

Bristol Affordable Housing Practice Note: October 2009

Purpose:

This note has been prepared to provide additional guidance to PAN 12 and Policy H9 for all those involved in the provision of affordable housing through the planning system during the economic recession. The Practice note will be of interest to applicants and their agents, landowners, developers and BCC Development Control (DCO) and Affordable Housing Development Officers (AHDO).

The note provides an update to the current planning policy position, following the introduction of the Planning and Compulsory Purchase Act 2004, Planning Policy Statement 3 (PPS3): Housing 2006, the emerging RSS and the move towards a Bristol Local Development Framework (LDF).

In addition, updated information is provided on the negotiation methodology used in determining affordable housing contributions, and the role of officers/agents in the negotiation process. Information from the West of England Strategic Housing Market Assessment 2009 is also provided, which constitutes the evidence base for our continuing approach to affordable housing policy in Bristol City.

Please note that, whilst this practice note is intended to provide additional/ updated advice to those involved in the development process, clarifying current negotiation procedures and practice, it does not change existing planning policy. As such, the note does not formally require external public consultation.

This Practice Note should be read in conjunction with Policy H9 of the adopted Bristol Local Plan 1997 and Policy Advice Note (PAN) 12 'Affordable Housing' 2001'.

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1. Planning policy context

- 1.1 Central Government requires that the planning system helps to tackle the shortage of **affordable housing**¹ by securing its provision as a proportion of the total housing on eligible residential and mixed use development sites.
- 1.2 Regional Planning Guidance for the South West (RPG10) 2001, Policy H0 3, states that development plans should set out the level of affordable housing required, based on local housing needs assessments. Development plans should also set out the circumstances, which would justify the application of lower thresholds for the inclusion of affordable housing in new developments. RPG10 and Joint Replacement Structure Plan 2002 will be replaced by the emerging Regional Spatial Strategy, which includes a regional affordable housing requirement of 35%.
- 1.3 Affordable housing provision will be required through the planning system, where site-size thresholds are reached, or exceeded, in accordance with Policy H9 set out in the Bristol Local Plan, adopted 1997.

Affordable Housing Policy H9 in the adopted Bristol Local Plan, 1997 states:

In major residential schemes an element of affordable housing, the benefits of which would be enjoyed by initial and successive occupiers, will be sought through negotiation. The precise number of units will reflect demonstrable need, site suitability and the economics of provision. Over the remaining plan period a target of 1500 affordable homes will be sought.

- 1.4 In March 2000 Bristol City Council issued a Policy Advice Note 12 (PAN 12) 'Affordable Housing' which sought to improve the efficiency of Bristol Local Plan Policy H9 and so increase the level of affordable housing achieved through private housing development. Following public consultation, PAN 12 was adopted in January 2001.
- 1.5 With the introduction of the Planning and Compulsory Purchase Act, 2004 and Planning Policy Statement 3: Housing (PPS3), 2006 planning policies in the Bristol Local Plan will be subject to change over a planned programme set out in Bristol's Local Development Scheme (LDS).

¹ *Affordable housing includes social rented and intermediate housing as defined in Planning Policy Statement No3 : Housing November 2006*

The 2004 Planning Act automatically saved local plan policies for a period of three years from its commencement. The Secretary of State extended the use of the saved policies in a letter of 20th September 2007 until such time as replacement policies are brought forward under the Local Development Framework (LDF) (see www.bristol.gov.uk for the copy letter and updates). The LDF will comprise a portfolio of Development Plan Documents (DPDs) in addition to Supplementary Planning Documents (SPDs).

- 1.6 The affordable housing policy for Bristol City Council is currently under review. It should be noted that the site size threshold has already been reduced to 15 units in line with the 'national indicative minimum' identified in PPS3. This lower site size threshold which has been tested at Planning Appeals in the city is supported by the findings of the West of England Strategic Housing Market Assessment 2009 (see Appendix 1, which demonstrates a very high need for affordable dwellings in the City to 2021 taking account of current and future projected market conditions. Further revisions to the policy are likely to come forward through the Core Strategy Development Plan Document. Please see Bristol City Council's Local Development Scheme (LDS) on the planning policy pages of the council's website for further details of dates and stages through to adoption of this DPD.
- 1.7 The appropriate percentage of affordable housing contribution required from eligible developments will be set out in the emerging LDF policy and will be based on a citywide viability study.

2. Determining a citywide approach to the delivery of affordable homes

- 2.1 The City Council Local Planning Authority will seek 30% affordable housing, provided without the need to rely on public subsidy from all eligible housing developments of 15 units or over to contribute towards addressing the citywide shortage of affordable housing as detailed in the West of England Strategic Housing Market Assessment 2009.
- 2.2 Provision of affordable housing is a material planning consideration and proposals not complying with Policy H9, PAN12 and provisions of PPS 3 may lead to a recommendation to refuse planning permission. There is a presumption from Central Government in PPS3 Housing 2006 and in Planning and Advice Note No 12: Affordable Housing, that affordable housing will be provided on the application site so that it contributes towards creating a mix and balance of housing provision. The order of preference for affordable housing provision is as follows:

- (a) On site provision
- (b) Part on site/part off site provision on a site legally linked to the applicant's site
- (c) Part on site/balance met by commuted sum (see V)
- (d) Off site provision on a site legally linked to the applicant's site
- (e) Commuted sum equivalent to the developer subsidy value of the provision on site (see PPS 3 para 29)
- (f) Transfer of land – to the Unencumbered Market Value equivalent to commuted sum in V above.

