Affordable Housing Consultation Paper

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November 2013
1. **Introduction**

1.1 In West Oxfordshire the high price of housing means that some households on lower incomes are unable to afford to buy or rent their own home or may be in unsuitable accommodation. The provision of more affordable housing is therefore a key priority of the District Council.

1.2 One of the most effective ways of providing more affordable housing is through the planning system with local plan policies often requiring developers to build a certain percentage of affordable homes or make a financial contribution towards providing affordable housing elsewhere.

1.3 We recognise however that any policy requirement should not render development unviable as to do so would have a negative effect on the overall delivery of new homes.

1.4 The Council has therefore commissioned an external consultant to consider the viability of a range of typical residential developments in West Oxfordshire to help determine what affordable housing requirement might reasonably be applied.

1.5 As part of this exercise the consultants have also been assessing what scope there is to introduce the Community Infrastructure Levy (CIL) into West Oxfordshire. CIL is a charge levied on development on a pound (£) per m² basis to help fund new infrastructure including roads and schools.

1.6 CIL and affordable housing are fundamentally related because both have an impact on the viability of development.

1.7 We are therefore publishing two consultation papers. This paper seeks views on the Council’s approach towards affordable housing and alongside we have published a separate consultation paper setting out the potential CIL rates that might apply in West Oxfordshire.

1.8 The consultant’s viability report which underpins both consultation documents is available as a background paper.

1.9 All documents should be read in conjunction with each other.

2. **Background**

2.1 Whilst there is some variation across the District, house prices in West Oxfordshire are much higher than the national average. Our housing needs evidence (2011) suggests that in some parts of the District, even relatively small, modest properties are beyond the reach of most single income households.

2.2 As a result, there are around 2,000 households on the waiting list for affordable housing in West Oxfordshire.

2.3 We define ‘affordable housing’ as that which is affordable to those who cannot afford market priced housing locally to rent or purchase. It is housing provided with either public or private subsidy for people who would otherwise be unable to resolve their housing requirements in the local housing market because of the relationship between housing cost and local incomes.
2.4 Such housing should remain at an affordable price for future eligible households or, if these restrictions are lifted, the subsidy should be recycled for alternative affordable housing provision.

2.5 Increasing the number, type and distribution of affordable housing for both rent and subsidised sale is a key priority for West Oxfordshire.

2.6 The importance of providing more affordable housing is recognised in the Government’s National Planning Policy Framework (NPPF) which states that:

To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should plan for a mix of housing based on current and future demographic trends, market trends and the need for different groups in the community.

Where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.

2.7 In other words, where there is a need for affordable housing, it should be provided on-site unless off-site provision or a financial contribution can be justified. This is an important starting point.

2.8 With specific regard to the viability of development, the NPPF goes on to state that:

To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards.

Any affordable housing or local standards requirements that may be applied to development should be assessed at the plan-making stage, where possible, and kept under review.

2.9 In other words, local planning authorities should carefully consider the impact of any policy requirements (such as affordable housing) not just individually but cumulatively so that the impact of the plan as a whole on deliverability is properly taken into account.

2.10 It is for this reason that the Council has commissioned external consultants to undertake a viability assessment of the Draft Local Plan (2012) including the emerging affordable housing policy.
3. Current Affordable Housing Policy

3.1 The Council’s current Local Plan policy is set out in the West Oxfordshire Local Plan 2011 adopted in 2006. The policy is set out below.

<table>
<thead>
<tr>
<th>POLICY H11 - Affordable housing on allocated and previously unidentified sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taking into account the housing needs of the area and subject to any site specific constraints, an element of affordable housing will be sought as part of residential development schemes on the following basis:</td>
</tr>
<tr>
<td>a) on land allocated in this plan for residential development or mixed uses including housing; 30% on sites in the towns of Witney and Carterton and up to 50% in the remainder of the District;</td>
</tr>
<tr>
<td>b) on unallocated land, which comes forward in accordance with the locational policies of this plan, up to 50% affordable housing will be sought where:</td>
</tr>
<tr>
<td>i) the site is in Witney, Carterton, Chipping Norton or Eynsham and has an area of 0.5 ha or greater or when 15 or more dwellings are proposed; or</td>
</tr>
<tr>
<td>ii) elsewhere, when a development of 2 or more dwellings are proposed.</td>
</tr>
</tbody>
</table>

3.2 To summarise, on allocated sites at Witney and Carterton there is a requirement for 30% affordable housing and on allocated sites elsewhere the requirement is up to 50%. On unallocated (windfall) sites the requirement is up to 50% on larger developments (i.e. more than 15 dwellings or greater than 0.5 ha in size) at Witney, Carterton, Chipping Norton and Eynsham and up to 50% on developments of 2 or more dwellings elsewhere.
4. **Draft Affordable Housing Policy**

4.1 Throughout the evolution of the emerging Local Plan we have consulted on several different approaches towards the delivery of affordable housing. The Draft Local Plan published in November 2012 included the following draft policy.

