

TOWN AND COUNTRY PLANNING ACT
1990 (AS AMENDED) SECTION 78
APPEAL

TOWN AND COUNTRY PLANNING
(INQUIRIES PROCEDURE) (ENGLAND)
RULES 2000

On behalf of:

**Alban Developments Limited
and Alban Peter Pearson,
CALA Homes (Chiltern) Ltd
and Redington Capital Ltd**

In respect of:

**Land South of Chiswell Green
Lane, Chiswell Green,
St Albans**

**APPENDICES DP2 – DP10
TO PROOF OF EVIDENCE IN
RESPECT OF AFFORDABLE
HOUSING PROVISION**

By:

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PINS reference:

APP/B1930/W/22/3313110

LPA References:

5/2022/0927

Date:

20th March, 2023

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1 Appendix DP2 – First Homes Guidance NPPG

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Guidance

First Homes

Provides further detail on First Homes and their implementation.

From:

[Department for Levelling Up, Housing and Communities](#)

[\(/government/organisations/department-for-levelling-up-housing-and-communities\)](#)

and [Ministry of Housing, Communities & Local Government](#)

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Published

24 May 2021

Last updated

23 December 2021 —

Applies to England

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First Homes definition and eligibility requirements

What is a First Home?

First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

- a) must be discounted by a minimum of 30% against the market value;
- b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);
- c) 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,
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).

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.

Paragraph: 001 Reference ID: 70-001-20210524

First Homes qualifying criteria

What are the First Homes criteria?

The First Homes criteria are the minimum requirements a housing unit must meet in order to qualify as a First Home. Affordable Housing Update [Written Ministerial Statement published on 24 May 2021 \(https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48\)](https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48), the national standards for a First Home are that:

- a) a First Home must be discounted by a minimum of 30% against the market value;
- b) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London); and,
- c) the home is sold to a person who meets the First Homes eligibility criteria, as set out in the first 2 paragraphs under [First Homes eligibility criteria](#).

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, as described in [What is the legal mechanism to ensure that the discount is passed on to all future purchasers?](#). 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.

Homes meeting the above minimum criteria can be sold as First Homes and should be considered to meet the definition of 'affordable housing' for planning purposes. A developer should be able to show that the homes they intend to sell as First Homes will meet the above criteria.

Paragraph: 002 Reference ID: 70-002-20210524

What is the legal mechanism to ensure that the discount is passed on to all future purchasers?

The landowner should enter into a planning obligation under section 106 of the Town and Country Planning Act 1990 enforceable by the local planning authority that:

- (a) secures the delivery of the First Homes; and,
- (b) ensures that a legal restriction is registered onto a First Home's title on its first sale.

In most cases, these planning obligations should be entered into in the usual way prior to the grant of planning permission. The government has published [template planning obligations \(https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions\)](https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions) for this purpose, which the local planning authority can use as a basis for agreements prepared locally.

When a First Home is sold by the developer to the first owner, a restriction is to be entered onto the title register identifying the unit as a First Home. This restriction should ensure that the title cannot be transferred to another owner unless the relevant local authority certifies to HM Land Registry that the First Homes criteria and eligibility criteria have been met, including the discounted sale price.

To ensure consistency, and clarity regarding the status of First Homes, it is strongly recommended that the following model title restriction is used, which is a variation on a standard Form L restriction which has been prepared with HM Land Registry for this purpose. This model title restriction is part of the government's published [template planning obligations \(https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions\)](https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions):

“ No disposition of the registered estate (other than a charge) by the proprietor of the registered estate or by the proprietor of any registered charge, not being a charge registered before the entry of this restriction, is to be registered without a certificate signed by [Local Authority] of [address] or their conveyancer that the provisions of clause XX (the First Homes provision) of the Transfer dated [Date] referred to in the Charges Register have been complied with or that they do not apply to the disposition”

In circumstances where this restriction needs to be removed, such as an invocation of the Mortgagee Exclusion Clause, the Local Authority will be required to apply to enable the removal of the restriction.

Paragraph: 003 Reference ID: 70-003-20211223

Revision date 23 12 2021

Can the required minimum discount be changed?

In order to qualify as a First Home, a property must be sold at least 30% below the open market value. Therefore, the required minimum discount cannot be below 30%.

However, the First Homes Written Ministerial Statement does give local authorities and neighbourhood planning groups the discretion to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this. As part of their plan-making process, local planning authorities should undertake a housing need assessment to take into account the need for a range of housing types and tenures, including various affordable housing tenures (such as First Homes). Specific demographic data is available on open data communities which can be used to inform this process. The assessment will enable an evidence-based planning judgement to be made about the need for a higher minimum discount level in the area, and how it can meet the needs of different demographic and social groups.

In such circumstances, the minimum discount level should be fixed at either 40% or 50% below market value and should not be set at any other value. In each case, these percentages represent the minimum discount required for a home to qualify as a First Home. Developers who are able to offer higher discounts within their contributions should be free to do so but the local authority cannot require this. In such cases, whatever discount (as a percentage of market value) is given at the first disposal should be the same at each subsequent sale. These minimum discounts should apply to the entire local plan area (except if Neighbourhood Plans are in place in certain areas) and should not be changed on a site-by-site basis.

If local authorities or neighbourhood planning groups choose to revise their required minimum discounts in any future alterations to their plans, this should not affect the minimum discounts required for previously sold First Homes when they come to be resold, as these will be bound by the section 106 agreements entered into at the time of their first sale.

Paragraph: 004 Reference ID: 70-004-20210524

Can the price cap be changed?

In order to qualify as a First Home, the initial sale of the home cannot be at a price greater than £250,000 (or £420,000 in Greater London) after the discount has been applied. Therefore, local authorities cannot set price caps higher than these national caps.

However, the [First Homes Written Ministerial Statement of 24 May 2021](https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48) (<https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>) does give local authorities and neighbourhood planning groups the discretion to set lower price caps if they can demonstrate a need for this. Any local price caps

should be determined through the plan-making process with regard to local income levels, related to local house prices and mortgage requirements.

Local price caps should not be set arbitrarily and should only be used if evidence demonstrates a need for intermediate housing at particular price points. Whilst the national standard price caps will be high for many local areas across England, homes built as First Homes will need to be of appropriate size and price for first-time buyers in any area. The national price caps should not be used as justification for delivering more expensive properties than are necessary or required in any area.

Paragraph: 005 Reference ID: 70-005-20210524

How should Open Market Value be established, and how is it ensured that the discount is genuine and not delivered through lower standards?

First Homes should be physically indistinguishable from the equivalent market homes in terms of quality and size. Developers should obtain a valuation from a registered valuer acting in an independent capacity, and that valuation should be in accordance with the Royal Institution of Chartered Surveyors red-book valuation guidance for new-build homes. When the home is resold in future, the seller should secure a valuation in the same way in accordance with RICS's guidance.

When a mortgage or home purchase plan offer is being considered, the lender will also value the property in the usual way. The sale price of the property should not change unless this valuation is lower than the agreed sale price. In this case, the lender's valuation (after the discount has been applied) should act as a price cap for the sale of the property.

Paragraph: 006 Reference ID: 70-006-20210524

First Homes eligibility criteria

Who is eligible to purchase a First Home?

A purchaser (or, if a joint purchase, all the purchasers) of a First Home should be a first-time buyer as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers.

Purchasers of First Homes, whether individuals, couples or group purchasers, should have a combined annual household income not exceeding £80,000 (or £90,000 in Greater London) in the tax year immediately preceding the year of purchase.

A purchaser of a First Home should have a mortgage or home purchase plan (if required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.

These national standard criteria should also apply at all future sales of a First Home.

Paragraph: 007 Reference ID: 70-007-20210524

Can authorities apply their own eligibility criteria?

As part of the section 106 agreements, local authorities or neighbourhood planning groups can apply eligibility criteria in addition to the national criteria described above. This may involve lower income caps (if this can be justified with reference to local average first-time buyer incomes), a local connection test, or criteria based on employment status. First Homes are designed to allow people to get on the housing ladder in their local area, and in particular to ensure that key workers providing essential services are able to buy homes in the areas where they work. Authorities can therefore prioritise key workers for First Homes, and are encouraged to do so, especially if they have an identified local need for certain professions. The definition of a key worker should be determined locally and could be any person who works in any profession that is considered essential for the functioning of a local area.

Local connections may include (but are not limited to) current residency, employment requirements, family connections or special circumstances, such as caring responsibilities. Authorities should consider the application of these discretions carefully and ensure they do not limit the eligible consumer base to the point that homes become difficult to sell.

Any locally set income caps should be considered with reference to mortgage requirements and loan-to-income ratios for appropriate homes for the area's identified target market for First Homes. Income caps should not be set at a level which would prevent a borrower from obtaining a 95% loan-to-value mortgage for the discounted price of suitable properties.

Any local eligibility criteria will apply for a maximum of 3 months from when a home is first marketed. If a suitable buyer has not reserved a home after 3 months, the eligibility criteria (including income caps) will revert to the national criteria set out above, to widen the consumer base.

In recognition of the unique circumstances of the Armed Forces, local connection criteria should be disapplied for all active members of the Armed Forces, divorced/separated spouses or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their service) and veterans within 5 years of leaving the armed forces.

Paragraph: 008 Reference ID: 70-008-20210524

What appropriate methods can local authorities use to set out their local requirements for First Homes, including both local First Homes criteria and local First Homes eligibility criteria?

Local planning authorities are encouraged to ensure that First Homes work well in their area, which may include requiring a higher minimum discount, lower price or income caps, or local connection/key worker requirements. Local planning authorities are also encouraged to make the development requirements for First Homes clear for their area. The most appropriate method or tool to do this will depend on individual circumstances for each local planning authority. These might include (but may not be limited to): publication of an interim policy statement, or updating relevant local plan policies. Local planning authorities should assess their own circumstances when considering the most appropriate way to achieve this in their context.

Paragraph: 009 Reference ID: 70-009-20210524

Disapplying the First Homes criteria and eligibility criteria

What is the Mortgagee Exclusion Clause?

A Mortgagee Exclusion Clause should be present in all planning obligations which secure the delivery of First Homes, to ensure appropriate protection for lenders and encourage competitive lending rates. In its [template planning obligations \(https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions\)](https://www.gov.uk/government/publications/first-homes-model-section-106-agreement-for-developer-contributions), the government has set out an exemplar Mortgagee Exclusion Clause and, in the interest of consistency, it is strongly recommended that local authorities use this example.

The Mortgagee Exclusion Clause ensures that a regulated financial institution which has provided the finance necessary to support the purchase of a First Home (the Mortgagee) is not bound by the requirement to sell the home under the First Homes criteria to a person meeting the First Homes eligibility criteria in the event that they are enforcing their security against the property. The Mortgagee Exclusion Clause should provide that, in the event of the Mortgagee enforcing their security against the property, the property can be sold to anyone on the open market at open market value and the property will cease to be a First Home.

The Mortgagee Exclusion Clause should require that, once the Mortgagee has recovered the funds due to them under the security documentation, any remaining proceeds from the sale should be used to reimburse the local authority for the loss of the First Home from their area. This reimbursement should be up to (but should not exceed) the value of the discount, as a percentage of the sale price and net of any additional Stamp Duty liability that may be incurred from the sale by the seller. If the remaining proceeds from the sale of the property are not sufficient to cover the total percentage value of the discount, then all of the remaining proceeds should be transferred to the relevant authority. Further detail on how this should be calculated, including worked examples and further detail on when additional Stamp Duty liability may be incurred, will be published and appended to this Guidance in due course.

Once the Mortgagee has recovered their investment and the local authority has received the full amount owed to them as a percentage of the sale value of the home, any remaining profits from the sale should be returned to the home owner from whom the Mortgagee took possession.

Paragraph: 010 Reference ID: 70-010-20211223

Revision date 23 12 2021

Aside from the Mortgagee Exclusion Clause, can a property identified as a First Home ever be sold without the First Homes restrictions?

It is important that agreements to secure First Homes do not prevent homes from being sold for a long period and there may be circumstances where a suitable buyer for a First Home cannot be found, even when the local restrictions have been removed. Therefore, a local authority should include provisions in a section 106 agreement which allow a developer or First Home owner to sell a First Home on the open market and remove the title restriction, as long as certain conditions are met.

If such provisions are included, it should be expected that the seller (either the developer or a future First Home owner) compensates the relevant Authority for the loss of the affordable housing unit. As with the Mortgagee Exclusion Clause, this compensation should be the value of the discount the First Home was to be sold for, as a percentage of the final sale price (or, as much as possible of that value once the value of all lending against the property has been cleared) and net of any additional Stamp Duty liability incurred.

There should also be a requirement, within the agreement, that the home is marketed for at least 6 months in total and that all reasonable steps have been taken to sell the property (including, where appropriate, reducing the asking price).

Paragraph: 011 Reference ID: 70-011-20210524

Plan- and Decision-Making

Setting developer contributions for First Homes

How should developer contributions be secured for First Homes?

A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. It is expected that First Homes (and the mechanism securing the discount in perpetuity) will be secured through section 106 planning obligations.

In accordance with paragraph 62 of the National Planning Policy Framework, affordable housing is expected to be delivered on-site unless off-site provision or a

financial contribution in lieu can be robustly justified, and the agreed approach contributes to the objective of creating mixed and balanced communities.

Where cash contributions for affordable housing are secured instead of on-site units, a minimum of 25% of these contributions should be used to secure First Homes. This could be achieved, for example, by acquiring additional First Homes from market development, paying the developer a sum to offset the discount from market price, and securing the tenure through section 106 planning obligations.

Where a mixture of cash contributions towards affordable housing and on-site units are secured, 25% of the overall value of affordable housing contributions should be applied to First Homes.

Paragraph: 012 Reference ID: 70-012-20210524

How can the 25% First Homes requirement be addressed in plans?

Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required. Subject to the transitional arrangements set out in [paragraph 018](#), this should include policies for First Homes.

Policies for First Homes should reflect the requirement that a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes.

Paragraph: 013 Reference ID: 70-013-20210524

What makes a policy compliant planning application for First Homes?

