

Affordable Housing

Supplementary Planning Guidance

Adopted 20th July 2004

The policy which provides the context for this supplementary planning guidance (SPG) is set out within Cheltenham Borough Local Plan Revised Deposit. This is a draft plan which will be considered by an inspector at a public local inquiry during November 2004. Until this plan is formally adopted by the Council following consideration of the inspectors report, this SPG will not have full weight as a material consideration when taken into account in the determination of planning applications.

The Council does however consider that SPG is useful in assisting developers in developing proposals and encourages the use of this SPG as guidance until such a time as the local plan is adopted.

Cheltenham Borough Council

SUPPLEMENTARY PLANNING GUIDANCE

AFFORDABLE HOUSING

1. INTRODUCTION

- 1.1. The Government intends that everyone should have the opportunity of a decent home, that there should be greater choice of housing, and that housing should not reinforce social distinctions.
- 1.2. In Cheltenham, land and housing costs are relatively high, and minimum prices and rent levels have risen by over 50% in the last three years, raising thresholds of affordability.
- 1.3. The Council is *strongly* committed to the provision of affordable housing to meet identified housing needs, which is a priority of Cheltenham's Community Plan. The Council will make effective use of its powers to achieve this, working with a wide range of interested partners, including Registered Social Landlords (RSLs), the Housing Corporation, lending institutions, landowners and developers.
- 1.4. The Council's Housing Strategy (2003 – 2005) and the Cheltenham Borough Local Plan (1991 – 2011) set a framework for the provision of affordable housing through the planning system.
- 1.5. The objective of this supplementary planning guidance (SPG) is to address inequalities in access to appropriate housing and work towards meeting housing need. The office for the Deputy Prime Minister defines housing need, as;

“Housing need refers to households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance” (Local Housing Needs Assessment: A Guide to Good Practice, ODPM, 2000).

2. SUPPLEMENTARY PLANNING GUIDANCE

Purpose

- 2.1. SPG can play a useful role in the planning system. In particular, it can help those submitting planning applications by elucidating or exemplifying details of policy.
- 2.2. This SPG has been produced by the Council to assist in the implementation of the affordable housing policies of the Local Plan. It is intended to guide developers and landowners in the provision of affordable housing through applications for new housing development by setting out a clear and transparent scheme of negotiation.

Scope

- 2.3. This SPG relates to the following development plan policies:
 - policy H.7 of the Gloucestershire Structure Plan Second Review (adopted November 1999), and
 - policy HS 73B in the Cheltenham Borough Local Plan Second Review Revised Deposit (March 2004).

- 2.4. There are a number of different ways in which affordable housing can be provided. This guidance is concerned only with the provision of affordable housing through the planning process. This includes dwellings provided through new development opportunities - i.e. on allocated, windfall and exception sites.

Status

- 2.5. Although it does not form part of the statutory development plan, SPG must be consistent with national and regional planning guidance and development plan policies. It cannot replace or modify development plan policies and carries lesser weight. However, SPG, which has been the subject of public consultation and adopted by the Council can be taken into account as a material consideration when planning applications are determined, in accordance with paragraph 3.16 of PPG12.

Consultation

- 2.6. This draft SPG has been prepared by the Borough Council working jointly with planning, housing and legal officers in consultation with Registered Social Landlords operating within the Borough.

