

Summary of Affordable Housing Practice Note 2018

1. Overview of key changes

The Affordable Housing Practice Note was first published in 2009 with a revision in 2014. It provides guidance on the implementation of the council's affordable housing policies, as set out in the Bristol Local Plan.

Since publication of AHPN 2014, a number of changes have been made to national planning practice guidance regarding affordable housing. These include:

- A new site size threshold for affordable housing contributions;
- Exemption from affordable housing contributions where vacant buildings have been brought back into use (vacant building credit);

Developments at the local level have also prompted a review of the council's procedures for securing and delivering affordable housing, in particular:

- Publication of Bristol City Council's draft Corporate Strategy (2018-23) with mayoral objective to build 800 affordable homes a year by 2020.
- Increasing public scrutiny of the level of affordable housing being offered and achieved as part of major planning applications.
- Full council resolution on affordable housing in December 2016 to instruct planning officers to make information on the viability process publicly available and in good time and to look for ways to encourage and incentivise developers to include a mix of affordable homes in their plans.

To reflect these national and local developments the council's Affordable Housing Practice Note has been updated but does not seek to introduce new policy. The key changes are summarised as follows:

New application validation requirements

The council's Planning Application Requirements Local List will require the submission of an Affordable Housing Statement. To validate the application the submitted statement must:

- clearly set out the affordable housing offer; and
- include a full, un-redacted viability appraisal of the submitted proposal where neither policy targets nor the new threshold (see below) have been met.

Public availability of viability appraisals

Developers' viability appraisals submitted with planning applications in accordance with the Planning Application Requirements Local List are made available on the Bristol City Council public website.

New 'threshold' approach to viability assessments

Applications that meet a threshold of at least 20% affordable housing within the city's Inner West and Inner East zones under policy BCS17 (normally a 40% policy target) will not be subject to viability testing. The applicant must agree to commence the scheme within 18 months of the permission being granted. If no confirmation of the start date of the scheme is received within this period applicants must agree to viability testing.

Revised definition for affordable homes to rent

Greater flexibility in applying the council's tenure requirements for affordable housing provided certain conditions are met. In such circumstances the council will accept 100% affordable rent, as defined below, as an alternative to 77% Social Rented and 23% Intermediate affordable housing:

Where 20% affordable housing has been agreed:

- Affordable Rent (upto 100% of the affordable housing requirement): Homes to rent let by local authorities or private registered providers of social housing at an agreed percentage of open market rent (inclusive of service charges) which is below the prevailing Local Housing Allowance limits¹ for different property types in the Bristol Area.

Where 25% affordable housing has been agreed:

- 50% Social Rented affordable housing and 50% Intermediate affordable housing as defined in the National Planning Policy Framework

'Additional' affordable homes

Where the applicant meets the 20% threshold (see above) and this has been agreed with the council and secured through a S106 agreement the applicant will be encouraged to enter into a dialogue with Bristol City Council and the Homes and Communities Agency to secure funds for additional affordable homes. The 'additional' affordable homes will be secured through a separate funding agreement.

The purpose of these changes is to:

- Ensure the affordable housing offer is clear and justified at the start of the statutory period for deciding applications to enable early and effective negotiations with the applicant where this is necessary and to better manage responses from interested parties;
- Make the viability appraisal process more transparent;
- Incentivise the provision of a more meaningful proportion of affordable housing to deliver affordable homes at a level that (alongside other council initiatives) that achieves the Corporate Strategy objective of 800 affordable homes by 2020.
- Speed up the planning process for developers that commit to a minimum delivery of affordable homes;
- Provide developers with greater flexibility in the type of affordable homes delivered.

The overall aim is to increase the number and accelerate the delivery of affordable homes through the planning system.

¹ The limit on benefit paid to tenants who rent from private landlords based on property type. Determined by the Valuation Office for the Bristol area

2. Local Plan Policy

The council's affordable housing policies, set out in the Bristol Local Plan, are consistent with National Planning Policy. The policies identify when affordable housing provision will be required and indicate the proportions that will be sought. This includes either 30% or 40% based on location for schemes of 15 dwellings and over; and 10% or 20% based on location for schemes of 10 to 14 dwellings. The relevant policies are set out below. The locations where differing percentages are sought are shown in Fig. 1 below.