A policy compliant planning application should seek to capture the same amount of value as would be captured under the local authority's up-to-date published policy.

For example, a local policy may require 20% affordable housing on site, half of which is shared ownership, and half of which is social rent. The plan viability assessment should set out assumptions on the amount of value captured – for example, a social rent home may be discounted by 50% from market value, and a shared ownership home may be discounted by 20%. This allows the total value captured under the policy to be calculated. This value can then be reallocated to a different affordable housing mix under the new policy.

In addition to capturing the same amount of value towards affordable housing as the existing policy, where onsite affordable housing is required, a policy compliant application will have a minimum of 25% of affordable housing units on-site as First Homes.

Paragraph: 014 Reference ID: 70-014-20210524

How should the remaining 75% of affordable housing be secured through developer contributions?

Once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan. The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy.

For example, if a local plan policy requires an affordable housing mix of 20% shared ownership units, 40% affordable rent units and 40% social rent units, a planning application compliant with national policy would deliver an affordable housing tenure mix of 25% First Homes and 40% social rent. The remainder (35%) would be split in line with the ratio set out in the local plan policy, which is 40% affordable rent to 20% shared ownership, or 2:1. 35% split in this way results in 12% shared ownership; and 23% affordable rent.

In another example, if a local plan policy requires 80% of units to be shared ownership and 20% to be social rent, a policy compliant application would deliver 25% First Homes units, 20% social rent and 55% shared ownership.

If a local authority has an up-to-date policy on cash contributions in lieu of onsite contributions, then a planning application compliant with national policy will align with this approach.

Paragraph: 015 Reference ID: 70-015-20210524

Can the Community Infrastructure Levy be collected on First Homes development?

The Community Infrastructure Levy (CIL) Regulations 2010 (as amended) make provisions for charging authorities to give relief or grant exemptions from the levy. These regulations allow developers of First Homes to obtain an exemption from the requirement to pay CIL.

Mandatory social housing relief can apply in respect of dwellings where the first and subsequent sales are for no more than 70% of their market value. To be eligible, a planning obligation must be entered into prior to the first sale of the dwelling designed to ensure that any subsequent sale of the dwelling is for no more than 70% of its market value. This relief will therefore be available for First Homes. Regulations 49-54 of the Community Infrastructure Levy Regulations (as amended) defines where social housing relief applies.

See related CIL guidance – [Relief and Exemptions](https://www.gov.uk/guidance/community-infrastructure-levy#relief-and-exemptions)
(<https://www.gov.uk/guidance/community-infrastructure-levy#relief-and-exemptions>).

Paragraph: 016 Reference ID: 70-016-20210524

First Homes in Plan Making and Decision Making

How can neighbourhood plans support the provision of affordable homes for sale, including First Homes?

Neighbourhood planning groups can support the provision of all forms of affordable housing for sale, including [First Homes](#), by including relevant policies and identifying suitable sites within neighbourhood plans for these homes.

In addition to this neighbourhood planning groups can also put in place neighbourhood development orders, able to grant planning permission directly for schemes that can incorporate affordable homes for sale, including First Homes.

Depending on the content of relevant strategic policies in the local plan or spatial development strategy, neighbourhood plans may be able to vary the types of affordable housing that will be expected, or to allocate additional sites that will provide affordable housing, where this will better meet the needs of the neighbourhood area. Neighbourhood plans can also develop policies that make use of the flexibilities afforded to them under [First Homes policy](#).

Paragraph: 017 Reference ID: 70-017-20210524

Is there a transition period for plan-making?

As set out in the First Homes Written Ministerial Statement of 24 May 2021, local plans and neighbourhood plans that have reached advanced stages of preparation will benefit from transitional arrangements. Local plans and neighbourhood plans submitted for examination* before 28 June 2021, or that have reached publication stage** by 28 June 2021 and subsequently submitted for examination* by 28 December 2021, will not be required to reflect the First Homes policy requirement.

For areas that do not meet the criteria for transitional arrangements, new development plans, including local plans and neighbourhood plans, should take account of the new First Homes requirements from 28 June 2021.

*‘submitted for examination meaning: Regulation 15 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans, and Regulation 22 of Town and Country Planning (Local Planning) (England) Regulations 2012 for Local Plans.

** ‘reached publication stage’ meaning: Regulation 14 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans, and Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012 for Local Plans.

Paragraph: 018 Reference ID: 70-018-20210524

Do local planning authorities have to apply the First Homes policy requirements when determining planning applications where local or neighbourhood plans have been adopted/made under the plan-making transitional arrangements?

As set out in the Written Ministerial Statement, where local and neighbourhood plans are adopted under the aforementioned transitional arrangements, the First Homes requirements will also not need to be applied when considering planning applications in the plan area until such time as the requirements are introduced through a subsequent update.

Planning Inspectors should consider through the examination whether a requirement for an early update of the local plan might be appropriate.

Paragraph: 019 Reference ID: 70-019-20210524

Is there a transition period for decision making?

The new First Homes policy requirement does not apply for the following:

- sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) before 28 December 2021
- applications for full or outline planning permission where there has been significant pre-application engagement which are determined before 28 March 2022; and
- sites where local and neighbourhood plans are adopted/made under the transitional arrangements, as detailed in [paragraphs 18 and 19](#). These transitional arrangements will also apply to permissions and applications for entry-level exception sites.

If an applicant wishes to amend a planning application to include First Homes which is already submitted and likely to be granted before these dates, the local planning authority should be flexible in accepting First Homes as an alternative type of tenure.

Local authorities should have flexibility to accept alternative tenure mixes for planning applications that are determined within the timescales identified above, although they should consider whether First Homes could be easily substituted for another tenure, either at 25% or a lower proportion.

Paragraph: 020 Reference ID: 70-020-20210524

What constitutes 'significant pre-application' engagement?

For the purposes of the First Homes policy, significant pre-application engagement means any substantive discussions between the local planning authority and the applicant relating to the proposed quantity or tenure mix of the affordable housing contribution associated with that application.

Paragraph: 021 Reference ID: 70-021-20210524

Does the First Homes requirement apply to variations or amendments to existing planning permissions?

The policy does not apply to applications made under section 73 of the Town and Country Planning Act 1990 to amend or vary an existing planning permission unless the amendment or variation in question relates to the proposed quantity or tenure mix of affordable housing for that development.

Paragraph: 022 Reference ID: 70-022-20210524

How does the requirement for 25% First Homes interact with the requirement in the National Planning Policy Framework that where major development is proposed, at least 10% of homes should be available for affordable home ownership?

The 25% expected First Homes contribution for any affordable product can make up or contribute to the 10% of the overall number of homes expected to be an affordable home ownership product on major developments as set out in the NPPF.

This will vary depending on local circumstances, notably what the development plan may set out in terms of proportions of different affordable home tenures. For example, a development of 100 homes in a local authority with a policy for 40% affordable housing contribution on major sites would therefore be expected to provide 40 affordable homes to comply with local policy, of these: 25% of these affordable homes would be expected to be First Homes, (10 homes). This would also meet the expectation set out in the NPPF – as 10% of the total number of homes would be an affordable home ownership product.

If a planning application for a major housing site in which 25% of the affordable homes are First Homes does not deliver enough First Homes to meet the 10% affordable home ownership expectation in the NPPF, additional affordable home ownership homes may be provided on top of the First Homes provision, in order to meet this expectation.

For example, a development of 80 homes in a local authority with a policy for 30% affordable housing would be expected to provide 24 affordable homes to comply with local plan policy. 25% of these affordable homes would be expected to be First Homes, which would equate to 6 First Homes (7.5% of the total number of homes provided). The expectation that at least 10% of homes on this site to be available for affordable home ownership would equate to 8 homes so an additional 2 affordable home ownership products would be expected.

Paragraph: 023 Reference ID: 70-023-20210524

Exception sites

First Homes exception sites

What is a First Homes exception site?

A First Homes exception site is an exception site (that is, a housing development that comes forward outside of local or neighbourhood plan allocations to deliver affordable housing) that delivers primarily First Homes as set out in the First Homes Written Ministerial Statement.

Paragraph: 024 Reference ID: 70-024-20210524

Where can First Home exception sites come forward?

First Homes exception sites can come forward on unallocated land outside of a development plan. They cannot come forward in areas designated as Green Belt, within the Broads Authority, or in designated rural areas as defined in Annex 2 of the National Planning Policy Framework. In these areas rural exception sites are the sole permissible type of exception site.

Paragraph: 025 Reference ID: 70-025-20210524

What evidence can be used to in demonstrating that a proposed First Homes exception site is proportionate in size to the existing settlement?

For decision making, what constitutes a proportionate development will vary depending on local circumstances. As part of their process for preparing planning applications, applicants should consider engaging a relevant built environment professional to provide advice on the scale of their proposal and also consider proactively engaging with local authorities where possible to discuss their proposals.

For plan making, local authorities and neighbourhood planning qualifying bodies are encouraged to set policies which specify their approach to determining the proportionality of First Homes exception site proposals, and the sorts of evidence that they might need in order to properly assess this.

Paragraph: 026 Reference ID: 70-026-20210524

Can First Homes exception sites deliver market housing?

First Homes exception sites can deliver a small proportion of market housing, provided that it can be demonstrated that this is necessary in order to ensure the overall viability of the site. Local authorities and neighbourhood planning groups can set policies that specify in further detail the proportions of market housing would be considered acceptable, and under what circumstances.

Paragraph: 027 Reference ID: 70-027-20210524

What sort of evidence can be provided in order to justify the inclusion of a small proportion of market housing on First Homes exception sites?

Applications for First Homes exception sites that propose the inclusion of a small proportion of market housing will be expected to provide evidence that the site would be unviable without such housing being included, for instance in situations where the development faces significant and unexpected delivery costs. Evidence would typically be in the form of a detailed viability assessment prepared in line with Planning Practice Guidance on Viability in Decision Taking.

Paragraph: 028 Reference ID: 70-028-20210524

Under what circumstances can other types of affordable housing come forward on First Homes exception sites?

Where local evidence suggests that a significant local need exists for one or more other forms of affordable housing on a proposed First Homes exception site, applicants may alter the proportions of affordable housing to include small quantities of other affordable housing products. Applicants will be expected to provide evidence of this need in the form of a Local Housing Needs Assessment, local authority Housing Register, or other sufficiently rigorous local evidence.

Paragraph: 029 Reference ID: 70-029-20210524

Published 24 May 2021

Last updated 23 December 2021 [+ show all updates](#)

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[First Homes Early Delivery Programme 2021 to 2023: guidance for developers](/government/publications/first-homes-early-delivery-programme-2021-to-2023-guidance-for-developers)

[\(/government/publications/first-homes-early-delivery-programme-2021-to-2023-guidance-for-developers\)](/government/publications/first-homes-early-delivery-programme-2021-to-2023-guidance-for-developers)

[Housing for older and disabled people \(/guidance/housing-for-older-and-disabled-people\)](/guidance/housing-for-older-and-disabled-people)

[Low-cost home ownership schemes \(/government/publications/low-cost-home-ownership-schemes\)](/government/publications/low-cost-home-ownership-schemes)

Collection

[**Planning practice guidance \(/government/collections/planning-practice-guidance\)**](/government/collections/planning-practice-guidance)

Explore the topic

[Planning system \(/housing-local-and-community/planning-system\)](#)

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2 Appendix DP3 – May 2021 Written Ministerial Statement

Written questions, answers and statements


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Affordable Homes Update

Statement made on 24 May 2021

Statement UIN HLWS48

Statement made by




Lord Greenhalgh >

Minister of State for Building Safety and Communities

Conservative

Life peer

 Lords

Statement

My Rt. Hon. Friend, the Minister of State for Housing (Christopher Pincher) has today made the following Written Ministerial Statement:

On 1 April 2021 the Government published responses to two consultations: delivering First Homes and the new model for Shared Ownership. This statement sets out the Government's plans for the delivery of First Homes and our new model for Shared Ownership through the planning system.

This statement issues substantial changes to planning policy which will come into effect on 28 June 2021.

The issues covered in this statement include:

- The definition of a First Home
- Eligibility criteria for First Homes
- Setting developer contributions for First Homes
- The remaining 75% of affordable housing secured through developer contributions
- Plans, development management and transitional arrangements
- Level of discount
- Exception sites
- Delivering Shared Ownership homes

Introduction

The Government is committed to supporting people to own their home and make home ownership a reality for households and families. Since spring 2010 almost 709,000 households have been helped by Government schemes, including Help to Buy and Right to Buy, and we are taking steps to increase the supply of new housing. The Government is undertaking the most ambitious reforms to our planning system since the Second World War, making it easier to build homes where they are most needed, and the stamp duty holiday (applying to the first £500,000 of property sales) has given a much-needed boost to the economy. Ensuring access to home ownership remains a key priority and challenge for this Government. However, rising prices, high deposits and difficulty accessing

mortgage finance still mean that far too many people are denied the opportunity to own a home of their own. Polling shows that 87% of people would prefer to own their home given a free choice. Therefore, the Government is determined to ensure that there is an adequate supply and variety of options to help hard-working people onto the housing ladder across England.

First Homes

The Government first consulted on First Homes, the new scheme to provide homes for first-time buyers at a discount of a minimum of 30%, in February 2020. This consultation made proposals around both the design of First Homes and changes to the planning system to support their delivery.

We received nearly 800 responses to this first consultation. There was considerable support for our proposals for a minimum discount of 30% and strong support for proposals to develop a national standard model with discretion for local areas to set their own criteria. Many local authorities, housing developers and business organisations gave very helpful comments about how our proposed changes to planning policy could be introduced and we are very grateful for this. The Government published its consultation response on 6 August 2020, which is available [online](#). On the same day, the Government published a consultation, *Changes to the current planning system*, which included proposals on the detail of changes to planning policy to deliver First Homes. We received nearly 2,400 responses to this second consultation. The Government published its response to the First Homes part of that consultation on 1 April 2021, and a copy of that response will be placed in the Library of the House. It is also available online at: <https://www.gov.uk/government/consultations/changes-to-the-current-planning-system/outcome/government-response-to-the-first-homes-proposals-in-changes-to-the-current-planning-system>

After careful consideration of all the responses to both these consultations, the Government is today setting out its plans for the delivery of First Homes, defining the product and changes to planning policy as set out below.

