove the sites threshold of 50 units and above. It could introduce criteria that would, for example, try to ensure:

- Appropriate space standards are provided;
- Houses are sufficiently adaptable to meet need/demand for home-based working;
- New dwellings are provided which are accessible and adaptable are provided for all sections and ages of the community;
- Proactively support self and custom build plots are provided to help meet housing needs.

Specialist Housing Policy Options

Option SH1- Additional Policy for specialist housing types

This would see the inclusion of a policy specifically dealing with the enabling and regulating of specialist types of accommodation. This could include, but not necessarily be limited to:

- Student Accommodation;
- Care Facilities;
- Sheltered Housing.

This could help to address already identified and forecast growth in demand for these types of accommodation over the next plan period. It can ensure that such accommodation is delivered in the most appropriate locations, they are fit for purpose, and contribute to the social wellbeing of the county.