

Interim Affordable Housing Planning Guidance note.

February 2008

Contents

	Page
1. Introduction	3
2. Background and Strategic Context	3
3. Bolton's Affordable Housing Plan	5
4. Bolton's Planning Policy	6
5. Definition of Affordable Housing	6
6. Working in Partnership with Housing Association Partners	7
7. Funding for Affordable Housing delivery	7
8. Affordable Housing Thresholds	8
9. Targets, Tenure and Type and Quality	8
10. On-site Provision	9
11. Off-Site Provision	9
12. Exceptions	10
13. Site Viability Appraisals and Abnormal Development Costs	10
14. Approval and Monitoring	10
15. Delivering Affordable Housing – The Process	11
16. Further information and contacts	12
Appendix 1 Housing Association Development Zone Map	13
Appendix 2 Calculation of onsite Provision	14
Appendix 3. Calculation of Commuted Sums	15
Appendix 4 Planning application submission procedure for applications subject to affordable housing provision.	16

1. Introduction

- 1.1 This guidance note is intended to inform all involved in development proposals and deals specifically with the provision of affordable housing through Bolton's planning system with a focus on new supply. It aims to set out the Council's policy on achieving affordable housing so that the situation is clarified ahead of detailed discussions with developers. It identifies the processes involved and the possible options available to ensure that there is an adequate supply of new affordable housing and that this is developed in a way that is appropriate to the needs of the local community.
- 1.2 The future Planning Policy for affordable housing will be set out in Bolton's Core Strategy. This is currently in the process of preparation, but is not due to be adopted until 2009. In the meantime the Interim Affordable Housing Planning Guidance note will reflect the importance attached to affordable housing by Planning Policy Statement 3(PPS3) and the significant evidence of need. This document replaces Bolton's Affordable Housing Policy and Supplementary Planning Guidance published in September 2004.
- 1.3 Bolton Community Homes, Bolton's Strategic Housing Partnership has identified the supply of affordable housing as one of its key priorities and will continue to implement the Affordable Housing Policy and perform negotiations with the Housing Corporation and private developers as part of the planning process on behalf of the Council.

2. Background and Strategic Context

National Context

- 2.1 Filling the shortage of affordable housing has been identified as the major political issue for Government to address. There is a strong moral, economic and social argument that everyone deserves a place they can call home at a price they can afford. The recent Green Paper on Housing (*Homes for the Future: more affordable, more sustainable*) concerns itself with tackling this issue setting a target of 3 million new homes by 2020. It sets out the context within which local authorities will need to play a stronger role and demonstrate that they have taken necessary steps to facilitate the supply of affordable housing to meet identified need.
- 2.2 In November 2006 the Department of Communities and Local Government (CLG) published a set of national policy documents for the provision of affordable housing which included a Delivering Affordable Housing Policy statement and Planning Policy Statement (PPS3). These policies replace previous guidance PPG3 (2000) and Planning Circular 6/98. Planning Policy Statement 3 (PPS3) proposes that regional spatial strategies should set out the region's approach to meeting affordable housing need, including the affordable housing target for the region and for each sub-regional housing market area. It advised that Local Planning Authorities should take this into account in determining their overall target for affordable housing provision of different types and request developer contributions to affordable housing on smaller

sites where it is viable.

- 2.3 PPS3 puts the emphasis on Local Planning Authorities to set targets for affordable housing in terms of the amount type and tenure, set thresholds and set out the approach to developer contributions, including off-site provision where that is agreed and sets a national indicative minimum threshold of 15 units.

3. Regional Context

- 2.4 The Draft Regional Spatial Strategy (RSS) provides a significant step change in housing development with an average recommended rate of 9,623 new homes per annum in Greater Manchester. This compares favourably with the current RSS (RPG13) which has an average annual rate of 4,340 new homes in Greater Manchester. The RSS is expected to be published in its final form in Spring 2008. However the Housing Green Paper indicates that an early review of its housing content is likely to be necessary with a push to increase housing supply.
- 2.5 'Making Housing Count' research demonstrated that between 2001 – 2006, total net housing supply was 21% below that needed to match household growth. If the pace of new housing provision fails to match household growth (already there is a deficit) there is a likelihood that prices will rise more quickly increasing the gap between average housing prices and average household incomes, therefore worsening the affordability problem.