First Homes Criteria

From 28 June 2021, a home meeting the criteria of a First Home will also be considered to meet the definition of ‘affordable housing’ for planning purposes. The First Homes Criteria means:

- A First Home must be discounted by a minimum of 30% against the market value; and,
- after the discount has been applied, the first sale of the home must be at a price no higher than £250,000 (or £420,000 in Greater London).

Local authorities will be able to set a deeper minimum discount at either 40% or 50% and impose lower price caps, if they can demonstrate a need for this through evidence. However, the same level of discount as a percentage below market value must apply to the home each time it is sold in perpetuity (subject to certain specific exclusions), so that communities continue to benefit from the homes for years to come. The discount in perpetuity should be secured through a planning obligation. First Homes should, as a matter of course, comply with any other applicable planning policies and / or building regulations, for example those relating to space, accessibility, energy efficiency or carbon emissions. This includes avoiding the sale of homes as leasehold where this is not necessary.

In order to ensure that suitable mortgages are available for First Homes, local authorities should provide for a mortgage lender enforcing its security over a First Homes to be able to realise the full market value of the property, returning any surplus up to the value of the First Homes discount to the local authority.

First Homes Eligibility Criteria

First Homes must be prioritised for first-time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers) and not be sold to any household with a combined annual income in excess of £80,000 (or £90,000 in Greater London). Local authorities will be able to apply additional criteria at a local level. For example, they may wish to set a lower income cap, prioritise key workers (who also meet the first time buyer definition) and / or specify a particular local connection requirement based on work or current residency. Neighbourhood plans will also be able to apply these additional criteria at neighbourhood level. We do not intend to set out a national definition for key workers or local connections for the purposes of First Homes, but instead empower local authorities to take these decisions in the best interests of their areas and residents.

In recognition of the unique nature of their circumstances, members of the Armed Forces, the divorced or separated spouse or civil partner of a member of the Armed Forces, the spouse or civil partner of a deceased member of the Armed Forces (if their death was caused wholly or partly by their service) or veterans within five years of leaving the Armed Forces should be exempt from any local

connection testing restrictions.

A person who can afford to purchase a First Home without a mortgage should not be eligible to purchase a First Home. As a deterrent against the use of First Homes for investment, all purchasers of First Homes must use a mortgage or home purchase plan (if required to comply with Islamic law) for at least 50% of the discounted purchase value.

If local authorities or neighbourhood planning groups choose to introduce their own eligibility restrictions, these will be time-limited to the first three months from the start date of marketing of the property. Upon expiry of the three-month period, any homes which have not been sold or reserved will revert to the national standard criteria set out above. This is to ensure that homes do not remain unsold if suitable buyers in the local area cannot be found.

To support developers and local authorities in using First Homes we are currently developing model section 106 obligations that can be used to secure First Homes at the planning stage. These will make it easier for developers to meet national requirements, for local authorities to consider imposing their own time-limited restrictions and will protect the interest of mortgage lenders by ensuring they can realise the full market value of the property in defined exceptional circumstances. These model obligations will also contain wording for a model title restriction, which will be recognised by HM Land Registry and will ensure the homes retain their discount in perpetuity.

We are clear that First Homes are intended to be used as a person's sole or primary residence and should not be used for investment or commercial gain. However, we also recognise that there are occasions when it may be necessary for owners of First Homes to let out their property for short periods of time, especially in response to unexpected life events. Therefore, a First Homes owner can only rent out their home for a maximum period of two years, as long as the relevant local authority is notified. Recognising that certain circumstances require a unique response, local authorities should be willing to grant permissions to rent out for longer periods under the following circumstances: deployment elsewhere (for members of the Armed Forces); primary caring responsibilities for relative/friend; short job posting elsewhere; redundancy; domestic abuse; and relationship breakdown. This will not affect restrictions on letting a property prescribed by a mortgage lender and permission from them would likely also be required.

Changes to planning policy

In order to support the future development of First Homes, the Government is today also setting out changes to planning policy as set out above and below. These changes will come into effect from 28 June 2021.

Setting developer contributions for First Homes

A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes. This is a national threshold which should be applied for England.

In accordance with paragraph 62 of the National Planning Policy Framework, affordable housing is expected to be delivered on-site unless off-site provision or an appropriate financial contribution in lieu can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.

Where cash contributions for affordable housing are secured instead of on-site units, a minimum of 25% of these contributions should be used to secure First Homes. Where a mixture of cash contributions towards affordable housing and on-site units are secured, 25% of the overall value of affordable housing contributions should be applied to First Homes.

Local authorities should already have affordable housing policies set out in their development plan, which will include the amounts of affordable housing to be sought, and the tenure mix of this housing. Paragraph 57 of the National Planning Policy Framework currently states that 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. Under the approach set out in this Written Ministerial Statement, therefore, it is necessary to define the criteria for policy compliance, under which a development is assumed to be viable.

Under the new system, a policy compliant planning application should seek to capture the same amount of value as would be captured under the local authority's up-to-date published policy. In addition to capturing the same amount of value towards affordable housing as the existing policy, where on-site affordable housing is required, a policy compliant application will have a minimum of 25% of affordable housing units on-site as First Homes.

The remaining 75% of affordable housing secured through developer contributions

The Government recognises the importance of social rent as part of the affordable housing tenure mix. A local authority should prioritise securing their policy requirements on social rent, once they have secured the 25% First Homes requirement. Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.

If an application aligns with a local authority's up-to-date policy on cash contributions in lieu of on-site provision, then it will be a policy compliant application in that regard.

Local planning authorities should use the most appropriate method available to them to set out how these requirements impact on their current affordable housing tenure mix policies.

Exemptions from requirements to deliver affordable home ownership products

Paragraph 64 of the National Planning Policy Framework sets out that for major development involving the provision of housing, 10% of all homes on site should be affordable home ownership products, unless one of the exceptions applies. First Homes are an affordable home ownership product. Where specific developments are exempt from delivering affordable home ownership products under paragraph 64 of the Framework, they shall also be exempt from the requirement to deliver First Homes.

Plans, Development Management and Transitional Arrangements

Local plans and neighbourhood plans should take into account the new First Homes requirements from 28 June 2021. Local authorities may therefore need to review the tenure mix for the remainder of the affordable housing that they are seeking to secure. However, we also recognise that there will be a number of local plans and neighbourhood plans that have been prepared based on the existing National Planning Policy Framework and that have reached more advanced stages of the plan-making process. We do not intend that the evidence base for these should be re-opened, thus delaying the plan-making process. The following transitional arrangements will therefore apply.

Local plans and neighbourhood plans that have been submitted for Examination^[1] before 28 June 2021 are not required to reflect the First Homes policy requirements. Additionally, local plans and neighbourhood plans that have reached publication stage^[2] by 28 June 2021 will also not be required to reflect the First Homes policy requirement as long as they are submitted for Examination before 28 December 2021. However, reflecting our desire to introduce First Homes requirements at the earliest possible opportunity, Planning Inspectors should consider through the Examination whether a requirement for an early update of the local plan might be appropriate.

Where local and neighbourhood plans are adopted under the aforementioned transitional arrangements, the First Homes requirements will also not need to be applied when considering planning applications in the plan area until such time as the requirements are introduced through a subsequent update.

Where local and neighbourhood plans do not benefit from the aforementioned transitional arrangements, the local planning authority should make clear how existing policies should be interpreted in the light of First Homes requirements using the most appropriate tool available to them.

We also recognise that many developers will have been preparing planning applications under different assumptions. Across all local authorities, the new requirement for 25% First Homes will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) before 28 December 2021 (or 28 March 2022 if there has been significant pre-application engagement), although local authorities should allow developers to introduce First Homes to the tenure mix if they wish to do so. This transitional allowance will also apply to permissions and applications for entry-level exception sites.

The Government will continue to monitor the effectiveness of these transitional arrangements in light of emerging economic circumstances.

Level of discount

The minimum discount for First Homes should be 30% from market value, which will be set by an independent registered valuer. The valuation should assume the home is sold as an open market dwelling without restrictions. Where evidence justifies it (either in the local or neighbourhood plan, an emerging policy or, where appropriate, a Supplementary Planning Document), the minimum discount in an area can be increased to 40% or 50%.

Where discounts of more than 30% are applied to First Homes, the requirement for a minimum of 25% of the affordable housing units secured through developer contributions to be First Homes will remain in place. The approach to delivering the remaining 75% of affordable housing is set out above.

Community Infrastructure Levy (CIL)

The Government has introduced new Community Infrastructure Levy (CIL) regulations which allow the developers of First Homes to obtain an exemption from the requirement to pay CIL, in line with other affordable housing products. These regulations came into force on 16 November 2020.

Exception Sites

A key priority of this Government is to enable as many people as possible to enjoy the benefits of home ownership, and First Homes are a crucial way in which this will be achieved. In order to maximise the number of First Homes made available to those keen to get on the housing ladder, the Government is also seeking to deliver First Homes via exception sites. Exception sites are small sites brought forward outside of development plans in order to deliver affordable housing, and currently consist of rural exception sites and entry-level exception sites.

While the Government supports the mechanism of allowing land to come forward outside of the development plan to deliver much-needed homes via exception sites, the entry-level exception site policy has not delivered affordable housing to the extent originally envisaged. Following the consultation, the Government is replacing this policy with a 'First Homes exception sites' policy, in order to encourage First Homes-led developments on land that is not currently allocated for housing. Local authorities should support the development of these First Homes exception sites, suitable for first-time buyers, unless the need for such homes is already being met within the local authority's area. Local connection criteria may be set where these can be supported by evidence of necessity and will not compromise site viability. First Homes exception sites should be on land which is not already allocated for housing and should:

a) comprise First Homes (as defined in this Written Ministerial Statement)

b) be adjacent to existing settlements, proportionate in size to them, not compromise the protection given to areas or assets of particular importance in the National Planning Policy Framework[3], and comply with any local design policies and standards.

A small proportion of market homes may be allowed on the site at the local authority's discretion, for example where essential to enable the delivery of First Homes without grant funding. Also, a small proportion of other affordable homes may be allowed on the sites where there is significant identified local need.

While the Government wants to ensure that home ownership is available to as many people as possible, we recognise that certain rural areas face particular challenges in terms of affordability, and that rural exception sites can be very effective in addressing the lack of affordable housing in these areas. As such, the Government has decided that in designated rural areas[4], which includes some of the more constrained and expensive regions of the country such as National Parks and Areas of Outstanding Natural Beauty, rural exception sites will remain as the sole exception site which can come forward. Elsewhere, First Homes exception sites and rural exception sites can both come forward.

Delivering Shared Ownership homes

This Government believes Shared Ownership has a vital role to play in supporting people from all backgrounds to become homeowners. By purchasing a share of a property, aspiring homeowners can overcome the income and deposit barriers that can stand in their way. This is why the Government is making Shared Ownership work better by introducing a new model for Shared Ownership which will be delivered through grant funding and through the planning system.

On 28 August 2019, we ran a discussion paper to consult on several proposed changes to the Shared Ownership model. In the Government's response to the consultation, published in September 2020, we confirmed the outline of the new model of Shared Ownership and committed to set an expectation for Shared Ownership homes secured through the planning system to be based on the new model.

The [new model for Shared Ownership: technical consultation](#), which ran from 19 November to 17 December 2020, set out further details of the new model of Shared Ownership, including the proposal that we will expect all Shared Ownership homes delivered through obligations under Section 106 of the Town and Country Planning Act 1990 to be based on the new model. We consulted on potential transitional arrangements.

We are today confirming that this expectation will come into effect from 28 June 2021. The principal changes to the Shared Ownership model are summarised as follows:

i) Minimum share to be purchased

The minimum share for initial Shared Ownership purchases will be lowered to 10% from the current 25%. The maximum share at initial purchase will remain unchanged at 75%.

ii) The purchase of further shares ('staircasing')

New shared owners will be able to staircase in 1% increments for 15 years enabling shared owners to purchase up to 15% through this route. This option will be accompanied by reduced fees. It will still be possible to staircase in larger increments with the minimum additional share purchase reduced from 10% to 5%. Shared owners wishing to staircase in 5% increments or more will have to pay the range of fees as currently, such as a valuation fee, legal and mortgage costs as appropriate.

iii) Shared ownership resales

The new Shared Ownership model will end the provider's resale nomination period at the four week point if they wish to pursue a sale on the open market.

iv) Responsibility for repairs and maintenance

The new shared ownership model introduces a new 10-year period during which the Shared Ownership Leaseholder will receive support from their landlord with the cost of repairs and maintenance in new build homes. Only after 10 years will the shared owner take on full responsibility for any repairs and maintenance costs. This 10-year period is in addition to any repairs or maintenance covered by the new build warranty to cover any works required that the warranty does not cover.

v) Shared Ownership lease term

All new leases must be issued with a minimum lease length term of 990 years. These longer leases will provide long term security for shared owners and save them from paying for multiple lease extensions.

We believe these reforms will make the scheme more consumer friendly, easier to access and fairer, leading to a better experience for a future generation of shared owners.

The Government response to the new model for Shared Ownership: technical consultation, that we published in April 2021, sets out further details on these changes. You can also consult the Homes England Capital Funding Guide (<https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership>), or the GLA Capital Funding Guide for homes in London, for further guidance on how to implement Shared Ownership.

Later this month, Homes England will publish a model lease which can be used as a basis for leases under the new model of Shared Ownership.

We recognise that many developers will have been preparing planning applications under different assumptions. The new requirement for the new Shared Ownership model will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) before 28 December 2021 (or 28 March 2022 if there has been significant pre-application engagement), although local authorities should allow developers to introduce the new Shared Ownership model if they wish to do so.

The local and neighbourhood plan transitional arrangements set out above for First Homes also apply to the new requirement for the new Shared Ownership model.

[1] Regulation 15 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans, and Regulation 22 of Town and Country Planning (Local Planning) (England) Regulations 2012 for Local Plans.

