

# Joint Local Plan Review for West Dorset, Weymouth and Portland

AFFORDABLE HOUSING BACKGROUND PAPER  
ISSUES AND OPTIONS CONSULTATION VERSION

FEBRUARY 2017

*This page has been intentionally left blank*

## Contents

1.	Introduction .....	1
	Purpose of Background Paper .....	1
	Changes to National Policy and Guidance .....	2
2.	Affordable Housing Thresholds and Vacant Building Credit.....	4
3.	Affordable Housing Priorities and Starter Homes .....	10
	Market Housing on Affordable Housing Exception Sites .....	16
4.	Evidence and Research.....	18
5.	Issues & Options Consultation.....	29

## 1. Introduction

### PURPOSE OF BACKGROUND PAPER

- 1.1 This document is one of a number of background papers produced to support the West Dorset, Weymouth & Portland Local Plan Review.
- 1.2 The joint local plan, which was adopted in October 2015, sets out a long term planning strategy for the area and includes detailed policies and site proposals for housing, employment, leisure and infrastructure. However, the local plan inspector required an ‘early review’ to be undertaken, which should be in place by 2021. He indicated that the review should identify additional land capable of meeting housing needs to 2036. The review also needs to take account of changes to national planning policy on issues such as affordable housing.
- 1.3 The councils are already applying recent changes to national planning policy to support small-scale developers, custom and self-builders: by not requiring affordable housing contributions on small development sites; and reducing the need to make contributions towards the provision of affordable housing where a vacant building is brought back into use or demolished and replaced by a new building (known as ‘vacant building credit’).
- 1.4 This background paper examines the implications of new and emerging legislation and government policy for affordable housing policies in the current local plan. It also provides a general overview of issues relevant to the Council’s approach to the provision of affordable housing on open market housing sites (Policy HOUS1) and to affordable housing exception sites (Policy HOUS2).
- 1.5 Policy HOUS1:
  - Seeks a contribution towards the provision of affordable housing on all market housing sites (i.e. establishes a ‘one unit threshold’);
  - Establishes the ‘percentage targets’ that should be provided as affordable housing on market housing sites, which are 25% in Portland and 35% in Weymouth and West Dorset; and
  - Seeks a mix of 70% (minimum) social / affordable rent and 30% (maximum) intermediate affordable housing, unless local needs justify a different mix.
- 1.6 Policy HOUS2 allows for small scale sites for affordable housing adjoining settlements:
  - that meet current local needs; and
  - have secure arrangements to ensure that the benefits of the affordable housing will be enjoyed by subsequent as well as initial occupiers.
- 1.7 This background paper is a working document which will be updated as evidence is acquired and the consultation process proceeds.

## CHANGES TO NATIONAL POLICY AND GUIDANCE

- 1.8 The National Planning Policy Framework (NPPF), which was published in March 2012, sets out the Government’s objectives for the provision of housing (including affordable housing) and the role of local plans in achieving these objectives. Annex 2 of the NPPF provides a definition of affordable housing and further guidance is found in the national Planning Practice Guidance (PPG).
- 1.9 National policy and guidance on affordable housing has changed and further changes are anticipated as new legislation emerges and is brought into effect. The local plan review needs to respond to the national policy changes that have already been made, but uncertainties about likely future changes present a challenge to the councils in reviewing the local plan. These uncertainties have influenced the questions asked in the Initial Issues and Options Consultation Document.
- 1.10 The national policy change that has already occurred was the publication, in November 2014, of a written ministerial statement. This established national thresholds on open market housing sites, below which affordable housing should not be sought. Although quashed by the High Court in August 2015, this decision was successfully appealed by the Government and effectively re-instated the written ministerial statement in the same terms as before in May 2016. At that time, the PPG was also updated to reflect these national policy changes.
- 1.11 The current local plan was adopted in October 2015, pre-dating the Court of Appeal decision that effectively re-instated the written ministerial statement. Consequently, the relevant policy (Policy HOUS1) does not reflect the national affordable housing thresholds. In August 2016, both councils adopted an interim position setting out how they would have regard to the new thresholds in national policy and guidance (alongside the local plan) in decision-taking. The Initial Issues and Options Consultation Document seeks views (in Question 15-i) on whether certain aspects of the current interim position should be formalised in the local plan review.
- 1.12 The principal legislative change that has occurred since the adoption of the local plan is the enactment of the Housing and Planning Act in May 2016, which provided the legislative framework for ‘starter homes’. However, even before the supporting Regulations have been made, there are indications that the Government’s approach to affordable housing may be subject to further change with a new Housing White Paper.
- 1.13 The introduction of starter homes will require changes to be made to the NPPF, including changes to the definition of affordable housing to include ‘starter homes’ and other similar products. The Government consulted on a number of changes to the NPPF in December 2015, but at the time of writing (January 2017), the revised NPPF had not been published.
- 1.14 The Government intends to introduce a Housing White Paper, which is anticipated in early 2017. At the current time it is uncertain what it will propose, but announcements in the 2016 Autumn Statement (about increased funding for affordable homes and

more flexibility on types of tenure), seemed to signal a softening on the Government's stance on starter homes, recognising the need for a wider range of affordable housing types to meet needs. However, the implications for national planning policy, and consequently local plans, remain somewhat unclear.

- 1.15 In anticipation of the Government's approach moving towards the provision of a broader range of affordable housing provision, the Initial Issues and Options Consultation Document seeks general views (in Question 15-ii) on what the councils priorities should be for the provision of affordable housing. A more specific question (15-iii) is also asked, on what the priorities should be for other forms of affordable housing alongside starter homes, in the event that the statutory requirement to provide them is introduced in accordance with the Government's preferred approach, as set out in its December 2015 consultation on proposed changes to the NPPF.
- 1.16 As well as changes to legislation and national policy, the national funding regime for the provision of affordable housing has changed. Questions 15-iv and 15-v seek views on whether market housing should be allowed on affordable housing exception sites.
- 1.17 In summary, changes to legislation, national policy and guidance and funding regimes are the principal drivers behind the review of the affordable housing policies in the current local plan. The questions in the Issues and Options Consultation Document have been formulated to seek views from the community on how the councils should revise their policies against the background of these changing circumstances. The background to these issues is discussed in more detail below. This background paper also includes a brief overview of the evidence and research that established the need for affordable housing and informed the policy approach in the current local plan.

## 2. Affordable Housing Thresholds and Vacant Building Credit

### THE WRITTEN MINISTERIAL STATEMENT

---

- 2.1 On 28 November 2014 the Minister of State for Housing and Planning, Brandon Lewis, issued a written statement on support for small-scale developers, custom and self builders. This new national policy reflected the outcomes of a consultation, the purpose of which was to “...*tackle the disproportionate burden of developer contributions on small scale developers, custom and self-builders.*”
- 2.2 The new national affordable housing policy sought to:
- increase the threshold, above which local authorities could require affordable housing contributions to be provided, to sites of more than 10 units or more than 1,000 square metres;
  - allow local authorities to adopt a lower threshold of 5 units, in ‘rural areas’ described under Section 157(1) of the Housing Act 1985, including Areas of Outstanding Natural Beauty (AONBs); and
  - provide credit for the re-use of vacant buildings, to be offset against affordable housing contributions.

### HIGH COURT CHALLENGE AND COURT OF APPEAL JUDGEMENT

---

- 2.3 Two local authorities, West Berkshire and Reading, challenged this decision in the High Court, their argument, in summary, being that the amendment of national planning policy guidance via a written ministerial statement was unlawful. The High Court found in favour of the local authorities and quashed the planning guidance in August 2015.
- 2.4 The Secretary of State for Communities and Local Government appealed the High Court’s decision. The appeal was successful and shortly after the decision, the Planning Obligations section of the national Planning Practice Guidance (PPG) was updated, effectively re-instating the guidance from November 2014 in the same terms as before. The written ministerial statement is online here - <https://www.dorsetforyou.gov.uk/local-plan-review-evidence>.

