

Matter 11: Affordable Housing (Policy CS18)

Is the policy consistent with the Planning Framework / Is criticism of the 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?

- 1) For the reasons set out below, RPS contends that the Policy is not consistent with the key messages and guidance set out in the National Planning Policy Framework (NPPF).
- 2) Policy CS18 requires relevant development proposals to provide 35% affordable housing across the plan period without having any regard to the current economic difficulties which are likely to affect the viability of the majority of schemes at the start of the plan period. In recent years South Gloucestershire Council has been obliged to renegotiate S106 Agreements relating to several large Local Plan sites as the level of agreed obligations impeded the delivery of the sites due to the recession. The relevant S106 Agreements were based on 33.3% affordable housing provision which was later reduced through negotiation (as low as 15% on some sites to ensure immediate delivery). Little has changed; landowners are still seeking high land values, the availability of finance is constrained and build costs are increasing in response to more stringent sustainability/energy efficiency requirements. Therefore seeking a flat 35% affordable housing provision is not justified having regard to local circumstances (the current affordable housing target of 33.3% as required under Local Plan Policy H6 is not achievable) and it underlines the need for a more reasonable housing target to be set for the initial years in the plan period.
- 3) The Council's Economic Viability Assessment (2010) confirms that the 35% target is predicated on house sale prices being 110% or 120% of valuations in 2010 (the date of the Council's economic viability assessment)¹. Moreover, the Economic Viability Assessment also acknowledges that the proposed 35% affordable housing requirement is not viable in respect of the majority of selected sites in South Gloucestershire based on house sale figures in May 2010:

*"Considering the '100%' Sale Price figure as at 1st May 2010, and applying 30% to 40% affordable housing levels, the overall viability of sites is not generally high only seven of the 18 sites being either viable or marginal at 30% and six sites at 35%. This is a reflection of the current state and uncertainty of the property market."*²

- 4) Therefore viably achieving the 35% affordable housing target is reliant upon a buoyant housing market (relative to any variables affecting development costs) where there is sufficient availability of finance for purchasers to pay increased house prices. Currently this prospect appears unrealistic given that recent Bank of England

¹ Economic Viability Assessment: Affordable Housing Policy (August 2010), Paragraph 9

² Economic Viability Assessment: Affordable Housing Policy (August 2010), Paragraph 9

economic forecasts have suggested lower than previously anticipated levels of growth in the short-term.

- 5) Having regard to the above, it is submitted that seeking a largely unachievable affordable housing target (35%) during the initial years of the plan departs from guidance set out in the NPPF which states that sites and development identified in development plans should “... *not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened.*”³
- 6) Furthermore, whilst the Economic Viability Assessment also confirms that higher sales values are necessary in the vast majority of circumstances, that assessment does not factor in any increase in development costs over time. In particular, it only assesses the requirement for housing schemes to achieve Code for Sustainable Homes (CfSH) Level 3 and makes no allowance for the costs of achieving CfSH4 from 2013 as required under Policy CS1. Likewise the viability assessment does not account for costs associated with exploring and/or achieving the District Heating Measures outlined in Policy CS4 or more onerous requirements in future iterations of the Building Regulations.
- 7) This approach does not accord with Paragraph 174 of the NPPF which requires Local Planning Authorities to assess the cumulative impacts of proposed local standards on the delivery of development:

“Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.”⁴ (Emphasis added)

- 8) Therefore it is contended that the evidence base underpinning the affordable housing target is not sufficiently robust to justify the imposition of the 35% affordable housing target at the start of the plan period.
- 9) Although Policy CS18 acknowledges that economic viability will be taken into account in seeking the affordable housing target, this still requires applicants to demonstrate that the scheme is not viable and to enter negotiations with the Local Planning Authority to determine an appropriate level of affordable housing provision. This is an inherently onerous task that is time consuming, resource intensive and costly owing to the need for all costs to be identified, a viability report to be prepared

³ NPPF, March 2012, Paragraph 173

⁴ NPPF, March 2012, Paragraph 173

and extensive dialogue between the applicant, the Council and respective consultants.

- 10) Indeed if there is little prospect of the 35% target being achieved at the start of the plan period, the viability assessment process and associated negotiations in respect of the level of affordable housing provision represents an administrative obstacle to the delivery of development. This approach contravenes the provisions set out in Paragraph 14 of the NPPF which requires local planning authorities to “*positively seek opportunities to meet the development needs of their area*” when preparing plans. Furthermore Paragraph 19 confirms:

“The Government is committed to ensuring that the planning system does everything it can to support sustainable economic growth. Planning should operate to encourage and not act as an impediment to sustainable growth. Therefore significant weight should be placed on the need to support economic growth through the planning system.”