[2] Regulation 14 of the Neighbourhood Planning (General) Regulations 2012 for Neighbourhood Plans, and Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012 for Local Plans.

[3] i.e. the areas referred to in footnote 6 of the National Planning Policy Framework. First Homes exception sites should not be permitted in National Parks (or within the Broads Authority), Areas of Outstanding Natural Beauty, land designated as Green Belt, or areas designated as rural under s. 157 of the Housing Act 1985.

[4] As set out in Annexe 2 of the National Planning Policy Framework

Statement from

Ministry of Housing, Communities and Local Government



Linked statements

This statement has also been made in the House of Commons

Ministry of Housing, Communities and Local Government



Affordable Homes Update



[Christopher Pincher](#)

Minister of State for Housing

Conservative, Tamworth

Statement made 24 May 2021

HCWS50

Commons

3 Appendix DP4 – Housing and Economic Needs Assessment NPPG

[Home](#) > [Planning system](#)

Guidance

Housing and economic needs assessment

Guides councils in how to assess their housing needs.

From:

[Department for Levelling Up, Housing and Communities](#)

[\(/government/organisations/department-for-levelling-up-housing-and-communities\)](#)

and [Ministry of Housing, Communities & Local Government](#)

[\(/government/organisations/ministry-of-housing-communities-and-local-government\)](#)

Published

20 March 2015

Last updated

16 December 2020 —

Contents

- — [Housing need](#)
- — [Identifying the need for different types of housing](#)
- — [Affordable housing](#)
- — [Economic need](#)

Where plans are being prepared under the transitional arrangements set out in Annex 1 to the revised [National Planning Policy Framework](#) (<https://www.gov.uk/government/publications/national-planning-policy-framework--2>), the policies in the [previous version of the framework published in 2012](#) (<http://webarchive.nationalarchives.gov.uk/20180608095821/https://www.gov.uk/government/publications/national-planning-policy-framework--2>) will continue to apply, as will any previous guidance which was associated with it, and which has been superseded since the new framework was published in July 2018. See [superseded guidance](#) (<https://webarchive.nationalarchives.gov.uk/20180607114246/https://www.gov.uk/guidan>

[ce/housing-and-economic-development-needs-assessments](https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments)) relevant to plans that were submitted under transitional arrangements

This guidance was updated on 20 February 2019. See [previous guidance \(https://webarchive.nationalarchives.gov.uk/20181220233634/https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments\)](https://webarchive.nationalarchives.gov.uk/20181220233634/https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments).

Housing need

What is housing need?

Housing need is an unconstrained assessment of the number of homes needed in an area. Assessing housing need is the first step in the process of deciding how many homes need to be planned for. It should be undertaken separately from assessing land availability, establishing a housing requirement figure and preparing policies to address this such as site allocations. For further details on how constraints should be considered once a housing need figure has been identified, please see [Housing and economic land availability assessment guidance \(https://www.gov.uk/guidance/housing-and-economic-land-availability-assessment\)](https://www.gov.uk/guidance/housing-and-economic-land-availability-assessment).

Paragraph: 001 Reference ID: 2a-001-20190220

Revision date: 20 02 2019

What is the standard method for assessing local housing need?

The National Planning Policy Framework expects strategic policy-making authorities to follow the standard method in this guidance for assessing local housing need.

The standard method uses a formula to identify the minimum number of homes expected to be planned for, in a way which addresses projected household growth and historic under-supply.

The standard method set out below identifies a minimum annual housing need figure. It does not produce a housing requirement figure.

Paragraph: 002 Reference ID: 2a-002-20190220

Revision date: 20 02 2019

Is the use of the standard method for strategic policy making purposes mandatory?

No, if it is felt that circumstances warrant an alternative approach but authorities can expect this to be scrutinised more closely at examination. There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances.

Paragraph: 003 Reference ID: 2a-003-20190220

Revision date: 20 02 2019

How is a minimum annual local housing need figure calculated using the standard method?

The standard method can be used to calculate a minimum annual local housing need figure as follows:

Step 1 - Setting the baseline

Set the baseline using national [household growth projections](https://www.gov.uk/government/collections/household-projections) (<https://www.gov.uk/government/collections/household-projections>) (2014-based household projections in England, table 406 unitary authorities and districts in England) for the area of the local authority. Using these projections, calculate the projected average annual household growth over a 10 year period (this should be 10 consecutive years, with the current year being used as the starting point from which to calculate growth over that period). Note that the figures displayed are rounded and individual cells need to be viewed in order to see the full number.

For information on re-organised authorities please see section below [“How should local housing need be calculated for re-organised authorities?”](#)

Step 2 - An adjustment to take account of affordability

Then adjust the average annual projected household growth figure (as calculated in step 1) based on the affordability of the area.

The most recent [median workplace-based affordability ratios](https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian) (<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearningslowerquartileandmedian>), published by the Office for National Statistics at a local authority level, should be used.

No adjustment is applied where the ratio is 4 or below. For each 1% the ratio is above 4, the average household growth baseline should be increased by a quarter of a percent. An authority with a ratio of 8 will have a 25% increase on its annual average household growth baseline.

Where an adjustment is to be made, the precise formula is as follows:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

For information on re-organised authorities please see section below [“How should local housing need be calculated for re-organised authorities?”](#)

Step 3 - Capping the level of any increase

A cap is then applied which limits the increases an individual local authority can face. How this is calculated depends on the current status of relevant strategic policies for housing.

Where these policies were adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the average annual housing requirement figure set out in the existing policies.

This also applies where the relevant strategic policies have been reviewed by the authority within the 5 year period and found to not require updating.

Where the relevant strategic policies for housing were adopted more than 5 years ago (at the point of making the calculation), the local housing need figure is capped at 40% above whichever is the higher of:

- a. the projected household growth for the area over the 10 year period identified in step 1; or
- b. the average annual housing requirement figure set out in the most recently adopted strategic policies (if a figure exists).

For areas covered by spatial development strategies, the relevant strategic policies are those contained within the spatial development strategy. Where a requirement figure for an authority in a spatial development strategy differs from that in a local plan, the figure in the spatial development strategy should be used as long as the spatial development strategy is no older than 5 years.

Where the relevant strategic policies within a spatial development strategy are over 5 years old, the relevant strategic policies at individual local authority level set out in the authority's local plan can be used in calculating the cap (if these policies are adopted after the relevant spatial development strategy, and the policies set out in the local plan are less than five years old, or older and has been found not to require updating as part of a plan review). If the relevant strategic housing requirement policies in the local authority's local plan are over 5 years old, then the local housing need figure is capped at 40% above whichever is the higher of:

a. the projected household growth for the area over the 10 year period identified in step 1; or b. the most recent number taken from the spatial development strategy

For information on re-organised authorities please see section below [“How should local housing need be calculated for re-organised authorities?”](#)

Step 4 - cities and urban centres uplift

A 35% uplift is then applied for those urban local authorities in the top 20 cities and urban centres list.

Whether a cities and urban centres uplift applies depends on whether the local authority contains the largest proportion of population for one of the 20 cities or urban centres in England within the list.

The cities and urban centres list is devised by ranking the [Office for National Statistics list of Major Towns and Cities](#) (<https://geoportal.statistics.gov.uk/datasets/major-towns-and-cities-december-2015-names-and-codes-in-england-and-wales/data>) by population size using the latest mid-year population estimates (nomis, official labour market statistics).

As at December 2020, this list of urban local authorities are: Birmingham, Bradford, Brighton and Hove, Bristol, Coventry, Derby, Kingston upon Hull, Leeds, Leicester, Liverpool, London, Manchester, Newcastle upon Tyne, Nottingham, Plymouth, Reading, Sheffield, Southampton, Stoke-on-Trent, and Wolverhampton.

To note: where a cap is applied in Step 3, the 35% uplift is applied after the cap.

Worked examples

Step 1 - Setting the baseline

An authority's household projections are:

- 110,500 households in 2019

- 120,000 households in 2029

This is a total of 9,500 new households over the 10 year period, equivalent to an average household growth of 950 per year. (Note: in this example 2019 is the starting point to measure the growth over a 10 year period; the difference between 2019 and 2020 is one year's worth of growth and the difference between 2019 and 2029 is 10 years' worth of growth).

Step 2 - An adjustment to take account of affordability

The authority's median workplace-based affordability ratio is 12.4. As this is above 4, then the following adjustment should be made.

The adjustment is calculated as:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

$$\text{Adjustment factor} = \left(\frac{12.4 - 4}{4} \right) \times 0.25 + 1 = \left(\frac{8.4}{4} \right) \times 0.25 + 1 = 2.1 \times 0.25 + 1 = 1.525$$

The adjustment factor is therefore 1.525 and is used as:

Minimum annual local housing need figure = (adjustment factor) x projected household growth

Minimum annual local housing need figure = 1.525 x 950

The resulting figure is 1,449.

Step 3 - Capping the level of any increase

How the cap applies depends on the current status of relevant strategic policies for housing. Below are 3 examples. Example 1 relates to a plan that has been adopted

or reviewed within the last 5 years. Examples 2a and 2b relate to plans that were adopted more than 5 years ago and have not been updated, and demonstrates situations where the cap does and does not limit the minimum annual local housing need figure.

Cap example 1

The local authority has adopted a local plan within the last 5 years, or has reviewed (and if necessary updated) the housing requirement figure in a plan adopted more than 5 years ago.

- The average annual housing requirement figure in the existing relevant policies is 850 a year
- The minimum annual local housing need figure is 1,449 (as per step 2)
- The cap is set at 40% above the housing requirement figure:

$$\text{Cap} = 850 + (40\% \times 850) = 850 + 340 = 1,190$$

The capped figure is lower than the minimum annual local housing need figure and therefore limits the increase to the local authority's minimum annual housing need figure. The minimum figure for this local authority is therefore 1,190.

Cap example 2a

A local authority adopted a local plan more than 5 years ago and has not reviewed their housing requirement figure since then.

- The average annual housing requirement figure in the existing relevant policies is 850 a year
- Average annual household growth over 10 years is 950 (as per step 1)
- The minimum annual local housing need figure is 1,449 (as per step 2)
- The cap is set at 40% above the higher of the most recent average annual housing requirement figure or household growth:

$$\text{Cap} = 950 + (40\% \times 950) = 950 + 380 = 1,330$$

The capped figure is lower than the minimum annual local housing need figure and therefore limits the increase to the local authority's minimum annual housing need figure. The minimum figure for this local authority is therefore 1,330.

Cap example 2b

A local authority adopted a local plan more than 5 years ago and has not reviewed their housing requirement figure since then.

- The average annual housing requirement figure in the existing relevant policies is 1,200 a year
- Average annual household growth over 10 years is 950 (as per step 1)
- The minimum annual local housing need figure is 1,449 (as per step 2)

- The cap is set at 40% above the higher of the most recent average annual housing requirement figure or household growth:

$$\text{Cap} = 1,200 + (40\% \times 1,200) = 1,200 + 480 = 1,680$$

The capped figure is greater than the minimum annual local housing need figure and therefore does not limit the increase to the local authority's minimum annual housing need figure. The minimum figure for this local authority is therefore 1,449.

Cities and urban centres uplift example

An urban local authority, where it is listed in Step 4, would uplift their figure generated by step 1-3 by 35%.

Paragraph: 004 Reference ID: 2a-004-20201216

Revision date: 16 12 2020 See [previous version](https://webarchive.nationalarchives.gov.uk/20201126210055/https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments#contents) (<https://webarchive.nationalarchives.gov.uk/20201126210055/https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments#contents>)

Why are 2014-based household projections used as the baseline for the standard method?

The 2014-based household projections are used within the standard method to provide stability for planning authorities and communities, ensure that historic under-delivery and declining affordability are reflected, and to be consistent with the Government's objective of significantly boosting the supply of homes.

Paragraph: 005 Reference ID: 2a-005-20190220

Revision date: 20 02 2019

Why is an affordability adjustment applied?

An affordability adjustment is applied as household growth on its own is insufficient as an indicator of future housing need because:

- household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and
- people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford.

The affordability adjustment is applied in order to ensure that the standard method for assessing local housing need responds to price signals and is consistent with the policy objective of significantly boosting the supply of homes. The specific adjustment in this guidance is set at a level to ensure that minimum annual housing need starts to address the affordability of homes.

Paragraph: 006 Reference ID: 2a-006-20190220

Revision date: 20 02 2019

Why is a cap applied?

The standard method may identify a minimum local housing need figure that is significantly higher than the number of homes currently being planned for. The cap is applied to help ensure that the minimum local housing need figure calculated using the standard method is as deliverable as possible.

The cap reduces the minimum number generated by the standard method, but does not reduce housing need itself. Therefore strategic policies adopted with a cap applied may require an early review and updating to ensure that any housing need above the capped level is planned for as soon as is reasonably possible.

Where the minimum annual local housing need figure is subject to a cap, consideration can still be given to whether a higher level of need could realistically be delivered. This may help prevent authorities from having to undertake an early review of the relevant policies.

Paragraph: 007 Reference ID: 2a-007-20190220

Revision date: 20 02 2019

Which cities and urban centres does the uplift apply to?

It should be noted that places can move in and out of the list of the top 20 local authorities in which a cities or urban centre uplift applies. To establish if an uplift applies, the Office for National Statistics list of Major Towns and Cities should be ranked in order of population size using the latest mid-year population estimates. If an authority is based in one of the top 20 most populated cities or urban centres and they contain the largest proportion of population in that city or urban centre, a 35% uplift is applied to that local authority area.

Paragraph: 033 Reference ID: 2a-033-20201216

Revision date: 16 12 2020

Is a cities and urban centres uplift applied in London and if so, how does it work?

Yes, an uplift applies in London. London is unique in that it has no single city centre which can carry need for the city area. Therefore a 35% uplift is applied to the entire SDS area (which covers all the London boroughs), rather than to the local authority which contains the largest proportion of London's population. However, it should be noted that the responsibility for the overall distribution of housing need in London lies with the Mayor as opposed to individual boroughs so there is no policy assumption that this level of need will be met within the individual boroughs.

Paragraph: 034 Reference ID: 2a-034-20201216

Revision date: 16 12 2020

Where should the cities and urban centres uplift be met?

