

Bath and North East Somerset

# **Core Strategy Topic Paper 5 Affordable Housing**

**May 2011**



**Bath & North East  
Somerset Council**

The logo for Bath & North East Somerset Council features the text "Bath & North East Somerset Council" in a green, sans-serif font. The text is centered between two horizontal blue bars of equal length.

Bath and North East Somerset  
Local Development Framework

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*NB A schedule is available of all the representations on Affordable Housing from the Core Strategy Launch document (2007), the Core Strategy Options (2009) and the Draft Core Strategy (2010)*

## 1.0 - Purpose of this topic paper

- 1.1 This paper sets out the development of the Council's Affordable Housing Policy CP9 in the Core Strategy (CD5/5). The paper cites key evidence and explains the engagement process which underpins the policy.
- 1.2 This paper does not cover affordable housing policy for the rural areas – Policy RA4, Rural Exceptions sites.

## 2.0 - National Policy Context

- 2.1 Planning Policy Statement 3 (CD2/4) sets the context for the Core Strategy and PPS3 requires that the local policy must:
  - be supported by an **evidence** base (SHMA, CD4/H11, and SHLAA, CD4/H6)
  - be based on local evidence: LDDs “must set out the likely **overall proportions** of households that require market or affordable housing ...”
  - Set an **overall target** for the amount of affordable housing to be provided. It should also reflect local economic viability of land for housing within the area, taking account of risks to delivery and drawing on assessments of finance available for affordable housing, including public subsidy and the level of developer contributions.
  - set **separate targets for social-rented and intermediate affordable housing** where appropriate (& affordable rented)
  - set out the circumstances in which affordable housing will be required. The national indicative minimum **site size threshold** is 15 dwellings. However, Local Planning Authorities can set lower minimum thresholds, where viable and practicable. An assessment is needed of the economic viability of thresholds and proportions of affordable housing proposed, including their likely impact on overall levels of housing delivery and creating mixed communities.
  - set out the approach to seeking **developer contributions** to facilitate the provision of affordable housing.
  - specify the **size and type of affordable housing** likely to be needed.
  - include new **affordable rent** tenure as part of PPS3 Appendix B consultation (Feb 2011- April 2011, CD2/24).

## 3.0 - Existing Local Policy

- 3.1 The existing Local Plan policy is that development schemes in Bath, Keynsham, Norton Radstock, Saltford, Peasedown St John and Paulton require an affordable housing contribution of 35% on sites of 15 or more dwellings (0.5 Ha site). In settlements where the population is 3,000 or

below, an affordable housing contribution is required on sites for 10 dwellings or more or where the site has an area of 0.5ha or more.

- 3.2 Revisions to national policy and the new requirement to consider the viability impact of affordable housing policies mean that the existing policy is out of date and not supported by up-to-date evidence. For example, as new evidence shows that Bath relies significantly on smaller sites and is a higher value area, setting the threshold based on settlement size does not relate well to, and is not justified, by this evidence.

#### 4.0 - New Evidence Base

- 4.1 The evidence base prepared by B&NES to support the policy approach is summarised in **Table 1** below.
- 4.2 It should be noted that some of the evidence has been developed at a West of England basis (for example the Strategic Housing Market Assessment (SHMA) - CD4/H11) and that consistency across the sub-region has been considered in the development of the policy approach. However, SHMA was prepared in 2009 and circumstances have changed considerably since then as described in Topic Paper 2 (CD6/S3). Some elements of SHMA are therefore now out of date.

**Table 1: Summary of evidence base prepared by B&NES to support the Core Strategy policy approach**

Study	Explanation	Key Findings
Strategic Housing Market Assessment (West of England) - June 2009 <sup>1</sup> (CD4/H11)  <i>(prepared by the Strategic Housing Partnership : Bristol, B&amp;NES, N. Somerset, S. Glos, Mendip, W. Wilts)</i>	Strategic Housing Market Assessments (SHMAs) are cross-boundary studies of the operation of Housing Market Areas. Planning Policy Statement 3 (Housing – CD2/4) requires local authorities to undertake Strategic Housing Market Assessments as part of the evidence base required to inform Local Development Framework Core Strategies and the development of planning and housing policy.	<ul style="list-style-type: none"> <li>• High level of housing need</li> <li>• Theoretically 100% of all future development could be affordable</li> <li>• 93% of affordable housing need is for social rented</li> <li>• Chapter 4 of the SHMA summarises housing need</li> </ul>