4. The Bolton Picture

- 2.6 In common with other housing authorities both nationally and within the Manchester region, Bolton is suffering severe shortfalls in the supply of affordable housing to meet housing needs. The GMFM projects an increase of 23,000 households in Bolton by 2021 with an annual average increase of 1,258 (this is 5,000 overall and 258 annually more than that projected by ONS). In Bolton between 2001–2006 there was a deficit of 1,450 new homes.
- 2.7 The shortage of affordable housing in the Borough is clearly evidenced in Bolton's Housing Needs Survey (completed in September 2006) which recommends the delivery of 435 new affordable units per annum broken down into 50% for new social rent and 50% intermediate housing to meet the needs of low income households.
- 2.8 The study makes the recommendation that the Local Development Framework (LDF) Core Strategy considers an overall affordable housing target of up to 35% of the total of all suitable private sector sites, subject to site viability.¹
- 2.9 Affordable housing has become a rising priority for Bolton as identified in the Sustainable Community Strategy – "Bolton: Our vision 2007 - 2017" specifically

¹ Bolton's Housing Market & Needs Survey 2006

through the priority theme *Strong and Confident Bolton* where the importance of creating more affordable and decent housing and to further tackle and reduce homelessness is recognised.

- 2.10 The Council has also identified the supply of affordable housing as one of the key priorities for the Housing Strategy 2008-2011.

3. Bolton's Affordable Housing Plan

- 3.1 Bolton's Affordable Housing Plan seeks to ensure that Bolton's housing offer is increased both in terms of quantity and quality. It seeks to create greater access and choice for all those households who at present are being disadvantaged by the existing housing market conditions. As such it plays into the wider national, regional, sub-regional agenda for better and more inclusive housing markets; and directly into the local agenda for making Bolton an attractive and prosperous place to live and work.

- 3.2 It also provides the template for a future housing market in Bolton that is both dynamic to change and creates a more even spatial distribution of tenure/housing offer that is a pre-requisite for mixed communities, to increase access to housing for all groups within the community and to meet statutory duties relating to enabling access to housing.

The main objectives are:

- To support the delivery of mixed and sustainable communities through the provision of additional social rented housing where there is an identifiable need.
- To ensure the development of homes and places to attract and retain workers at all levels in the continuing economic growth.
- Making best use of existing affordable housing in the social sector, by more efficient management and by promoting social mobility.
- Better and more integrated use of existing private housing, especially the private rented sector, through improving its quality and accessibility to deliver social mobility effectively and meet residents' aspirations.
- Utilising opportunities available through the planning system to assist in the provision of affordable housing.
- Ensuring the housing needs of key workers are adequately met.

- 3.3 The Affordable Housing plan links to the:

- Bolton Plan 2007 - 10
- Bolton Economic Strategy
- Neighbourhood Renewal Strategy
- Domestic Abuse Strategy
- Empty Property Strategy;
- The emerging Older Peoples Joint Housing Plan

- Homelessness Strategy;
- Supported Housing Strategy
- BME Housing Strategy
- New and Emerging Communities Strategy
- and emerging Local Development Framework

4. Bolton's Planning Policy

- 4.1 Development Plan policies for Bolton are set out in the Unitary Development Plan, which was adopted in 2005. UDP policy H4 on affordable housing remains up to date, except that PPS3 recommends that the national indicative minimum site threshold for seeking affordable housing should be 15 dwellings. This Note implements that national advice at a local level.
- 4.2 Bolton Council is currently preparing its Local Development Framework and this will in due course replace the Unitary Development Plan. The Core Strategy will contain a policy on affordable housing. In the interim between now and the adoption of the Core Strategy, timetabled for 2010, this Affordable Housing Planning Guidance Note will inform the process of achieving affordable housing through planning contributions.

