

Economy and Growth Committee

Date of Meeting:	16 th September 2021
Report Title:	First Homes and Affordable Housing
Report of:	Director of Growth and Enterprise – Peter Skates
Report Reference No:	To be provided by Democratic Services
Ward(s) Affected:	All Wards

1. Executive Summary

- 1.1.** Ensuring the delivery of affordable homes is a priority within the Corporate Plan 2021-2025 which states “enable access to well designed, affordable and safe homes for all our residents”. Increasing the provision of affordable homes contributes to the overall Vision for the Council to be:

Open – Cheshire East has a transparent policy to ensure the delivery of affordable homes on housing sites above a certain threshold.

Fair – The provision of affordable housing enables our residents to access appropriate housing, enabling them to continue to reside within Cheshire East and be close to support networks.

Green – Providing affordable homes contributes to the reduction of the carbon footprint, ensuring that residents can reside close to employment opportunities.

- 1.2.** Furthermore, the Local Plan provides a framework for the delivery of housing including affordable housing.
- 1.3.** Affordable housing in Cheshire East plays a fundamental role in realising this ambition. Affordable housing creates balanced, sustainable communities whilst helping to reduce health inequalities for some of our modest-income households. Moreover, it provides the vital impetus for economic activity and aspiration. The provision of affordable housing can

stimulate spending, and crucially equips an area with the long-term capacity for labour and economic fluidity that will attract and develop business.

- 1.4.** This report provides an update on the types of affordable housing which are delivered in Cheshire East, as well as introducing the Government's new affordable housing product – First Homes. This report also outlines the mechanisms in which the Council secures affordable housing on site or as a financial contribution in lieu of affordable housing.
- 1.5.** This report outlines a revised approach in relation to the financial contributions from developers for affordable housing to enable the Strategic Housing team to take forward a more proactive approach to administer this funding.

2. Recommendations

- 2.1.** That the Economy and Growth Committee:

- 2.1.1.** Notes that a Housing Supplementary Planning Document ("SPD") is currently being developed and will be considered by the Environment and Communities Committee at a future meeting
 - 2.1.2.** Approves the process outlined within Appendix 1 for the allocation of financial contributions for the provision of affordable housing

3. Reasons for Recommendations

- 3.1.** Affordable housing plays a vital role in the creation of sustainable and mixed communities. It is a fundamental part of everyone's life and is essential to positive health outcomes, supporting economic wellbeing and promoting social inclusion in Cheshire East communities.
- 3.2.** The Government is committed to supporting people into home ownership and have introduced a new type of affordable housing known as "First Homes". There are transitional arrangements in place for local planning authorities to incorporate First Homes and these are outlined in this report. Members need to be fully aware of these changes and the impact and implications on existing policies.
- 3.3.** Current Local Plan policy is to secure affordable housing on site. However, where this is not possible, as a first alternative, off-site provision will be accepted and then, as a second alternative, a financial contribution may be accepted, where justified, in lieu of on-site provision. Where financial contributions are obtained the Council needs to clearly set out how these funds will be utilised and the process which will be undertaken in order to

