

Rother District Council

# 100% AFFORDABLE HOUSING

Technical Advice Note 2

*Overview and Scrutiny version - 29 September 2022*

This information can be made available in large print, audio or in another language upon request.

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## Technical Advice Notes (TANs)

1. We have produced a series of Technical Advice Notes (TAN) to support the Adopted Development Plan (Core Strategy 2011-2028; Development and Site Allocations Plan; and made Neighbourhood Plans). TANs provide technical advice to developers and decision-makers but are not adopted policy documents and should not be read as such. TANs do not set out new planning policy. The TANs may be updated from time to time to reflect changing circumstances or best practice.

## Introduction

2. This Technical Advice Note explains how adopted Development Plan policy will be applied in situations where applications for 100% affordable housing are submitted. Relevant policies include:
  - Policy DHG1 (Affordable Housing) of the Rother Development and Site Allocations (DaSA) Local Plan (2019)<sup>1</sup>; and
  - Policy LHN1 (Achieving Mixed and Balanced Communities) of the Rother Local Plan Core Strategy (2014), together with;
  - Relevant policies of the made Neighbourhood Plans.
3. This Technical Advice Note responds to the following changing circumstances:
  - The Government's Affordable Homes Programme 2021 to 2026 does not fund affordable homes secured through developer contributions (section 106), leading to registered providers of social housing<sup>2</sup> seeking to develop wholly affordable housing on major housing development sites.
  - The joint Rother DC and Hastings BC HEDNA (2020)<sup>3</sup> sets out that the need for affordable housing, and socially rented housing in particular, has significantly increased in recent years due to the widening affordability gap between local income levels and the costs of renting or buying housing. This means the affordable housing need in Rother exceeds total housing delivery.

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<sup>1</sup> Policy DHG1 supersedes Core Strategy Policy LHN2

<sup>2</sup> Registered providers (often called RPs) are providers of social housing registered with the Regulator of Social Housing (RSH) - [List of registered providers – 14 June 2022 \(accessible version\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/list-of-registered-providers-14-june-2022-accessible-version)

<sup>3</sup> Hastings and Rother Housing and Economic Development Needs Assessment (HEDNA), August 2020

- Rother’s Corporate Plan 2020 – 2027 which aims to increase the supply of affordable homes throughout the district.

## **National Planning Policy Framework**

4. Annex 2 (Glossary) of the National Planning Policy Framework (“the Framework”) defines Affordable Housing as:

*Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions (which are each further detailed in the Glossary):*

- (a) Affordable housing for rent*
  - (b) Starter homes*
  - (c) Discounted market sales housing*
  - (d) Other affordable routes to home ownership (including shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy).<sup>4</sup>*
5. Affordable housing therefore covers a wide-range of types of housing, designed to provide homes both for those who cannot afford to rent on the open market (affordable rent) and those who can afford to rent, but cannot afford to buy on the open market (including starter homes, discounted market sales such as First Homes and shared ownership).

## **Local Plan Policy**

6. When making planning decisions, the local planning authority will consider the Local Plan as a whole, as well as any material planning considerations. However, to explain how proposals for 100% affordable housing are considered under current policy, the following parts of the Local Plan are highlighted:

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<sup>4</sup> Additionally, a Written Ministerial Statement published in May 2021 introduced an additional form of affordable housing, “First Homes”, a route to home ownership for first time buyers.

## Rother Local Plan Core Strategy

7. Policy LHN2 (Affordable Housing), which has been superseded by DaSA Policy DHG1, set percentage requirements for affordable housing. These are not maximum figures and paragraph 15.28 highlights that lower figures have been applied in Bexhill, Battle and Rye given the need for regeneration and job creation i.e., they are designed to be achievable and attractive figures so that private housebuilders will develop sites, not represent the maximum amount of affordable housing that is needed.
8. Policy LHN1 (Achieving Mixed and Balanced Communities) sets out criteria that all housing developments should meet, in order to support mixed, balanced and sustainable communities. Criterion (v) requires housing developments to contribute to an overall balance of 65% social/affordable rented and 35% intermediate affordable housing. However, paragraph 15.15 advises that *'in some rural areas, it may be appropriate to seek all affordable housing as 100% social affordable rented accommodation given the shortage of social rented homes in these areas'*.

## Rother Development and Site Allocations (DaSA) Local Plan

9. Policy DHG1 (Affordable Housing) slightly amends the threshold for affordable housing in the rural areas, previously set by the Core Strategy, to meet revised NPPF (2019) guidance, which requires a minimum size threshold of 10 dwellings, except in designated rural areas (like the AONB). Paragraph 4.12 advises that given the relatively poor affordability for households on lower incomes and the focus on non-major developments in the AONB, a lower threshold of 6+ dwellings is appropriate. On-site affordable housing requirements across the District are: in Bexhill, 30% for 15+ dwellings or 0.5 hectares or more; in Battle, 35% for 10+ dwellings or 0.3 hectares or more; in Rye, 30% for 10+ dwellings and, in rural villages; 40% for 6+ dwellings or 0.2 hectares or more in the AONB and 10+ dwellings or 0.3 hectares or more outside the AONB.
10. Paragraph 4.20 advises that successfully integrating the affordable rented and shared ownership units provides a sustainable, balanced and mixed community which brings many social and economic benefits.

