Gloucester, Cheltenham and Tewkesbury Joint Core Strategy Affordable Housing Partnership

Guidance Note to support the Section 106 and application of affordable housing planning policies.

1. **Purpose of this guidance note**

1.1 To explain the policy in terms of the level of affordable housing to be delivered on sites within the Joint Core Strategy (JCS) area.

1.2 To inform planning applicants about the standards of affordable housing expected in terms of the physical standard of built homes and reassure developers about the standards of tenancy and neighbourhood management signed up to by members of the Affordable Housing Partnership.

1.3 To inform planning applicants about the arrangements which the three JCS Local Authorities have put in place to assist in the delivery of affordable housing and the processes they will adopt to assess and review viability in situations where there is a suggestion that their policy, in terms of affordable housing, is not achieved.

2. **Background**

2.1 **The National policy context**

2.1.1 The NPPF requires Local Planning Authorities (LPAs) to deliver a wide choice of high quality homes, to widen opportunities for home ownership and create sustainable, inclusive and mixed communities. LPAs should:

   - plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community.
   - identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand.
   - where they have identified that affordable housing is needed, set policies for meeting this need.

2.1.2 The Localism Act 2011 places a duty on LPAs to cooperate with each other on cross-boundary issues.

2.1.3 Recognising that the urban authorities of Gloucester and Cheltenham cannot demonstrate sufficient land supply to meet the objectively assessed housing needs of their projected populations to 2031, Gloucester, Cheltenham and Tewkesbury councils have come together to prepare a Joint Core Strategy (JCS) for the area.

2.2 **The local policy context**

2.2.1 The modified JCS submission will identify a total housing requirement of 35,175 new dwellings to be built across the JCS area by 2031.

2.2.2 JCS Policy ‘SD13 Affordable Housing’ sets out the LPA’s policy in respect of affordable housing.
2.2.3 The policy recognises that the viability of each site within the area differs and sets a sliding scale for affordable housing expectations.

2.2.4 The LPAs must balance the need for affordable housing with the need for new development to contribute towards other infrastructure costs. On the JCS strategic allocation sites, all site associated infrastructure costs will remain within the Section 106 agreement with contributions towards wider strategic infrastructure not directly linked to the development site being paid under the Community Infrastructure Levy.

2.2.5 The JCS authorities will seek to achieve the following affordable housing contributions when negotiating Section 106 (S106) Agreements (CIL contributions are shown also):

<table>
<thead>
<tr>
<th>Sites Delivering</th>
<th>10 Units and Under</th>
<th>11 Units and Over</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Affordable Housing %</td>
<td>CIL per m²</td>
</tr>
<tr>
<td>Strategic Allocation Sites</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Gloucester</td>
<td>0%</td>
<td>£0</td>
</tr>
<tr>
<td>Cheltenham</td>
<td>0%</td>
<td>£148</td>
</tr>
<tr>
<td>Tewkesbury</td>
<td>0%</td>
<td>£104</td>
</tr>
</tbody>
</table>

2.3 The Affordable Housing Partnership

2.3.1 The JCS authorities are committed to supporting applicants to deliver strong and sustainable communities with a balance of housing to meet the needs of our growing populations.

2.3.2 An Affordable Housing Partnership (AHP) has been established to support the Joint Core Strategy. The AHP is made up of enabling officers from the JCS councils and ten Registered Providers (RPs); known as the Preferred Providers.

2.3.3 Developers are encouraged to work with the Preferred Providers to deliver affordable housing on the Strategic Allocation Sites.

2.3.4 The ten Preferred Providers have been selected from those active in the JCS area because they have demonstrated that they have the financial capacity to invest in developing and sustaining strong and resilient communities and because they have proved that they can do that to a good standard.

2.3.5 The AHP will agree the following standard documents and protocols with the aim of helping applicants and streamlining the process for agreeing obligations:

- Model S106 Agreement clauses
- Marketing Protocol
- Cross Boundary Lettings and Monitoring Procedures
- Affordability Assessments

2.3.6 The aim of the local authorities is to enable development and ensure that new communities thrive and are sustainable.

2.3.7 The Preferred Providers are:

- Bromford Housing Group Ltd
- Cheltenham Borough Homes Ltd
• Fortis Living
• Gloucester City Homes Ltd
• Greensquare Group Ltd
• Merlin Housing Society
• Rooftop Housing Association Ltd
• Severn Vale Housing Society Ltd
• Sovereign Housing Association Ltd
• Two Rivers Housing

2.3.8 The Preferred Providers have agreed the model Section 106 Agreement, which has been drawn up for use on all Strategic Allocation Sites, and the Partnership Standards.

