



Affordable Housing

Background Paper to Submission Core Strategy Development Plan Document

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AFFORDABLE HOUSING BACKGROUND PAPER

BRACKNELL FOREST BOROUGH LOCAL DEVELOPMENT FRAMEWORK

1 Introduction

- 1.1 Bracknell Forest Borough Local Development Framework (LDF) will guide future development within the Borough. It will replace the current Local Plan, but rather than being a single document, it will consist of a number of documents which fit together to form the LDF. The Core Strategy is at the heart of the LDF and sets out a planning framework for guiding the location and level of development in the Borough for the next 20 years. It also sets out a spatial strategy for the delivery of housing, employment, retail and leisure opportunities.
- 1.2 The affordability of housing is an important issue within the Borough and the effective delivery of new affordable housing to meet local needs will be supported through the preparation of planning policy within the LDF. Policy CS17 of the Core Strategy relates to affordable housing.

2 Affordable Housing

- 2.1 Affordable housing in Bracknell Forest is housing with sale prices or rent levels which are substantially lower than the prevailing market price or rent. It will be accessible to local people in priority housing need whose incomes are insufficient to enable them to afford adequate housing on the open market. The provision of new affordable housing will typically be affordable rented accommodation as only this tenure can meet the vast majority of local affordable housing need. Intermediate housing such as shared ownership, equity loan and intermediate rent can address a small minority of those in local affordable housing need. Low cost market housing is not relevant in the Borough as it is beyond the reach of those in affordable housing need.
- 2.2 New affordable housing is normally provided via a Registered Social Landlord. They are sometimes able to provide housing directly on sites they own or buy, but they are increasingly reliant on provision via planning obligations on larger private developments in accordance with planning policy.

3 Policy Context

- 3.1 Government policy allows the Council to negotiate for a proportion of affordable housing in new developments. Government advice on planning and affordable housing is currently being reviewed with the publication of draft Planning Policy Statement 3: Housing.
- 3.2 A brief overview of extant and emerging Government policy and guidance relating to affordable housing is set out below.

Regional Planning Guidance for the South East (RPG9)

- 3.3 The Regional Planning Guidance for the South East (RPG9) is the current Regional Spatial Strategy for the area. It recognises that there is a strong demand for affordable housing in the region including the implications of the cost of housing on recruitment and retention of employees and commuting patterns. It states that local authorities should consider whether there is a need to seek lower thresholds than those set out in Circular 06/98. Where local authorities can demonstrate that local circumstances, particularly the likely viability of developments, justify adopting lower thresholds, they should be brought forward through the development plan process.

Draft South East Plan (March 2006)

- 3.4 RPG9 will eventually be replaced by the emerging South East plan. The draft South East Plan recognises that the region is one of the most expensive areas in which to buy or rent a home, second only to London in terms of affordability. The Plan requires LDFs to set targets for the provision of affordable housing, both for social rented and other forms of affordable housing based on the results of housing need and housing market assessments. In many parts of the region the scale of need, combined with the predominance of small to medium housing sites means that site thresholds may need to be set below the levels outlined in Government guidance.
- 3.5 Policy H4 sets the regional target of 25% of all new housing to be social rented accommodation and a further 10% for other forms of affordable housing. The size of site on which affordable housing contributions will be sought should be set locally, having regard to the overall scale of need, the economics of provision on individual sites and other site and market considerations.

The South East Regional Housing Strategy 2006 onwards

- 3.6 The Regional Housing Strategy sets out the Regional Housing Boards priorities for housing investment in the South East and a framework for allocating resources. It takes effect from 2006 and includes details of the plans for investment that cover the two years 2006-07 and 2007-08. The Regional Housing Strategy includes targets for the provision of affordable rented and intermediate homes in the region and provides relevant guidance for making best use of the planning policy framework. It also refers to affordability issues, households on the Housing Register and homelessness.

Planning Policy Guidance Note 3: Housing (March 2000)

- 3.7 Government's advice on the delivery of housing in the planning system is set out in PPG3 which recognises that a community's need for a mix of housing types, including affordable housing, is a material consideration that should be taken into account in formulating development plan policies and determining planning applications. PPG3 points to circular 06/98 for more detailed advice.