### IMPLICATIONS FOR THE CURRENT LOCAL PLAN

---

- 2.5 The currently adopted local plan was going through examination as this legal battle progressed. The changes in national policy and the different legal judgements had implications for the wording of Policy HOUS1.
- 2.6 The draft local plan (CD/SP2 and CD/SP2a) was originally submitted (in June 2013) with Policy HOUS1 indicating that affordable housing contributions would be sought on all sites where there would be a net increase in market housing. The examination hearing session for the issue of affordable housing was held on 27 November 2014. The written ministerial statement was produced the very next day (i.e. 28 November 2014).

- 2.7 In February 2015, the councils consulted on ‘main modifications’ (MM12, 13, 14 and 16) to Policy HOUS1 (see - <https://www.dorsetforyou.gov.uk/article/421781/West-Dorset-Weymouth--Portland-earlier-consultations>). These proposed modifications sought to bring the policy into line with the written ministerial statement, indicating that the councils would: generally apply a threshold of 10 units; apply the lower ‘optional’ threshold of 5 units in ‘rural areas’ described under Section 157(1) of the Housing Act 1985; and offer vacant building credit in accordance with national policy.
- 2.8 On 31 July 2015, the High Court’s decision [2015] EWHC 2222 (Admin) was released. Justice Holgate declared (in paragraph 211 of the judgment), that the policies in the new national affordable housing policy “*must not be treated as a material consideration*”. This was reflected in paragraphs 63 to 66 of the local plan inspector’s report produced on 14 August 2015 (see - <https://www.dorsetforyou.gov.uk/article/421782/West-Dorset-Weymouth--Portland-Adopted-Local-Plan-Inspectors-Report>). In paragraph 66 he stated “*I consider the councils should revert to their original policy provisions i.e. that all new housing should make a contribution towards affordable housing needs*”.
- 2.9 The local plan was adopted in October 2015. Subject to certain exceptions, Policy HOUS1 generally seeks contributions on all sites where a net increase in open market housing is proposed.
- 2.10 The successful appeal of the High Court decision and the re-instatement of the guidance from November 2014 in the same terms as before, means that Policy HOUS 1 no longer reflects national policy and guidance. In response, both councils adopted interim positions to clarify how they would take account of new national policy and guidance alongside local plan policies, but a formal change to the policy can only be achieved through the review of the local plan.

### INTERIM POSITIONS ADOPTED BY THE COUNCILS

---

- 2.11 Following the Court of Appeal decision, reports were taken to both councils in August 2016 and an interim position was established, which was that:
- members endorse the approach set out in the report in relation to the changes to national policy on affordable housing including, in appropriate circumstances:
    - i) for applications to which local plan policy HOUS1 and new national policy and guidance on affordable housing relate, officers normally attaching very considerable weight to the provisions in new national policy and guidance;
    - ii) officers normally applying or recommending the application of the thresholds in national policy and guidance below which affordable housing should not be sought, including officers applying, or recommending the application of, a different threshold in ‘rural areas’ described under Section 157(1) of the Housing Act 1985; and



- iii) officers normally applying or recommending the application of vacant building credit in accordance with national policy and guidance.
- 2.12 This interim position was adopted by West Dorset District Council’s Executive Committee on 9 August 2016 (see here - <https://www.dorsetforyou.gov.uk/local-plan-review-evidence>) and by Weymouth & Portland Borough Council’s Management Committee on 16 August 2016.
- 2.13 The Government envisaged that these changes would help to increase housing supply, particularly on small brownfield sites, by diversifying the house building sector and providing a much needed boost to small and medium-sized developers. The reports to the councils indicated that there was no evidence to suggest that such changes would not give a boost to small and medium-sized developers in West Dorset and Weymouth & Portland. It was considered that the changes would result in an increase in housing supply and would give a boost to overall housing delivery, which was considered to be a benefit in view of the relatively low levels of housing completions in recent years.
- 2.14 Policy HOUS1 in the adopted local plan makes no provision for vacant building credit. It is considered that vacant building credit is also likely to help to diversify the house building sector and provide a boost to the small and medium-sized developers of previously-developed (and now vacant) sites.
- 2.15 Since the councils are, in practice, no longer requiring affordable housing contributions on small development sites, and have reduced the contributions requested where a vacant building is brought back into use or demolished and replaced by a new building, Policy HOUS1 will be revised to reflect these changes in national policy and these elements of the current interim position. However, views are sought on whether the ‘optional’ threshold of 5 units in designated rural areas should be included in Policy HOUS 1, as discussed in more detail below.

#### THE OPTIONAL THRESHOLD OF 5 UNITS IN ‘DESIGNATED RURAL AREAS’

---

- 2.16 In response to the Government’s consultation on Planning Performance and Planning Contributions undertaken in March 2014, some local authorities argued that a 10-unit threshold would disproportionately impact on rural areas because it would apply to a higher proportion of proposed new developments and hamper their ability to provide adequate levels of affordable housing for local people.
- 2.17 To address these concerns, paragraph 017 (Reference ID: 23b-017-20160519) of the Planning Obligations section of the PPG states that local planning authorities may choose to apply a lower threshold of 5 units or less to development in ‘designated rural areas’ as described under section 157(1) of the Housing Act 1985. This includes National Parks, AONBs and any “*area designated by order of the Secretary of State as a rural area*”.
- 2.18 When the councils established their interim positions, they chose to apply (on an interim basis, subject to the review of the local plan) the lower, 5-unit threshold in designated rural areas. Views are now being sought (in Question 15-i) on whether

Policy HOUS1 should be formally revised to include this lower optional threshold. This would be higher than the 'one unit threshold' that is currently contained in the policy (i.e. where a contribution is sought on all sizes of development from one - net additional - unit upwards, but lower than the 10-unit - or more than 1,000 square metres - threshold established in national policy).

- 2.19 The rationale for the 5-unit threshold was set out in the Government's response to the planning contributions element of the March 2014 consultation on Planning Performance and Planning Contributions. This stated: *"We have taken account of responses highlighting the greater impact a 10-unit threshold might have on rural areas and in National Parks and Areas of Outstanding Natural Beauty by allowing a lower 5-unit threshold in designated rural areas. We have balanced this, and responded to consultation submissions highlighting the issue of cash-flow for small builders, by policy change to allow developments of 6-10 units in those areas to pay contributions in cash, deferred until after completion, rather than in kind. This will provide small builders the boost that they need through reduced borrowing costs and by allowing contributions to potentially be met from sale receipts. At the same time this proposal will help maintain the flow of affordable houses for local communities and funds for infrastructure. The 5-unit threshold will not, unlike the 10-unit threshold, be combined with a maximum floor space limit as this would inhibit the development of very small sites"*.
- 2.20 Local plans need to have regard to national planning policies, including those in the NPPF, which: seek to restrict development in National Parks and AONBs; and promote sustainable development in rural areas by locating housing where it will enhance or maintain the vitality of rural communities and avoid isolated homes in the countryside unless there are special circumstances.
- 2.21 Any local plan prepared within this context will inevitably limit the opportunities for housing development (including affordable housing) in AONBs and rural areas more generally. This is certainly the case with the current local plan, which includes policies to protect the Dorset AONB (Policy ENV1) and to achieve a sustainable pattern of development: by strictly controlling development outside all defined development boundaries; and in rural areas by directing development to the larger, more sustainable settlements (Policy SUS2).
- 2.22 The lower threshold of 5 units would only affect schemes for 6 to 10 net additional dwellings in 'designated rural areas', which would generally be built by small builders. The change to national policy means that councils can only take financial contributions, deferred until after completion for such schemes, which should help with cash-flow.
- 2.23 Whilst many schemes for 6 to 10 units in designated rural areas would be viable, some may not. In such cases it would still be possible for developers to make a case for a reduced affordable housing contribution on viability grounds under criterion iii) of

Policy HOUS1. Where such schemes included vacant buildings, they may also be able to claim vacant building credit, which could also assist in making a scheme viable.