2.3 The applicant will be required to enter into a legal agreement to provide 30% of the total dwellings (on the basis of the unit and tenure split as advised in Appendix 3) on the site with nil public subsidy unless there is a robust economic justification for reducing this proportion because the economic viability of the scheme is threatened once all other reasonable planning policy issues are addressed.

2.4 If such a reduced proportion is agreed following a validation process (see section 4.8–4.12) on the basis of nil public subsidy the Council have a number of options it will consider:

- 1) The Council will endorse altering the percentage of affordable housing sought on site without public subsidy and support the injection of public subsidy to achieve the full affordable housing requirement thus enabling the overall scheme to return to viability via a bid to the HCA. The revised model s106 agreement will include clauses to cover two different scenarios:
 - a. Schemes delivered without public subsidy
 - b. Schemes delivered where a proportion of affordable housing is delivered with public subsidy. In this case there will need to be a cascade clause that takes account of where a developer is unable to secure public subsidy within a reasonable timescale.
- 2) Altering the percentage affordable housing sought on the site to reflect the viable position and not seeking public subsidy to deliver the 30% provision.
- 3) Altering the unit mix or tenure split to facilitate a more viable scheme while still addressing the housing needs of the City.

2.5 In all cases, with the sole exception of 100% affordable housing schemes, where a reduced proportion of affordable housing provided without public subsidy is agreed there may be a requirement for an 'overage' clause to capture improved values. The settlement of the overage will either be made via a commuted sum on smaller schemes of less than 250 units or as a further 'on site contribution' on large multiple phased schemes of over 250 units

- 2.6 In response to the medium term housing need the Council will seek 77% social rented housing and 23% intermediate housing on a citywide basis. The proportion and balance of affordable housing sought is determined by analysis of three criteria below:
- (a) Needs assessment: Analysis of the West of England Strategic Housing Market Assessment 2009 informed by data from Homes Choice Bristol and neighbourhood housing studies
 - (b) Property price data: Analysis of property transactions has been undertaken to identify percentage of people unable to access open market housing (mid way point between the lower quartile and lower deciles prices) and reasonable access market rents.
 - (c) Housing supply assessment: Analysis of the West of England Strategic Housing Market Assessment that takes account of re-lets, re-sales of intermediate, tenants moving from social rented to intermediate housing and recent completions and likely additions to the housing stock, informed by data from Homes Choice Bristol.
- 2.7 The Strategic Housing Market Assessment 09 is based on a study of six City zones, which indicate varying levels of affordability and housing need. In certain city zones where the Strategic Housing Market Assessment 09 indicates a lower net need for affordable housing as compared to other city zones this does not preclude any contribution towards addressing the Citywide shortage of affordable housing. The City does not preclude people from moving to different zones and therefore all eligible sites above the current threshold should contribute to meeting the Citywide need for affordable housing.
- 2.8 On a similar issue although the Assessment indicates a high level of need for single person households in some zones it would not be appropriate to solely address this need with one bedroom flats. One-bedroom flats are not as adaptable as other forms of accommodation in meeting the changing household composition over an occupier's lifetime when faced with changes in economic circumstances, relationship changes, health and disability issues. It should be recognised that this need will therefore require a balance of one and two bedroom flats and houses.
- 2.9 The Council may consider adjusting the balance sought between tenures and house types to meet the particular local needs or other housing requirements of a locality or neighbourhood. These will be set out clearly in the Summary of Requirements document with full justification. Detailed negotiation will determine the appropriate level, type and balance between social rented and intermediate affordable housing. For example in neighbourhoods where local residents are specifically seeking

shared equity or shared ownership options it may be appropriate to change the balance in favour of a higher proportion of intermediate affordable homes, the benefits of which are then available for future eligible households via recycling of receipts from additional share purchases to provide new affordable homes.

- 2.10 In the interests of promoting mixed, balanced and sustainable communities, where the scheme under consideration is not able to meet the identified housing need, the Council may be prepared to consider off-site provision or, in exceptional cases, the payment of a commuted sum. A detailed justification will need to be made to the DCO by the applicant and be endorsed by the AHDO to support such a one off, site specific, exception to the presumption that provision should be on site
- 2.11 The level of service charge or other charges (ground rents, estate charges) on the affordable housing units is considered to be a material planning consideration as service or other charges affect the relative affordability of residential accommodation. Planning permission may be refused where affordable housing is offered but is subject to excessive service charges or other charges for future residents. The Council will seek to ensure via the legal agreement that housing costs to affordable housing occupiers remain affordable in the long term. Early consultation is requested as good design can overcome high service charge levels.

3. Securing the affordable housing contribution

- 3.1 It is the council's policy to negotiate all affordable housing secured through s106 agreements without the need to rely on public subsidy. The total level of public subsidy that is available in any one year from the HCA or other agencies, relative to the level of housing need, is limited and variable. It is therefore important that these limited funds are targeted at meeting objectives prioritised in the Bristol Community Strategy and the emerging West of England Local Investment Plan. The Council will therefore be seeking to secure an affordable housing subsidy contribution from site development that is equivalent to the funding gap between the total cost of providing the individual dwelling and the total amount paid by a registered social landlord (RSL) and affordable housing provider (AHP). Where it is not possible to secure the full affordable housing requirement from the site the arrangements detailed in paragraph 2.4 will be followed. The amount payable by the RSL/RP with no public subsidy assistance is known as the *supportable deficit* and is significantly lower than the open market value of the dwelling without the affordable housing obligation. The Council has prepared a *supportable deficit* model for social rented property and a parallel model for intermediate properties to aid developers and applicants to inform their appraisals at an early stage when assessing the S 106 obligation package impact on the site value alongside SPD 4 and other advice from the City.