<sup>1</sup> <http://www.westofengland.org/planning--housing>

<p>B&amp;NES Viability Assessment (Three Dragons) – June 2010<sup>2</sup> (CD4/H8)</p>	<p>Bath and North East Somerset Council appointed Three Dragons to undertake a development economics study in relation to a range of housing market circumstances across the District.</p> <p>The brief for the project required the production of a Development Appraisal Toolkit using a residual valuation approach to a) assess the policy impacts on viability, and b) allow the Council to test individual sites subsequent to the completion of the policy testing work. This Viability Study examines the viability of delivering affordable housing by considering a range of possible policy options for new qualifying thresholds.</p>	<ul style="list-style-type: none"> <li>• An average of 35 % affordable housing (grant free) is viable as a district target</li> <li>• Smaller sites are as viable as larger sites; therefore the Council can consider lowering thresholds from national averages</li> <li>• Over the last 3 years there has been a high proportion of housing delivery on small sites of 14 or less, particularly within Bath</li> <li>• There is some geographical variance across the district in terms of viability</li> </ul>
<p>Viability Validation Study (Ark) – April 2011<sup>3</sup> (CD4/H9)</p>	<p>Validation exercise to test the policy approach and test against real sites, divided into two stages:</p> <ul style="list-style-type: none"> <li>ii) a brief review of the Three Dragons approach and assumptions supported by consultation and input from other relevant organisations and information from the costing expert;</li> <li>ii) an appraisal, adopting updated development assumptions, of 12 allocated sites in B&amp;NES, spread across a range of market zones. Whilst</li> </ul>	<ul style="list-style-type: none"> <li>• The methodology used by Three Dragons was found to be sound</li> <li>• Detailed discussions with local stakeholders suggested some minor amendments to the assumptions used when using the viability model</li> <li>• Of the 12 sites tested (from SHLAA – CD4/H6) 7 of these sites are expected to be able to delivery 35% or above and 5 would deliver below this average. This reflects the impact of geography on viability.</li> <li>• Overall the 35% average affordable housing</li> </ul>

<sup>2</sup> <http://www.bathnes.gov.uk/SiteCollectionDocuments/Environment%20and%20Planning/BathNES%20Viability%20Report%20-%20November%203rd%202010%20website.pdf>

<sup>3</sup> [www.bathnes.gov.uk/ldf](http://www.bathnes.gov.uk/ldf)

	these sites were still to be assessed on a fairly hypothetical basis, it provided an opportunity to relate appraisals to real opportunities and thus to strengthen the outputs of, and make more robust, the strategic viability study.	provision is a reasonable target
Affordable Rent Tenure – Study of Impact on Policy approach (Ark) – July 2011 <sup>4</sup>	This work was commissioned in March 2011 in response to the new affordable rent tenure and should be completed to inform the tenure split discussions and the EiP.	<ul style="list-style-type: none"> <li>• Results pending.</li> </ul>

## 5.0 - Consultation

5.1 The table below summarises the key stages of consultation in relation to Policy CP9 (Affordable Housing):

Core Strategy stage	Consultation	Comments
Launch (2007 – CD5/3)	Public consultation	A bespoke schedule is available of all the representations on Affordable Housing from the Core Strategy Launch document (2007), if required
Spatial Options (2009 – CD5/4)	Public consultation	<p>Policy options suggested and discussed around (i) Geography; (ii) Proportion (iii) Site size threshold (iv) Mix (v) Intermediate options.</p> <p>A bespoke schedule is available of all the representations on Affordable Housing from the Core Strategy Spatial Options document (2009) if required</p>

<sup>4</sup> [www.bathnes.gov.uk/ldf](http://www.bathnes.gov.uk/ldf)

<p>Draft Core Strategy (2010 – CD5/5)</p>	<ul style="list-style-type: none"> <li>- Viability Study (CD4/H8) Stakeholder Workshop (April 2010).</li> <li>- Publication of evidence base (June 2010)</li> <li>- Full Council (Dec 2010)<sup>5</sup> considered policy options in relation to site thresholds</li> <li>- Public Consultation on draft Core Strategy</li> </ul>	<ul style="list-style-type: none"> <li>- Attendance list and notes of the meeting included as an appendix to the study. Agreement on the parameters of the approach sought.</li> <li>- Suggested potential policy approaches based on viability evidence.</li> </ul> <p>Four Options considered included:</p> <ul style="list-style-type: none"> <li>- Option 1: low site size threshold;</li> <li>- Option 2: Low large site/medium small site size threshold;</li> <li>- Option 3: High site size thresholds;</li> <li>- Option 4: High large site/low small site thresholds.</li> </ul> <p>Option 2 was chosen as the preferred approach.</p> <ul style="list-style-type: none"> <li>- A bespoke schedule is available of all the representations on Affordable Housing on the Draft Core Strategy (2010) if required. However, an additional piece of research on the Affordable Rent Tenure was commissioned (March 2011).</li> </ul>
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## 6.0 - Appraisal Recommendations