5. Definition of Affordable Housing

- 5.1 A simple definition of affordable housing is housing sold or rented at a level which people entering the housing market could be reasonably expected to afford.
- 5.2 The Average Price to Earnings ratio is a credible indicator of affordability for owner occupation; this is simply the average house price divided by the average income. Communities and Local Government (CLG) has advised that house prices that are more than 3.5 times a single income or 2.9 times a dual income are unaffordable. In Bolton the average house price is more than 5 times the average single income of all resident earners.
- 5.3 The Office for National Statistics recommends that an affordable rent is 27% of total weekly expenditure. In Bolton using the average earnings of £21,000 pa this equates to approximately £75 per week.
- 5.4 PPS3 defines affordable housing as social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. The definition does not exclude homes provided by private sector bodies or provided without grant funding but does indicate that homes which do not meet the specified definition, **for example, 'low cost market' housing, should not be considered, for planning purposes, as affordable housing.**
- 5.5 Units to be delivered for social rent must comply with PPS3 with outturn rents within target rents as determined through the national rent regime. Good practice is that it should be owned and managed by a Housing Association or Arms Length Management Organisation (ALMO).

- 5.6 The intermediate tenure option will be expected to result in a range of assisted home ownership offer on a shared ownership or shared equity basis which are affordable to those identified as being unable to afford to buy such properties at open market value. It is the Council preferred option that units be transferred to preferred partner housing associations.
- 5.7 The Council will require 100% nominations for all affordable housing provision and access to social rental units through the Council's housing register (Choice Based Lettings scheme)
- 5.8 To ensure that initial and successive occupiers enjoy the benefit of affordable housing, occupancy restrictions may be the subject of conditions or legal agreements.

6. Working in Partnership with Housing Association Partners

- 6.1 In order to deliver a truly affordable product and in support of existing neighbourhood regeneration Bolton Council will endeavour to ensure that developers deliver affordable housing units in conjunction with the Council's preferred Housing Association partners.
- 6.2 Bolton has a well established enabling partnership – Bolton Community Homes – where each of the developing Housing Association partners has been allocated a geographical zone in the Borough based on stock holding, management presence and community involvement/engagement and neighbourhood regeneration activities. **(see Appendix 1).**
- 6.3 The Council will nominate a Housing Association partner at an early point in the negotiations. Usually this would be the Housing Association 'zoned' for the area in which the development is taking place. On very rare occasions a 'non-zoned' Housing Association partner will be identified but this would only be where the other association is importing a particular expertise or additional resource. The Housing Corporation endorses the Bolton Community Homes arrangement in respect of zoning the partners in accepting that there is a spatial rationale behind their stock holdings. If an alternative association was being considered, then a good case would have to be made to both the Council and the Housing Corporation.

7. Funding for Affordable Housing delivery.

- 7.1 The Council does not expect the delivery of affordable housing to be reliant on public subsidy and looks for innovation for the financing of affordable housing without the need for grant.
- 7.2 The value a Housing Association can acquire an affordable unit from a developer is determined by the financing it can raise supported by the predicted revenue and capital income from a property. In instances where units are to be delivered for social rent, the value the Housing Association can achieve is determined by the mortgage it can service from an affordable (target) rental income.

- 7.3 Housing Associations can sometimes access funds through the Housing Corporation's National Affordable Housing Programme to help finance the delivery of affordable housing in cases where 'additionality' can be clearly demonstrated i.e. the delivery of a greater number of affordable homes and/or the delivery of quality affordable homes at a more affordable price than would have been possible without grant assistance. However, this grant assistance is achieved only through a competitive bidding process with no guarantee of success
- 7.4 The Council, Bolton Community Homes and its Housing Association partners work closely with the Housing Corporation and look to engage the Housing Corporation in discussions at the earliest opportunity to maximise funding potential.

8. Affordable Housing Thresholds

- 8.1 **In line with PPS3 and recommendations contained within the Housing Needs Survey the Council will look to secure a provision of affordable housing on all new build sites and developments where there is a change of use for 15 units or above or ant sites 0.3 hectares or above.**
- 8.2 **This is based on an average assumed density of 50 dwellings per hectare.**

9. Targets, Tenure and Type and Quality

Targets & Tenure

- 9.1 The shortage of affordable housing in the Borough is clearly evidenced in Bolton's Housing Needs Survey (completed in September 2006) which suggest the delivery of 435 new affordable units per annum broken down into 50% for new social rent and 50% intermediate housing to meet the needs of low income households.
- 9.2 The study makes the recommendation that the Local Development Framework (LDF) Core Strategy considers an overall affordable housing target of up to 35% of the total of all suitable private sector sites, subject to site viability across all area of the borough
- 9.3 **Based on the recommendations contained within the Housing Needs Survey research, historical affordable housing delivery and experience of site viability, the Council will be looking to secure 35% affordable housing provision across all areas of the borough to provide 50% for new social rent and 50% intermediate housing.**
- 9.4 The Council will look for the affordable housing requirement to be met fully on-site as part of the developer's own scheme to help meet priority objectives in delivering/creating mixed sustainable communities.

