

North Dorset Local Plan – 2011 to 2026 Part 1:
Pre-submission Document

Further Proposed Changes for the Hearings
Policy 8 – Affordable Housing Tracked Changes

March 2015

Policy 8 – Affordable Housing

Introduction

- 5.69. One of the priorities identified for rural Dorset in the Dorset Sustainable Community Strategy¹ is to ensure that everyone can live in a good quality home and neighbourhood that meets their needs. The provision of affordable housing is also identified as a key challenge for North Dorset². Consequently Objective 5 of the Local Plan Part 1 (in Section 2), is to deliver more housing, including affordable housing, that better meets the diverse needs of the District.
- 5.70. The Council recognises that more affordable housing will not only help to create more sustainable, mixed communities, but will also maintain a supply of labour by providing school leavers, recent graduates and households on lower incomes with greater opportunity to remain in North Dorset. This will help to: tackle the District's growing generational imbalance; provide the labour needed to enable existing firms to expand; and attract new firms to the area.

National Policy

- 5.71. National policy supports the provision of affordable housing and indicates that local planning authorities should use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies in the National Planning Policy Framework (NPPF)³.
- 5.72. National policy also seeks to ensure that Local Plans are viable and deliverable particularly in relation to setting requirements for affordable housing provision⁴.

The District Council's Approach

- 5.73. The Council has commissioned research to identify the future need for affordable housing and to assess the level of provision that may be realistically achieved, having regard to strategic viability considerations.
- 5.74. The Council aims to provide as much affordable housing as can be realistically delivered within strategic viability constraints, whilst also having regard to other matters, such as the wish of some people to build their own homes. This policy sets out how this will be achieved, by:

¹ Page 14, Shaping Our Future – Dorset Sustainable Community Strategy, Dorset Strategic Partnership (November 2010).

² Page 10, Shaping Our Future – Dorset Sustainable Community Strategy, Dorset Strategic Partnership (November 2010).

³ Paragraph 47, National Planning Policy Framework, DCLG (March 2012).

⁴ Paragraphs 173 and 174, National Planning Policy Framework, DCLG (March 2012).

- Establishing ~~a~~ thresholds (in terms of ~~the size of site~~ the number of net additional dwellings and floorspace) above which affordable housing will be sought;
 - Setting out the proportion of homes on a site that the Council will seek to be provided as affordable, which varies in different parts of the District;
 - Outlining the Council’s approach to site-based viability considerations and associated issues, such as resolving viability disputes, the provision of affordable housing off-site and off-site financial contributions;
 - Providing guidance on the form of affordable housing tenure (or tenures) that should be provided on sites; and
 - Outlining the key considerations that will apply to the delivery of affordable housing on sites.
- 5.75. The Council’s approach to the provision of affordable housing on rural exception sites is dealt with separately by Policy 9 – Rural Exception Sites.

Housing Need

- 5.76. All local planning authorities in the Bournemouth and Poole Housing Market Area (HMA) commissioned consultants to produce a Strategic Housing Market Assessment (SHMA) in 2008, which was updated in 2012. The 2012 SHMA Update used the CLG housing needs model and estimated that 387 additional units of affordable housing would need to be provided annually over a five year period to meet the District-wide need.
- 5.77. This level of provision could not be delivered within strategic viability constraints and the 2012 SHMA Update indicates that attempting to do so would be likely to lead to significant problems within the wider housing market, in particular increased vacancy levels in the private rented sector.
- 5.78. The 2012 SHMA Update recommends that future affordable housing provision should be set against the likely level of additional housing provision required on the basis of projected household growth⁵.

Site Size Numerical and Gross Floorspace Thresholds

- 5.79. ~~A low site-size threshold will enable the Council to seek affordable housing on more sites and increase the overall level of provision, which will help to address the very high levels of need for affordable housing in North Dorset.~~ The numerical and gross floorspace thresholds in Policy 8 are taken largely from the Planning Practice Guidance (PPG). The guidance indicates that a lower numerical threshold (of six or more, rather than eleven or more, dwellings) can be set in ‘designated rural areas’. In North Dorset, the only ‘designated rural areas’ where this lower numerical

⁵ As discussed in Paragraphs 5.7 to 5.10 of the summary report for North Dorset, which forms part of the Bournemouth / Poole Housing Market 2011 Strategic Housing Market Assessment Update produced by JG Consulting in association with Chris Broughton Associates (January 2012).

threshold applies are those parts of the two Areas of Outstanding Natural Beauty that lie within the District.