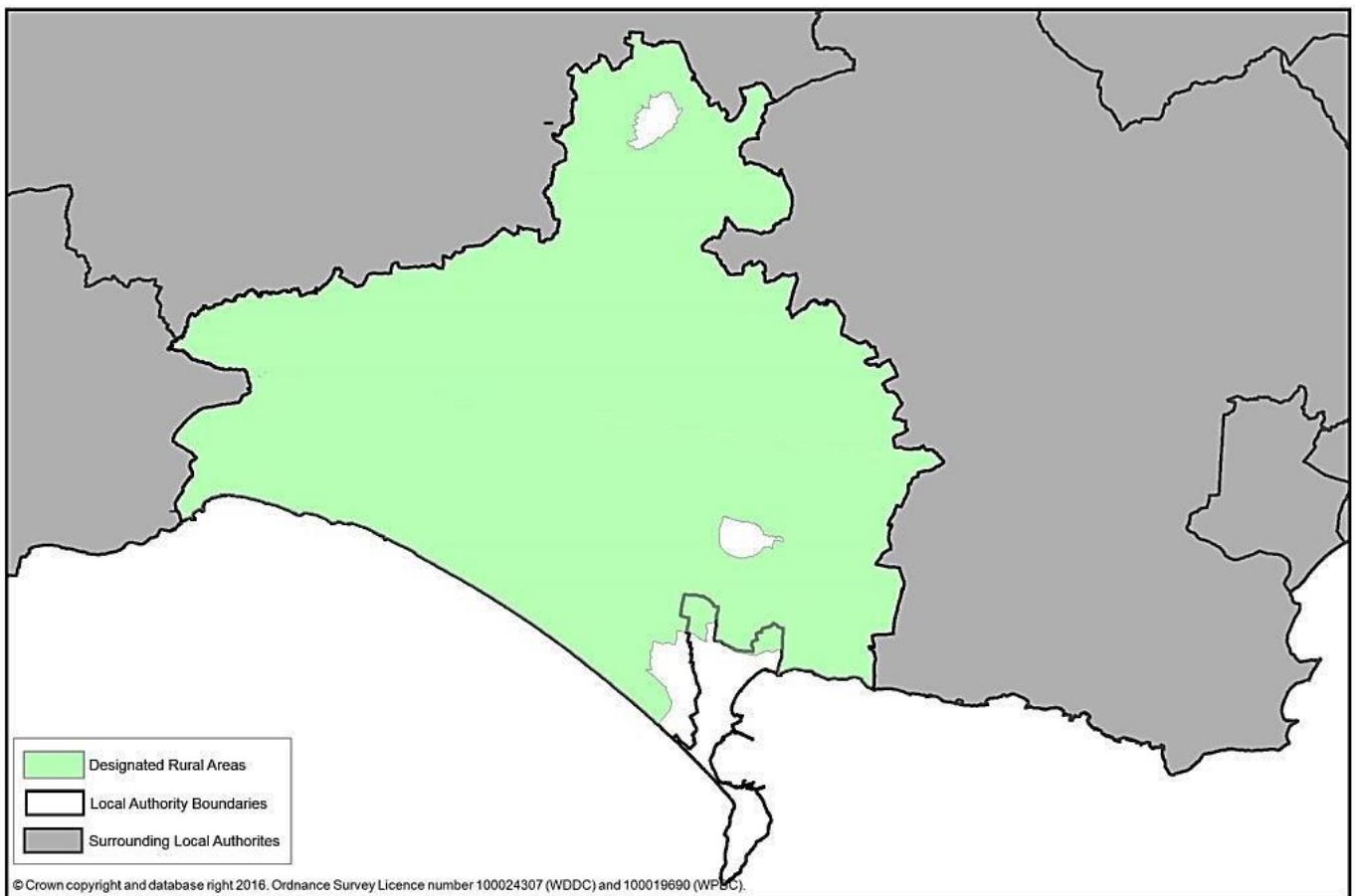
- 2.24 Given the Government’s rationale for the lower threshold in ‘rural areas’ (of seeking a balance between boosting housing supply on small sites and maintaining the flow of affordable housing) and in the light of the policy framework set by the local plan (which reflects the situation in many other rural areas), it is considered appropriate to apply the 5-unit threshold in those parts of the local plan area where it could apply.

#### WHERE WOULD THE OPTIONAL THRESHOLD OF 5 UNITS APPLY?

---

- 2.25 On 14 April 1981, SI 1990/397 described the whole of West Dorset District as ‘rural’ under Section 157(1) of the Housing Act 1985, with the exception of the parishes of Chickerell, Dorchester and Sherborne. Much of West Dorset lies within the Dorset AONB including some parts of the parishes of Chickerell and Dorchester (but not Sherborne). This means that, for any relevant scheme, the 5-unit threshold would be applied across the whole of West Dorset, except for relevant schemes located in the parish of Sherborne and those parts of the parishes of Chickerell and Dorchester which lie outside the Dorset AONB, where the 10-unit (and 10,000 square metres) thresholds would be applied.
- 2.26 None of Weymouth & Portland has been described as being ‘rural’ under Section 157(1) of the Housing Act 1985 and only small parts of the borough (around Upwey, Preston and Sutton Poyntz) are located within the Dorset AONB. These are the only parts of the borough where the 5-unit threshold would be applied. Elsewhere the 10-unit (and 10,000 square metres) thresholds would be applied.
- 2.27 The parts of West Dorset and Weymouth & Portland (designated rural areas) where the 5-unit threshold would apply are shown in Figure 1 below.

Figure 1 – Areas Where the 5-unit Threshold Would Apply in West Dorset and Weymouth & Portland



## VIEWS SOUGHT ON THE 5-UNIT THRESHOLD

- 2.28 The Initial Issues and Options Consultation Document seeks views on whether Policy HOUS1 should be revised to apply the optional national 5-unit threshold in the designated rural areas, as shown in Figure 1 above.
- 2.29 Question 15-1 asks *“Should Policy HOUS1 be revised to apply the optional lower threshold in national policy and guidance within ‘rural areas’ described under Section 157 of the Housing Act 1985 (rather than the national 10-unit threshold), so that affordable housing contributions would not be sought on sites of 5-units or less in these areas?”*

### 3. Affordable Housing Priorities and Starter Homes

- 3.1 The Housing and Planning Act, which provides the legislative framework for ‘starter homes’ as a form of affordable housing, was enacted in May 2016. It will require a change to the definition of affordable housing in the NPPF to include ‘starter homes’ and other similar products. The Government consulted on this and a number of other changes to the NPPF in December 2015, but at the time of writing (January 2017), the revised NPPF had not been published.
- 3.2 Announcements in the 2016 Autumn Statement (about increased funding for affordable homes and more flexibility on types of tenure), seemed to signal a softening on the Government’s stance on starter homes, recognising the need for a wider range of affordable homes to meet needs. A Housing White Paper is anticipated in early 2017, which should provide more direction on what future legislation may contain and on how national policy may change.
- 3.3 This section of the background paper discusses the provisions of the Housing and Planning Act and the proposed changes to the NPPF. It highlights the concerns local planning authorities in Dorset had about the changes and outlines the content of the Government announcements in late 2016, which give some indication of a shift in the thrust of national policy. In anticipation of this shift, the Initial Issues and Option Consultation Document asks a general question about affordable housing priorities (Question 15-ii). However, it is also important for the councils to understand the views of the community on its approach to the provision of other forms of affordable housing, in the event that starter homes are taken forward as originally envisaged. Question 15-iii seeks views on this point.

