

Affordable Housing

Practice Note

July 2022

Updated June 2023



Foreword

Bristol is a prosperous city, but there is a considerable and growing housing challenge. Bristol's appeal as a desirable place to live and work has led to high house prices and high rents, making the city unaffordable for many. We are a city with big ambition and delivering affordable housing is at the heart of this. We must do this in the context of the climate and ecological emergencies we are facing, alongside ensuring that community infrastructure is sufficient to support growth in communities.

Before the Local Plan is adopted, we have an opportunity to accelerate the supply of affordable homes through changes to existing guidance. The Affordable Housing Practice Note explains how the Council's affordable housing policies are to be implemented.

Some changes have been made to this guidance to reflect national and local policy and guidance. I am therefore launching a new Affordable Housing Practice Note 2022 which provides interim measures until the review of the Bristol Local Plan is completed and a revised plan is adopted. This will help provide clarity and accelerate the delivery of affordable housing in the city.

Councillor Tom Renhard
Cabinet Member for Housing Delivery and Homes

Contents

Foreword.....	ii
1. Overview of key changes.....	1
2. Policy Background	2
2.1 National policy.....	2
2.2 Local Plan policy	2
3. Principles for delivering affordable housing in Bristol	5
3.1 Understanding affordable housing need	5
3.2 Approach to affordable housing percentages.....	5
3.3 Approach to developer subsidy	6
3.4 Approach to public subsidy	6
3.5 Approach to affordable housing tenure.....	7
3.6 Approach to service charges	9
3.7 Approach to property size and accessibility.....	9
4. Process for delivering affordable housing in Bristol	11
4.1 Pre-application process.....	11
4.2 Planning application process.....	11
4.3 Viability testing process	13
4.4 Financial contributions.....	16
4.5 Enabling fees	18
4.6 Allocations, lettings & sales.....	18
Appendix 1: Local Housing Needs Assessment and housing zone profiles	19
Appendix 2: Application process.....	20

1. Overview of key changes

The Affordable Housing Practice Note (AHPN) 2022 has been prepared to provide guidance on the implementation of Bristol City Council's affordable housing policies as set out in the Bristol Local Plan. It explains the mechanism for the delivery of affordable homes in Bristol setting out the key **principles** and **processes**.

The AHPN is intended to inform and guide applicants and their agents, landowners, developers, Homes England, Registered Providers and Bristol City Council's Development Management Officers (DMO's) and Strategy and Enabling team.

The AHPN 2022 comprises a suite of documents and supersedes the previous AHPN 2018. The updates provided in the AHPN 2022 reflect changes in national policy and guidance relating to affordable housing since April 2018 and changes to procedures at the local level. These include:

- New national planning policy/planning practice guidance relating to Build to Rent and First Homes;
- Review of procedures in light of:
 - Increasing public scrutiny of the level of affordable housing being offered and achieved as part of major planning applications;
 - Increased delivery of 100% affordable housing sites by HomesWest Registered Provider partners;
 - Emerging data from the West of England Local Housing Needs Assessment;
 - Bristol City Council's [Project 1,000: Affordable Housing Delivery Plan 2022-25](#).

New key content of AHPN 2022 includes:

- An approach to First Homes - [Delivery of First Homes in Bristol](#) (section 3.5);
- Delivering Affordable Private Rent in Build to Rent development - [Delivery of Affordable Build to Rent Homes in Bristol](#) (section 3.5);
- Delivery of 100% affordable housing sites by Registered Providers (section 3.4);
- Update on Service Charge caps (section 3.6);
- Approach to property size and accessibility requirements (section 3.7);
- Update on commuted sums (section 4.4);
- Allocations and lettings (section 4.6).

2. Policy Background

2.1 National policy

The [National Planning Policy Framework](#) (NPPF) makes provision for the delivery of affordable housing through a Local Plan. Key national policy requirements are set out at paragraphs 34 and 61 to 65. The national policy definition of affordable housing is set out in Annex 2 of the NPPF.

Further detail on national planning policy is provided through national [planning practice guidance \(NPPG\)](#). Links to relevant sections are set out below:

- Guidance on **calculating affordable housing need** is set out in the *Housing and economic needs assessment* section under [Affordable Housing](#) and the *Housing needs of different groups* section under [Affordable Housing](#).
- **Restrictions on seeking affordable housing obligations** from development are set out in the [Planning Obligations](#) section under *Are there any specific circumstances where contributions through planning obligations should not be sought from developers?*
- **The approach to seeking affordable housing obligations** from development of vacant buildings is set out in the [Planning Obligations](#) section under the following: *What is the vacant building credit?, What is the process for determining the vacant building credit? and Does the vacant building credit apply to any vacant building being brought back into use?*
- Detail on **First Homes** and their implementation is set out in the [First Homes](#) section.