- 5.80. ~~The Council commissioned a District-wide viability study, which considered the minimum size of site (in terms of residential units provided) on which the provision of affordable housing should be sought. This report put forward a number of options (including zero, three and fifteen residential units) as the threshold⁶. Whilst the draft Core Strategy⁷ proposed a threshold of zero, a subsequent position statement adopted by the Council⁸ has operated a threshold of three, on an interim basis, since early 2011. In ‘designated rural areas’ the Council has established a gross floorspace threshold of 500 square metres, in addition to the numerical threshold of six or more dwellings from the PPG. In these areas the Council will seek only financial contributions towards the provision of affordable housing on schemes of between six and ten dwellings or between 500 and 1,000 square metres gross floorspace.~~
- 8A The Council will seek contributions towards the provision of affordable housing when either the relevant numerical or the relevant floorspace threshold is exceeded. For the purposes of applying the floorspace thresholds, gross floorspace should be measured externally
- 5.81. Affordable housing will continue to be sought on sites ~~with a capacity for three or more net additional dwellings~~ above the thresholds set in Policy 8 in order to:
- recognise that smaller development sites often have on-site costs (such as demolition of existing buildings) that are likely to have a proportionately greater impact on issues of viability;
 - recognise that smaller sites ~~for one or two net additional dwellings~~ will often be developed by people wishing to build their own home, or small local builders; and
 - ~~avoid a situation where~~ reduce the overall need for viability assessments ~~become a requirement for every~~ for housing development proposals.
- 5.82. The Council is mindful that such an approach could be subject to abuse. For example, proposals that seek to reduce density below that reasonably appropriate to the site or the submission of piecemeal planning applications for reduced numbers of housing, both aimed at bringing applications below the ~~site size~~ numerical threshold. Where such situations are identified, then affordable housing provision may still be sought.

⁶ The issue of thresholds is discussed in Paragraphs 6.22 to 6.26 of North Dorset District Council: Affordable Housing Provision and Developer Contributions in Dorset produced by Three Dragons (June 2009).

⁷ Draft Core Policy 9 in The New Plan for North Dorset – The Draft Core Strategy and Development Management Policies Development Plan Document, North Dorset District Council (March 2010).

⁸ Interim Position Statement on Affordable Housing, North Dorset District Council (January 2011).

Target Proportions

- 5.83. The 2012 SHMA Update considered what proportion of affordable housing should be sought on sites in North Dorset and suggested that provision of 40% of additional housing as affordable would be a sensible level in the context of the role played by the private rented sector⁹.
- 5.84. ~~The viability study~~¹⁰ A whole Plan Viability Assessment¹¹ provided a more fine-grained analysis and gave an indication of the levels of affordable housing (having regard to other infrastructure needs) that could be delivered in different parts of the District.
- 5.85. The study suggested that the Council should seek 40% of housing as affordable ~~on sites across most of the District~~ outside the four main towns. A target of 30% was suggested for Blandford (Forum and St. Mary) and Shaftesbury. A target of 25% was suggested for sites within the existing built-up area of Gillingham and Sturminster Newton, reflecting the lower land and property values in these towns (compared with the rest of the District) and the more limited 'residual values' available to fund both affordable housing and infrastructure. ~~The study recognised that viability considerations are likely to be different on the proposed southern extension to the town (which is a greenfield site) and suggested that the Council should seek 35% on this site, subject to site-based viability testing. The study also examined the viability of the Gillingham Southern Extension and suggested that 25% of the housing within the Strategic Site Allocation should be provided as affordable.~~
- 5.86. The Council will seek the provision of affordable housing in line with the percentages set out above, which, if achieved, would deliver about 1,480-1,150 additional affordable homes in the four main towns by 2026. The Council will seek to deliver this level of provision, whilst also having regard to any site-based assessments of viability which could, where justified, result in a level of provision below that being sought.

Viability

- 5.87. Applicants seeking to justify a level of affordable housing provision on a specific site below the percentages set out in this policy will be expected to make an assessment of viability, which should be undertaken to a methodology that is acceptable to the Council. A lower level of provision will only be permitted if the assessment shows that it is not economically viable to make the level of provision being sought.