11. Policy DHG2 (Rural Exception Sites) supports small scale residential development outside development boundaries, in exceptional circumstances, to meet a local need for affordable housing in rural areas, subject to specific criteria. This policy updates the approach previously set by the Core Strategy (Policy LHN3) by allowing a modest amount of enabling open market housing on rural exception sites where viability evidence shows this is necessary for the delivery of affordable housing.
12. Paragraph 4.21 advises that delivery of affordable housing in rural areas has been low over recent years generally because housing development opportunities are limited in these areas.

## **Affordable Housing Funding**

13. The Government's Affordable Homes Programme 2021 to 2026 provides £7.39 billion to deliver up to 130,000 affordable homes for rent or sale across England (but outside of London) by March 2026. This funding is awarded by Homes England to qualified investment partners, including registered providers of social housing<sup>5</sup>. The funding is geared towards whole site 100% affordable housing development and does not fund affordable homes secured through developer contributions (section 106) – the anticipated mechanism of achieving affordable housing anticipated by the NPPF and Rother's Local Plan.
14. As a result, registered providers are seeking to develop wholly affordable housing on major housing development sites in Rother. This is a shift from the expectation that affordable housing will be secured as a percentage requirement through DaSA Policy DHG1.

## **Hastings and Rother Housing and Economic Development Needs Assessment (HEDNA), August 2020**

15. The HEDNA assesses future development needs for housing (both market and affordable) and employment across the Hastings and Rother area. The study was commissioned to inform the preparation of the emerging Local Plans.

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<sup>5</sup> Registered providers (often called RPs) are providers of social housing registered with the Regulator of Social Housing (RSH) - [List of registered providers – 14 June 2022 \(accessible version\) - GOV.UK \(www.gov.uk\)](#)

16. The HEDNA looks at affordable housing need. To assess affordability, two different measures are used; firstly, what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly what income level is needed to access owner-occupation. It advises that:
- Based on entry level costs to buy a home and lower quartile costs to rent, around 38.7% of households can afford to buy and 61.9% can afford to rent (privately).
  - There are around 700 single-person households on the housing register in Rother and 1,000 families requiring affordable rented housing (there were 1,536 households on the register in 2013).
17. In terms of meeting the need on the housing register, only around 200 homes become vacant each year. Changes to benefits and increasing unaffordability in the area are reasons why more accommodation is being sought each year. There is a relatively aged stock of homes regardless of size and tenure.
- The most recent data from the end of 2021 paints a similar picture to that set out in the HEDNA albeit there has been a slight increase in housing register demand and a slight decrease in the number of affordable properties coming available to let through Registered Providers.

#### Affordable Dwellings to Rent

18. The HEDNA identifies an annual net need of 295 affordable dwellings to rent across Rother. This is for subsidised housing at a cost below that to access the private rented sector (i.e., for households unable to access any form of market housing without some form of subsidy).
19. Paragraph 12.14 (page 213) advises that:

*The Councils are therefore justified in seeking to secure as much additional affordable housing need as viability allows. It is of note that these requirements [i.e., 295 affordable dwellings per annum for Rother] exceed the total rate of recent housing delivery in the authorities.*

#### Affordable Home Ownership

20. The HEDNA advises that shared ownership properties and discounted market sales provide routes for the greatest number of people to own their own house, and shared ownership also provides for much lower levels of deposits.

21. The HEDNA finds that there is a need for around 203 affordable home ownership homes (priced for households able to afford to rent but not buy) in Rother per annum.
22. The HEDNA does advise that the number of lower quartile homes that are available to buy exceeds the total gross need by around 40 dwellings per annum, i.e., there is actually a surplus. However, the location and type of lower cost open market homes tend not to meet the needs of those households seeking the buy their first home.
23. Notwithstanding the potential surplus, the HEDNA identifies that 23% of households currently living in the private rental sector cannot afford to buy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors.
24. These factors include the lack of a deposit; difficulties obtaining a mortgage due to a poor credit rating or insecure employment; or the desire for the more flexible rental option.

### Housing Delivery

25. Since 2011, only 516 affordable rented dwellings have been built, which averages 52 dwellings/year (contrasting strongly with the need, identified in the HEDNA 2020, for 295 affordable rent properties to be built each year). The long-term average is reflected in the most recent years, with 67 affordable rent dwellings completed in 2020/21 and 50 in 2021/22.
26. 232 shared ownership properties have been built since 2011, an average of only 23 dwellings/year (again contrasting with the HEDNA 2020, which identifies a need for 203 affordable home ownership properties per year). 35 shared ownership dwellings were completed in 2020/21 and 62 dwellings in 2021/22.