2.2 Local Plan policy

The Council's affordable housing policies, set out in the Bristol Local Plan, are consistent with national planning policy. The policies identify when affordable housing provision will be required and indicate the percentages sought. The policies are set out as follows:

Local Plan - Core Strategy (Adopted June 2011)

Policy BCS17: Affordable Housing Provision

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

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

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

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

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

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

**Local Plan - Site Allocations and Development Management Policies (Adopted July 2014)
Policy DM3: Affordable Housing Provision: Smaller Sites**

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

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

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

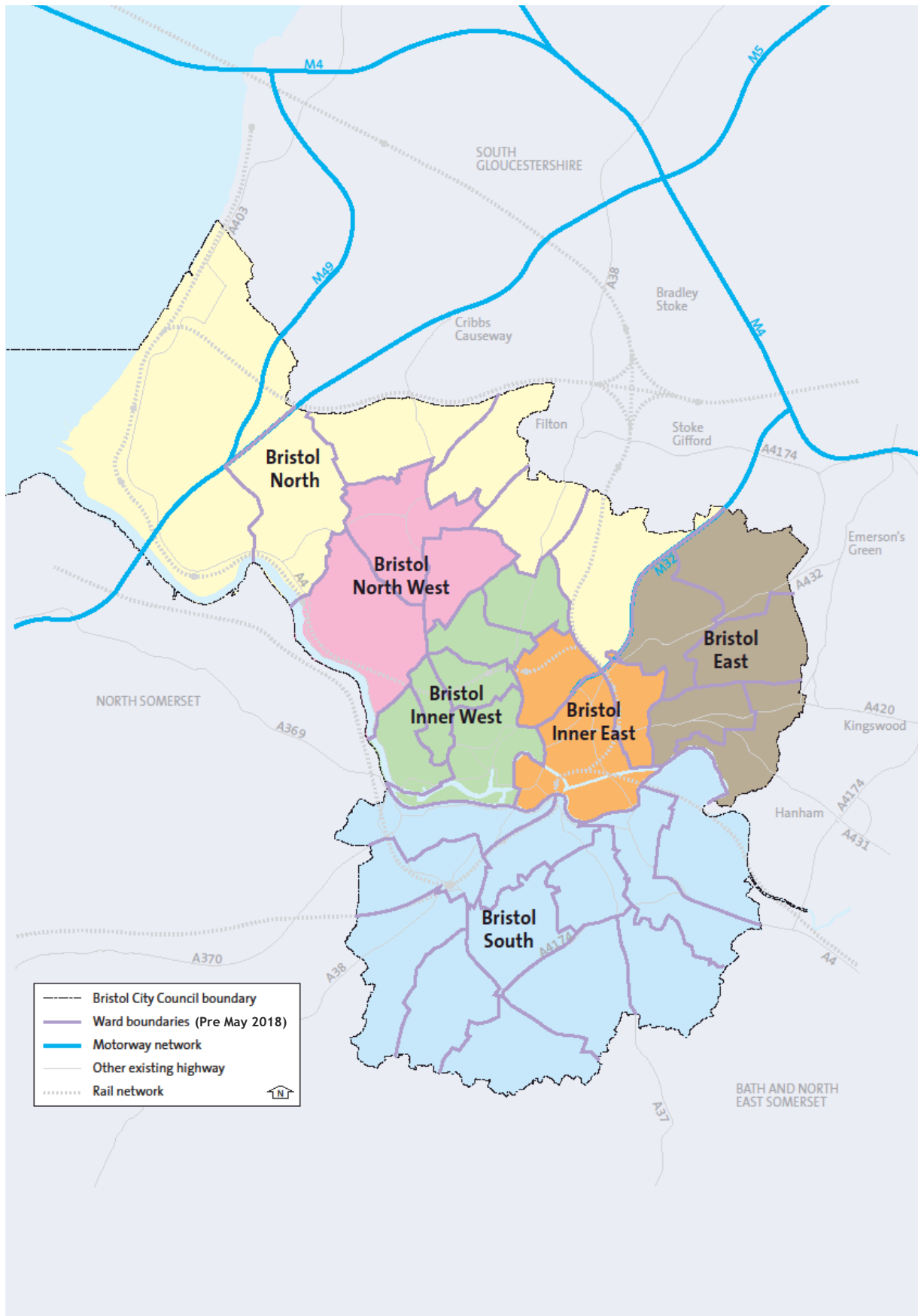
Where scheme viability may be affected, developers will be expected to provide full development appraisals to demonstrate an alternative affordable housing provision.