- 3.2 The supportable deficit model for social rented properties: This is an affordability driven model that is determined by identifying the net loan a target rent can support for particular properties taking account of the capitalised acquisition cost and ongoing revenue costs to manage and maintain the property. Target rents are agreed with the Homes and Communities Agency to ensure that registered social landlord rents will converge with local authority rents by 2010. Target rents will increase/decrease by RPI plus 0.5% per annum.
- 3.3 The Council has revised and fully updated the Matrix: a schedule of supportable deficit figures for five different property types in the six Strategic Housing Market Assessment Zones. This schedule of the likely revenue payment per unit type receivable from a RSL/RP has been prepared to ensure affordability of the social rented housing and give landowners and developers certainty of the acquisition price for the delivery of affordable homes which allows the developer to assess the financial impact of the affordable housing contribution in advance of acquiring land or making a planning application. The revised 2009/10 Matrix for rented housing is included in Appendix 2. It is reviewed annually either upwards or downwards and is available for inspection on the affordable housing pages of the Council's website.
- 3.4 The supportable deficit model for intermediate properties: This is an affordability driven model that is determined by the income of those households identified by the West of England Strategic Housing Market Assessment 2009 as unable to afford homeownership at a mid point between the lower quartile and the lower decile of property prices, or private rental at 80% of market rent. This schedule lists the type and cost of intermediate affordable housing required to meet the needs of these households and the likely receipts from delivering such housing within each zone. in order It is intended to give landowners and developers certainty of the revenue receipts towards the costs of its provision in advance of submission of a planning application.3.5. The 2009/10 Matrix for intermediate housing is also included in Appendix 2 and is updated annually either upwards or downwards by Retail Price Index on 1st April and is available for inspection on the affordable housing pages of the Council's website.

4. Negotiating level, form, type and tenure of affordable homes

- 4.1 The Council's Affordable Housing Development Team (AHDT) within the Neighbourhoods Directorate will take the lead in providing guidance to applicants on the overall proportion of social rented and intermediate affordable housing sought. They are responsible for advising on the housing mix, size and specific suitable standards of affordable housing types sought. They take the lead in

negotiating the affordable housing provision and agreeing the arrangements for the transfer to a Council approved affordable housing provider. The AHDT works closely with the Council's Development Control Officers in reaching an agreement with the applicant.

- 4.2 Applicants are requested to make contact with the Council's AHDT at the earliest possible opportunity, ideally no later than pre-application stage and preferably prior to any design work being undertaken on a site. This enables applicants to better accommodate the proportion and mix of affordable housing within the overall scheme and make appropriate financial provision for the affordable housing within the development appraisal before entering into financial or legal commitments for the site. To assist with this process, where the applicant has identified a site, the AHDT will provide, on request, a Summary of Affordable Housing requirements relating to a specific site. (A sample document is included in Appendix 3). A copy of this correspondence will be passed to the Development Control Officer (DCO) for inclusion within any PPA's or pre-application discussions. Applicants are encouraged to seek this advice at an early stage to avoid abortive design and enable a clear understanding of the affordable housing requirement from the outset.
- 4.3 Applicants are requested to submit copies of their plans and proposals in writing in advance of any negotiation meeting with AHDT officers. The Affordable Housing Development Officer (AHDO) responsible for that site will not give specific advice over the telephone. However, once the proposals and plans have been received, the AHDO will either commit to responding in writing or arranging a meeting within ten working days of receipt. The only exceptions to this commitment will be where this action would conflict with advice or arrangements of the DCO.
- 4.4 On submission of the planning application, applicants are requested to submit copies of all the relevant documentation to the Council's AHDT direct so that early consideration can be given to the proposals. They should submit a summary of how they will meet the affordable housing requirement set out in the Summary of Requirements issued at pre-application stage. The AHDO will then formally respond to the relevant DCO as part of the consultation process against the Summary of Requirement document. This will form the basis for further discussions and negotiations for the affordable housing provision.
- 4.5 DCOs will invite AHDOs to all meetings with applicants regarding affordable housing provision. Should an application need to be determined by the relevant Development Control Committee the AHDO will seek to agree Heads of Terms for the affordable housing provision with the applicant in advance of the Committee's consideration of the planning application to enable a Section 106 Agreement to be

prepared following the Committee without any delay. The recommendations of the AHDO will be included in the Development Control Committee reports.