This increase in the number of homes to be delivered in urban areas is expected to be met by the cities and urban centres themselves, rather than the surrounding areas, unless it would conflict with national policy and legal obligations. In considering how need is met in the first instance, brownfield and other under-utilised urban sites should be prioritised and on these sites density should be optimised to promote the most efficient use of land. This is to ensure that homes are built in the right places, to make the most of existing infrastructure, and to allow people to live nearby the service they rely on, making travel patterns more sustainable.

Paragraph: 035 Reference ID: 2a-035-20201216

Revision date: 16 12 2020

Is there a transition period for plan-making for those authorities where the cities and urban centres uplift applies?

Yes, there is a transition period for plan-making for those authorities where the cities and urban centres uplift applies. These transitional arrangements give those authorities already at Regulation 19, (for Spatial Development Strategies this would refer to consultation under s335(2) of the Greater London Authority Act 1999) six months from the publication date of this guidance to submit (for spatial development strategies, 'submission' in this context means the point at which the Mayor sends to the Panel copies of all representations made in accordance with regulation 8(1) of the Town and Country Planning (London Spatial Development Strategy) Regulations 2000, or equivalent) their plans to the Planning Inspectorate under the existing standard method i.e. without the cities and urban centres uplift. In recognition that some areas will be very close to publishing their Regulation 19 plan (for Spatial Development Strategies this would refer to consultation under s335(2) of the Greater London Authority Act 1999), these areas will be given three months from the publication date of this revised guidance to publish their Regulation 19 plan for consultation, as well as a further six months from the date they publish their Regulation 19 plan to submit their plan to the Planning Inspectorate, to benefit from the transition period.

Paragraph: 036 Reference ID: 2a-036-20201216

Revision date: 16 12 2020

Is there a transition period for decision-making for those authorities where the cities and urban centres uplift applies?

Yes, there is a transition period for decision-making for those authorities where the cities and urban centres uplift applies. Transitional arrangements will apply for six

months from the publication date of this guidance. This means that the local housing need calculation excluding cities and urban centres uplift, can be used, for example when determining the housing requirement for the 5 year housing land supply, until this date. After this date, the new standard method (i.e. with cities and urban centres uplift) will apply for relevant decision-making purposes.

Paragraph: 037 Reference ID: 2a-037-20201216

Revision date: 16 12 2020

How does the cities and urban centres uplift apply for Housing Delivery Test?

For the purposes of Housing Delivery Test, the cities and urban centres uplift within the standard method will only apply from the 2022/23 monitoring year, (from the 2023 Housing Delivery Test measurement).

Paragraph: 038 Reference ID: 2a-038-20201216

Revision date: 16 12 2020

When should strategic policy-making authorities assess their housing need figure for policy-making purposes?

Strategic policy-making authorities will need to calculate their local housing need figure at the start of the plan-making process. This number should be kept under review and revised where appropriate.

The housing need figure generated using the standard method may change as the inputs are variable and this should be taken into consideration by strategic policy-making authorities.

However, local housing need calculated using the standard method may be relied upon for a period of 2 years from the time that a plan is submitted to the Planning Inspectorate for examination.

Paragraph: 008 Reference ID: 2a-008-20190220

Revision date: 20 02 2019

How often are the affordability ratios updated?

Affordability ratios are published every year (usually in March).

Paragraph: 009 Reference ID: 2a-009-20190220

Revision date: 20 02 2019

When might it be appropriate to plan for a higher housing need figure than the standard method indicates?

The government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.

This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:

- growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);
- strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or
- an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground;

There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities are encouraged to make as much use as possible of previously-developed or brownfield land, and therefore cities and urban centres, not only those subject to the cities and urban centres uplift may strive to plan for more home. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.

Paragraph: 010 Reference ID: 2a-010-20201216

Revision date: 16 12 2020 See [previous version](https://webarchive.nationalarchives.gov.uk/20201126210055/https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments#contents) (<https://webarchive.nationalarchives.gov.uk/20201126210055/https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments#contents>)

Can strategic policy-making authorities take account of past under delivery of new homes in preparing plans?

The affordability adjustment is applied to take account of past under-delivery. The standard method identifies the minimum uplift that will be required and therefore it is not a requirement to specifically address under-delivery separately.

Where an alternative approach to the standard method is used, past under delivery should be taken into account.

Paragraph: 011 Reference ID: 2a-011-20190220

Revision date: 20 02 2019

How can plan-making authorities apply the method to the overall plan period?

The method provides authorities with an annual number, based on a 10 year base line, which can be applied to the whole plan period.

The National Planning Policy Framework requires strategic policies to look ahead over a minimum 15 year period from adoption, although authorities are required to keep their policies under review.

Paragraph: 012 Reference ID: 2a-012-20190220

Revision date: 20 02 2019

How should local housing need be calculated where plans cover more than one area?

Local housing need assessments may cover more than one area, in particular where strategic policies are being produced jointly, or where spatial development strategies are prepared by elected Mayors, or combined authorities with strategic policy-making powers.

In such cases the housing need for the defined area should at least be the sum of the local housing need for each local planning authority within the area. It will be for the relevant strategic policy-making authority to distribute the total housing requirement which is then arrived at across the plan area.

If a cities and urban centres uplift applies to a local authority which is part of a joint plan, this is calculated by separately working out the local housing need for each authority. The urban authority containing the city or urban centre will then have its need identified in Step 3 uplifted in Step 4. The cap would be calculated according to each individual authority's circumstances and where a joint plan has been not been separate, the joint plan authority should make efforts to decide how much of the housing requirement will remain in each local authority. These figures can then be summed again to provide an overall figure for a joint plan.

It will be for the relevant strategic policy-making authority to distribute the total housing requirement which is then arrived at across the plan area.

Where a spatial development strategy has been published, local planning authorities should use the local housing need figure in the spatial development strategy and should not seek to re-visit their local housing need figure when preparing new strategic or non-strategic policies.

Paragraph: 013 Reference ID: 2a-013-20201216

Revision date: 15 12 2020 See [previous version](https://wearchive.nationalarchives.gov.uk/20201126210055/https://www.gov.uk/guidance/h)
(<https://wearchive.nationalarchives.gov.uk/20201126210055/https://www.gov.uk/guidance/h>)

[ousing-and-economic-development-needs-assessments#contents](#))

Where strategic policy-making authority boundaries do not align with local authority boundaries, or data is not available, should the standard method be used to assess local housing need?

Where strategic policy-making authorities do not align with local authority boundaries (either individually or in combination), or the data required for the model are not available such as in National Parks and the Broads Authority, where local authority boundaries have changed due to reorganisation within the last 5 years or local authority areas where the samples are too small, an alternative approach will have to be used. Such authorities may continue to identify a housing need figure using a method determined locally, but in doing so will need to consider the best available information on anticipated changes in households as well as local affordability levels.

Paragraph: 014 Reference ID: 2a-014-20190220

Revision date: 20 02 2019

How should local housing need be calculated for re-organised authorities?

Planning policies adopted by predecessor authorities will remain part of the development plan for their area upon reorganisation, until they are replaced by adopted successor authority policies or until the fifth anniversary of reorganisation.

In the interim, authorities are reliant on strategic housing requirement policies set out in the development plans of the predecessor local authorities when decision-making, such as when determining the housing requirement for their 5-year housing land supply. More detail on how to demonstrate their 5 year housing land supply is contained in the [Housing and Delivery Guidance](https://www.gov.uk/guidance/housing-supply-and-delivery) (<https://www.gov.uk/guidance/housing-supply-and-delivery>).

Sourcing data inputs for re-organised authorities is dependent on the geographies at which these data inputs are published. Where local authorities have recently re-organised, to form a new unitary or single-tier authority:

- As 2014 Household Projections are used in Step 1 of the standard method, these will not be available for the new/merged authorities – so local housing need in decision-making and plan-making, should be calculated at the predecessor local authority level for steps 1 to 3 (and 4 if appropriate);
- If the latest affordability ratios are available at predecessor local authority level, these should be used for the affordability adjustment (Step 2). Where the latest published ratios are not available at these geographies, the latest available affordability ratio at that predecessor level should be used.
- The cap (Step 3) should also be applied at the predecessor authority level with each predecessor area will have their cap applied based on the status of the predecessor authorities' strategic housing requirements. This will mean the cap is set against either local plan, or household growth as appropriate.

For plan-making, the new/re-organised local authority should use a local housing need for the new/merged authority area, which is at least is the sum of the local housing need of all the predecessor local authorities. Once a re-organised authority has adopted strategic housing policies covering the whole of its area, this will be used to determine the housing requirement, and the cap should then be applied on these policies.

Paragraph: 039 Reference ID: 2a-039-20201216

Revision date: 16 12 2020

If authorities use a different method how will this be tested at examination?

Where data availability does not allow the standard method to be used, consideration will be given to whether it provides the basis for a plan that is positively prepared, taking into account the information available on household formation and affordability.

Where a strategic policy-making authority can show that an alternative approach identifies a need higher than using the standard method, and that it adequately reflects current and future demographic trends and market signals, the approach can be considered sound as it will have exceeded the minimum starting point.

Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method. This will be tested at examination.

Any method which relies on using household projections more recently published than the 2014-based household projections will not be considered to be following the standard method as set out in [paragraph 60 of the National Planning Policy Framework \(https://www.gov.uk/guidance/national-planning-policy-framework/5-delivering-a-sufficient-supply-of-homes#para60\)](https://www.gov.uk/guidance/national-planning-policy-framework/5-delivering-a-sufficient-supply-of-homes#para60). As explained above, it is not considered that these projections provide an appropriate basis for use in the standard method.

Paragraph: 015 Reference ID: 2a-015-20190220

Revision date: 20 02 2019

How is housing need calculated for the purposes of decision making?

There is separate guidance on how the [standard method for assessing local housing need \(https://www.gov.uk/guidance/housing-and-economic-land-availability-assessment\)](https://www.gov.uk/guidance/housing-and-economic-land-availability-assessment) applies to calculating 5 Year Land Supply and the Housing Delivery Test.

Paragraph: 016 Reference ID: 2a-016-20190220

Revision date: 20 02 2019

Identifying the need for different types of housing

There is separate guidance on identifying the [housing needs of different groups](https://www.gov.uk/guidance/housing-needs-of-different-groups) (<https://www.gov.uk/guidance/housing-needs-of-different-groups>) and [housing needs of older and disabled people](https://www.gov.uk/guidance/housing-for-older-and-disabled-people) (<https://www.gov.uk/guidance/housing-for-older-and-disabled-people>).

Paragraph: 017 Reference ID: 2a-017-20190722

Revision date: 22 07 2019 See [previous version](https://webarchive.nationalarchives.gov.uk/20190607000546/https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments#identifying-the-need-for-different-types-of-housing) (<https://webarchive.nationalarchives.gov.uk/20190607000546/https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments#identifying-the-need-for-different-types-of-housing>).

Affordable housing

What types of households are considered to be in affordable housing need?

All households whose needs are not met by the market can be considered in affordable housing need. The definition of affordable housing for planning purposes is set out in Annex 2 of the National Planning Policy Framework.

Paragraph: 018 Reference ID: 2a-018-20190220

How can affordable housing need be calculated?

Strategic policy-making authorities will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market. This should involve working with colleagues in their relevant authority (e.g. housing, health and social care departments).

Paragraph: 019 Reference ID: 2a-019-20190220

Revision date: 20 02 2019

How can the current unmet gross need for affordable housing be calculated?

Strategic policy-making authorities can establish the unmet (gross) need for affordable housing by assessing past trends and current estimates of:

- the number of homeless households;
- the number of those in priority need who are currently housed in temporary accommodation;
- the number of households in over-crowded housing;

- the number of concealed households;
- the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings); and
- the number of households from other tenures in need and those that cannot afford their own homes, either to rent, or to own, where that is their aspiration.

Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.

Suggested data sources: Local authorities will hold data on the number of homeless households, those in temporary accommodation and extent of overcrowding. The Census also provides data on concealed households and overcrowding which can be compared with trends contained in the English Housing Survey. Housing registers and local authority and registered social landlord transfer lists will also provide relevant information.

Paragraph: 020 Reference ID: 2a-020-20190220

Revision date: 20 02 2019

How can the number of newly arising households likely to be in affordable housing need be calculated (gross annual estimate)?

Projections of affordable housing need will have to reflect new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimate of the number of existing households falling into need. This process will need to identify the minimum household income required to access lower quartile (entry level) market housing (strategic policy-making authorities can use current costs in this process, but may wish to factor in anticipated changes in house prices and wages). It can then assess what proportion of newly-forming households will be unable to access market housing.

Suggested data sources: Ministry of Housing, Communities and Local Government household projections, English Housing Survey, local authority and registered social landlords databases, and mortgage lenders.

Total newly arising affordable housing need (gross per year) = (the number of newly forming households x the proportion unable to afford market housing) + existing households falling into need

Paragraph: 021 Reference ID: 2a-021-20190220

Revision date: 20 02 2019

How can the current total affordable housing supply available be calculated?

There will be a current supply of housing stock that can be used to accommodate households in affordable housing need as well as future supply. Assessing the total affordable housing supply requires identifying:

- the number of affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in need;
- suitable surplus stock (vacant properties); and
- the committed supply of new net affordable homes at the point of the assessment (number and size).

Sources of data: Ministry of Housing, Communities and Local Government affordable housing supply statistics to show recent trends, and local authority and Registered Social Landlord records including housing register, transfer lists, demolition and conversion programmes, development programme of affordable housing providers.

Total affordable housing stock available = Dwellings currently occupied by households in need + surplus stock + committed additional housing stock – units to be taken out of management

Paragraph: 022 Reference ID: 2a-022-20190220

Revision date: 13 09 2018

What is the relationship between the current housing stock and current and future needs?

Strategic policy-making authorities will need to look at the current stock of houses of different sizes and assess whether these match current and future needs.

Paragraph: 023 Reference ID: 2a-023-20190220

Revision date: 20 02 2019

How is the total annual need for affordable housing calculated?