2.3.9 The Preferred Providers have agreed to work with each other, the councils, and other relevant agencies to resolve any issues regarding neighbourhood management on completed phases of the Strategic Allocation Sites.

2.3.10 The LPA housing enabling officer will want to know which RP will be taking transfer of the affordable housing units on any phase before works to that phase start on site.

3. Standards for Affordable Housing

3.1 Affordable unit types

3.1.1 The LPA housing enabling officer will confirm the mix of Affordable Housing unit types to be provided on each site.

3.1.2 All 2-bedroom dwellings must accommodate 4 bed-spaces.

3.2 Space in the home

3.2.1 Unlike homes bought on the open market by private purchasers, affordable housing units are usually fully occupied by bed space and space standards therefore need to be adequate for the maximum number of occupants.

3.2.2 Registered Providers prefer affordable homes to have reasonable space standards and include sufficient storage space to enable them to be let to households of an appropriate size.

3.2.3 The table below shows the minimum internal floor area deemed as reasonable for the range of dwelling types listed:
### 3.3 Specification – The Partnership Standard

#### 3.3.1 Advice has been sought from the Preferred Providers on the specification items they would require, above building regulation compliance, for affordable housing units. These items are listed below. Individual Preferred Providers may negotiate specification upgrades above the partnership standard, which would be assumed to be at their cost.

#### 3.3.2 The **Partnership Standard** is the following:

- Rear gardens to be turfed
- 1.8m close boarded fence to all rear garden boundaries.
- Vinyl sheet flooring to wet areas; kitchens, bathrooms, cloakrooms / WCs.
- Thermostatic shower over bath in main bathroom.
- Full height tiling to all three walls surrounding any bath.

<table>
<thead>
<tr>
<th>Dwelling Type</th>
<th>No. of Storeys</th>
<th>Minimum internal floor area (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FLATS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-bed 2-person Part M Cat 1</td>
<td>1</td>
<td>45</td>
</tr>
<tr>
<td>1-bed 2-person Part M Cat 2</td>
<td>1</td>
<td>50</td>
</tr>
<tr>
<td>1-bed 2-person Part M Cat 3</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>2-bed 4-person Part M Cat 1</td>
<td>1</td>
<td>67</td>
</tr>
<tr>
<td>2-bed 4-person Part M Cat 2</td>
<td>1</td>
<td>71</td>
</tr>
<tr>
<td>2-bed 4-person Part M Cat 3</td>
<td>1</td>
<td>85</td>
</tr>
<tr>
<td><strong>HOUSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-bed 4-person Part M Cat 1</td>
<td>2</td>
<td>67</td>
</tr>
<tr>
<td>2-bed 4-person Part M Cat 2</td>
<td>2</td>
<td>79</td>
</tr>
<tr>
<td>2-bed 4-person Part M Cat 3</td>
<td>2</td>
<td>82</td>
</tr>
<tr>
<td>3-bed 5-person Part M Cat 1</td>
<td>2</td>
<td>93</td>
</tr>
<tr>
<td>3-bed 5-person Part M Cat 2</td>
<td>2</td>
<td>109</td>
</tr>
<tr>
<td>3-bed 5-person Part M Cat 3</td>
<td>2</td>
<td>95</td>
</tr>
<tr>
<td>3-bed 6-person Part M Cat 1</td>
<td>2</td>
<td>102</td>
</tr>
<tr>
<td>3-bed 6-person Part M Cat 2</td>
<td>2</td>
<td>102</td>
</tr>
<tr>
<td>3-bed 6-person Part M Cat 3</td>
<td>2</td>
<td>102</td>
</tr>
<tr>
<td>4-bed 6-person Part M Cat 1</td>
<td>2</td>
<td>95</td>
</tr>
<tr>
<td>4-bed 6-person Part M Cat 2</td>
<td>2</td>
<td>106</td>
</tr>
<tr>
<td>4-bed 6-person Part M Cat 3</td>
<td>2</td>
<td>106</td>
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<tr>
<td>4-bed 6-person Part M Cat 4</td>
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<td>106</td>
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<tr>
<td>4-bed 6-person Part M Cat 5</td>
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<tr>
<td>4-bed 6-person Part M Cat 6</td>
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<td>106</td>
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<tr>
<td>4-bed 7-person Part M Cat 1</td>
<td>2</td>
<td>108</td>
</tr>
<tr>
<td>4-bed 7-person Part M Cat 2</td>
<td>2</td>
<td>115</td>
</tr>
<tr>
<td>4-bed 7-person Part M Cat 3</td>
<td>2</td>
<td>115</td>
</tr>
<tr>
<td>4-bed 7-person Part M Cat 4</td>
<td>2</td>
<td>115</td>
</tr>
<tr>
<td>4-bed 7-person Part M Cat 5</td>
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</tr>
<tr>
<td>4-bed 7-person Part M Cat 6</td>
<td>2</td>
<td>115</td>
</tr>
<tr>
<td>4-bed 7-person Part M Cat 7</td>
<td>2</td>
<td>115</td>
</tr>
<tr>
<td><strong>BUNGALOWS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-bed 2-person Part M Cat 2</td>
<td>1</td>
<td>50</td>
</tr>
<tr>
<td>1-bed 2-person Part M Cat 3</td>
<td>1</td>
<td>60</td>
</tr>
<tr>
<td>2-bed 4-person Part M Cat 2</td>
<td>1</td>
<td>70</td>
</tr>
<tr>
<td>2-bed 4-person Part M Cat 3</td>
<td>1</td>
<td>85</td>
</tr>
</tbody>
</table>
3.3.3 To allow for a supply of flexible affordable housing units to meet the needs of all households, the Councils will seek to negotiate appropriate numbers of adaptable and adapted homes and would expect:

- That all ground floor flats and bungalows meet Building Regulations Part M Category 2 as a minimum.
- That 10% of houses meet Building Regulations Part M Category 2. The minimum space standards for these units accord with the Nationally Described Space Standards.
- That 2% of Affordable Housing units meet Building Regulations Part M Category 3b to meet the immediate needs of households with a member who has a physical disability.

3.3.4 Developers will be required to certify to the LPA housing enabling officer that the Affordable Housing units meet the Partnership Standards.

3.4 Social Sustainability

3.4.1 The JCS LPAs wish to see strong and inclusive new communities develop which are socially sustainable.

3.4.2 The JCS authorities and the AHP have endorsed the approach to place making set out in ‘Welcome to the Future’ and will apply that approach to assessing proposals on strategic allocation sites. (Please see Appendix 1.)

3.5 Neighbourhood Plans

3.5.1 At the time of writing there are two adopted Neighbourhood Plans within the JCS area, both within Tewkesbury Borough:

- Winchcombe & Sudeley
- Highnam

4. How we Define Affordable Housing

4.1 The NPPF defines affordable housing as: social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices.

4.2 Local need and affordability

4.2.1 The number and tenure of new homes and the tenure of those new homes is determined by the Strategic Housing Market Assessment (SHMA); a technical study required by the NPPF to help local planning authorities understand how many homes will be needed during the JCS plan period.

4.2.2 The SHMA determines the Objectively Assessed Housing Need (OAHN) which is the figure that the councils should seek to plan towards. The OAHN agreed by the Planning Inspector for the JCS area is 33,500. An uplift of 5% has been applied to this figure by the Planning Inspector providing a housing requirement of 35,175.
4.2.3 The SHMA also assesses the need for affordable housing and sets out the most appropriate mix of new housing to meet the population growth in each local planning authority area. The SHMA contains data on affordability which will inform levels of Affordable Rents. The SHMA can be accessed here: http://www.gct-jcs.org/Documents/EvidenceBase/SHMA-Gloucestershire-FINAL-DRAFT-15-10-13.pdf

4.2.4 The need for specific affordable housing unit types and tenures will vary across each local authority area and the mix of affordable homes required for each site will be determined by the LPA’s housing enabling officer.

4.2.5 As directed by the Planning Inspector, individual Strategic Allocation sites may be meeting the housing need of a LPA which is not the LPA in which the site is located. In these instances, the assessment of the local need for new homes will reflect the housing market of the LPA for whom the site is allocated.

5. Pricing Affordable Housing

5.1.1 The LPAs do not intend to set, or limit, prices for the affordable housing on strategic allocation sites, and it is recognised that developers will invite RPs to make competitive bids for the units.

5.1.2 The AHP does intend to work together to maximise the delivery of affordable housing across the JCS area and ensure that a robust appraisal process captures the financial capacity of each site to deliver affordable units of appropriate tenure to meet local housing needs.

5.1.3 A reasonable price for the affordable housing on a site can be assessed using benchmark assumptions and calculating the deficit, or loan, which can be supported by the rent, or equity sale and rent, for each unit and tenure type. To assist developers carrying out initial financial assessments, some benchmarking assumptions are set out below in paragraph 5.6.