3. POLICY CONTEXT

Government policy

- 3.1. Government policy on housing is set out in Planning Policy Guidance note 3 (PPG3), published in March 2002. This indicates that local authorities should plan to meet the housing requirements of the whole community, including those in need of affordable or special needs housing; should provide wider housing opportunity and choice and a better mix in the size, type and location of housing than is currently available; and should seek to create mixed communities. Local authorities should take account of assessments of local housing need in determining the type and size of additional housing for which they should plan.
- 3.2. More detailed considerations in the provision of affordable housing are set out in Circular 6/98, which confirms that the community's need for affordable housing is a material consideration which may properly be taken into account in formulating development plan policies and deciding planning applications. It provides for local authorities, where they are able to demonstrate a lack of affordable housing to meet local needs, to include a policy in local plans for seeking an element of affordable housing on suitable sites. It defines suitable sites as housing developments of 25 or more dwellings or residential sites of 1 hectare or more, irrespective of the number of units. In areas where a local authority can demonstrate exceptional local constraints, it can seek through the local plan process to adopt a lower threshold of 15 or more dwellings or 0.5 hectare or more.
- 3.3. The government is currently consulting on proposed revisions to PPG3 which would reduce the affordable housing dwelling threshold to 15 or more dwellings or 0.5 hectare or more in all cases, with provision for local authorities to adopt a lower threshold where they can show exceptional local constraints. The government have made clear their intention to secure more affordable housing through the planning system and to ensure that the size and type of housing better matches need, especially by providing more homes for the increasing number of smaller households. There will increasingly be more emphasis on producing a better match between the housing planned and the needs of the community.

Regional Planning Guidance

- 3.4. Regional Planning Guidance for the South West (RPG10) acknowledges the difficulties facing the South West region in providing appropriate levels of affordable housing, recognising that “*the need for affordable housing is expected to remain significant*”. Policy HO 3 reflects the demand for affordable housing, emphasising the need for partnership working:

“Local authorities, social housing providers and other agencies in their relevant plans, policies and programmes should aim to ensure that sufficient affordable housing is provided in order to meet community needs in both urban and rural areas. This should involve:

- the identification of targets in development plans indicating the levels of affordable housing required in each area; these should be based on local housing needs assessments undertaken to consistent standards across the region, which take into account both need and supply-side considerations;
- setting out the circumstances which would justify the application of lower thresholds for the inclusion of affordable housing in new developments;
- encouraging partnership approaches to the assessment and delivery of affordable housing by local authorities, registered social landlords, developers and other agencies operating in the same broad local housing market areas;
- making the most of existing housing stock in meeting housing needs including, where appropriate, the purchase by registered landlords of dwellings on the open market, especially in areas where it would otherwise be difficult to deliver affordable housing and where this would help the development of mixed communities”.

Gloucestershire Structure Plan

- 3.5. The Structure Plan for Gloucestershire (1999) highlights the issue of affordable housing and the increasing difficulties of securing such housing throughout Gloucestershire. In response to these difficulties, Policy H.7 states:

“Provision should be made to meet the needs of those unable to compete in the housing market. Such provision should meet a demonstrable local need and any housing so provided should be available to successive occupiers who need affordable housing”.

Cheltenham’s Community Plan ‘Our future, our choice’

- 3.6. Cheltenham’s community plan (2003 – 2007) identifies five community priorities which the Council will seek to deliver up to 2007 in partnership with Gloucestershire and Cheltenham Strategic Partnerships, together with other relevant organisations. These priorities include ‘to improve the supply and standard of affordable housing’.

Local plan policy

- 3.7. Policy HS 73B, Cheltenham Borough Local Plan Second Review Revised Deposit Draft states:

“In residential development the Borough Council will seek:

- a. a mix of housing sizes and types,
- b. the provision of a minimum of 40% of total dwellings proposed as affordable housing in developments of 15 or more dwellings or sites of 0.5 hectare or greater, which have easy access to local services and facilities and public transport.”

This policy is the subject of objections, which have not yet been considered at Public Local Inquiry. This policy will not have full weight until the Council has received a favourable recommendation from a Public Local Inquiry Inspector.

4. AFFORDABLE HOUSING

Definition

- 4.1. PPG3 states that local plan policies for affordable housing should define what the local authority considers to be affordable in terms of the relationship between local income levels and house prices or rents for different types of households.
- 4.2. Cheltenham Borough Council defines affordable housing as:

‘subsidised housing (irrespective of tenure, ownership or financial agreements) available to people who cannot afford to occupy houses generally available on the open market.’
- 4.3. In determining whether house prices or rents are affordable at a given time, the Council makes reference to a variety of factors, including local average income levels, mortgage interest rates and benefit rules.
- 4.4. To be affordable, rent levels or the purchase price will generally need to be at least 25% below the normal market level (excluding new build housing which is generally at a premium). Discounts offered to initial occupants with no means of ensuring the transfer of such benefits to subsequent occupants will not be acceptable as affordable housing.
- 4.5. The Council will be collecting new and updated information on housing needs in partnership with other Gloucestershire district authorities for the preparation of a county-wide housing needs study in 2004. This information will be used in due course to revise supplementary planning guidance on affordable housing.