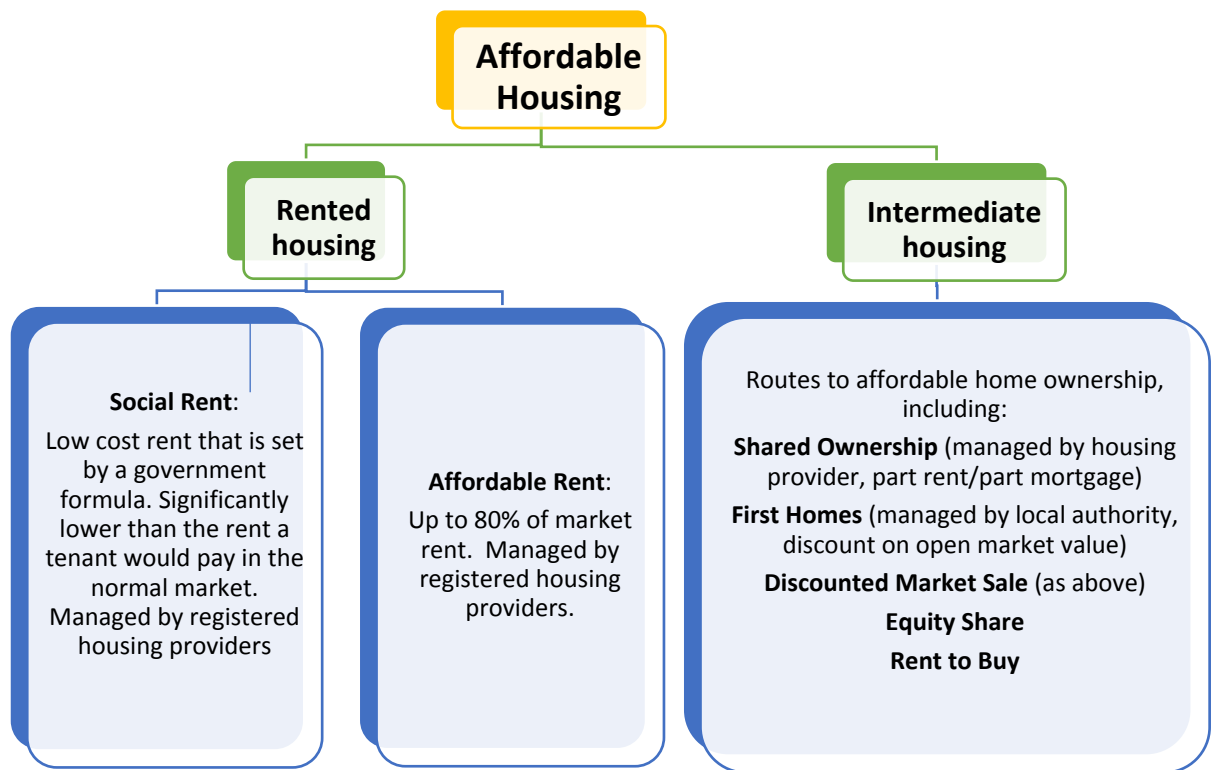
deliver affordable housing. The process needs to be updated to reflect any required changes.

4. Other Options Considered

- 4.1. The Government have introduced First Homes through a written ministerial statement and National Planning Practice Guidance (“PPG”). The date from which this is required is affected by transitional arrangements as set out in this report. The Council could deter developers from providing First Homes, however this could be detrimental to first time buyer’s ability to access the housing market.
- 4.2. The Council must have a clear and transparent policy in relation to the utilisation of financial contributions in lieu of affordable housing.

5. Background

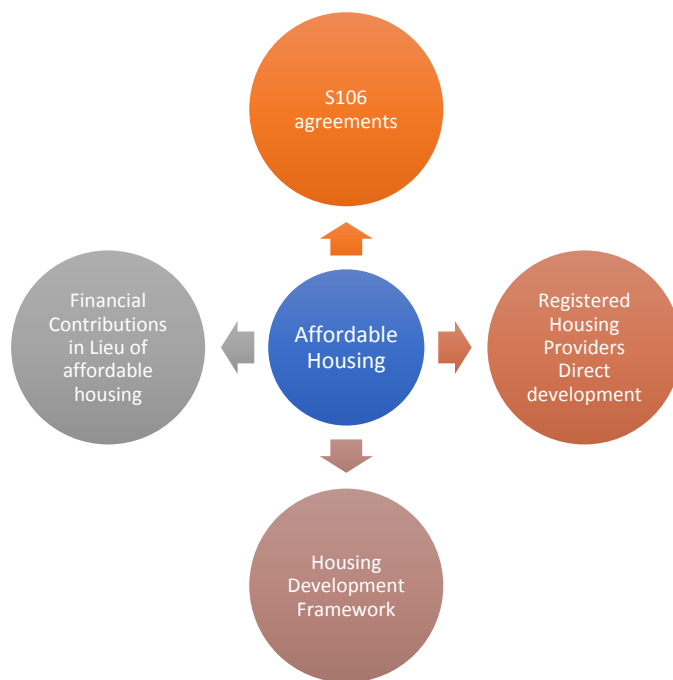
- 5.1. **Affordable Housing** - The ability to secure a safe, affordable home in which to reside is a fundamental human need, without which can have a detrimental impact on our resident’s lives. Cheshire East is an expensive place in which to reside, in comparison to other North West Local Authority areas where the average house price is £189,245 (landregistry.data.gov.uk – May 2021). The average house price in Cheshire East is £267,463 (landregistry.data.gov.uk – May 2021) and average incomes are £36,000 (plumplot.co.uk, 2020).
- 5.2. Affordability for households to access the housing market can be significantly impacted by this. First time buyers are often priced out of the market, private rented properties are in short supply and rental figures can be significantly high. Therefore, the demand for affordable and social rented properties is increasing, with just under 10,000 applicants registered. The level of voids and new schemes are not keeping up with demand.
- 5.3. The National Planning Policy Framework (“NPPF”) (July 2021) 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)”*
- 5.4. The type of affordable housing is categorised as rented or for sale and the diagram below illustrates the type of housing which is included within these 2 categorisations:



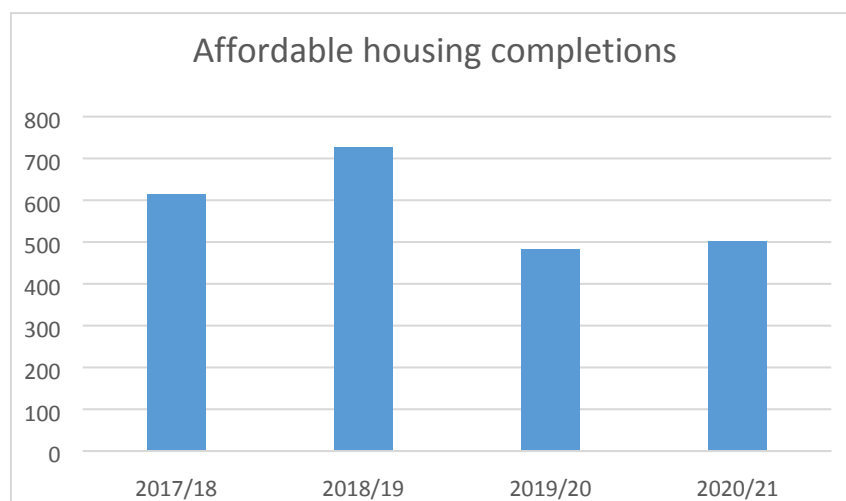
- 5.5.** Cheshire East’s planning policy on affordable housing is set out within Local Plan Strategy (“LPS”) Policy SC5 ‘affordable homes’. This clearly explains the requirements where, in residential developments, affordable housing will be expected to be provided, stating that within Principal Towns and Key Service Centres, residential developments of 15 or over (or 0.4 hectares) are required to provide at least 30% affordable housing.
- 5.6.** Within Local Service Centres and Other areas, developments of 11 or more (or have a maximum combined gross floor space of more than 1,000 sq.m) are required to provide at least 30% affordable housing.
- 5.7.** Of the 30% requirement, the explanatory text accompanying the policy says that the Council will seek a split of 65% for rent (social or affordable) and 35% for intermediate affordable housing. Rural Exceptions sites are permitted through Local Plan Policy SC6 ‘rural exceptions housing for local needs’ in circumstances where there is a defined housing need, however they will only be permitted on a small scale (up to 10 units)
- 5.8.** A Housing Supplementary Planning Document (“SPD”) is currently being developed, which will provide further planning guidance in relation to affordable housing, consistent with the Local Plan Strategy. The SPD also includes guidance on the delivery of Extra Care and specialist Housing Provision. Consultation on the initial draft of the Housing SPD took place between the 26 April 2021 and the 07 June 2021. A total of 119 comments were received from 29 parties and these comments are currently being

considered. The next steps for the draft Housing SPD is to consider the feedback received to the public consultation and seek approval from the Environment and Communities Committee later in the year to publish a revised version of the SPD for public representations, alongside a consultation report which provides information on comments received to the initial draft Housing SPD and the Council's response

- 5.9.** There are a number of ways in which affordable housing provision can be secure as outlined below:



- 5.10.** The delivery of affordable housing has fluctuated over the years, but on average, 581 units have been delivered each year since 2017/18 due to the activity of housing developers and registered housing providers. These figures (outlined in the graph below) are retrieved through completion data submitted by the registered housing providers who are delivering affordable housing in Cheshire East. These figures differ slightly from those included in the Authority Monitoring Report (AMR) produced by Cheshire East due to slight variations of data recorded by different council departments. However, the delivery of affordable housing is consistently above the 355 minimum annual target as outlined in the Local Plan



5.11. Introduction of First Homes – As part of the Government’s planning reforms, a new affordable housing tenure called ‘First Homes’ has been introduced. These are properties specifically for first time buyers which come with a minimum of 30% discount from their open market value. This discount remains with the property in perpetuity (with limited exceptions) so that future eligible households can benefit from the scheme. Households will need to meet eligibility criteria to access these homes and they will be a requirement on all housing schemes where affordable housing is secured through a Section 106 agreement.

5.12. Specifically, First Homes are discounted market sale units which:

- must be discounted by a minimum of 30% against the market value;
- are sold to a person or persons meeting the First Homes eligibility criteria;
- on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and
- after the discount has been applied, the first sale must be at a price no higher than £250,000. First Homes are the government’s preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations (i.e. S106 agreements).
- In addition, to qualify as a First Home, there should be a section 106 agreement securing the necessary restrictions on the use and sale of the property, and a legal restriction on the title of the property to ensure that these restrictions are applied to the property at each future sale. The price cap of £250,000 (or £420,000 in Greater London), however, applies only to the first sale and not to any subsequent sales of any given First Home.