5.2 Rent Levels

5.2.1 Affordable Rents are set at a maximum of 80% of the Market Rent for a similar unit in the area. An Affordable Rent must include any service and management company charges so these are deducted from the rent to calculate the supportable loan / deficit.

5.2.2 Dependent on local incomes and rental prices, the LPA’s housing enabling officer may require the Affordable Rent for a proportion of units, or for specific unit types, to be less than 80% of Market Rent where it is demonstrated by the Strategic Housing Market Assessment (SHMA) and local incomes and house prices that 80% Market Rent is not affordable to those households in need of affordable housing.

5.2.3 Tenants are not eligible for benefit assistance for rents above the level of the Local Housing Allowance (LHA) and RPs will generally use LHA levels to cap rents when pricing offers for the affordable housing units.

5.2.4 Affordable Rents should therefore not exceed the LHA level for the Broad Rental Market Area within which they are located.

5.3 Shared Ownership
5.3.1 The expectation of the LPA is that there will be a range of products to meet the need for intermediate housing for sale.

5.3.2 A reasonable price for shared ownership units can be assessed using the benchmark assumptions, the market value of the completed units and the affordability of the total cost to the purchaser of the mortgage payments for the share purchased, the rent on the unsold equity and any service and management company charges.

5.3.3 The total monthly cost to the purchaser should be less than the monthly cost of purchasing a similar unit outright, and not amount to more than 45% of the net monthly household income of the purchaser. The Preferred Provider will carry out affordability checks based on the HCA Shared Ownership Affordability Calculator or similar methodology.

5.3.4 There are many shared equity products available to purchasers and the AHP will agree a marketing protocol to ensure that S106 shared ownership units are marketed to households, from the area/s with nomination rights, who need affordable housing.

5.4 Low Cost Housing for Sale

5.4.1 Housing sites will be expected to deliver a minimum of 10% affordable home ownership units. The LPA’s enabling officer will agree the appropriate affordable home ownership products to be included in the Affordable Housing Scheme.

5.4.2 Discounted Market Sale units are offered for sale to Approved Purchasers at a discounted price of up to 75% of the Open Market Value. The level of discount will be calculated by the LPA’s enabling officer so that the units are affordable with regard to local incomes and local house prices. The discount is to be applied in perpetuity.

5.4.3 Starter Homes will be considered in accordance with the rules governing their delivery.

5.5 Service Charges and Management Charges

5.5.1 Service charges and management charges should be eligible for Housing Benefit and any ineligible service charges or management charges must be approved by the LPA. The service and management charges are included in the calculation of Affordable Rents and will therefore directly impact the amount an RP is able to offer for the Affordable Housing Units.

5.5.2 The design of master plans and the arrangements for the management of communal landscaping and shared areas can have a marked impact on the affordability of service and management company charges. The AHP is happy to advise on how to design out the need for excessive service or management company charges and would welcome the opportunity for early engagement with developers on site layouts.

5.6 Sustainable pricing

5.6.1 Each Preferred Provider will use their own appraisal assumptions to assess what they offer for affordable units. Most RPs use a supportable deficit model to calculate what they can offer; that is the amount of borrowing which can be supported by the rents after any internal subsidy is added and key operational costs are deducted.
5.6.2 Benchmark key assumptions have been agreed by the AHP to assist developers in calculating what they are likely to receive for the affordable units in advance of seeking offers. This information may also assist the local planning authorities in preparing responses to viability cases where the policy compliant affordable housing requirement may not be achieved.

5.6.3 The benchmark key assumptions, base date Q4 2016, are set out in the table below:

<table>
<thead>
<tr>
<th>Heading</th>
<th>Cost</th>
<th>Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management &amp; Maintenance</td>
<td>£600</td>
<td>Per unit per year inflated by RPI</td>
</tr>
<tr>
<td>Affordable Rented Units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management &amp; Maintenance</td>
<td>£400</td>
<td>Per unit per year inflated by RPI</td>
</tr>
<tr>
<td>Shared Ownership Units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sinking fund</td>
<td>£1,000</td>
<td>Per unit per year, year 10 onwards inflated by RPI</td>
</tr>
<tr>
<td>Fees Rent</td>
<td>£1,500</td>
<td>Per unit</td>
</tr>
<tr>
<td>Fees SO</td>
<td>£2,500</td>
<td>Per unit</td>
</tr>
<tr>
<td>Long term interest</td>
<td>6%</td>
<td>Of negative balance</td>
</tr>
<tr>
<td>Loan term</td>
<td>30 years</td>
<td>Assume positive NPV at year 30</td>
</tr>
<tr>
<td>Overhead</td>
<td>3%</td>
<td>Contract price</td>
</tr>
<tr>
<td>Voids and bad debts</td>
<td>2%</td>
<td>Deducted from the annual rent</td>
</tr>
</tbody>
</table>

