

AFFORDABLE HOUSING AND LOCAL DEVELOPMENT FRAMEWORKS

Developing an evidence base



June 2010

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Developing an evidence base

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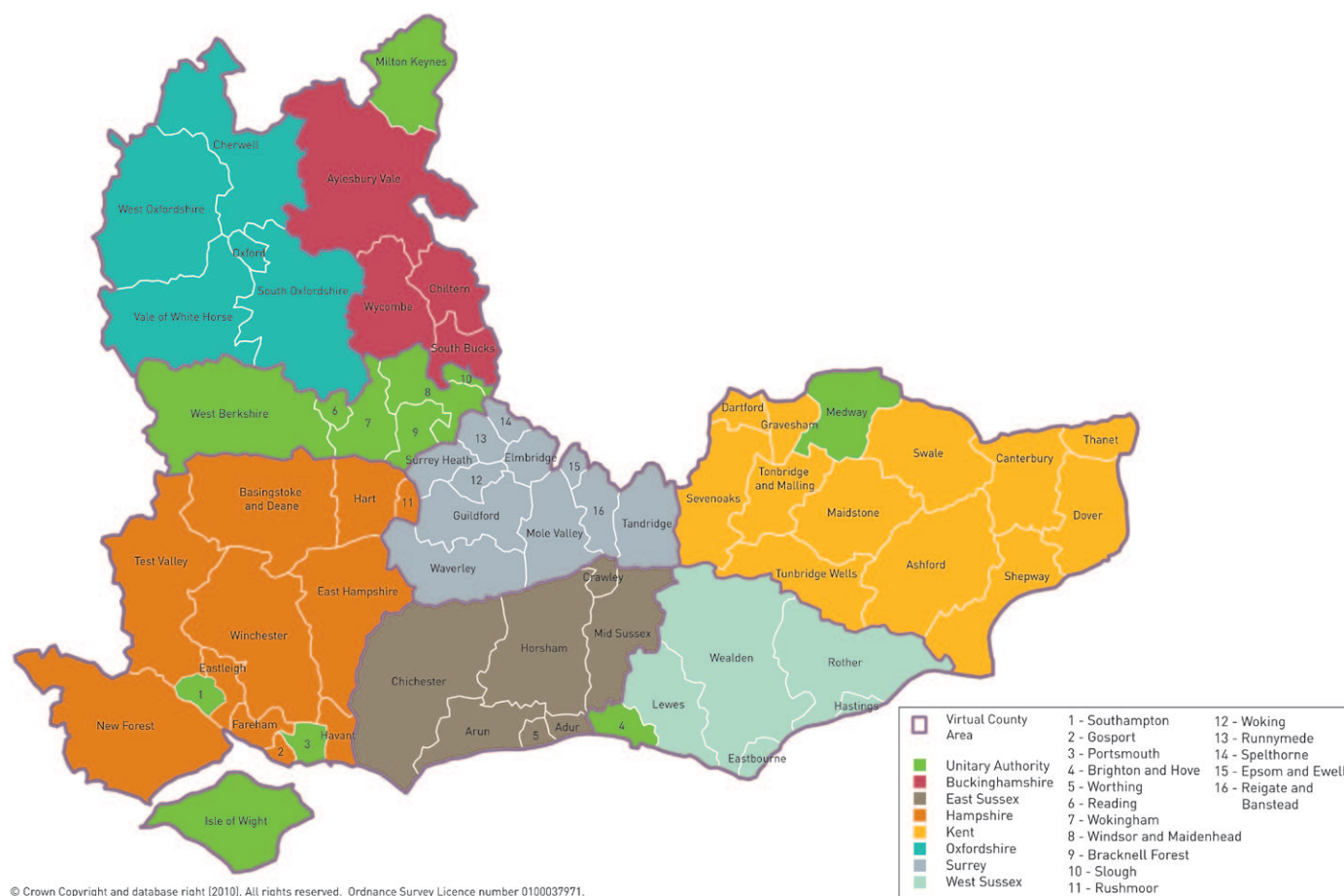
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CONTENTS

| | | |
|-----|--|----|
| 1. | INTRODUCTION | 4 |
| 2. | WHAT TO COVER IN THE LOCAL DEVELOPMENT FRAMEWORK | 6 |
| 3. | WHAT LOCALLY RELEVANT EVIDENCE IS REQUIRED? | 9 |
| 4. | WHAT IS THE ROLE OF LOCAL AUTHORITIES IN PROVIDING AFFORDABLE HOUSING AND WHO GETS ACCESS TO AFFORDABLE HOUSING? | 16 |
| 5. | HOW TO ASSESS THE NEED FOR AFFORDABLE HOUSING | 20 |
| 6. | LOCATING AFFORDABLE HOUSING AND THE ROLE OF THE STRATEGIC HOUSING LAND AVAILABILITY ASSESSMENT | 26 |
| 7. | DELIVERY AND VIABILITY | 32 |
| 8. | SITE SUPPLY AND THRESHOLDS | 50 |
| 9. | HOW TO USE THE EVIDENCE BASE TO DEVELOP POLICY | 52 |
| 10. | HOW BEST CAN LOCAL AUTHORITIES WORK WITH OTHERS? | 73 |
| 11. | MONITORING PROGRESS | 76 |
| 12. | GLOSSARY | 84 |

1. INTRODUCTION

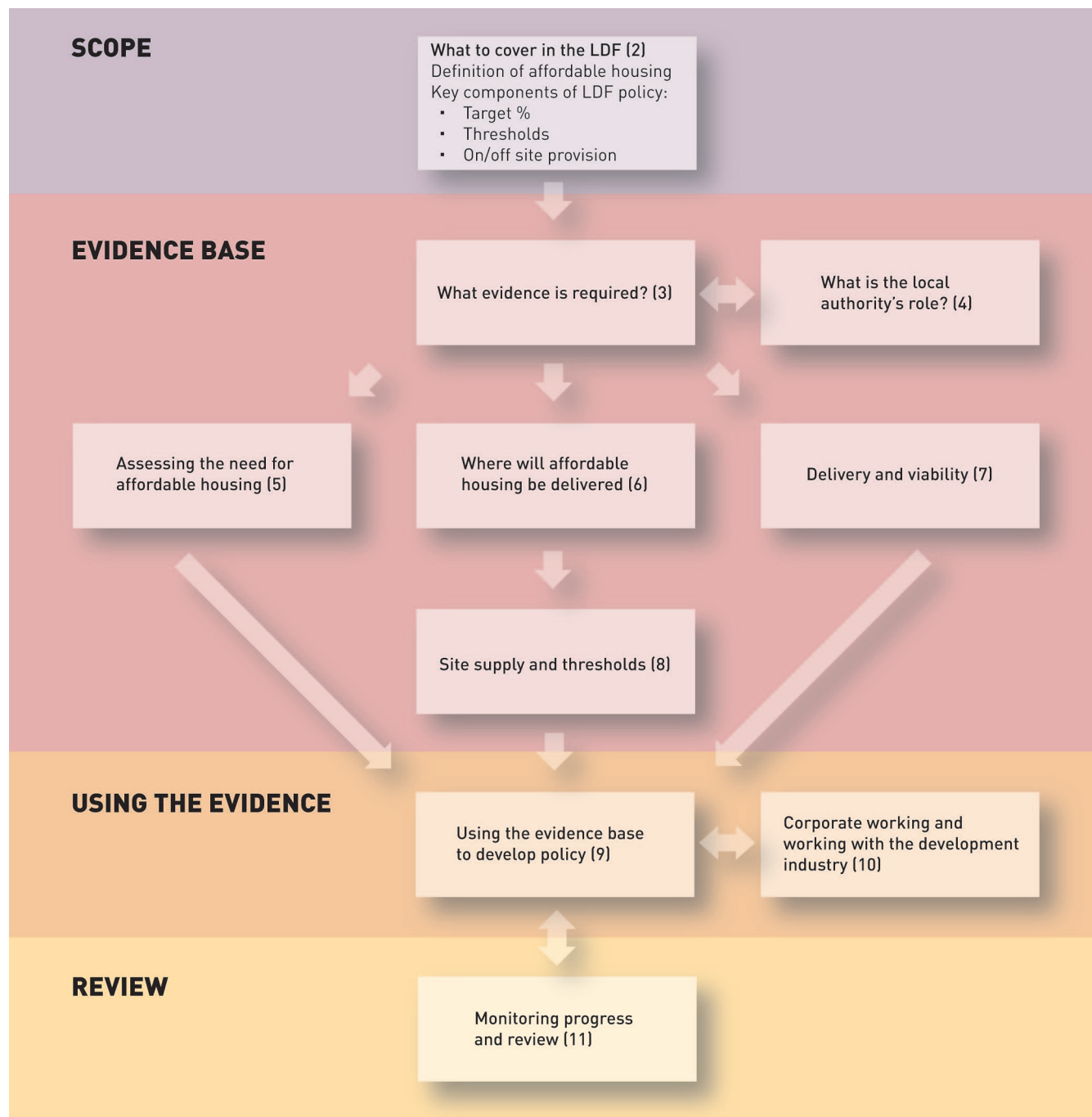
Local development frameworks (LDFs) need to be underpinned by a credible and robust evidence base that is capable of standing up to scrutiny at a public examination. In drawing up the spatial strategy for their area, local authorities must take into account a wide range of information and policies and strategies, including the authority's sustainable community strategy.

The South East England Partnership Board provides a number of guides to help with a number of specific aspects of LDFs. The focus of this guide is affordable housing¹, but also stresses that the approach to affordable housing must be in the context of planning for mixed communities and market housing.

The planning system has a central role to play in the delivery of affordable housing. A critical first step in the process is for local authorities to have ambitious but realistic policies set out in their LDF that are backed up by effective implementation procedures.

This guide identifies the main components of an affordable housing evidence base and shows how these can be used to inform policies set out in a LDF. It gives advice on how policies can be taken forward into implementation and how progress towards their implementation can be monitored and policies reviewed if needed. It

¹ The definition of affordable housing used throughout this guide is that shown in PPS3: Housing (November 2006) in Annex B. See Section 2 for more information.





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also provides examples of policies in the South East which have been found to be sound.

The guide has been produced with local authority officers in mind – especially planning and housing officers – and for local councillors with a special interest in affordable housing. The guide may also be useful to the wider development industry and for others interested in providing more affordable housing in the South East.

The structure of the guide is shown on the diagram above, with the numbers of the sections that follow, below, labelled so you can refer to them individually if you have a specific area of interest. The final section of the guide is a glossary, which starts on **page 84**.

2. WHAT TO COVER IN THE LDF

As well as providing a definition of affordable housing, this section sets out the potential scope of LDF policies for affordable housing, in the wider context of planning for mixed communities. The section sets the scene for consideration of the evidence base described in the guide. Section 9 of the guide on [page 52](#) provides details on how to use the evidence to draw up an LDF affordable housing policy.

Setting the scene: taking an all-market approach and mixed communities

Achieving mixed communities a priority, and local authorities should consider the whole housing market and make provision for market housing as well as affordable housing in developing their local development framework (LDF). Key characteristics of a mixed community are a variety of housing, particularly in terms of tenure and price, and a mix of different households such as families with children, single-person households and older people.

In this context, the delivery of new affordable housing through the planning system has become increasingly important as spatial planning has taken on a more holistic approach. Core strategies set out an overall vision for the local authority as a whole, into which fit more

detailed policies about the delivery of affordable housing. An example of this holistic approach is given below.

Hastings

The core strategy is at the heart of the local development framework and describes a vision for the kind of place we want the town to be by 2026. It will not be concerned with individual development sites or specific details. Its purpose is to set an overall framework for the future of the town. It ensures all development is consistent with our community strategy and provides an analysis of the challenges and opportunities facing the town.

Taken from Hastings Borough Council Core Strategy – Issues and Options, 2009 www.hastings.gov.uk

How is affordable housing defined?

The definition of affordable housing used throughout the guide is that set out in Planning Policy Statement 3: Housing (2006) and the South East Plan. Affordable housing is defined as social rented housing or intermediate housing for eligible households whose needs are not met by the market.



PPS3 definition of affordable housing

Affordable housing:

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing:

Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. The proposals set out in the Three Year Review of Rent Restructuring (July 2004) were implemented as policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant.'

Intermediate affordable housing:

Housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (eg HomeBuy), other low cost homes for sale and intermediate rent.

The definition of affordable housing does not distinguish between the type of organisation that provides the housing. They can include private sector bodies and affordable housing provided without grant funding. However, low-cost market housing cannot, for planning purposes, be included as affordable housing.

Local authorities need to consider what costs they consider are affordable for intermediate housing (in light of local incomes and house

prices). Section 4 from [page 16](#) provides further information on this (also see Section 9 from [page 52](#) which discusses the kinds of information that can be included in supplementary planning documents).

Intermediate sale products include HomeBuy (eg HomeBuy Direct and New Build Homebuy) and intermediate rent. HomeBuy Direct is a shared equity product that is currently only available on certain newly-built schemes. The

equity loan is part funded by Government and part by the developer. New Build HomeBuy is a shared ownership product that is available on S106 schemes from housing associations (although in the current housing market there is limited development of New Build HomeBuy taking place).

What are the potential components of an LDF affordable housing policy?

PPS3 Housing sets out the policy range for affordable housing that planning authorities should include in their LDF. Paragraph 29 of PPS3 provides the details, while the key components are summarised below.

Components of an LDF affordable housing policy

1. An overall (ie plan-wide) target for the amount of affordable housing to be provided (and the proportion of households that require market or affordable housing, for example, x% market housing and y% affordable housing).
2. Separate targets for social-rented and intermediate affordable housing where appropriate.
3. The size and type of affordable housing to be needed in particular locations and, where appropriate, on specific sites.
4. The range of circumstances in which affordable housing will be required – the site size threshold.
5. The approach to seeking developer contributions to facilitate the provision of affordable housing.
6. In rural communities, the allocation and release of sites solely for affordable housing.

Based on CLG, PPS3: Housing, November 2006

Additionally, for market housing, the local development documents can set out:

“ The likely profile of household types requiring market housing eg multi-person, including families and children (x%), single persons (y%), couples (z%).

PPS3, paragraph 22

TOP TIPS FROM SECTION TWO

- Creating mixed communities requires an all-market approach to produce a sufficient variety of housing in terms of tenure, price and a mix of different types of household.
- Core Strategies set out an overall vision for the local authority, taking a holistic approach to meeting the needs of the whole community.
- The delivery of affordable housing through the planning system is a key part of this approach.
- Affordable housing includes intermediate homes for part ownership as well as social rented, but for planning purposes 'low cost market' housing is excluded from the definition.
- An affordable housing policy should set out the overall target for the amount of affordable homes to be provided, with separate targets for social rented and intermediate housing, the size and type of affordable housing in particular locations, a site size threshold above which an affordable housing contribution will be required, the overall approach to seeking developer contributions and in rural areas, the allocation and release of sites solely for affordable housing.

3. WHAT LOCALLY RELEVANT EVIDENCE IS REQUIRED?

This section sets out how to put together the components of a robust evidence base that is locally relevant and supports both the development of affordable housing policies and the ability to negotiate Section 106 agreements as part of the development management process. The three roles of a local authority as commissioners, owners and users of evidence are described. These roles apply whether the local authority collects the evidence itself or contracts out all or some of the evidence collection.

What are the components of the evidence base?

In developing their (affordable) housing policies, local authorities need evidence about:

- Current and potential future housing need and demand
- The supply of land
- Where sites are coming from
- Whether (and when) individual sites are likely to come forward
- Whether individual sites will be viable with affordable housing contributions.

Planning Policy Statement 3: Housing (PPS3) emphasises the importance of an evidence based policy approach and sets out the key components of the evidence

“ Evidence-based policy approach: Local Development Documents and Regional Spatial Strategies policies should be informed by a robust, shared evidence base, in particular, of housing need and demand, through a Strategic Housing Market Assessment, and land availability, through a Strategic Housing Land Availability Assessment.

PPS3, paragraph 11, bullet five

PPS3 was published in November 2006 and a third key element of the evidence base has emerged since then: affordable housing viability assessments or AHVAs. This guide therefore focuses on the three main elements of the evidence base: strategic housing market assessments (SHMA), strategic housing land availability assessments (SHLAA) and affordable housing viability assessments (AHVA).

Government has issued guidance on the preparation of both SHMAs and SHLAAs which local authorities should follow (CLG, 2007a, 2007b).

- **Strategic Housing Market Assessments: Practice Guidance (CLG)**
- **Strategic Housing Land Availability Assessment: Practice Guidance (CLG)**

However, there is no government guidance on how AHVAs should be carried out. Many authorities have expressed a lack of confidence in conducting AHVAs and part of the role of this guide is to help them to become more comfortable in this field.

The evidence base is not confined to these three assessments. Local authorities need to take a holistic approach, looking at the whole housing market and planning to achieve a balance in terms of tenure and mix. Such an approach will help to identify the evidence that will be required and a range of other evidence needs to be considered as part of the evidence base underpinning affordable housing policy development.

Other evidence that local authorities should review

- Sustainability appraisals
- Direct evidence obtained through collaborative working (eg including developers and estate agents in housing market partnerships)
- Market responsiveness (eg having regard to different housing market areas)
- Code for Sustainable Homes
- Current and future demographic trends and profiles
- Parish or rural community housing needs assessments
- National Land Use Database
- Register of Surplus Public Sector Land
- Infrastructure impact assessments
- Sustainable Community Strategy
- Local Area Agreements
- Local previously developed land target and trajectory
- Risk assessments of obstacles to housing delivery

This list is not exhaustive but is derived from PPS3 and Delivering Affordable Housing (CLG, 2007).

In addition to the evidence gathered as part of the planning process, other evidence could also usefully be explored. This could include the core dataset produced as part of the joint strategic needs assessment, which, while being concerned primarily with health and wellbeing, relates to tenure and other aspects of housing such as overcrowding and lack of adequate heating for older people.

Evidence on the housing needs of special groups is clearly important, and while most of these should be captured by the SHMA, those relating to Gypsies and Travellers are usually collected separately. These also need to be taken into account.

What is the role of local authorities as commissioners of evidence?

Whether using consultants or developing the evidence base in-house, as commissioners of evidence, it is important that local authorities ensure that they identify in their own minds what they want from the evidence and then clearly ask for the evidence they want. The evidence sought should be proportionate to the task and reflect the purpose for which it is being sought. The Planning Inspectorate has provided guidance on this point.



“ The important point is that authorities should have a very clear idea about what they need evidence for, how they are going to use it and how much detail they need to go into. Some parties appear to believe that the evidence base is tested in its own right. This is not the case.

The Planning Inspectorate, Local Development Frameworks: Examining Development Plan Documents: Learning from Experience, September 2009

”

The specification for the study (whatever type of assessment) should be encapsulated in a study brief that sets out the objectives of the work and describe the work programme and required outputs. This includes:

- The purpose (policy context and background)
- Aims and objectives (research questions)
- Any specific requirements (types of information required to answer the research questions)
- Programme of work with stages and deadlines
- Methods of data collection and data analysis
- Outputs (including raw data)
- How to respond to the specification (including criteria for evaluating tenders and interview details).

The specification should also set out any expectations in respect of reporting the findings and substantiating the work in public (eg examinations in public).

The CLG guidance on SHMAs and SHLAAs explains the basic components of a sound assessment but authorities need to articulate the issues they believe to be of particular importance in their area, to be covered in depth by the assessment (be it a SHLAA, SHMA or AHVA). So, for instance, if a concern about lack of family housing is emerging in an area, this should be set out in the study brief for a SHMA.

The guiding principle for a study brief is to ensure that the brief states exactly what is required from the local authority's point of view. This can be set out as a series of research questions. The questions need to reflect CLG guidance on the outputs from SHMAs and SHLAAs and contextualise the overall purpose of both SHMAs and SHLAAs, which is to understand the local housing market and availability of land for potential housing development.

Research questions

Housing market questions – to be addressed through the SHMA

- What is the estimated future household growth in the area (including net migration and ageing)?
- What are the net housing requirements to meet the housing needs implied by this growth, by tenure, size and type (scale of need and demand for affordable and market housing)?
- What is the balance between housing supply and demand / need?
- To what extent is affordability an issue?
- To what extent is low demand an issue?

Land supply questions – to be addressed through the SHLAA

- How many sites can be identified in the area? (A list of sites by size and location)
- What is the potential of each site in terms of suitability, availability and achievability?
- Which sites can realistically be expected to be developed?
- What is the potential quantity of housing that could be delivered on each site?
- What are the constraints on delivery of the identified sites?
- How could these constraints be overcome?

What is the role of local authorities as owners of the evidence?

As owners of evidence, local authorities need to be confident about the quality of the evidence they have collected and/or commissioned. Provided that they have written a clear brief, managed the evidence collection process to ensure that it does actually answer the relevant research questions, and interpreted the data in a sensible and logical way, they have every reason to be confident that their evidence base is as

robust as it could possibly be. This means more than simply relying on in-house specialists or their consultants as 'the experts' to confirm that the information is robust. It means:

- Interrogating the data
- Questioning the consultants or in-house team on the interpretation
- Being happy with the answers.

A recent South East England Partnership Board study² examined progress across the South East in completing SHMAs and SHLAAs. Specifically about SHMAs, the study noted that while housing departments were always involved in the SHMA, this was not generally the case for planning departments. It will be harder for an authority to make the best use of the SHMA if the relevant department has not fully engaged with the process. The study emphasised the importance of partnership working between housing and planning departments, so that there is joint ownership of the study findings.

In most cases, SHMAs and SHLAAs will be confirming trends and demonstrating that perceived changes are happening in practice. Anything that stands out as very different from expected trends should be interrogated carefully. Local knowledge is extremely important for interpreting the evidence, even though it is too anecdotal to be the basis for the evidence base itself.

In the case of AHVAs, confidence is needed to question the information provided and to insist that a straightforward and understandable explanation is provided of the often very technical data found in AHVAs.

² Regional Strategic Housing Market Assessment and Strategic Land Availability Assessment: Follow-up Study, Three Dragons, Opinion Research Services and Roger Tym and Partners, 2009.

What is the role of local authorities as users of the evidence?

As users of evidence, local authorities need to make sure that they fully understand the implications of the data they have collected as well as the limitations. They also need to appreciate that policy decisions are just that: judgements made on the basis of the available evidence in the light of common sense and local knowledge, including political and social considerations. Provided that clear links can be made between policy and evidence, those policy decisions will be considered robust.

The key messages from the evidence base are those required to develop policy for housing, particularly affordable housing targets and thresholds but also the overall vision for the local housing market area.

The key messages should bring out locally distinctive housing market issues, especially when these may lead an authority to put forward a specific policy.

The evidence that is highlighted in support of the local development framework must be proportionate. Planning inspectors do not need to refer to information from an assessment that is not strictly relevant to the question of whether the LDF is sound. Neither should there be gaps in the evidence on which policy relies.

This means it is very important to draw out the key messages from the evidence that is produced. If these messages are not succinctly

expressed and readily identifiable, it is not easy to demonstrate and justify the thread between evidence and policy.

In preparing policy, local authorities should carefully reference the evidence on which the policy is based and which will be used to justify the policy both in examinations and in the course of the management of development.

Example: Mole Valley

Mole Valley has set out its housing policy under the following headings:

- Key Issues
- Policy Context and Key Pieces of Evidence
- National Policy
- Regional Policy
- Local Policy
- Evidence Base

Under each heading, key pieces of evidence are first noted, and then displayed in boxes or tables as necessary.

Taken from Mole Valley Core Strategy Chapter 3 (2009)

For all components of the evidence base, the Planning Inspectorate emphasise the importance of a tailored and proportionate evidence base.

“ A recurring query is the level of detail required in the evidence base. A high proportion of plans are submitted with large amounts of evidence that does not appear to inform the content of the plan. Presumably this is because authorities are fearful that plans will be found unsound on the basis of inadequate justification. This is entirely understandable but groundless. The guiding principles are that the evidence should be proportionate and it should inform what is in the plan rather than being collected retrospectively in an attempt to justify the plan. The examining Inspector will only delve deeply if the plan cannot be justified because the evidence seems to be absent, flawed or out-dated.

The Planning Inspectorate, Local Development Frameworks: Examining Development Plan Documents: Learning from Experience, September 2009

”

SHMAs (as well as SHLAAs and AHVAs) can be very long documents. This is partly because they contain detailed information that can be used for a range of planning, housing and other purposes. But the amount of detail makes it important that the key messages for planning are highlighted, both in the body of the text and also at the end of each section and repeated in an executive summary or key findings section.

This was highlighted in the executive summary of the SHMA and SHLAA follow-up study as illustrated below:

“(S)HMA are generally lengthy documents with a considerable amount of information and data; meaning it is sometimes not easy to identify the key points and policy implications. They could usefully include a succinct summary highlighting key or locally unique policies measures for local authorities to consider in taking forward their place-shaping role.

Three Dragons, Opinion Research Services, Roger Tym and Partners for the South East England Partnership Board, Regional Strategic Housing Market Assessment and Strategic Land Availability Assessment: Follow-Up Study, July 2009 [Executive Summary]

”

The follow-up study emphasised the opportunity to use the same set of assumptions for affordable housing viability across the SHMA and the SHLAA. It also recommended that SHMAs should provide a summary table of the assessment's results, relating them back to the CLG practice guidance and the eight core outputs set out in the Guidance (see Section 5 from [page 20](#) for details).

Section 7 (from [page 32](#)) sets out what an AHVA should deliver in terms of clear information, but the principles will be the same. The AHVA needs to provide information to meet the brief for the study and succinctly set out the key findings.

It is possible to combine AHVAs with SHMAs or SHLAAs. For example, the economic viability of proposed thresholds and densities could be tested on the sites identified in the SHLAA and the same approach to viability analysis be used in both the SHLAA and AHVA. Alternatively the same house price information could be used for preparing both the SHMA and AHVA.

The evidence base should not include conclusive recommendations for policy. Policy needs to be developed using a range of different evidence, including the SHMA, SHLAA and AHVA as well as other evidence that is relevant (as listed in Section 3 of this guide). A single report cannot be capable of producing 'the answer'. It may, however, be reasonable to ask those preparing the evidence base (be it in-house or a consultant) to make recommendations for a range of policy options that are supported by the findings and could then be considered in the light of all the other evidence.

If using consultants, how can the authority ensure that it gets what is needed?

General advice on procurement is available from the Audit Commission (www.audit-commission.gov.uk). The factors to be considered when selecting a consultant to ensure value for money are:

- The experience of the consultant team, including understanding of housing market issues, assessing needs, research methods and statistical analysis
- Familiarity with relevant recent guidance

- Robustness and suitability of their proposed approach and methods for meeting the aims and objectives / answering the research questions
- Project management and track record of delivering to time and budget
- Procedures for quality assurance, including progress reviews, steering and consultation schedules, risk assessment and contingency arrangements
- Ability to write concise, objective and accessible reports
- Willingness to work with the commissioning authority(ies) to ensure the assessment addresses local issues and engages with the findings
- How well the partners feel they can work with the consultant to retain full ownership of the assessment (SHMA, SHLAA or AHVA)
- Additional services such as ability to update or to enable the commissioning authority(ies) to update the study
- Timescales and costs.

There is a need for effective briefing of consultants to ensure that the evidence is presented concisely, drawing out the key messages and policy options (see above for further information). The evidence also needs to be made accessible to key staff and elected members, so it should be presented in a way that a lay person can easily understand.

