

PSM11

**South Gloucestershire
Core Strategy
Examination**

**Position Statement
for
Matter 11: Affordable Housing/
Rural Housing Exception Sites/
ExtraCare Housing**

May 2012

Matter 11 – Affordable Housing/Rural Housing Exception Sites/ ExtraCare Housing

Affordable Housing

Q1 Is the policy consistent with the Planning Framework?

Council response – Yes, the Council's view is that policy CS 18 is consistent with the National Planning Policy Framework (NPPF) subject to the change suggested to paragraph 10.28 at Appendix A to this statement to clarify the Council's approach to negotiating affordable housing.

1.1 The following examples are given to illustrate this:

- Paras. 17 bullet 3, 158 and 205 - the policy takes account of housing affordability; market and other economic signals, and the possibility of changes in market conditions over time
- Para. 50 bullet 3 - affordable housing need has been identified and policies set to meet this on site unless otherwise “robustly justified”; the policy also makes provision for regard to be had to market conditions
- Para. 54 – provision is made for rural exception sites
- Para. 159 – the Council has worked with neighbouring authorities to produce a Strategic Housing Market Assessment identifying the scale and mix of affordable housing required
- Paras. 173 and 174 – the policy does pay attention to viability and costs in recognition that development has to be deliverable and that the implementation of the plan should not be put at serious risk; it is also clear on the requirements for affordable housing.

Q2 Is the potential amount of affordable housing justified given the level of need identified?

Council response – Yes, the amount of affordable housing is wholly justified given the level of need identified.

2.1 The West of England (WoE) Strategic Housing Market Assessment (SHMA) June 2009 is the key evidence base for policy CS 18. The SHMA was undertaken in accordance with government guidance (SHMA CLG Practice Guidance v2 August 2007).

2.2 The SHMA demonstrates that in South Gloucestershire, 903 new affordable homes are required annually from 2009 – 2021 to meet identified housing need. Theoretically this would constitute 67% of the completions proposed in South Gloucestershire under policy CS 15 in the 2011/21 period. Clearly as affordable housing provision mostly relies on S.106 obligations, the SHMA should therefore be seen in this context.

- 2.3 To emphasise this it should be noted that in the three years 2009/10 – 2011/12, an average of 297 affordable homes per annum were delivered and in the immediate future supply is likely to remain limited.
- 2.4 Need also appears to be intensifying in the current economic climate. Currently there are over 9,800 households who are registered with the Council for affordable housing and these numbers increased by 1,000 between 2011 and 2012 alone. Approximately 4,000 of these households are identified as being in urgent need.
- 2.5 In conclusion the Council considers that the proposed requirement for 35% affordable housing is fully justified.

Q3 Is criticism of the affordable housing policy to ‘require’ 35% on-site provision reasonable given that the supporting text (para 10.27) acknowledges that the economic viability of sites will be a factor to be taken into account?

Council response – No, the Council’s view is that criticism of the requirement for 35% on- site provision of affordable housing on the basis of economic viability is unreasonable. The target is justified by our assessment of the level of affordable housing that sites can reasonably bear and the need to be clear about the figure being sought.

- 3.1 The requirement for 35% affordable housing to be provided on site is supported by the recommendations of the *Economic Viability Assessment- Affordable Housing Policy, August 2010* . The study was undertaken in respect of draft policy CS18 by the District Valuer Service (DVS). The assumptions underpinning the study are currently being reviewed and will be available for the discussion on Matter 11.
- 3.2 The study recognised the lack of viability of some sites at 35% affordable housing in current market conditions. However, it concluded that the delivery of a 35% affordable housing target is a “*perfectly reasonable approach for the Council to adopt in the immediate short term in order to achieve mixed and balanced communities*”. It did make the point that “*other financial support would need to be put in placeand a combination of measures is likely to be required on some sites*”. On other sites it will still be possible to achieve 35% at current price levels without subsidy.
- 3.3 Given the above uncertainty, the study recommended that Core Strategy policies “*allow for sites to be considered on an individual scheme-by-scheme basis with a full viability appraisal if necessary*”. Draft policy CS18 provides for that to take place and the supporting text makes clear that if additional funding is not forthcoming then the Council may negotiate a lower level of affordable provision and/or a different housing mix or tenure type, whilst agreeing a mechanism to deliver the waived units up to 35% should additional funding become available or a deferred contribution if viability improves.
- 3.4 It is important to set a specific percentage requirement to give clarity to developers and landowners of the policy expectations. This ensures that all parties can be confident that on the one hand, the maximum amount of affordable housing that is viable will be delivered, and on the other that viability issues will be properly taken into account.