- 6.1 **Appendix 1** sets out the issues raised at options stage as part of the Sustainability Appraisal process (CD4/A5) and the Council’s response.
- 6.2 The Equalities Impact Assessment (CD4/A15) addresses the issue of socio-economic inequality and providing affordable housing is a means of addressing this issue. However, the proportion of affordable housing that can be pursued is also limited by viability and the policy approach taken seeks to maximise the level of affordable housing while maintaining the viability of bringing forward housing development in the district.
- 6.3 The Health Impact Assessment (CD4/A14) and the Habitats Regulations Assessment (CD4/A16) do not raise any specific issues in relation to affordable housing policies.

<sup>5</sup> <http://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=272&MId=2712>

## 7.0 Core Strategy Policy Approach -

<b>Policy CP9 Affordable Housing Policy Summary</b>	
Site threshold of 10 dwellings or 0.5ha	<ul style="list-style-type: none"> <li>• 35% affordable housing as an average target</li> <li>• Higher proportions in higher value areas (up to max. 45%)</li> </ul>
Site threshold 5-9 dwellings or 0.25-0.49ha	<ul style="list-style-type: none"> <li>• 17.5% affordable housing as an average target</li> </ul>
Tenure split typically 75%/25% social rent/intermediate.	
Property Size and Mix	<ul style="list-style-type: none"> <li>• To be determined by the Council to reflect identified housing needs (as guided by the SHMA).</li> </ul>
All affordable units to be delivered on a grant free basis.	

7.0 **Table 2** summarises the evidence and reasoned justification for the policy approach in the draft Core Strategy (Policy CP9 – CD5/5).

**Table 2: Summary of Evidence and reasoned justification for Policy CP9**

Core Strategy reference	Evidence	Reasoned justification
<p><b>Policy preamble</b></p> <p>Core Strategy Para 6.73</p>	PPS3 (CD2/4)	This reflects the requirements for an affordable housing policy as outlined in PPS3.
Core Strategy Para 6.74	PPS3 (CD2/4)	This reflects PPS3. This paragraph was drafted before the introduction of the affordable rent regime and consultation on changes to PPS3. There may therefore be implications for the wording of this para especially regarding the definitions.
Core Strategy Para 6.75		

	SHMA table 4.11 and supporting text (CD4/H11)	
Core Strategy Para 6.76		Core Strategy Para 6.77
Core Strategy Para 6.78	B&NES Viability Study (Three Dragons – CD4/H8) – July 2010.	This Viability Study meets the requirements of PPS3 in terms of considering viability issues when setting policy and recent appeal decisions such as Blyth Valley.
Core Strategy Para 6.79	B&NES Viability Study (Three Dragons - CD4/H8) – July 2010.	Chapter 3 of this study outlines the “viability sub markets” for the district demonstrating the geographical variance in viability predominantly based around sales values. Some differentials around build costs are also noted (e.g. higher in prime Bath).
<p><b>Policy CP9 wording</b></p> <p><b>Large sites</b> Affordable housing will be required as on-site provision in developments of 10 dwellings or 0.5 hectare (whichever is the lower) and above. An average affordable housing percentage of 35% will be sought on these large development sites.</p> <p>This is on a grant free basis with the presumption that on site provision is expected. Higher affordable housing proportions (up to a maximum of 45%) may be sought in individual cases, taking account of:</p> <p>a) whether the site benefits from above average market values for the district; b) whether grant or other public investment may be available to</p>	<p>AMR 2007-2010 (CD5/10)</p> <p>B&amp;NES Viability Study (Three Dragons - CD4/H8) – July 2010.</p>	<p>The issue of site thresholds was discussed in some depth including at Council on 02/12/2010 when the draft Core Strategy (CD 5/5) was agreed for submission.</p> <p>PPS3 allows Local planning Authorities to set lower minimum thresholds where needed, viable and practicable. The overall 35% reflects the recommendation of the Viability Study on a grant free basis. See recommendation in paragraph 6.25 (i) of this study.</p> <p>The threshold of 10 dwellings reflects local evidence analysed as part of the viability study. As outlined in para 6.35 of the study:</p> <p><i>“The analysis of recent planning permission data suggests that for the District as a whole, 47% of all</i></p>