For SHMAs, the CLG guidance sets out the different elements required for a robust evidence base that could be contracted out, including:

- Designing the brief
- Selecting contractors
- Providing advice and information
- Discussing interpretation of the data
- Producing the report
- Learning how to use the data to look at new issues and to monitor and update the assessment.

When commissioning the SHMA local authorities need to ensure that they retain ownership of the whole process. The SHMA guidance states that:

“ The amount of work involved for the partnership should not be underestimated even if a consultant is used. For commissioned work to be useful, the objectives and work programme should be established clearly. To set an appropriate work programme and maintain full ownership of the assessment, partnerships will require skills and knowledge in research methods, statistics and data management. In some cases this may require staff training.

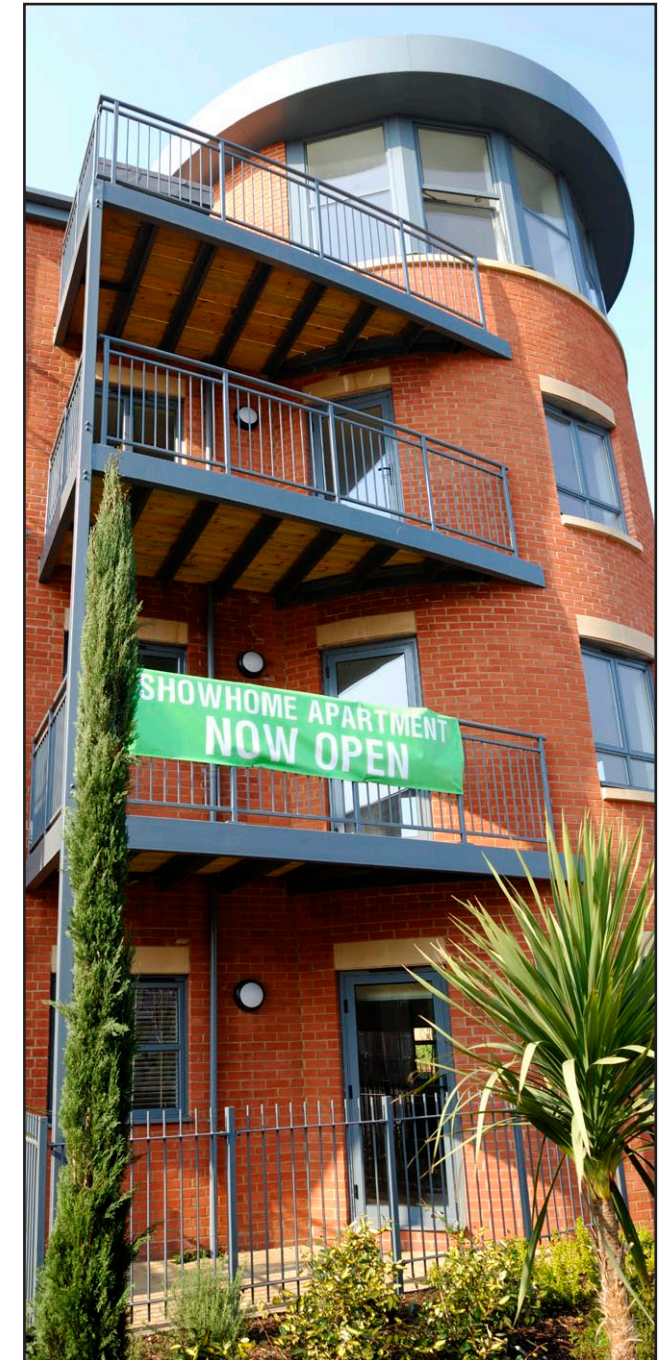
SHMA Practice Guidance Annex A, CLG 2007

”

TOP TIPS FROM SECTION THREE

Local authorities have responsibilities as commissioners, owners and users of evidence:

- As commissioners local authorities should provide a clear brief, specifying exactly what is wanted from the research which is being commissioned and they should ensure that the people producing the evidence (whether in-house or a consultant), can provide clear, usable reports in a form that a lay person can understand.
- As owners of evidence local authorities should make sure that they understand the evidence and the interpretation placed on it. Robust questioning of the evidence and the methodology helps ensure that the local authority “owns” and can work effectively with the data provided.
- As users of evidence it is the responsibility of the local authority to make policy applying common sense, local knowledge and political realism to the evidence supplied. The evidence needs to be proportionate and there must be a clear thread between evidence and policy.
- If consultants are appointed, they need to offer value for money and be capable of working in partnership with the commissioning authority(ies) to deliver understandable and usable information.



4. WHAT IS THE ROLE OF LOCAL AUTHORITIES IN PROVIDING AFFORDABLE HOUSING AND WHO GETS ACCESS TO AFFORDABLE HOUSING?

This section of the guide summarises local authorities' role in meeting housing need and then how households in need get access to affordable housing provided. The section offers a broad overview to give non-housing-specialists an insight into local authority duties and responsibilities.

What powers and responsibilities do local authorities have in respect to affordable housing?

The Government has set out the strategic housing role for local authorities in terms of five elements:

- Assess and plan for housing needs across all tenures
- Make best use of the existing housing stock to meet need, through greater local discretion in access and lettings of social housing stock to make it more mixed in terms of type, size, affordability and tenure
- Plan for and facilitate new supply
- Plan and commission housing support services which link homes and housing support

- Ensure effective housing and neighbourhood management through partnership working.

Source: The Strategic Housing Role of Local Authorities: Powers and Duties, CLG, 2008

Assessing and planning for housing needs across all tenures includes not only assessing housing demand and need and tracking key trends via annual monitoring reports but also measures to prevent homelessness. Making the best use of the existing stock includes publishing an allocations scheme, developing a policy to offer applicants choice in the allocation of housing, making use of planning and housing powers to address poor housing, bringing empty properties into use and driving up standards in both public and private housing.

Local authorities need to be clear about the links between affordable housing responsibilities and delivery. This means that not only must local planning authorities ensure that the need for additional affordable housing that has been identified in the SHMA is reflected in the core strategy and that its actual delivery is monitored, but also as local housing authorities they must ensure the best possible use of the existing

affordable housing stock, including policies to address under-occupation and overcrowding as well as a clear housing allocations policy.

Guidance on under-occupation in social housing is available in:

- **Managing underoccupation: A guide to good practice in social housing (CLG)**
- **Releasing larger social rented homes in the South East (South East England Partnership Board)**

Local housing authorities are required to meet the needs of households who cannot access market housing and to tackle homelessness and provide affordable housing for those in priority need. While many of these needs will require social or intermediate housing to be provided, some of them can be met in the private rented sector, and the more pro-active housing authorities are actively recruiting private landlords to house homeless and other households in need with the aid of housing benefit (where relevant).

How is affordable housing accessed? Who is eligible? And how does this vary between tenures?

A local authority's allocations scheme will set out the criteria, often in terms of points, or bands on a choice-based lettings scheme, for prioritising applicants for affordable housing. The Government publication, *Fair and Flexible: Statutory Guidance on Social Housing Allocations for Local Authorities in England* (CLG, 2009), covers a number of issues including:

- Providing support for those in greatest housing need
- Ensuring allocation policies comply with equality legislation
- Promoting greater choice for prospective and existing tenants
- Creating more mixed and sustainable communities
- Promoting greater mobility for existing tenants
- Making better use of the housing stock
- Supporting people in work or seeking work
- Delivering policies which are fair and considered to be fair.

For statutory guidance on social housing allocations see [Fair and flexible: statutory guidance on social housing allocations for local authorities in England](#).

In most authorities the allocations scheme does not apply to intermediate housing, where instead national criteria for priority groups – key workers, existing social tenants (or in priority need on a social housing list) and first time buyers (HCA, 2010) – are used. The criteria are available from [HomeBuy](#).

Eligibility for social rented housing is not based on income and anyone at all can apply. However demand so outstrips supply that in practice only those in priority housing need are likely to be housed except in low demand areas.

Eligibility for intermediate housing is based on income and initially included only the government's priority groups. Since May 2008, all first time buyers with a household income of £60,000 p.a. or less are eligible (HCA, 2010). However, because demand usually outstrips supply, allocation is first come, first served.

A report from the South East England Housing and Regeneration Board, *Challenging Perceptions of Affordable Housing*, tackles some of the myths about who gets access to affordable housing in the region (new and existing affordable homes). Available from www.se-partnershipboard.org.uk.

It is also important to look at the different types of affordable housing that are being delivered or planned. For example, the ready availability of Buy-to-Let mortgages is thought to have contributed to an excess supply of small flats during the last housing market boom. This meant that the affordable housing contribution

was also in the form of small flats, yet many authorities had a shortage of family sized homes as demonstrated in their SHMA.

Local authorities have powers to introduce greater choice into affordable housing allocation through choice-based lettings schemes. They introduce greater transparency, showing some applicants that they will not be able to bid successfully for properties but at the same time showing those at the other end of the spectrum, especially in low demand areas, that they have every chance of an affordable home.

CLG has issued a code of guidance for the operation of choice-based lettings called [Allocation of Accommodation: Choice-Based Lettings Code of Guidance for Local Housing Authorities](#), (CLG, 2008).



Example of choice-based lettings – Oxfordshire

Oxfordshire has introduced a new county wide choice-based lettings scheme. People can bid for advertised properties anywhere in the county without having first to register with another district. All four districts plus local housing associations are part of this sub-regional partnership. Properties will be let according to a common priority banding scheme, whereby:

Band 4

- ▣ Moderate social or welfare needs
- ▣ Moderate health or disability needs
- ▣ Living in unsatisfactory housing level 2

Band 3

- ▣ Significant social or welfare needs
- ▣ Significant health or disability needs
- ▣ Unsatisfactory housing level 1
- ▣ Families with one bedroom short of their needs
- ▣ Insecure tied accommodation
- ▣ Insecure private rented accommodation
- ▣ Homeless and not in a priority group
- ▣ Any applicant who qualifies for at least two categories in Band 4.

Band 2

- ▣ Urgent needs in each category
- ▣ Existing tenants under-occupying by one bedroom
- ▣ Families with 2 or more bedrooms short of their needs
- ▣ Homeless and in a priority group
- ▣ Any applicant with two or more categories in Band 3.

Band 1

- ▣ Exceptional circumstances
- ▣ Under-occupiers by two or more bedrooms
- ▣ Decants and other housing management moves
- ▣ Households where the level of overcrowding exceeds the statutory limit.

Choice-based lettings - summary

Choice-based lettings (CBL) replace the traditional way of allocating housing under which housing officers seek to match applicants who have priority on the waiting list to available vacancies.

CBL allows applicants for social housing (and existing tenants seeking a move) to apply for available vacancies which are advertised widely (eg in the local newspaper or on a website).

Applicants can see the full range of available properties and can bid (ie apply) for any home to which they are matched (eg a single person would not be eligible for a three-bedroom house). The successful bidder is the one with the highest priority under the scheme. Authorities provide feedback that helps applicants to assess their chances of success in subsequent applications.

CLG website www.communities.gov.uk

Example of social housing allocation policy – Portsmouth City Council

The housing allocation scheme is based on four key principles

- To give priority to applicants with the greatest housing need
- To make best use of all the available housing stock
- To enable applicants to make informed choices about their options
- To process applications fairly and confidentially, taking appropriate steps to avoid discrimination on grounds of ethnicity, religion, gender, sexual orientation, employment or marital status.

Applications will not be registered from households who are adequately housed or who are deemed to have sufficient means to secure adequate housing themselves. Applicants who are guilty of unacceptable behaviour in previous accommodation may also be ineligible.

The criteria for assessing housing need is set out in a banding scheme.

- Band one is for exceptional circumstances which could include life threatening situations or transfers for existing tenants who by moving will release a home for which there is an exceptional need.
- Band two is for those with an urgent need to move and have been assessed as high priority.
- Band three is for applicants with a significant housing need and have been assessed as medium priority.
- Band four is for those with an identified housing need and have been assessed as low priority.

TOP TIPS FROM SECTION FOUR

- Local authorities' strategic housing role includes assessing housing need and demand, monitoring trends, taking measures to prevent homelessness and making the best use of the existing housing stock.
- As planning authorities they must ensure that identified housing need is reflected in the core strategy and that actual delivery is monitored against plan targets.
- As housing authorities they must ensure the best possible use of the existing stock with policies to address under-occupation, overcrowding and a clear allocations policy.
- Government guidance, based on research into what works in practice, is available on under-occupation. There is also statutory guidance on social housing allocations and a code of guidance on choice-based lettings.

5. HOW TO ASSESS THE NEED FOR AFFORDABLE HOUSING

This section explores how affordable housing need is assessed through the SHMA and how to make the best use of SHMA evidence (including about the existing housing stock).

What information does the strategic housing market assessment provide?

A strategic housing market assessment (SHMA) is intended to provide a picture of the whole market and show the way the market is working across all tenures and the role of existing and new stock. For example, there are movements between all three main tenures, both in and out, as people trade up, downsize, become eligible for social housing, find themselves able to afford market housing and so on.

Affordable housing does not exist in a vacuum but movements in and out are related to what is happening in the rest of the housing system. Local authorities should not focus purely on social rented housing simply because there is great pressure on their social stock, because part of the solution will be found in the market sector. The SHMA brings together key information about housing supply and need/demand and provides the local authority with an evidence base which enables it to make policy

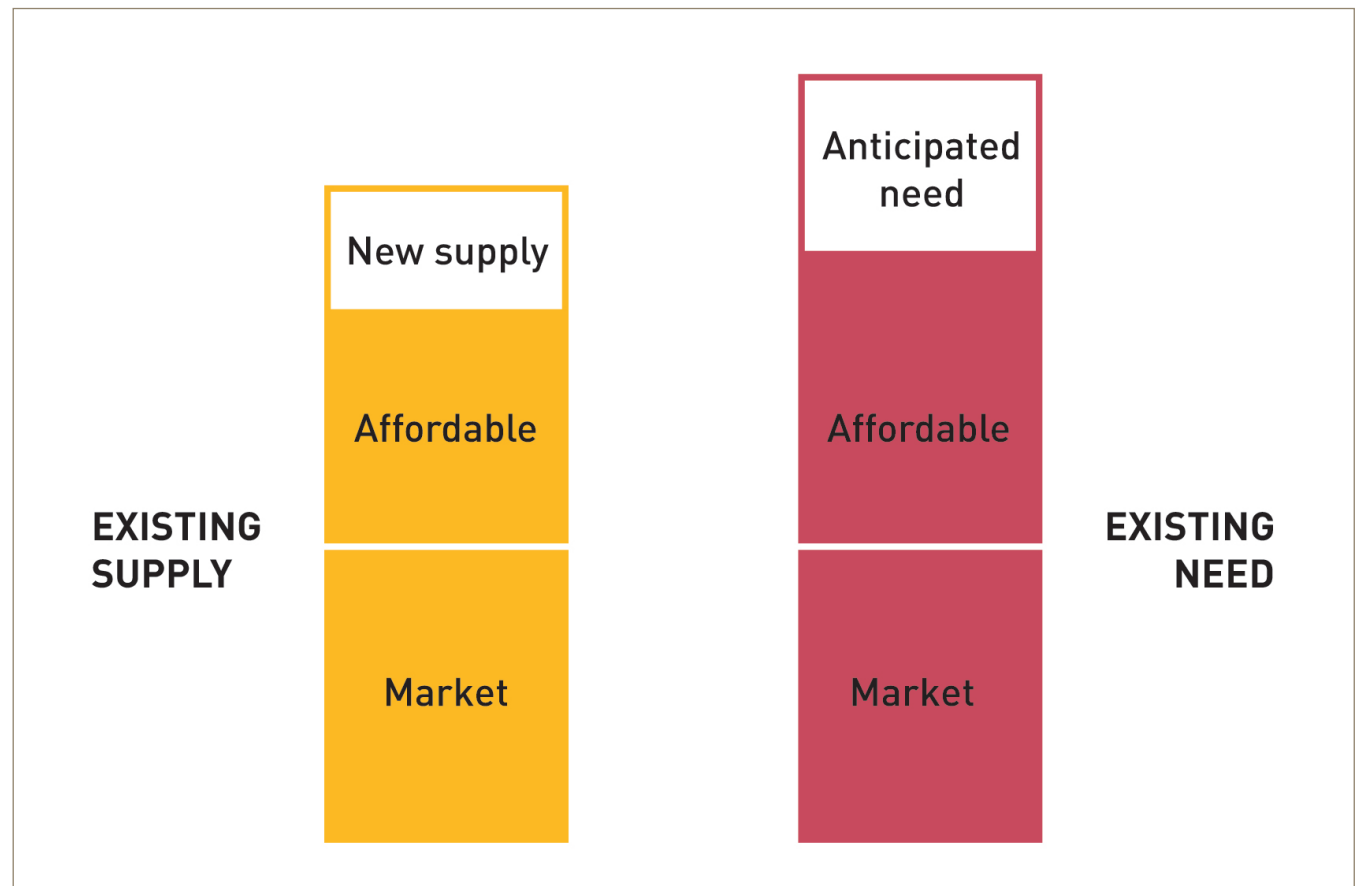


FIGURE 2: SIMPLIFIED DIAGRAM OF FACTORS FEEDING INTO THE SHMA

decisions about how to address the needs of all household groups in both the market and the affordable sector.

The SHMA should provide evidence of changing trends and the overall balance between demand and supply. It can identify so-called 'hot spots' and 'tipping points', where an area or neighbourhood is in danger of becoming 'low demand' or an area where prices are beyond

the reach of lower income households. While this information may not be new to the local authority, it provides a robust confirmation of the nature of the local housing market including areas where further public sector intervention may be needed. This allows the possibility of more detailed investigation into specific neighbourhoods in order to make a good case for additional funding.

The government's guidance on the preparation of SHMAs sets out eight core outputs which are intended to provide the whole market picture:

1. Estimates of current dwellings in terms of size, type, condition, tenure
2. Analysis of past and current housing market trends including balance between supply and demand and price/affordability. Key drivers underpinning the housing market
3. Estimate of total future number of households by age and type
4. Estimate of current households in housing need
5. Estimate of future households that will require affordable housing
6. Estimate of future households that will require market housing
7. Estimate of the size of affordable housing required
8. Estimates of groups with particular housing requirements eg families, older people, key workers, black and minority ethnic groups, disabled people, young people.

Source: CLG, August 2007, SHMA Practice Guidance

The CLG guidance emphasises the importance of providing the core outputs and that, having done this and followed the processes set out in the Guidance, the discussion at any public examination of a development plan document (DPD) can then be about implications of the findings rather than the SHMA methodology.

“ A robust and credible evidence base is identified by PPS12 as being necessary for a plan to be sound. In line with PPS12, for the purposes of the independent examination into the soundness of a development plan document, **a strategic housing market assessment should be considered robust and credible if, as a minimum, it provides all of the core outputs and meets the requirements of all of the process criteria in figures 1.1 and 1.2.** In such circumstances, there is no need for the approach used to be considered at the independent examination. **Any discussion at independent examination should focus upon the assessment's findings and its relationship with the proposed spatial policies for housing set out in the draft submission development plan document.**

CLG, August 2007, SHMA Practice Guidance
(bold text added)

”

The Partnership Board SHMA and SHLAA follow-up study³ indicated that the core outputs are generally being provided by SHMAs (and their predecessor, housing market assessments) in the South East. The study raised concerns about the approach taken towards assessing the whole market and how demand for market housing is treated.

The follow-up study also recommended that all SHMAs should include a summary table setting out the key findings for each of these eight core outputs.

What information about affordable housing should the SHMA deliver?

The SHMA Practice Guidance sets out how the need for affordable housing should be assessed. This means estimating the number of households who lack housing or are in unsuitable housing and cannot afford to meet their needs in the housing market. The emphasis is on using existing (secondary) data sources (although guidance on conducting a survey is included in an Appendix) and a set of specific data sources is recommended.⁴

The SHMA needs to provide the following information about affordable housing:

- How many dwellings out of the total housing requirement should be affordable?

³ Regional Strategic Housing Market Assessment And Strategic Land Availability Assessment: Follow-Up Study. Three Dragons, Opinion Research Services and Roger Tym and Partners, 2009.

⁴ Source: CLG, August 2007, SHMA Practice Guidance

- Of these, how many should be social rented and how many should be intermediate (and the appropriate level of housing costs)?
- What is the need for houses versus flats?
- What is the need for 1, 2, 3, 4 and 5+ bedded homes?
- What is the need for rural affordable housing?
- What special needs affordable housing is required?
- Where should the affordable housing be located in order to ensure mixed communities?

The Partnership Board's SHMA and SHLAA follow-up study⁵ found that, in terms of core output number 4, estimate of current households in housing need, and number 5, future households that will require affordable housing, SHMAs used a range of methods and data sources. Nevertheless, almost all of the SHMAs found a level of need for affordable housing that was close to, or exceeded, the total housing provision set out for their district in the South East Plan and the local authority took into account other factors in deriving its affordable housing target.

⁵ Ibid.

The affordable housing requirement put forward by the assessment can then be a compromise between the level of need identified and practical implementation issues – for example, quoting from a recent SHMA: "...a careful balance has to be struck between affordable housing supply on the one hand and private sector viability on the other."

Or, from an older HMA: "...we do not consider it would be possible or indeed desirable for 100% of new housing to be affordable, with no market housing. This would not support the efficient functioning of the private sector market nor the ...economy. Nor is it achievable within likely funding constraints."

There may be instances where authorities have to supplement information provided by their SHMA with other data. One such case is the need for affordable housing in rural settlements. Up to 2009, none of the SHMAs produced in the South East provided detailed information about the need for affordable housing in their rural settlements⁶. Where this is a specific concern for an authority, other data (eg from parish surveys, housing registers, choice-based lettings schemes) will be needed to support policies designed to increase the supply of affordable housing in rural settlements.

⁶ Ibid

From whatever source, information about the need for affordable housing should be proportionate with conclusions clearly drawn out. The Planning Inspectorate does not require voluminous information about need.

“ Our experience is that affordable housing is an area where large amounts of evidence of need is provided but often there is very little, if any, evidence about how deliverable the affordable housing targets are. Possibly this is because many authorities have extensive experience of housing needs surveys but little experience of viability testing. Frequently much of the detail in the needs surveys is not used to inform the content of the plan. The only element that is used is the relatively straightforward and easily obtained conclusion that there is a need for a large amount of affordable housing in the area. Costly detailed information that goes beyond simply demonstrating housing need may be required for some other purpose but if it is not used for formulating the strategy or policy in the plan there is no need for it as part of the evidence base.

The Planning Inspectorate, Local Development Frameworks: Examining Development Plan Documents: Learning from Experience, September 2009 (para 35)

”

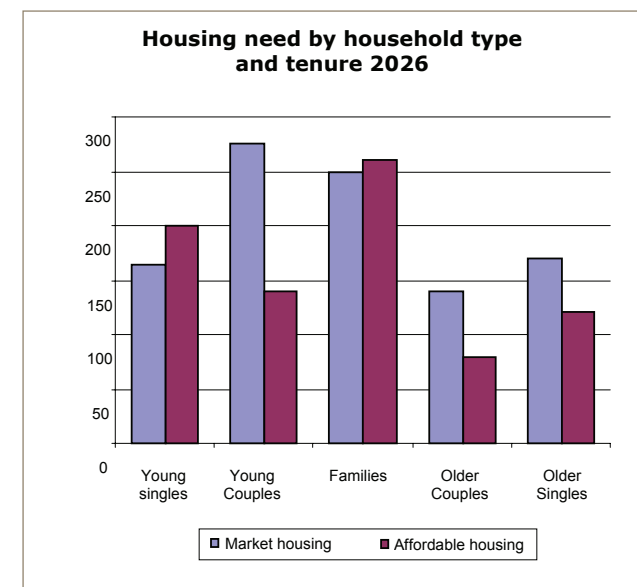
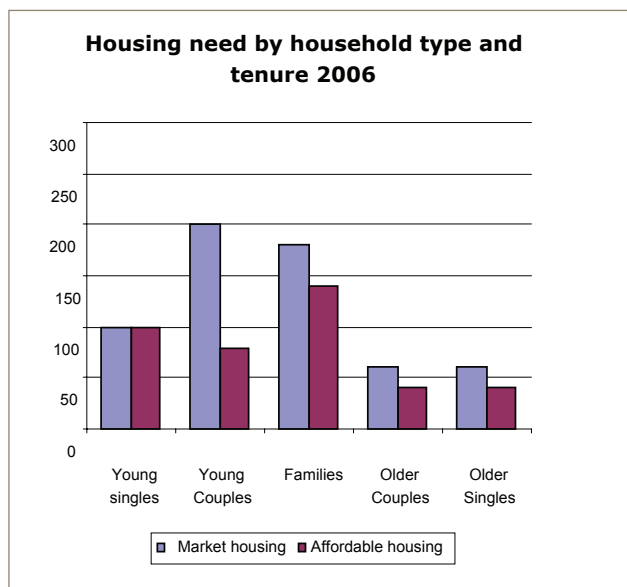
The Planning Inspectorate is also highlighting the importance of viability evidence and this is covered in Section 7 of the guide (page 32).

How should information about the existing stock be used?

It is important for local authorities to understand the make-up of the existing stock across all tenures. The SHMA should be able to provide data on this. Important aspects are:

- Current pattern of tenure, condition, sizes and types of dwellings
- Vacancy levels (which may be concentrated in particular neighbourhoods)
- Quality (particularly in terms of unfit but also energy ratings and eco-standards)
- The prevalence of HMOs (houses in multiple occupation)
- Over-crowding
- Under occupancy.

Planning for new housebuilding should draw on information on the existing stock as well as on estimates of need and should look at mismatches between the two. Thus for example if an area has a high proportion of one and two bedroom flats and a young population of couples and families with children this is a clear indication of a potential shortfall of family housing so even if the housing needs assessment shows single person households in need, care should be taken not to overdo the supply of small units, since many initially small



FIGURES 3 AND 4: CHANGES IN HOUSING NEED BY TENURE AND TYPE OVER TIME – SPECIMEN CHART

households will eventually grow. The SHMA should highlight potential mismatches, but it is then for the local authority to make policy judgments about how to meet identified need.

The SHMA is also important in identifying future needs. One aspect that is increasingly highlighted is the ageing population. Not only are we all living longer but male life expectancy is catching up with women's. This means that couple households will remain living as couples for longer, and couples have the highest rates of owner occupation. Trends such as these will be brought out by the SHMA and can help inform the local authority's response.

The core strategy has to make provision for housing to meet the needs of local people so the SHMA information on future household growth, particularly by age groups and household type, allows the local authority to identify which types and sizes of housing will meet the needs of these groups. For example, if there is expected to be an increase in older households or conversely, a rise in younger households likely to have children. Information on vacancy rates can also be fed into meeting future housing needs, as where these are high there may be a case for regeneration or refurbishment to bring these properties back into use.

The SHMA should provide the evidence base which enables the local planning authority to frame policies which meet current and future anticipated need for market and affordable housing across the range of household types.

How can different priority needs be reconciled?

Very few local authorities can meet all the competing demands for housing in their area. One of the key roles of the planning system is to reconcile and balance these competing needs. Thus there has to be reconciliation between market and affordable housing requirements and between different types and sizes of property. The evidence should be used to show where there are different priorities and how different policy choices affect these. The elected representatives then have to make choices and these choices will be reflected in the authority's sustainable community strategy and local development framework.