- 4.6 The Heads of Terms, which will be agreed in writing, will include the following items and, once agreed with the applicant, will be passed to the council's solicitors by the relevant DCO for them to draft the Section 106 Agreement following a committee decision (a sample Heads of Terms and the standard Section 106 Agreement are included in Appendices 4 and 6):
- (a) Percentage of affordable housing, arrangements for future revisions to density
 - (b) Use of model occupancy clauses
 - (c) Tenure balance between rented and intermediate dwellings based on nil public subsidy requirements.
 - (d) Unit type, size and location to meet housing need
 - (e) On the basis of the total residential units to be provided, the type and size of the social rented units agreed
 - (f) On the basis of the total residential units to be provided, the type and size of the intermediate units agreed
 - (g) Affordability threshold for the intermediate shared ownership housing units (ie 40% share purchase and 1% residual rent) or no more than 80% of open market rent
 - (h) Maximum service charge payable per dwelling
 - (i) Council's recommended 'approved' affordable housing provider
 - (j) Trigger dates for the provision of affordable housing
 - (k) Arrangements for Index increases during the development process where appropriate.
 - (l) Commuted sum where appropriate
 - (m) Off site delivery and linkage to ensure delivery where agreed
 - (n) Arrangements for Public Subsidy input should this be required to make the scheme viable following a viability validation process and cascade should Public Subsidy not be available at the point of an agreed delivery trigger point
 - (o) An overage agreement may be incorporated in the s106 agreement with an agreed viability appraisal current at the signing of the s106 agreement and agreed dates for reviews of this viability appraisal.

Site Viability.

- 4.7 The AHDO, working closely with the DCO will endeavour to reach agreement with the Applicant or their agent to secure the Council's full affordable housing policy requirement with nil public subsidy. If however, after extensive negotiations agreement cannot be reached, the applicant or their agent may seek to demonstrate to the DCO and AHDOs that due to exceptional circumstances, the scheme will not

be financially viable unless the council accepts a lower or different affordable housing contribution as set out in 2.3 or 2.4 above. Exceptional circumstances that may be eligible for consideration are detailed in paragraph 4.10

- 4.8 If it is agreed by the DCO and AHDOs that an external validation process will be required to determine the viability of the scheme, the applicant will be requested to confirm their willingness to work with the Council on an open book approach and submit a full development appraisal of their actual scheme (guidance for the content of the Site Development Appraisal is included in Appendix 5).
- 4.9 As soon as the full papers have been received, the ADHO will endeavour to respond to a fully completed Site Development Appraisal within **25** working days; however on more complex applications, or where key supporting papers are missing, an extended timetable may be agreed or be required. The development appraisal and supporting papers will not form any part of the publicly disclosed planning application papers.
- 4.10 The council considers that exceptional circumstances are those situations that could not reasonably have been foreseen, and give rise to a negative land value or a residual site value below the current existing use value of a previously used site. The proposed purchase price of a site. Subject to contract price, or conditional to planning price are irrelevant for the validation of the viability of a scheme. Any purchaser of a site should have taken all reasonable steps to take account of all remediation costs (including demolition and the removal of contaminated materials), costs of acquiring legal interests, financing costs, abnormal construction costs, costs associated with heritage issues, costs of planning obligations (within definition of Circular 05/2005) and the costs of the affordable housing contribution. Reasonable exceptional costs or revenue implications would include:
- (a) Additional essential planning obligations required by an unforeseen policy obligation,
 - (b) above average contamination or site infrastructure costs that result in negative or very low land values,
 - (c) additional remediation/abnormal costs that could not have been reasonably foreseen (eg. uncharted mineshaft)
 - (d) significant unforeseen changes in market conditions giving rise to a site becoming unviable
- 4.11 Due to the recent economic circumstances, in the event of the applicant wanting to progress with a development and seek to renegotiate the planning obligations and affordable housing contribution of an existing planning permission, the developer will be required to :

- (a) Submit a case, with attached full viability appraisal (see Guidance for content in Appendix 5) to the DCO and AHDO that explains the difference in economic circumstances between the date that the application was originally considered by the Development Control Committee and the current and projected market. (a comparable viability assessment will be required).
- (b) Reflect the provisions in C 05/05 para B10.
- (c) Make a binding agreement to meet all the Council's *reasonable* costs for validating the applicants viability appraisals including:
 - Project Manager
 - Valuer
 - Cost consultant
 - Other consultants as required
- (d) Confirm in writing willingness to make a new planning application (for the avoidance of doubt including an application made under s73 of the Town and Country Planning Act to vary an approved scheme) that will be formally assessed and considered by Officers and Members
- (e) Be willing to accept a twelve month consent for the scheme, or be willing to commit to an overage clause to secure payments of the full obligation package should market conditions improve and viability of the scheme allow such payment This payment would be the equivalent on site affordable housing value and be paid as a commuted sum.
- (f) Be willing to seek or receive external public subsidy funds to enable development to proceed within a given timescale.
- (g) Essential S 106 obligations, mitigating the impact of the development such as transport and highways improvement will be required, and as such may lead to refusal of permission for the development if not delivered.

4.12 Applicants who are not prepared to submit a Development Appraisal for external verification and validation of the scheme's viability or to work on an open book approach will nullify any rationale for lowering the percentage of affordable housing. The presumption will be that without verifiable evidence relating to site specific economics, there is no justification that can be made to reduce the S 106 requirements. Where an application is to be determined by the relevant Development Control Committee, the original affordable housing contribution sought by the council will be presented to the Committee with a statement confirming the applicant's refusal to provide any reasonable justification for offering a lower level of affordable housing.

Appendix 1 : WOE Strategic Housing Market Assessment Executive Summary

Types and mix of affordable housing required in Bristol

Full calculation for the following extract tables can be found at Chapter 4 of the West of England Strategic Housing Market Assessment 2009, and Executive Summary. There is an annual average shortfall of 1526 affordable homes to meet identified net housing need in Bristol.