⁹ This statement appears in Paragraph 5.10 of the summary report for North Dorset, which forms part of the 2012 Updated SHMA.

¹⁰ ~~North Dorset District Council: Affordable Housing Provision and Developer Contributions in Dorset – Three Dragons (April 2009).~~

¹¹ North Dorset Whole Plan Viability and CIL Study – Peter Brett Associates (February 2015)

Housing Grant and Subsidies

- 5.88. As part of any assessment applicants will be expected to provide clear evidence of efforts to identify possible sources and levels of housing grant (or other subsidy) that may be available to make a scheme viable and clear evidence of any attempts they have made to secure such grant (or subsidy).
- 5.89. In cases where grant funding or subsidy would make a level of provision above the proportions sought in this policy viable, the Council will expect provision to be made at that higher level. In some cases grant or subsidy may only make it viable to deliver affordable housing at below the proportions set out in the policy. In such circumstances the Council will seek to secure the maximum amount of affordable housing achievable within viability constraints at the time of the assessment.

Resolving Viability Disputes

- 5.90. It has not always been possible for the Council to reach an agreed negotiated position with developers on the issue of viability. There have been disputes relating to the way in which an assessment has been carried out and how it should be interpreted. This has resulted in both the applicant and the Council securing their own studies, which even then have not always resolved differences between the parties.
- 5.91. The Council has however found that the use of the District Valuer (an expert independent of the Council), and an ‘open book’ approach have been helpful in enabling an agreed negotiated position to be reached with a developer and reducing areas of possible contention.
- 5.92. On a site where viability may be an issue, the Council will consider offering the opportunity for both the applicant and the Council to rely upon a single assessment of viability by the District Valuer. Where such an offer is made, the terms will include the following requirements:
- the applicant will be expected to cover the cost of the assessment reflecting the fact that the purpose of the exercise is to enable the applicant to seek to justify a departure from the normal requirements of the Council;
 - the District Valuer would be instructed by the District Council; both parties would however have the opportunity to provide information to the District Valuer to assist in the undertaking of the assessment; and
 - the applicant must adopt an ‘open book’ approach for the purposes of the assessment.
- 5.93. The parties would agree to rely upon the conclusions of the District Valuer for the purposes of the application, thereby minimising disputes and protracted negotiations, and could refer to the findings of the District Valuer in any subsequent proceedings.

- 5.94. An ‘open book’ approach in relation to any viability assessment, whether solely commissioned by the applicant or otherwise will be required in all cases.

~~Viability Clawback~~

- 5.95. ~~The delivery of affordable housing below the proportions set out in the policy could potentially undermine the Council’s ability to deliver as much housing as possible as affordable. The Council will therefore aim to reclaim any shortfall in provision on a scheme that has been granted permission, but has not yet been completed, if financial conditions improve. In such cases, developers will be expected to enter into a legal agreement requiring further site based viability assessments to be carried out prior to completion of a scheme. In the event that a more up to date assessment shows that a higher level of affordable housing would be viable, the developer would be expected to provide it.~~

Off-Site Provision and Financial Contributions

- 5.96. National policy indicates that local planning authorities should, 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 communities¹².
- 5.97. In North Dorset, affordable housing should be provided on sites of eleven or more dwellings, but where this is not a feasible or viable option, the Council may permit provision off-site, provided that the housing on the alternative site can be delivered to meet local housing needs and will contribute towards creating mixed, balanced communities. A financial contribution towards affordable housing provision is much less desirable, as suitable serviced land would still need to be found and the homes would still have to be delivered. The Council will, therefore only accept a financial contribution on sites of eleven or more dwellings where on- or off-site provision are not feasible or viable options.
- 5.98. On such sites a commuted sum of broadly equivalent value will be sought to contribute towards off-site provision. The same approach will be taken on sites, which can only deliver a partial contribution towards the percentage of affordable housing being sought. For example: 40% affordable housing in a scheme of ~~3~~11 dwellings would deliver ~~one~~4 affordable units on site (representing ~~33%~~36% of provision). The residual amount would be sought as a commuted sum of a broadly equivalent value as if the affordable housing were being provided on-site.
- 5.99. In cases where the Council considers it acceptable for an off-site financial contribution of ‘broadly equivalent value’ to be made, a level of contribution will be sought based on a realistic assessment of the overall cost of delivering affordable

¹² Paragraph 50, National Planning Policy Framework, DCLG (March 2012).

homes. The Council may ask a valuer to periodically calculate the costs of delivering different sizes of affordable units in North Dorset and may seek different levels of off-site contributions based on these calculations.