Woking Borough Council

Woking is required by Government to produce an average of 292 new dwellings every year to 2026. This is lower than the estimated need for an additional 499 new affordable homes every year. The council has identified six key issues relating to the delivery of new homes in Woking between now and 2026:

- Location of the new housing
- Housing size and type
- Housing density
- Affordable housing
- Gypsy, Traveller and Travelling Showpeople accommodation
- Older people and other vulnerable groups.

A balance has to be taken to address these issues. For example, in relation to the location of the new housing, research has found that sufficient sites can be identified in the existing urban area through the development of high density flats, particularly in town and district centres. However, there is also evidence that there is a significant need to provide family housing which would not be desirable in town and district centre locations. Therefore to meet the needs of the population in terms of size, type and tenure the Council must consider the possibility of some greenfield development where lower density housing could be delivered.

This will be balanced with the need to protect the integrity of the Green Belt. In this regard, a Green Belt study is being carried out to ensure that this is the case.

Adapted from Woking LDF Core Strategy Issues and Options Consultation, 2009 (www.woking.gov.uk)



© Southern Housing Group

TOP TIPS FROM SECTION FIVE

- The SHMA provides evidence that should inform housing and planning policies which address the needs of the whole community for both market and affordable housing.
- It should enable policy development which addresses the needs of all household types and age groups.
- It provides information at neighbourhood level which informs judgements about policy interventions to support failing or unaffordable neighbourhoods.
- Evidence presented at examinations in public should be kept as short as possible to make the key points about the level of need for affordable housing.

6. LOCATING AFFORDABLE HOUSING AND THE ROLE OF THE SHLAA

This section is about how information contained in the Strategic Housing Land Availability Assessment (SHLAA) can inform affordable housing policy. It also looks at the potential for securing affordable housing contributions from other types of development not just market housing schemes

What information is required about the location or need for affordable housing?

National survey data (Survey of English Housing) shows that many people needing social rented housing will require it in the same locality as they are originally living. This is particularly true for older people. However, for young people this may not be the case. The Strategic Housing Market Assessments (SHMA) can show where the people identified as being in housing need are currently located, but that is not necessarily a guide to where new affordable housing should be located.

Where there is a choice-based lettings scheme, this can give an indication of preferences for location and property type within social housing.

A better approach is to consider the overall ambitions of the local authority in terms of creating mixed, sustainable communities. For

this, information about the current tenure mix of each neighbourhood is required. Where there is already a concentration of social rented housing, for example, the local authority may wish to lighten this by introducing market housing if possible, through the sale of publicly owned land. They may also wish to ensure that the majority of new affordable units that are built in such areas are intermediate tenures.

On the other hand where the predominant tenure is owner occupation, there is a much stronger case for ensuring that a larger proportion of new affordable housing will be for social rent, together with intermediate tenures. The local authority will have to make a judgement on this, bearing in mind the existing mix and also the predominance of private renting. It is impossible to tell whether a new home is likely to be rented or owner occupied, but often private renting is more concentrated in certain neighbourhoods or in certain types of housing, such as purpose built flats.

The aim of mixed and balanced communities also involves ensuring sustainable locations for people on low incomes, with good public transport links giving access to shops, schools and leisure facilities. Equally, housing for older people should not be located in areas where facilities are limited.

The main point is that having a target of 40% or 50% affordable housing does not mean that the new homes must be evenly spread across the whole district.

What is the role of the SHLAA in relation to affordable housing provision?

A SHLAA should:

- Assess the likely level of housing that could be provided if unimplemented planning permissions were brought into development
- Assess land availability by identifying buildings or areas of land (including previously developed land and greenfield) that have development potential for housing, including within mixed use developments
- Assess the potential level of housing that can be provided on identified land
- Where appropriate, evaluate past trends in windfall land coming forward for development and estimate the likely future implementation rate
- Identify constraints that might make a particular site unavailable and/or unviable for development
- Identify sustainability issues and physical constraints that might make a site unsuitable for development
- Identify what action could be taken to overcome constraints on particular sites.

The key messages are therefore:

- Number of sites by size category and location
- Number of these are suitable for housing
- Number of dwellings these sites can provide, given the density policy
- Number of these that are likely to be developed in 5, 10 or 15 years.

Adapted from PPS3 (CLG, 2007) Annex C.

The SHLAA itself does not provide any direct information about affordable housing provision. The SHLAA merely indicates how much land is available, where that land is located and whether or not it is achievable and therefore likely to come forward during the life of the core strategy. Land supply is not specified by tenure, nor would it be reasonable for this to be the case since it is expected that market and affordable housing will be provided within mixed tenure schemes.

The SHLAA therefore serves a wider purpose than simply facilitating provision of affordable housing. However there are several ways in which information contained in the SHLAA needs to be taken into account when setting affordable housing policy. These relate to:

- Achievability (the term used in the SHLAA guidance to describe what in affordable housing jargon is referred to as viability)
- Density of development – which will have an impact on the type and mix of housing provided
- Location of development – where affordable housing will be provided
- Land ownership – and in particular public sector land holdings

The SHLAA must include an estimate of achievability and this will typically require the same broad approach to the viability calculation as is used to arrive at a potential affordable housing target.

Purpose of the SHLAA

The primary role of the SHLAA is to:

- Identify sites with potential for housing;
- Assess their housing potential; and
- Assess when they are likely to be developed.

It should aim to identify as many sites with housing potential in and around as many settlements as possible in the study area. The study area should preferably be a subregional housing market area, but may be a local planning authority area, where necessary. As a minimum, it should aim to identify sufficient specific sites for at least the first 10 years of a plan, from the anticipated date of its adoption, and ideally for longer than the whole 15 year plan period. Where it is not possible to identify sufficient sites, it should provide the evidence base to support judgements around whether broad locations should be identified and/or whether there are genuine local circumstances that mean a windfall allowance may be justified in the first 10 years of the plan.

Source SHLAA Practice Guidance CLG 2007

When surveyed in 2009, many local authorities in the South East expressed concern that sites which had formerly seemed viable were no longer coming forward and SHLAAs were starting to confirm, either through developer

and landowner consultation or through viability appraisal, that sites which had previously been expected to form part of the five-year land supply might not in fact do so. This emphasises the importance of having an up to date assessment of viability and of using this information to feed into both assessment of land supply and affordable housing policy. Where the SHLAA does flag up a potential deterioration in land supply this may alter the relationship between anticipated supply of large and small sites and make it appropriate to consider amending affordable housing thresholds.

SHLAAs contain an assumption about density of development in order to arrive at an estimate of how many units can be accommodated on individual sites in particular locations. Sometimes a blanket assumption is applied across a district. More often density assumptions vary depending on location and access to facilities and public transport. There is emerging evidence from developers to suggest that densities, which had been rising steadily, have now started to fall. The SHLAA process offers an opportunity to sound this out with landowners and developers. A viability appraisal carried out as an AHVA or part of the SHLAA may demonstrate that higher density sites no longer generate the highest residuals.

If density assumptions change to reflect market reality this will have an impact on the mix and type of housing provided and hence on the potential mix of affordable and market housing coming through in mixed tenure schemes. For

instance if predominantly family housing is provided then it may be more difficult to secure flats for single or older people.

The SHLAA provides information on the potential location of development and the places where affordable housing can be provided. A comparison between the SHLAA and the SHMA can help identify whether affordable and market housing is being provided in locations where there is identified need and where people wish to live. It is almost certain that the SHLAA will identify locations within a district where there is potential demand for housing but no potential supply. This is particularly likely to be the case in rural areas and this type of evidence from the SHLAA may encourage local authorities to review whether or not they need a rural exceptions site policy in the Core Strategy.

An alternative scenario arises where development within a sub-region has been concentrated on Strategic Sites which are either contained within one authority or straddle local authority boundaries. In this case some kind of cross boundary nomination arrangement will need to be in place for the social rented housing and potentially for intermediate housing. Again cross reference between the SHLAA and the SHMA will identify when this is likely to be the case. Such nomination arrangements are not always straightforward and can be politically contentious. It is unlikely that this information will come out of the blue, but the process of preparing the SHLAA will highlight the issue and offers an opportunity – indeed a requirement –

for officers to engage with members (potentially on a sub-regional basis) to make sure that these types of issues get resolved.

The SHLAA should identify land ownership of all sites which are expected to come forward for development. Where public land is being disposed of for housing there is an opportunity to seek increased provision of affordable housing.

The Homes and Communities Agency has a responsibility to identify surplus land assets and advise on strategies for efficient transfers of land. The HCA is developing new standards for housing on surplus public sector land, which will increase the number of affordable homes being developed, bring forward sites more quickly and ensure that design and environmental performance meets housing policy objectives.

The HCA maintains a Register of Surplus Public Sector Land which is intended to provide useful information to feed into the SHLAA. The register can be accessed at via the HCA website, www.homesandcommunities.co.uk.

Local authorities should have clear processes for disposing of public sector land which they own. Examples of different approaches to surplus public sector land are given below.

Can types of development other than housing make a contribution (eg employment sites)?

Employment sites can be required to make a contribution to affordable housing, where the scheme can be shown to generate a need for additional housing. The South East Plan's policy for the London Fringe includes a statement to this effect.

Another example of a policy that seeks affordable housing from non-residential development comes from Oxford City Council and set out in an SPD.



Reigate and Banstead

Reigate and Banstead's Asset Management Plan sets out the amount and value of its assets, including surplus land, and its policies and processes for identifying and disposing of surplus land and buildings.

It is also willing to enter into direct development or joint ventures where the asset is currently underperforming or where there is a need for regeneration. The Plan was considered Good by GOSE.

Asset Management Plan 2007 - 2010 (www.reigate-banstead.gov.uk)

Hampshire County Council

The council, through work with its partners on Hampshire Senate, has begun work on a project that aims to deliver hundreds of high quality affordable homes across the county. By bringing forward available County Council landholdings at a discounted rate, the aim is to provide 500 homes, including in rural areas to support the needs of rural communities. Work will now begin to identify possible sites.

Working together to provide high quality affordable homes, Press Release 07/10/2009

Old School Close, Guildford

Old School Close was the redevelopment of a former annex of Guildford College. It provided a mix of social rented and shared ownership housing plus a bespoke nursery. The RSL submitted an unconditional offer for the land which found favour over higher bids because it offered continued community provision through the nursery and 100% affordable housing. Alternative proposals involved no community facilities and a maximum of 30% affordable housing. The local authority provided support in planning and a second source of funding.

Affordability was ensured through formula rents. High market values on shared ownership units were countered by an average purchase share of 35% and rent levels of 1.9% (much less than the Housing Corporation maximum).

Regional Housing Strategy 2005, page 55.

TOP TIPS FROM SECTION SIX

- The SHLAA provides valuable background information which informs affordable housing policy. This relates to:
 - Achievability of development
 - Density – house type and mix
 - Location of development
 - Availability of public sector land
- Findings from the SHLAA can be used to inform the debate about the most appropriate methods for securing affordable housing.
- They may also trigger a review of policy with regard to use of exceptions sites, thresholds and cross boundary housing allocation policies.
- Ways of using surplus public sector land to deliver affordable housing should be identified.
- Policies that seek affordable housing from non-residential uses may be a feasible option and can be explored.

London Fringe

The London Fringe comprises Spelthorne, Runnymede, Woking, Elmbridge and Epsom and Ewell, plus parts of Surrey Heath, Guildford, Mole Valley, Reigate and Banstead, Tandridge, and part of Sevenoaks, in Kent. The particular challenge in this sub-region is how to balance development pressures close to London, Heathrow and Gatwick without compromising the quality of life of residents.

South East Plan – Policy LF4

40% of all new housing in the sub-region should be affordable, with the precise level and the split between social rented and other forms of tenure being determined locally having regard to local housing assessments. Local development documents should seek provision of affordable housing on all sites where it can be justified by local housing assessments and the economics of provision. In cases where on-site provision of affordable housing is not feasible, commuted payments will be required. Non-residential development which generates needs for additional housing will also make an appropriate contribution to affordable provision.

Oxford City Council: Affordable housing from commercial development (Policy HS.7)

“Where a need for affordable housing is directly related to a commercial development, the City Council will seek a financial or other contribution appropriate to the scale and kind of the development.”

Commercial development can put added pressure on the housing market in Oxford, leading to the employment of a wide range of employees and inevitably some of these will be in housing need. The occupiers of the affordable housing provided from commercial development would be from the Oxford Register for Affordable Housing and let using the Choice Based Letting scheme.

The examples of commercial development below demonstrate the City Council’s approach to applying Policy HS.7:

- New commercial development, or extensions to commercial buildings, with an indicative threshold of 2,000m² (including the change of use of a building to a commercial use or from one commercial use to another) will be expected to contribute towards meeting the need for affordable housing that would be created by the development;
- A company relocating from one base in Oxford to another would be expected to contribute towards meeting the need it created for affordable housing. While the relocation might not create a significant new need in itself, its relocation would free up commercial space into which a company could potentially move. A contribution would not be required if, at the time of the application for the new commercial development, the previous floorspace was redeveloped for a land use not required to contribute towards affordable housing provision
- A mixed-use development where the residential and commercial elements fall below their respective thresholds, but where their comparable total is considered to exceed either threshold, will be expected to contribute towards the provision of affordable housing.

Affordable Housing Supplementary Planning Document www.oxford.gov.uk

7. DELIVERY AND VIABILITY

This section is about the principles and practice of economic viability appraisal. It sets out what planners need to know about development economics, both for policy making and for dealing with scheme-specific negotiations.

Policy context

Planning authorities have to take viability as well as need into account in determining policies for Local Development Documents. This is set out in PPS3: Housing at paragraph 29:

“ In LDDs local planning authorities should set an overall (ie plan-wide) target for the amount of affordable housing to be provided. The target...should...reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured.”

The requirement for viability evidence to support affordable housing policies has then been crystallised in the Blyth Valley Case; with the Court of Appeal stating that:

“ ...an informed assessment of the viability of any such percentage figure...is not peripheral, optional or cosmetic. It is patently a crucial requirement of the policy.”

Paragraph 12 of the judgement, *England and Wales Court of Appeal (Civil Division) Decisions*

Local authorities have generally sought to fulfil this requirement by commissioning an affordable housing viability assessment (AHVA). Post Blyth Valley all local authorities have commissioned an AHVA to support their core strategy.

Planning policy is usually used to ensure provision of affordable housing in mixed tenure schemes which have been brought forward by the developer. Affordable housing targets for mixed tenure schemes range from 15% to 50% across the region⁷. Affordable housing is also provided on 100% affordable housing sites, which are normally developed by housing associations with public subsidy.

⁷ South East England Partnership Board Annual Monitoring Report 2009, available from

Affordable housing provision on mixed tenure sites can take the form of provision of free land or purchase of completed units by a housing association from the developer. Since the introduction of Homebuy Direct, affordable housing can also be provided by the developer for sale direct to the purchaser.

Principles of viability appraisal – what is residual valuation?

There is a range of possible models for viability appraisal of development sites. The HCA has developed an economic appraisal toolkit which can be freely accessed on the HCA website (www.homesandcommunities.co.uk) and there are various bespoke models offered by a range of consultants.

Viability appraisal models rely on the principle of residual valuation which seeks to compare scheme revenue (sometimes referred to as gross development value or GDV) with development costs in order to derive a residual land value. This residual land value can be compared with either the existing use or an alternative use value of the land.

Put crudely, development will not go ahead unless there is a positive residual value and the expected land value exceeds both the existing use and the alternative use value by a margin which the landowner considers to be reasonable



FIGURE 5: AFFORDABLE HOUSING AND EXISTING/ALTERNATIVE USE VALUE

Note: The £1m value shown in the above diagram is for illustrative purposes only.

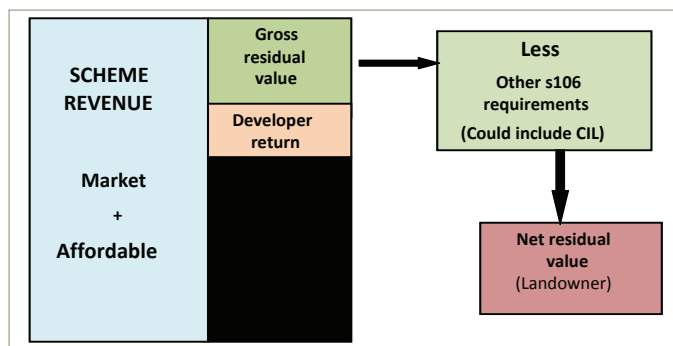


FIGURE 6: RESIDUAL VALUATION MODEL

in the current market, taking account of any tax obligations associated with the sale of land.

It is possible to use a residual valuation model to test the impact of the requirement to provide affordable housing both with and without grant and to test the impact of wider planning obligations and any increases in development costs. This is illustrated in Figure 6.

Data requirements

In carrying out a viability appraisal a local authority will need to collect a range of information on house prices, build costs and other key variables. Basic data requirements are summarised in Table 1 below. A more detailed list of relevant key variables can be accessed in the HCA economic appraisal toolkit.



TABLE 1: KEY DATA REQUIREMENTS FOR VIABILITY APPRAISAL

| Data | Source | Notes |
|--|--|---|
| Existing/alternative use value | Property Market Report Valuation Office Agency (VOA) Half yearly | As well as information about residential land values, information on industrial, commercial and agricultural land values for major settlements can be obtained free of charge in Property Market Report. More detailed information for rural areas or market towns will need to be purchased from VOA |
| Build cost per unit | Building Cost Information Service Quarterly | Many local authorities already subscribe to the BCIS Tender Price Indices through their estates departments, otherwise information will need to be purchased |
| Other development costs (eg professional fees, sales and marketing costs, developer and contractor's return assumed) | Consultation with development industry | |
| House price per unit | Land Registry | Local authority specific information can be purchased. A log of all transactions by house by house type, location and by old/new housing can be obtained |
| Social housing rent levels | Local authority level target rents can be accessed at Dataspring | |
| Level of planning obligations likely to be sought | Local authority (including county) | |
| Availability of social housing grant | Local authority/HCA | |
| Contribution to scheme from any other source | | |
| Density/mix of development | Specimen mixes are available in the London Plan | |

Sensitivity testing key assumptions

The AHVA should explore the implications of a range of possible variables including:

- Changing house prices
- Availability of grant
- Varying levels of S106 contribution
- The introduction of the higher standards of the Code for Sustainable Homes or Lifetime Homes (Code Level 4 from 2013 and Code Level 6 from 2016)
- The introduction of the Community Infrastructure Levy (CIL), if the local authority were to pursue this option

These will then need to be tested against a range of different levels of possible affordable housing provision.

An example of a notional financial appraisal for a 35-unit site is provided in the box opposite. This is based on notional values and does not represent any particular scheme. It does demonstrate the cumulative impact of changing variables. It is also true that changes in individual variables can cancel each other out. Thus in the example opposite, if house prices rise by 15% from 2009 levels (ie back to 2007 values) then CSH Code level 6 is a lot more likely to be deliverable than if prices remain at 2009 values.

An example of a specimen financial appraisal

- A 35-unit scheme of 3 bed houses, selling price at 2007 house prices: £170,000 per unit; at 2009 prices: £145,000 per unit (ie -15%)
- 30% affordable housing, 7 units for social rent, 3 for New Build HomeBuy
- 1 hectare site

| | Residual Value per hectare | |
|--|----------------------------|-------------|
| | 2007 prices | 2009 prices |
| 1. Base with grant | £1.95m | £1.35m |
| 2. Base no grant | £1.50m | £900,000 |
| 3. Code Level 4 plus £5K per unit S106 | £1.08m | £480,000 |
| 4. Code Level 6 plus £5K per unit S106 | £10,000 | -£500,000 |
| 5. As (4) with grant | £494,000 | -£6,000 |

Assumes

- Cost for achieving CSH level 4 from building regs £7,000 per unit
- Cost for achieving CSH level 6 from building regs £35,000 per unit
- Grant £55,000 per unit for social rent, £33,000 per unit New Build HomeBuy.

Once base information on house prices, potential revenue from affordable housing and development costs has been collected and fed into the model it is possible to test the impact on residual value of different levels of affordable housing provision (eg 0%, 10% 20%, 25%, 30%, 35% 40% 50%).

Table 2 demonstrates how land value falls as the proportion of affordable housing increases. Even with grant, as in this case, revenue from affordable housing is lower than for the same unit sold as market housing.

Since house prices vary across authority areas the AHVA will generally identify different residual values in different parts of the authority. There will be instances where residual values with the same percentage of affordable housing can be negative in one part of the district and comfortably positive in another.

Figure 7 is an example of varying impact of affordable housing provision in different locations within a district (Three Dragons for Bournemouth and Poole).

| LAND VALUE | | 20% | 25% | 30% | 35% | 40% | 45% | 50% |
|---------------|--------------|-----------|-----------|-----------|-----------|-----------|---------|---------|
| | 5 units | 249,025 | 217,539 | 186,165 | 154,797 | 123,302 | 91,933 | 60,487 |
| | 15 units | 700,031 | 606,584 | 513,030 | 419,446 | 325,971 | 232,469 | 138,924 |
| | 30 units | 1,463,598 | 1,270,072 | 1,076,442 | 882,752 | 689,139 | 495,438 | 301,759 |
| | 60 units | 2,667,363 | 2,290,418 | 1,913,726 | 1,536,945 | 1,160,157 | 783,389 | 406,632 |
| | 100 units | 4,019,039 | 3,408,973 | 2,798,798 | 2,188,685 | 1,578,563 | 968,456 | 358,335 |

TABLE 2: WYCOMBE DISTRICT VIABILITY STUDY SAVILLS 2006: IMPACT OF DIFFERING PERCENTAGES OF AFFORDABLE HOUSING PROVISION ON RESIDUAL VALUE
[Split of affordable housing two-thirds social rented, one- third shared ownership].

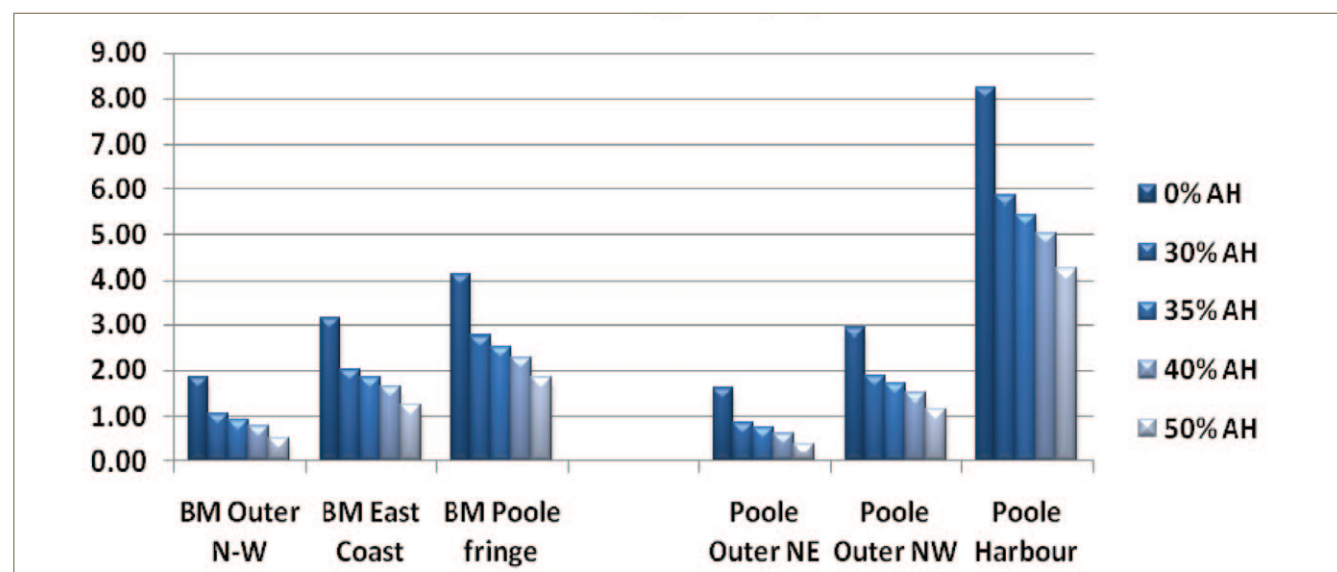


FIGURE 7: RESIDUAL VALUES (£MILLION) FOR A 0.5 HECTARE SITE AT LOW DENSITY (35 DPH)

Example of house price variance across a district: property values

In terms of the property market generally there is a range of values seen across Eastleigh and Southampton. Typical values in the town of Eastleigh and in significant areas of Southampton are generally towards the lower end of the range seen. Conversely, outlying areas including Hamble-le-Rice and Horton Heath typically show values at the top end of the range seen. Between those, value levels are relatively consistent with usually small differences seen for example between Fair Oak, Chandler's Ford, Hedge End, West End and Bishopstoke.

From Adams Integra AHVA for Southampton and Eastleigh

Assessing land value

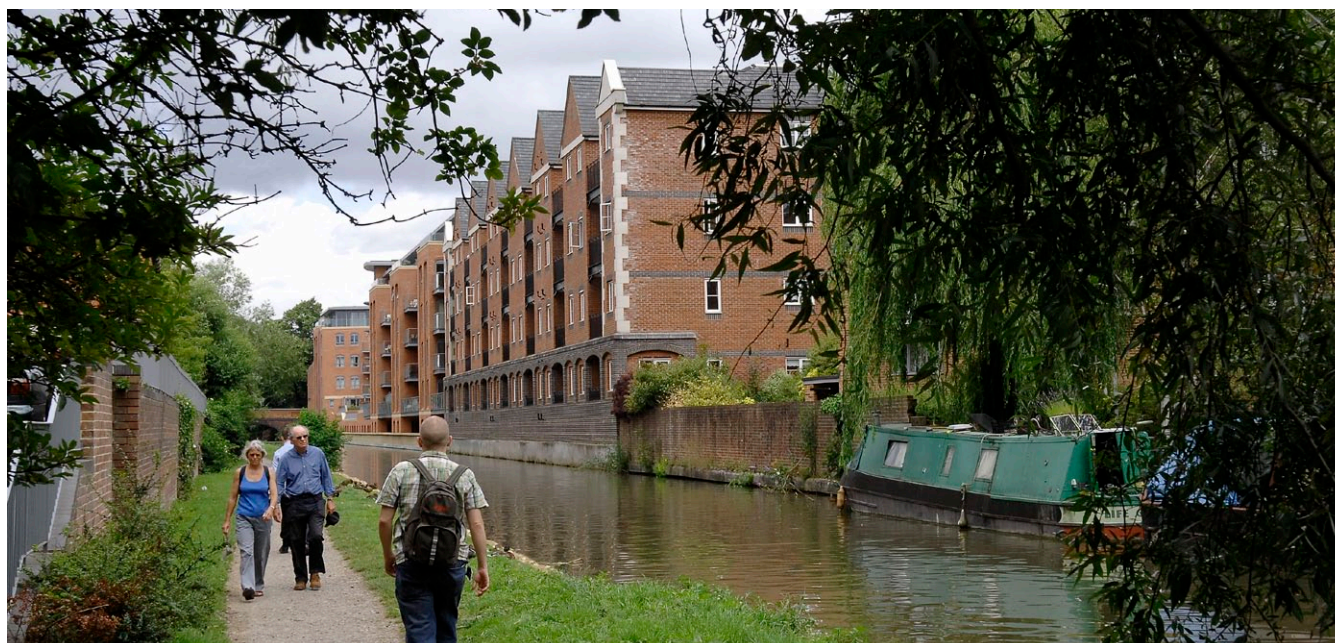
The output from residual valuation is the land value per hectare which residential development will generate. This varies according to the density of the development. Table 3 shows different residual values for a 30dph, 50 dph and 120 dph scheme.