The total need for affordable housing will need to be converted into annual flows by calculating the total net need (subtract total available stock from total gross need) and converting total net need into an annual flow based on the plan period.

The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing led developments. An increase in the total housing figures included in the plan may need to be considered where it could help deliver the required number of affordable homes.

Paragraph: 024 Reference ID: 2a-024-20190220

Revision date: 20 02 2019

Economic need

How can authorities determine the type of employment land that is needed?

Strategic policy-making authorities will need to prepare a robust [evidence base](https://www.gov.uk/guidance/plan-making#evidence-base) (<https://www.gov.uk/guidance/plan-making#evidence-base>) to understand existing business needs, which will need to be kept under review to reflect local circumstances and market conditions. National economic trends may not automatically translate to particular areas with a distinct employment base. Where appropriate, local planning authorities can use their [Authority Monitoring Report](http://www.legislation.gov.uk/ukxi/2012/767/regulation/34/made) (<http://www.legislation.gov.uk/ukxi/2012/767/regulation/34/made>) and the plan review process to ensure that their evidence base remains up to date.

[Functional economic market areas](https://www.gov.uk/guidance/plan-making#maintaining-effective-cooperation) (<https://www.gov.uk/guidance/plan-making#maintaining-effective-cooperation>) can overlap several administrative areas so strategic policy-making authorities may have to carry out assessments of need on a cross-boundary basis with neighbouring authorities within their functional economic market area. Local Enterprise Partnerships (and county councils) can play a key role in this process.

Paragraph: 025 Reference ID: 2a-025-20190220

Revision date: 20 02 2019

How can strategic policy making authorities prepare and maintain evidence about business needs?

In gathering evidence to plan for business uses, strategic policy making authorities will need to liaise closely with the business community, taking account of the Local Industrial Strategy, to understand their current and potential future requirements. They will need to assess:

- the best fit [functional economic market area](https://www.gov.uk/guidance/plan-making#maintaining-effective-cooperation) (<https://www.gov.uk/guidance/plan-making#maintaining-effective-cooperation>)
- the existing stock of land for employment uses within the area;
- the recent pattern of employment land supply and loss – for example based on extant planning permissions and planning applications (or losses to permitted development);
- evidence of market demand (including the locational and premises requirements of particular types of business) – sourced from local data and market intelligence, such as recent surveys of business needs, discussions with developers and property agents and engagement with business and economic forums;
- wider market signals relating to economic growth, diversification and innovation; and
- any evidence of market failure – such as physical or ownership constraints that prevent the employment site being used effectively.

Paragraph: 026 Reference ID: 2a-026-20190220

Revision date: 20 02 2019

How can market signals be used to forecast future need?

Strategic policy making authorities will need to develop an idea of future needs based on a range of data which is current and robust, such as:

- sectoral and employment forecasts and projections which take account of likely changes in skills needed (labour demand)
- demographically derived assessments of current and future local labour supply (labour supply techniques)
- analysis based on the past take-up of employment land and property and/or future property market requirements
- consultation with relevant organisations, studies of business trends, an understanding of innovative and changing business models, particularly those which make use of online platforms to respond to consumer demand and monitoring of business, economic and employment statistics.

Authorities will need to take account of longer term economic cycles in assessing this data, and consider and plan for the implications of alternative economic scenarios.

Paragraph: 027 Reference ID: 2a-027-20190220

Revision date: 20 02 2019

How can strategic policy making authorities identify the existing stock of employment land and identify the recent pattern of supply and loss?

A simple typology of employment land by market segment and by sub-areas, where there are distinct property market areas within authorities, can be developed and analysed. This can be supplemented by information on permissions for other uses that have been granted, if available, on sites formerly in employment use.

Paragraph: 028 Reference ID: 2a-028-20190220

Revision date: 20 02 2019

How can current market demand be analysed?

The available stock of land can be compared with the particular requirements of the area so that 'gaps' and any over-supply in local employment land provision can be identified.

It is important to consider recent employment land take-up and projections (based on past trends) and forecasts (based on future scenarios), and to identify instances where sites have been developed or sought for specialist economic uses. This will help to provide an understanding of the underlying requirements for office, general business and distribution space, and (when compared with the overall stock of employment sites) can form the context for appraising individual sites.

Analysing supply and demand will allow policy makers to identify whether there is a mismatch between quantitative and qualitative supply of and demand for employment sites. This will enable an understanding of which market segments are over-supplied to be derived and those which are undersupplied.

Paragraph: 029 Reference ID: 2a-02920190220

Revision date: 20 02 2019

How can employment land requirements be derived?

When translating employment and output forecasts into land requirements, there are 4 key relationships which need to be quantified. This information can be used to inform the assessment of land requirements:

- [Standard Industrial Classification \(http://resources.companieshouse.gov.uk/sic/\)](http://resources.companieshouse.gov.uk/sic/) sectors to use classes
- [Standard Industrial Classification \(http://resources.companieshouse.gov.uk/sic/\)](http://resources.companieshouse.gov.uk/sic/) sectors to type of property
- employment to floorspace (employment density) and
- floorspace to site area (plot ratios based on industry proxies)

Paragraph: 030 Reference ID: 2a-030-20190220

Revision date: 20 02 2019

How can authorities assess need and allocate space for logistics?

The logistics industry plays a critical role in enabling an efficient, sustainable and effective supply of goods for consumers and businesses, as well as contributing to local employment opportunities, and has distinct locational requirements that need to be considered in formulating planning policies (separately from those relating to general industrial land).

Strategic facilities serving national or regional markets are likely to require significant amounts of land, good access to strategic transport networks, sufficient power capacity and access to appropriately skilled local labour. Where a need for such facilities may exist, strategic policy-making authorities should collaborate with other authorities, infrastructure providers and other interests to identify the scale of need across the relevant market areas. This can be informed by:

- engagement with logistics developers and occupiers to understand the changing nature of requirements in terms of the type, size and location of facilities, including the impact of new and emerging technologies;
- analysis of market signals, including trends in take up and the availability of logistics land and floorspace across the relevant market geographies;
- analysis of economic forecasts to identify potential changes in demand and anticipated growth in sectors likely to occupy logistics facilities, or which require support from the sector; and

- engagement with Local Enterprise Partnerships and review of their plans and strategies, including economic priorities within Local Industrial Strategies.

Strategic policy-making authorities will then need to consider the most appropriate locations for meeting these identified needs (whether through the expansion of existing sites or development of new ones).

Authorities will also need to assess the extent to which land and policy support is required for other forms of logistics requirements, including the needs of SMEs and of 'last mile' facilities serving local markets. A range of up-to-date evidence may have to be considered in establishing the appropriate amount, type and location of provision, including market signals, anticipated changes in the local population and the housing stock as well as the local business base and infrastructure availability.

Paragraph: 031 Reference ID: 2a-031-20190722

Revision date: 22 07 2019

How can the specific locational requirements of specialist or new sectors be addressed?

When assessing what land and policy support may be needed for different employment uses, it will be important to understand whether there are specific requirements in the local market which affect the types of land or premises needed. Clustering of certain industries (such as some high tech, engineering, digital, creative and logistics activities) can play an important role in supporting collaboration, innovation, productivity, and sustainability, as well as in driving the economic prospects of the areas in which they locate. Strategic policy-making authorities will need to develop a clear understanding of such needs and how they might be addressed taking account of relevant evidence and policy within Local Industrial Strategies. For example, this might include the need for greater studio capacity, co-working spaces or research facilities.

These needs are often more qualitative in nature and will have to be informed by engagement with businesses and occupiers within relevant sectors.

Paragraph: 032 Reference ID: 2a-032-20190722

Revision date: 22 07 2019

Published 20 March 2015

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4 Appendix DP5 – Housing Needs of Different Groups NPPG

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Guidance

Housing needs of different groups

Advice on planning for the housing needs of different groups.

From:

[Department for Levelling Up, Housing and Communities](#)

[\(/government/organisations/department-for-levelling-up-housing-and-communities\)](/government/organisations/department-for-levelling-up-housing-and-communities)

and [Ministry of Housing, Communities & Local Government](#)

[\(/government/organisations/ministry-of-housing-communities-and-local-government\)](/government/organisations/ministry-of-housing-communities-and-local-government)

Published

22 July 2019

Last updated

24 May 2021 —

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Addressing the need for different types of housing

How do the housing need of particular groups relate to overall housing need calculated using the standard method?

The standard method for assessing local housing need identifies an overall minimum average annual housing need figure but does not break this down into the housing need of individual groups. This guidance sets out advice on how plan-making authorities should identify and plan for the housing needs of particular groups of people.

This need may well exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method. This is because the needs of particular groups will often be calculated having consideration to the whole population of an area as a baseline as opposed to the projected new households which form the baseline for the standard method. How can needs of different groups be planned for?

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.

Authorities must also consider the implications of their duties under the Equality Act 2010, including the Public Sector Equality Duty.

Further advice in relation to the housing needs of specific groups is provided in other sections of this guidance, see the separate [guidance on older and disabled people \(https://www.gov.uk/guidance/housing-for-older-and-disabled-people\)](https://www.gov.uk/guidance/housing-for-older-and-disabled-people), and the [Planning policy for traveller sites \(https://www.gov.uk/government/publications/planning-policy-for-traveller-sites\)](https://www.gov.uk/government/publications/planning-policy-for-traveller-sites).

Plan-making authorities should assess the need for housing of different groups and reflect this in planning policies.

When producing policies to address the need of specific groups, plan-making authorities will need to consider how the needs of individual groups can be addressed having regard to deliverability.

The household projections that form the baseline of the standard method are inclusive of all households including travellers as defined in [Planning policy for traveller sites \(https://www.gov.uk/government/publications/planning-policy-for-traveller-sites\)](https://www.gov.uk/government/publications/planning-policy-for-traveller-sites).

Paragraph: 001 Reference ID: 67-001-20190722

Revision date: 22 07 2019

How can private rented sector needs be assessed?

Tenure data from the Office for National Statistics can be used to understand the future need for private rented sector housing. However, this will be based on past trends. The level of changes in rents, (known as “market signals”), may reflect the demand in the area for private rented sector housing. Evidence can also be sourced from the English Housing Survey, Office for National Statistics Private

Rental Index, the Valuation Office Agency, HomeLet Rental Index and other commercial sources.

Paragraph: 002 Reference ID: 67-002-20190722

Revision date: 22 07 2019

How can self-build and custom housebuilding needs be assessed?

Most local planning authorities (including all district councils and National Park Authorities) are now required to keep a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area in order to build their own home. The [Self-build and Custom Housebuilding \(Register\) Regulations 2016](http://www.legislation.gov.uk/uksi/2016/105/contents/made) (<http://www.legislation.gov.uk/uksi/2016/105/contents/made>) set out these requirements. For further details, see [guidance on self-build and custom housebuilding registers](https://www.gov.uk/guidance/self-build-and-custom-housebuilding) (<https://www.gov.uk/guidance/self-build-and-custom-housebuilding>).

To obtain a robust assessment of demand for this type of housing in their area, local planning authorities should assess and review the data held on registers. This assessment can be supplemented with the use of existing secondary data sources such as building plot search websites, 'Need-a-Plot' information available from the Self Build Portal and enquiries for building plots from local estate agents.

Paragraph: 003 Reference ID: 67-003-20190722

Revision date: 22 07 2019

How can student housing needs be assessed?

Strategic policy-making authorities need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus. Encouraging more dedicated student accommodation may provide low cost housing that takes pressure off the private rented sector and increases the overall housing stock. Strategic policy-making authorities are encouraged to consider options which would support both the needs of the student population as well as local residents before imposing caps or restrictions on students living outside university-provided accommodation. Local Planning Authorities will also need to engage with universities and other higher educational establishments to ensure they understand their student accommodation requirements in their area.

Paragraph: 004 Reference ID: 67-004-20190722

Revision date: 22 07 2019

Affordable housing

What types of households are considered to be in affordable housing need?

All households whose needs are not met by the market and which are eligible for one or more of the types of affordable housing set out in the definition of affordable housing in [Annex 2 of the National Planning Policy Framework](https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary) (<https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary>) are considered to be in affordable housing need.

Paragraph: 005 Reference ID: 67-005-20190722

Revision date: 22 07 2019

How can affordable housing need be calculated?

Strategic policy-making authorities will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market.

The unmet (gross) need for affordable housing by assessing past trends and current estimates of:

- the number of homeless households;
- the number of those in priority need who are currently housed in temporary accommodation;
- the number of households in over-crowded housing;
- the number of concealed households;
- the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings); and
- the number of households from other tenures in need and those that cannot afford their own homes, either to rent, or to own, where that is their aspiration.

Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.

Suggested data sources: Local authorities will hold data on the number of homeless households, those in temporary accommodation and extent of overcrowding. The Census also provides data on concealed households and overcrowding which can be compared with trends contained in the English Housing Survey. Housing registers and local authority and registered social landlord transfer lists will also provide relevant information.

Paragraph: 006 Reference ID: 67-006-20190722

Revision date: 22 07 2019

How can the current total affordable housing supply available be calculated?

There will be a current supply of housing stock that can be used to accommodate households in affordable housing need. As well as future supply. Therefore, assessing the total affordable housing supply requires identifying:

- the number of affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in affordable housing need;
- suitable surplus stock (vacant properties); and
- the committed supply of new net affordable homes at the point of the assessment (number and size).

Sources of data: Ministry of Housing, Communities and Local Government affordable housing supply statistics to show recent trends, and local authority and Registered Social Landlord records including housing register, transfer lists, demolition and conversion programmes, development programme of affordable housing providers.

Paragraph: 007 Reference ID: 67-007-20190722

Revision date: 22 07 2019

How is the total annual need for affordable housing calculated?

The total need for affordable housing will need to be converted into annual flows by calculating the total net need (subtract total available stock from total gross need) and then converting total net need into an annual flow based on the plan period.

The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing led developments. An increase in the total housing requirement included in the plan may need to be considered where it could help deliver the required number of affordable homes.

Paragraph: 008 Reference ID: 67-008-20190722

Revision date: 22 07 2019

Rural Housing

How can planning policies support sustainable rural communities?