### Core Policy 8 – Affordable Housing

Taking into account the housing needs of the area and subject to the economic viability of the specific development proposals, a contribution to affordable housing provision will be sought where a net gain of one or more market homes is proposed. The required level of affordable housing provision will be as follows:

- Carterton - 35%
- Witney - 40%
- Elsewhere in the District - 50%

In circumstances where it can be demonstrated that the level of affordable housing being sought would make a scheme unviable, a revised mix and type of housing will be considered before a lower level of affordable housing provision is accepted. Where external funding is available it may be applied to schemes to ensure affordability of rental levels or to increase the number or to change tenure or type of homes to meet priority needs.

For residential schemes of 1 – 5 dwellings (net) the Council will be prepared to accept an appropriate financial contribution towards off-site provision of affordable housing. Subject to viability considerations, any contribution should be of ‘broadly equivalent value’ to that which would have been provided on-site.

For residential schemes of 6 or more dwellings (net) the Council will require the provision of affordable housing on-site. Affordable housing mix and tenure will be responsive to identified local needs and site specific opportunities. An equivalent financial contribution for the provision of affordable housing on other sites in West Oxfordshire in lieu of on-site provision may be appropriate if it can be demonstrated that:

- It is not physically possible or feasible to provide affordable housing on the application site; or
- There is evidence that a separate site would more satisfactorily meet local housing need and contribute to the creation of mixed communities.

In some instances, a combination of on-site provision and a financial contribution may be appropriate.

West Oxfordshire District Council and its partners will work with Parish Councils, Registered Providers of affordable housing and local housing, community land and self build trusts to identify additional suitable rural sites for small scale affordable housing schemes to meet specific local housing needs which cannot be met in any other way. All new homes on these sites will remain affordable in perpetuity to people in housing need who have a local connection with the parish or appropriate adjoining parishes. Sites will be well-related to the existing built-up areas of towns and villages. Where family homes are proposed priority will be given to locations within a reasonable walking distance of a primary school.
4.2 To summarise, the draft policy requires all developments that involve a net gain of one or more dwellings to make a contribution towards affordable housing provision. For smaller residential developments of 1 to 5 dwellings (net) a commuted sum payment in lieu of on-site provision will be accepted and in larger residential developments of 6 or more dwellings (net) affordable housing will be required on-site at a level of 35% in Carterton, 40% in Witney and 50% in the rest of the District.

4.3 The supporting text to the policy provides further detail on the size and type of affordable housing required. In relation to size, as a general guide affordable housing will be sought in the following proportions:

- 65% one and two bedroom homes
- 35% three and four bedroom homes

4.4 In terms of tenure, the draft plan states that a ratio of 2:1 in favour of rented homes will be generally sought.

4.5 A number of comments were received in relation to Core Policy 8 when the Draft Local Plan was published for consultation in November 2012. These can be summarised as follows:

- Use of a single dwelling threshold is unreasonable and will affect the delivery of small sites (as the current policy threshold of 2 dwellings has done in rural areas)
- There is no justification for the different percentage requirements at Witney, Carterton and rest of District
- The threshold for on-site provision should be raised e.g. to 14+ units
- The policy is inconsistent with other Oxfordshire planning authorities
- The 50% affordable housing requirement in rural areas is too high
- Commuted sum payments should start at 2+ dwellings
- Affordable housing requirements should be balanced with other requirements e.g. CIL
- The percentage target should be expressed as ‘up to’ rather than as a minimum
- An assessment of the cumulative impact of the draft local plan policies should be undertaken
- The policy should provide greater flexibility and allow individual site circumstances to be taken into account
- The current policy has failed to deliver affordable housing in rural areas

4.6 We have sought to address a number of these issues through the viability assessment that has been carried out. Our proposed way forward is set out in Section 5.0 below.
5. Proposed Way Forward

5.1 The Council recognises that in line with the NPPF the various policy requirements of the local plan must not threaten the delivery of the overall strategy and that consideration must be given to the cumulative impact of all policies. This was an important point raised by a number of respondents to the Draft Local Plan consultation in 2012.