The affordable housing contributions sought in the policies relate to the total number of units proposed.

Fig. 1 shows the location of affordable housing percentage zones referred to in the policies. The zones are also identified on [PinPoint](#).

Specific local expectations relating to affordable housing are set out in the [Lawrence Weston Neighbourhood Development Plan](#) and the [Hengrove and Whitchurch Park Neighbourhood Development Plan](#). Further information on Neighbourhood Planning can be found [here](#).

Fig. 1: Affordable housing percentages zones



3. Principles for delivering affordable housing in Bristol

3.1 Understanding affordable housing need

Current evidence on affordable housing need continues to identify a significant need for affordable homes across the city including a mix of property types, tenures and sizes. The evidence (see Appendix 1) includes:

- The [West of England Local Housing Needs Assessment \(LHNA\)](#)¹;
- Lettings and demand data from the Council's Housing Register and the National Help-to-Buy register included within Housing Zone profiles.

The Council expects all eligible residential developments to contribute towards an evidenced citywide need for affordable housing or address identified key local housing needs.

3.2 Approach to affordable housing percentages

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

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

'Threshold' approach to viability

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

To encourage the provision of affordable housing, above the level currently being delivered, the Council will operate a 'Threshold' approach to policy BCS17 applied within the Bristol Inner West and Inner East zones and within the [Whitehouse Street Regeneration Framework](#) area*. In these locations applications meeting or exceeding 20% affordable housing can follow a 'Fast track' route.

The following general terms will apply to these applications.

The applicant will agree to:

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

¹ This will be subject to continuing updates. Please contact the [Strategy & Enabling team](#) for further information on the LHNA.

The Council will:

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

The 'Threshold' approach can offer greater certainty and less delay to developers. This will help to deliver affordable housing through the planning system whilst also ensuring development comes forward at a faster rate. The 'Threshold' approach does not set a new target for affordable housing, instead it identifies the point at which the approach to the submission of viability information changes.

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

*The 'Threshold' approach within the Whitehouse Street Framework area is time limited until 31 December 2024.

Further detail on all application processes is provided in section 4.

3.3 Approach to developer subsidy

The developer is expected to provide affordable homes on site **without any public subsidy** in line with the Council's affordable housing policy and the Homes England [Capital Funding Guide](#). The developer will subsidise the delivery of affordable housing, secured through a Section 106 agreement, as follows:

- Where an affordable home is to be transferred to a Registered Provider the developer subsidy will be equivalent to the funding gap between the value of the unit for market sale and the amount paid by a Registered Provider to secure the unit.
- Where an affordable home is provided as a First Home the developer subsidy will be equivalent to the discount on the market value of the unit.
- Where an affordable home is provided as an Affordable Private Rent (APR) unit the developer subsidy will be equivalent to the discount² on the market rent of the unit in perpetuity.

3.4 Approach to public subsidy

The Council and Homes England require that all affordable housing secured from private development through Section 106 agreements be delivered without public subsidy. Where affordable housing requirements have been satisfied the Council will consider the use of public subsidy as follows:

- Where the applicant has offered either the 'fully compliant policy' level or the 'Threshold' level of at least 20% affordable housing within relevant areas under policy BCS17 and this has been

² APR rentals should be inclusive of all eligible service charges and capped at Local Housing allowance (LHA) levels.

agreed by the Council and secured through a Section 106 agreement, the applicant's selected Registered Provider will be eligible to seek funds for additional affordable homes from Homes England.

- In cases where the applicant has offered a level of affordable housing below the policy target percentage and this has been validated, agreed by the Council, and secured through a Section 106 agreement, the use of public subsidy will be encouraged to address any shortfall against policy targets.
- Where a development is being brought forward for 100% affordable housing by a Registered Provider the use of subsidy will be supported for all units. In such cases the Section 106 agreement will include a twin-track approach which ensures a minimum policy compliant provision is secured subsidy free if the site does not come forward for 100% affordable housing.
- Where a Registered Provider acquires a site with an existing planning permission the Council will work with the Registered Provider to vary the terms of the Section 106 agreement to secure subsidy for all units.

Bristol City Council Affordable Housing Funding Programme (BCC AHFP)

The Council may provide capital support for additional affordable housing subject to the availability of funding. BCC AHFP is intended as a 'gap funder' to support targeted areas of housing delivery. It may also be used where a subsidy gap exists once all other measures to secure funding have been exhausted or to reduce the reliance on other public subsidy. Funds will be allocated through specific time-limited bid rounds.

3.5 Approach to affordable housing tenure

The Councils preferred tenure mix is 75% Social Rent and 25% Affordable Home Ownership³. Under Affordable Home Ownership, the Council will accept affordable housing offers comprising First Homes or Shared Ownership units. Whilst Shared Ownership is the Council's preferred route to Affordable Home Ownership this would not preclude consideration of proposals for First Homes.