<p>help achieve additional affordable housing.</p> <p>In some cases the scheme viability may justify the Council accepting a grant free provision of affordable housing below the average of 35%. This may be applicable on schemes where market values are significantly below the district average or where the build costs are exceptionally high and taking into account whether grant or other public investment may be available.</p>		<p><i> dwellings will be developed on sites of less than 15 dwellings. In the larger settlements, currently covered by a 15 dwelling threshold, 45% of all dwellings will be developed on sites of less than 15 dwellings; in Bath this figure is 57%. In the smaller settlements, 39% of all dwellings will be developed on sites of less than 15 dwellings and 35% on sites of less than 10 dwellings.”</i></p> <p>The idea of a geographical split policy was raised as an option in the Core Strategy options consultation and is mooted in the viability study (para. 6.25 (ii) and (iii)). However, this policy approach is considered to be more flexible. Even within viability sub-zones identified in the viability study there are some sites which are more or less viable within these. This approach seeks to optimise the affordable housing that can be sought and could lead to more balanced communities spread evenly across the district.</p> <p>Furthermore, there are a number of issues associated with the geographical split approach which would make implementation problematic:</p> <ul style="list-style-type: none"> <li>- The boundaries of the various viability zones are difficult to meaningfully define and lack of definition to a street/house level on a proposals map would lead to practical problems of implementation.</li> <li>- In many of the viability zones with highest values e.g. environs of Bath the level of development anticipated is</li> </ul>
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<p><b>Small sites</b> Residential developments on small sites from 5 to 9 dwellings or from 0.25 up to 0.49 hectares (whichever is the lower) should provide either on site provision or an appropriate financial contribution towards the provision of affordable housing with commuted sum calculations. The target level of affordable housing for these small sites will be 17.5%, half that of large sites, in order to encourage delivery.</p> <p>In terms of the 17.5% affordable housing on small sites, the Council will first consider if on site provision is appropriate. In many instances, particularly in the urban areas of Bath, Keynsham, Midsomer Norton and Radstock the Council will accept a commuted sum in lieu of on site provision. This should be agreed with housing and planning officers at an early stage.</p> <p><b>Sub-division and phasing</b> Where it is proposed to phase development or sub-divide sites, or where only part of a</p>		<p>very limited. Therefore it would be disproportionate in terms of effort to identify and define these areas.</p> <p>The current policy allows for flexibility to respond to the viability differences highlighted in the study, while seeking an average of 35% for the whole district.</p> <p>The viability study recommends that it is justifiable on the basis of viability to significantly reduce the site threshold for affordable housing (para. 6.37). Potentially to the level of one dwelling, although in practical terms a lower threshold of 5 is recommended (para. 6.38).</p> <p>Evidence shows that based on trend data that small sites make up a significant proportion of supply in B&amp;NES (para. 6.35). Considering the importance of delivery and the desire to reduce the financial burden on smaller development sites for sites of 5-10 dwellings the proportion of on-site/commuted sum affordable housing the ask has been reduced by 50%.</p> <p>This lower threshold of 5 dwellings should decrease the time spent on negotiation compared to a lower threshold of 2 for example, but would still require negotiations with small scale developers dealing with sites of 5 and above. It would deliver an estimated extra 21% of dwellings when compared with the current policy thresholds</p>
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<p>site is subject to a planning application, the Council will take account of the whole of the site when determining whether it falls above or below the thresholds set out above.</p>		<p>contained in the Local Plan.</p> <p>Evidence in the Council’s AMR from 2007-2010 shows that a significant number of site applications are being submitted under the threshold for on-site affordable housing. This part of the policy is aimed at giving the Council the opportunity to challenge developers who are bringing forward sites on a piecemeal basis and there circumventing the affordable housing thresholds. The wording is based on adopted policy wording used by Wiltshire.</p>
<p><b>Tenure</b> The tenure of the affordable housing will typically be based on a 75/25 split between social rent and intermediate housing.</p> <p><b>Property Size and Mix</b> Residential developments delivering on-site affordable housing should provide a mix of affordable housing units and contribute to the creation of mixed, balanced and inclusive communities. The size and type of affordable units will be determined by the Council to reflect the identified housing needs and site suitability. The type and size profile of the affordable housing will be guided by the Strategic Housing Market Assessment and other local housing requirements but the Council will aim for at least 60% of the affordable housing to be family houses including some large 4/5 bed dwellings.</p>	<p>B&amp;NES Viability Study (Three Dragons - CD4/H8) – July 2010.</p> <p>SHMA table 4.11 (CD4/H11)</p> <p>PPS3 (CD2/4)</p>	<p>The SHMA evidence suggests that a 93% social rent, 7% intermediate split would best meet the affordable housing need. However, a more balanced approach in favour of more intermediate housing, dependent on affordability is favoured. This also reflects the recommendation of the Sustainability Appraisal.</p>