5.2 To inform the Local Plan evidence base the Council has therefore commissioned external consultants to prepare an Economic Viability Assessment (EVA). The assessment has been made available as a background paper and considers two main issues:

- the scope for introducing the Community Infrastructure Levy (CIL) into West Oxfordshire; and

- the overall viability of the Draft Local Plan (2012)

5.3 As part of their assessment the consultants have carefully considered the Council’s policy approach towards the provision of affordable housing because it has a significant effect on the viability of development.

5.4 They have reached a number of conclusions and made some recommendations which are summarised below.

Threshold for Provision

5.5 As set out above Core Policy 8 of the Draft Local Plan (2012) has a single dwelling threshold whereby any residential development involving a net gain of one or more dwellings will be required to contribute towards the provision of affordable housing.

5.6 A number of respondents to the Draft Local Plan consultation in 2012 objected to this requirement stating that it is unreasonable and undeliverable and that the threshold should be increased.

5.7 The consultants have carefully considered this issue and following detailed viability testing of a range of hypothetical development schemes in different parts of the District conclude that viability is an issue for smaller residential schemes where affordable housing is sought on site. This is due to the relatively high plot values (Threshold Land Value) of such sites and the impact that an on-site affordable housing requirement has on gross development value (and therefore viability).

5.8 However, as part of their appraisal they have considered the viability of smaller residential schemes using a commuted sum approach (whereby the developer pays a financial contribution towards affordable housing in lieu of on-site provision). In such circumstances, the gross development value of the scheme is much higher (because it is 100% market housing) and viability therefore improves.

5.9 On this basis the consultant concludes that it is not unreasonable to apply a single dwelling (net) threshold for affordable housing provision. They go on to conclude that for smaller residential schemes of 1 to 5 units (net) a commuted sum towards affordable housing can be justified in terms of development viability. The suggested commuted sums are set out below. For schemes of 6 or more dwellings (net) an on-site affordable housing requirement would apply.
5.10 Whilst a number of respondents to the Draft Local Plan consultation in 2012 suggested that the threshold for on-site affordable housing provision should be increased (e.g. to 10 or 15 dwellings) it is considered that to raise the threshold from 6 dwellings (net) would be inconsistent with the NPPF which emphasises that local authorities should aim to secure provision on-site where possible.

**Commuted Sum Payments**

5.11 Through their viability assessment the consultants have determined the level of commuted sum that might reasonably be applied to residential schemes where there is a net gain of 1 to 5 units. They have done this through a financial appraisal of a range of hypothetical residential schemes in different parts of the District. To provide a more detailed analysis, the consultants have split the District into three ‘zones’ based on existing property prices by postcode. The three value zones are illustrated at Figure 1 overleaf.

5.12 Through their financial appraisal the consultants have determined what level of commuted sum towards affordable housing might reasonably be sought from smaller residential schemes of 1-5 dwellings (net) taking account of relevant factors such as site acquisition costs, development costs and development value.

5.13 The recommended commuted sums are set out in Table 1 below and assume that such developments would be exempt from having to pay the Community Infrastructure Levy (CIL).

<table>
<thead>
<tr>
<th>Zone (See Figure 1)</th>
<th>Commuted Sum (£ per market unit)*</th>
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<tbody>
<tr>
<td>Higher</td>
<td>£55,000</td>
</tr>
<tr>
<td>Medium</td>
<td>£27,000</td>
</tr>
<tr>
<td>Lower</td>
<td>£14,000</td>
</tr>
</tbody>
</table>

*assumes £0 CIL

5.14 As can be seen, the commuted sum payable would depend on the location of the proposed development. The three suggested ‘zones’ are shown on Figure 1 overleaf.
Figure 1 - Affordable Housing (and CIL Charging) Zones
On-Site Affordable Housing Percentage Requirements

5.15 With regard to the on-site provision of affordable housing on schemes of 6+ dwellings (net) the consultants conclude that the percentage of affordable housing sought should be varied according to the three zones identified at Figure 1.

5.16 Based on the results of their viability appraisals, they conclude that in the higher value zone an on-site affordable housing percentage requirement of 50% can be justified, in the medium value zone a requirement for 40% affordable can be justified and in the lower value zone, a requirement for 35% affordable housing.