Local Plan - Core Strategy (Adopted June 2011)

Policy BCS 17: Affordable Housing Provision

Affordable housing will be required in residential developments of 15 dwellings or more. The following percentage targets will be sought: through negotiation:

- 40% in North West, Inner West and Inner East Bristol;
- 30% in all other locations.

In residential developments below 15 dwellings an appropriate contribution towards the provision of affordable housing may be sought (either as a financial contribution or as on site provision) in accordance with any relevant policy in the Site Allocations and Development Management Development Plan Document.

Residential developments should provide a mix of affordable housing units and contribute to the creation of mixed, balanced and inclusive communities. The tenure, size and type of affordable units will reflect identified needs, site suitability and economic viability.

Local Plan - Site Allocations and Development Management Policies (Adopted July 2014)

Policy DM3: Affordable Housing Provision: Smaller Sites

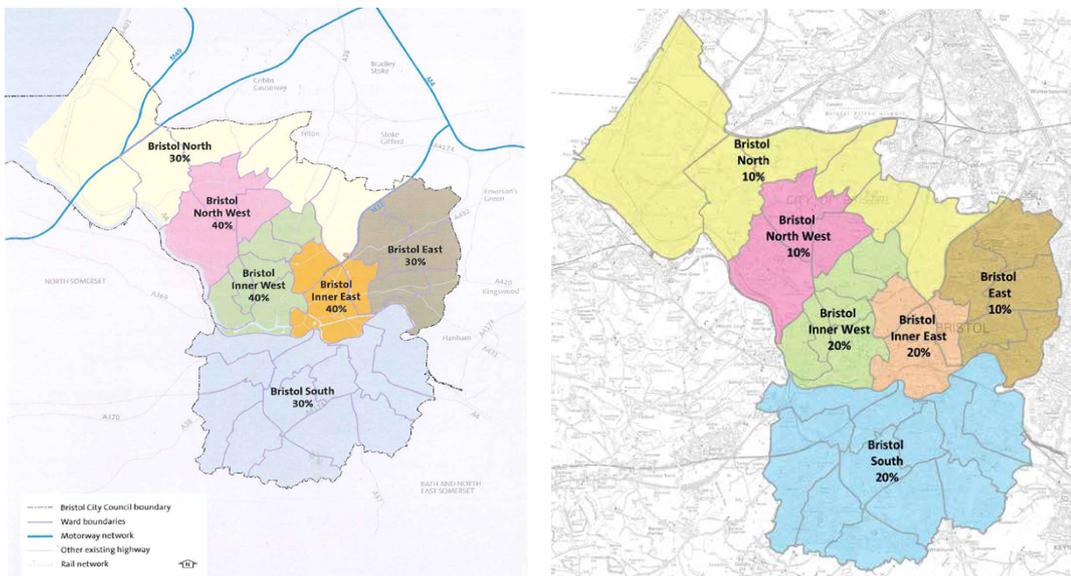
Residential developments comprising 10 to 14 dwellings should make an appropriate contribution towards the provision of affordable housing on-site or, where on-site provision cannot be practicably achieved, as an equivalent financial contribution. The following percentage targets will be sought through negotiation:

20% in Inner West, Inner East and South Bristol
10% in North West, East and North Bristol

Where units are provided on-site these should remain at an affordable price for future eligible households or, if this restriction is lifted, for the subsidy to be recycled for alternative affordable housing provision.

Where scheme viability may be affected, developers will be expected to provide full development appraisals to demonstrate an alternative affordable housing provision.

Fig. 1: Affordable Housing Zones



Policy BCS17

Policy DM3

The AHPN has been prepared to provide guidance on the implementation of these policies but does not introduce new policy. It explains the mechanism for the delivery of affordable homes in Bristol setting out the key **principles** and **processes**.

The AHPN will be of interest to applicants and their agents, landowners, developers, the Homes and Communities Agency, Registered Providers and Bristol City Council's Development Management Officers (DMO's) and Housing Delivery Team (HDT).