- 3.5 It is acknowledged that there may be a resource cost of carrying out viability assessments on an individual site basis but there is also a cost and a potential detriment in forgoing a higher level of affordable housing provision where it is achievable because the affordable housing percentage target has been set too low.
- 3.6 In conclusion the Council's view is that the requirement for 35% affordable housing is justified in the context of the flexibility that the policy offers. Housing markets are notoriously volatile and policies need to look to the medium and longer term and not simply to the present.

Q4 Should there be more flexibility in the policy to recognise the constraints on affordable housing supply because of present economic difficulties?

Council response – No – the Council's view is that the policy is already flexible enough to accommodate these constraints.

- 4.1 Whilst the policy is clear in its expectation that 35% affordable housing is required, there is provision for developers to demonstrate that the full requirement is not viable, with appropriate supporting evidence.
- 4.2 Where scheme viability prohibits the full provision of affordable housing, the Council may support the introduction of grant funding or other subsidy to top up the developer subsidy to achieve the full 35% requirement. Alternatively it may negotiate a different tenure type or housing mix, or a lower percentage of affordable housing.
- 4.3 The Council is prepared to re-negotiate planning agreements, including the affordable housing contribution, where viability has been jeopardised due to economic circumstances and has done so on several large, multi-phased sites that were stalled.
- 4.4 The policy therefore already includes adequate flexibility to recognise the constraints caused by the present economic difficulties.
- 4.5 In its December 2011 Post-Submission Changes the Council has also already proposed changes to CS 18 to ensure the use of the different types of affordable housing, as defined in Annex 2 of the NPPF, to maximise appropriate provision. It has now proposed in Appendix A further modifications to Para. 10.28 of the Core Strategy supporting text to provide additional guidance to developers on affordable provision in advance of more detailed guidance which it is anticipated will be contained in a revised affordable Housing Supplementary Planning Document.

Q5 How closely should affordable housing provision be reliant on future increases in house prices (para 10.32)?

Council response – The economic viability of sites on which affordable housing provision is dependent will ultimately be affected by a whole range of issues including not only the overall economic climate, in which the state of the housing market is one element, but also on more site specific factors. Given this, it is not possible to simply tie affordable housing provision on particular sites to changing house price levels although generally the level of prices will provide a market framework for all sites.

- 5.1 Affordable housing provision is one element, albeit, a significant one, of a wider range of gross development costs which developers need to consider, in proposing the development of a site. Such costs will vary across different types of sites and in that sense the amount of affordable housing provision that it will be possible to provide will vary, depending in part on other costs that have to be borne, and not simply on increases in house prices.
- 5.2 However, the ability to finance affordable housing and other infrastructure costs and planning obligations is ultimately dependent on the anticipated gross development value of the site. This in turn will be dependent on the projected market value of the development which will be a product of location and the type of proposed development, for example dwelling numbers, density, house type, and any commercial elements included in the development.
- 5.3 Therefore, the vitality of the housing market at any point in time, the prices which dwellings can command, and the impact these have on gross development values is likely to always be a significant factor in determining how far developers can meet not only, the requirements of affordable housing provision, but also other infrastructure costs and planning obligations.
- 5.4 The Council's study, *Economic Viability Assessment- Affordable Housing Policy* (Examination Library reference EB16) clearly illustrates this point when identifying the viability and non-viability of sites in respect of differing house price levels. The Council's policies also acknowledge this in providing for different levels of affordable housing, depending on market conditions and other development costs. However, the Council does not believe that it is possible to specify a precise relationship between increases in house prices and the quantum of affordable provision.

Q6 Off-site or financial contributions in lieu of on-site affordable provision will be considered in exceptional circumstances. Is there a need to clarify what factors might be taken into account?