Annual Total housing requirements of households in need

Average 2009 - 2021	Bristol	WoE
1) Total annual net need social rented (Table 4.9)	1176	4014
2) Total annual net need intermediate (Table 4.10)	351	879
3) Total annual net need	1526	4893
4) % split social rented/ intermediate	77/23	82/18

Size mix of new housing has also been examined. For affordable housing tenures the SHMA looks at projected need. The tables below show a high need in Bristol for smaller property sizes and family suitable larger homes.

Size and type mix need % for new social rented housing 2009–2021

Size/Type	Bristol	WoE
1 bed	48.*	41Br.5
2 bed flat	0.0	0.0
2 bed house	25.2	28.8
3 bed house	12.6	19.2
4 + bed house	14.2	10.5

* It should be noted that this need may also be addressed by provision of two bedroom flats or houses

Size and type mix need % for intermediate housing 2009–2021

Size/Type	Bristol	WoE
1 bed flat	48.6*	41.9
2 bed flat	13.4	16.5
2 bed house	19.1	19.6
3 bed house	16.9	20.3
4 bed+ house	2.0	1.7

* It should be noted that this need may also be addressed by provision of two bedroom flats or houses

The West of England Strategic Housing Market Assessment is available on the West of England Partnership website at [Strategic Housing Market Assessment | West of England Partnership](#)

Appendix 2

Neighbourhoods
Strategy and Commissioning
Affordable Housing Development Team

Guide to Payments for
s106 Affordable Housing

“THE MATRIX”

2009/10



BCC negotiation approach

Clear policy framework BCC negotiation approach

- Bristol Local Plan Policy H9's purpose is to seek to secure up to 30% additional affordable housing on all eligible sites *without public subsidy* with the developer providing the subsidy element.
- PPS3 allows local authorities to seek Affordable Housing on all sites over 15 units.
- Supplementary Planning Guidance PAN 12 approved in January 2001 provides detailed advice. The Affordable Housing Practice Note, first published by BCC in April 2007 provides the developer with additional information to support the negotiation process.
- Implementation of policy supported by the robust West of England Strategic Housing Market Assessment (SHMA) (2009)

Certainty

- Affordable Housing Development team provide indicative affordability target figures to developers for RP/RSL's "acquisition price" contribution for the delivery of affordable homes which allows developer to assess financial impact of affordable housing contribution in advance of acquiring land or making a planning application.
- Affordable housing outputs and RP/RSLs payment schedule detailed in planning agreement to set and maintain affordability

Consistency

- Affordable Housing Development Team responsible for negotiation of all affordable housing provision – able to ensure that each proposal is dealt with in consistent manner based on an affordability output basis.
- Affordable housing contributions sought in order of preference :-
 - On site provision

- Part on site/part off site provision
 - Part on site/balance met by commuted sum
 - Off site provision by applicant/developer
 - Commuted sum equivalent to cost of on site provision in accordance with guidance in Planning Policy Statement No 3 Housing 2006,para 22.
- S106 Officer monitors level of affordable housing on site provision and other contributions secured and delivered

Arrangements for Social Rented housing in 2009/10 (revised August 2009)

2009/10 methodology – affordability driven

- Matrix is generated from the PPS 3 definition that social rented dwellings are let at target rents. Target rents are calculated using government formulae based on local prices (set at Jan 1999) and incomes.
- Target rents are agreed with the Housing Corporation to ensure that each RSL's rents will be able to converge with local authority rents by 2010. Target rents will increase by RPI plus ½% per annum.
- The RP/RSL's payment to the developer or the 'supportable deficit' is determined by identifying the net loan that a target rent can support for particular properties in different localities taking account of the capitalised acquisition and ongoing revenue costs (management costs etc)
- This Supportable Deficit is influenced by interest rates and business plan assumptions meaning that different RSL's can pay different amounts for the dwellings.
- The s106 planning agreement will indicate the minimum size, unit standards of construction, the output cost to the user (target rents) and process for occupancy and where relevant management. (see appendix 6 for the draft terms of the S 106 that relate to the affordable housing element)

- All 'affordable' flats service charge will be £300 or lower per annum for 1 bed flats and £400 for 2 bed flats irrespective of total charge cost. (these will of course be inclusive within the intermediate rents where intermediate rent product is proposed)

Advantages

- Clarity: simple matrix – as part of the Council's Affordable Housing Practice Note
- Certainty: The Matrix is more sustainable in long term it does not require Public Subsidy to enable the affordable housing to be delivered and it is more responsive to ensure residual land values are correct and not inflated by unrealistic estimates/expectation of the capital receipt for the social rented Affordable Housing from a RP or RSL.
- Consistency: governed by PAN 12 – affordability driven rather than construction cost driven
- The Council encourages applicants to make early contact with RP/RSLs in particular those on the Bristol Housing Partnership who have many years experience of delivering and, importantly, effectively managing social rented housing in the City.
- These partners have all been vetted for effective management maintenance and management of social rented housing. Other AHP/RSL's proposed will be required to be vetted and give legal assurances within the S 106 agreement about the level and Quality of management services which will be required to be equal if not better than those on the Bristol Housing Partnership

Table 1**Matrix for social rented housing 2009/10 in Bristol Zones: Inner West, North West & Inner East**

House Type in inner area	Minimum size m ²	Target rent ² (indicative – for information only)	2009/10 indicative base payment by RSL ³
1 bed 2 person flat	46	77.13	£50,000 ⁴
2 bed 3 person flat	62	£82.43	£60,000
2 bed 4 person house	76	£88.78	£65,000
3 bed 5 person house	86	£97.80	£75,000
4 bed 6 person house	101	£111.22	£85,000