The AHPN supersedes Affordable Housing Practice Note 2014.

3. Principles for delivering affordable housing in Bristol

Understanding affordable housing need

West of England Strategic Housing Market Assessment 2009

In accordance with national policy Bristol City Council and other West of England authorities commissioned a Strategic Housing Market Assessment (SHMA) in 2007 to understand the workings of housing markets both at the West of England and local level. The West of England SHMA, published in 2009, demonstrated a high level of need for affordable housing within Bristol estimating a net annual requirement for the city of approximately 1,500 new affordable homes up to 2021. The West of England SHMA also provided estimated tenure requirements. For Bristol this was a 77% requirement for social rented affordable housing and a 23% requirement for intermediate affordable housing. The 2009 assessment provides the needs based evidence to support the council's affordable housing policies. A summary of outputs is set out at Appendix 2.

Wider Bristol Strategic Housing Market Assessment 2015

A new SHMA was commissioned by Bristol City Council and other West of England authorities in 2014 to establish the 'Objectively Assessed Need' for housing across the wider Bristol housing market area. The Wider Bristol SHMA published in 2015, continues to demonstrate a high level of need for affordable housing across the region and within Bristol estimating a requirement for the city of some 18,800 new affordable homes between 2016 and 2036. This equates to 940 affordable homes per annum. The Wider Bristol SHMA also provides estimated tenure requirements. For Bristol this is an 80% requirement for social rented affordable housing and a 20% requirement for affordable rent and shared ownership affordable housing. The 2015 assessment will provide the needs based evidence to support policies in the emerging West of England Joint Spatial Plan. Based on the findings of the 2009 and 2015 SHMA's the council expects all eligible residential development to contribute towards an evidenced city-wide need for affordable housing.

Approach to affordable housing proportions

On submission of the application the applicant will be expected to meet the affordable housing target proportions set out in relevant Local Plan policies without public subsidy.

It is accepted that, in some circumstances, due to financial viability, it may not be possible to meet the full policy requirement. In such cases the proportion offered must either meet a threshold level (see below) or else be justified by a full un-redacted viability appraisal to be submitted with the planning application. The appraisal will be subject to a validation process where agreement will be sought between the applicant and the council on the maximum level of affordable housing that can be delivered without affecting scheme viability. Further viability testing will also be carried out over the period of the development.

'Threshold approach' to viability

Since adoption of the council's affordable housing policies monitoring of proportions of affordable housing secured through section 106 agreements and subsequent completions has shown that the council's higher policy targets have not been consistently met.

To encourage the provision of a more meaningful proportion of affordable housing, above the level currently being delivered, the council has introduced a 'threshold approach' to policy BCS17 that will apply in Bristol Inner West and Inner East zones. In these zones applications meeting or exceeding 20% affordable housing can follow a 'Fast Track' route.

The following general terms will apply to these applications.

The applicant will agree to:

- commence the scheme within 18 months of the permission being granted;
- a viability testing process if no confirmation of the start date of the scheme has been received within 18 months of the date of planning permission

The council will:

- waive the requirement for a viability appraisal to be submitted with the application;
- consider greater flexibility with tenure requirements;
- provide an effective application process by encouraging the use of:
 - o enhanced Planning Performance Agreements (PPAs) - Premium service through dedicated staffing resource;
 - o Planning Performance Agreements (PPAs) to accelerate the discharge of planning conditions;
 - o model Section 106 agreements with standard affordable housing clauses to speed up the completion of s106 agreements.

The 'threshold approach' reduces the need for protracted and uncertain viability negotiations and offers far greater certainty to developers. This will help to deliver more affordable housing through the planning system whilst also ensuring development comes forward at a faster rate. The 'threshold approach' does not set a new target for affordable housing, instead it identifies the point at which the approach to the submission of viability information changes.

The 'threshold approach' will not apply to the development of Bristol City Council owned land or buildings.

The developer is expected to provide affordable homes on site **without any public subsidy** in line with the council's affordable housing policy. Where the homes are to be transferred to a registered provider the developer subsidy will be equivalent to the funding gap between the total cost of providing the home and the amount paid by a registered provider to secure the unit.