People living in rural areas can face particular challenges in terms of housing supply and affordability, while the location of new housing can also be important for the broader sustainability of rural communities. Strategic policies will need to be informed by an understanding of these needs and opportunities, especially where authorities in designated rural areas wish to demonstrate that it is appropriate to [set lower thresholds for affordable housing than those which apply generally](https://www.gov.uk/guidance/planning-obligations#para023) (<https://www.gov.uk/guidance/planning-obligations#para023>).

The nature of rural housing needs can be reflected in the spatial strategy set out in relevant policies, including in the [housing requirement figures for any designated rural areas \(https://www.gov.uk/guidance/national-planning-policy-framework/5-delivering-a-sufficient-supply-of-homes#para65\)](https://www.gov.uk/guidance/national-planning-policy-framework/5-delivering-a-sufficient-supply-of-homes#para65). A wide range of settlements can play a role in delivering sustainable development in rural areas, so blanket policies restricting housing development in some types of settlement will need to be supported by robust evidence of their appropriateness. A [neighbourhood plan can allocate additional sites to those identified in an adopted plan \(https://www.gov.uk/guidance/neighbourhood-planning--2#neighbourhood-plan-local-plan\)](https://www.gov.uk/guidance/neighbourhood-planning--2#neighbourhood-plan-local-plan) so long as the neighbourhood plan [meets the basic conditions \(https://www.gov.uk/guidance/neighbourhood-planning--2#basic-conditions-for-neighbourhood-plan-to-referendum\)](https://www.gov.uk/guidance/neighbourhood-planning--2#basic-conditions-for-neighbourhood-plan-to-referendum).

Local planning authorities can support opportunities to bring forward [rural exception sites \(https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary\)](https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary) by working proactively with landowners and potential delivery partners such as parish councils and community land trusts.

Paragraph: 009 Reference ID: 67-009-20190722

Revision date: 22 07 2019

How can the need for isolated homes in the countryside for essential rural workers be assessed?

Considerations that it may be relevant to take into account when applying [paragraph 79a of the NPPF \(https://www.gov.uk/guidance/national-planning-policy-framework/5-delivering-a-sufficient-supply-of-homes#para79\)](https://www.gov.uk/guidance/national-planning-policy-framework/5-delivering-a-sufficient-supply-of-homes#para79) could include:

- evidence of the necessity for a rural worker to live at, or in close proximity to, their place of work to ensure the effective operation of an agricultural, forestry or similar land-based rural enterprise (for instance, where farm animals or agricultural processes require on-site attention 24-hours a day and where otherwise there would be a risk to human or animal health or from crime, or to deal quickly with emergencies that could cause serious loss of crops or products);
- the degree to which there is confidence that the enterprise will remain viable for the foreseeable future;
- whether the provision of an additional dwelling on site is essential for the continued viability of a farming business through the farm succession process;
- whether the need could be met through improvements to existing accommodation on the site, providing such improvements are appropriate taking into account their scale, appearance and the local context; and
- in the case of new enterprises, whether it is appropriate to consider granting permission for a temporary dwelling for a trial period.

Employment on an assembly or food packing line, or the need to accommodate seasonal workers, will generally not be sufficient to justify building isolated rural

dwellings.

Paragraph: 010 Reference ID: 67-010-20190722

Revision date: 22 07 2019

Rural Exception Sites

Where can rural exception sites come forward?

As set out in the National Planning Policy Framework, rural exception sites can come forward in any rural location. In designated rural areas and areas designated as Green Belt, rural exception sites are the only sort of exception site than can come forward.

Paragraph: 011 Reference ID: 67-011-20210524

Revision date: 24 05 2021

What sorts of affordable housing can be delivered on rural exception sites?

Rural exception sites should seek to address the affordable housing needs of local communities. They can be used to deliver any form of affordable housing, including First Homes, provided this is supported by appropriate evidence of local need, such as a local housing needs survey.

Paragraph: 012 Reference ID: 67-012-20210524

Revision date: 24 05 2021

Can rural exception sites deliver market housing?

Rural exception sites can deliver a small proportion of market housing, provided that it can be demonstrated that this is necessary in order to ensure the overall viability of the site. Local authorities and neighbourhood planning groups are encouraged to produce policies that specify in further detail the proportions of market housing would be considered acceptable, and under what circumstances.

Other than allowing for market housing, what other ways can the viability of rural exception sites be improved? Where a local authority is satisfied because of the evidence provided that a rural exception site would not be viable if it were required to deliver only affordable housing, they may wish to consider whether alternative approaches to securing site viability could be pursued. This could include (but is not limited to):

- allowing for flexibility in tenure, size, or type of housing to be provided
- allowing for flexibility in the phasing of the development

- accepting the provision of a commuted sum to be used for provision of affordable housing on another site or sites
- obtaining other sources of funding such as grants

Plan-making authorities are encouraged to set policies that set out in greater detail the circumstances in which alternative approaches to viability would be considered.

Paragraph: 013 Reference ID: 67-013-20210524

Revision date: 24 05 2021

How can land for rural exception sites be identified?

Organisations, local authorities, or individuals seeking to bring forward rural exception sites are encouraged to take a proactive approach to identifying suitable locations for rural exception site delivery through such measures as:

- actively seeking the details of relevant landowners and approaching them directly, in order to determine their level of interest in putting their sites forward for such developments
- working in collaboration with local communities, parish councils and other relevant groups to identify and deliver rural exception sites

Paragraph: 014 Reference ID: 67-014-20210524

Revision date: 24 05 2021

How can rural exception site delivery be encouraged?

Strategies for bringing forward rural exception sites will vary depending on local circumstances. However, where local authorities are keen to increase the number of rural exception sites that can come forward in their areas, or developers or landowners have site(s) that they wish to pursue, they may wish to consider establishing or strengthening working relationships with relevant groups including (but not limited to):

- parish and town councils
- neighbourhood planning qualifying bodies
- housing associations
- local landowners

Close partnership working between these different groups may assist in managing expectations in terms of the timescales, financial rewards and resource commitments required for effective rural exception site delivery.

Paragraph: 015 Reference ID: 67-015-20210524

Revision date: 24 05 2021

Published 22 July 2019

Last updated 24 May 2021 [+ show all updates](#)

Related content

[Rural housing \(/guidance/rural-housing/\)](/guidance/rural-housing/)

[Housing and economic land availability assessment \(/guidance/housing-and-economic-land-availability-assessment/\)](/guidance/housing-and-economic-land-availability-assessment/)

[Planning and travellers \(/government/speeches/planning-and-travellers/\)](/government/speeches/planning-and-travellers/)

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5 Appendix DP6 – White Paper: Planning for the Future, August 2020 – extract



Ministry of Housing,
Communities &
Local Government

White Paper: Planning for the Future

Proposal 20: The scope of the Infrastructure Levy could be extended to capture changes of use through permitted development rights

- 4.19. In making this change to developer contributions for new development, the scope of the Infrastructure Levy would be extended to better capture changes of use which require planning permission, even where there is no additional floorspace, and for some permitted development rights including office to residential conversions and new demolition and rebuild permitted development rights. This approach would increase the levy base, and would allow these developments to better contribute to infrastructure delivery and making development acceptable to the community. However, we will maintain the exemption of self and custom-build development from the Infrastructure Levy.

Question

23. Do you agree that the scope of the reformed Infrastructure Levy should capture changes of use through permitted development rights?

[Yes / No / Not sure. Please provide supporting statement.]

Proposal 21: The reformed Infrastructure Levy should deliver affordable housing provision

- 4.20. Developer contributions currently deliver around half of all affordable housing, most of which is delivered on-site. It is important that the reformed approach will continue to deliver on-site affordable housing at least at present levels.
- 4.21. Affordable housing provision is currently secured by local authorities via Section 106, but the Community Infrastructure Levy cannot be spent on it. With Section 106 planning obligations removed, we propose that under the Infrastructure Levy, authorities would be able to use funds raised through the levy to secure affordable housing.
- 4.22. This could be secured through in-kind delivery on-site, which could be made mandatory where an authority has a requirement, capability and wishes to do so. Local authorities would have a means to specify the forms and tenures of the on-site provision, working with a nominated affordable housing provider. Under this approach, a provider of affordable housing could purchase the dwelling at a discount from market rate, as now. However, rather than the discount being secured through Section 106 planning obligations, it would instead be considered as in-kind delivery of the Infrastructure Levy. In effect, the difference between the price at which the unit was sold to the provider and the market price would be offset from the final cash liability to the Levy. This would create an incentive for the developer to build on-site affordable housing where appropriate.¹⁸ First Homes,

¹⁸ As above, a Section 106 planning obligation could still be used to secure a covenant on the land, where necessary. However, the value would be captured through the Infrastructure Levy, rather than Section 106.

6 Appendix DP7 – Levelling Up White Paper February 2022 – extract



Levelling Up the United Kingdom

Presented to Parliament by the Secretary of State for Levelling Up,
Housing and Communities
by Command of Her Majesty
2 February 2022

CP 604

House prices in England and Wales are now almost 77 times higher than incomes, up from 3.6 in 1997, putting homeownership out of reach for far too many young people.⁴⁴¹ This is not just a problem in London – affordability has significantly worsened in all regions over the last two decades.

Meanwhile there is significant unmet need for social housing, leaving people paying high rents in the private rented sector unable to save for a home of their own. The number of households in this sector has shrunk from 5.4m households in 1980 to under 4m today, in part due to the popularity and success of policies such as right to buy.⁴⁴² Falling access to homeownership and social housing has resulted in a doubling in the size of the Private Rented Sector over the past two decades. Many of those renting would prefer to own their house particularly when starting a family, as families who rent can be evicted at short notice, pay more for the same housing than homeowners and social renters, and have lower levels of satisfaction with their housing.

Although a problem everywhere, affordability of housing is most pressing in London and the Greater South East. This reflects in large part the historic imbalance in jobs and opportunities that leads large numbers to leave their family home and move south. This creates significant pressure on transport, schools and in particular on housing. The investment necessary to meet rising demand perpetuates geographical imbalance.

Lastly, many households are locked out of the housing market altogether. Around 96,000 households are currently homeless in temporary accommodation in England, including 59,000 families.⁴⁴³ Housing pressures mean children and parents can be placed far away from schools and communities. These pressures tend to be highest in urban centres and, for rough sleeping, in some coastal areas.

The policy programme

The UK Government is committed to creating a fair and just housing system that works for everyone. This includes supporting more first-time buyers to move onto the housing ladder, delivering more homes that are genuinely affordable, radically improving housing quality and reducing homelessness.

The policy programme is focused on:

- a. making homeownership a reality;
- b. improving housing quality; and
- c. reforming the planning system.

Making homeownership a reality

Getting people onto the housing ladder means making housing more affordable now and in the future. The UK Government will continue working towards our ambition of delivering 300,000 new homes per year in England by the mid-2020s to create a more sustainable and affordable housing market.

“
Getting people
onto the
housing ladder
means making
housing more
affordable now
and in the
future

”

441 ONS, *House price to workplace-based earnings ratio*, 2021. Link

442 DLUHC, *English Housing Survey data on tenure trends and cross tenure analysis 2020/21 - table FT101*, 2021.

443 DLUHC, *Statutory Homelessness July to September (Q3) 2021: England*, 2020. Link

7 Appendix DP8 – Levelling Up and Regeneration: further information May 2022 - extract

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[Department for Levelling
Up,
Housing & Communities](#)

Policy paper

Levelling Up and Regeneration: further information

Published 11 May 2022

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fundamentally, we will need to identify and consult on the National Development Management Policies which will sit alongside plans to guide decision-making. They will be derived from the policies set out currently in the National Planning Policy Framework, where these are intended to guide decision-making, but we will also identify and seek views on any gaps in the issues which are covered. The rest of the National Planning Policy Framework will be re-focused on setting out the principles to be taken into account in plan-making, whilst also streamlining national policy, making it more accessible and user friendly.

Alongside this, regulations will be updated to set clear timetables for plan production – with the expectation that they are produced within 30 months and updated at least every five years. During this period, there will be a requirement for two rounds of community engagement before plans are submitted for independent examination. We will also produce new guidance on community engagement in planning, which will describe the different ways in which communities can get involved and highlight best practice, including the opportunities which digital technology offers. Any new digital engagement tools will sit alongside existing methods of engagement (such as site notices and neighbour letters). For decision making, the Bill will also enable pre-application engagement with communities to be required before a planning application is submitted, remove the sunset clause, making the powers which currently expire in 2025, permanent.

Delivering infrastructure

A simple, non-negotiable, locally set Infrastructure Levy will ensure that developers pay their fair share to deliver the infrastructure that communities need.

In the Bill

The government wants to make sure that more of the money accrued by landowners and developers goes towards funding the local infrastructure – affordable housing, schools, GP surgeries, and roads – that new development creates the need for. To do this, the Bill will replace the current system of developer contributions with a simple, mandatory, and locally determined Infrastructure Levy. The Bill sets out the framework for the new Levy, and the detailed design will be delivered through regulations.

The Levy will be charged on the value of property when it is sold and applied above a minimum threshold. Levy rates and minimum thresholds will be set and collected locally, and local authorities will be able to set different rates within their area. The rates will be set as a percentage of gross development value rather than based on floorspace, as with the Community Infrastructure Levy at present.

This will allow developers to price in the value of contributions into the value of the land, allow liabilities to respond to market conditions and removes the need for obligations to be renegotiated if the gross development value is lower than expected; while allowing local authorities to share in the uplift if gross development

values are higher than anticipated. The government is committed to the Levy securing at least as much affordable housing as developer contributions do now. The Bill will set out the framework to enable this approach, with some of the details set out in regulations.

To strengthen infrastructure delivery further, the Bill will require local authorities to prepare infrastructure delivery strategies. These will set out a strategy for delivering local infrastructure and spending Levy proceeds. The Bill will also enable local authorities to require the assistance of infrastructure providers and other bodies in devising these strategies, and their development plans.