Table 2**Matrix for rented housing 2009/10 in Bristol City Zones: East, South & North**

House Type in inner area	Minimum size m ²	Target rent ¹ (indicative – for information only)	2009/10 indicative base payment by RSL ²
1 bed 2 person flat	46	£66.90	£40,000 ³
2 bed 3 person flat	62	£75.82	£50,000
2 bed 4 person house	76	£82.64	£55,000
3 bed 5 person house	86	£88.24	£65,000
4 bed 6 person house	101	£93.97	£75,000

² The Target Rents are an indicative range set via a government calculation and will be low in low value areas of the City and high in high value areas. RSL's will calculate these based on 1999 equivalent values and use them in calculating how much they can offer for each unit or a range of units. Some Zones have low value areas within them. (Target rents are taken from RPI plus ½ % inflated from 2003 Matrix review calculations for low and high value averages and are not scheme specific.)

³ The range of base payments is based on a range of scheme reviews to give a broad indication of the base payment an RSL is likely to pay for each unit type and zone location. Applicants should not rely on these figures which are given in good faith as an indication of the level of capital payment receivable for social rented dwellings. The actual price payable may be higher or lower than indicated but the figures give a useful guide indicator of the possible receipt where no public subsidy is available.

⁴ Figures are rounded to the nearest £500.

Arrangements for Intermediate Affordable Housing in 2009/10

2009/10 methodology – affordability driven

- Matrix has been prepared on the basis that no more than 25% of gross income should be spent on housing costs. (SHMA PG Aug 07)
- Matrix of payments for different property values in inner and outer Bristol – recognises house price differences in different neighbourhoods.
- The Intermediate Affordable Housing benchmark housing cost is based on 80% of the open market rent. This level gives some flexibility to the RP/RSL's selling to meet specific needs of purchasers/ renters of intermediate products but still fall within the affordability test.
- The Council will accept intermediate rent (at 80% of OMR) shared ownership (part buy part rent) or Shared Equity (part buy with no rent charge) as long as it does not cost more than equivalent household income required to afford 80% of the benchmark OMR).
- Open Market Rents are as set out in the ARK research 2008 and provided to the SHMA research adjusted for downward falls since 2007 (-7% used but market indications show that this may be low as market rent supply has increased). The tables give the typical rent for each sub-market zone.
- The RSLs payment will be determined by the type of intermediate affordable housing proposed. RSL's will need to cover the receipt from the share to be sold, capitalised net rental revenue, sales and holding costs. The cost of management and maintenance and turnover cover for intermediate renting may mean that for intermediate rent, offers to

developers from RSL's may be less than for the shared ownership products.

- Base price gives an indication of level of receipt likely depending on the intermediate product proposed.
- Residual rent for Shared Ownership and intermediate rents will increase per annum by RPI plus 1% to retain affordability.
- Rent equivalent is equivalent on shared ownership homes will be no more than 1% of retained equity
- All 'affordable' flats service charge will be £300 or lower per annum for 1 bed flats and £400 for 2 bed flats irrespective of total charge cost. (these will of course be inclusive within the intermediate rents where intermediate rent product is proposed)

Advantages

- Clarity: simple matrix – as part of the Council's Affordable Housing Practice Note.
- Consistency: governed by PAN 12 – affordability driven.

Table 3**Matrix for Intermediate housing in Bristol City Zones Inner West, North West- illustrative example**

House Type in inner area	Minimum size m ²	Full value Indicative (July 09)	Intermediate target Household income required to afford an Intermediate rent. ¹	Indicative RSL payment based on 40% share 1% rent ²
1 bed 2 person flat	46	£145,000	£22,500	£58,000
2 bed 3 person flat	62	£165,000	£26,250	£66,000
2 bed 4 person house	76	£195,000	£29,000	£78,000
3 bed 5 person house	86	£250,000	£37,500	£100,000

Table 4**Matrix for Intermediate housing in Bristol City Zones- Inner East, East, North, South – illustrative example**

House Type in inner area	Minimum size m ²	Full value (Indicative July09)	Intermediate target Household income required to afford an Intermediate rent. ¹	Indicative RSL payment based on 40% share 1% rent ²
1 bed 2 person flat	46	£110,000	£18,500	£39,000
2 bed 3 person flat	62	£130,000	£21,250	£46,000
2 bed 4 person house	76	£145,000	£22,250	£57,000
3 bed 5 person house	86	£175,000	£27,000	£70,000

¹ Market Rents from ARK report for West of England 2008 adjusted by 7% to indicate market fall to current to July 2009 levels. Rounded to the nearest £250

² – 40% share and 1% rent benchmark calculated uses an average intermediate mortgage indicator of 7% and a 10% deposit required (plus service charge for flats) giving similar income levels to the intermediate target household income. Indicative RSL payment will be subject to site variations, interest rates and borrowing costs and should be checked on a site by site basis.

Arrangements for off site contributions and commuted sums in 2009/10

Off site contributions in locality may be appropriate

- Where a site is unable to offer housing that meets the requirements of Neighbourhood Action Plan or Supplementary Planning document (ie SPD10 requirement in St Paul's for family houses)
- Where the Council has an over riding need to safeguard other housing services in the locality (ie Supporting People or Homeless project in temporary social housing)

2009/10 methodology –affordability driven

- Initial assessment of appropriate percentage of housing offered on subject site to determine overall developer contribution available for off site contribution
- Developers contribution for off site dwellings determined by the market price of the unit less the appropriate RSL payment figure from the Matrix table for rented or intermediate housing for that specific property equals the commuted sum multiplied by the number of eligible units.