Draft Planning Policy Statement 3: Housing (Dec. 2005)

- 3.8 Although PPS3 is currently in draft form, it does set out the government's expectations with regard to the delivery of affordable housing through the planning process. The government's objectives emphasise the importance of access for all to housing including the better delivery of a better balance between housing demand and supply in every housing market, and the improvement of affordability.
- 3.9 Local authorities should set a minimum site-size threshold, expressed as a number of homes or area, above which affordable housing will be sought. The indicative national threshold is 15 dwellings, but local authorities may set a different threshold, or a series of thresholds where this can be justified. In considering the minimum site thresholds concern should be had to the level of affordable housing to be sought, site viability, the impact on the delivery of housing and the objective of creating mixed and sustainable communities.

Circular 06/98: Planning and Affordable Housing (April 1998)

- 3.10 The circular advises that local authorities should define affordable housing on the basis of local evidence. It states that where there is evidence of housing need, planning policy should seek an element of affordable housing suitable sites. Affordable housing is required on substantial development sites which are large enough to provide a mix of types and sizes of dwellings.
- 3.11 In assessing the suitability of sites the circular states that any policy should only be applied to housing development of 25 dwellings or more dwellings on residential sites of 1 hectare or more, irrespective of the number of dwellings being proposed. Affordable housing should be provided in reasonable proximity to local services and facilities and accessible to public transport.

Summary

- 3.12 Although the government has yet to confirm the latest guidance on affordable housing and the planning system, successive policy and guidance indicate a requirement for affordable housing to address identified local housing needs, and which meets local and regional targets.

4 Housing Need

- 4.1 Affordable housing in Bracknell Forest is housing with sale prices or rent levels which are substantially lower than the prevailing market price or rent, in order that it will be accessible to local people in priority housing need whose incomes are insufficient to enable them to afford adequate housing on the open market. Affordable housing in the borough comprises affordable rented accommodation and intermediate housing – examples of intermediate housing include shared ownership (part rent/part sale), equity loan and intermediate rent.

Property Price

Table 1: Average Property Prices (all dwellings) 2001 – 2006 (Apr-June)

	2001	2002	2003	2004	2005	2006	01 - 06 % increase
Bracknell Forest	166.9	188.4	210.6	211.6	215.8	229.0	37%
South East	149.4	169.7	194.0	214.6	223.4	236.9	59%

Prices in 000s

Source: Land Registry

- 4.2 The borough is one of the most expensive places to live in the country with average property prices exceeding or being close to prices in the south east, though the rate of property price increase in the borough (37%) compared to the south east has been somewhat less during 2001 – 2006 (see Table 1 above).

Table 2: Prices of different house types Apr – June 2006

	Detached	Semi-detached	Terraced	Flat	Average price of all
Bracknell Forest	352.0	227.1	187.1	159.7	229.0
South East	382.7	222.1	184.1	155.7	236.9

Prices in 000s

Source: Land Registry

- 4.3 With the exception of detached houses, the average price of all properties in the borough is above that for the south east (see Table 2 above). The average price of all house types in the borough is £229,000 for April-June 2006 which is consistent with the figure in Table 1.

Income

- 4.4 The affordability of housing is not only a question of price but of how this relates to income. The high cost of housing means that there is a greater probability of households not having sufficient income for them to afford to buy or rent their own home at the prevailing market price.
- 4.5 According to the Annual Survey of Hours and Earnings (table 8.7a) produced by the Office for National Statistics the average salary for a person residing in Bracknell Forest was £27,500 in 2005. There is additional data regarding household income in the Housing Needs Survey but this is not as current as the data from the Office for National Statistics.

Affordability ratios

- 4.6 The Joseph Rowntree Foundation report “Affordability and Intermediate Housing Market” (2005) found that in the United Kingdom as a whole in 2003, the ratios of mortgage advances to incomes exceeded 3.75 to 1 in about 25% of cases, where a single income was taken into account. Ratios exceeded 3.25 to 1 in about 25% of all cases when more than one income was considered.

Table 3: Affordability in Bracknell Borough

Average price of flat (April - June 2006)	£159,700
Average income	£27,500
Lending ratio required	5.8

Sources: Land Registry and Office of National Statistics

- 4.7 Table 3 above shows that for an average income for an individual living in the borough to be able to afford the average priced smallest property, the lending ratio required is 5.8, well in excess of the average 3.75. As the earnings of first time buyers are normally lower than the average, these figures suggests that home ownership for first time buyers is even more unaffordable.