<p><b>Other</b></p> <p>All affordable housing delivered through this policy should remain at an affordable price for future eligible households. Affordable Housing should be integrated within a development and should not be distinguishable from market housing.</p>		<p>This reflects the findings of SHMA and future evidence can be used as necessary to justify the preferred size and tenure mix.</p>
<p><b>Delivery</b></p> <p>Affordable housing will be delivered in accordance with the Council's Housing Strategy (CD4/H4) or equivalent. The quantity, tenure balance and type/size mix of the affordable housing will be agreed with the Council's Affordable Housing Development Team, or equivalent, through the development management process.</p> <p>Applicants are recommended to hold early conversations with the Affordable Housing Development Team in order to agree the affordable housing provision and in particular the likely availability of public subsidy.</p> <p>In exceptional circumstances, where the applicant has demonstrated a scheme is not viable and this has been independently validated, the Council may consider the use of alternative mechanisms to achieve the full affordable housing requirement.</p> <p>Financial contributions towards</p>	<p>Housing Services</p>	<p>B&amp;NES Housing Services can demonstrate examples of such negotiations to deliver on site provision or affordable housing off-site including the use of commuted sums.</p>

<p>affordable housing secured from development will be used to meet the housing objectives set out in the Housing Strategy. Any such contribution will contribute to a fund to assist in the delivery of additional affordable housing by supporting a scheme that would otherwise not be viable, increasing the amount of affordable housing in a scheme beyond the grant free position (up to a maximum of 45%), increasing the proportion of larger family units, assisting in the funding of older persons or supported housing or to improve the quality of the affordable housing product on offer.</p>		
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**Appendix 1: Sustainability Appraisal of Affordable Housing options – including response**

<b>SA recommendation (Options 2009 – CD4/A5)</b>	<b>Response</b>
<p>The proposed policy framework on affordable housing addresses this issue and sets out a number of options for addressing housing need. It is difficult to appraise the sustainability of the options without having access to the strategic viability assessments (which are not yet completed). However, some general comments are included below.</p>	<p>Viability assessment now undertaken to underpin policy approach, which is differentiated and based on local evidence with considerations of requirements for balanced communities.</p>
<p>With regard to <u>geographical variation</u> option 1 would not allow for a policy to be developed which can be tailored to different areas. It is important that the policy is targeted towards meeting specific needs and option 1 would not be able to do this. Options 2 and 3 would be better at this but option 3 would be the most effective as it can also set minimum standards for larger sites where it should be possible to include a larger number of affordable homes.</p>	<p>The Council has adopted an average affordable housing target of 35% but recognise that there will be some parts of the district where more affordable housing can be delivered and other areas where less could be achieved. Therefore, a differentiated approach is still being advocated.</p>
<p>In terms of <u>proportion and tenure split options</u> the most effective options are the ones recommended by the SHMA or ones that are felt to be realistic. These would be proportion: options 2 or 3; and tenure split: options 1 or 3.</p>	<p>SHMA recommendations have been adjusted to represent a split conducive to a more balanced community.</p>

<p>In terms of <u>site thresholds options</u> it would not seem reasonable to expect self build projects to have an affordable housing obligation as these are usually 1 or 2 houses. Therefore option 1 would be more reasonable.</p>	<p>Single dwellings have been excluded in line with recommendation.</p>
<p><u>Mix options</u> should be defined on the basis of evidence collected by the council. This should take into account the current mix of the area and the services available. In areas with service deficiencies high density development is unlikely to be viable.</p>	<p>Generic policy to enable responsiveness to demographic change and local circumstances including character and accessibility is advocated. A more generic on this policy to cover all housing is also proposed.</p>