TABLE 3: EXAMPLE OF THE SAME SITE DEVELOPED AT DIFFERENT DENSITIES

| | Scheme in Southampton, site size 1.93 hectares | | | | | |
|-------------------------|--|-------------|-------------|-------------|-------------|-------------|
| | 30 dph | | 50 dph | | 120 dph | |
| Number of dwellings | 58 | 58 | 96 | 96 | 232 | 232 |
| % Affordable housing | 0% | 30% | 0% | 30% | 0% | 30% |
| Scheme revenue (1) | £14,280,000 | £11,420,000 | £16,867,000 | £13,639,000 | £30,995,000 | £25,185,000 |
| Scheme costs (2) | £8,622,000 | £7,682,000 | £10,981,000 | £10,091,000 | £22,317,000 | £21,139,000 |
| Residual - whole scheme | £5,658,000 | £3,738,000 | £5,886,000 | £3,548,000 | £8,678,000 | £4,046,000 |
| Residual - per hectare | £2,932,000 | £1,937,000 | £3,050,000 | £1,838,000 | £4,496,000 | £2,096,000 |

Source NHPAU: The Implications of Housing Type/Size Mix and Density for the Affordability and Viability of New Housing Supply, [available from www.communities.gov.uk](http://www.communities.gov.uk)

Note: Example assumes nil SHG for the affordable housing. Unit costs are lower for affordable housing than for market housing because the developer profit margin, marketing and finance costs are assumed to be lower for affordable housing than for market housing



At the peak of the market very high density development tended to be the most profitable form of development. This is less likely to be the case now that house prices have fallen and in many locations the price of flats has fallen by more than the price of houses

Planning policy and the development management process will determine the density and mix of housing which is acceptable on a particular site, but where the site is simply allocated for residential development with a minimum density requirement then the land will be bought at the price which can be supported by the housing mix and density which yields the highest residual value.

Landowners looking to sell land for housing will take some or all of the following considerations into account:

- Does residential use offer the highest value which can be obtained for the site (ie would commercial development yield a higher land value?)
- What is the “going rate” for residential land? What did the comparable site down the road fetch and how long ago was that and under what planning regime?
- Will the transaction yield sufficient revenue after tax (the vendor pays capital gains tax, the purchaser pays stamp duty, but both must be funded from the price of the land)
- Is now a good time to sell? If vendors expect house prices to rise it can make sense not to sell land. If they expect planning obligations

to become more onerous then it may make sense to sell land sooner rather than later. These two factors can be in conflict (eg a plausible scenario at the moment would be for a landowner to expect house prices to rise, but that higher levels of planning obligations and the Code for Sustainable Homes will increase development costs thereby reducing land values)

- Land can only be sold once: Can revenue from the sale of land now be put to good use in the vendor’s other business activities? How does sale of this site affect inheritance and tax planning?

Each land transaction will be driven by a different set of motivators, but an AHVA will have to apply a standard set of assumptions about landowner expectations in order to arrive at a realistic base land value against which to assess residuals at different levels of affordable housing. There are various possible methodologies for doing this:

- Existing/alternative use plus an uplift of around 25-30% to allow for capital gains tax and stamp duty can be taken as a comparator
- A variant on this approach is the suggestion that land value should be 50% of the difference between the existing use value of the land and its value for residential development
- Some commentators assume a fixed (normally historic) ratio between gross land value (often referred to as GLV) and gross

revenue (often referred to as GDV). 20-30% is quoted as a typical ratio although this varies widely by location with much higher ratios recorded in high value areas

Each of these methodologies has its own limitations.

It can be difficult to obtain information on existing/alternative use values, particularly in rural areas and market towns where the number of transactions may be relatively small. Existing and alternative use values may change quite rapidly and, where a specified affordable housing target is set quite close to existing/alternative use value, this may inhibit sites coming forward for development. The 30% uplift, although demonstrable against costs incurred, offers no significant financial incentive to a landowner to bring a site forward for residential development.

The differential approach also requires information about existing use values and there is no evidence to suggest that 50% of uplift is a figure which is acceptable to both landowner and local authority

The ratio between land value and gross revenue is a function of development costs and house prices and in practice both high and low house price areas produce figures for land value as a percentage of gross revenue which are significantly above or below the 20-30% ‘norm’. The ratio also varies with density and the proportion of affordable housing. In the example from Southampton quoted above the ratio varies

from 39.5% in the case of 100% market housing on a 30 dph scheme to 16% for 30% affordable housing on a 120 dph scheme.

What is accepted as 'normal' will also depend on the period chosen for analysis. Over time house prices have risen sharply compared with build costs. In 2005 house prices were five times higher than in 1985, but build costs were only three times higher than in 1985 (see Figure 8) and this will have increased the ratio of land value to gross revenue compared with the historic norm.

Planning for normal conditions

The long-term trend in house prices has been upwards in real terms. Hence the worsening problems with affordability which have affected local authorities across the South East. More recently house prices have fallen from their 2007 peak but the norm has been for house prices to rise over time. Guidance from the Planning Inspectorate suggests that local authorities should plan for normal conditions.

Whatever the policy, local authorities must be prepared to assess individual sites on a site by site basis taking into account site circumstances and the condition of the housing market at the time. This point has been reiterated in recent Appeal Decisions and guidance from Inspectors (see Section 9 on [page 52](#) for examples).

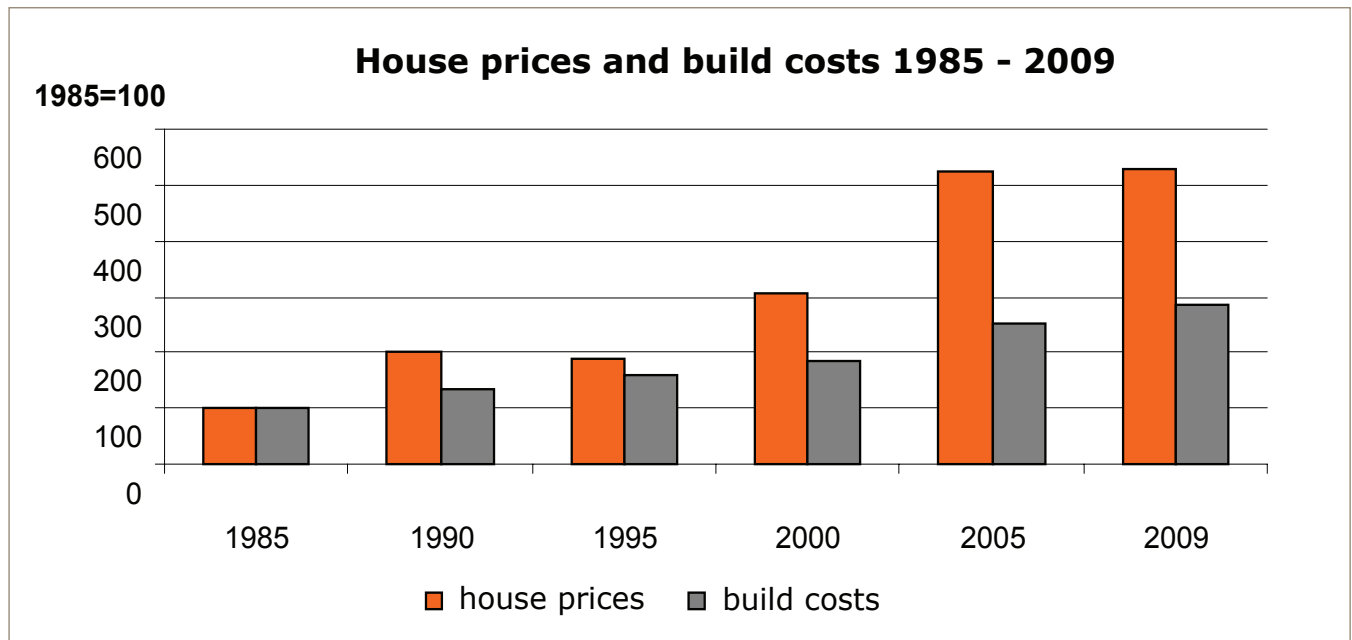


FIGURE 8: CHANGE IN HOUSE PRICES AND BUILD COSTS OVER TIME
BCIS housing tender price index, CLG live table 591 data for England

“ The economic climate is clearly a factor that can cause great uncertainty. However DPDs are intended to guide development over the long term. Accordingly exceptional economic conditions should not be used as an excuse for delay and plans should be based on what may be regarded as normal conditions.

Para 14 Planning Inspectorate, Local Development Frameworks Examining Development Plan Documents: Learning from Experience, 2009

Various mechanisms have been used to enable the AHVA to appraise viability against “normal” conditions. They generally seek to explore the effect on viability of variations in house price and to present a best case scenario which can be justified based on the evidence available. Possible mechanisms include:

- Basing analysis on peak (2007) house prices
- Sensitivity testing at +/- a set percentage of current or peak house prices
- Projecting forward house prices based on trend and sensitivity testing around that trend

At present there is no definitive guidance as to which methodology is preferred. The local authority and their consultant will need to come to a view as to which approach they prefer (and why). This will be influenced by the volatility of the housing market in their area and any available evidence on long term trends as compared to the current situation.

Allowing for change over time

PPS3 (para 66) highlights the importance of keeping market conditions under review.

“ In circumstances where market conditions have changed, it may also be necessary to reassess need and demand, considering a review of approach across the housing market area and/or initiating a partial review of the Regional Spatial Strategy to update the local level of housing provision. ”

A residual valuation is a snapshot in time, but the core strategy has a life of 15 to 20 years. Accordingly local authorities will wish to ensure that the policies that they put in place will have a reasonable shelf-life. If the expectation is that (as has historically been the case, see Figure 9) house prices will rise during the life of the plan, then local authorities will not wish to put in place a policy which is based upon a residual valuation undertaken when the housing market was at its lowest point.

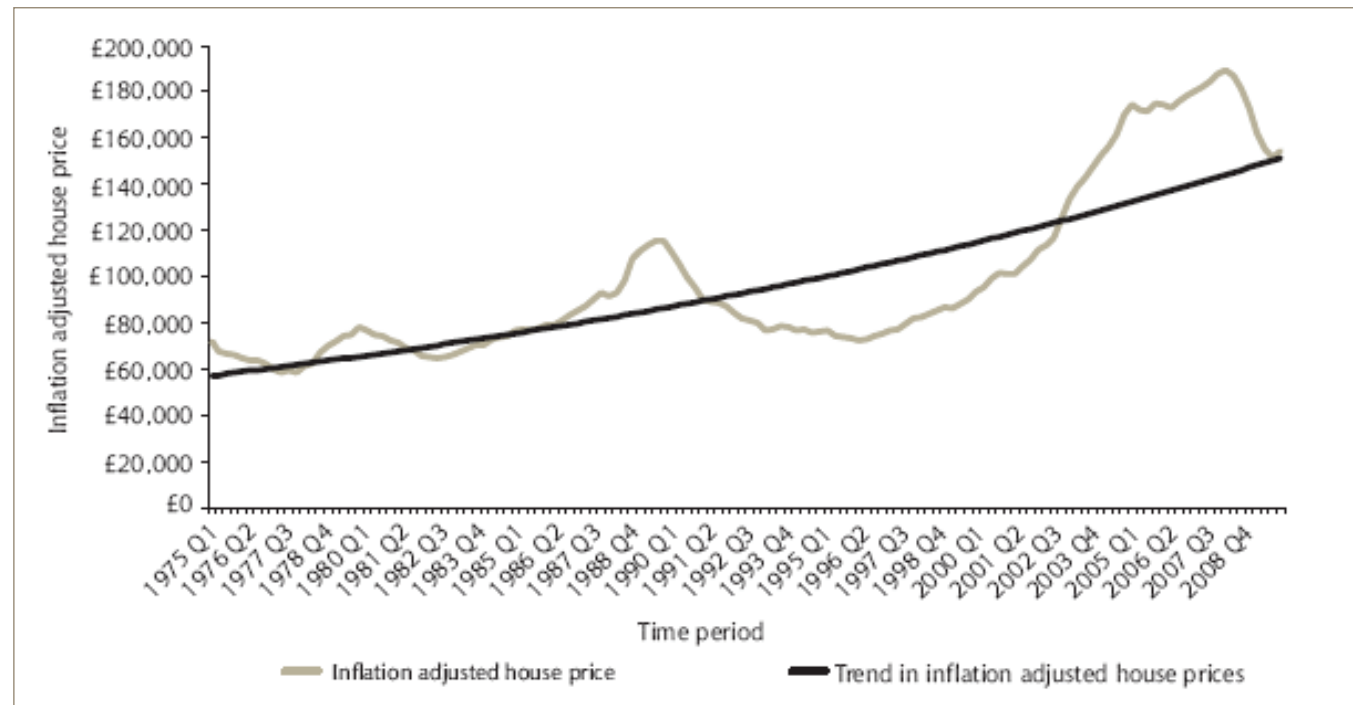


FIGURE 9: UK HOUSE PRICE TREND 1975-2009 (INFLATION ADJUSTED)
Source: Building and Social Housing Foundation: The Future of Housing” 2009

Whichever approach is used in the AHVA local authorities should be clear that they understand the mechanism which will be used to test the sensitivity of the affordable housing target to any change in house prices.

Sensitivity testing around changing market conditions: Levell South Kesteven

Should upside market conditions prevail, 40% affordable housing would be viable for the majority of the Plan period. Against the middle market scenario however, viability is compromised from the period 2013 to 2020 due again to the potentially significant build cost increases associated with increased sustainability requirements.

| | | | | | | |
|--|-----------|--------|--------|-----------------------------|-------------------|--------|
| 40% Affordable Housing (AH) 100% contribution S106 allowance, no grant sensitivity, grantham sensitivity | | | | | Not viable | |
| | | | | | Marginally viable | |
| | | | | | Viable | |
| Year | Viability | | | Reduction due to affordable | | |
| | Downside | Middle | Upside | Downside | Middle | Upside |
| 2010 | | | | > 100% | 80% | 57% |
| 2011 | | | | > 100% | 81% | 58% |
| 2012 | | | | > 100% | 84% | 59% |
| 2013 | | | | > 100% | 86% | 61% |
| 2014 | | | | > 100% | 91% | 63% |
| 2015 | | | | > 100% | 96% | 64% |
| 2016 | | | | > 100% | 100% | 65% |
| 2017 | | | | > 100% | 96% | 64% |
| 2018 | | | | > 100% | 87% | 61% |
| 2019 | | | | > 100% | 78% | 57% |
| 2020 | | | | > 100% | 73% | 56% |
| 2021 | | | | > 100% | 69% | 54% |
| 2022 | | | | > 100% | 64% | 52% |
| 2023 | | | | 87% | 57% | 48% |
| 2024 | | | | 75% | 54% | 46% |
| 2025 | | | | 68% | 51% | 45% |
| 2026 | | | | 66% | 51% | 45% |
| 2027 | | | | 64% | 50% | 44% |
| 2028 | | | | 64% | 50% | 44% |
| 2029 | | | | 64% | 50% | 45% |
| 2030 | | | | 65% | 51% | 45% |
| 2031 | | | | 63% | 49% | 44% |

TABLE 4: AFFORDABLE HOUSING SENSITIVITY TESTING AROUND CHANGING MARKET CONDITION SCENARIOS
From the Affordable Housing Viability Assessment for South Kesteven District Council, Lewel, December 2009

Local authorities should consider not just how robust their current affordable housing target is, but also by how much key variables, such as

house prices and development costs, would have to change for it to be appropriate to consider review of the target.

In practice (as illustrated in Figure 9) house prices have historically been more volatile than development costs. They also impact directly on affordability as well as on viability. House price change at local level is therefore the key variable which local authorities should keep under review, although they should also monitor changes in build cost. The significance of house price change is demonstrated in the example given below where there would have been very little need to review the affordable housing target in the period from 1992 to 1997 when house prices changed very little, but considerable need to review the target between 1997 and 2002 when house prices doubled and again between 2002 and 2007 when house prices increased by 47%.

It is also worth noting that house price change of this magnitude will affect not just viability but also affordability – and potentially deliverability as evaluated through the SHLAA.

One possible response to uncertainty over potential change in house prices would be to have “trigger points” within the affordable housing policy in the plan allowing for either a reduced affordable housing target to be acceptable until a trigger point was reached or for a higher target to come into play once the trigger point was reached. This approach has not found favour with either Planning Inspectors or the Courts. The Appeal Court Judge in the Wakefield Case commented on the difficulty of forecasting house price change:

House price change in the South East 1992-2007

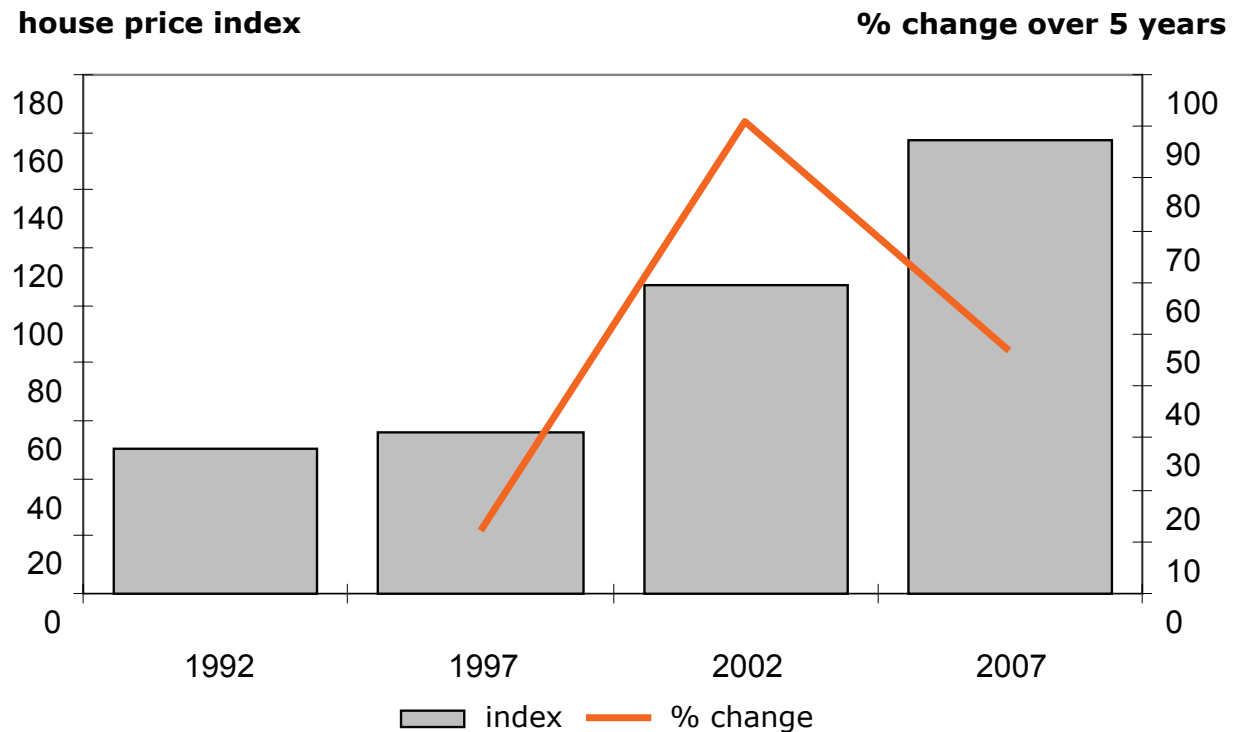


FIGURE 10: HOUSE PRICE CHANGE AND TARGET REVIEW

preferred approach appears to be to consider review of this aspect of the core strategy should viability change so much that the original target set in the core strategy, is no longer a realistic norm. This point is reiterated by the Planning Inspectorate in Learning from Experience.

“ the Inspectorhad to make a decision whether it was practicable to impose further trigger thresholds and/or percentages which would come into effect during different economic conditions during unknown periods of the economic cycle. The question only has to be stated to reveal the complexity of such an exercise. It does not seem to me that it is possible to bring such mathematical precision to a policy statement of this kind save perhaps in the most stable of conditions. It would require foresight of all relevant economic factors, including the disposition of a variety of developers to bring forward proposals in different market conditions. Even if the policy was to attempt to define the economic environments in which differential percentages would be applied the effect might well be to bring rigidity rather than flexibility to the policy, particularly if it turned out that the economic predictions were wrong.

Paragraph 75 of the ruling

Although this judgment is currently subject to an appeal, it would appear to indicate that local authorities should not seek to specify trigger points for an uplift in their affordable housing target in their core strategy. Instead the

“ If exceptional economic conditions persist the monitoring arrangements should identify the implications of this and point to what changes may need to be made to the plan. The LDF system is deliberately designed to allow effective review of all or parts of a DPD as circumstances dictate. This flexibility does not appear to always be appreciated

Paragraph 14: Local Development Frameworks; Learning from Experience

Code for Sustainable Homes

One major change in development costs which is anticipated is the move to higher levels of the Code for Sustainable Homes. At present affordable housing must be developed to Code Level 3 and market housing must satisfy Building Regulations. As from October 2010 all new housing must be built to Code Level 3 and as from October 2013 all new housing must be built to Code Level 4. It is planned that Code Level 6 comes into force in October 2016.

There are significant costs attached to moving to higher Code Levels, and guidance from DCLG⁸, published as Code for Sustainable Homes a Cost Review March 2010, estimates that these range from between £5,280 and £6,030 to build to Code Level 4 up to between £24,000 and £42,000 to develop to Code Level 6. Properties granted planning consent now are likely to be developed to higher Code for Sustainable Homes levels than is the case for current development and these costs need to be taken into account in any viability appraisal.

The role of grant

Across the South East in 2008-09 only 16% of new affordable homes were developed without public subsidy although six districts provided more than 50% of their affordable housing without public subsidy.

Public subsidy is generally provided in the form of Social Housing Grant available either from the HCA or from the local authority's own reserves (possibly supplemented by the use of commuted sums). However there is no guarantee that public subsidy will be available for each individual scheme and the AHVA should therefore look at the viability of affordable housing provision both with and without public subsidy.

Public subsidy in the form of grant can most effectively be used where scheme viability is marginal. In high value areas grant is less likely to be needed in order to generate residual value which is comparable with that which could be obtained elsewhere in the district, although potentially below landowner expectations for that site. In low value areas where a scheme would not be viable even if it was developed for 100% market housing then the introduction of Social Housing Grant on its own is unlikely to make the scheme viable – though there may well be other reasons why the local authority and the developer wish the scheme to go ahead (for instance as a flagship project in a rundown area) in which Social Housing Grant may have a role as part of a wider package of regeneration funding for a scheme which would otherwise be of negative value.

Grant is typically used:

- To increase the proportion of affordable housing units

- To enable the provision of a higher proportion of social rented as opposed to intermediate tenure dwellings
- To enable larger or more specialised affordable housing units to be provided

The HCA National Affordable Housing Programme Prospectus⁹ states that:

“Where grant is aligned with affordable housing planning obligations, this is on the basis of demonstrable additionality – additional units, an improved mix, higher quality or a combination of these. The value of developer planning obligations being based on the discounted price of the affordable housing.”

Paragraph 43 of Responding to the Downturn

What grant should not be used for is to subsidise land values and the HCA will normally undertake its own appraisal of individual schemes in order to ensure that this is not taking place and that the scheme meets HCA goals for value for money.

Future investment by HCA will be guided by priorities agreed through the Single Conversation (see below). This should cover all aspects of HCA investment in housing, including support for infrastructure, provision of public

⁸ Available from www.communities.gov.uk

⁹ Paragraphs 78-84 NAHP Prospectus 2008-11, available from www.housingcorp.gov.uk

sector land and patient investor functions such as provision of guarantees or long term loans as well as provision of Social Housing Grant.



How does the Single Conversation and the Local Investment Plan fit into the process?

Future investment in housing and regeneration from the Homes and Communities Agency (HCA) will be guided by Local Investment Plans (LIP), which will develop out of the Single Conversation.

The details of the Single Conversation in each locality will be determined by the investment priorities and objectives as set out in key local planning documents. While the Single Conversation is foremost a dialogue between a local authority and the HCA, it will also include a range of private, public and third sector organisations who will come into partnership with the local authority as investors and / or agents in community development.

The LIP will build on existing plans and strategies and will outline all the investment required to meet the needs of a district, including costs and timescales. The Plan should provide detailed evidence and forecasts for the three year period following its development, but can also take a longer term perspective. Guidance from the HCA suggests that local authorities should develop their capacity to participate in the Single Conversation by gathering information and preparing an evidence base. The same evidence base underpinning the Local Development Framework, particularly the Core Strategy, will be appropriate for the LIP. As in the LDF, key information on housing stock, demographic trends and capacity for new housing will be derived from up-to-date SHMAs and SHLAAs.

Affordable housing strategies which set out the role of the private sector in affordable housing delivery are also identified by the HCA as key documents which should inform the LIP. It will be up to the local authority to build its case in negotiation with the HCA. This should include transparent and well explained reasons for establishing priorities.

A local investment agreement (LIA) will follow from the LIP. The LIA is a non-legally binding memorandum of understanding between the local authority and the HCA. It will set out mechanisms for delivering prioritised objectives, drawn from the LIP, while taking into account available and prospective funding. For each project that is agreed as an investment priority, the LIA should:

- Outline the contributions each party will make, in terms of funding and assets, as well as staff time, expertise and technical support
- Detail how the local authority and the Agency will work together
- Identify targets and desired outcomes of investment and mechanisms for evaluation.

When agreement is reached the LIA will be signed off by the HCA regional director. HCA guidance notes that any agreement is “‘in principle’ and subject to the availability of resources and the capacity of the local authority and its partners to deliver the objectives”. Funding for individual initiatives will be subject to HCA’s internal approval processes. The agreement will take effect once both parties have signed and will be applicable for an agreed period. Further information on the Single Conversation can be found on the HCA website.

Small sites

The national indicative minimum site size for affordable housing contributions set out in PPS3 is 15 dwellings. However local authorities are allowed to opt for a lower threshold provided they can demonstrate viability and practicability.

“ The national indicative minimum site size threshold is 15 dwellings. However, Local Planning Authorities can set lower minimum thresholds, where viable and practicable, including in rural areas.

Paragraph 29 PPS3

”

Local authorities wishing to pursue this option will require their AHVA to demonstrate that small sites at the threshold they are considering introducing are viable. This will require analysis of the financial viability of small sites and comparison with the viability of larger sites in the same area. Viability of small sites is influenced by a number of considerations including:

- Differential development costs (although the evidence for this is weak)
- Variations in house prices between large and small sites (the latter may be more exclusive pushing house prices up)
- The likelihood of being in different types of location (eg large sites may be predominantly greenfield, whilst small sites may be predominantly urban infill)

Viability appraisal of small sites should seek to model the types of locations and housing mixes which are expected to come forward and should encompass a range of different locations across the authority.

Local consultation with the development industry can be important in teasing out information about the likely profile of small sites and expected differences (if any) between large and small sites in the area. It is also the only way of identifying circumstances unique to the area and plays an important part in building development industry confidence in the processes that the local authority will use to set policy and appraise individual sites. For more information on the consultation process see Section 10 and for information on analysis of site supply, see Section 8.

Commuted sums

Local authorities vary in their willingness to take commuted sums but across the South East as a whole £12.5m was received in 2008/09 and £13.5m was spent. At the start of that year £43m of commuted sums was held by local authorities for spending on affordable housing¹⁰.