- 11) Having regard to the above extracts from the NPPF, it is clear that the pursuance of an unrealistic affordable housing target (35%) during the initial years of the plan when there is little likelihood that this target will be met does not support or encourage the delivery of economic growth. This needs to be addressed if the plan is to conform to the provisions within the NPPF.
- 12) In conclusion, the Core Strategy’s reliance on delivering affordable housing using a fixed affordable housing target of 35% across the plan period is not sufficiently flexible to account for current economic circumstances nor does it provide a stimulus to accelerate housing delivery across the District in the short-term. The pursuance of such a high affordable housing target at a time when sales prices are relatively stable and the viability of many schemes is fragile runs contrary to provisions within the National Planning Policy Framework

Is the level of affordable housing justified given the level of need identified?

- 13) RPS does not necessarily challenge the requirement to deliver affordable housing; indeed we have consistently argued that the Core Strategy needs to embrace a facilitatory approach to affordable (and market) housing delivery by increasing overall housing targets. However one must consider, in light of the current economic difficulties, if seeking a flat rate of affordable housing provision (35%) across the lifetime of the Core Strategy will achieve the Government’s objective of removing obstacles to housing delivery and promoting economic growth.
- 14) It is submitted that rather than seeking a high rate of affordable housing across the plan period, the Core Strategy should seek to increase the level of affordable housing supply by promoting additional housing growth.

Need for more flexibility in the policy to recognise the constraints on affordable housing supply because of present economic difficulties

- 15) RPS recognises that the 35% target is an expression of intent to be achieved over the course of the plan period. It may well be that 35% is achievable in time but prevailing economic difficulties coupled with low economic growth forecasts in the short term means that achieving the above affordable housing target at the start of the plan period is not possible. There is little value in setting a target that cannot realistically be achieved on any site in the next five years. The Council's resources will be stretched by having to assess the viability of each and every site that comes forward under a planning application for viability.
- 16) It is therefore recommended that the Core Strategy proposes a lower affordable housing target at the start of the plan period with provision for this to be periodically reviewed and increased later in the plan period to reflect projected improvements in economic conditions. This approach has been adopted by many Local Planning Authorities throughout the country in response to the challenging economic circumstances and poor housing delivery rates. Similarly, the NPPF encourages affordable housing standards to be kept under regular review: *"Any affordable housing or local standards requirements that may be applied to development should be assessed at the plan-making stage, where possible, and kept under review."*⁵
- 17) Shropshire Council's Adopted Core Strategy promotes such an approach to determining affordable housing delivery rates. The Core Strategy (Policy CS11) confirms that the affordable housing target for open market developments will be established annually by the Council (with input from a developer panel) using the Shropshire Dynamic Viability Index (DVI). The 2010/2011 DVI envisaged a target of 25% affordable housing. The Inspector's Report (February 2011) on the examination of the Core Strategy confirmed:
- "SC (Shropshire Council) may be one of the first authorities to establish this in what is its own plan for the county. However, its evidential basis in terms of relating to the changing viability of development over time seems to offer a sounder approach than that of a fixed and immutable target in a CS policy for a period of the plan. The DVI approach is fully supported not only by SC and legal opinion, but also by all the house-builders who appeared at the hearing sessions, and was hot seriously challenged in any other representations. All the evidence and debate at the hearing sessions confirms that this approach is deliverable and justified..."*⁶
- 18) Whilst adopting a similar approach to Shropshire Council will require South Gloucestershire Council to undertake regular reviews of affordable housing viability rates, it is likely to be far less resource intensive than if developers/site owners approach the Council with individual sites seeking to prove that the sites cannot viably delivery 35% affordable housing. This was illustrated at Harry Stoke where the

⁵ NPPF, March 2012, Paragraph 177

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current affordable housing requirement of 33.3% could not be viably delivered and negotiations to agree a reduced level of provision took approximately two years.

- 19) This flexible approach to affordable housing delivery will act as a stimulus for economic growth and will bring sites forward without delay and in doing so deliver affordable homes sooner and in a greater supply.

⁶ Shropshire Core Strategy Inspector's Report, 07 February 2011, Paragraph 67