The Council may also accept other affordable housing tenures where these are justified by particular local needs or circumstances and consistent with national policy.

Descriptions of all affordable housing tenures accepted by the Council are set out below. The national policy definitions are provided within Annex 2 of the [NPPF](#) and the [Written Ministerial Statement](#) on First Homes.

Council's preferred tenures:

1. **Social Rent:** Affordable homes with guideline target rents set in accordance with the Government's rent policy for Social Rent. Social Rent and housing related service charges should not exceed [Local Housing Allowance](#) (LHA) limits at first let.
2. **Shared Ownership:** Affordable homes provided on a part sale/part rent basis. The shared owner buys a percentage share of the property funded by a mortgage and deposit. The remaining equity share is retained by the provider who charges a subsidised rent on it.

³ The tenure mix takes into account the national policy requirement that a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes.

The Council does not expect the rent charged on the unsold equity to exceed 1.5%. Whilst developers and providers should assume a 40% initial equity sale for financial appraisal/viability testing purposes, the homes will be sold in accordance with prevailing Homes England guidance and model lease agreements. This ensures that the equity sale percentage is set at an affordable level for the purchaser.

Other tenures accepted by the Council:

- **First Homes** Discount market homes sold by a developer at a minimum 30% discount retained in perpetuity for future first time buyers. Household income should be no more than £80,000 and the discounted price of the home cannot exceed £250,000.

Further information on First Homes is provided in the Council's Practice Note [Delivery of First Homes in Bristol](#).

- **Affordable Rent:** Affordable homes let at below market rent by a Registered Provider. National policy sets rent levels at up to 80% of local market rent (inclusive of service charges).

In Bristol there is an expectation that affordable rents should not exceed (LHA) limits (or any subsequent capping mechanism the Council may introduce to ensure the affordability of rents) at the letting of a new tenancy and that all rents should rise in accordance with the national rent regimes established by Government.

- **Affordable Private Rent:** Affordable homes let at below market rent by non-Registered Provider partners as part of Build to Rent developments. National policy sets rent levels at up to 80% of local market rent (inclusive of service charges).

Consistent with Bristol's approach to Affordable Rent no affordable private rents should exceed (LHA) levels (or any subsequent capping mechanism the Council may introduce to ensure the affordability of rents) at the letting of a new tenancy and rents should rise in accordance with the national rent regimes established by Government. Rents should also include all eligible service charges.

Further information on Affordable Private Rent is provided in the Council's Practice Note [Delivery of Affordable Build to Rent Homes in Bristol](#).

Smaller sites and First Homes

Where the developer is unable or unlikely to reach an agreement with a Registered Provider for the transfer of Social Rent and Shared Ownership units the developer should contact the Council at the earliest opportunity to discuss an alternative affordable housing tenure mix. This may occur on smaller sites where few affordable homes would be delivered and interest from Registered Providers is low. Where such circumstances are demonstrated the Council would accept an affordable housing contribution comprising 100% First Homes alongside a financial contribution to compensate for the loss of Social Rent units. The financial contribution would be equivalent to the loss in developer subsidy as a result of providing First Homes in place of Social Rent units. The calculation for the financial contribution is set out in section 4.4.

3.6 Approach to service charges

To ensure affordability of homes in Bristol the Council has set a service charge cap for general needs housing.

The service charge is the amount payable on an affordable housing unit in addition to the rent/mortgage due. It should include all estate management charges, ground rents, services, repairs, regular and cyclical maintenance of communal areas such as cleaning and grounds keeping, and the insurance of the building. Contributions to [sinking funds](#) may be charged additionally to service charges. Such charges should only be made to recover the costs of replacing items or areas of a building at their expected 'end of life' as part of programmed repairs for that building.

To ensure the relative affordability of units total service charge costs should not exceed £650 per annum for an affordable unit. The service charge cap is benchmarked at 2018 and can be increased annually in line with [CPI](#). The total costs of rent and service charges for all affordable units should not exceed [Local Housing Allowance](#) levels at each letting.

Early consultation is recommended with the [Strategy and Enabling team](#) to minimise high service charge costs.

Where schemes are unable to remain within the cap as a result of increased development costs⁴ requests to raise the cap level can be made to the [Strategy and Enabling team](#). These will be reviewed on a case-by-case basis and should be requested as early as possible in the development process.

Developers or development management companies should not make profit on service charges and should only charge costs that are reasonable for the services they deliver.