Tenure Split

- 5.100. Different types of affordable housing tenure address different requirements reflecting the financial situation of those in housing need. Those most in need are only likely to be able to afford ‘affordable rented’ or ‘social rented’ accommodation. However, others may be able to pay more and afford ‘intermediate’ housing, which may include the purchase of part of the equity in a property¹³.
- 5.101. The original SHMA, which was produced in 2007 before the introduction of the ‘affordable rent’ product, suggested that the proportion of need in North Dorset (as measured by the CLG model) that could be met through intermediate housing was about 30%¹⁴. The 2012 SHMA Update identified a need for 14% intermediate housing although none of the households were found to be able to afford an equity-based product (e.g. shared ownership) due to very low levels of capital and mortgage lending restrictions at that time¹⁵.
- 5.102. The two studies show that need in North Dorset is largely for affordable rented or social rented housing, with proportionately a much lower need for intermediate housing, which is highly sensitive to changes in the economy and consequently the financial situation of those in housing need.
- 5.103. In order to focus provision on meeting needs, but also to give an element of flexibility in relation to the need for intermediate housing, which is likely to fluctuate over the plan period, the Council will aim to deliver between 70 and 85% of all new affordable housing in North Dorset over the plan period as social rented and / or affordable rented housing and the remaining 15 to 30% as intermediate housing.
- 5.104. The starting point for negotiations on individual sites will be to deliver a tenure split within this range. The Council may permit a tenure split outside this range on individual sites, but only if this can be soundly justified by local circumstances or local needs, for example:

¹³ The terms affordable housing, social rented housing, affordable rented housing and intermediate housing are defined in Annex 2: Glossary of the National Planning Policy Framework, DCLG (March 2012).

¹⁴ Paragraph 13.23 on Page 120 of the Dorset Survey of Housing Need and Demand: Local Authority Report for North Dorset District Council, Fordham Research (June 2008).

¹⁵ As discussed in Paragraphs 5.13 to 5.16 of the summary report for North Dorset, which forms part of the Bournemouth / Poole Housing Market 2011 Strategic Housing Market Assessment Update produced by JG Consulting in association with Chris Broughton Associates (January 2012).

- where a scheme is proposed to meet a specific affordable housing need (for example the need for extra care affordable housing);
- where the total number of affordable units provided on the site is too small to realistically deliver a mix of tenures; or
- where updated and / or more local evidence of need and the relative affordability of different tenure types suggests that a different tenure split would better meet identified needs.

5.105. The rental levels in affordable rented properties are subject to rent controls, but can be charged at up to 80% of the local market rent (including service charges, where applicable). In locations where those in housing need are unlikely to be able to afford such rental levels, the Council will seek the provision of social rented housing, subject to local viability considerations.

Delivery of Affordable Housing

5.106. Affordable housing must be provided to eligible households in housing need. Proposals incorporating affordable housing should provide the size and type of affordable housing required to meet the identified need having regard to: Policy 7 – Delivering Homes; the 2012 SHMA Update or any subsequent District-wide assessment of housing need; any more local housing need assessments; and the needs identified on the Council’s Housing Register.

5.107. The delivery of affordable housing should be phased with the delivery of market housing on a development site and this will be controlled by planning condition or planning obligation. Affordable housing should be designed to a high standard and fully integrated with the market housing on a site so that the two elements cannot be told apart.

5.108. The provision of affordable housing not only helps to meet local housing needs, but should also contribute towards creating mixed and balanced communities. To help create a more mixed and balanced community on a larger scheme, the affordable housing units should usually be ‘pepper-potted’ amongst the market housing, or where there is a high proportion of affordable housing, grouped in small clusters. On large sites where there is a high proportion of affordable housing the Council may also work with the developer and / or Registered Social Landlord ~~consider producing~~ to produce a ‘Local Lettings Plan’.

Low Cost Market Housing

5.109. Low cost market housing (LCMH) no longer falls within the definition of affordable housing set out in national policy¹⁶ and therefore does not count towards affordable housing provision. In the past the Council has sought and delivered some LCMH (as part of overall affordable housing provision) however, this has given rise to various problems, which have outweighed any limited benefits that

¹⁶ Annex 2, National Planning Policy Framework, DCLG (March 2012).

have been achieved. For these reasons, a proposal for LCMH will not be regarded as a justification for reducing the provision of affordable housing that would otherwise be required. Any intention to include LCMH within a scheme should be supported by evidence of need for this particular type of housing in the location proposed.