5.17 These on-site affordable housing percentage requirements would apply to all residential schemes of 6 or more dwellings (net) with smaller schemes of 1 to 5 dwellings (net) being required to pay a commuted sum instead.

Tenure Split

5.18 As part of their viability assessment the consultants sought clarification from the Council in relation to the preferred tenure split for affordable housing. This information was needed to inform their modelling (because different types of affordable housing have different transfer values when sold to registered providers thus impacting on the overall value of a scheme).

5.19 The Draft Local Plan (2012) states at paragraph 5.27 that ‘there is a significantly greater need for rented accommodation than for the various forms of intermediate housing therefore a ratio of 2:1 in favour of rented homes will be generally sought’.

5.20 However, there are different forms of rented accommodation including social rent and affordable rent and the consultants required further clarification.

5.21 To feed into their modelling the consultants were asked to assume a tenure split of 66% affordable rented housing and 33% intermediate housing. This reflects the findings of the Council’s Housing Needs Assessment Update (2011) which suggested that a tenure mix balance of 70%/30% between affordable rent and intermediate housing can be supported.

5.22 The NPPF defines affordable rented housing as housing that is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

5.23 Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.
6. **Responding to the Consultation**

6.1 The provision of affordable housing is a key priority for the Council however we recognise that it has a significant impact on the viability of residential development that requires careful consideration.

6.2 Having regard to the NPPF and the evidence that has been produced by external consultants we are suggesting a policy approach whereby:

- A contribution towards the provision of affordable housing would be sought from all residential developments involving a net gain of one or more dwellings

- Small-scale residential developments of 1 to 5 dwellings (net) would be exempt from CIL but would be required to pay a fixed commuted sum towards affordable housing

- This commuted sum would vary according to the location of the proposed development and would be £55,000 per market unit in the higher value area, £27,000 per market unit in the medium value area and £14,000 per market unit in the lower value area (see Figure 1)

- On-site affordable housing provision would be sought from all residential schemes of 6 or more dwellings and the percentage requirement would vary according to the location of the proposed development with a 50% requirement in the higher value area, 40% in the medium value area and 35% in the lower value area (see Figure 1)

- The Council’s preferred tenure split for affordable housing will be two thirds (66%) affordable rented and one third (33%) intermediate housing reflecting the Council’s Housing Needs Assessment Update (2011).

6.3 Whilst the suggested approach summarised above does not address all of the comments received in response to the Draft Local Plan consultation in 2012 we have sought to provide a balanced approach that meets the requirements of the NPPF and takes account of the viability evidence that has been produced.

6.4 We would welcome your views on the proposed way forward and have attached some specific consultation questions at Appendix 1. You do not have to use these but they might help you respond to the consultation.

6.5 Written comments should be sent to the following address:

Planning Policy  
West Oxfordshire District Council  
Elmfield Office  
New Yatt Road  
Witney  
OX28 1PB

6.6 Electronic responses should be sent to the following email address:

planning.policy@westoxon.gov.uk
6.7 The deadline for responding to the consultation is 5th February 2014.

7. **Next Steps**

7.1 This paper will be published for consultation alongside the Council’s Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule (PDCS) for a period of 8 weeks. It will be made available online, at the District Council Offices, Town Centre Shops and Visitor Information Centres. All stakeholders held on the Council’s LDF stakeholder database will be notified and invited to comment.

7.2 The comments we receive will be taken into account as the Draft Local Plan is taken forward in 2014.
Appendix 1

Affordable Housing Consultation Questions

1) Do you agree with the extent of the three value 'zones' identified at Figure 1 and their use for determining the Council's affordable housing requirement? Please explain.

2) In relation to the on-site provision of affordable housing do you agree that the minimum threshold for on-site provision should be 6 dwellings? Please explain.

3) In relation to the on-site provision of affordable housing do you agree that the percentage requirement in the higher value zone should be 50%, in the medium value zone 40% and in the lower value zone 35%? Please explain.

4) With regard to the payment of a commuted sum in lieu of on-site affordable housing provision, do you agree that small-scale residential schemes of 1 to 5 dwellings should be exempt from CIL but required to pay a commuted sum towards affordable housing? Please explain.

5) Do you consider that the recommended affordable housing commuted sums set out at Table 1 are reasonable? Please explain.

6) Do you wish to make any comments on the Council’s preferred tenure split of 66% affordable rented housing and 33% intermediate housing?

7) Are there any other comments you wish to make?