#### THE HOUSING AND PLANNING ACT 2016

- 3.4 In preparing the Housing and Planning Act 2016, the Government sought to change the emphasis of national housing policy to focus more on the provision of affordable housing to buy, rather than affordable housing to rent. The main thrust of this change was the promotion of ‘starter homes’.
- 3.5 The term ‘starter home’ is defined in the Housing and Planning Act 2016 as:
- a new home;
  - available to ‘qualifying first-time buyers’ only;
  - to be sold at a discount of at least 20% below its open market value; and
  - to be sold at less than the ‘price cap’ of no more than £250,000 outside London and £450,000 in London.
- 3.6 The Act indicates that the ‘price cap’ may be amended by the Secretary of State (SoS) from time to time and also establishes that a ‘qualifying first-time buyer’ is a person under the age of 40. The PPG also clarifies that a starter home should not be resold or re-let at open market value for 5 years following the initial sale.

- 3.7 The Act requires a local planning authority to carry out its relevant planning functions (including producing local plans and determining planning applications) with a view to promoting the supply of starter homes. It is, in effect, introducing a statutory duty on local authorities to promote the delivery of starter homes, together with a 'requirement' for a proportion of starter homes to be delivered on all 'reasonably-sized' housing developments.
- 3.8 The 'starter home requirement' is something that may be defined by the SoS in regulations. The Act indicates that regulations under this section may, for example, provide that a local planning authority may grant planning permission only if a person has entered into a planning obligation to provide a certain number of starter homes or to pay a sum to be used by the authority for providing starter homes. Although the 'starter home requirement' will be defined in regulations, the Government consulted separately on the level at which this requirement should be set.
- 3.9 The Act also enables the SoS to issue a 'compliance direction':
- if a local planning authority has failed to carry out its functions in relation to starter homes or has failed to carry them out adequately; and
  - if a policy contained in a local plan is incompatible with those functions.

---

#### CURRENT DEFINITION OF AFFORDABLE HOUSING IN THE NPPF

---

- 3.10 The definition of affordable housing, for planning purposes, is set out in Annex 2 of the NPPF. It is defined as *"social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative housing provision."*
- 3.11 Annex 2 of the NPPF also includes more detailed definitions of social rented, affordable rented and intermediate housing.
- 3.12 Although the Government sees 'starter homes' as a form of affordable housing, they fall outside the current definition in the NPPF. Some low cost home ownership models, such as shared ownership and shared equity, fall within the definition, but only those that are subject to 'in perpetuity' restrictions or where the subsidy is recycled for alternative affordable housing provision.
- 3.13 Since starter homes could be sold on the open market after 5 years, they do not meet the current 'in perpetuity' restrictions. Also, as currently proposed, there would be no provision to recycle the 20% initial discount on the purchase price, so after 5 years any starter home could be sold at full value on the open market.

---

#### CONSULTATION ON PROPOSED CHANGES TO THE NPPF

---

- 3.14 The Government consulted on proposed changes to the NPPF from Monday 7 December 2015 to Monday 22 February 2016. However, a revised document has yet to be produced. This is the first time any amendments to the NPPF have been proposed,

although some new national planning policies have been established through ministerial statements.

- 3.15 The NPPF constitutes ‘guidance’ for local planning authorities and decision-takers both in drawing up plans and as a material consideration in determining planning applications. This ‘guidance’ carries significant weight so any changes to the NPPF need to be taken into account as part of the local plan review.
- 3.16 The Government is not intending to undertake a major review of the NPPF, but rather seeks to make a few specific changes. In summary, changes are being proposed in the following five areas: of which the first two are relevant to affordable housing:
- broadening the definition of affordable housing, to expand the range of low cost housing opportunities for those aspiring to own their new home;
  - supporting the delivery of starter homes;
  - supporting sustainable new settlements, development on brownfield land and small sites, and delivery of housing allocated in plans;
  - increasing the density of development around commuter hubs, to make more efficient use of land in suitable locations; and
  - transitional arrangements.
- 3.17 The consultation paper discussed the broad changes the Government intends to make to the NPPF and consultees were invited to respond to 23 questions related to the proposed changes. The Government did not publish a draft revised document, so it was not possible to see, or comment on, any specific wording changes, as would be the case with consultation on a local plan.
- 3.18 The proposed changes to the NPPF, which would broaden the definition of affordable housing, reflect the legislative changes now enshrined in the Housing and Planning Act 2016 and would facilitate the promotion of starter homes. However, the broader definition could also expand the range of other low cost housing opportunities that could be promoted by developers as affordable housing.

#### LOCAL AUTHORITY CONCERNS ABOUT STARTER HOMES

---

- 3.19 West Dorset District Council and Weymouth & Portland Borough Council both responded to the consultation on proposed changes to the NPPF. Reports were taken to West Dorset’s Executive Committee on 09 February 2016 and to Weymouth & Portland’s Management Committee on 02 February 2016. West Dorset’s District Council’s response is online here - <https://www.dorsetforyou.gov.uk/local-plan-review-evidence>. An identical response was also sent by Weymouth & Portland Borough Council.
- 3.20 The responses highlighted concerns that the proposed emphasis on starter homes would be unlikely to meet the needs of many local people, in particular:
- people who require affordable housing for rent, rather than affordable housing to buy;

- people with particular housing needs (notably disabled people and elderly people); and
  - people who are in housing need and who could afford a starter home, but are not eligible (i.e. those over the age of 40 and those who have previously owned a home).
- 3.21 The councils' responses suggested that *"national planning policy needs to be clear that the provision of all types of affordable housing (including starter homes) should aim to meet local needs (i.e. district or borough needs other than on exception sites outside defined settlement boundaries, where the aim should be to meet town or parish needs)."*
- 3.22 It also argued that *"the proportion of starter homes required to be delivered on all suitable reasonably-sized housing developments needs to be set locally, rather than nationally, having regard to the evidence of the need for different types of affordable housing in a local area. It is suggested that on suitable reasonably-sized housing developments, where a proportion of affordable units would be sought, no more than half the agreed affordable proportion should be provided as starter homes. This is to ensure that there would be a continued supply of other forms of affordable housing, including affordable housing for rent."*
- 3.23 These concerns were also shared by other local planning authorities in Dorset, as evidenced by the letter of 24 October 2016 from the Dorset Strategic Planning Forum to Gavin Barwell MP, which is online here - <https://www.dorsetforyou.gov.uk/local-plan-review-evidence>.
- 3.24 The Dorset Strategic Planning Forum is made up of elected representatives from all nine Dorset local authorities. It was formed to guide strategic planning decisions across Dorset, to comply with the statutory duty to co-operate and to work with the Local Enterprise Partnership and Local Nature Partnership in the overall development strategy for Dorset and inform and align spatial and investment priorities.
- 3.25 On the issue of affordable housing and starter homes, the letter said *"the delivery of affordable housing in Dorset is a key strategic priority to meet both a considerable unmet existing need but also to support the local economy and retention of key employers and required workforce. The SPF therefore has concerns with the proposed changes to affordable housing policy including the statutory obligation to provide starter homes for development of 10+ units. The delivery of affordable housing has already been compromised by the recent re-introduction of the threshold on small sites of 10 or less (which make up a significant part of local housing delivery) where affordable housing and other contributions should no longer be sought. To now require all major development to provide up to 20% of units as starter homes has potential to further significantly impact on Dorset's ability to plan for 'balanced sustainable communities' as social rent / shared ownership affordable models are likely to be 'squeezed out' due to being less viable over and above meeting the statutory requirement for starter homes. There is also the wider issue of the starter homes only*