6. Viability Appraisal

6.1 Circumstances when wider development viability is assessed

6.1.1 Where it is suggested that the policy proportion of affordable housing is not achievable on an individual site, or phase, for viability reasons, the developer will be expected to notify the LPA and agree the methodology for submitting and reviewing viability evidence.

6.2 Approach to viability appraisal and validation

6.2.1 NPPF guidance on viability states that ‘where the viability of a development is in question, local planning authorities should look to be flexible in applying policy requirements wherever possible’.

6.2.2 However, the NPPF is also clear that where safeguards are necessary to make a particular development acceptable in planning terms, and these safeguards cannot be secured, planning permission should not be granted for unacceptable development.

6.2.3 The developer will submit their viability case to the LPA using the method agreed.

6.2.4 The local planning authority will arrange for the viability case to be appraised and validated by an independent expert, at the expense of the applicant, before the planning application is determined.

6.3 Establishing a Base Viability Position

6.3.1 Once the viability case has been assessed and independently appraised and validated, this base viability position will be used to agree affordable housing and infrastructure obligations.

Document Control
31.01.2018. 7.1.3 Tewkesbury District Council contact details amended
6.3.2 The AHP Preferred Providers have agreed to be open with the LPAs about successful offers made for affordable units to assist in establishing the base viability position for individual sites.

6.3.3 Where a developer is proposing to work with an RP who is not a Preferred Provider, and is making a viability case, they will be required to demonstrate that none of the Preferred Providers can make offers for the affordable housing which would result in an increased number of affordable housing units being deliverable. The AHP can assist with this. The RP who is not a Preferred Provider will be expected to demonstrate that their offer is based on the Partnership Standard and that they can achieve acceptable tenancy and neighbourhood management standards.

6.3.4 As the Strategic Allocation Sites are large sites that will be built out in phases over many years, the viability position is likely to change over time and the LPAs will wish to agree some flexibility in the setting of affordable housing obligations, so that improvements in the viability position will allow them to claw back additional affordable units on future phases to enable them to achieve their policy position over time.

6.3.5 The developer will be expected to work with the Preferred Provider and the LPA’s enabling officer to seek funding for additional affordable housing units where the base viability position does not provide for policy compliant levels of affordable housing on a site or phase of a site.

6.4 Approach to futureproofing

6.4.1 The LPA may agree the affordable housing obligation on an early phase of the scheme based on current viability and require, through the S106 Agreement, the viability of the scheme to be reviewed at set stages in the future. This will give the LPA the ability to claw back additional affordable housing units should the viability position improve sufficiently.

6.5 Reviewing Viability

6.5.1 The methodology for reviewing viability will be agreed with the LPA before submission of the viability evidence as set out in paragraph 6.1.1.

6.5.2 The viability position will be reviewed at each Reserved Matters application.

6.5.3 Key viability factors and assumptions informing a review could include:

- GDV; development revenue from housing sales, capitalised rents and the value received for affordable housing units
- Land cost and site acquisition costs
- Build costs
- External works, infrastructure and site abnormal costs

6.5.4 The purpose of the review process is to allow the LPA to increase the number of affordable housing units on future phases of the development of the site to achieve their policy target, if viability factors improve.
6.5.5 The LPA's preference is for additional affordable housing units but where, for instance, a site is in its final delivery phase, a commuted sum may be negotiated to enable additional affordable housing units to be built elsewhere.

7. Working with the Local Planning Authority to deliver affordable housing

7.1 Key Contacts

7.1.1 Gloucester City Council
Helen Chard Housing Strategy and Enabling Service Manager
helen.chard@gloucester.gov.uk

7.1.2 Cheltenham Borough Council
Martin Stacy Lead Commissioner Housing Services
martin.stacy@cheltenham.gov.uk

7.1.3 Tewkesbury District Council
John Bryant Strategic Housing and Enabling Officer
John.Bryant@tewkesbury.gov.uk

7.1.4 Affordable Housing Partnership
Gill Fraser Ark Consultancy
gfraser@arkconsultancy.co.uk