General exemptions to service charge cap

- Service charges for specialist and supported housing e.g. extra-care housing.
- Sinking charges for affordable home ownership.
- Service charges relating to 'Lifestyle'⁵ which are not [eligible for Universal Credit](#) (relevant to Affordable Private Rent).

Service charge guidance is available on request from the [Strategy & Enabling team](#).

3.7 Approach to property size and accessibility

Bristol Local Plan policy [BCS18: Housing Type](#) expects residential developments to provide a mix of housing types and sizes to help support the creation of mixed, balanced and inclusive communities. The policy also expects residential developments to provide sufficient space for everyday activities and to enable flexibility and adaptability by meeting appropriate space standards. The Council's [Space Standards Practice Note](#) provides further information on the implementation of policy BCS18 including the application of the [Nationally Described Space Standard](#) (NDSS).

⁴ Increased costs may arise as a result of additional requirements sought through the planning process or the delivery of complex sites.

⁵ This could include but not be limited to: gyms, individual living expenses and other non-essential service elements.

A range of different sized properties, including 1 bed 1 person units are identified in the NDSS. However, Registered Providers have particular preferences over the size of accommodation that is needed and delivered. In most circumstances this will not include smaller units of accommodation such as studio flats or other 1 bed 1 person units. Developments providing affordable housing should therefore have regard to these preferences when determining the size of units provided. These are set out in table 1 below.

Table 1: Registered Provider minimum property size preferences for affordable housing

Tenure	Studios	1 Bed	2 Bed	3 Bed	4 Bed
Social Rent, Affordable Rent		2 person	4 person	5 person	6 person
Shared Ownership		2 person	3 person	5 person	6 person
First Homes		2 person	3 person		
Affordable Private Rent	1 person	2 person	3 person		

Bristol Local Plan policy [DM4: Wheelchair Accessible Housing](#) seeks 2% of new housing within residential developments of 50 dwellings or more to be designed to be wheelchair accessible or easily adaptable for residents who are wheelchair users. The policy is interpreted by reference to [Building Regulations Approved Document M: Access to and use of buildings - Volume 1: Dwellings - Optional requirement M4\(3\): Category 3 - Wheelchair user dwellings](#). Further details on the application of the policy are set out in the Council's [Government's Housing Standards Review: Operation of Bristol Local Plan Policies Practice Note](#).

Given the need for more accessible homes and in particular the high demand for affordable housing from households with disabilities the approach set out under policy DM4 should be applied as a minimum having regard to the accessibility recommendation set out in the [Urban Living Supplementary Planning Document](#) (SPD)⁶. This recommends that 90% of new build housing meet Building Regulation requirement M4(2) 'Accessible and adaptable dwellings' with the remaining 10% meeting Building Regulation M4(3) 'Wheelchair user dwellings'.

The Council expects developers to design homes to be tenure blind. This ensures that affordable homes cannot be distinguished from market homes in terms of quality of materials, finishes and design.

⁶ The Council is seeking to deliver higher accessibility standards for new homes and encourage developers to widen and increase provision above the current policy level. Housing accessibility is a material consideration in decisions on planning applications. Having regard to evidence on the need for higher levels of accessibility in new homes and in particular affordable homes the Council will aim to set higher accessibility standards in the new Local Plan.

4. Process for delivering affordable housing in Bristol

The applicant should follow the relevant application processes set out below for all affordable housing delivered in accordance with the Local Plan policies set out in section 2.2.

4.1 Pre-application process

Applicants are encouraged to seek advice on the affordable housing requirement at the pre-application stage. This enables applicants to better accommodate the percentage and mix of affordable housing required and to make proper financial provision for its delivery before entering into financial or legal commitments for the site.

Advice should be sought from the Council's [Strategy and Enabling team](#) at the same time as submitting a pre-application enquiry. The team will provide a *Summary of Affordable Housing Requirements* to the applicant detailing the tenure mix, type, size and standards of affordable housing required.

4.2 Planning application process

Application validation

To make a 'valid' planning application developers are requested to comply with the Council's published [Planning Application Requirements Local List](#). Any application submitted that is not considered to be 'valid' does not commence its statutory period for a decision until the outstanding information is supplied.

In accordance with the Planning Application Requirements Local List all applications for residential or mixed use development providing 10 or more dwellings that are subject to the Council's affordable housing policy will include the submission of an 'Affordable Housing Statement'. The content of the Statement is set out in Part 2 of the Local List and is reproduced at Fig. 2 below

Fig. 2: Content of Affordable Housing Statement

Affordable Housing Statement

All proposals for 10 or more dwellings require an element of affordable housing to be provided. If policy compliant affordable housing is not being proposed this needs to be clearly identified at the outset of the planning application process. The justification for below-policy provision of affordable housing needs to be provided before a planning application is validated and this information will be uploaded to the BCC website, along with the other documents submitted in support of an application. The Affordable Housing Statement shall include the following:

Affordable Housing

- The number of proposed units that fall into the council's definition of Affordable Housing.
- The type of affordable housing being proposed (Social Rent, Shared Ownership etc.).
- Plans showing the location of affordable housing units, the type of affordable housing, and the number of bedrooms for each unit.
- Where below-policy affordable housing is being proposed, the Affordable Housing Statement shall be accompanied by a full, unredacted viability appraisal of the proposed development.