Rented housing

- 4.6. The Council’s definition of affordable housing is tenure neutral, however, the 2000 Housing Needs Study and Housing Needs Update (2003), prepared by Fordham Research, support the view that the only type of housing that can truly meet priority housing needs in Cheltenham is the social rented sector which is therefore the council’s preferred type of affordable housing. The approach is consistent with PPG 3 (paragraph 16), which states that the objective is to ensure that the affordable housing secured will contribute to satisfying local housing needs as demonstrated by a needs assessment.

Shared ownership housing

- 4.7. The Housing Needs Study Update (2003) demonstrated that shared ownership housing is more expensive than minimum market (second hand) house prices (see Table 1). It is therefore clear that shared ownership housing will not meet any housing need in Cheltenham that cannot be met by the existing housing market. The only possible advantage offered by shared ownership housing is where it can be demonstrated that there is a demand for such accommodation from existing social housing tenants who may be encouraged to move, thereby freeing-up their existing property for re-letting. This approach is however not considered sustainable for large numbers of property, as the market from within the existing affordable rented stock is clearly limited.

Table 1

Approximate outgoings for different affordable housing types (Fordham HNS 2003)			
	Approximate outgoings (£/week)		
Size requirement	Low cost market	Shared ownership	Minimum priced second-hand market
1 bedroom	£130	£96	£70
2 bedrooms	£174	£129	£91
3 bedrooms	£196	£146	£114
4+ bedrooms	£242	£180	£140

Key worker housing

- 4.8. The Housing Green Paper (2000) sought to encourage provision of housing for key workers, such as some public sector workers, who represent a section of the need for affordable housing. The Council currently has little information on the extent or nature of this need, nor of any particular priority that should be afforded to this group relative to others seeking affordable housing. At present, therefore, the Council makes no distinction between the needs of key workers and general housing need.

Low cost market housing

- 4.9. The Housing Needs Study Update (2003) demonstrated that low cost home ownership housing is more expensive than minimum market (second hand) house prices (see Table 1). It is therefore clear that low cost market housing will not meet any housing need in Cheltenham that cannot be met by the existing housing market.
- 4.10. In order for the Council to accept low cost market housing as an affordable housing contribution, developers will need to provide evidence that it will be subsidised to the point where it will meet identified needs. This should usually be achieved through an RSL holding the freehold or long leasehold of the properties in perpetuity.
- 4.11. Where low-cost housing is provided through a Section 106 planning obligation with no RSL involvement, the initial sale should be freehold at a value that is demonstrated to the satisfaction of the Council to meet an identified affordable housing need. In subsequent sales, the disposal price will be no greater than the price the immediately preceding owner paid together with a percentage addition equal to the percentage increase in the Nationwide Building Society Quarterly House Price Index Bulletin for all appropriate properties in the South West Region.

- 4.12. The section 106 agreement will impose an obligation on the first and subsequent purchasers to enter into a legal charge on the property. This will restrict the sale to ensure that the property remains as low cost market housing for owner occupation. It will also require the owner to give notice to the Council when the property is offered for sale and ensure that every transfer of the property takes place on the required basis. The Town and Country Planning Act 1990 gives the Council powers to enforce such restrictions.