- 5.13. Depending on where local authorities are with regards to adopting their Local Plan, there are transitional arrangements for the implementation of First Homes. Under these arrangements and because the Council submitted its Site Allocations and Development Policies Document (“SADPD”) for examination at the end of April, it is not required to reflect the First Homes policy requirement directly in the SADPD. The SADPD is currently under examination.
- 5.14. Where local plans are adopted under the transitional arrangements, the First Homes requirements will not need to be applied in decision taking when considering planning applications in the Plan area until such time as the requirements are introduced through a subsequent Local Plan update. However, as planning applications may still come forward which include First Homes, in line with the requirements of national planning guidance then this may need to be considered further as a material consideration in decision taking.
- 5.15. The PPG encourages Local Planning Authorities to make development requirements for First Homes clear in their area and to be flexible in accepting First Homes, at the request of a planning applicant, as an alternative type of tenure for undetermined applications. Following advice from the Council’s Legal Services team, the local authority could pro-actively develop planning guidance to detail how it would respond to proposals involving First Homes in the borough on a consistent basis. The development of the Housing SPD is an ideal opportunity to achieve this. This will allow the Council to clearly articulate its approach to First Homes. The SPD is expected to be able to be considered for adoption in early 2022. When adopted, it would also be a material planning consideration in decision taking. This report seeks Committee’s approval to proceed in this manner.
- 5.16. Where necessary, eligibility assessments of households for First Homes will be completed through existing staffing resources, although the introduction of First Homes has the potential to increase workloads for a number of Council departments. First Homes will also impact the range of tenures provided. Government guidance requires a minimum of 25% of all affordable properties on a site to be First Homes. Government are keen to ensure that affordable rented properties are still delivered, so First Homes will have the greatest impact on the number of intermediate affordable properties delivered on-site.
- 5.17. **Financial contributions in lieu of affordable housing** – Local Plan policy SC5 ‘affordable homes’ seeks to provide on-site affordable housing on development sites which meet the affordable housing threshold. In exceptional circumstances, affordable housing can be provided off-site, or a financial contribution in lieu of affordable housing can be provided to the local authority.

5.18. Such circumstances can include:

- the provision of the affordable housing elsewhere in the locality would provide a better mix of housing types
- Management of the affordable dwellings on site would not be feasible, due to a lack of registered provider interest
- It would be more appropriate to bring back existing vacant housing into use as affordable units which may also bring regeneration benefits
- There are specific and unusual constraints of the site which prevent the provision of the size and types of affordable housing required in the area.

5.19. The decision to accept a financial contribution in lieu of on-site affordable housing is the remit of either the planning case officer for delegated planning decisions, or the decision of the relevant planning committee as appropriate. This renewed policy seeks to clarify the process of administering the funding for future affordable housing provision. It is not within the gift of this renewed policy to determine how and when financial contributions in lieu of affordable housing are accepted.

5.20. The council currently holds several financial contributions in lieu of affordable housing, totalling £2,119,131.53. In addition to this, there are a number of legal agreements in place which will increase funding to a further £5,801,263 from developers in the future. These funds have a time limit for when they can be utilised, typically for 5 or 10 years, so a proactive approach to this would ensure funds are administered in a timely and strategic manner.

5.21. The Council's policy for allocating and spending financial contributions in lieu of affordable housing was approved at Cheshire East Cabinet in July 2014. This policy has since been updated by the Strategic Housing team to bring the priorities in line with the new Committee system. It allows financial contributions to be prioritised for current council projects and ensures that the utilisation of financial contributions in lieu of affordable housing is proactively delivered.

5.22. The amended policy is included within Appendix 1 of this report. The main amendments include the ability for the local authority to use financial contributions in lieu of affordable housing for the purpose of purchasing land, to develop affordable housing schemes brought forward by the Council's Housing Development Framework. It also ensures the Council is proactive in reviewing planning applications where a reduced amount of affordable housing is provided, as well as contacting Ward Members, housing providers, and town and parish councils on an annual basis to advertise and review options for spending the contributions. Members are involved during this process so that they are aware of the Council's proposals and intentions.