All Types of Housing

- The total number of residential units.
- The mix of units, with numbers of habitable rooms and/or bedrooms, or the floor space of habitable areas of residential units.

In addition to the Affordable Housing Statement applicants are encouraged to submit further information, where relevant, as follows:

Affordable Housing

- Where First Homes are proposed the sales values for each house type/size, carried out by a RICS qualified valuer, should be identified.
- A schedule of all affordable units proposed including details on tenure, bedroom and property size (in square metres), floor level and plot number.

All Types of Housing

- The size of each unit (in square metres) and whether it is compliant with the [Nationally Described Space Standard](#).
- The Building Regulations accessibility standard proposed for each dwelling e.g. M4(1), M4(2), M4(3).

Application process: The 3 routes

The application process will depend on the affordable housing offer proposed. The three routes available to applicants are set out below. A flow-chart of the process for each route is provided at Appendix 2.

Route 1: Fully policy compliant scheme (Policies BCS17 and DM3)

Where the applicant's affordable housing offer meets policy requirements in full and the affordable housing tenure mix proposed is consistent with the Council's approach to tenure (as set out in section 3.5) the applicant will not be required to submit a viability appraisal. The Council requires the applicant to enter into a Section 106 legal agreement and expects the affordable housing to be delivered without public subsidy and provided on site.

The Council will provide an effective application process by encouraging the use of Planning Performance Agreements (PPA's) and a model Section 106 agreement.

In some circumstances, the affordable housing requirement can be met through a financial contribution either fully or in part. Further detail on financial contributions is set out in section 4.4.

Route 2: 'Threshold' compliant scheme - 'Fast-track' (Policy BCS17)

Where the applicant's affordable housing offer meets a 'Threshold' of at least 20% affordable housing within the city's Inner West and Inner East zones and within the [Whitehouse Street Regeneration Framework](#) area* the offer will not be subject to viability testing at the application stage provided that:

- The offer is made without public subsidy;
- The affordable housing tenure mix is consistent with the Council's approach to tenure (as set out in section 3.5);
- The proposals meet other requirements and obligations set out in the Local Plan to the satisfaction of the Council;
- The applicant agrees at an early stage in the application process to commence the development within 18 months of any permission being granted.

If no confirmation of commencement of the development of the scheme has been received within 18 months of the date of planning permission then viability testing will be undertaken in accordance

The Council requires the applicant to enter into a Section 106 legal agreement to secure the above provisions and expects the affordable housing to be delivered without public subsidy and provided on site.

The Council will provide an effective application process by encouraging the use of Planning Performance Agreements (PPA's) and a model Section 106 agreement.

In some circumstances, the affordable housing requirement can be met through a financial contribution either fully or in part. Further detail on financial contributions is set out in section 4.4.

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

*The 'Threshold' approach within the Whitehouse Street Framework area is time limited until 31 December 2024.

Route 3: Non-compliant scheme (Policies BCS17 and DM3)

Where the applicant's affordable housing offer does not meet policy requirements or does not meet the 'Threshold' of at least 20% affordable housing within relevant zones under policy BCS17 then a viability appraisal will need to be submitted with the application. Viability testing will be undertaken in accordance with the approach set out at section 4.3 below.

Following testing if the applicant's affordable housing offer is validated and agreed with the Council, the Council will require the applicant to enter into a Section 106 legal agreement and expects the affordable housing to be delivered without public subsidy and provided on site. The legal agreement will also include the following provisions:

- The applicant agrees to commence the scheme within 18 months of the permission being granted. If no confirmation of the start date has been received within 18 months of the date of planning permission then viability testing will be undertaken in accordance with the approach set out at section 4.3 below.
- Further viability testing will be undertaken at an agreed point in the development programme in accordance with the approach set out at section 4.3 below.

A model Section 106 agreement can be provided.

In some circumstances, the affordable housing requirement can be met through a financial contribution either fully or in part. Further detail on financial contributions is set out in section 4.4.