5. HOUSING NEED AND PROVISION

Housing Needs Survey

- 5.1. The 2000 housing needs survey concluded that there was a total net housing need requirement in the Borough of 3,471 dwellings in the 5-year period 2001-2005. Not all of this need required new or even different housing – in some cases the need could be met by repairs or adaptations to a current home. The total requirement for new affordable housing was 709. The survey also concluded that the nature of the identified need was unlikely to be satisfied by provision of low-cost market housing.
- 5.2. The 2003 review of the 2000 survey provided an updated estimate of housing need in the context of changes that have occurred since the time of the first survey. Taking account of changes in the levels of affordability in Cheltenham since 2000, this new survey showed a backlog of existing need of 409 dwellings (or 82 a year over a 5-year period), and a newly arising need of 671 dwellings a year, giving a gross affordable housing requirement of 753 dwellings a year.
- 5.3. The Council is working jointly with the other district councils in Gloucestershire to prepare a comprehensive county-wide housing needs study (see paragraph 4.5).
- 5.4. It is the also Council's intention to continue to review housing needs annually and assess progress in securing the provision of affordable housing, in order to ensure that its policies, both as housing and a planning authority, remain relevant to meeting identified needs and achieving a balanced housing market.

Supply of affordable housing

- 5.5. The 2003 housing needs update also assessed the supply of affordable housing, taking account of changes in the social rented stock and the level of letting opportunities, including levels of vacancy. The survey estimated an annual supply of affordable dwellings of 459.

Net affordable housing requirement

- 5.6. Taking account of the current and projected need for and likely supply of affordable housing, the 2003 housing needs update indicates a net requirement of 294 affordable dwellings a year over each of the next five years (total 1,470) in order to meet local needs.

6. MEETING THE IDENTIFIED NEED

Qualifying sites

- 6.1. Until such a time as the local plan affordable housing policy is considered at a Public Local Inquiry (see paragraph 3.7), the Council will negotiate for an element of affordable housing on all housing developments of 25 or more dwellings or 1.0 hectare or greater, irrespective of the number of dwellings.

- 6.2. If the government issues new guidance (see paragraph 3.3) permitting local authorities to adopt lower thresholds, it would be the Council's intention to seek an element of affordable housing on all developments of 3 or more dwellings.
- 6.3. The provision of residential accommodation where the dwelling units have shared facilities, such as houses in multiple occupation, student halls of residence, and residential or nursing care homes will not be subject to an affordable housing requirement. However, any subsequent change from these original forms of accommodation may give rise to an affordable housing obligation.
- 6.4. Market schemes for elderly persons accommodations and/or the mobility impaired or disabled persons are not exempt from the affordable housing requirement.
- 6.5. The Council wishes to encourage the repair, improvement and quality conversion of appropriate buildings to smaller self-contained residential accommodation. In these circumstances, the normal requirement to make provision for affordable housing may be reduced or waived depending on the extent and type of converted accommodation being provided.
- 6.6. In light of the considerable level of housing needs, which exist in the Cheltenham Borough, the Council will generally seek a minimum level of affordable housing provision amounting to 40% of the total dwellings proposed.
- 6.7. Developers are advised to take affordable housing provision into account in negotiating the purchase of land for development. The Council will take account of any abnormal site costs associated with the development that may justify a reduction in the affordable housing requirement. Developers will be expected to submit a full financial appraisal to evidence such costs at the earliest opportunity. Standard development costs such as demolition works, landscaping, noise bunds, archaeological and ecological surveys and works, drainage and flood prevention measures will not be considered as abnormal site costs.
- 6.8. The specific percentage of affordable housing required within private sector schemes exceeding the dwelling or land area thresholds will be assessed against the following:
 - 1) local needs assessment data contained within the most recent Housing Needs Study undertaken by the authority;
 - 2) local property prices; and
 - 3) the existing supply and type of affordable housing available.

In the absence of a specific site brief, the Council's Neighbourhood Regeneration division will provide information to developers regarding the extent and nature of affordable housing required in relation to any particular site.

Form of affordable housing

- 6.9. The provision of all affordable housing should be on-site, except where:
- the physical characteristics of the site make it unsuitable for the provision of affordable housing;
 - the local authority determines that the ability to develop schemes to meet the overall need for affordable housing in the Borough would be better served by the negotiation of a commuted sum payment in a specific instance.

Circular 6/98 states that where a local planning authority considers that a site is suitable for inclusion of an element of affordable housing and the applicant does not make such provision as part of the proposed development, such a failure could justify the refusal of planning permission.