Council response – The Council's view is that it is not necessary to clarify formally the factors to be taken into account, particularly as sites are normally considered on their specific merits, often having special circumstances which are difficult to generalise and capture in policy. However, the following points are relevant to this issue and/or are illustrative of the circumstances where an off-site contribution might be accepted.

- 6.1 Off-site provision or a broadly equivalent financial contribution in lieu of on-site provision would not normally be accepted in South Gloucestershire unless “robustly justified”, in accordance with NPPF para 50.
- 6.2 It is very rare in South Gloucestershire that on-site provision of affordable housing could not be provided and therefore it is normally difficult to justify off- site provision or a financial contribution. Since 2007 there have only been four sites where a financial contribution has been accepted in lieu of on-site provision; there have been no instances of alternative off-site provision directly linked to the development in question.
- 6.3 Some of the key factors that might justify a financial contribution in lieu of on-site provision are:

- Specialist housing developments such as Extra Care or sheltered housing where the percentage of affordable housing would not deliver a viable scheme because of the small size of the scheme; or
- Where following a viability assessment the subsidy available is not enough to deliver a single affordable home; or
- Where the affordable housing sought is different in type to the main part of the housing development and generates different planning requirements which it is not possible to meet.

6.4 There is a further critical factor when considering this issue and that is land availability. Even if the Council were to accept more financial contributions in lieu of on-site development, there is a shortage of suitable sites on which to deliver the replacement affordable housing. This would further delay the affordable housing delivery at a time when housing need is sharply increasing.

Rural exception sites

Q7. Is there sufficient flexibility in the policy to permit additional development in rural communities to address local needs identified through Neighbourhood Plans or local initiatives?

Council Response - Yes, subject to a suggested change to the Policy CS19.

- 7.1 The principal local need for housing in the rural areas of South Gloucestershire is for affordable housing. For this reason the rural housing exception sites policy (Policy CS19) is concerned with the delivery of affordable housing and does not provide exceptions for market housing only sites.
- 7.2 In the past the delivery of affordable housing through the Policy H7 (Rural Housing Exception Sites Policy) of the South Gloucestershire Local Plan (Library Ref: LR1) has been very limited. The Council's view is that the introduction of a new provision at paragraph 54 of the NPPF, allowing the inclusion of a small element of market housing to facilitate the successful delivery of affordable housing, will be a valuable new method of increasing the delivery of affordable homes in the rural areas. This new provision is incorporated into the Post-Submission version of Policy CS19 (Rural Housing Exception Sites Policy). The Council notes that Policy CS19 could also potentially deliver further market housing to meet local needs in the rural areas, albeit on a small scale.
- 7.3 Upon further consideration the Council has concluded that by restricting the application of Policy CS19 to villages with settlement boundaries only, it prevents the use of this policy for Neighbourhood Planning initiatives relating to rural settlements without such boundaries. This is because Policy CS19 provides South Gloucestershire's strategic policy for rural housing exception sites and Neighbourhood Planning is required to be in general conformity with the strategic policies in the development plan for the area. Consequently the Council is now suggesting that Policy CS19 is further amended so that it can apply to all rural settlements. The suggested amendments to the Policy and consequential changes to the supporting text are set out in Appendix A to this paper.

- 7.4 Policy CS19 is not the only route by which local needs identified by Neighbourhood Planning and local initiatives can be addressed. Land for local needs affordable housing and/or local needs market housing could be allocated in a Neighbourhood Plan and the Community Right to Build initiative could also be used to deliver local needs affordable housing.
- 7.5 A further route to the delivery of local needs affordable and market housing identified through local initiatives would be through allocations made in the Policies Sites and Places DPD. This route is signposted in the Core Strategy at paragraph 16.4, where it states that communities will be encouraged to undertake local housing need surveys, prepare parish plans to set out the future needs and aspirations for their communities and to help inform the future review of settlement boundaries and the preparation of the Policies Sites and Places DPD.
- 7.6 Paragraph 10.49 of the Core Strategy states that consideration will be given to allocating Affordable Housing Only Sites in the Policies Sites and Places DPD, if rural affordable housing is not delivered in sufficient numbers through Neighbourhood Planning, Policy C19 and Policy CS18 (Affordable Housing). Policy CS34 (Rural Areas) confirms that both the review of the settlement boundaries and the production of the DPD will involve engagement with local communities and other stakeholders/partners
- 7.7 In conclusion the Council considers that with the suggested amendment to Policy CS19, set out in Appendix A, there is sufficient flexibility in the Policy to permit additional development in rural communities to address local needs identified through Neighbourhood Plans or local initiatives. In addition there are other routes which will facilitate the delivery of development to meet local needs - such as other Neighbourhood Planning options and the Policies Sites and Places DPD. The Inspector is respectfully asked to take the matters set out in this paper into consideration