Approach to public subsidy

The council and Homes and Communities Agency require that all affordable housing secured from private development through Section 106 agreements be delivered without public subsidy. Where affordable housing has been maximised through private development the council will consider the use of public subsidy as follows:

- Where the applicant has offered either the fully compliant policy level or the threshold level of at least 20% affordable housing within relevant zones under policy BCS17 and this has been agreed by the council and secured through a Section 106 agreement the applicant's selected registered provider will be eligible to seek funds for additional affordable rent homes from Bristol City Council and the Homes and Communities Agency. Such additional affordable homes will be secured through a separate funding agreement.
- In all other cases where the applicant has offered a level of affordable housing below the policy target proportions and this has been validated, agreed by the council and secured through a Section 106 agreement the use of public subsidy will be considered to address the shortfall against policy targets.

Approach to affordable housing tenure

The council's approach to seeking particular affordable housing tenure types is determined by local housing needs evidence (see section 3.1) and guided by the national planning policy definition of affordable housing (see Appendix 1). The indicative citywide tenure requirements for Bristol are 77% social rented affordable housing and 23% intermediate affordable housing. The council will therefore seek the following affordable housing products as prioritised:

- 1. Social Rent:** Affordable homes as defined in Annex 2 of the NPPF with guideline target rents.
- 2. Shared ownership:** Affordable homes as defined in Annex 2 of the NPPF as 'intermediate' affordable housing. Homes to be sold at 40% equity sale and up to 1% rental on retained equity.

The council may consider adjusting the balance between tenures to meet the particular local needs or other housing requirements of a locality or neighbourhood in order to promote balanced and sustainable communities. For example, where a scheme is being developed in a neighbourhood where local residents are specifically seeking shared ownership or shared equity options, or neighbourhoods with existing high concentrations of social rented homes or low income households, it may be appropriate to change the balance in favour of a higher proportion of shared ownership or shared equity affordable homes.

Flexibility on tenure requirements

Where the applicant has agreed to meet the threshold proportion of 20% affordable housing under policy BCS17 within Bristol Inner West and Inner East zones the council may consider alternative forms of affordable housing tenure to those normally prioritised above. Such tenures must be demonstrated as affordable. Acceptable alternative tenures can include the following:

Where 20% affordable housing has been agreed:

- Affordable Rent (upto 100% of the affordable housing requirement): Homes to rent let by local authorities or private registered providers of social housing at an agreed percentage of open market rent (inclusive of service charges) which is below the prevailing Local Housing Allowance limits² for different property types in the Bristol Area.

Where 25% affordable housing has been agreed:

- **50% Social Rented affordable housing and 50% Intermediate affordable housing as defined in the National Planning Policy Framework**

² The limit on benefit paid to tenants who rent from private landlords based on property type. Determined by the Valuation Office for the Bristol area

Approach to service charges

The service charge is the amount payable on an affordable home in addition to rent/mortgage which includes all estate management charges, ground rents, services, repairs, maintenance and improvements of a communal nature and the insurance of the building. The level of service charge can be a material planning consideration as this affects the relative affordability of the unit. The council will seek to ensure via the s106 agreement that the total occupation costs to affordable housing occupiers remain affordable in the long term. The council would not expect a service charge to exceed £250 per annum in respect of a house and £650 per annum in respect of a flat. Early consultation is recommended, as good design can overcome the need for high service charges.