*being 'affordable once' from the initial purchase. The proposed £250,000 cap is also already unaffordable to many local residents and therefore simply boosting the supply of starter homes is unlikely to fundamentally address the sustained affordability issues across Dorset. We would also urge Government to consider further the implications of starter homes being exempt from CIL and most other Section 106 tariffs on infrastructure delivery required to support new development. Without sufficient infrastructure provided to support all forms of development there will likely be issues with delivering the required new homes in a sustainable way (whether they are starter or other types) and reduction in infrastructure funding needs to be considered together before this aspect of the proposals is introduced. Overall, further consideration is required as to the long term implications on affordability of the starter homes policy. The SPF consider that the provision of starter homes should be limited in some way or at least not at the direct expense of other affordable products being secured through the planning system."*

### RECENT GOVERNMENT ANNOUNCEMENTS

---

- 3.26 When the £4.7bn Shared Ownership and Affordable Housing Funding Programme was announced earlier in 2016, no funding was included for social or affordable rent. However, in the Autumn Statement, Chancellor Philip Hammond announced that the Government will invest £1.4bn to deliver 40,000 affordable rent, shared ownership and Rent to Buy homes, but not social rented affordable homes.
- 3.27 This is a major shift in funding priorities which suggests that there will also be a change in emphasis in national policy to encourage more of a mix of different types of affordable housing.
- 3.28 On 28 November 2016, Communities Secretary Sajid Javid said "*our (Housing) White Paper, which is due to be published in January (2017), will set out a range of radical plans to boost housing supply*". It is expected that the White Paper will provide an indication of how national policy on affordable housing will be taken forward. It is also hoped that it will provide greater clarity on the role of starter homes alongside other forms of affordable housing to meet housing needs.

### VIEWS SOUGHT ON AFFORDABLE HOUSING PRIORITIES

---

- 3.29 In the light of the concerns of local authorities across Dorset and in anticipation of a change in approach nationally to deliver a wider range of different types of affordable housing, the Initial Issues and Options Consultation Document asks a general question (Question 15-ii) on the priorities for the provision of affordable housing. It asks "*what should the priorities be for the provision of different types of affordable housing in the local plan, such as: affordable rent; social rent; shared equity; elderly persons' affordable housing (including extra care); key worker accommodation; and specialist accommodation (for example for disabled people).*"
- 3.30 The section on 'evidence and research' gives an overview of the overall need for affordable housing and different types of tenure.

## MEETING THE NEED FOR OTHER FORMS OF AFFORDABLE HOUSING ALONGSIDE 'STARTER HOMES'

---

- 3.31 Although a shift in national policy to give less emphasis to starter homes is anticipated, it may not materialise. With that in mind, the councils are seeking views on what the priorities should be for the provision of other forms of affordable housing alongside starter homes, in the event that the Government's preferred approach, as set out in its consultation paper from December 2015 is taken forward unchanged.
- 3.32 In this consultation paper, the Government suggested a single national minimum requirement of 20% of all homes to be delivered as starter homes as part of any residential development of 10 units or more.
- 3.33 Policy HOUS1 sets out the 'percentage targets' that should be provided as affordable housing on market housing sites, which are 25% in Portland and 35% in Weymouth and West Dorset. These targets have been established in a recently adopted local plan and it is not proposed to revise them. However, it is understood that the approach local authorities should take is to make the starter home requirement part of the relevant percentage target for an area.
- 3.34 In the event that the Government decides to require that 20% of all homes on sites of 10 units or more must be provided as starter homes, this would mean that on relevant sites the councils would seek:
- In Portland: 20% starter homes; 5% other forms of affordable housing; and 75% market housing; and
  - In Weymouth and West Dorset: 20% starter homes; 15% other forms of affordable housing; and 65% market housing.
- 3.35 This raises the issue of what 'other forms of affordable housing' should be sought alongside the provision of starter homes. At present, without any requirement to provide starter homes, Policy HOUS1 seeks a minimum of 70% social / affordable rented and a maximum of 30% intermediate affordable housing (unless local needs indicate that alternative provision would be more appropriate on a particular site).
- 3.36 The evidence behind the tenure mix currently sought indicates a greater need for social / affordable rent and it may be appropriate to prioritise the provision of these types of affordable housing alongside the provision of starter homes. However, since starter homes are only available to those under the age of 40, older people may also have some need for affordable housing to buy or part buy (for example, under a shared equity arrangement).
- 3.37 Since the level of provision for other types of affordable housing would be limited if this approach is taken forward nationally, it also raises the question as to whether the emphasis should be more on meeting the needs of specific groups, such as: the elderly (including extra care housing); key workers; or people with specialised needs, including disabled people.

## VIEWS SOUGHT ON THE PROVISION OF OTHER FORMS OF AFFORDABLE HOUSING ALONGSIDE STARTER HOMES

- 3.38 It is important for the councils to understand the views of the community on its approach to the provision of other forms of affordable housing, in the event that starter homes are taken forward as originally envisaged.
- 3.39 With that in mind Question 15-iii asks: *“in the light of the expected statutory requirement to provide a proportion of starter homes on all reasonably sized housing sites, should the focus for the provision of other types of affordable housing be primarily on*
- *affordable housing to rent; or*
  - *affordable housing to buy or part-buy (for example under a shared equity arrangement; or*
  - *affordable housing to meet the needs of specific groups (such as the elderly - including extra care housing; key workers; or people with specialised needs, including disabled people?)”*

## MARKET HOUSING ON AFFORDABLE HOUSING EXCEPTION SITES

- 3.40 The provision of affordable housing exception sites is dealt with by Policy HOU2 in the current local plan. This allows for small scale sites for affordable housing adjoining settlements:
- that meet current local needs; and
  - have secure arrangements to ensure that the benefits of the affordable housing will be enjoyed by subsequent as well as initial occupiers.
- 3.41 The supporting text highlights that future occupancy will be prioritised for local people and also explains that market housing cross-subsidy on exception sites will not be permitted, even though the NPPF allows this, at a local authority’s discretion. The definition of Rural Exception Sites in Annex 2 of the NPPF states *“small numbers of market homes may be allowed at the local authority’s discretion, for example where essential to enable the delivery of affordable units without grant funding.”*
- 3.42 The local plan rejects the idea of allowing market housing to cross-subsidise affordable housing on exception sites because there were concerns that this approach would reduce the likelihood of 100% affordable housing sites being delivered and could result in significant unplanned growth adjoining settlements.
- 3.43 At the time the local plan was originally drafted, grant funding for exception sites was more readily available, but this has declined in recent years. Historically the average level of grant for an affordable dwelling in the South West was in the order of £60,000. However, since the spending review was published in November 2015, the average level of grant per unit (nationally) under the Homes and Communities Agency’s (HCA’s) Affordable Home Programme (AHP) has been in the order for £22,000 per unit.

However, under the 2016 to 2021 Shared Ownership and Affordable Home Ownership Programme, initial grant rates have increased to around £32,000.