4.3 Viability testing process

The Council expects affordable housing delivery to be maximised through private development. To support this aim viability testing, where required, will be undertaken at the application stage and over the period of the development. This continuous testing can:

- Address the economic uncertainties which may arise over the lifetime of a development proposal and can incentivise the prompt implementation of schemes.
- Ensure that the level of affordable housing secured from private development properly reflects increases in the value of a development from the date of planning permission to specific stages of the development programme. Affordable housing contributions will be increased if viability improves over time.

Where testing is required the applicant must agree to all the Council's and the Council Valuer's reasonable costs for assessing the viability of the development and validating the applicant's position.

Table 2 below identifies for each of the application routes the trigger mechanism for viability testing and the viability test type.

Table 2: Viability test triggers

Application Route	Trigger for viability test	Test Types
Route 1 Fully policy compliant scheme	N/A	No viability test required
Route 2 'Threshold' compliant scheme - 'Fast-Track'	No confirmation of development start date within 18 months of permission granted	'Early stage' viability testing Viability appraisal submitted within 4 weeks following expiry of 18 month period
Route 3 Non-compliant scheme	Below policy offer made at application stage	'Advance' viability testing Viability appraisal submitted at application submission stage
	No confirmation of development start date within 18 months of permission granted	'Early stage' viability testing Viability appraisal submitted within 4 weeks following expiry of 18 month period
	Scheme implementation/occupation reaches an agreed point.	'Late stage' viability testing Viability appraisal submitted when scheme implementation/occupation reaches an agreed point

The form and content of viability appraisals, further detail on the viability test types, and the Council's approach to the validation of the viability appraisal are set out as follows:

Viability appraisal form and content

All viability appraisals submitted to the Council as part of a planning application will be published in a full unredacted version on the Council's Website.

Viability Appraisals must be undertaken in accordance with the principles set out in the following:

- [National Planning Policy Framework](#);
- [National Planning Practice Guidance on Viability](#);
- [RICS Professional Statement "Financial Viability in Planning: Conduct and Reporting" \(May 2019\)](#);
- [RICS Guidance Note "Assessing viability in planning under the National Planning Policy Framework 2019 for England" \(March 2021\)](#).

Viability test types and process

Advance viability testing

Route 3 applications will be subject to viability testing immediately following validation of the planning application. The Gross Development Value and costs must be current at the time of submission of the viability appraisal.

Early-stage viability testing

Route 2 and 3 applications will be subject to viability testing if the development is not commenced within 18 months of the date that planning permission is granted. Evidence of commencement will take the form of a commencement date identified in a Community Infrastructure Levy (CIL) Commencement Notice. The Council must receive this notice at least one day before development is due to commence. The viability appraisal must be submitted within 4 weeks from the date of expiry of the 18-month period.

For route 2 applications the Gross Development Value and costs must be current at the time of submission of the viability appraisal.

For route 3 applications the Gross Development Value and costs submitted as part of the original viability appraisal ('Advance' viability testing) will be compared against inputs in the updated viability appraisal ('Early stage' viability testing). All inputs must be current at the time of submission.

The Council expects that in most cases any uplift in affordable housing identified through early-stage testing will be accommodated on site.

The minimum level of affordable housing should be that offered and agreed as part of the original planning permission.

Late-stage viability testing

Route 3 applications will also be subject to viability testing at an agreed point in the development programme. The agreed point is set out in the Section 106 Agreement and is normally towards the end of the construction phase.

The Gross Development Value and costs will be based on actual values achieved and costs incurred in the development. Gross Development Value and costs submitted as part of the original viability appraisal ('Advance' viability testing) will be compared against inputs in the updated viability appraisal.

The Council expects that in most cases any uplift in affordable housing identified through late-stage testing will take the form of a financial contribution towards off-site affordable housing provision.

The minimum level of affordable housing should be that offered and agreed as part of the original planning permission.

Viability appraisal assessment process

Where a viability appraisal is submitted the assessment process set out below should be followed.

As soon as reasonably practical after the viability appraisal is received the Council will commission a consultant from its Viability Panel to assess the appraisal on the Council's behalf. Assessment will not commence until any inconsistencies⁷ identified by the Council have been resolved.

The Council will require a report to be provided as part of the commission, normally 6 weeks after the commission date. If the consultant requires further information or clarification from the applicant then this timescale may be extended. The commission will allow for a meeting between the Council's consultant and the applicant's consultant.

The Council will forward the report to the applicant. If there are areas of dispute the Council's consultant will liaise with the applicant's consultant in order to seek resolution and agreement on disputed areas.

If agreement cannot be reached independent arbitration will be offered. Areas of dispute will be referred to a third party RICS practitioner to make an independent determination. Any revised inputs will be inserted into the viability report to enable an assessment of scheme viability to be made.

The arbiter would be jointly commissioned by the Council and the applicant and their costs apportioned equally irrespective of outcome.