We intend to bring forward legislation to enable the piloting of Community Land Auctions. Piloting authorities will pioneer an alternative way of identifying and allocating land for development, in a way which seeks to maximise the potential uplift in land value. Landowners will be able to submit their land into an allocation process as part of an emerging local plan, offering the local planning authority an option on the land at a price set by the landowner. The local authority will allocate land based on both planning considerations and the option price. It will then auction the development rights onto a successful bidder once land is allocated in the adopted plan. The difference between the option price offered by landowners, and the price offered to develop allocated land, will be retained by local authorities for the benefit of local communities.

Alongside the Bill

Much of the detail of different elements of the new Infrastructure Levy will need to be set in regulations, following consultation. Specifically, we will:

- Introduce a new 'right to require' to remove the role of negotiation in determining levels of onsite affordable housing. This rebalances the inequality between developers and local authorities by allowing local authorities to determine the portion of the levy they receive in-kind as onsite affordable homes.
- Consider how the Levy should be applied to registered provider-led schemes.
- Require developers to deliver infrastructure integral to the operation and physical design of a site – such as an internal play area or flood risk mitigation. Planning conditions and narrowly targeted section 106 agreements will be used to make sure this type of infrastructure is delivered.
- Detail the retained role for section 106 agreements to support delivery of the largest sites. In these instances, infrastructure will be able to be provided in-kind and negotiated, but with the guarantee that the value of what is agreed will be no less than will be paid through the Levy.
- Retain the neighbourhood share and administrative portion as currently occurs under the Community Infrastructure Levy.
- Introduce the Levy through a 'test and learn' approach. This means it will be rolled out nationally over several years, allowing for careful monitoring and evaluation, in order to design the most effective system possible.

8 Appendix DP9 – Levelling-up and Regeneration Bill: reforms to national planning policy Consultation, December 2022 – extract

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Levelling-up and Regeneration Bill: reforms to national planning policy

Published 22 December 2022

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1. The government is committed to levelling up across the country, building more homes to increase home ownership, empowering communities to make better places, restoring local pride and regenerating towns and cities. The February 2022 [Levelling Up White Paper \(https://www.gov.uk/government/publications/levelling-up-the-united-kingdom\)](https://www.gov.uk/government/publications/levelling-up-the-united-kingdom) reiterated the government's commitment to making improvements to the planning system to achieve this, by giving communities a stronger say over where homes are built and what they look like. The [Levelling-up and Regeneration Bill \(the Bill\) \(https://bills.parliament.uk/bills/3155\)](https://bills.parliament.uk/bills/3155) which is before Parliament will put the foundations in place for delivering this by creating a genuinely plan-led system with a stronger voice for communities. It will ensure greater provision of community infrastructure by developers, mandate that beautiful new development meets clear design standards that reflect community views, and enhance protections for our precious environmental and heritage assets.

2. The Bill begins to put communities at the heart of the planning system, offering communities beautiful homes and new neighbourhoods that they will welcome and a greater say in what is built and where. But the Bill is not the whole story: if we are to truly remake the planning system, we also need changes to national policy and guidance, regulations and wider support for local authorities, communities and applicants. This document sets out the improvements we propose to make to national planning policy to deliver this wider change.

3. The [National Planning Policy Framework \(the Framework\) \(https://www.gov.uk/government/publications/national-planning-policy-framework--2\)](https://www.gov.uk/government/publications/national-planning-policy-framework--2) was introduced in 2012 to consolidate the government's planning policies for England. It guides local decision makers on our national policy objectives, providing a framework within which locally prepared plans are produced, and clear national policies to be taken into account when dealing with planning applications and some other planning decisions. When a local planning authority brings forward a plan, they have a statutory duty to have regard to these national policies, and the Framework is therefore drafted with the expectation that plans will be consistent with the policies contained within it. The Framework is also a 'material consideration'^{[[footnote 1](#)]} in decision-taking. It is therefore vital that it reflects this government's objectives for remaking the planning system as soon as possible.

4. We have therefore set out in this document specific changes that we propose to immediately make to the Framework (subject to and following consultation). These will allow us to swiftly deliver the government's commitments to building enough of the right homes in the right places with the right infrastructure, ensuring the environment is protected and giving local people a greater say on where and where not to place new, beautiful development. They will also allow us to deliver cheaper, cleaner, more secure power in the places that communities want to see onshore wind. Specifically, this includes changes to:

- make clear how housing figures should be derived and applied so that communities can respond to local circumstances;
- address issues in the operation of the housing delivery and land supply tests;
- tackle problems of slow build out;

- encourage local planning authorities to support the role of community-led groups in delivering affordable housing on exception sites;
- set clearer expectations around planning for older peoples' housing;
- promote more beautiful homes, including through gentle density;
- make sure that food security considerations are factored into planning decisions that affect farm land;
- and enable new methods for demonstrating local support for onshore wind development.

5. The proposed immediate changes are explained in this document. We are also publishing a tracked changes Framework document which this Prospectus should be read alongside. This sets out the detailed proposed policy wording that is indicative of what would be implemented immediately, subject to the results of this consultation. The government will respond to this consultation by spring 2023, publishing the Framework revisions as part of this, so that policy changes can take effect as soon as possible.

6. The government remains committed to delivering 300,000 homes a year by the mid-2020s and many of the immediate changes focus on how we plan to deliver the homes our communities need. We know that the best way to secure more high-quality homes in the right places is through the adoption of local plans. At present, fewer than half of local authorities have up-to-date plans (adopted in the past 5 years). Our proposed reforms create clear incentives for more local authorities to adopt plans. And our analysis shows that having a sound plan in place means housing delivery increases compared to those local authorities with an out-of-date plan, or no plan at all^[footnote 2]. If communities know they can protect valuable green space and natural habitats as well as requiring new developments to be high quality and beautiful, plans are more likely to be both durable and robust.

7. These changes are being proposed now to realise the housing supply benefits as soon as possible. In line with this, the government is clear that plan production should continue to progress and believes the changes will assist with this. In line with this, those authorities with up-to-date local plans will benefit from additional time to prepare new style plans that will be introduced through the Bill, as set out in our proposed timetable for transitioning to new-style plans set out in chapter 9 of this document.

8. Alongside these specific changes, this document calls for views on a wider range of proposals, particularly focused on making sure the planning system capitalises on opportunities to support the natural environment, respond to climate change and deliver on levelling up of economic opportunity, and signals areas that we expect to consider in the context of a wider review of the Framework to follow Royal Assent of the Bill. The government will consult on the detail of these wider changes next year, reflecting responses to this consultation.

7. Finally, this document also sets out the envisaged role for National Development Management Policies (NDMPs). These are intended to save plan-makers from having to repeat nationally important policies in their own plans, so that plans can be quicker to produce and focus on locally relevant policies. National Development

Q.20: Do you have views on a robust method for counting deliverable homes permitted for these purposes?

23. It remains our intention to publish the 2022 Housing Delivery Test results. However, given our proposed changes and consultation on the workings of the Housing Delivery Test, we would like to receive views on whether the test's consequences should follow from the publication of the 2022 Test or if they should be amended, suspended until the publication of the 2023 Housing Delivery Test, or frozen to reflect the 2021 Housing Delivery Test results while work continues on our proposals to improve it. We will take a decision on the approach to the Housing Delivery Test and the implementation of any the proposed changes in due course, once we have analysed consultation responses.

Q. 21: What are your views on the right approach to applying Housing Delivery Test consequences pending the 2022 results?

Chapter 5 – A planning system for communities

1. The government is committed to creating a planning system that focuses not simply on housing numbers, but on delivering the types of homes that communities want and need. That means a diverse range of homes, more genuinely affordable housing and specific provision for older people – all built to designs that suit local communities and at densities that make efficient use of land while aligning with local character. Below we consult on some specific changes to take effect from spring 2023 and seek views on a set of wider proposals.

More homes for social rent

2. The Levelling Up White Paper made clear our commitment to “increase the amount of social housing available over time to provide the most affordable housing to those who need it” and to “ensure home ownership is within the reach of many more people”. If we want to have functioning communities, with the right homes in the right places, then we need to deliver more homes that are genuinely affordable to rent and to own.

3. The Framework currently includes specific stipulations about securing homes for affordable home ownership, outlining an expectation that 10% of homes in major developments should be available for affordable home ownership. We believe our national planning policy must continue to support this but equally that it should place much greater value on the most affordable housing tenure: Social Rent.

[\[footnote 6\]](#)

4. We therefore intend to make changes to the Framework to make clear that local planning authorities should give greater importance in planning for Social Rent homes, when addressing their overall housing requirements in their development

plan and making planning decisions. Securing Social Rent homes will already be the priority for many local planning authorities, and we want national planning policy to support this. We would welcome views on how we could make specific provisions in the revised framework to deliver this, alongside the existing provisions for affordable home ownership.

Q.22: Do you agree that the government should revise national planning policy to attach more weight to Social Rent in planning policies and decisions? If yes, do you have any specific suggestions on the best mechanisms for doing this?

More older people's housing

5. This government is committed to further improving the diversity of housing options available to older people and boosting the supply of specialist elderly accommodation. The National Planning Policy Framework supports this ambition by asking local authorities to provide for a diverse range of housing needs, including for older people.

6. The Framework already makes clear that the size, type and tenure of housing needed for different groups in the community, including older people, should be assessed and reflected in planning policies. In 2019, we also published [guidance to help local authorities implement the policies \(https://www.gov.uk/guidance/housing-for-older-and-disabled-people\)](https://www.gov.uk/guidance/housing-for-older-and-disabled-people) that can deliver on this expectation.

7. The population of the UK is ageing rapidly and around 1-in-4 will be aged 65 or over by 2041. We need to ensure that our housing market is prepared for this challenge and that older people are offered a better choice of accommodation to suit their changing needs, to help them to live independently and feel more connected to their communities. In 2021, a report by the International Longevity Centre indicates that there will be a shortfall of 37% in specialist retirement housing by 2040.

8. We have therefore been considering ways in which the Framework can further support the supply of older people's housing. We propose to do this by adding an additional specific expectation that within ensuring that the needs of older people are met, particular regard is given to retirement housing, housing-with-care and care homes, which are important typologies of housing that can help support our ageing population.

9. Alongside this, we are also launching a taskforce on older people's housing, which we announced in the Levelling Up White Paper. This taskforce will explore how we can improve the choice of and access to housing options for older people and will follow important work conducted recently by Professor Mayhew on meeting the challenges of our ageing population.

Q.23: Do you agree that we should amend existing paragraph 62 of the Framework to support the supply of specialist older people's housing?

9 Appendix DP10 – SACDC Affordable Housing Supplementary Planning Guidance – extract



SUPPLEMENTARY PLANNING GUIDANCE

AFFORDABLE HOUSING

MARCH 2004



City and District of St Albans
Council Offices
Civic Centre
St Albans
Hertfordshire
AL1 3JE

Site Thresholds

- 7.10 Policy 7A of the adopted Local Plan states that the Council will normally seek an element of affordable housing on sites of over 0.4 hectares and on sites of under this size where 15 or more dwellings are proposed. However, more recent Government guidance in Circular 6/98 states that it will be inappropriate to seek any affordable housing except on housing developments of 25 or more dwellings or residential sites of 1 hectare or more, irrespective of the number of dwellings. The District Council is currently applying the thresholds in Circular 6/98. It should be noted that:
- (i) this threshold applies to proposals that are 25 or more units gross and not net (i.e. net of demolitions of existing housing);
 - (ii) consideration will be given to the appropriate density and capacity for sites in the light of PPG3 requirements to encourage higher densities. The inefficient use of land, for example in order to propose a capacity of less than 25 units, is likely to lead to refusal;
 - (iii) applications for planning permission for development, which forms part of a more substantial development, on the same land or adjoining land, will be treated as an application for planning permission for the more substantial development;
 - (iv) the threshold of 1 hectare or more applies to the net housing development area of the site as outlined in PPG 3, Annex C;
 - (v) this threshold applies to both Local Plan allocated housing sites in Policies 4 and 5 and windfall sites that may come forward.
- 7.11 As stated in paragraph 2.7 above, the Government consultation paper on proposed changes to PPG3 proposes to reduce the site size thresholds for affordable housing to 15 dwellings or 0.5 hectares. If these or some other new thresholds are confirmed by the Government, then the Council will work to the revised thresholds.
- 7.12 The consultation paper on proposed changes to PPG3 also states that affordable housing may be sought on sites of less than 15 dwellings or 0.5 hectares, where justified in local plans on the basis of local circumstances. If this proposed change to PPG3 is confirmed, the Council will probably conclude that thresholds lower than 15 dwellings or 0.5 hectares are justified in the District and should be proposed in the Consultation Document on the St Albans Development Document Plan in 2005. Any such lower thresholds would not be used as the basis of development control decisions until the Draft Plan stage of the Development Plan Document is reached.

The Proportion of Affordable Housing

- 7.13 The Council will seek, by negotiation, a target level of 35% affordable units on suitable sites above the site size thresholds. The proportion of 35% is derived from the Housing Needs Assessment Survey 2002 (see paragraphs 3.4-3.11 of this SPG) and takes account of the fact that the potential for affordable housing provision on land owned by the Council or housing associations is very limited. This target is essential if the Council is to achieve anywhere near the 200 affordable dwellings per annum target in the adopted Local Plan.

9.0 SUMMARY OF AFFORDABLE HOUSING REQUIREMENTS

- 9.1 The site size thresholds above which the Council currently seeks an element of affordable housing are 25 dwellings or 1 hectare. The Council will work to any amended thresholds that may be set in revised Government guidance.
- 9.2 The percentage of affordable housing required will normally be 35%.
- 9.3 The council will negotiate a range of tenures for the affordable housing provision, but the majority of the provision is expected to be general needs rented (see section 5).
- 9.4 The Council prefers to see general needs rented housing delivered through an RSL.
- 9.5 The Council will seek the securing of the affordable housing for those in need “in perpetuity” i.e. for as long as there is a need for it in St Albans. This will be secured through a legal agreement attached to the planning permission or by planning conditions.
- 9.6 Developers are urged to contact the Planning Department prior to the submission of a planning application; the Planning Department will advise developers and refer them to the Housing Development Officer for discussion on sites where affordable housing is a requirement.
- 9.7 Affordable housing land should normally be transferred at nil cost to RSLs.