Housing for Key Workers

- 5.110. Research¹⁷ shows that 90% of key workers¹⁸ in North Dorset are able to afford entry-level prices in the local housing market. The vast majority of key workers' housing needs can, therefore be met through the general provision of market housing. The needs of those who are unable to afford to enter the local housing market will be met through the provision of affordable housing across the District.

Vacant Building Credit

- 8B The PPG makes clear that where a vacant building is brought back into use or is demolished and replaced by a new building, affordable housing contributions should only be required for any increase in floorspace. In such cases the Council will apply this 'vacant building credit' in accordance with national guidance.

¹⁷ See Section 12 of Dorset Survey of Housing Need and Demand: Local Authority Report for North Dorset District Council, Fordham Research (June 2008).

¹⁸ A definition of key workers appears in the Glossary to the Local Plan Part 1.

POLICY 8: AFFORDABLE HOUSING

~~All development~~ Development that delivers ~~three~~ eleven or more net additional dwellings and which has a maximum combined gross floorspace of more than 1,000 square metres, including housing on mixed-use sites, will contribute to the provision of affordable housing. On schemes of six to ten dwellings and which have a maximum combined gross floor space of more than 500 square metres in designated rural areas (as defined by section 157(1) of the Housing Act 1985), including housing on mixed-use sites, financial contributions to the provision of affordable housing will be sought.

Such development will contribute to the provision of affordable housing in the following proportions:

- a within the settlement ~~boundary~~ boundaries of Gillingham and Sturminster Newton and within any urban extensions to these towns, 25%~~30%~~ of the total number of dwellings will be affordable; and
- b within the settlement boundaries of Shaftesbury and Blandford (Forum and St. Mary) and within any urban extensions to these towns, southern extension to Gillingham 35%~~30%~~ of the total number of dwellings will be affordable, ~~subject to any site-based assessments of viability~~; and
- c elsewhere in the District 40% of the total number of dwellings will be affordable.

In the event of grant funding (or another subsidy) being secured or having the prospect of being secured in relation to affordable housing provision on a site, the percentage of affordable housing provided should be maximised to reflect the level of funding secured.

In cases where a level of affordable housing provision below the target percentages is being proposed, the developer may be offered an opportunity (subject to certain requirements) to involve the District Valuer with a view to securing a mutually agreed level of affordable housing provision. In any case where viability is an issue, an 'open book' approach will be sought on any viability assessment.

If it can be demonstrated that a level of affordable housing provision below the percentages set out above can be justified on grounds of viability (taking account of grant funding or any other subsidy) an obligation will be required:

- d to secure the maximum level of provision achievable at the time of the assessment; ~~and~~
- ~~e to enable the level of provision to be increased in the future, subject to a further assessment, in the event of an improvement in the relevant financial circumstances prior to or during the construction of the site.~~

POLICY 8 (CONT'D): AFFORDABLE HOUSING

The presumption is that affordable housing will be provided on site. Where the size of a site means that the full required percentage of affordable housing could not be provided on site, the amount of affordable housing that can be accommodated on site will be maximised. Any shortfall in on-site provision will be met either by off-site provision or, where alternative off-site provision is not considered feasible or viable, by a financial contribution. Where a developer contribution in lieu of actual affordable housing provision is considered appropriate, contributions will be sought based on realistic assessments of the cost of delivering affordable homes.

Within the District as a whole, 70 to 85% of all new affordable housing ~~in the District will~~ should be provided as affordable rented and/or social rented housing. ~~The~~ ~~with the~~ remaining 15 to 30% should be provided as intermediate housing. As a starting point for site-based negotiations, the Council will seek a tenure split within this range on individual sites, but a different split may be permitted if it can be justified by local circumstances or local needs. Where local market conditions would make affordable rent unaffordable for those in housing need in that area, the Council will seek the provision of social rented housing, subject to local viability considerations.

Affordable housing should be designed to be indistinguishable from other housing on a development site. On a larger site, the affordable units should be 'pepper-potted' amongst the market housing, or where there is a high proportion of affordable housing, grouped in small clusters amongst the market housing.