- 3.44 In the event that Policy HOUS1 is revised to include the lower 5-unit threshold in national policy, the councils would be able to collect some financial contributions towards affordable housing on sites between 6 and 10 dwellings in ‘rural areas’, but such contributions may be limited especially in Weymouth & Portland, where only a small part of the borough lies within a ‘designated rural area’.
- 3.45 Under the AHP, grant is generally only available for affordable rent, rather than social rent, although this may change. The definition of affordable rent in Annex 2 of the NPPF states “*Affordable rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).*”
- 3.46 The changes in grant regimes may make it more difficult to deliver exception sites, which can be more expensive to build out, as they are typically small in scale. Exception sites are also often located in more expensive rural areas, where rents may be higher. This can make ‘affordable rent’ (which may be as high as 80% of the local market rate) too expensive for some local people, who’s needs may be better met by social rent.
- 3.47 In the light of these changing circumstances, the issue of allowing market homes to cross-subsidise affordable housing on exception sites needs to be reconsidered, particularly in the light of the need for an element of social rented housing. However, it is important to ensure that such an approach would not undermine the protection of the countryside or result in significant unplanned growth adjoining settlements.
- 3.48 In order to provide such safeguards it is envisaged that such an approach may only be allowed exceptionally, in the event that: a 100% affordable scheme would not be viable; and a 100% affordable scheme could not be made viable through grant-funding and / or financial contributions from elsewhere. It is also envisaged that the amount of market housing permitted on an exception site should be the minimum necessary to make the scheme viable.

#### VIEWS SOUGHT ON MARKET HOUSING ON AFFORDABLE HOUSING EXCEPTION SITES

---

- 3.49 Question 15-iv asks “*should Policy HOUS2 allow market homes to cross-subsidise the provision of affordable housing on exception sites?*”
- 3.50 Question 15-v asks “*how should the provision of market homes on such sites be controlled to ensure that the emphasis remains on meeting local affordable housing needs and significant unplanned growth adjoining settlements is avoided?*”

## 4. Evidence and Research

### INTRODUCTION

- 4.1 This section outlines national policy on the provision of affordable housing, including the requirement for the need for housing, including affordable housing, to be 'objectively assessed'. It sets out the concerns the local plan inspector had with the assessment of housing needs in the submitted local plan and outlines the updated work undertaken by consultants following an exploratory meeting in early 2014. This updated work was used to inform the current local plan.
- 4.2 This section also sets out figures for the delivery of affordable housing over the last five years and provides a snapshot of the needs identified on the housing register in early 2017.

### NATIONAL POLICY ON AFFORDABLE HOUSING

- 4.3 One of the national core planning principles (in paragraph 17 of the NPPF) is that *“planning should ... proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs. Every effort should be made objectively to identify and then meet the housing, business and other development needs of an area, and respond positively to wider opportunities for growth. Plans should take account of market signals, such as land prices and housing affordability and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities.”*
- 4.4 Paragraph 47 of the NPPF indicates that *“to boost significantly the supply of housing, 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 NPPF.
- 4.5 Paragraph 159 of the NPPF sets out how the need for housing, including affordable housing should be assessed. It states *“local planning authorities should have a clear understanding of housing needs in their area. They should ... prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should: identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:*
- *meets household and population projections, taking account of migration and demographic change;*
  - *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes); and*

- *caters for housing demand and the scale of housing supply necessary to meet this demand.”*
- 4.6 The ‘Housing and Economic Development Needs Assessment’ section of the PPG contains more detailed guidance on how a local planning authority should assess the need for housing, including affordable housing.
- 4.7 Under the heading ‘What is the total need for affordable housing?’, paragraph 2a-029-20140306 states *“The total need for affordable housing should be converted into annual flows by calculating the total net need (subtract total available stock from total gross need) and converting total net need into an annual flow. The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.”*

#### LOCAL PLAN EXPLORATORY MEETING

---

- 4.8 The West Dorset, Weymouth & Portland Local Plan was submitted in June 2013 (CD/SP2) and was supported by an update to the original (2008) Strategic Housing Market Assessment (The Dorchester / Weymouth Housing Area 2011 Strategic Housing Market Assessment Update Final Report), which was produced by JG Consulting in association with Chris Broughton Associates in January 2012 (CD/HOUS2).
- 4.9 2011-based interim household projections were published by the Department for Communities and Local Government (DCLG) in April 2013 and these were also used to inform the submitted local plan. The councils considered these interim projections to be a reasonable starting point in establishing future housing needs, as they took account of some of the findings from the 2011 Census.
- 4.10 The local plan inspector was concerned that potential weaknesses had been identified in the 2011-based interim household projections which would only be corrected when further updates were released in 2014. His view was that these projections should be treated with caution and he queried whether the councils’ studies were sufficiently robust to provide an objective assessment of housing need.
- 4.11 The councils commissioned additional work (A Review of Future Housing Requirements for West Dorset District and Weymouth and Portland Borough, Dr Keith Woodhead, April 2013 with revision produced June 2013 – CD/SUS1), which was discussed at the exploratory meeting held on 22 January 2014. Notes of the meeting are set out in CD/INSP8. The councils considered that this additional work demonstrated that the evidence of housing need provided a sound basis on which to plan for future development. However, the local plan inspector remained concerned over the issue of housing provision and produced a response following the exploratory meeting, suggesting a number of ways forward for the councils (CD/INSP10).

- 4.12 The option favoured by the councils was to suspend the examination to enable further work to be undertaken on the assessment of housing needs. The further work was published in July 2014. The 2014 SHMA (CD/SUS10) included two parts: Part 1 (produced by Peter Brett Associates - PBA), which examined the objectively assessed housing needs for the local plan area; and Part 2 (produced by HDH Planning & Development), which focused on the objectively assessed need for affordable housing.
- 4.13 The 2014 SHMA was not an update to the earlier work: it took a fresh look at housing need. The report and its approach relied heavily on advice published by the Planning Advisory Service (PAS) in July 2014, which provided greater detail on how housing need should be objectively assessed. The 2014 SHMA was used to inform the current local plan and its findings are briefly outlined below.

#### 2014 SHMA: PART 1

---

- 4.14 Part 1 of the 2014 SHMA (CD/SUS10) examined a range of potential housing need figures informed by demographic projections, which were tested to establish a 'preferred' objectively assessed housing need figure for the Dorchester / Weymouth Housing Market Area (HMA), which is also the local plan area.
- 4.15 The 2012-based population projections (adjusted to give a figure for households by PBA) identified the formation of 507 new households per annum and once an allowance was made for second homes and empty properties, PBA estimated a need for 554 new dwellings per annum. The consultants considered this to be a good starting point for assessing housing need, but they also recognised that since 2007 house building and migration into the area had fallen, probably as a direct result of the credit crunch and recession. They felt that the figures of 507 households / 554 homes were *"unlikely to represent a true reflection of housing need over the plan period"*.
- 4.16 It should be noted that following the publication of the 2012-based household projections in February 2015, PBA adjusted their estimates to 494 households / 539 dwellings per annum.
- 4.17 The consultants tested a number of scenarios, including 'longer term' (10-years: 2001 to 2011) and 'pre-recession' (2001 to 2007) projections.
- 4.18 The 10-year projection broadly covered an economic cycle and included both 'boom and bust' elements. It suggested growth of 621 households per annum, or a need for 679 new homes a year. However, based on conservative economic activity rate assumptions, it also suggested that meeting this projection would be *"unlikely to provide any growth in the local labour force."*
- 4.19 The pre-recession projection suggested growth of 709 households per annum, or a need for 775 new homes a year. This projection showed sufficient migration into the area to result in a small increase in the local labour force, which would support the growth of the economy. For this reason, the consultants recommended the housing need figure for the joint local plan area of 775 dwellings per annum.