Housing Types

- 9.5 The council will look to achieve mixed tenure developments where the affordable housing provision is truly integral to the whole scheme. It aims to meet needs of newly forming households which require predominately smaller unit types and the demand for larger family accommodation as evidenced through Bolton's Choice based letting system. The Council will look to secure a mixture of house types which both reflects the units on the scheme and meets the identified housing need and aspirations of the local community. However, one bedroom dwellings are not considered sustainable in the longer term and will not be normally accepted as part of developers' affordable housing offer.

Quality

- 9.6 The affordable units must be truly integrated into the overall scheme design and must not be differentiated by detrimental design, quality, location or access to services or amenities. Ideally the council will be looking for affordable housing units to meeti Housing Corporation Scheme Development Standards and the Code for Sustainable Homes Level 3 or above. In addition it is envisaged that 25% of the affordable housing provision delivered through planning gain will be of a fully assessable standard in line with Part M of the Building Regulations and ideally constructed to Lifetime Homes Standard.

10. On-site Provision

- 10.1 The Council will in most circumstances look for the affordable housing requirement to be met fully on-site as part of the developer's own scheme. This approach is not only favoured in all the Guidance on the subject, but makes the greatest contribution towards the Council's objective of creating more mixed and inclusive communities.
- 10.2 **On-site Affordable Housing obligations can be calculated following the formula described in Appendix 2.**

11. Off-Site Provision

- 11.1 In exceptional circumstances the Council will accept affordable housing provision to be met partly or fully off-site. Generally the onus falls on the developer to demonstrate how and why affordable housing obligations should be discharged in this manner. In rarer cases, the Council may feel that it is preferable to allow this, and will enter negotiations on this basis. In any event, all parties would have to agree for this to happen. If this arrangement occurs then no other Council objective in respect of planning controls and obligations would be prejudiced.
- 11.2 If accepted, an offsite provision or financial contribution in lieu of on-site provision (a commuted sum) will need to be of broadly equivalent value and provide sufficient funds to enable the affordable housing from the site in question to be delivered elsewhere
- 11.3 **Commutated sums are calculated following a formula described in Appendix 3.** The priority will be to use the commuted sums to develop the required affordable housing in the vicinity of the site. However, this would be dependent upon suitable site availability and there being a sufficient commuted

sum to develop the site. Invariably this won't be the case and the commuted sums would be pooled. In any event, a full explanation of how an individual developer's contribution will be / have been used will be prepared as a means of providing transparency and accountability.

12. Exceptions

- 12.1 The requirement for affordable housing may be relaxed if the inclusion of affordable housing provision on a site would adversely impact on the delivery of other important planning or regeneration activities or other strategic aims of the Council; or that the financial impact of the provision of affordable housing, combined with other planning obligations could be proven to affect scheme viability for developments which the Council wants to see delivered.

13. Site Viability Appraisals and Abnormal Development Costs

- 13.1 The Council recognises the important role that private developers have to play in regeneration and that there may be circumstances when particular costs associated with the development of a site may need to be taken into account in order to agree affordable housing contributions. Developers will be expected to show evidence that they have taken known development costs into account in agreeing realistic land values, and only costs that were unforeseeable at the time of acquisition will be considered abnormal for the purposes of affordable housing negotiations. Where abnormal costs can be clearly demonstrated, a reduction in the affordable housing requirement may be agreed on a site by site basis.
- 13.2 Developers will be required to supply evidence to back any claims through detailed and open book financial appraisals and may be required to show that 'abnormal' development costs can not be offset by depreciated land value or overcome through reasonable changes in layout or specification.
- 13.3 Financial statements will be treated in confidence by the Council but it may refer appraisals to specialist property and financial consultants where there is disagreement.
- 13.4 **Financial Statements should be submitted at the 'pre-application' stage so as not to unduly hold up the planning approval process.**