APPENDIX B

Issue	Respondents comments	BCC response	Suggested change to AHPN text
Consultation/ Engagement with stakeholders	Concern raised at BRISTOL HOMES BOARD that initial consultation was limited to focus groups with housebuilders and RPs.	AHPN is guidance rather policy document does not require a formal consultation. Nonetheless two further focus groups held including Community led housing groups. Followed by an 'engagement' process of over four weeks	None
	ACORN recognises that this latest proposal is a step in the right direction (noting it is guidance), however it does not go far enough in addressing the needs of building more affordable housing in the city of Bristol.	Noted. As a guidance document the AHPN is unable to change policy to the Local Plan. The Local Plan will allow the Council to introduce major policy changes	None
	ACORN consider the proposal needs to be more radical, so that we can show the rest of the country that Bristol is leading the way in setting an agenda where affordable housing is a top priority in reality and not just in rhetoric.	Noted. As a guidance document the AHPN is unable to change policy to the Local Plan. The Local Plan will allow the Council to introduce major policy changes	None
	ACORN is keen to see more good quality affordable housing being built at an accelerated pace and we are confident that developers can manage this whilst also meeting required thresholds.	Noted.	None
	ACORN consider a review of the local plan should begin at the earliest opportunity to ensure this is fully embedded into policy.	Noted	None
General comments	HBF and Housebuilders welcome the city's forward thinking document however consider it should be clearer throughout that it is only an interim measure. Housebuilders require certainty about how long the interim measure will be in place.	Noted - however the AHPN will only be operational before the adoption of the Local Plan	Clarification to text to reinforce that it is only an interim measure and explain only operational until the Local Plan is adopted.

General comments	HCA wish to support AHPN as see it as tool to maximise opportunities for HCA to contribute to increasing affordable housing delivery in Bristol.	Noted	None
General comments	Sovereign consider it to be a well thought out document	Noted	None
General comments	Yarlington welcome changes and the clarity it brings to new application validation but consider the Council will need to be more robust when implementing the new arrangements	Noted	None.
General comments	BCLT would wish to see opportunity for serviced plots being offered to CLTs and Community led housing organisations	Noted - However if this change was to be progressed it will need to be through new Local plan	None
AHPN 3.2 Subsidy free	HCA strongly support the Council's approach to keeping s106 subsidy free AH units separate to additional AH secured with public subsidy. HCA confirm that they fund any additional units unless this can be demonstrated	Endorses BCC approach on need for s106 agreement to be quite separate from additional AH	None
AHPN 3.2 Benefits for Threshold Route	HBF and Housebuilders supportive of the Council employing extra staff to fast track Policy and Threshold compliant applications and requested information on AH levels on BCC land. It should be noted that Retirement housebuilders expressed concern about a two track approach and sought exemption from process.	Noted and confirmed that in future all BCC land will need to provide full planning policy compliant levels of AH - However AHPN does not change policy as only interim guidance document and therefore unable to consider request for exemptions	None.
AHPN 3.4 Threshold Reduction to 20%	Yarlington have questioned whether any developer will offer above 20% affordable housing in Bristol Central Areas through Route One. Acorn although they do not favour the Threshold reduction to 20% do recognise that this level would be a considerable improvement	BCC recognise the issue. However BCC consider that as the AHPN Threshold arrangements are not policy and is only a time limited measure designed to increase AH supply - ahead of new Local Plan being adopted. No change proposed	None

<p>AHPN 3.4 Threshold Reduction to 20%</p>	<p>ACORN consider that the proposed thresholds of 10% (where requirement is 30% affordable housing) and 20% (where requirement is 40%) are too low, particularly if they are then allowed to skip viability testing altogether.</p>	<p>The Consultation draft only included a 20% threshold in 40% areas in the two central areas of the city which had underperformed in AH supply in recent years. There is no intention to include a 10% threshold in 30% areas. The relaxation on developers viability assessment offering 20% AH is hoped will work as an</p>	<p>None</p>
<p>AHPN 3.4 HCA funds for additional affordable homes</p>	<p>HCA support providing funds for additional affordable home ownership homes on proviso that all these homes are available for all UK residents and are not restricted by normal s106 requirements</p>	<p>BCC will need to redraft 3.4 to make it clear that HCA is only able to fund additional affordable rent and affordable home ownership (without restrictions on residential qualification/length of tenure)</p>	<p>3.4 Text changed to read: : "<i>Where the applicant has offered either the fully compliant policy level or the threshold level of 20% affordable housing within relevant zones under policy BCS17 and this has been agreed by the council and secured through a Section 106 agreement the applicant's selected registered provider will be eligible to seek funds for additional affordable rent homes from either Bristol City Council and the Homes and Communities Agency (subject to HCA restrictions. Further the provider will be eligible to seek funds for additional affordable home ownership (subject to residential qualifications) Such additional affordable homes will be secured through a separate funding agreement.</i></p>