## 2014 SHMA: PART 2

---

- 4.20 In the light of paragraph 2a-029-20140306 of the PPG, the 2014 SHMA considered the need for affordable housing alongside the overall need for housing, with a view to establishing in the local plan both the overall requirement for housing and the level of affordable housing that should be sought from developers. These needs were also considered in the context of viability and with regard to the practicalities of delivery.
- 4.21 Part 2 of the 2014 SHMA (CD/SUS10) recognised that some development sites may not deliver any affordable housing as they may fall under the ‘threshold’ below which affordable housing should not be sought. It also recognised that there may be site specific viability constraints (for example contamination), resulting in some sites yielding levels of affordable housing below the percentage generally sought in policy.
- 4.22 The model for calculating the overall need for affordable housing in the PPG was used in the study. The stages in the calculation are set out below.
- 4.23 **Stage 1:** The unmet gross need for affordable housing was calculated for West Dorset and Weymouth & Portland by considering: homeless households; households in temporary accommodation; overcrowded households; concealed households; and other groups. This showed that there were 1,562 households in unsuitable housing or lacking their own housing in West Dorset with a comparable figure of 1,689 households in Weymouth & Portland.
- 4.24 The study considered that 25% of those households in West Dorset and 26% of those households in Weymouth and Portland were able to afford ‘entry-level’ housing in the market sector. Excluding these people from the calculation resulted in the 2014 SHMA identifying the current (2014) unmet gross need as being 1,169 households in West Dorset and 1,244 households in Weymouth and Portland.
- 4.25 **Stage 2:** The study also looked at the need arising from newly forming households (i.e. the ongoing need), which was estimated to be 576 households in West Dorset and 392 households in Weymouth and Portland. It also examined how many existing households would be likely to fall into need in the future, which was estimated to be 104 in West Dorset and 134 in Weymouth and Portland. Total newly arising housing need per annum is therefore, 680 in West Dorset and 526 in Weymouth & Portland.
- 4.26 **Stage 3:** In order to establish the net level of need for affordable housing, the study took account of the current affordable housing supply. Households already living in affordable housing were discounted and surplus stock, the committed supply of new affordable units and units planned to be taken out of management were taken into account. The data showed an estimated 466 affordable homes currently available in West Dorset with 426 available in Weymouth & Portland.
- 4.27 **Stage 4:** The annual supply of social re-lets and the annual supply of re-lets in the intermediate sector were calculated to give a total annual supply of all affordable housing of 360 units in West Dorset and 151 units in Weymouth & Portland.



- 4.28 The PPG requires figures in the model to be converted to annual flows to establish the total need for affordable housing. The first step in this process is to calculate the total net current need by subtracting the estimated current affordable housing supply (Stage 3) from the current unmet gross need for affordable housing (Stage 1).
- 4.29 The second step was to convert this total net current need figure into an annual flow. For the purposes of this study the period of seventeen years was used to fit in with the local plan period, which extends to 2031. The final step was to sum the annualised net current need with the total newly arising affordable housing need (Stage 2) and subtract the future annual supply of affordable housing (Stage 4).
- 4.30 Figure 2 below summaries these calculations, which identify a total need for 362 affordable homes per annum in West Dorset and 423 in Weymouth & Portland.

Figure 2 – Calculation of the Total Need for Affordable Housing in West Dorset and Weymouth & Portland

STAGE IN CALCULATION	WEST DORSET	WEYMOUTH AND PORTLAND
Stage 1: Current unmet gross need for affordable housing (Total)	1,169	1,244
Stage 2: Newly arising affordable housing need (Annual)	680	526
Stage 3: Current affordable housing supply (Total)	466	426
Stage 4: Future housing supply (Annual)	360	151
Stage 5.1 Net current need (Stage 1- Stage 3) (Total)	703	818
Stage 5.2 Annualise net current need (Stage 5.1/17) (Annual)	42	48
<b>Stage 5.3 Total need for affordable housing (Stage 2+ Stage 5.2 – Stage 4) (Annual)</b>	<b>362</b>	<b>423</b>

- 4.31 The consultants then altered the assumptions used in the national affordable housing need model to produce a figure more reflective of local circumstances. How the assumptions used in the model have been refined to better reflect the operation of the local housing market is set out below.
- 4.32 **Refinement 1:** The first refinement was to adjust the ‘affordability threshold’ below which households were considered to be in need. The national affordable housing need model assesses the number of households in need based on the standard affordability test of no more than 25% of gross income to be spent on private rent / mortgage payments. The study examined how the model would be affected if the

affordability assumptions were altered by considering the numbers of households that would be deemed to be in need where rent was payable at 30%, 35% and 40% of gross household income. It was considered appropriate to test these higher levels of rental payments because this is considered to be *“a high price area”* where *“local households will typically spend over a quarter of their gross income on their rent.”*

- 4.33 The biggest change in the model, for both West Dorset and Weymouth & Portland was seen by moving from 25% to 30%, suggesting that there are a significant number of households in this band. Re-working the national model based on this assumption reduced the total need for affordable housing in West Dorset from 362 to 300 affordable homes per annum. Re-working the model for Weymouth & Portland reduced the total need for affordable housing from 423 to 382 affordable homes per annum.
- 4.34 **Refinement 2:** The second refinement was to consider the number of households that would be able to share accommodation. Typically these were single person households aged 35 and under that could be offered Local Housing Allowance to assist with their rent in the private rented sector, but only at the shared room rate, rather than the rate for a one bedroom property. In West Dorset this accounts for 34 households per year, whilst in Weymouth & Portland they constitute 39 households per year.
- 4.35 **Refinement 3:** The third refinement was to consider the role played by the Private Rented Sector (PRS), which the study considered would *“continue to be used as a supply solution to the need for affordable housing in both West Dorset and Weymouth & Portland.”* Looking at the re-let rate in private rented properties, which was assumed to be 50% higher than the re-let rate in the social rented sector, it was calculated that the sector would provide an additional 161 dwellings per year to meet affordable housing needs in West Dorset and a further 214 homes in Weymouth & Portland.
- 4.36 The combined effect of these three refinements (revised gross annual need less revised gross annual supply) is to reduce the need for new affordable homes to 104 per year in West Dorset and 130 per year in Weymouth and Portland. The derivation of these figures is summarised in the figure below.

Figure 3 – Calculation of the Adjusted Need for Affordable Housing in West Dorset and Weymouth &amp; Portland

CALCULATION ELEMENT	WEST DORSET	WEYMOUTH AND PORTLAND
Total gross annual need	749	599
Refinement 1 – affordability threshold	-65	-43
Refinement 2 – households sharing	-34	-39
Revised gross annual need	650	517
Total gross annual supply	387	176
Refinement 1 - affordability threshold	-2	-2
Refinement 3 – benefit supported private rent	+161	+214
Revised gross annual supply	546	387
<b>Revised total (annual) need for affordable housing</b>	<b>104</b>	<b>130</b>

- 4.37 The report states that “*these can be considered the true requirement for affordable housing in each area as they are based on local housing market conditions*”. However, it should be borne in mind that this refined analysis is based on a number of assumptions about the willingness of households: to spend a greater proportion of income on rent; to share accommodation; and to utilise accommodation in the PRS.
- 4.38 The study also looked at the size (in terms of the number of bedrooms) of the additional units required to meet housing need. These needs are summarised in the figure below.

Figure 4 - Size of Affordable Housing Units Required to meet Housing Need in West Dorset and Weymouth &amp; Portland

SIZE OF HOME	WEST DORSET		WEYMOUTH AND PORTLAND	
	Net annual need	As a % of total net annual need	Net annual need	As a % of total net annual need
One bedroom				
Two bedrooms	31	29.9%	56	43.5%
Three bedrooms	27	26.5%	31	24.1%
Four or more bedrooms	19	18.8%	23	17.7%
Total	26	24.8%	19	14.6%

4.39 The study looked at the type of affordable homes required by those in need in West Dorset and Weymouth & Portland. This analysis looked at the gross requirement and also assigned households to the most expensive product they would be able to afford. The gross requirement shows high levels of need for social rented housing or other forms of supported housing. These results are summarised in the figure below.