14. Approval and Monitoring

- 14.1 The council is required to monitor affordable housing delivery for government statistical returns and to ensure that delivery remains in line with the strategic priorities contained within Regional Strategies and the Council's Housing Strategy, Affordable Housing Plan and Community Strategy.
- 14.2 Housing completions and commuted sum contributions will be monitored in line

with existing policies and procedures to ensure that all units are delivered in accordance with Section 106 agreements, comply with planning condition requirements and ensure that the standard of affordable housing is acceptable.

15. Delivering Affordable Housing – The Process

- 15.1 The procedure for planning application submission for applications subject to affordable housing provision is described in **Appendix 4**.
- 15.2 Planning applications with an affordable housing requirement will be determined in accordance with the council's planning application process and affordable housing provision will be checked against policy requirements. The recommended process for applications for which there is a requirement for affordable housing is as follows:

Pre – Application discussions

- 15.3 Contact should be made with the Council's Planning team at the earliest opportunity, well before the submission of the planning application. The Council's Planning Department will confirm any requirement for affordable housing and refer the enquiry to Bolton Community Homes (contact details on page 12) who will discuss the affordable housing requirements and perform affordable negotiations on behalf of the Council. Developers will be required to supply evidence to back any claims for 'abnormal' development costs through detailed and open book financial appraisals.
- 15.4 Affordable Housing negotiations are performed on a site by site basis and often require considerable input and discussion; pre application discussion will enable affordable housing policy requirements to be addressed and provisional agreement reached prior to planning submission and help speed up the planning process.

Planning application submission

- 15.5 Following the submission of planning applications, the Council's Planning Team will consult with the Strategic Housing Unit via Bolton Community Homes as part of the planning application determination process. Bolton Community Homes will confirm the requirement to seek an affordable housing provision on all developments over the 15 unit threshold. If agreement has not been reached at the pre-application stage, Bolton Community Homes will discuss the affordable housing requirements with the Planning Control Officer and the Developer and seek to reach an agreement. Agreements for affordable housing provision including the number; phasing; plot numbers; unit types; OMV discounts; tenure and agreement of partner Housing Association should be reached prior to consideration by Planning Committee. Affordable housing proposals will be included in the Planning Committee report and considered by Planning Committee when determining applications.

Planning Decision and Section 106 Agreements

15.6 Following the planning decision the requirement for affordable housing provision will be included in Section 106 agreements.

16. Further information and Contacts

Planning Control Section

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Development and Regeneration Department
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Victoria Square
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Bolton Community Homes