Government policy on the use and calculation of commuted sums is set out in PPS3 which states that affordable housing provision should normally be on-site except where the proposed approach contributes to the creation of mixed

communities in the area and that financial contributions should be of broadly equivalent value to on-site provision unclear.

“ In seeking developer contributions, the presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing. However, where it can be robustly justified, off-site provision or a financial contribution in lieu of on-site provision (of broadly equivalent value) may be accepted as long as the agreed approach contributes to the creation of mixed communities in the local authority area.

Paragraph 29 PPS3

”

Local authorities differ in the contribution they expect from on-site provision. In some cases it may take the form of free land, in others the developer is expected to sell units to an RSL at a price supported by net rental income. In some cases (eg the Bristol matrix) the local authority specifies the sum which will be paid to the developer.

Extract from Bristol Matrix Guide to payments for S106 Affordable Housing 2009-10, [available from www.bristol.gov.uk](http://www.bristol.gov.uk).

¹⁰ Source 2008-09 HSSA returns section N 20-24

TABLE 5: MATRIX FOR RENTED HOUSING 2009/10 IN BRISTOL CITY CENTRE (BS1, BS6, BS8 AND BS9)

| Housing type in inner area | Minimum size m ² | Target rent | 2009/10 payment by RSL |
|----------------------------|-----------------------------|-------------|------------------------|
| 1 bed 2 person flat | 46 | £77.13 | £50,308 |
| 2 bed 3 person flat | 62 | £89.43 | £61,088 |
| 2 bed 4 person house | 76 | £88.78 | £63,484 |
| 3 bed 5 person house | 86 | £97.8 | £67,078 |
| 4 bed 6 person house | 101 | £111.22 | £75,462 |

The AHVA will already have had to take a view on the developer contribution required in order to assess financial viability for on-site provision. The principle of equivalence set out in paragraph 29 of PPS3 requires that the same formula is applied to the calculation of off-site contributions. Thus if a property would have sold for £150,000 on the open market and an RSL is expected to pay £50,000 for it then the developer has made a £100,000 contribution and this is the sum which the developer would be expected to pay as a commuted sum. If the local authority was pursuing a policy of seeking free land and the development cost (excluding land) of a £150,000 property was £100,000 then the developer would be making a £50,000 contribution and this is the sum which would be expected as a commuted sum.

The key principle is that there is a clear understanding of the difference in residual value to the developer between developing the site for 100% market housing compared with

the residual value for providing the specified proportion of affordable housing on-site and that is the sum which is required as a financial contribution.

This can be expressed mathematically as follows:

- $GLV\ M - GLV\ AH = CS$
- Where: GLV M = Gross land value with 100% market housing; GLV AH = Gross land value with specified percentage age of affordable housing; CS = Commuted sum

Whatever the method used for calculating the GLV AH, the AHVA should provide the local authority with a simple formula based on the principle above which enables the development management officer to calculate a scheme specific commuted sum.

Adams Integra: Southampton Commuted Sum Calculation (Worked example to illustrate the suggested calculation)

Scheme of 4 no. 2 bed flats selling at £167,500 each (step above)

Requirement for 20% equivalent affordable housing contribution (payment in lieu).

20% proportion means 0.8 unit for affordable housing (4 x 20%).

The per (whole) unit equivalent sum is calculated as follows:

$£167,500 \times 20.9\% =$ indicative land (plot) value for that unit £35,008 (step b)

Add 15% acquisition and servicing cost.
 $£35,008 \times 115\% = £40,259$ (step c)

(At 20% target) scheme triggers requirement for 0.8 unit

So indicative financial contribution would be
 $£40,259 \times 0.8 = £32,207$ (step d)

Negotiating individual schemes

There may be considerable variance between individual site circumstances and those modelled when setting an affordable housing target. It is therefore important that local authorities retain the flexibility – and the understanding of financial viability – that will enable them to negotiate individual sites.

A view from the development industry

- Recognise that there is a difference between area-wide appraisal where generic data is acceptable and site-specific appraisal where it is not.
- Accept that landowners do not need to sell their land for development/redevelopment so imposing a land value is meaningless.
- Allow for modelling to work upwards from a known land value required to be met (whether actual, historic or required).
- Separate out as much as possible (especially S106 contributions) in order to increase transparency and allow for prioritisation.
- Do not assume increases in house prices (GDV). Do viability assessments based on the current situation.

Viability appraisal is an essential tool for understanding the options open to both the local authority and the developer, but it is not a substitute for policy making nor can it provide the “right” answer for any individual scheme. What it can do is to illustrate the various possible options to enable the developer and the local authority to arrive at a solution which reflects current financial reality and meets the local authority’s wider planning objectives. Local authorities should therefore develop some mechanism for understanding scheme specific viability appraisal. Possible options include:

- Commissioning an external consultant to advise on individual schemes, (the HCA has a panel whom local authorities are encouraged to draw upon)
- Using the HCA economic appraisal toolkit
- Commissioning a bespoke appraisal tool; typically from the consultant carrying out the AHVA

The HCA has provided useful guidance on scheme specific negotiation in Investment and Planning Obligations Responding to the Downturn ¹¹ which looks in some detail at scheme viability and the role of grant but also includes consideration of other options such as deferral of affordable housing provision and/or the role of the public sector as a ‘patient investor’. Responding to the Downturn stresses the importance of a flexible approach to development management with each scheme appraised on an individual basis.

Responding to the Downturn includes examples of how phased development and judicious use of grant can enable developer and local authority to achieve the affordable housing target.

The Welsh Assembly Government has provided guidance Delivering Affordable Housing using S106 Agreements – a Guidance Update¹² which looks at the role of plan policy and scheme negotiation in expediting housing delivery. Like Responding to the Downturn, this document explores the potential for phased development

with increased affordable housing provision in later phases of the development and/or the use of time limited planning consent in order to ensure that planning consents for a reduced proportion of affordable housing in order to get development going is not “banked” for the future.

“ Because the speed of change in the current market downturn is unprecedented, and the rate and direction of future change uncertain, obligations for affordable housing, entered into in current market conditions, may support a substantially lower level of viable developer contributions than will be viable in a future recovering market. A flexible approach to managing planning obligations for affordable housing might relax or defer policy requirements, and be linked to a developer commitment on the timing of delivery, so that a ‘flexed’ consent is not simply ‘banked’ by the applicant for implementation when the market has recovered.

Paragraph 29 of Responding to the Downturn

¹¹ Available from www.homesandcommunities.co.uk

¹² Available from <http://wales.gov.uk>



“ The HCA’s preferred approach at this time is thus the use of mechanisms to defer policy based planning obligations on early phases of a phased development to subsequent phases, subject to viability testing prior to the commencement of each phase. Thus ensuring that obligations reflect the current economic reality for delivery of a phase of a development, while recognising that the underlying Development Plan policy requirement over the development period of a large project, can provide for deferment.

Paragraph 37 of Responding to the Downturn

”

ATLAS has recently produced a guide to scheme specific negotiation Responsive Planning Practices for Changing Economic Times¹³ which includes sections on viability appraisal.

The example below (page 49), taken from Clay Farm in Cambridgeshire, shows how ‘open book’ viability appraisal can assist negotiation and minimize uncertainty, but the two parties can still fail to agree about what is a realistic land value and affordable housing contribution for a site.

¹³ Available from www.atlasplanning.com

Summary of key points from Delivering Affordable Housing using S106 Agreements – a guidance update Welsh Assembly Government 2009

Mechanisms have emerged which local authorities can use to assist housing development get underway in the current market conditions. An important principle is that the mechanism used does not gift an advantageous permission to a developer for use at a later date. The main ‘checks’ available are either to limit the life of the permission and/or ensure that the payment of planning obligations is deferred rather than removed. The main mechanisms identified in this section are:

- Scheme re-design to bring forward the affordable housing provision (as a short term measure to maintain development activity)
- Granting of short life permissions that include a reduced level of planning obligations (including affordable housing)
- Reviewing obligations over different ‘phases of a scheme’s development (but with mechanisms to avoid the abuse of any concessions granted)
- A deferred payment mechanism.

These are all relatively new ideas as a response to the current market difficulties and other mechanisms may emerge in the future.

TOP TIPS FROM SECTION SEVEN

For viability appraisal when setting policy

- The viability appraisal should clearly state the basis on which an acceptable residual land value has been set – and should ideally demonstrate the effect of using differing methods of estimating an acceptable residual land value.
- The viability appraisal should account for differences in house prices (and development costs) across the local authority.
- The viability appraisal should be clear about the starting date for appraisal and should include a mechanism which tests the sensitivity of the results to changes in house prices (and development costs) over time.
- The local authority should put in place a monitoring mechanism – and series of key indicators including house prices – which indicate when it may be appropriate to review the affordable housing policy.

For scheme negotiation

- Agree with the developer an approach to evaluating scheme viability.
- Accept the need for flexibility on both sides.
- Consider deferral of affordable housing provision until the market recovers.
- Aim to reach agreement through negotiation but be aware that this is not always possible – even when viability is fully understood by both parties.

Clay Farm case study

Clay Farm is a proposed development of 2,550 dwellings on the Southern Fringe of Cambridge. The developer (Countryside Properties) and the local planning authority (Cambridge City Council) had engaged in lengthy negotiation using a site specific viability model developed by King Sturge. Whilst agreement had been reached on most other aspects of the proposed development affordable housing remained an area of contention. The affordable housing policy required 40% affordable housing. Viability appraisal had demonstrated that this was not viable in the current market, in part because the developer had bought the land in 2007 and current market values would not sustain the land value paid in 2007. The City had offered a phased arrangement of an initial 30% affordable housing rising to 50% in the latter stages of the development so that the overall 40% was achieved. The developer argued that even 30% was not viable in the current market and offered an initial 16% without grant with a higher level of affordable housing provision if grant could be secured and provision to increase the proportion of affordable housing against certain agreed changes in house prices and development costs, but not above 40% at any point in the development. Affordable housing lost in the early years was therefore permanently lost not deferred. This was not acceptable to the local authority.

The Inspector praised the parties collaborative and co-operating approach but asked: “should the price paid for the land be included as a fixed development cost, and the affordable housing element treated as a variable residual figure, or is a Residual Land Value basis the appropriate approach to consider viability of the schemes?”

She found that: “the appellants’ approach to assessing viability (scenarios 1-12) has the effect of protecting historic land values as well as insulating the developer against a risk for which he is already indemnified by the profit margins. Put another way, their approach protects them from historic falls and achieves a 20% profit on historic losses. This outcome would be at the expense of affordable housing levels and of a high planning priority in the region. The HCA cannot be anticipating that outcome nor is it intended by planning policy or the planning system. The RLV approach used by the City Council, and suggested in the SPD, is therefore the appropriate methodology for evaluating the economics of these developments.”

The Councils option of reducing the affordable housing to 30% initially and recovering any shortfall with a higher proportion than 40% in later phases up to a maximum of 50% is, in my view, a reasonable solution and should be given serious consideration. The approach would not result in any more of an imbalanced community than the option of 16.5% in the first phase and up to 40% at later stages offered in the unilateral undertaking. With tenure blind developments, a mix within a range of 40-50% in any one phase would not be so readily apparent or unacceptable than a phase that is designed to provide say 30-40%. In my view, exceeding the 40% is not beyond the bounds of acceptability, particularly with the reputation that this developer has for delivering successful schemes.

The developer appealed to the Secretary of State who supported the Inspector’s findings.

8. SITE SUPPLY AND THRESHOLDS

Local authorities need to identify the size of site above which they will seek affordable housing – the site size threshold. There is a national indicative minimum size of 15 dwellings but authorities can use a lower threshold if they have evidence to justify it. This section of the guide considers how evidence about the profile of site supply in their area can be used to guide the choice of the site size threshold for their policy.

What issues should be taken into account in deciding on a site size threshold?

There are two main ways by which delivery of affordable housing can be increased through the planning system – by increasing the proportion of affordable housing delivered on mixed tenure schemes and by increasing the number of schemes from which affordable housing can be sought.

Government guidance indicates that smaller sites can be excluded from a requirement to deliver affordable housing and sets a national indicative site size of 15 dwellings¹⁴ – the threshold for contributions. However PPS3:

Housing (paragraph 30) allows local authorities to set a threshold below 15 dwellings where this is “viable and practical”.

In considering whether to adopt a threshold below the national indicative minimum there are three types of evidence the authority needs to take into account:

- Whether the need for affordable housing is such that all sources of supply should be explored (see Section 5 on assessing need for affordable housing)
- If and how viability is affected by the size of site – are small sites less able to deliver the same percentage of affordable housing as larger sites? (See Section 7 from [page 32](#) for a detailed description)
- The profile of site supply that can be anticipated (see below)

What evidence is needed to review the supply profile?

The pattern of site supply varies between local authorities and some rely on a large number of smaller sites while others anticipate their housing coming almost exclusively from a small number of large sites. The profile of site sizes matters and planning authorities need to be practical about their future site supply profile in coming to a view on whether they need to introduce a lower threshold than the national

indicative minimum. It would seem to serve little purpose to adopt a threshold below 15 dwellings if nearly all the development over the plan period will be on larger sites, on the other hand, if most of the supply is on sites below 15 dwellings, then the option of a lower threshold should be assessed.

There are a number of data sources that can be used to build up a picture of the land supply profile. The main ones are:

- The profile of recent permissions and/or completions eg what the pattern is over the last 3 or 5 years. Permissions data is usually to be preferred over information about completions as it is more up to date – completions may relate to permissions granted many years ago
- The Strategic Housing Land Availability Assessment and what it says about the profile of supply over the next 15 years
- The most recent five year land supply (although this information may largely replicate the profile of recent permissions).

All the data sources have their advantages and disadvantages and the authority needs to take this into account in using them to build up its land supply profile.

¹⁴ An authority could, in theory, set a threshold above 15 dwellings but there are no examples of this in the South East in any DPD (although some extant local plan policies may still include higher thresholds)

It is important in analysing the data to estimate the number of dwellings in sites of a particular size rather than the number of sites of that size eg sites of over 100 dwellings may represent 1% of all sites in an area but 90% of dwellings.

The level of detail of analysis will depend on local circumstances. Where small sites are thought likely to make up a high percentage of supply, the analysis may need to consider the site supply profile in some detail for sizes of schemes of less than 15 dwellings as illustrated below.

TABLE 6: NOTIONAL EXAMPLE OF ANALYSIS OF SUPPLY OF SITES BY SIZE

| Size of site in dwellings | Number of dwellings in sites of this size | % of the total dwellings |
|---------------------------|---|--------------------------|
| 0 to 4 | 30 | 30% |
| 5 to 9 | 30 | 30% |
| 10 to 14 | 20 | 20% |
| 15 and over | 20 | 20% |
| Total | 100 | 100% |

In the above illustration – the 0 to 4 dwelling band could be further refined into single dwelling bands (1, 2, 3, 4 dwellings) if that was locally relevant.

Analysis of the site supply profile may show that the profile varies between different parts of the authority eg between rural and urban or between different settlements. PPS3 allows

for different thresholds in different parts of an authority and the analysis of site supply can provide relevant evidence.

See also Section 9 (page 52) for examples of different types of site size thresholds in adopted core strategies.

How should issues around the supply of sites be linked to viability?

Through its wider assessment of viability (see Section 7, page 32), an authority may be concerned that sites of a particular type could be less viable than others and that it may not be appropriate to seek the same proportion of affordable housing across all types of sites. The viability of smaller schemes can be a particular concern, on the basis that the building costs will be higher per dwelling because they do not achieve the same economies of scale as larger schemes.

One way of testing this is to collect evidence (typically through an AHVA) that includes examples of specific site types, including small schemes, and shows how their relative economic performance compares with that of larger sites.

It is important that an authority includes viability testing of scheme sizes down at least to the level of the threshold it is considering adopting. For example, if an authority is proposing a threshold of 5 dwellings in its emerging core strategy,

viability testing of schemes of five dwellings will be needed and if it is considering a two-dwelling threshold of down to two dwellings and so on.

TOP TIPS FROM SECTION EIGHT

- The size profile of sites should be used to arrive at a policy for site size thresholds. Other evidence includes the level of need for affordable housing and any viability considerations about sites of different sizes.
- There are three main sources of evidence about site supply that should be considered – recent permissions/completions, the SHLAAS and the five-year land supply.
- Evidence about land supply should be tailored to local issues – if there is variation in supply patterns for different parts of an authority, relevant evidence needs to be collected.

9. HOW TO USE THE EVIDENCE BASE TO DEVELOP POLICY

This section sets out how evidence can be used to inform policies in a LDF and government guidance on the circumstances in which the policies can be applied. The key policies relate to targets for affordable housing and the size of sites above which affordable housing can be sought. However, the section also considers off site contributions and the size and type of affordable housing as well as the additional mechanisms available to increase the supply of affordable housing in rural areas.

The focus of the section is on providing locally responsive policies that match up to government guidance and can show a clear thread between the evidence collected and the policy put forward. The examples of policies in this section give an indication of the types of policy that planning authorities might consider. But local policies must be just that – policies that are locally relevant and stem from the evidence about the area.

How should the evidence base be used to set affordable housing targets?

Local authorities can set one target for their authority or separate targets for different parts of their area or for different site types, where this is appropriate and the evidence justifies this.

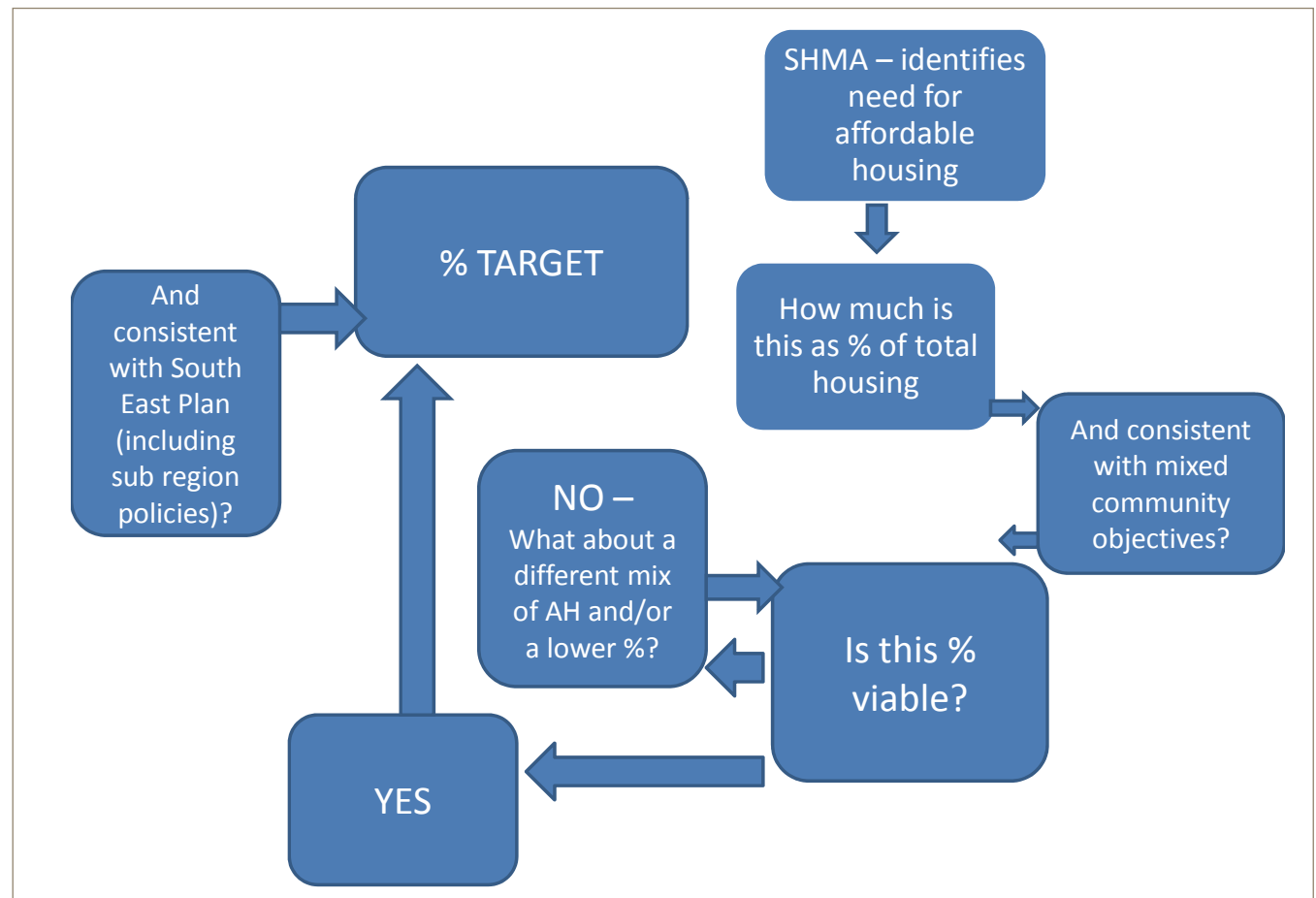


FIGURE 11: DRAWING THE EVIDENCE TOGETHER TO IDENTIFY AN APPROPRIATE TARGET

Note: AH = affordable housing

The crucial evidence underlying the way targets are set are the need for affordable housing, the authority's approach to delivering mixed communities and scheme viability (including a

realistic assessment of the likely level of subsidy available). These are considered in detail in the

relevant sections of the guide but an overview of the way evidence can be drawn together and reviewed is illustrated below.

The percentage target is therefore driven by a combination of the authority's assessed need for affordable housing and its broader long term ambition for the area (set out in the Sustainable Community Strategy – the SCS) which may not always be to maximise affordable housing in all circumstances. But the level of need alone (tempered or not by the SCS) is not sufficient evidence to justify a particular target. PPS3 is very clear that the need for affordable housing has to be constrained by practical implementation considerations:

“ It (the target) should also reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured.

Paragraph 29 of PPS3

”

Put another way – the need for affordable housing sets the maximum target for the authority but what can be achieved practically and viably is a ceiling for the target and may well be below the figure justified by need. The case study below shows this in practice.

Evidence base used in arriving at affordable housing policies: Southampton City Council case study

Evidence of need for affordable housing came from 2 studies – a sub regional housing market assessment (South Hampshire Housing Market Assessment) and a local Housing Needs and Market Survey.

The level of need for affordable housing was shown to be 171% of the full annual housing allocation. The Council stated that: “Clearly, this is not feasible and there is a need to maximise the amount of affordable units based on what is sustainable and deliverable.” (Southampton City Council, LDF Core Strategy – Affordable Housing Background Paper, December 2008, para 7.1.6).

The Council commissioned an affordable housing viability assessment which concluded that for sites over 15 dwellings: “...affordable housing can be delivered on sites reasonably regularly in accordance with the policy aspirations of 35 to 40%.” (Affordable Housing Background Paper para 9.1.4)

And on smaller sites: “...20% affordable housing would be required as a target on sites on 5 to 14 dwellings.” (9.1.6)

The Council also collected other evidence eg number of households on the housing register, to provide a full picture of the need for affordable housing in the City.

The Inspector who held the examination into the Council's Core Strategy stated that: “4.89. The necessity for an affordable housing policy in the city is beyond dispute...” and “4.92...the 2008 viability study (CD122) provides the necessary, more detailed, local evidence... to confirm that the requirement for 35% affordable provision is a realistic and reasonable target over the whole of the plan period if local needs are to be met.”

Inspector's report – October 2009

Local authorities, in setting their policies, should also take into account how the target percentage will work, in combination with their site size threshold, to achieve the level of affordable housing they are seeking. For example:

Setting targets and site size thresholds: notional case study

- Local authority has an overall requirement of 500 dwellings per annum
- Local authority has an objective to deliver 200 affordable homes out of this number
- Half the total dwellings in the area will be on sites over 15 dwellings and half on sites of 10 to 15 dwellings.

Option 1

- Have a target of 40% and a threshold of 15 dwellings
- Theoretical maximum delivery of affordable housing = 100 dwellings

Option 2

- Have a target of 40% and a threshold of 10 dwellings
- Theoretical maximum delivery of affordable housing = 200 dwellings

The real world is much more complex than this example and some affordable housing will come from sites developed by housing associations solely for affordable housing but local authorities need to consider the relationship between their

target percentage, profile of site supply and site size threshold when they are developing their policies.

How should the policies in the South East Plan be taken into account?

Another consideration for local authorities in setting their affordable housing policies in their LDF is the policy framework set out in the South East Plan¹⁵. Subject to the future development plan status of the South East Plan, the Plan provides policies for affordable housing for the South East and at sub regional level.

Policy H3: Affordable Housing

A substantial increase in the amount of affordable housing in the region will be delivered, Local authorities and their partners will work to bring together households in need with funding and new affordable housing stock to support this policy and the Regional Housing Strategy. This will be achieved by:

- Basing policy and funding decisions on a sound evidence base, gathered through the strategic housing market assessment process. Assessments should examine housing need and demand in relation to both affordable and market housing and where markets cross boundaries should be conducted jointly between authorities

- Development and inclusion of targets for the provision of affordable housing, taking account of housing need and having regard to the overall regional target that 25% of all new housing should be social rented accommodation and 10% intermediate affordable housing. Where indicative targets for sub-regions are set out in relevant sections of this RSS, these should take precedence over the regional target
- Setting affordable housing targets which are supported by evidence of financial viability and the role of public subsidy in the light of guidance from the regional planning body and the regional housing board.

Two examples illustrate, below, the way sub regional policies build on the South East Plan overarching policy and provide more locally distinct policies.

¹⁵ South East Plan – the Regional Spatial Strategy for the South East

South Hampshire

On average, 30-40% of housing on new development sites should be affordable housing.

A common policy framework will be developed by the South Hampshire authorities to ensure a consistent approach to the delivery of affordable housing. They will work together to establish the amount, types, sizes and tenures of affordable housing in South Hampshire, the site size thresholds above which the affordable housing policy will apply, and how such provision should be funded. Local development documents will set the percentage of housing on development sites which must be affordable in order to contribute towards the sub-regional targets.

London Fringe

40% of all new housing in the sub-region should be affordable, with the precise level and split between social rented and other forms of tenure being determined locally having regard to local housing assessments.

Policies in the South East Plan need to be taken into account but there is sufficient flexibility in the Plan for local policies to be locally distinct if the evidence justifies. There must be a clear audit trail from the evidence to the policy proposed.

What sorts of policies have been found sound?

Sound core strategy policies illustrate the range of options for LDF policies. They show that authorities have been able to bring evidence about their local circumstances to justify:

- A single target across the authority (and a target which is different from that for the South East Plan)
- Different targets for different types of site
- Different targets for named areas
- Different targets for sites of different sizes
- Targets that can be expressed as dwellings and/or bedspaces

Reading Borough Council Core Strategy (Jan 2008) Policy CS16: Affordable Housing

All development of 15 dwellings and above or of any alternative lower threshold contained in a future adopted Development Plan Document will provide 50% of the total number of dwellings in the form of affordable housing to meet the needs of the areas, as defined in a housing needs assessment.

Ashford Borough Council Core Strategy (July 2008) Policy CS12: Affordable Housing

On qualifying sites in the growth area the Council will seek the provision of not less than 30% of all dwellings as subsidised affordable housing; elsewhere the target is 35%. The affordable provision shall be split between social rented (60%) and other forms of affordable provision (40%).

New Forest District Council Core Strategy (Oct 2009) selected extract (Policy CS15)

(c) Within the defined settlement of Lymington, Everton, Hordel and Milford-on-Sea and Bransgore, the target is for 50% of all new dwellings on the site to be affordable housing, of which 35% of the total dwellings will be social rented housing and 15% of the total dwellings will be intermediate housing.