Advantages

- Clarity: simple matrix – as part of the Council's Affordable Housing Practice Note.
- Consistency: governed by PAN 12 – affordability driven.
- Certainty: Planning agreement will state the fixed commuted sum payment against each property which will increase in line with the Land Registry index for Bristol until the trigger point for payment.

Appendix 3

Affordable Housing: Summary of Requirements:

Sample site in Bristol

Tenure (*site specific*)

77% Social Rented

23% Intermediate (which may include shared ownership on 40% equity at no more than 1% rental on the retained equity or other tenures where it can be demonstrated as affordable in perpetuity and meet needs of households identified in the West of England SHMA.

Percentage of total units:

30% of the total residential component (C3) will be sought for Affordable Housing.. The following forms of housing are not considered appropriate for Affordable Housing:

- I. Micro-flats
- II. Live/work units
- III. Student accommodation
- IV. Cluster/Key worker-units

Unit size & type

The following minimum sizes apply for the 'affordable housing' contribution:

Type	Minimum Size	% required per tenure type
1 bed flat,	46sqm	X% social rent
		X% Intermediate
2bed flat,	62sqm	X% social rent
		X% Intermediate
2bed house,	76sqm	X% social rent
		X% Intermediate
3bed house,	86 sqm	X% social rent
		X% Intermediate
4 bed house, 101sqm		X% social rent
		X% Intermediate

It is expected that the affordable housing contribution will address the identified housing needs and reflect the proportions of unit types in the overall scheme.

RSL payment: (*NB: these are illustrative Bristol North West, Bristol Inner West and Bristol Inner East figures for social rented in 2009/10*)

In accordance with PAN 12, Bristol City Council does not anticipate that Public subsidy will be required towards the meeting the contribution of affordable housing via S106.

Therefore, the RSL are likely to pay the following sums for each Affordable Housing social rental unit delivered on-site:

1 bed 2 person flat @ 46sqm –

2 bed 3 person flat @ 62sqm – 2 bed 4 person house @ 76sqm –

3 bed 5 person house @ 86sqm –

4 bed 6 person house @ 101sqm –

Service charges

Service charges (including all site charges for unadopted public space) payable by the occupant on all Affordable Housing Units transferred will be a maximum of £300pa for one bedroom flats and £400pa for two bedroom flats pa linked to RPI.

Any ground rent or estate charges shall be at a peppercorn.

Distribution of units

The council seeks fully integrated mixed housing schemes and will support a reasonable level of clustering, particularly for any proposed flatted units, to enable small self-contained blocks. The location of the units are to be agreed with the AHDO..

Specification

The council expect all Affordable Housing units to achieve requirements of the Housing Corporation (now Homes and Communities Agency) 'Design and Quality Standards' & The West of England Enabling Partnership's 'Lifetime Homes Standard' and the DCLG's 'Code for Sustainable Homes – Level 3 (***)', and 'Secured by Design'.

Approved housing provider

Our preferred approved housing provider for this scheme is: Utopia HA

Appendix 4

Heads of Terms – Sample site in Bristol

1. Standard Definitions to be inserted into the s106 agreement.
2. The applicant has agreed to provide 30% of the total units on site (100) as Affordable Housing, with the tenure split of 77% social rented and 23% intermediate housing.
3. In the event that more than x units are procured in relation to this consent then additional affordable housing units will be provided on site in a ratio of 30% of the additional units.
4. In accordance with PAN 12, affordable housing secured through S106 will be subsidy free with the developer providing the grant element.
5. The number of units, the unit types, the price payable and minimum sizes are set out in the table below:

Number of units	Units Type	Matrix Sum Payable by RSL 2007/08	Market Value	Min unit size required	Total Payable for completed units (AxB)
(A)		(B)	(C)		(AxB)
12	1 bed flat for rent				
12	2 bed flat for Rent				
3	1 bed flat for intermediate				
3	intermediate				
30	TOTALS				

6. For the avoidance of doubt, the Matrix Sum payable shall include all costs associated with the acquisition and development of the Land to procure clean affordable housing units fit for purpose and ready for occupation and mortgagable with the benefit of relevant NHBC (or equivalent) certification with test certificates in place in accordance with a specification agreed with the Registered Social Landlord/AHP and will also include all fees financing and costs to the point of transfer of the completed unit to the RSL but shall not include the RSL's own overhead fees and legal costs associated with the transfer.
7. The Developer shall enter into a binding contract with the RSL /AHP regarding the affordable housing units prior to commencement on site of the development (commencement via the standard definition of BCC) to build and sell the affordable housing-ready for occupation.
8. The Developer shall provide all necessary information to the preferred RSL/AHP to enable it to enter into a binding contract in relation to a standards schedule.