- 5.23.** This proactive approach will ensure that financial contributions in lieu of affordable housing are spent appropriately, in a timely manner, and in-line with the council's priorities for affordable housing. Authority to utilise financial contributions in lieu of affordable housing will be undertaken in line with the Council's constitution

6. Consultation and Engagement

- 6.1. First Homes** – First Homes is a national initiative, and Government consulted on the proposals for First Homes between 7th February 2020 and 1st May 2020. Departments within Cheshire East Council, including Strategic Housing and Strategic Planning responded to this consultation. The draft Housing SPD will be subject to public consultation as required by planning regulations and the Council's Statement of Community Involvement.
- 6.2. Financial contributions in lieu of affordable housing** – The revised policy for administering financial contributions in lieu of affordable housing was subject to internal consultation from Legal services and Finance. External consultation is unnecessary due to the policy clarifying how financial contributions are administered. The decision to receive a financial contribution is determined through the planning process.

7. Implications

7.1. Legal

- 7.1.1. First Homes** – Government will issue 'model clauses' to be inserted into Section 106 planning agreements to ease the burden on local authority Legal teams. Subject to Committee approval, there may be a requirement for certain applicable Council S106 agreements to make reference to First Homes.
- 7.1.2.** Cheshire East Council Legal Services will be required to enter into a covenant with each occupying household to ensure that the restriction on title is enacted and the discount percentage is retained in perpetuity. A model covenant has been published by the Government.
- 7.1.3. Financial Contributions in lieu of affordable housing** - There are no legal implications for these amendments.

7.2. Finance

- 7.2.1. First Homes** - There is potential for implications with resources due to increased workload. Through the Business Planning process for 2022/23, we will seek to increase the staff resources to be able to deal with any new First Homes requirement, by increasing the existing affordable housing officer post from 0.5FTE to 1 FTE. This role will be subject to a job evaluation as there will be a requirement to carry out financial appraisals of households and it is anticipated this will increase the post from a Grade 4 to Grade 7.

7.2.2. Financial contributions in lieu of affordable housing – Financial contributions in lieu of affordable housing are available to be utilised to increase the provision of affordable housing, and the proposed new process will not change this. The updated policy will allow the Council to purchase land with financial contributions in lieu of affordable housing, specifically for the Council's Housing Development Framework. These schemes will need to provide 100% affordable housing due to the source of the monies.

7.3. Policy

7.3.1. First Homes – Additional detail will need to be included with the emerging Housing SPD to detail the Council's planning guidance for First Homes.

7.3.2. Financial contributions in lieu of affordable housing – The Cheshire East Local Plan Strategy allows for financial contributions in exceptional circumstances, and this position won't change. The proposed new financial contributions policy seeks to clarify the process and ensure funds are allocated fairly and in areas of affordable housing need.

7.4. Equality

7.4.1. First Homes – Government produced a national Equality Impact Assessment for the provision of First Homes. It is not anticipated that the provision of these properties will impact the protected characteristics. The Housing SPD will be subject to its own Equality Impact Assessment.

7.4.2. Financial contributions in lieu of affordable housing – an Equality Impact Assessment was completed for the revised process of utilising financial contributions in lieu of affordable housing. It is appended to this report under Appendix 2.

7.5. Human Resources

7.5.1. First Homes – there are no immediate HR implications for the provision of First Homes and workload will be managed through existing staffing. However, there is potential for additional staffing resources required to deal with this requirement as detailed in 7.2.1.

7.5.2. Financial contributions in lieu of affordable housing – it is not anticipated that there will be any HR implications for this, and this will be facilitated through existing staffing.

7.6. Risk Management

7.6.1. All financial contributions in lieu of affordable housing have a time limit on when they can be spent. If this lapses, the sum needs to be returned to the developer/source of the contribution. This proactive approach will mitigate this risk and ensure that the contributions are spent in a timely and effective way.

7.7. Rural Communities

7.7.1. The provision of First Homes and spends of financial contributions in lieu of affordable housing both have the potential to impact rural communities. Local Members will be included in proposals for both factors of this report.

7.8. Children and Young People/Cared for Children

7.8.1. There are no implications for Children and Young People or Cared for Children.

7.9. Public Health

7.9.1. Housing provision, including affordable housing, has the potential to improve access to safe accommodation, which can improve health inequalities throughout our communities.

7.10. Climate Change

7.10.1. The Council is committed to becoming carbon neutral by 2025. The development of high quality, sustainable housing has the potential to reduce the impact of climate change. New residential housing developments will be required to address planning policies which aim to mitigate climate change impacts.

Access to Information	
Contact Officer:	Christopher Hutton – Senior Policy Officer christopher.hutton@cheshireeast.gov.uk 01270 685642
Appendices:	Appendix 1 – S106 financial contributions in lieu of affordable housing funding procedure Appendix 2 – S106 financial contributions in lieu of affordable housing application form Appendix 3 – S106 financial contributions in lieu of affordable housing EIA
Background Papers:	Not applicable