**Table 4: Loans for House Purchase, Lending and Affordability (UK)
(July – Sept 2006)**

	All loans	First time buyers
Median income	£39,004	£33,640
Median advance	£117,000	£108,000
Median Income multiple	3.04	3.2

Source: Council of Mortgage Lenders

- 4.8 Table 4 above highlights national lending information. For all types of loans, there was an income multiple of x3.04 in order to borrow the required amount. For first time buyers the income multiple increased to x3.2, since incomes of first time buyers are lower than the average. Even this higher income multiple is still well below the lending ratio required of x5.8 for someone on an average income trying to purchase the cheapest property in the Borough (Table 3). It is important to also take into account housing costs as a proportion of a household's income in determining whether a property is affordable. The Local Housing Needs Assessment good practice (ODPM, 2000) refers to a threshold level of 25-30% as being an appropriate level of income to be spent on housing costs.

5 Housing Needs Survey

- 5.1 The Housing Needs Survey updated in 2004 identified an annual need of 616 additional new affordable homes over the subsequent 5 years. This exceeds the total number of homes currently required to be built each year in the Borough, as required by the Berkshire Structure Plan.
- 5.2 The need within the borough is overwhelmingly for one bedroom accommodation from 1st time applicants. However, in order for the Council to meet its statutory duties and reduce the amount of families in bed and breakfast accommodation, larger 2 and 3 bedroom properties are also required. Providing larger accommodation also offers the opportunity to assist those people in housing need seeking a transfer to larger homes which consequently makes smaller homes available for first time applicants.

6 Housing Register

- 6.1 The Council maintains the statutory Housing Register which is the main source of primary data comprising a range of households in housing need. Table 5 below shows a breakdown by size of accommodation required and type of household at March 2006. The Housing Register includes single, family and older households who are in housing need by virtue of unsatisfactory accommodation, homeless, in temporary accommodation or require to move on medical/welfare grounds. At March 2003 there were 1604 households on the Housing Register which rose to 4076 in March 2006. This figure represents approximately 10% of all households in the borough, an increase of 154% in three years. Only a very small proportion of people on the Housing Register live outside Bracknell Forest. The vast majority of people on the housing register can only have their housing needs met by the provision of affordable rented accommodation, with a minority of needs being met by intermediate housing.

Table 5: Housing Register by size of accommodation and type of household (March 2006)

Size required	Single	Family	Older	Total
Bedsit	1027	0	15	1042
1-bed	684	281	372	1337
2-bed	15	836	140	991
3-bed	1	649	0	650
4-bed	0	56	0	56
Total	1727	1822	527	4076

Source: BFBC Housing Register

7 Supply of Housing Stock

- 7.1 Over the last 9 years, the delivery of new affordable housing in the borough has averaged 57 new affordable homes a year, both affordable rented and intermediate homes. The stock of social housing in the borough has reduced year on year as a result of the Right to Buy legislation which has resulted in the Council losing significant amounts of affordable rented homes. Homelessness in the borough has also increased substantially during the last 9 years. The Council actively works to prevent homelessness however, providing more affordable housing is essential to meet the increasing housing need in the borough.

8 Housing Market Assessment

- 8.1 A Berkshire-wide Housing Market Assessment is being prepared during 2006 to analyse the housing supply/demand dynamic at the sub-regional level. It will assist local authorities and their partners to identify and define housing market areas, examine the market and how it operates and assess current and future trends in supply and demand. The assessment will consider appropriate site size/area thresholds above which sites will be considered appropriate for affordable housing provision, and a suitable % quota to be applied to each qualifying site. It will also consider appropriate delivery mechanisms to address planned levels of housing provision, hence increasing the provision of affordable housing to meet local housing needs.

9 Summary

- 9.1 The level of housing need, as identified by the Housing Needs Survey and the Housing Register, is acute within the borough. The examination of data on average property prices and average incomes of people residing within the borough has shown that the affordability of property is low with a lending ratio of nearly 6 for a single income household.
- 9.2 The current housing need in the borough justifies exploring mechanisms such as lowering thresholds and increasing percentages to increase the supply of affordable rented homes, where the economics of the scheme will allow. Another mechanism which could be considered is exploring opportunities to take commuted sums where this will speed up the supply of new affordable homes, especially where schemes with planning permissions will not be implemented. The LDF also allows the possibility to explore how the planning policy framework could assist housing associations in delivering more 100% affordable housing schemes.