Extra care housing

Q8 What evidence is there to support the provision of 35% of units as a proportion of affordable housing provision in specified locations in the North Fringe and Yate?

Council response – NPPF states (para 50) that Planning Authorities should ‘plan for a mix of housing based on current and future demographic trends and the needs of different groups in the community (such as older people)’. The Council’s view is that it is essential that our new neighbourhoods should include housing for older people and is therefore requiring each of the new neighbourhoods to include an ExtraCare housing scheme. ExtraCare housing is subject to CS18 and should therefore, subject to viability, provide 35% affordable housing.

- 8.1 The SGC Joint Accommodation and Care Strategy (March 2006) identified the need to achieve the following outcomes:
- Reduce admissions into residential care
 - Reduce the number of hospital admissions

- Increase the number of older people enabled to remain independent in their own homes.
- 8.2 The strategy states that approximately 4% of South Gloucestershire’s older population, 1800 people, currently live in sheltered accommodation provided by registered providers. Some sheltered housing does not meet current standards (i.e. lifetime homes, mobility standard) and is not considered to provide the most appropriate accommodation to meet the needs of older people as they age.
- 8.3 There is a wide range of evidence to demonstrate the rapidly increasing number of older people:
- the over 65 population is estimated to grow by approximately 2% or 11,000 by 2020, when 18.67% of the total population of South Gloucestershire is projected to be over 65 (*Projecting Older Peoples Population Information System (POPPI)- Institute of Public Care – South Gloucestershire population by age*)
 - The WoE SHMA (pp 182-184) indicates that South Gloucestershire has the lowest existing provision of Extra Care housing in the sub-region and yet the greatest need. South Gloucestershire is projected to have the highest percentage increase in people with dementia in the West of England by 2025 (63%, table 10.7).
 - Table 10.6 of the SHMA indicates a requirement of 695 Extra Care units to reach a target of 12 per 1,000 of all dwellings by 2026
 - To date 200 affordable ExtraCare homes have been developed in South Gloucestershire, providing accommodation for up to 307 people at any one time. Since January 2011 there have been over 400 applications, resulting in 185 lets, 46% of which went to existing housing association tenants.
- 8.4 The review of existing sheltered housing, the projected increase in the numbers of older people living with a long term illness or disability and the need to reduce residential care and hospital admissions justify the provision of ExtraCare housing sufficient to meet the need.
- 8.5 ExtraCare Housing falls under planning use class C3 and therefore policy CS18 applies, requiring 35% of any Extra Care scheme to be affordable units, “ *where viable and appropriate*”.
- 8.6 The Cribbs/Patchway New Neighbourhood has been enlarged to incorporate the Filton Airfield site. This New Neighbourhood is already required to provide for an ExtraCare Housing scheme. No increase in the level of ExtraCare provision is required.

Q9 How will the level of provision in other locations be determined?

Council response – In accordance with NPPF para 50, the Council is planning for a mix of housing across the District to meet the needs of the different groups in the community, of which older people are an important and growing part. ExtraCare housing is required to be provided as part of the New Neighbourhoods, in order to guarantee a minimum level of provision to meet need. This and any additional private sector-led schemes that come forward in addition, are required to provide affordable housing under CS policy 18.