- 6.10. The affordable housing should be dispersed within the development unless physical constraints preclude this.
- 6.11. The council's order of preference for the form of affordable housing can be summarised as follows:
- 1) on site;
 - 2) part on site provision and part off site/commuted payment;
 - 3) off site
 - provision by applicant, developer or RSL
 - commuted payment
 - transfer of land
- 6.12. Only in exceptional circumstances will off site provision or payment of a commuted sum be warranted. However, such off site provision should normally be located in the immediate locality of the development, unless there are stronger arguments to support the contribution an alternative site might make to improving the mix of residential accommodation.
- 6.13. Exceptionally high land values in some areas of Cheltenham mean that the only opportunity for providing any new affordable housing in that locality may be through the planning system.

Size and tenure

- 6.14. The Council will seek a mix of affordable housing which meets identified needs. The Housing Needs Survey and the subsequent review have indicated that the current need is primarily for 2-bed, 3-bed and 4-bed social rented accommodation, in the approximate proportion 4:1:1.

Service charges

- 6.15. The main determinant of housing affordability has historically been rents or purchase prices, but it is the total cost of occupation that ultimately determines affordability. The Council considers that the level of any service charge is a material consideration in relation to the affordability of residential accommodation. Excessive service charges for future residents of affordable housing must therefore be avoided, or there will be a clear conflict with the objectives of the Council's affordable housing policy.

- 6.16. The applicant must demonstrate that the level of any service charge proposed must ensure that the affordable housing remains within the Council's definition of affordable housing for both initial and subsequent occupiers.
- 6.17. Planning permission will be refused where affordable housing is offered but is subject to excessive service charges. If at the time of any determination of a planning application the level of service charge is not yet known, an appropriate condition or section 106 agreement will be sought.
- 6.18. Developers will be encouraged to work with RSLs to provide affordable housing. RSLs are obliged to have open and fair policies for allocating tenancies based on housing need.
- 6.19. Developers are advised to seek an RSL partner from the Council's Housing Investment Partnership at the earliest opportunity. They should ensure that proposals for affordable housing provision meet the requirements of the RSL, which should preferably be party to any Section 106 agreement. Working with one of the Council's nominated RSL partners will help ensure consistency in provision and that satisfactory local management arrangements are in place.
- 6.20. The implementation of development plan policies should ensure that the affordable housing is provided in such a way that it is economically viable for the RSL, is genuinely affordable to those in housing need and represents best value in the use of public funds. The Council, therefore, seeks to achieve the affordable housing to be provided at a price that requires nil or minimal public subsidy. This will allow Housing Corporation and Council social housing grant contributions to be invested to meet specific housing needs and other costs over and above those normally expected for affordable housing through these policies. The mechanism for providing affordable housing units will usually be design and build (i.e. the developer will enter into a land transfer and subsequent build contract with the RSL). Costs will be calculated according to the prevailing Housing Corporation total cost indicators and grant rates.
- 6.21. In order to ensure truly mixed residential schemes, the principle of grouping together affordable housing units will not be supported. It may not be practical in all schemes to 'pepper-pot' individual affordable units throughout the development, but as far as is reasonably practicable, the Council considers that this is the preferred approach. Affordable housing units should respect the character and local distinctiveness of the area in which they are located and as far as possible, should be indistinguishable from general market housing provided on or adjacent to the site.
- 6.22. Where affordable dwellings are to be provided on site through a Section 106 agreement, in partnership with a RSL, the financial basis of such provision will need to be determined on a case by case basis. The initial assumption will be that the developer and the RSL partner will deliver the affordable dwellings so that there will be no requirement for public subsidy. The developer will be required to submit a financial analysis of the proposal, to justify any need for public subsidy. Factors which could affect the financial viability of the development include:
- existing use value of site;
 - particular costs associated with development of the site e.g. decontamination, major infrastructure works;

- cost of planning obligations;
- costs attributable to differences between the specification for the market housing and that for the affordable housing;
- costs associated with provision of affordable dwellings to meet specific needs e.g. disability bungalows.