### **Corporate Plan 2020-2027**

27. The Council is strongly committed to providing everyone with the opportunity of a decent home and to providing affordable housing which meets demonstrated local needs. The Corporate Plan aims to deliver 400 affordable rent homes by the end of 2023.



## Community Infrastructure Levy

28. The Council became a Community Infrastructure Levy (CIL) charging authority in 2016. Different CIL rates apply to residential and retail development in Bexhill and the rural areas. One benefit of CIL is that it is collected from all new housing completions, however it is not payable on new affordable housing (nor self-build developments).
29. Rother's Infrastructure Funding Statement 2020/21, published in December 2021 sets out that since April 2016, £3,533,287.41 has been retained, with £1,875,478.54 collected in the funding year 2020/21.
30. The Strategic CIL, which is retained by Rother (Local CIL is transferred to the relevant Parish or Town Council where the development is taking place) contributes to the funding of infrastructure needed to support new homes and businesses.
31. The Community Infrastructure Levy (CIL) is a non-negotiable levy. To ensure that the Community Infrastructure Levy (CIL) would not threaten the viability of the Local Plan as a whole, a viability assessment - the [Rother Local Plan Viability Assessment \(2018\)](#)<sup>6</sup> was commissioned.
32. The 2018 Assessment found that, based on the broad spectrum of likely sites to come forward, the DaSA policy requirements are deliverable.
33. However, under DaSA Policy DHG1 (and in accordance with national planning guidance), where it can be demonstrated that the affordable housing percentage requirements would render otherwise suitable development unviable, a lower, but maximum percentage of affordable housing which can be contributed without undermining viability, may be accepted.
34. This has led to the Local Planning Authority, on a number of housing developments, granting planning permission which contributes less than the policy requirement level of affordable housing. On such schemes, however, where a higher proportion of market housing is achieved, a consequence is that, the local planning authority gains more CIL (as the CIL is payable on all non-affordable new homes).

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<sup>6</sup> [https://www.rother.gov.uk/wp-content/uploads/2020/01/12\\_Rother\\_Local\\_Plan\\_Viability\\_Final\\_Report.pdf](https://www.rother.gov.uk/wp-content/uploads/2020/01/12_Rother_Local_Plan_Viability_Final_Report.pdf)

35. This situation lessens any impact of “losing” CIL payments on those schemes where higher proportions of affordable housing (and therefore less CIL) is achieved. To put this another way, while 100% affordable housing developments would not pay CIL, this loss is counterbalanced by the additional CIL liable on other sites.

## **Implementing Local Plan policy**

36. As summarised above, Local Plan policy recognises the need for affordable housing and seeks to maximise its delivery through the affordable housing requirement thresholds applicable to market housing sites, and through support for rural exception sites. The need for socially rented housing is particularly recognised. The minimum percentage requirements for on-site affordable housing set out in Policy DHG1 of the DaSA Local Plan seek to ensure that:
- (i) housing developments contribute to meeting the overall affordable housing need in the district but also
  - (ii) developments remain viable, and private housebuilders are not discouraged from developing sites.
37. More recent evidence within the HEDNA (2020) highlights that the need for affordable housing, and socially rented housing in particular has significantly increased, due to the widening gap between local income levels and the costs of renting or buying housing. The affordable housing need exceeds total housing delivery in Rother. Furthermore, the Council’s Corporate Plan supports the provision of affordable housing which meets demonstrated local needs.
38. Where proposals come forward for greater levels of affordable housing than the minimum percentages set out in Policy DHG1 (up to 100%), the applications should be supported in principle. Such proposals would not conflict with Policy DHG1 of the DaSA Local Plan, which sets out minimum (not maximum) percentage requirements for affordable housing. In relation to integration with market housing, while affordable ownership meets the definition of affordable housing in planning terms, it is also a form of market tenure, particularly through the introduction of First Homes. Where 100% affordable housing schemes are proposed, a mix of tenures, in accordance with Policy DHG1’s criteria regarding mixed and balanced communities should be complied with.

39. Consequently, whether or not specific schemes for up to 100% affordable housing can be supported will come down to their compliance with the adopted policies of the Development Plan as a whole. The loss of CIL money will be a financial consideration in any proposal but should be balanced with the additional CIL gained through other permissions as set out above.
40. In summary, planning applications for 100% affordable housing should be supported where they meet the Local Plan's adopted policies in all other respects and the affordable housing secured through a S106 legal agreement.

### **Further Sources of Information**

41. The adopted policies under which planning applications will be decided are set out in the Council's Local Plan and in made Neighbourhood Plans. Please contact [planning.strategy@rother.gov.uk](mailto:planning.strategy@rother.gov.uk) should you require any further information.