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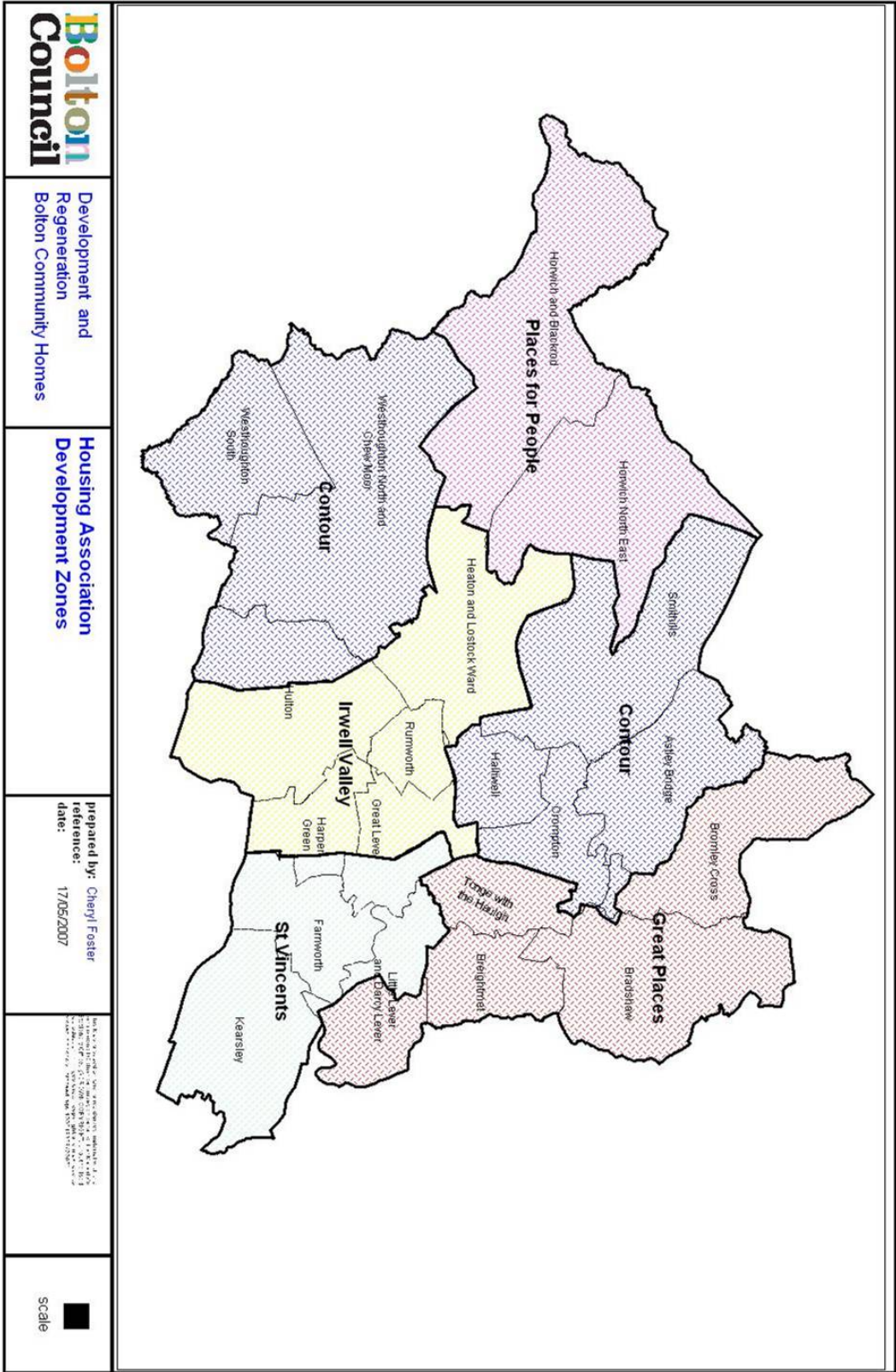
Appendix 1 Housing Association Development Zone Map

Appendix 2 Calculation of Onsite Provision

Appendix 3 Calculation of Commuted Sums

Appendix 4 Procedure for planning application submission

Appendix 1 Housing Association Development Zone Map



Bolton Council

Development and Regeneration
Bolton Community Homes

Housing Association Development Zones

prepared by: Cheryl Foster
reference: 17/05/2007
date:

Scale



Appendix 2 Calculation of Onsite Provision

Based on the recommendations contained within Bolton's Housing Needs Survey research, historical affordable housing delivery and experience of site viability, the Council will be looking to secure 35% affordable housing provision across all areas of the borough to provide 50% for new social rent and 50% intermediate housing.

The example model below indicates the starting point for Affordable Housing negotiations.

Site*	Total No of units	Number of AH secured	% AH of site	Discount	Tenure	Cost to developer (£100k per unit £10m sales value)
100 Unit Site	100	35	35%	60% discount (40% OMV**)	18 x Rent	£1.07m
				30% discount (70% OMV**)	17 x Shared ownership	£510k £1.58m

*Based on a 100unit site. (£100k per unit £10m sales value)

In order to deliver a truly affordable product and in support of existing neighbourhood regeneration Bolton Council will endeavour to ensure that developers deliver affordable housing units in conjunction with the Council's preferred Housing Association partners.

Appendix 3 Calculation of Commuted Sums

	Total No of units	AH quota %	X	Financial Contribution	=	Cost to developer (£100k per unit £10m sales value)
35% AH Provision*	100	35	X	£45,000 (45% of average market price)	=	£1.58m

*Based on a 100unit site. (£100k per unit £10m sales value)

Appendix 4 Procedure for planning application submission