(d) Within the other defined towns and villages, the target is for 40% of all new dwellings to be affordable housing, of which 25% of the total dwelling will be social rented housing and 15% of the total dwellings will be intermediate housing.

Mole Valley District Council Core Strategy (Oct 2009) Policy CS4 The Provision of Affordable Housing

In order to increase the provision of affordable homes the Council will aim to secure a minimum of 950 new affordable units within the District between the period 2006 and 2026 (contributing towards the sub-regional target of 40% of all new homes being affordable).

In order to achieve this target the District Council will required where viable:

- That on all development of 1 to 9 gross dwellings, a financial contribution equivalent to providing 20% of the total number of dwellings as affordable is made;
- That on all housing developments of 10 to 14 gross dwellings, 30% of the total number of dwellings are affordable; and
- That on all housing development of 15 gross dwellings or more, 40% of the total number of dwellings are affordable.

Wycombe District Council Core Strategy (July 2008) selected extract (Policy CS13)

2a. The Council will seek to secure affordable housing on sites of 15 or more dwellings (or of minimum size 0.5ha) at High Wycombe Urban Area, Marlow and Princes Risborough, or (in the rest of the District) of 5 or more dwellings (or of minimum size of 0.16ha). Subject in every case to the physical circumstances of the site and prevailing and anticipated market conditions, the Council will seek to ensure that at least 30% of the total bedspaces within a development are within affordable dwellings, unless the site is Greenfield land or was last used for business use or a similar sui generis employment-generating use, in which case the Council will aim to achieve at least 40% of total bedspaces within affordable dwellings.

The following case study ([page 57](#)) shows the link between the evidence base used by the authority and the policy and the factors that the planning inspector took into account in finding the policy sound. The full policy is set out at the end of the case study in a separate box.



Link between the evidence base and a 'sound' policy: Case study – New Forest District Council

The core policy (Policy CS 15) is a locally distinct policy that uses different target percentages (split targets) and thresholds for named settlements and site types. The council used evidence both about the need for affordable housing (through a housing market assessment) and about development viability (through an affordable housing viability study).

Need for affordable housing is very high in the district and the council has set an annual target of delivering 100 affordable homes each year, well short of the identified need. The Inspector, who heard the examination in public of the Core Strategy, considered that this figure was realistic given past delivery rates.

The Inspector supported the Council in their conclusion that a 50% affordable housing target was justified in some circumstances but not as a district-wide target, stating that:

“3.19 ... some parts of the Plan area, ..., are weaker in terms of housing market value than others and, second, that greenfield sites can potentially deliver a greater proportion of affordable housing than redevelopment within existing built-up areas.”

The Inspector also concluded that the council's evidence-based approach and use (in some circumstances) of a 50% target was consistent with the South East Plan (despite being greater than the target set out in Policy H3 of the South East Plan):

“3.21 ...the overall regional target does not represent an absolute limit, SEP policy H3 emphasising that policy decisions should be supported by a sound evidence base. ...Bearing in mind the context of the overall need for affordable housing in the Plan area, the 50% figure appears justified by the evidence base.”

Policy CS15 Affordable housing contribution requirements from developments

Private developments creating new dwellings will be required to contribute towards the provision of affordable housing by making provision as set out below, under one of requirements (a) to (d). Affordable housing provision will not be required where the development is:

- A single replacement dwelling
- An agricultural/ forestry workers dwelling or commoners' dwelling (but the removal of an occupancy condition will require an affordable housing contribution)
- The conversion or subdivision (without significant extension) of an existing dwelling
- A residential redevelopment scheme for 4 or less dwellings, involving the demolition of at least 1 dwelling, and where the site size is smaller than 0.1 hectare.

(a) On greenfield housing site allocations (except for those covered by (b) below) the target is 50% affordable housing, of which 35% of the total dwellings will be social rented housing and 15% of the total dwellings will be intermediate housing. At least 50% of the affordable dwellings provided should be family housing.

Policy CS15 Affordable housing contribution requirements from developments (cont)...

(b) On greenfield housing sites released specifically to meet an identified local need for affordable housing which will not otherwise be met (under Policy CS12), the target will be a minimum of 70% affordable housing. The development should provide a minimum of 40% social rented housing and 30% intermediate affordable housing. The remainder of the site should be developed for low-cost market housing which could include starter homes, self-build units and extra-care housing. At least 50% of the affordable dwellings provided should be family housing.

(c) Within the defined settlements of Lymington, Everton, Hordle and Milford-on-Sea and Bransgore, the target is for 50% of all new dwellings on the site to be affordable housing, of which 35% of the total dwellings will be social rented housing and 15% of the total dwellings will be intermediate housing.

(d) Within the other defined towns and villages, the target is for 40% of all new dwellings to be affordable housing, of which 25% of the total dwellings will be social rented housing and 15% of the total dwellings will be intermediate housing.

Provision will normally be made on site. The affordable housing should reflect the type and size of the development as a whole, and should include family housing if that is provided as part or all of the market provision.

Where it can be demonstrated that provision of the target level of social rented and/or intermediate affordable housing is not economically viable the Council will: First, seek to maximise the potential for affordable housing contributions from that development by allowing a higher proportion of intermediate housing to be provided to meet the overall housing target; Second, seek to negotiate a percentage of affordable housing as close as possible to the target level set in this policy, having regard to a site specific economic viability assessment.

In the following circumstances the affordable housing contribution may be made by payment of a fixed affordable housing contribution/tariff rather than on site provision. This will be additional to any other planning charges or tariffs (including Community Infrastructure Levy) required by the development.

- On developments of 4 or less dwellings in the defined built-up areas of Totton, Hythe, Lymington, New Milton and Ringwood;
- On developments of 1 or 2 dwellings in all other defined settlements.

The contributions will be used to enable additional affordable housing provision on alternative sites, or to subsidise the provision of social rented housing on sites where social rented housing cannot be achieved without public subsidy.

In settlements where the site size threshold for affordable housing provision had previously been set at 15 or more dwellings, on developments of 14 or fewer dwellings, the above affordable housing contributions will be applied subject to a 50% discount in the affordable housing provision required until 31 December 2010.

How should local authorities plan for a changing market and uncertain availability of grant?

Section 7 of the guide ([page 32](#)) deals with market conditions and viability in detail. This section of the guide explains the broad approach that local authorities can follow in policy making and implementation. There are two important principles to take into account:

That development plans are for the long term and planning authorities should take a long view of market conditions

It is important that local authorities take a flexible approach to proposals/applications brought to them when the market is relatively weak and it can be demonstrated that scheme viability is compromised

Up to date feedback on this comes from planning inspectors in their reports on examinations into local authority Core Strategies. The extracts below are all from the South East and published in 2009.

Core strategies and dealing with market conditions

“...an important feature of Core Strategies is that they should look over a long time frame – in this case to 2026. In this context, I have seen no substantive evidence that the present economic difficulties represent a structural reversal in the way in which housing markets have historically operated. I am satisfied both that the “split target” requirement is justified by the submitted viability assessment and that the viability assessment itself is soundly based in terms of normal market conditions.”

New Forest District

“Clearly, the recent ‘credit crunch’ cannot be ignored but it remains the case that such difficulties normally, in the past at least, form only one part of the overall economic cycles that would occur within the lifetime of the CS and for which it must plan. Provided that there is sufficient flexibility within the plan for the differing circumstances prevailing at the likely stages of the economic cycle to be catered for in relation to individual schemes, then relatively short term issues of this nature need not dictate the main basis of the policy; only how it is implemented in practice.”

Southampton City Council

“Clearly, making predictions about housing viability in times of significant change is fraught with uncertainty. However, given the possibility that the more pessimistic predictions may come to pass, I consider it essential that the policy incorporates sufficient flexibility to allow a reduced rate of AH to be provided in mixed developments (rather than no housing at all). ...The ability to vary tenure mix is also suggested. In similar vein, the policy allows for some flexibility in the target of 35% AH provision in the SDLs to take into account the potential viability of the proposals.”

Wokingham Borough Council

Where an authority considers that the introduction of a new (higher) target for affordable housing could cause difficulties while the market adjusts to the new policy, one policy option is to offer a short term 'discount' on the target. An example of this comes from the Core Strategy for New Forest District. It deals with the situation where sites previously below the threshold (and therefore with a '0%' requirement for affordable housing) have become eligible for an affordable housing contribution because the threshold has been reduced. The following is an extract from Policy CS15 of the Core Strategy.

New Forest District Core Strategy – extract from Policy CS15

In settlements where the site size threshold for affordable housing provision has been previously set at 15 or more dwellings, on development of 14 or fewer dwellings, the above affordable housing contributions will be applied subject to a 50% discount in the affordable housing provision required until 31 December 2010.

The inspector considering the core strategy commented that the policy represented a "... pragmatic way of addressing the effects of changing the site size thresholds".

The availability of grant can make a significant difference to viability but an authority does not know what grant will be available over the life of its plan. Grant in this context can be provided from the Homes and Communities Agency

through its programmes or from the council's own reserves (including money collected by way of financial contributions from qualifying housing schemes where affordable housing is not provided on site). Section 7 provides more detail on the economic impact of grant on viability ([page 32](#)).

Local authorities can deal with the uncertainty over grant through the use of a cascade mechanism. A cascade mechanism sets out alternative arrangements for the form/tenure and/or amount of affordable housing if certain events happen – typically if the level of grant hoped for is not available (either in whole or part). The use of financial cascades is supported by government.

“ Effective use of planning obligations to deliver affordable housing requires good negotiation skills, ambitious but realistic affordable housing targets and thresholds given site viability, funding 'cascade' agreements in case grant is not provided, and use of an agreement that secures standards.

Delivering Affordable Housing, CLG, November 2006 (companion guide to PPS3)

”

Further guidance on the use of financial cascades can be found in a recent ATLAS publication, Topic Practice Note T1.3.4 Affordable Housing Cascades, ATLAS 2010, [available from www.atlasplanning.com](http://www.atlasplanning.com).

Cascade mechanisms can be included in main DPD policies or as supplementary guidance. They can set out broad principles or be more specific, for example, showing the amount and type of affordable housing required for different amounts of grant. Examples of cascade mechanisms are set out below.

Financial cascades

Bournemouth DPD

Where developers demonstrate to the Council's satisfaction that providing 40% affordable housing in a particular scheme would not be viable the Council will adopt the following cascade mechanism to increase viability:

- Seek Homes and Communities Agency grant (or other public subsidy) to achieve the level and mix of affordable housing consistent with the policy;
- Vary the tenure mix of the affordable component (eg more intermediate and less social rented) and/or the type of units provided (eg smaller units);
- Seek a reduction in the overall amount of affordable housing sought.

Bournemouth Borough Council, Affordable Housing DPD, 2009 Policy AH1 (extract)

Test Valley SPD

If at any time there is insufficient grant funding for the mix of housing within large sites the Council will propose the use of the Cascade Mechanism where by the percentage of affordable housing mix will be varied by reducing the percentage of rented units and increasing the percentage of shared ownership units by the minimum necessary to achieve the Council's requirement.

Test Valley Borough Council Affordable Housing SPD, 2008

Hillingdon SPD

The Council will seek to confirm grant availability before concluding the planning obligation (legal agreement) with the applicant.

Where the availability of social housing grant is unknown (eg early pre-application discussions, long term developments), legal agreements will include a cascade mechanism based on the results of a financial viability appraisal linking the affordable housing requirement to the availability of grant.

If the results of a financial viability appraisal confirm that the affordable housing requirement cannot be provided as per LDF and London Plan policies, the Council will apply a cascade approach by which the Council will agree dependent upon the site specifics and local circumstances to:

- Alter the tenure split requirement; and/or
- Reduce the affordable housing requirement.

London Borough of Hillingdon, Affordable Housing SPD, 2006

How should the evidence base be used to set site size thresholds?

Site size thresholds define the size of site above which the local authority will seek affordable housing. Government policy sets a national indicative minimum threshold of 15 dwellings (see PPS3 paragraph 29) but PPS3 also explains that local authorities can set lower thresholds where viable and practicable and that authorities can have different thresholds across their area and can seek different proportions of affordable for different sizes of sites. In coming to a view on site size thresholds, PPS3 provides the following guidance:

“ Local planning authorities will need to undertake an informed assessment of the economic viability of any thresholds and proportions of affordable housing proposed, including their likely impact upon overall levels of housing delivery and creating mixed communities.

Paragraph 29 PPS3

PPS3 does not allow authorities to set out a threshold for on-site provision and then to collect commuted sums from smaller sites. The size of site above which the authority seeks affordable housing (on site or otherwise) is their threshold.

South East Plan (Policy H3) provides the following guidance on setting thresholds:

“ The incorporation of locally set thresholds covering the size of site above which an affordable housing contribution will be required, These may vary across a local authority area depending on the anticipated pattern of new development. Such thresholds will have regard to an assessment of economic viability, scales of need and impact on overall levels of housing delivery.

South East Plan

”

Section 8 of the guide ([page 50](#)) deals with analysis of the site supply profile in an area and why some authorities might want to seek a lower threshold than the national indicative minimum (and/or may want different thresholds for different parts of their authority).

Where very low thresholds are adopted, councils need to plan for an increase in the number of planning applications on which a contribution from affordable housing will be sought and the potential increase in workload for development management.

Adopted core strategies in the South East show a range of approaches to thresholds, reflecting the local circumstances and evidence collected.

Crawley Borough Council Core Strategy (Revised Oct 2008)

H5: 40% affordable housing will be required from residential developments of 15 dwellings or more, or on sites greater than half a hectare in size unless evidence can be provided to show that the site cannot support such a requirements from a viability perspective and that the development clearly meets a demonstrable need

Wycombe District Council Core Strategy (July 2008) Policy CS 13

2a. The Council will seek to secure affordable housing on sites of 15 or more dwellings (or of minimum size 0.5ha) at High Wycombe Urban Area, Marlow and Princes Risborough, or (in the rest of the District) of 5 or more dwellings (or of minimum size of 0.16ha).

Southampton City Council Core Strategy (Jan. 2010) Policy CS15

On housing site where 15 or more net dwellings are proposed, or which exceed 0.5 hectares in size (irrespective of the number of dwellings), the Council will seek provision, through negotiation, of 35% affordable housing.

On sites where 5-14 net dwellings are proposed the Council will seek provision, through negotiation, of 20% affordable housing.

Wokingham Borough Council (Jan 2010) Policy CP5

All residential proposals of at least 5 dwellings (net) or covering a net site area of at least 0.16 ha will provide up to 50% of the net additional units proposed as affordable dwellings, where viable. The Council will negotiate the tenure, size and type of affordable units on a site by site basis having regard to housing needs, site specifics and other factors.

The way evidence has been used to justify a threshold below 15 dwellings is illustrated by two case studies – one for a more urban authority (Wokingham) and one, a more rural area (Mole Valley).



Wokingham Borough Council

The core strategy seeks affordable housing on sites of five or more dwellings (net) – with different percentages of affordable housing for different sizes/types of site. The policy was developed using:

- Evidence from the (S)HMA – showing that between 64% and 88% of the borough's annual housing completions would need to be affordable dwellings (based upon annual requirement of the South East Plan)
- Evidence from the core strategy that a substantial proportion of new dwellings are likely to come forward on small sites through the site allocation DPD
- Evidence from the core strategy that due to lack of sites bigger than the 15 dwelling national minimum in the villages or two of the main towns, a threshold of 5 was appropriate, having regard to the overall core strategy approach
- Evidence from the affordable housing viability assessment – indicating that, in some circumstances, development is viable with up to 50% affordable housing
- Also evidence of past performance which shows that, since March 2004, the council had successfully delivered affordable housing on a number of sites of at least five dwellings without affecting their financial viability

Mole Valley District Council

Mole Valley Core Strategy seeks affordable housing on all housing sites. This policy was developed using:

- Evidence from the SHMA – showing a very high level of need for affordable housing with a net need for affordable housing of 972 homes per annum – more than four times the total housing provision
- Evidence from the SHLAA – showing that between 2001 and 2008, sites of one to nine dwellings represented 33% of all completions (almost 25% on sites of one to four dwellings). For some of the larger settlements – small sites of one to nine dwellings represented as much as 92% of completions
- Evidence from the affordable housing viability assessment – including an analysis of the development economics of schemes down to one dwelling.

The majority of core strategy policies are not explicit about whether the threshold refers to the gross or net number of dwellings in schemes but there are examples (eg Southampton City and Wokingham Borough) where the core strategy specifically refers to net dwellings.

One reason for using net dwellings could be to deal with the specific case of redevelopment of a site with an existing residential property for a small number of new homes. The development economics of this type of development can be particularly challenging (see Section 7 for further details). This was a point commented on by the inspector who examined the Southampton City Core Strategy. He concluded that, in relation to the core strategy threshold of five dwellings:

“ 4.103 ...In particular, this specific element of the affordable housing policy's application could disproportionately affect the economic viability of the smallest scale housing redevelopment schemes, which make up a recognisable proportion of new housing land supply across the city...

4.104 I therefore recommend that this policy should relate to the net increase in the number of dwellings, rather than the gross or overall total in each scheme. Not only would this better reflect national guidance, in my opinion, it would also remove any unintended consequences for the comparative viability of redevelopment on non-residential sites to better accord with the overall objectives of the CS and reflect local circumstances as evidenced in the SHLAA...

Another way of dealing in policy with the specific issue of viability and small residential redevelopment sites comes from the New Forest Core Strategy. One of the exceptions to the general approach to thresholds is where there is a replacement of a residential property on schemes of four or fewer dwellings. The evidence for this approach came from a detailed analysis of the development economics of small sites provided in the council's AHVA.



New Forest District Council Core Strategy (Oct 2009)

Policy CS15 Affordable housing contribution requirements from developments (extract)

Private developments creating new dwellings will be required to contribute towards the provision of affordable housing by making provision as set out below, under one of requirements (a) to (d). Affordable housing provision will not be required where the development is:

- A single replacement dwelling
- An agricultural/ forestry workers dwelling or commoners' dwelling (but the removal of an occupancy condition will require an affordable housing contribution)
- The conversion or subdivision (without significant extension) of an existing dwelling
- A residential redevelopment scheme for 4 or less dwellings, involving the demolition of at least one dwelling, and where the site size is smaller than 0.1 hectare.

How far can DPD policy set out the type of affordable housing to be sought?

PPS3 encourages the development of mixed communities and that local authorities take into account the likely profile of household types requiring market housing¹⁶. For affordable housing PPS3 also allows for policies that:

- Set out the tenure mix of the affordable housing
- The size and type of affordable housing eg family housing versus flats

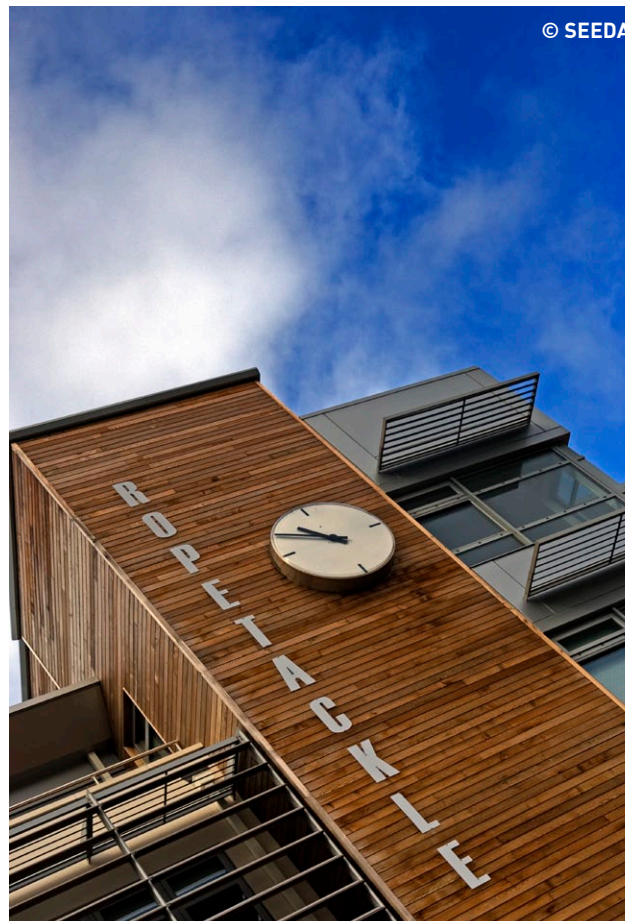
If either the tenure mix of affordable housing and/or the type of affordable housing to be provided are potential concerns for an authority, they should ensure that their SHMA provides evidence about these issues (see Section 4 for further information on preparing a brief for production of a SHMA).

Results from the SHMA provide the basic information about the tenure split and dwelling mix to include in the authority's policy but there are other sources of information eg trends in the housing register and feedback from the operation of a Choice-Based Lettings system, that can provide useful information on the type and tenure of affordable housing that is needed.

But a word of warning – tenure mix and dwelling mix for affordable housing both have implications for scheme viability and results from the SHMA should not be translated into

policy without consideration of their impact on viability eg through testing of the desired tenure/type mix as part of the relevant AHVA.

Case studies of DPD policies which are explicit on mix/type of affordable housing and the SHMA evidence the policy is based on are illustrated below. The examples include the Slough Core Strategy with its emphasis on retaining family housing.



Maidstone Borough Council Affordable Housing DPD (December 2006)

Policy AH1 sets out a minimum percentage of affordable housing for sites of 15 dwellings or more of 40%. Part B of the policy states:

Not less than 24% of the total number of dwellings to be provided shall be affordable rented housing to meet the identified housing need, unless the Council is satisfied of the exceptional circumstances that demonstrate that only a lesser proportion can be provided. The balance of the total number of affordable dwellings secured shall provide for shared ownership, shared equity or discounted market rent properties.

Paragraph 2.15 of the DPD explains that:

“The results of the independent Housing Needs Survey demonstrate that, of the 40% affordable housing requirement, 60% of units should provide for new rental and 40% should provide for shared ownership, shared equity and discounted market rent properties. The provision of affordable rented accommodation therefore represents 24% of the total site yield (60% of the 40% requirement).”

¹⁶ CLG, PPS3: Housing, 2006 paragraph 22

Slough Borough Council Core Strategy (2008), extract from Core Policy 4 (Type of Housing)

There will be no net loss of family accommodation as a result of flat conversions, changes of use or redevelopment.

The borough's core strategy explained that there is already a shortage of family sized houses in Slough (only 10% of dwellings have seven or more rooms) and the borough experiences the highest level of overcrowding in the South East. The core strategy described that there is both a shortage of affordable housing for families (who have a five-year wait to get housed) and of family housing in the private sector.

At the same time, the Annual Monitoring Report for 2006 showed that 85% of completions were for flats (with a similar proportion in 2007). The Berkshire Strategic Housing Market Assessment recommended that a higher proportion of larger new homes should be built in Slough than has been delivered in recent years.

One of the policies in the core strategy (Core Policy 3) seeks to concentrate development in the town centre and allocates a minimum of 3,000 dwellings to the town centre. Because they will be built at high densities (above 70 dph) they will almost inevitably be flats.

As a result of the mismatch between the type of accommodation that is needed and what is likely to be provided, the core strategy adopted the policy approach of ensuring that there should be no loss of family housing. The council considered this to be the most effective use of the existing housing stock and the best way of providing an overall mix and choice of housing (see para 7.56 of the core strategy)

How should an authority decide when to take an off-site contribution – as dwellings or money?

On-site provision is the preferred approach for local authorities, reflecting PPS3 guidance as well as the need at local level to deliver more affordable homes. But there can be exceptional circumstances when providing affordable homes on another site or accepting a cash payment can be the better option. However, these situations are limited.

One such reason will be where an authority has a very low threshold and it is mathematically impractical to provide affordable housing on site, eg:

- 40% contribution on a site of 2 dwellings
- 30% contribution on a site of 3 dwellings

On other sites – a combination of on-site provision and cash payment may be required to make up the target proportion of affordable housing sought, eg:

- 40% contribution on a site of 4 dwellings = 1 dwelling on site + equivalent payment to 0.6 dwellings

Other reasons for collecting a financial contribution can include:

- Not efficient (and therefore expensive) for a housing association to take on the affordable units – no association with a local management presence

- Dwellings have a high service charge and this makes them unsuitable as affordable units
- Location of units is not suitable for people on lower incomes
- Providing affordable housing elsewhere in the authority is more likely to widen choice and availability

Local authorities need to set out the circumstances (eg in an SPD) in which they will consider provision of affordable housing other than on-site.

Authorities also need to explain how they will calculate any financial contribution or assess the type of other off site provision. PPS3 (paragraph 29) states that this should be 'of broadly equivalent value'.

Examples of how this can be done include:

- Defined payments by property type, (for example Appendix 4 – Portsmouth City Council, SPD, Planning Obligation, September 2008 - [available from www.portsmouth.gov.uk](http://www.portsmouth.gov.uk))
- Developer contribution assessed as the financial support required by the affordable housing provider and not covered by rental income and borrowings available from it, to enable an affordable unit to be provided elsewhere
- A sum equivalent to the cost of providing the affordable housing (build and land costs) less what the RSL can pay.

How can policies be tailored to increase delivery in rural communities?

There has been much discussion and debate about the need for affordable housing in rural areas to meet the needs of low income households who want to remain within their local community but live in rural locations where prices are relatively high and opportunities for new (affordable) housing are very limited.

Local authorities can include policies in their DPD to increase delivery of affordable housing in their rural communities. These mechanisms are in addition to policies that seek affordable housing on mixed tenure sites above the threshold (and noting that thresholds are often lower in rural areas – down to one dwelling in some policies).

Government policy is that:

“ Local Planning Authorities should consider allocating and releasing sites solely for affordable housing, including using a Rural Exception Site Policy. This enables small sites to be used, specifically for affordable housing in small rural communities that would not normally be used for housing...

PPS3: Housing, paragraph 30

Rural exception sites are therefore developed on land at the edge of a village that would not normally be developed. Their promotion can take

some time to come through and may be affected by local opposition (sometimes known as NIMBY-ism). However, research has shown that parish councils will often take a positive attitude, once it is understood that the new homes will be for local people – ‘sons and daughters’ – if they are in housing need and can prove a local connection. See Challenging Perceptions of Affordable Housing, South East England Partnership Board, 2009, [available from www.se-partnershipboard.org.uk](http://www.se-partnershipboard.org.uk). The case study below is an extract from that report.

Case Study: Reflecting traditional architecture – Fortescue Place, Smeeth, Ashford, Kent

Fortescue Place is a development of 11 affordable rented and shared ownership homes. This exception site is part of a large field close to the village centre – within easy reach of local facilities. The result of a partnership between Barabourne and Smeeth Parish Councils, English Rural Housing Association and Ashford Borough Council, it provides housing for people with a strong connection to either village. The homes can never be sold on the open market and so will be available to local people in perpetuity,

Both parish councils wanted homes built to high design quality standards and sympathetic to the traditional character in the village. Village design statements and parish plans are good guides to local history and design expectations.

Consultation with the local planning authority, parish council and wider community included village information events where local people could discuss and comment on the design, layout and any other local concerns. Such events give a valuable sense of 'ownership' of the scheme, helping to create homes of which the community can be proud.

Evidence of the need for affordable housing in rural settlements can be provided directly by a SHMA (although this is less likely if not requested by the commissioning authority(ies) at the outset). Instead or as well as, information about local need may come from more local data, typically parish needs surveys carried out in response to a perceived need for affordable housing or from analysis of the operation of choice based lettings and/or other information about the number of households registering for affordable housing from rural settlements.