9. The developer will agree the market values of shared-ownership units, and the matrix sum, with the preferred RSL partner prior to the signing of the s106 agreement.
10. BCC standard occupancy clauses for affordable housing shall be included in the s106 agreement together with clauses relating to mortgagee in possession, prevention of the right to acquire, and the reuse of any capital receipts for additional affordable housing.
11. The units for affordable housing shall be as shown on the plan (subject to any planning approvals and confirmation as required)
12. Car parking spaces are to be provided for Affordable Housing units in the same proportion as they are provided for the Market Housing units.
13. Service charge clauses limiting the maximum chargeable to affordable housing units and payable by the occupiers to an initial rate of no greater than £400 pa for two bedroom flats and £300 pa for one bedroom flats and inflated by RPI on the 1st April thereafter. Any ground rent shall be at a peppercorn rent. Service Charges to include all relevant service charges applicable to flatted units and estate as in the minimum standard summary.
14. Residual rents on the Shared Ownership units shall be no greater than 1% of the unsold equity increasing by no greater than RPI plus 0.5 % thereafter and shall be agreed in writing between the City Council and preferred RSL/AHP partner prior to the commencement of marketing.
15. All affordable units shall be completed, ready for occupation and transferred to the RSL prior to 40% of the Market Units being completed and ready for occupation.
16. All affordable units to be completed to minimum standard set out by the RSL/AHP but no less than the Housing Corporation's 'Design and Quality Standards' The West of England Enabling Partnership's Lifetime Homes Standard', the DCLG's 'Code for Sustainable Homes' - Level 3 (***) and "Secured by Design".
17. It has been agreed that the preferred affordable housing provider is: Utopia HA

Appendix 5

Bristol City Council – Affordable Housing Development Team

Development Appraisal

Checklist of information requested from Developers

Information Required	Information Provided (
1. Developmental Proposal – Overview	
1.1 Brief description of the scheme , with site area (ha), mixed use development details and reasons why the applicant considers there is an economic case for lower levels of affordable housing that those requested.	
1.2 Total Number of Dwellings – type, square metre size, number of beds and mix including proposed number, type, size and mix of Affordable Housing.	
2. Development Revenues	
2.1 Market Values Market values of sale units (per unit or by size of unit per sq m basis) with total revenue for the whole site. Please include a summary sales specification and indicate the car parking (number and type) to be provided per unit.	
2.2 Sales revenues for other mixed-use elements with calculation to give capital values including rental stream and yields used.	
2.3 Sale of Affordable Housing units initially using the matrix based on :- 1) the offer of affordable housing being made, and 2) by way of separate calculation, the level of affordable housing being sought by the Council.	
2.4 Value of ground rents/leases	
2.5 Service charge information	
NB. All sales information to be supported by professional evidence of values for comparable units in the area of the development for independent verification on a unit-by-unit basis (e.g. 1 bed 2 person flat with balcony, view, car space etc).	
3. Development Costs	
3.1 Build Costs Building Cost of units with supporting build up. Please provide a detailed cost plan to support the headline costs being used.	
3.2 Cost of building Affordable Housing units (if this differs from private market units) to meet the Housing Corporation’s Design and Quality Standards, the West of England Enabling Partnership’s	

Lifetime Homes Standard, the DCLG's Code for Sustainable Homes – Level 3 (3 star) and Secured by Design	
3.3. Other Site infrastructure costs/external works i.e., roads, sewers, services, highways/access, landscaping, connections etc.	
3.4 Abnormal Costs with supporting professional evidence.	
3.5 Contingency sum or percentage.	
3.6 Development Costs Professional fees identified by specialism together with supporting information of appointment.	
3.7 Other costs – planning fees – site investigations – building regs fees, NHBC etc	
3.8 Off Site Works – if relevant	
3.9 S106 allowances Commutated sum contributions for all Planning Obligations, other than AH, with brief summary of item. (See SPD 4 for guidance)	
3.10 Finance Costs Cost of financing scheme over development period including funding fees giving interest rate assumptions based on monthly costs.	
3.11 Profit Required profit margin/return(s) i.e Profit on cost/revenue	
3.12 Residual land valuation Anticipated land value based on a residual valuation approach. NB. Please provide evidence to support costing. This should include detailed breakdown of costs provided by appropriate professionals and a method statement of how costs have been calculated. Any provisional sums should be clearly shown. Figures for comparable schemes should also be supplied.	
4. Other Information required	
4.1 Most recent scheme plan – relating to planning application and updates.	
4.2 Cash flow data – provide the full cash flow for the scheme	
4.3 Planning status – windfall or identified in the Local Plan?	
5. Details of current use of the site and planning uses	
5.1 Current use planning approval number.	
5.2 Current planning use type.	
5.3 Current value of site for existing planning use – supported by professional evidence and assessment at the date of the appraisal.	

Please supply three copies of all documents and where possible in electronic format.

In recognition of the sensitivity of the information supplied – BCC confirms that all financial information supplied to us for assessing the viability of scheme is kept confidential and is not made publicly available as part of the Planning Officer's report.

External Cost Consultants and Valuers may be employed by the Council to verify all of the figures supplied and this will be notified to the applicant.

A summary statement only, making a recommendation without quoting confidential information, is provided to the Planning Officer.

Please note:

BCC's experience is that this exercise can take up to 6–8 weeks to carry out, especially on complex sites where the Council have to select and appoint external consultants to assist with the verification process.

A timescale will be agreed once all the information requested has been received. The Council may request additional information to be provided which will be routed via the Planning Officer or Affordable Housing Development Team. This is best carried out as part of the pre-application process where possible. For its part, the Council will commence the validation of the economics of provision case when the full set of information is made available to it for this purpose.

It is in the applicant's interest to provide all the supporting information required to ensure the process can be completed as quickly as possible. In the event that information is missing or is not provided the Council will take the view that viability cannot be adequately tested and therefore no case has been made. This will result in the applicant's viability argument being dismissed. The Council will then make its own assessment for that site and report that to the planning committee for consideration.