Occupancy controls

- 6.23. Where a landowner/developer proposes to develop and manage the affordable homes without the involvement of a RSL, planning obligations will be sought to ensure that the occupancy criteria set out in the agreement are complied with and the houses provided are occupied only by people in local housing need.

Commuted sums and off-site provision

- 6.24. The Council will only consider commuted sums or off-site provision in exceptional circumstances (see paragraph 6.12).
- 6.25. Where off-site provision is accepted, the number of dwellings and the nature of provision should be calculated on the same basis as for on-site provision (see paragraph 6.11).
- 6.26. The basis of the Council's calculation for a commuted sum, should this option be acceptable to the authority, is that it should be a replacement for Housing Corporation subsidy, to fund an equivalent number of affordable dwellings elsewhere. This sum will therefore be based on Total Cost Indicator and Social Housing Grant rates for provision to Cheltenham Housing Investment Partnership standards. In development 'for sale', where affordable housing is excluded, the 'cash in lieu' equates to one third of the units proposed. The methodology used by the Cheltenham joint commissioning partnership is, therefore:

$$\text{Commuted sum} = \text{£} \frac{130\% \text{ TCI Band C} \times \text{units} \times \text{Social Housing Grant rate}}{3}$$

The sum is payable at commencement on site.

Note

The income / expenditure data from the Housing Needs Survey shows that no households in need are able to afford housing costs of more than £85, £100 and £117 per week respectively for 1,2 and 3 bedroom dwellings. Housing Corporation benchmark rents for Cheltenham would mean that only 30.4% of households in need could afford housing without the use of housing benefit. The Partnership has agreed a rent formula on average £10 per week below benchmark, to allow a further 9% of households in need to afford these dwellings without resort to housing benefit.

Delivery

- 6.27. The timing of the construction and transfer (if appropriate) of affordable housing or of the provision of a commuted sum will be a matter of negotiation, and should be included in a section 106 agreement.
- 6.28. On larger sites delivery may be phased, with a specified number of affordable dwellings to be available for occupation before more than a specified number of market dwellings may be occupied. Any phasing arrangement would have

regard to the site layout, the total number of dwellings, and any exceptional costs of development in cases where the affordable housing cost is significantly below the cost of construction.

- 6.29. Where exceptionally the affordable housing is to be provided off-site, this should be commenced, with all the necessary agreements in place to ensure its completion, before the first occupation of the market housing. Similarly, where a financial contribution is to be made, this should also be paid before the first occupation of the market housing.

7. REVIEW

- 7.1. This SPG will be subject to revision following adoption of Cheltenham Borough Local Plan Second Review, publication of revised government guidance, or where data gathered during the monitoring process of the local plan or updates to Cheltenham/Gloucestershire Housing Needs Survey indicates a requirement.

8. FURTHER INFORMATION

Relevant legislation

Town and Country Planning Act 1990.

Guidance

- Circular 1/97 Planning Obligations, Department of the Environment (1997)
- Circular 6/98 Planning and Affordable Housing, Department of the Environment Transport and Regions (1998)
- PPG 1 General Policies and Principles, Department of the Environment (1997)
- PPG 3 Housing, Department of Transport Local Government and Region (Gloucestershire Structure Plan Second Review, Gloucestershire County Council (1999))
- Cheltenham Borough Local Plan Second Review Revised Deposit Draft, Cheltenham Borough Council (2004)
- Urban Capacity Study, Cheltenham Borough Council (2002)
- Cheltenham Housing Needs Study, Fordham Research (2000)
- Cheltenham Housing Needs Update, Fordham Research (2003)
- Our Town Our Future, Cheltenham Borough Council (2000)

Useful Websites

www.planning.odpm.gov.uk

www.gosw.gov.uk

www.cheltenham.gov.uk

www.gloscc.gov.uk

9. CONTACTS

The following officers of Cheltenham Borough Council will be able to offer further advice on the issues set out in this guidance:

Assistant Director Community Services
01242 774964

Development Control Manager
01242 264168

Assistant Director Neighbourhood
Regeneration
01242 264209

Strategic Land Use Officer
01242 264382