Policies for the affordable housing targets on mixed tenure schemes in rural areas are subject to the same viability considerations as sites in more urban areas.

Rural exception sites with 100% affordable housing nearly always require some form of public subsidy. When setting out policies for rural exception sites, local authorities should be aware of how easy they will be to deliver from a funding viewpoint. The availability of funding for rural exception sites should be discussed with HCA and/or be part of an authority's spending strategy for money from commuted sums it has collected.

An example of a policy directly relating to rural exception sites comes from Mole Valley District Council Core Strategy (Oct 2009) – CS 4. Policy CS 4 allows both for windfall exception sites and for exception sites that are allocated solely for affordable housing.

Small scale affordable housing schemes may be acceptable on an exceptions basis on sites outside of, but adjoining the settlement boundaries of the rural villages,

Where rural communities wish there to be provision of affordable housing, in their area, the Council will seek to identify and allocate land limited to affordable housing only, within the Land Allocations DPD having regard to the provisions of Policy CS1 'Where Development will be Directed' (A Spatial Strategy) and CS2 'Housing Provision and Location'.

A rural housing enabler can be very important in helping to find suitable sites for exception sites and in getting the community behind the scheme as they have built up considerable experience in achieving affordable housing delivery on exception sites. An example of the role of the RHE is shown below. This is from the Hampshire Alliance for Rural Affordable Housing

Following this, the West Berkshire case study (also below) shows how a South East authority is using different sources of evidence and delivery mechanisms to increase the supply of affordable housing in its rural settlements. West Berkshire was one of the top two local authorities delivering affordable housing in rural areas in 2008-09.

Who are the rural housing enablers (RHEs)?

The RHEs are employed by Community Action Hampshire. They are funded from three separate sources and are therefore independent of the other parties. Their role is to encourage parish councils and local communities to help identify housing need and engage with the process of developing affordable housing in their parish and then to support and assist the Parish Council and local community throughout the process. A major part of the role is to liaise with all the parties involved in the process.

The RHE undertakes the following tasks:

- Advises and keeps the parish council informed throughout the development of a scheme
- Carries out the housing needs survey, if required, and provides a report to the parish council and district council. Alternatively a surgery can be held to find out the level of need
- Identifies suitable potential sites with the parish council and submits an appraisal to the planning authority
- Attends any consultation events
- Contacts landowners of suitable sites to see if they are interested in selling land and, if they are, passes on the information to the housing association

West Berkshire – Rural Housing Strategy

The 2007 Berkshire Housing Market Assessment found that housing is more expensive in rural postcodes than in urban areas. With over 70% of West Berkshire classified as rural, the council is responding to rural housing need in a number of ways, within the overall context of its recently completed Rural Strategy for West Berkshire. The Strategy sets out the issues facing rural communities, including the need for affordable housing, and provides key demographic information at parish level.

A Rural Strategy for West Berkshire (Sept 2009), [available from www.westberks.gov.uk](http://www.westberks.gov.uk)

The council is working with the West Berkshire Partnership and the Community Council for Berkshire (CCB) to encourage rural communities to develop parish plans, which are useful sources of information on rural housing need.

The council also part funds a Rural Housing Enabler (in partnership with two other local authorities and RSL partners) to work with rural communities and their parish councils to understand rural housing need, to help conduct local housing needs surveys and to identify opportunities for new affordable housing schemes.

Against a target of 25%, 44% of the overall affordable housing completions in West Berkshire in 2008/09 were in rural settlements with an equivalent figure of 34% anticipated in 2009/10.

Other achievements include:

- 16 local housing needs surveys completed identifying 256 households in affordable housing need
- 8 parishes engaged in site appraisals
- 3 completed rural exception sites in the last 2 years delivering 28 units

A further rural exception site granted planning consent for 16 units and another application awaiting determination for 7 units.

When affordable housing is developed in rural settlements, there is usually a legal agreement (or S106 agreement) accompanying the planning permission which sets out who will have access to the new housing, giving priority to households with a local connection. This is called an 'occupancy cascade'. There are different formats for occupancy cascades. The example below is from Hampshire Alliance for Rural Affordable Housing and covers both the local connection clause and occupancy cascade.



Local connection clause

For the purposes of this Agreement a person shall be taken to have a strong local connection if he or she satisfies any one or more of the following criteria:

- He or she is ordinarily resident in the parish at the date of allocation
- He or she was previously ordinarily resident in the parish prior to the date of allocation and has family who ordinarily reside there
- He or she has a demonstrable need to live in the parish by reason of:
 - a. His/her current employment in parish
 - b. His/her taking up permanent employment in parish
- He or she has a demonstrable need to reside in the Parish either to support or to be supported by another member of his/her family who ordinarily reside in the Parish at the date of allocation

A person shall be taken to be a member of another's family if he or she is the spouse civil partner mother father sister brother daughter son grandparent or grandchild of that other person or if he or she ordinarily resides with that other person as husband or wife or partner without being legally married to that person

NB Some local authorities within the HARAHP partnership have more specific local connection criteria.

Occupancy cascade

No dwelling shall be occupied either on first occupation or any other subsequent occupation of such dwelling unless it is allocated to a person who:

- Demonstrates a housing need and is unable to afford suitable accommodation on the open market within the parish of X
- Has a strong local connection (as defined above) with the said parish of X.

If there is no-one who meets this requirement within an agreed timescale it will be allocated to a person who:

- Demonstrates a housing need and is unable to afford suitable accommodation on the open market within the parishes of Y, Z (to be agreed with X parish council and ward member)
- Has a strong local connection (as defined above) with any of those parishes.

If there is no-one who meets this requirement within an agreed timescale it will be allocated to a person who demonstrates a housing need and is unable to afford suitable accommodation on the open market within the administrative area of the local authority and who is ordinarily resident within that area.

NB Some local authorities within the HARAHP partnership consult the parish council about the occupancy cascade and may include an agreed length of time that the applicant must have had their local connection to the parish.

What goes where in terms of the Local Development Framework?

There are two ways in which affordable housing policies can be set out by local authorities – in their core strategy or in a separate DPD devoted to the issue. Producing a single topic DPD is unusual and most authorities prefer to deal with affordable housing policies within the wider spatial context offered by the core strategy (see PPS12: Local Spatial Planning 2008, 5.1 to 5.3, for further information on ‘other DPDs’). Where affordable housing DPDs have been approved, it has been accepted that the issue is a council priority that requires attention now and that the preparation of the DPD does not prejudice the development of the core strategy.¹⁷

Whether in the core strategy or a separate DPD, the policies that are set out must be ‘sound’. They must be justified, effective and consistent with national policy. Justified means they must be founded on a robust and credible evidence base (see PPS12: paragraph 4.52).

Local authorities can also produce supplementary planning documents (SPD) to support the policies set out in their DPDs. PPS12 provides guidance on the role and limits of SPD:

¹⁷ For example, see Planning Inspectorate, Report to Maidstone Borough Council, Report on the Examinations into the Affordable Housing and Open Space Development Plan Documents, October 2006

“ A planning authority may prepare Supplementary Planning Documents to provide greater detail on the policies in its DPDs. SPDs should not be prepared with the aim of avoiding the need for the examination of policy which should be examined. ”

PPS12 paragraph 6.1

SPD allow the application of policy to be explained in more detail than in a DPD (Core Strategy or single topic) and to set out how the authority will deal with particular situations. Issues covered in an affordable housing SPD could include:

- A description of the type of affordable housing it will be seeking – the tenure, mix, size, design and form of affordable housing
- A description of what the local authority will accept as intermediate affordable housing and how it may review this
- The circumstances in which the authority may accept off-site/financial contributions and how it will calculate ‘equivalent value’
- How the authority will assess scheme viability and how it will work with applicants if they raise concerns about viability
- Any ‘cascade’ that is being used to deal with uncertainty over the availability of subsidy eg target percentage and preferred tenure of affordable units with grant, alternative tenure mix of affordable units without grant

- The authority’s approach to rural exception sites and the use of grant
- Process of developing a rural affordable housing scheme
- Local occupancy cascades
- What process the authority will use in dealing with applications for mixed tenure schemes
- Working with affordable housing providers (housing associations)
- Use and content of S106 agreements
- The authority’s approach to monitoring progress with affordable housing.

TOP TIPS FROM SECTION NINE

- Affordable housing policies need to clearly reflect the evidence collected about the area and be tailored to local circumstances.
- Authorities should know how much affordable housing their policy is likely to deliver – this will depend on the relationship between the target percentage, site supply and the site size threshold.
- The target percentage for affordable housing will be set in the context of the sustainable community strategy, and will be a compromise between need and viability.
- Authorities should not shy away from locally distinct policies – providing the evidence is there to support them.

- Mechanisms to deal with market uncertainty are needed to complement affordable housing policies which set out realistic but ambitious targets for the long term.
- Financial cascades that deal with uncertain grant availability are a useful adjunct to policy.
- It is good to be clear about the circumstances when an off-site contribution (including a financial payment) will be acceptable.
- The same mechanisms for delivering affordable housing are available in urban and rural areas – but in rural areas there are additional mechanisms that authorities can include in their policies.



10. HOW BEST CAN LOCAL AUTHORITIES WORK WITH OTHERS?

This section looks at why it is important to consult with the development industry, the sort of protocols that can make site negotiations easier, the importance of strong corporate working and the need for 'buy in' from elected members.

Why is it important to consult with the development industry?

PPS3 states that local authorities will need to work closely with the private sector, particularly developers and housebuilders to achieve government's strategic housing objectives (paragraph. 11). This is because local authorities are tasked with considering the whole housing market, looking at both need and demand, rather than simply social rented housing. Therefore it is important to develop good relationships with private developers and estate agents in the local area. Both developers and estate agents have skills and knowledge that can assist the local authority in developing and implementing its policies. If such forums have not yet been established, it is recommended that they should be as a way of facilitating engagement with the industry. PPS3 goes on to say that:

Local Planning Authorities should develop a shared vision with their local communities of the type(s) of residential environments they wish to see... (paragraph 14)

[they] should encourage applicants to bring forward sustainable and environmentally friendly new housing developments, including affordable housing developments... (paragraph 15)

Local Planning Authorities will be responsible for determining, in consultation with developers, infrastructure providers and the wider community, the most appropriate strategy and policies for addressing current and future need and demand for housing in their local areas within the context of delivering the overall spatial vision (paragraph 39).

Good working relationships with local affordable housing providers help to keep both parties up to date about the issues they face across the development and management of affordable housing. Housing associations have skills and practical knowledge that may be overlooked by the local authority.

PPS1 sets out a vision for spatial planning to be a positive and pro-active process. It is a single system that combines plan preparation with

control over the development and use of land. Development management is thus the whole range of activities that together transform the control of development and use of land into a more positive process that does not just prevent the effects of unrestricted development but acts as a proactive tool for managing development opportunities. This requires planners to collaborate with all of the stakeholders and agencies that help to shape local places.

It is now common practice for local authorities to consult with the development industry about specific elements of the evidence base – including the production of the SHMA, SHLAA and AHVA. However, these tend to be on-off exercises. Another option is to set up a forum with the development industry which meets regularly and provides industry input across a range of local authority activities and can feed into the work of the Local Strategic Partnership. There appears to be limited examples from the South East but an example from outside the region is from the City of Bradford Metropolitan District Council which has a dedicated website for the forum (see www.bradford.gov.uk).

What sort of protocols developed for site negotiations can be helpful?

A protocol for S106 agreements can help smooth the negotiation process between local authorities and developers. Such a protocol can

also explain the role of housing associations in this process. A negotiating protocol that establishes a set of principles and practice can simply be a formalisation of existing practice or an agreed procedure that will be followed consistently in the future.

A negotiating protocol sets out the process for dealing with planning applications in some detail. They can describe how negotiation with developers will be conducted and how the authority will coordinate inputs from other departments and from the county. They can include the use of pre-application discussions which can be important in speeding up the time taken in S106 negotiations.

In order to produce a protocol it is important to have corporate backing and legal opinion about the legality of what is included. It is also essential to consult developers, landowners and housing associations when drawing up a protocol.

Why is strong corporate working important?

Good inter-departmental working is vital, particularly when negotiating with developers over S106. While there is no single way in which inter-departmental working should be organised, there are a number of principles which are good practice:

- All relevant departments should be involved in producing the core strategy, particularly affordable housing policy, so that they have 'buy-in'

- A clearly defined process for dealing with S106 agreements and affordable housing will ensure consistency. This could be set out in a publicly available protocol.
- An identified officer with specific S106 responsibilities who can work across departments, helps to maintain the corporate approach (this could be as a full or part time post, see [PAS discussion forum on www.pas.gov.uk](http://www.pas.gov.uk) for a range of examples and how the post is funded).
- A clear structure for a good working relationship between all relevant departments (including officer working groups to maintain consistency in the application of policy).

Inter-departmental working groups

These can be set up to develop policy in the first instance and, once the Core Strategy has been found sound, to produce more detailed policy guidance for developers in DPDs and SPDs. The same group can then oversee proposals involving affordable housing and act as the officer forum where conflicts between affordable housing and other planning obligations can be resolved.

What is needed to ensure effective working with elected members?

The support of elected members is critical for delivering affordable housing. They need to understand the authority's policies and how

negotiations with developers are conducted, and particularly the reasons why the council's objectives may not always be achieved, such as when the viability of a scheme is threatened by falling house prices or when other planning obligations are given priority.

The evidence base can help members to understand the need for affordable housing and this should lead to more realistic policies. Members should be involved in policy development and economic viability appraisal used at the policy development stage can help them to understand the trade-offs that have to be made to reconcile competing demands on S106.

Involving elected members is not a one-off activity. New councillors (to the council or to this role) will gradually become involved in decisions about affordable housing and all councillors need to be kept up to date. Workshops and seminars for elected members can be very useful to explore issues of concern to councillors and help build a common understanding about policy development and implementation and the way planning applications are determined.

Examples of good practice include¹⁸

- Regular half day practical training sessions covering how affordable housing works with mixed tenure sites, how it is delivered,

¹⁸ Delivering affordable housing using Section 106 agreements: Practice Guidance, Welsh Assembly Government, 2008, available from <http://wales.gov.uk>

funding and rural issues. Both the developer and the housing association perspective should be covered.

- Specialist training sessions on particular issues as they arise, such as the economics of development and scheme viability, the operation of S106 agreements, the role of rural exception sites.
- Briefing for members about individual schemes, particularly large strategic sites or those that involve demolition of existing buildings.
- Networking sessions between councillors with housing and planning responsibilities, mirroring corporate working at officer level.

TOP TIPS FROM SECTION TEN

- Good working relationships with the development industry can be maintained through establishing a development forum – which can be called on for discussion about both evidence gathering exercises and policy issues.
- Protocols to help guide negotiations can be very helpful – but need to be agreed with the development industry.
- Effective corporate working within authorities matters – between officers in different departments and between officers and councillors.



11. MONITORING PROGRESS

Information about the delivery of affordable housing shows how well policy is working and the progress being made towards achieving local authority policy objectives. Collecting information – monitoring – for its own sake serves little purpose but monitoring which is carefully targeted to the implementation of policy is a critical process. This chapter explains the kinds of information about affordable housing that authorities need to collect, sources for the information and how the information collected can be used and interpreted.

How does monitoring for affordable housing fit into the wider picture of monitoring and core strategies?

The purpose of monitoring is set out by government in its 2005 Good Practice Guide.

There must be clear arrangements for collecting and reporting results on progress in delivering core strategies. The results of the monitoring process are set out by local authorities in their annual monitoring report (AMR). The AMR covers a wide range of topics – reflecting the scope of core strategies. For housing, PPS3 sets out the scope of information to be covered in AMR.

“ Monitoring is essential to establish what is happening now, what may happen in the future and then compare these trends against existing policies and targets to determine what needs to be done. Monitoring helps to address questions such as:

- Are policies achieving their objectives and in particular are they delivering sustainable development?
- Have policies had unintended consequences?
- Are the assumptions and objectives behind policies still relevant?
- Are the targets being achieved?

Regional Spatial Strategy Monitoring: A Good Practice Guide, CLG, 2005

”

“ As part of preparing Annual Monitoring Reports, local planning authorities should:

- On a regular and frequent basis, monitor housing planning permissions granted, completions, whether on previously-developed land or greenfield in both urban and rural communities.
- Report on progress against the housing and previously-developed land trajectories and where relevant targets and design quality objectives.
- Set out the actions to be undertaken where actual performance does not reflect the housing and previously-developed land trajectories and, where relevant, target, and is outside of the specified acceptable ranges.
- Consider delivery performance in the context of the objectives for the housing market area and region as a whole, as set out in the Regional Spatial Strategy.

PPS3: Housing, CLG, 2006 Para 76

”

The AMR provides an overview of progress in implementing an authority's spatial policies and sets the context for progress in delivering affordable housing. It is important that information about affordable housing is interpreted in this light. So, for example, if overall housebuilding activity is below 'target', delivery of affordable housing on mixed tenure schemes is likely to be affected.

It is also important that any differences in definitions used for affordable housing indicators between those reported in the AMR and elsewhere (eg in returns to CLG) are set out clearly so that users of the data understand exactly what is being counted. Table 7 explains where some of these differences (and potential confusion) can arise.

What sort of information is collected at national and regional level (and is ready to use at the local level)?

There are a number of ways at national and regional level that information about affordable housing is collected.

Data set out nationally

- Housing Strategy Statistical Appendix (HSSA) – an annual return to CLG by all local authorities in England covering a range of information about the housing stock and people in housing need and including a section (Section N) about affordable housing delivery eg amount of affordable

housing delivered through the planning system without grant and affordable housing provided in rural settlements.

- Core Output Indicators for inclusion in AMR as set out by CLG in Regional Spatial Strategy and Local Development Framework Core Output Indicators – Update 2/2008
- Local Area Agreements - Each Local Strategic Partnership agrees with government a set of targets as part of its Local Area Agreement selecting from 198 national indicators. N155 is the indicator for affordable housing. There is also indicator NI 154 – total dwellings provided.
- Also P2Q – Housebuilding which collects quarterly information about the new dwellings started and completed, recorded by the local authority's building control department. When combined with the monthly data from the National House Builders Council (NHBC) it is used to provide estimates of all new house building activity by each local authority area.
- CLG provides a wide range of data at local authority level on its live tables website (www.communities.gov.uk)

Data collected for the region

- Local authorities in the South East provide the regional planning body each year with a range of information that feeds into the region's AMR. This includes information about affordable housing. Definitions for 'dwelling' and 'completion' are shown below.

A dwelling is defined (in line with the 2001 Census) as a self-contained unit of accommodation. Self-containment is where all the rooms (including kitchen, bathroom and toilet) in a household's accommodation are behind a door, which only that household can use. Non-self-contained household spaces at the same address should be counted together as a single dwelling. Therefore a dwelling can consist of one self-contained household space or two or more non-self-contained household spaces at the same address.

'Close care' units (which are considered by the local authority to be affordable housing) may be included if they fall within this definition of a dwelling.

The South East England Partnership Board recognises that the definition of a 'completion' can vary and that, for their purposes, the Homes and Communities Agency and private providers may define a completion differently from the local planning authority. However, the South East England Partnership Board's understanding is that for planning purposes most authorities regard a dwelling as completed when it is ready for occupation.

The following table summarises the data collected about affordable housing, what it covers and who collects it.

TABLE 7: SUMMARY OF DATA ABOUT AFFORDABLE HOUSING COLLECTED BY AND AVAILABLE TO LOCAL AUTHORITIES (ALL DATA ON AN ANNUAL BASIS)

* A dwelling is defined (in line with the 2001 Census) as a self-contained unit or accommodation

| Indicator | Description | Who collects |
|---------------------------------------|--|--|
| Gross affordable housing completions* | Number of additional affordable housing provided through newbuild and acquisitions | CLG – Core Output Indicator H5 CLG – National Indicator N1551 HSSA Partnership Board return |
| Future delivery | Estimate of completions for next 2 years | HSSA |
| Gross completions by tenure | Completions by social rent, shared ownership, intermediate rent | HSSA Partnership Board return (by social rent and intermediate) |
| Gross completions with LA support | Number of additional affordable housing provided with LA financial support | HSSA |
| Permissions | Number of units granted planning permission by tenure and in rural settlements | HSSA |
| Financial contributions | £s collected in lieu of on-site provision and £s spent | HSSA (and information about amount £ held) Partnership Board return |
| Free/discounted land | Amount and estimated value of discounted/free land received | HSSA |
| With/without subsidy | Whether affordable housing provided solely through developer contribution and/or with public subsidy – by tenure | HSSA (and subsidy for sites in rural settlements) Partnership Board return |

The HSSA is a valuable source of other evidence about the housing stock and housing need in an area offering important data for local authorities in preparing an evidence base and in monitoring trends. For instance, the HSSA will provide information about the make-up and condition of the housing stock, number of households on the waiting list, lettings to homeless households and a range of other key indicators related to housing supply and demand.

Supplementary local information to help monitor viability

Supplementary information collected at the local level can help identify scheme viability issues and therefore the ability of mixed tenure schemes to meet policy targets. The authority's own property experts and/or economic development officers may be able to assist but planning and housing officers can also access information that is widely available and provides indicators about market trends. See also Section 7 (page 32) which discusses viability in detail.

- House prices (by dwelling type), [see CLG website **www.communities.gov.uk**](#) (Can compare with region and across housing market area)
- Land values (residential and industrial, [see Valuation Office Agency website **www.voa.gov.uk**](#) (Not at local authority level online but some comparisons can be made eg with region and other nearby centres)

- Target and market rents, [see Dataspring website **www.dataspringcf.org.uk**](#) (Table B3; can compare with region and across housing market area; see also Section 7 (page 32) for details of data sources relevant to viability calculations)

The way monitoring is organised needs to reflect policy so, for instance, if an authority has adopted different affordable housing targets for different parts of its area, information on delivery will need to be collected in this way, so progress in implementing the policy can be tracked.

What can be done to improve efficient data collection?

It is important that planning and housing officers responsible for providing information to CLG and to the Partnership Board work together and coordinate their efforts. This also means gathering information that can be used directly in the authority's own AMR and for a wide range of other purposes (eg member briefings), the authority's sustainable community strategy and housing strategy.

Data collection - Top tips for housing and planning officers working together

1. Ensure all those collecting (affordable) housing information in the authority know each other and what each other are responsible for
2. Agree on definitions (eg what counts as intermediate affordable housing – consistent with PPS3) and ensure these are used consistently in returns to different organisations
3. Agree assumptions eg in which year was scheme X completed, were the affordable units provided with/without subsidy?
4. Meet regularly to check data is consistent across the authority (but this does not have to be on a very frequent basis – a quarterly or annual meeting can be sufficient if there is clarity about how information for different purposes is compared)

5. Ensure consistency between data returns – to other bodies and used locally and with partners. But also understand where there are differences in the definitions used for different returns and understand the implications of these.
6. Ensure that the AMR provides the most accurate data and briefly explain any variations between the information presented in the AMR and in other data sources to avoid confusion for users of the information
7. Liaise with affordable housing providers (mainly housing associations) to check in-house information with their on the ground data (normally a role for housing officers but the information needs to be shared with planning colleagues looking after the AMR and any policy preparation/reviews)
8. Identify and coordinate information collection with others monitoring affordable housing progress eg building control officers

How can affordable housing information be interpreted and used?

The purpose of monitoring is to establish what is happening now, what may happen in the future and then compare these trends against existing policies and targets to determine what needs to be done.¹⁹

Ways in which the information collected by authorities can be interpreted and possible actions to address any problems are suggested in the table below. The exercise can be carried out for the authority as a whole and then tailored to consideration of delivery in different parts of the local authority.

¹⁹ CLG, Regional Spatial Strategy Monitoring: A Good Practice Guide, 2005



TABLE 8: USING AND RESPONDING TO THE DATA COLLECTED

| Indicator | Interpretation/possible questions to use | Possible actions |
|---|--|--|
| Gross affordable housing completions/ future delivery | <p>Are policy targets being met? And, if not, what seem to be the reasons for this? Is the issue about:</p> <ul style="list-style-type: none"> Low percentages of affordable housing achieved on mixed tenure schemes and why? That fewer sites are above site size thresholds than anticipated? Housing associations are finding it difficult to develop 100% affordable housing sites? Compare with performance of other local authorities in the (sub) region Note: useful to review across a number of recent years (say 3) to identify longer term trends and implications of any recent policy changes. | <p>Review reasons why achieved level of affordable housing is below policy and consider how to address eg through revised protocols for negotiations with applicants, through discussions with HCA (Single Conversation) about availability of additional subsidy.</p> <p>Consider introducing a 'financial cascade' and using alternative mixes of affordable housing to achieve higher overall numbers.</p> <p>Review approach to thresholds and mechanisms to ensure sites below the adopted threshold could not be developed for a higher number of affordable housing.</p> <p>Consider a policy review.</p> |
| Gross completions by tenure | <p>How does the balance between social rented and intermediate tenure compare with expectations (including any tenure split set out in policy)?</p> <p>How does this compare with the mix set out for the (sub) region and other authorities in the housing market area?</p> <p>Compare with performance of other local authorities in the (sub) region.</p> | <p>Review reasons for the tenure split eg is it explained by changed local authority preferences, by viability issues and subsidy availability?</p> <p>Consider (revised) protocols for negotiations with applicants and discussion with HCA (Single Conversation) about availability additional subsidy.</p> <p>Consider a policy review.</p> |
| With/without subsidy and/or LA support | <p>What sorts of schemes have received subsidy and is subsidy more/ less than in previous years?</p> <p>Compared with a nil subsidy position what benefits has subsidy brought eg more affordable homes in a scheme, more family affordable homes, balance of affordable tenures in line with policy.</p> <p>Compare with performance of other local authorities in the (sub) region.</p> | <p>Consider (revised) protocols for negotiations with applicants (and could include a defined 'cascade' setting out the approach of the authority when subsidy is/is not available.</p> <p>(Further) discussion with HCA (Single Conversation) about availability additional subsidy if required.</p> <p>Consider a policy review.</p> |

| Indicator | Interpretation/possible questions to use | Possible actions |
|-------------------------|--|--|
| Permissions | <p>How does the rate of permissions compare with that for completions? Does this trend mean a likely increase/decrease in supply of affordable housing in future years?</p> <p>Compare with performance of other local authorities in the (sub) region.</p> | <p>Review reasons why permissions are lagging behind what is needed to achieve the affordable housing policy and consider how to address eg through revised protocols for negotiations with applicants, through discussions with HCA (Single Conversation) about availability of additional subsidy.</p> <p>Consider introducing a 'financial cascade' and using alternative mixes of affordable housing to achieve higher overall numbers.</p> <p>Review approach to thresholds and mechanisms to ensure sites below the adopted threshold could not be developed for a higher number of affordable housing.</p> <p>Consider a policy review.</p> |
| Financial contributions | <p>How much money is collected and is the amount changing over time?</p> <p>Is there a pattern of when money is collected – and does this tie in with authority's policy approach?</p> <p>What is the money collected spent on?</p> <p>Compare with performance of other local authorities in the (sub) region</p> | <p>Consider (revised) protocols for negotiations with applicants and clarification of circumstances in which payments in lieu will be sought.</p> <p>Ensure have clear spending plans for money collected and that help deliver the authority's SCS</p> |

| Indicator | Interpretation/possible questions to use | Possible actions |
|----------------------|--|--|
| Free/discounted land | <p>How much land is made available through this mechanism and is this changing over time?</p> <p>What level of discount is obtained?</p> <p>Is there a pattern of when land is made available and when developers provide competed units – and does this tie in with authority's policy approach?</p> <p>How easily does land provided get developed for affordable housing and who by?</p> <p>Compare with performance of other local authorities in the (sub) region</p> | <p>Consider (revised) protocols for negotiations with applicants and clarification of circumstances in which land will be sought and whether free/discounted.</p> <p>Ensure have mechanisms for development of land provided by this route for affordable housing.</p> |

In the above table – the option of a policy review is shown as one way of tackling problems if the monitoring process shows that an authority is failing to meet its policy. But this option is deliberately shown at the end of the list of other possible actions. It is important that authorities, through consistent but flexible application of the policy, look for ways of making the policy work rather than assuming the policy needs to be changed. A policy founded on robust evidence should not normally need to be reviewed in the short term.