- 9.1 The SHMA evidences need across the whole of South Gloucestershire, so the new neighbourhoods should provide locally a proportional amount of the District-wide need for ExtraCare housing in sustainable locations, so that a minimum level of provision that meets need can be reasonably expected to be delivered.
- 9.2 If in addition, private sector-led ExtraCare developments come forward in other locations across the District, they will be expected to meet the requirements of CS18 and therefore (subject to viability) should provide 35% affordable housing.

Appendix A

Suggested Modifications to Matter 11

Policy / Para	Proposed Modification	Justification	Main (M) or Additional (A) Modification
10.28 (p115)	<p>The definition of affordable housing is as set out in <u>national policy PPS3: Housing (Appendix B)</u>, and includes both social rented housing, <u>affordable rented</u> and intermediate affordable housing. <u>In line with the 2009 West of England Strategic Housing Market Assessment the priority provision for affordable housing need was shown to be for social rent and intermediate housing in a 80:20 ratio, or as updated by future housing market assessments. This will normally be the starting point for negotiations in respect of Section 106 provision of affordable housing.</u> Where <u>it is proposed that affordable rent is provided, and where funding arrangements permit, it should generally be as part of a wider mix of affordable provision to include social rent and intermediate housing, and should be used to maximise the provision of affordable housing on a development site. This variety will help ensure that provision contributes to mixed and balanced communities and provides a fuller range of size and types of affordable housing, available to a cross section of households within their means.</u> <u>In addition, where affordable rent housing is provided, flexibility will be sought to provide such affordable rent housing at rent levels that are best suited to prevailing local levels of income, minimising reliance on benefits, whilst seeking to achieving achieve a policy compliant percentage of affordable housing.</u></p>	Clarification	A
Policy CS19 (Page 119)	<p>Proposals for permanent affordable housing to meet an identified local need (including a small element of market housing where this will facilitate the successful delivery of the affordable housing) will be permitted as an exception within or adjoining the settlement boundaries of villages defined on the Proposals Map, or on sites that are well related to villages that have defined settlement boundaries. <u>on sites where market housing would not normally be acceptable</u></p> <p>Proposals should be:</p> <ul style="list-style-type: none"> • supported by an approved housing needs survey; • <u>well related to a rural settlement</u> • modest in scale and in keeping with 	To enable Policy CS19 to apply to all rural settlements, for clarity and to correct an error.	M

Policy / Para	Proposed Modification	Justification	Main (M) or Additional (A) Modification
	<p>the form and character of the settlement and local landscape setting; and</p> <ul style="list-style-type: none"> supported or initiated by the appropriate Parish Council. <p>Permission will be subject to conditions, or a legal obligation will be negotiated, to ensure that <u>the affordable housing is reserved in perpetuity for those in local affordable housing need. Such provision will normally be delivered without public subsidy.</u></p>		
Para 10.42 (P120)	<p>This policy allows.....<u>This policy will deliver both 100% affordable housing sites and sites where it can be satisfactorily proved that a small element of market housing will facilitate the delivery of affordable housing to meet identified local housing need where sufficient public subsidy is unavailable</u> an identified local affordable housing need, <u>subject to the proposals fulfilling the other policy requirements. Proposals containing....needs survey.</u></p>	For clarity	A
Para 10.43 (P120)	<p>Proposals which are not within or adjoining a defined settlement boundary to a village must be well related, in terms of their physical proximity and design, to an existing <u>rural settlement</u>. village with a defined settlement boundary.</p>	Consequential change arising from changes to Policy CS19	A
Para 10.44 (P120)	<p>The identification of.....an appraisal of the whole <u>rural settlement(s) village(s)</u> concerned and communities/parishes concerned.</p>	Consequential change arising from changes to Policy CS19	A
Para 10.44 (P120)	<p><u>Where proposals include an element of market housing, the design of the site and individual units should ensure integrated integration with the affordable housing.</u></p>	Grammar correction	A
Para 10.45 (P120)	<p>Development proposals should be.....guidance covering the <u>rural settlement</u> village or parish (or group of <u>rural settlements</u> villages or parishes) from people who are or have been closely connected with the <u>rural settlement</u> village/parish (or group of <u>rural settlements</u> villages or parishes) due to.....survey.</p>	Consequential change arising from changes to Policy CS19	A