<p>AHPN 3.5 Flexibility on tenure mix</p>	<p>ACORN remain firmly opposed to a reduction in the required 77% built for “social rent” as there is a significant risk that others built badged as “affordable”, may not actually be so. BRISTOL HOMES BOARD sought revisions to initial consultation draft so that proposal for 50% AR and 50% Shared ownership be changed back to 77%/23% Yarlington wish to secure greater flexibility provided tenure split from 77%/23% to 50%/50%</p>	<p>BCC consider that by introducing this flexibility on the tenure as suggested by Yarlington at the same times as the 20% Threshold is introduced will lead to an overall reduction in social rented homes. The Consultation draft (issued in December) was changed to meet this Bristol Homes Board requested change</p>	<p>No change from the Consultation draft issued in December. This version already had been changed back to 77% social rent and 23% shared ownership homes</p>
<p>AHPN 3.6 Service charges</p>	<p>Sovereign consider that the curent Service charge limits for are too low</p>	<p>No change as BCC has recently reviewed and increased from £550 - £650 per annum per flat and up to £250 per annum per house.</p>	<p>None</p>
<p>AHPN 3.5 Flexibility on rent levels</p>	<p>HCA support the Councils approach to all rents being below LHA and prepared to be flexible on % of open market rent. Sovereign has expressed concern that if affordable rent is restricted to Local Housing allowance limits it would not allow them to increase rents by CPI plus 1% annually; as this would breach LHA limits</p>	<p>AHPN is unable to change the Councils AH Planning policy however this issue will need to be considered in new Local Plan</p>	<p>None</p>
<p>AHPN 4.4 Review timescale</p>	<p>ACORN consider any developer bringing forward proposals with less than the required 30 or 40% affordable housing must publish a viability assessment that is subject to public scrutiny and review. This should take place at two further stages – when building on site begins and once a percentage of the properties are built.</p>	<p>BCC has already introduced a new requirement from 1st December that all developers not meeting the AH policy requirements will need to provide a viability assessment. The AHPN would provide a time limited relaxation to developers offer 20%</p>	<p>None</p>

<p>AHPN 4.4 Review timescale</p>	<p>HBF and individual housebuilders prepared to shorten 18 months period stated before viability assessment review in draft document to 15 months - from the date of an implementable consent (ie detailed with all planning conditions resolved or an outline where reserved matters approved). In addition HBF have suggested a Gateway process at 9 months where both parties to identify unresolved issues and to prepare an action to resolve including restarting clock.</p>	<p>BCC have considered the response from the HBF and individual housebuilders and have concluded that the proposal to change to 15 months from an implementable planning permission would not achieve the increase in pace the AHPN is seeking.</p>	<p>None</p>
<p>AHPN 4.6 Enabling fees</p>	<p>Sovereign have requested sight of BCC report advising RPs of amount of enabling fees collected and how fees are used.</p>	<p>BCC will provide an annual report at Homes West Bristol meeting in May each year This will be included in revised text</p>	<p>4.6 Change to text to read: <i>A fee of £550 per affordable home will apply from 1 October 2017 and is index linked. The fee is paid to the council on completion of each of the affordable homes and applies to Social Rent, Affordable Rent, Intermediate Rent and other intermediate affordable housing tenures procured through s106 negotiations and delivered without public subsidy or through reprovion/remodelling, extra care housing and 100% affordable housing schemes. The Council will prepare an annual report about the amounts collected and how BCC spent in previous year and presented to Homes West Bristol each May</i></p>
<p>AHPN App 3 Summary of AH Requirements</p>	<p>HCA have commented that HCA Design and Quality standards are no longer HCA requirement. Sovereign seek consistency on application of standards from all developers - concern that developers not developing 2 bed 4 person or 3 bed 6 person accommodation</p>	<p>BCC will need to redraft Affordable Housing Requirements to make it clear which design and space standards still apply</p>	<p>Affordable Housing Requirements to be redrafted to accommodate this change</p>