TOP TIPS FROM SECTION ELEVEN

- A lot of information about affordable housing is collected – do housing and planning officers always know what is available to inform the evidence base?
- Some information about affordable housing is very similar but with slight technical differences - housing and planning officers that use the data need to be aware of the differences.
- The AMR should provide an agreed set of information about AH for the authority.
- When data indicates that policy is not being achieved – it is important to understand why – action taken should first be about making the policy work better, with policy review as the last resort.

12. GLOSSARY

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| Affordable housing | <p>Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:</p> <ul style="list-style-type: none"> ■ Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices. ■ Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision. <p>Annex B of PPS3</p> |
| Intermediate affordable housing | <p>Housing at prices and rents above those of social rent, but below market price or rents...These can include shared equity products (eg HomeBuy), other low cost homes for sale and intermediate rent.</p> <p>Annex B of PPS3</p> |
| Social rented affordable housing | <p>Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. ...It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant.</p> <p>Planning Policy Statement 3: Housing (November, 2006) Annex B p.25</p> <p>Note that the functions of the Housing Corporation have been taken over by the Homes and Communities Agency and the Tenant Services Authority</p> |
| Affordable housing viability assessment (AHVA) | <p>A process which assesses the impact on the economics of residential developments of varying levels of affordable housing, alongside other requirements including other planning obligations. Presently, there is no government guidance on good practice in undertaking AHVA. AHVA is not a 'formal name' for such studies and they may be referred to by other names such as Affordable housing viability studies and economic viability assessments.</p> |
| Alternative use value | <p>Alternative use value refers to the value a site would have were it developed for another purpose, such as industrial or commercial use, rather than residential.</p> |
| Annual monitoring report (AMR) | <p>Local authorities are required to monitor outcomes of planning policy and report to government and to the public on progress towards implementing the LDF. AMRs outline yearly progress made in relation to targets set out in development plan documents as well as regional and national targets.</p> <p>Planning Policy Statement 12: Local Spatial Planning (2008) p.18</p> |

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| Audit Commission | <p>An independent, non-departmental public body, sponsored by CLG, which acts as a watchdog, monitoring local government's public spending. In addition to auditing spending on a range of services, including housing, the Audit Commission conducts performance assessments of local councils and housing organisations.</p> <p>See www.auditcommission.gov.uk</p> |
| Brownfield site | <p>A development site that has been previously developed for residential, commercial or industrial used. PPS3 defines Brownfield land as follows:</p> <p>"Previously-developed land is that which is or was occupied by a permanent structure, including the curtilage of the developed land and any associated fixed surface infrastructure".</p> <p>PPS3 also sets out certain development types that are excluded from the definition.</p> <p>Planning Policy Statement 3: Housing (November, 2006) Annex B p.26</p> |
| Capital gains tax | <p>A tax paid by the vendor on net profit from the disposal of an asset. It usually applies to the sale or transfer of land.</p> <p>See http://www.hmrc.gov.uk/cgt/</p> |
| Cascade mechanism | <p>A cascade mechanism, as applied to an affordable housing policy, allows for different amounts and / or types of affordable housing to be sought in accordance with certain variables (most often, varying levels of grant funding). Cascading is a means of developing a flexible policy which allows for maximum affordable housing provision to be sought, while considering the viability of an individual scheme.</p> |
| Choice-based letting (CBL) | <p>CBL allows social housing tenants and applicants greater option in selecting where they live, while addressing priority need. It also allows housing departments to better assess demand for different types of affordable properties in different locations. Under choice-based letting, affordable properties are publically advertised. Homes are secured through a bidding process open to households on a local authority's housing register. Allocation is based on level of need and the appropriateness of a specific property to a households' size and needs. Government aspiration is that all local authorities in England adopt Choice-Based Letting schemes by 2010 and that the system be applied to intermediate affordable properties as well as social rented properties.</p> <p>Regulations and statutory guidance on implementing Choice-Based Letting are available at: http://www.communities.gov.uk/documents/housing/pdf/choicecodeguidance http://www.communities.gov.uk/publications/housing/allocationsstatutoryguidance</p> |

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| Code for Sustainable Homes (CSH) | <p>In place since May 2008, the Code for Sustainable Homes outlines criteria for evaluating the overall sustainability and environmental performance of individual dwellings. Performance is assessed using a rating system comprised of six levels. Each level sets minimum standards for water and energy efficiency. The current target is for all new homes to achieve a zero carbon rating (CSH level 6) by 2016 with Level 4 required from October 2010. The CSH replaces the EcoHomes scheme that was previously applicable in England.</p> <ul style="list-style-type: none"> ■ http://www.communities.gov.uk/planningandbuilding/buildingregulations/legislation/codesustainable/ ■ http://www.communities.gov.uk/documents/planningandbuilding/pdf/1501290.pdf |
| Communities and Local Government (CLG) | <p>Communities and Local Government or Department for Communities and Local Government (CLG or DCLG) – the ministry, or government department, which sets policies on housing and community development, including those relating to local government, planning, housing and regeneration. CLG’s other functions include promoting socially cohesive and safe communities and setting building regulations. See www.communities.gov.uk</p> |
| Community Infrastructure Levy (CIL) | <p>“The Community Infrastructure Levy (CIL) is a new charge which local authorities in England and Wales will be empowered, but not required, to levy on most types of new development in their areas. The proceeds of the levy will provide new local and sub-regional infrastructure to support the development of an area in line with local authorities’ development plans.” CLG Community Infrastructure Levy: an Overview (March, 2010) p.3</p> <p>The Community Infrastructure Levy came into force April 6th 2010. For further information on the features of CIL and implementation see:</p> <ul style="list-style-type: none"> ■ CLG Community Infrastructure Levy: an Overview (March, 2010) http://www.communities.gov.uk/documents/planningandbuilding/pdf/1503577.pdf ■ CLG Community Infrastructure Levy Guidance: Charge Setting and Charging Schedule Procedures (March, 2010) http://www.communities.gov.uk/documents/planningandbuilding/pdf/1518612.pdf |
| Commuted sum | <p>A commuted sum (also known as a financial contribution) is a payment made by a developer to a local authority in lieu of providing on-site affordable housing. As outlined in paragraph 29 of PPS3, commuted sums, as an alternative to on-site provision, should only be accepted in exceptional circumstances in which there is robust evidence demonstrating the impracticality of direct provision on an application site. Circular 2/2005, paragraph B17, sets out the form financial contributions from developers can take, including lump sum payments, endowments, or phased payment organised on the basis of clearly identified triggers. A local authority’s policy for collecting financial contributions should be clearly set out in the relevant development plan document.</p> |
| Continuous market engagement | <p>A system introduced by the Homes and Communities Agency to allocate the social housing grant under the National Affordable Housing Programme in a more timely manner, so that affordable housing providers can bid for funding much closer to the point of delivery and new opportunities can be supported as they arise rather than at fixed times in a bidding cycle.</p> |

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| Core output indicators | These are key statistics which local authorities can include in their annual monitoring reports. These key 'indicators', which include net additional homes and affordable housing completions, allow for comparisons to be made between regions and between local authorities monitored year to year. |
| Core strategy | <p>The core strategy is the principal development plan document in a local development framework. As outlined in PPS12, the core strategy should include:</p> <ul style="list-style-type: none"> ■ “an overall vision which sets out how the area and the places within it should develop; ■ strategic objectives for the area focussing on the key issues to be addressed; ■ a delivery strategy for achieving these objectives. This should set out how much development is intended to happen where, when, and by what means it will be delivered. Locations for strategic development should be indicated on a key diagram; and ■ clear arrangements for managing and monitoring the delivery of the strategy.” <p>Planning Policy Statement 12: Local Spatial Planning (2008) p.7</p> <p>The vision set out in the core strategy should be broadly consistent with the regional spatial strategy and the sustainable community strategy. To be sound, the core strategy must be based on robust and credible evidence and be justified in light of alternative policy options.</p> |
| Developer margin | The return (or profit) a developer makes on a particular scheme. It is expressed as a percentage of the gross development value for market housing. A lower return (often referred to as contractor return) is normally received for the affordable housing where there is less risk to the developer. |
| Development plan document (DPD) | <p>DPDs are produced by a local planning authority as part of the local development framework. The core strategy is the principal DPD and sets out a delivery strategy for achieving the objectives identified for an area. Additional DPDs add specificity and detail to the overall development plan with reference to specific topics or geographical locations. To be sound a DPD must be justified, effective and consistent with national policy. Further guidance is set out in PPS12. (Also see local development framework and core strategy)</p> <p>See Planning Policy Statement 12: Local Spatial Planning (2008) pp.23-24</p> |
| Evidence base | <p>PPS12 states that the core strategy must “be founded on a robust and credible evidence base”. Evidence gathering to inform spatial planning should consist of consultation with the community and local stakeholders, well as original research and fact finding. Policy decisions must be supported by the evidence base. The evidence base should demonstrate that chosen policies are the most appropriate option when considered against alternatives.</p> <p>Planning Policy Statement 12: Local Spatial Planning (2008) p.15</p> |
| Existing use value | Existing use value is the value of a site in its current use (ie its use prior to re-development) which could be, for instance, commercial, industrial, agricultural or even housing use, for example in the case of a housing regeneration programme. |
| Greenfield land | Land not previously developed for industrial, commercial or residential use. |

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| Gross residual value | Gross residual value is the total revenue of a scheme minus total development cost, including a return to the developer. Gross residual value does not include the cost of planning obligations (also see Net Residual Value). |
| HomeBuy | A broad term covering a number of intermediate affordable housing products developed by the government. Through HomeBuy schemes first time buyers, key workers and social housing tenants are able to purchase a share in a property. They will normally pay rent on the un-owned portion (also see New Build HomeBuy and HomeBuy Direct). |
| HomeBuy Direct | A shared equity scheme on newly built dwellings. The buyer receives an equity loan worth up to 30% of the value of the property and takes out a traditional mortgage on the other 70% (or more). The equity loan is repaid when the property is sold. The loan is interest free for the first five years, after which a fee is charged. See http://www.communities.gov.uk/housing/buyingselling/ownershipschemes/homebuy/HomeBuyDirect/ |
| Homes and Communities Agency (HCA) | A non-departmental public body sponsored by the Department for Communities and Local Government, HCA is the national housing and regeneration agency for England. It provides funding for regeneration and affordable housing. It was formed in December 2008 bringing together the Housing Corporation and English Partnerships. http://www.homesandcommunities.co.uk/ |
| Housing association | See registered social landlord. |
| Housing benefit | A social security allowance for qualifying low income households to assist with rent payments and service charges on rented property. |
| Housing market area (HMA) | PPS3 defines housing market areas as “geographic areas defined by household demand and preferences for housing”. (see Planning Policy Statement 3: Housing (November, 2006) p.27) In conducting an SHMA, local authorities should assess housing need and demand across a district, identifying variation by housing market area. Housing market areas may also be identified in Affordable Housing Viability Assessments for the purposes of analysing development economics across one or more local authorities. These housing market areas can be referred to as market value areas and may or may not be the same as the housing market areas defined by a Strategic Housing Market Assessment. |
| Housing strategy | The Regional Housing Strategy analyses the state of a region’s housing stock and key development priorities across the range of tenures and household types for the medium to long-term. It provides a basis for making decisions regarding capital investment in the region. Housing Strategies are also developed by local authorities to assess sub-regional housing supply and demand both now and in the future and to set out their investment priorities in the light of the evidence. |

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| Housing Strategy Statistical Appendix (HSSA) | <p>The HSSA is managed by CLG. It is published annually and provides a wide range of information, at local authority level, about housing stock, people in housing need and the delivery of housing. It also includes information about delivery of affordable housing and how it is funded. The information contained in the HSSA is drawn from returns made by local authorities to CLG.</p> <p>HSSA 2008/09 is available at: http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/localauthorityhousing/dataforms/hssa0809/hssadata200809/</p> |
| Intermediate rent | <p>The Government's Affordable Housing Policy defines intermediate rent as rent above the value of social rent but below market rent levels. The Homes and Communities Agency refers to intermediate rent as rent levels not exceeding 80% of the current market rent in a given area.</p> |
| Key workers | <p>The Government defines key workers as high profile public sector employees, such as teachers, healthcare workers and emergency services personnel who are on relatively low incomes. Some regions and local authorities have adopted a wider definition of key worker which reflects the needs of the local economy.</p> |
| HM Land Registry (HMLR) | <p>A non-ministerial government department which registers titles to land in England and Wales and records land dealings and transactions, including sales. HMLR provides a wide range of information about house prices for different types of properties in different areas.</p> <p>http://www.landreg.gov.uk/</p> |
| Lifetime homes | <p>Lifetime Homes standards are a set of features designed to make dwellings functional and accessible to families, disabled persons and older persons. Lifetime Homes is a strategy for meeting the needs of an aging population without putting additional strain on housing, social services and healthcare.</p> <p>See Lifetime Homes, Lifetime Neighbourhoods: A National Strategy for Housing in an Ageing Society (February, 2008)</p> <p>http://www.communities.gov.uk/documents/housing/pdf/lifetimehomes.pdf</p> |
| Local area agreement (LAA) | <p>PPS12 identifies the LAA as the key delivery mechanism for the Sustainable Communities Strategy. An agreement between central government and a local authority and its partners, the LAA identifies the priorities for a local area and targets for improvement, selecting from a range of nationally determined indicators.</p> <p>See Planning Policy Statement 12: Local Spatial Planning (2008)</p> |
| Local development framework (LDF) | <p>The local development framework is the collection of local development documents produced by the local planning authority which collectively delivers the spatial planning strategy for its area.</p> <p>The core strategy is the principal development plan document. It outlines a vision for an area and sets out a strategy for achieving the key development objectives (see core strategy and development plan document).</p> <p>Planning Policy Statement 12: Local Spatial Planning (2008) p.3</p> |

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| Local investment agreement (LIA) | A non-legally binding memorandum of understanding between the Homes and Communities Agency (HCA) and a local authority. It is an outcome of the Single Conversation, the HCA's new business model. An LIA sets out in detail how agreed development and spatial planning objectives for a locality will be delivered, subject to available funding. |
| Local investment plan (LIP) | A document which sets out all investment required (from a range of sources) to meet the short-term needs and aspirations of an authority. The key output of the Single Conversation, the LIP builds on a local authority's existing plans and strategies, laying the foundation for the Local Investment Agreement. |
| Local strategic partnership (LSP) | <p>Local strategic partnerships are not statutory bodies, but they bring together the public, private and third sectors to coordinate the contribution that each can make to improving localities." (Planning Policy Statement 12: Local Spatial Planning (2008) p.2)</p> <p>The LSP offers opportunity for consultation with key stakeholders and the local community in the course of plan development. It also encourages different services and organisations to work together to achieve mutual goals. The LSP develops the sustainable community strategy and is a key player in developing Local Area Agreements or LAA.</p> |
| Low cost market housing | Housing provided at below market value. Low cost market housing cannot be defined as affordable housing for planning purposes. |
| Market housing | Housing for sale or rent for which the price is determined by market factors, such as demand. |
| National Affordable Housing Programme | <p>A programme of capital investment set out by the Homes and Communities Agency.</p> <p>For the South East See http://www.homesandcommunities.co.uk/public/documents/Regional%20Investment%20Statement%20-%20Q3%202009.10%20South%20East.pdf</p> |
| National Land Use Database (NLUD) | The NLUD is managed by the Homes and Communities Agency on behalf of central government. Updated annually, the database provides information on brownfield land in England that may be available for future development. |
| New Build HomeBuy (NBHB) | <p>Under the NBHB scheme a buyer can purchase between 25% and 75% of the value of a new housing association property, paying an affordable rent on the remaining proportion. The housing association retains the unbought share. When able, a buyer can purchase additional shares in the property up to 100% (known as staircasing). While eligibility criteria for NBHB are wider than for social rented accommodation, the scheme is generally restricted to social housing tenants, households on waiting lists, key workers and first time buyers with a household income below £60,000 p.a.</p> <p>See http://www.homesandcommunities.co.uk/new_build_homebuy</p> |
| Net Residual Value | The net residual value of a site is the difference between the total revenue of a scheme and its total costs, including all planning obligations. |
| Open-book negotiations | A transparent means of negotiating developer contributions in which the developer shares detailed information on a site's development economics with the local authority. |

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| Parish plan | <p>Parish plans are one approach to community led planning for rural communities. Usually led by the parish council, but with broad community engagement they set out a vision for the future of the community; an assessment of its social, economic and environmental assets and an action plan to improve its sustainability. The plan should be developed in consultation with the local authority and can then be used by the council and LSP to assist implement the action plan. Parish plans provide a useful source of information for local planning authorities to inform sustainability appraisals and policy development, including that for affordable housing.</p> <p>http://www.acre.org.uk/communityledplanning_whatiscpl.html</p> |
| Pepper-potting | To intersperse affordable housing among market housing in a mixed-tenure scheme. |
| Planning condition | A requirement which a development must comply with as set out in the planning permission. Planning conditions can help to mitigate the potentially negative effects of a new development on the surrounding area and / or influence the nature of a development. |
| Planning Inspectorate (PINS) | <p>An independent government organisation which processes planning appeals and conducts examinations of local development plans and regional spatial strategies. Other work includes listed building appeals, advertisement appeals, reporting to Communities and Local Government or Welsh Assembly Government on disputed planning applications and cases relating to the Environment Protection and Water Act and to highways and transport. A full range of work areas is outlined at:</p> <p>http://www.planning-inspectorate.gov.uk/pins/index.htm</p> |
| Planning obligation | See Section 106 agreement |
| PPS3 | Planning Policy Statement 3: Housing sets a national planning policy framework in accordance with government objectives for housing delivery. PPS3 was published in November 2006. Published at the same time by CLG, and complementing PPS3, was 'Delivering Affordable Housing'. It provides information on how existing mechanisms operate to aid in delivery. |
| Previously developed land | Previously developed land (PDL) – see brownfield land. |
| Property market report | <p>Published twice annually by the Valuation Office Agency, the report provides a range of information about the property market including the value of various types of land (including industrial, residential and agricultural land). This information is provided at national and regional level and for a number of identified places (notably the larger urban settlements).</p> <p>See http://www.voa.gov.uk/publications/property_market_report/</p> |

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| Regional spatial strategy (RSS) | <p>There is currently a spatial strategy for each of the nine English regions. RSS set out the spatial vision for the region, identifying potential growth areas, new housing required and necessary investment in major infrastructure. RSS provide the context and the regional targets in which local planning authorities' core strategies are set. The RSS for the South East, the South East Plan, was adopted May 6th 2009 and sets out a strategy for the region to 2026. However, the new coalition Government intend to abolish RSS's. The scope and timetable for this is currently unclear so monitor the Communities and Local Government website for further information.</p> <p>See http://www.gos.gov.uk/gose/planning/regionalPlanning/815640/</p> |
| Register of Surplus Public Sector Land | <p>Managed by the Homes and Communities Agency on behalf of Communities and Local Government, the register maintains information on available and surplus land in England and helps to identify new uses for land. Local authorities are encouraged to consult the Register to assist with the preparation of strategic housing land availability assessments (SHLAA).</p> |
| Registered Social Landlord (RSL) | <p>RSLs are not-for-profit housing associations that are registered and regulated by the Tenants Services Authority. While they are eligible to bid for social housing grant funding under the National Affordable Housing Programme (along with a limited number of other organisations that are not housing associations), they are also entitled to access private finance.</p> |
| Residual valuation | <p>Is the principle upon which viability appraisal models are based. It is a process whereby the total revenue of a modelled scheme (Gross Development Value) is compared with total costs. The difference between the two is a residual land value.</p> |
| Rural communities | <p>PPS3 indicates that local planning authorities and regional planning bodies should use the government's 2004 rural/urban definition to distinguish between rural and urban communities. The 2004 definition classifies areas by settlement type. Settlements with a population over 10,000 are classified as urban while town, fringe, village and hamlet settlements, as well as isolated dwellings, are classified as rural. More detailed information is available from the Office for National Statistics at:</p> <p>http://www.ons.gov.uk/about-statistics/geography/products/area-classifications/rural-urban-definition-and-la-classification/index.html</p> |
| Rural exception sites | <p>Small sites within or adjoining settlements of less than 3,000 population that are used specifically for 100% affordable housing with mechanisms in place to ensure that the housing remains affordable in perpetuity. They are sites that in small rural communities that would not normally be used for housing because, for example, they are subject to policies of restraint. There are two types of rural exception sites, windfall, and those that are allocated for 100% affordable housing in a Development Plan Document. PPS3 states that where applicable, Local Planning Authorities should develop a Rural Exception Site Policy to allow for the development of select rural sites based on evidence of local need.</p> <p>See Planning Policy Statement 3: Housing (November, 2006) pp.11-12</p> |
| Rural housing enabler (RHE) | <p>RHE work with rural communities to identify affordable housing needs and potential sites for the development of rural affordable housing. The Rural Housing Enabler ensures that rural needs and issues are taken up in planning policy. They work with housing associations, landowner, parish and town councils and others within the local authority to bring affordable housing schemes forward.</p> |

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| Section 106 agreement (or S106) | A Section 106 agreement is a legally binding agreement that is negotiated between a local authority and a developer which is separate from and additional to a planning permission. This is in accordance with Section 106 of the Town and Country Planning Act of 1990 as substituted by section 12 of the Planning and Compensation Act 1991. S106 agreements are the central means by which benefits to the wider community from a new development are secured. |
| Shared ownership | <p>The publication, Shared Ownership: Joint Guidance for England, describes shared ownership as a scheme whereby households who cannot afford to buy a home on the open market are given the opportunity to purchase a share in a property and pay a rent on the portion not owned. Participants in shared ownership schemes have the option to continue to purchase shares in the property over time until it is owned outright, unless a particular development is restricted to a percentage that can be owned. New Build HomeBuy is an example for a shared ownership product (HomeBuy, or Open Market HomeBuy, is a shared equity product marketed under the broad HomeBuy brand).</p> <p>See Shared Ownership: Joint Guidance for England (March, 2009) p.6 www.cml.org.uk</p> |
| Single Conversation | The 'Single Conversation' is the Homes and Communities Agency's new business model. It is the process by which the HCA will allocate its funding in the future. It entails a comprehensive assessment of a local authority's needs and aspirations regarding housing and regeneration, as set out in local planning documents. Outputs of the Single Conversation are the Local Investment Plan and the Local Investment Agreement (also see Local Investment Agreement and Local Investment Plan). |
| Site size threshold | <p>Is the size of site (in terms of dwellings) above which a local planning authority can seek an affordable housing contribution. PPS3 sets a national indicative site size threshold of 15 dwellings. However, it empowers local authorities to set lower thresholds "where viable and practical".</p> <p>Planning Policy Statement 3: Housing (November, 2006) p. 11</p> |
| Social housing grant | Capital grant allocated by the Homes and Communities Agency. For more information, see National Affordable Housing Programme. |
| South East Plan | Is the Regional Spatial Strategy for the South East of England. It is part of the statutory development plan for all local authorities in the region. |
| Stamp duty | <p>Stamp duty land tax is a fee paid by the purchaser on the purchase or transfer of land or property above an identified threshold value.</p> <p>http://www.hmrc.gov.uk/sdlt/basics.htm</p> |
| Strategic housing land availability assessment (SHLAA) | <p>A key element of the evidence base for the LDF, the SHLAA assess the availability and potential capacity of land within a local authority to be brought into development, including greenfield and brownfield land and sites with unimplemented planning permissions. Government guidance on preparing a SHLAA can be found at:</p> <p>See Planning Policy Statement 3: Housing (November, 2006) p.28-29 http://www.communities.gov.uk/publications/planningandbuilding/landavailabilityassessment</p> |

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| Strategic housing market assessment (SHMA) | <p>A SHMA is a detailed analysis of an areas housing stock and housing need, at present and in future, based on demographic information and assumed future trends. As set out in PPS3, a SHMA should:</p> <ul style="list-style-type: none"> ■ “Estimate housing need and demand in terms of affordable and market housing ■ Determine how the distribution of need and demand varies across the plan area, for example, as between the urban and rural areas. ■ Consider future demographic trends and identify the accommodation requirements of specific groups such as, homeless households, Black and Minority Ethnic groups, first time buyers, disabled people, older people, Gypsies and Travellers and occupational groups such as key workers, students and operational defence personnel.” <p>(Planning Policy Statement 3: Housing (November, 2006) p.28)</p> <p>SHMAs are a key component of the local development framework development evidence base and should aid local authorities in developing long-term spatial planning policies and housing targets for both market and affordable housing.</p> <p>Government guidance on conducting a SHMA can be found at: http://communities.gov.uk/publications/planningandbuilding/strategichousingmarket</p> |
| Supplementary planning documents (SPD) | SPDs are single topic documents which add detail and specificity to policies set out in a development plan document (typically the core strategy). |
| Sustainability appraisal | <p>A requirement under the Planning and Compulsory Purchase Act 2004, and also addressing the European Directive on Strategic Environmental Assessment, sustainability appraisals are formal assessments of the likely social, economic and environmental effects of policies set out in development plan documents. As outlined in PPS12, the sustainability appraisal is an important component of the evidence base supporting a plan and should help local authorities determine the merit of a plan against alternative options.</p> <p>See Planning Policy Statement 12: Local Spatial Planning (2008) p.16</p> |
| Sustainable community strategy (SCS) | Developed by the local strategic partnership, the SCS sets out a long-term vision for an area based on evidence of need and consultation with the community. The local area agreement (LAA) is the key mechanism for delivering the SCS. The vision set out in SCS should inform development plan documents along with other local authority strategies. |
| Target rents | <p>From 1 April 2002 housing associations (HAs) have been required to calculate a target net rent for each of their social rented properties and to adjust the actual net rent to meet the target net rent in real terms over a ten-year period. At the end of the ten-year restructuring period rents on individual properties should normally be within a band of five percent either side of the target net rent. The target rents are set using guidelines produced annually by the Tenant Services Authority (formerly the Housing Corporation). Data on target rents at RSL and local authority level by size of property is available from Dataspring.</p> <p>http://www.dataspring.org.uk/outputs/detail.asp?OutputID=213 (table B3)</p> |

Valuation Office
Agency (VOA)

An executive agency of HM Revenue and Customs, the VOA provides valuation services and values property in England, Scotland and Wales. The VOA publishes Property Market Report in the winter and summer of each year providing information about property prices and land values for different land uses by region and for identified locations. <http://www.voa.gov.uk/>

Windfall sites

Sites which become available for development unexpectedly and are therefore not included as allocated land in a planning authority's development plan.



Affordable Housing and Local Development Frameworks

Developing an evidence base

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