Figure 5 - Type of Affordable Home Required by Those in Housing Need (Gross) in West Dorset and Weymouth &amp; Portland

Product	WEST DORSET		WEYMOUTH AND PORTLAND	
	Net annual need	As a % of total net annual need	Net annual need	As a % of total net annual need
Shared ownership	51	7.8%	34	6.6%
Discount home ownership	9	1.4%	10	1.9%
Affordable rent	180	27.7%	51	9.9%
Social rent / requires assistance	410	63.1%	422	81.6%
Total	650	100%	517	100%

- 4.40 The study attempted to look at the net requirement for different types of affordable housing by taking account of the likely supply of affordable housing. The analysis assumed that the benefit-supported private rented stock would accommodate households unable to afford any affordable housing product.
- 4.41 The study stated *“the Figures show that in both areas there is a requirement for a range of different affordable accommodation, with the exception of one, two bedroom and three bedroom social rented homes in West Dorset, where there is likely to be a surplus if sufficient Affordable Rented stock was available.”* However, it should be borne in mind that the model assigns households to the most expensive product they would be able to afford, so the existing social rented stock in West Dorset would also be able to meet the needs of those that could afford affordable rent.

## VIABILITY

---

- 4.42 Community Infrastructure Levy (CIL) Viability Reports were prepared by BNP Paribas for West Dorset (February 2012) and Weymouth and Portland (March 2012). These reports are available online here - <https://www.dorsetforyou.gov.uk/article/410118/How-we-prepared-the-West-Dorset-Weymouth-and-Portland-Community-Infrastructure-Levy-CIL-charging-schedules>.
- 4.43 They recognised that CIL would effectively take a ‘top slice’ of development value, which may have an impact on the percentage or tenure mix of affordable housing that can be secured.
- 4.44 When testing sites that would be required to provide affordable housing, a number of different scenarios were tested. They looked at base sales and base costs with different levels of affordable housing provision, namely: 20%, 30%, 35% and 40%. The Viability Report for West Dorset found that 35% affordable housing provision would generally be viable. However, paragraph 7.4 of the Viability Report for Weymouth & Portland concluded that *“residential schemes should be able to absorb a CIL rate of around £100 per square metre, leaving a margin for site-specific factors that might affect viability. However, with relatively low sales values in some parts of the Borough, viability comes under pressure when the Council’s 35% affordable housing target is applied. Our testing incorporating 25% affordable housing indicates that a CIL of £100 per square metre could be set in the lower value areas if the affordable housing policy is applied flexibly.”*
- 4.45 As a result of this (and further) viability work, Policy HOUS1 was adopted seeking 35% affordable housing on open market sites in West Dorset and Weymouth and 25% on Portland. Differential CIL rates for dwellings were also adopted in the local plan area (£100 per square metre in West Dorset; £93 in Weymouth and £80 on Portland) to reflect differing viability in these different areas.
- 4.46 The councils started charging CIL in July 2016 and although the levy has only been operational for a relatively short time, there is no evidence that the affordable housing percentages or the CIL charging rates are giving rise to viability problems generally.

Viability has been an issue on certain specific sites, such as Dorchester Prison. However, criterion iii) of Policy HOUS1, allows applicants to seek to justify a lower level of affordable housing provision in such cases.

- 4.47 Given the effective general operation of the affordable housing percentages in Policy HOUS1, alongside the adopted CIL charging rates, and the flexibility given by criterion iii), it is not considered necessary to change the percentages in Policy HOUS1.

#### SHOULD HOUSING FIGURES BE INCREASED TO DELIVER MORE AFFORDABLE HOMES?

---

- 4.48 Under the heading ‘What is the total need for affordable housing?’ paragraph 2a-029-20140306 of the PPG states *“An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.”*
- 4.49 This point and (the role of the PRS in particular) was discussed at the local plan Examination in Public (EiP) and addressed by the inspector in his report, which is online here - <https://www.dorsetforyou.gov.uk/article/421782/West-Dorset-Weymouth--Portland-Adopted-Local-Plan-Inspectors-Report>.
- 4.50 Paragraphs 61 and 62 state: *“The PPG says consideration should be given to increasing the amount of housing where it could help to deliver the required number of affordable homes. In this case more than double the amount of land allocated for housing purposes would be required. The difficulties would be compounded if efforts were made to meet the greater needs of WP (Weymouth & Portland) where the Council is anticipating that no more than 35% of affordable units will be provided on mixed market sites in Weymouth and 25% on Portland. I do not accept it is feasible or appropriate to support further land releases as a means of increasing affordable housing delivery. It would entail a substantial uplift in housing allocations and put pressure on the housebuilding industry to sustain excessively high building rates which the market may be unable to deliver. A large increase in the amount of market housing would also be likely to reduce the viability of larger schemes and undermine the numbers of affordable units being delivered.”*
- 4.51 The inspector was also concerned (in paragraph 60 of his report) that *“The transfer of existing private tenants to affordable housing would also have significant implications for the wider housing market.”*
- 4.52 The councils agree with the inspector’s conclusions and do not consider it feasible or appropriate to support further land releases as part of the local plan review (above the additional land needed to accommodate about 4,500 new homes for the period up to 2026), as a means of increasing affordable housing delivery.

#### RECENT DELIVERY OF AFFORDABLE HOUSING

---

- 4.53 The figure below shows the delivery of affordable housing at the main settlements in the local plan area since the beginning of the current local plan period (i.e. April 2011).

The figures below do not include completions on affordable housing exception sites outside defined development boundaries.

Figure 6 - The Delivery of Affordable Housing at the Main Settlements in the Local Plan Area Since April 2011

TOWN	2011/12	2012/13	2013/14	2014/15	2015/16
Weymouth	43	50 (27)	31 (22)	87 (42)	63 (56)
Portland	6	19	15	7 (7)	17 (17)
Chickerell	0	2	10	18	9
Crossways	0	0	0	0	0
Sherborne	0	11	4	0	10
Beaminster	0	0	0	0	0
Dorchester	61	50	25	32	44
Bridport	0	6	2	0	0
Lyme Regis	0	0	0	0	16
<b>Plan Area Totals</b>	<b>110</b>	<b>138 (27)</b>	<b>87 (22)</b>	<b>144 (49)</b>	<b>159 (73)</b>

- 4.54 The figures in brackets show delivery that has not come through Section 106 agreements. These are other developments by registered providers including, for example, the redevelopment of garage blocks and the development of sheltered housing. The figures in brackets are included in the annual figures.

## HOUSING REGISTER

- 4.55 The number of households on the housing register in January 2017 were:

- West Dorset – 1,383
- Weymouth & Portland – 1,382.

## 5. Issues & Options Consultation

### SUMMARY OF QUESTIONS

**17-i.** Should Policy HOUS1 be revised to apply the optional lower threshold in national policy and guidance within 'rural areas' as shown in Figure 17.1 (rather than the national 10-unit threshold), so that affordable housing contributions would not be sought on sites of 5 units or less in these areas?

**17-ii.** What should the priorities be for the provision of different types of affordable housing in the local plan, such as: affordable rent; social rent; shared equity; elderly persons' affordable housing (including extra care); key worker accommodation; and specialist accommodation (for example for disabled people).

**17-iii.** In the light of the expected statutory requirement to provide a proportion of starter homes on all reasonably sized housing sites, should the focus for the provision of other types of affordable housing be primarily on:

- affordable housing to rent; or
- affordable housing to buy or part-buy (for example, under a shared equity arrangement); or
- meeting the needs of particular groups (such as the elderly - including extra care housing; key workers; or people with specialised needs, including disabled people)?

**17-iv.** Should Policy HOUS2 allow market homes to cross-subsidise the provision of affordable housing on exception sites?

**17-v.** How should the provision of market homes on such sites be controlled to ensure that the emphasis remains on meeting local affordable housing needs and significant unplanned growth adjoining settlements is avoided?