4.4 Financial contributions

The circumstances where financial contributions will be accepted and how they are calculated are set out below.

Financial contributions for smaller sites

Policy DM3: *Affordable Housing Provision: Smaller Sites* makes provision for a financial contribution towards affordable housing on smaller sites of 10 to 14 dwellings where it is not practical to deliver affordable units on site. The financial contribution is calculated as if the unit is to be provided on site. For Social Rent the amount per unit is equivalent to the difference between the market value of the unit and the amount a Registered Provider would pay for that unit based on the *Summary of Affordable Housing Requirements* for that site. For First Homes the amount per unit is equivalent to the percentage discount on the market value. The amounts are multiplied by the number of units sought (whole or fraction), based on the policy target percentage, to calculate the total contribution. Example calculations are provided at Fig. 3 based on single tenure provision.

Fig. 3: Example calculations of financial contributions

Affordable Housing:	14 unit scheme: Bristol Inner West (policy DM3 applies)
Target Level	14 x 20% = 2.8 units
Affordable Housing:	Social Rent only
Summary of Requirements	(2 bed 4 person flat)
Calculation (see notes below)	= 60% of market value multiplied by no. of units = (£240,000 x 0.6) x 2.8 = £403,200

⁷ This may include a different Gross Internal Area (GIA) figure in the appraisal to that contained in the planning application form, the CIL questions form or other documents supporting the application.

Market Value:	As identified in the viability appraisal or as agreed with the council. Market value in this example = £240,000
RP Payment:	To be determined on a site-by-site basis. The council will expect a RP to offer 40% of market value in Inner East and Inner West Bristol and 50% of market value in all other areas of the city. Contributions will be based on 60% of market value in Inner East and Inner West Bristol and 50% of market value in all other areas of the city. Where a RP offer for affordable dwellings on the relevant site has been received the offer price will be the RP payment.

Affordable Housing:	14 unit scheme: Bristol Inner West (policy DM3 applies)
Target Level	14 x 20% = 2.8 units
Affordable Housing:	First Homes only
Summary of Requirements	(2 bed 4 person flat)
Calculation (see notes below)	= 30% of market value (multiplied by) no. of units = (£240,000*0.3) x 2.8 = £201,600
Market Value:	As identified in the viability appraisal or as agreed with the council. Market value in this example = £240,000
First Homes Payment:	To be determined on a site-by-site basis. First Homes will be sold at 70% of market value. Contributions will be based on 30% of market value in Bristol.

Financial contributions - Smaller sites and First Homes

On smaller sites where First Homes are delivered in place of Social Rent units a financial contribution equivalent to the loss in developer subsidy is also sought (see section 3.5). This is calculated by deducting the financial value of the developer subsidy required to deliver the First Homes from the subsidy that would have been required to deliver the Social Rent units. Using the method and figures set out at Fig.3 above the financial contribution would be:

$$\begin{aligned}
 & \text{£403,200 (Developer subsidy for social rent)} \\
 & - \text{£201,600 (Developer subsidy for First Homes)} \\
 & \hline
 & = \text{£201,600 (Loss in developer subsidy payable as a financial contribution)}
 \end{aligned}$$

Other off-site contributions (commuted sums)

Policy BCS17: *Affordable Housing Provision* expects affordable housing to be provided on site for developments of 15 dwellings or more. However, off-site contributions that are compliant with the NPPF⁸ will be accepted in the following circumstances:

- Where a site is unable to offer housing that meets the requirements of a Neighbourhood Plan or Supplementary Planning Document.
- Where the council has an overriding need to safeguard or provide affordable housing elsewhere in the city to meet other strategic housing objectives or Neighbourhood Plan requirements.
- Where the amount of affordable housing calculated results in a fraction of a unit this fraction

⁸ Paragraph 62 of the NPPF expects affordable housing to be delivered on-site unless off-site provision or a financial contribution in lieu can be robustly justified, and the agreed approach contributes to the objective of creating mixed and balanced communities.

should be provided as a commuted sum or otherwise rounded up to the next whole number and provided on-site. The commuted sum will be based on the developer subsidy of a Social Rent unit.

The commuted sum is calculated in the same way as the financial contribution for smaller sites as set out in Fig.3 above.

4.5 Enabling fees

An Enabling Fee (subject to review) will be payable when each affordable home is substantially completed. These fees are designed to maximise affordable housing delivery in the city by assisting affordable housing providers with enabling support, including support on planning, property and highway issues.

In 2023/24 a fee of £570 per affordable home will apply and will increase periodically. The fee is paid to the Council by the affordable housing provider on substantial completion of each affordable home delivered in the city. The fee applies to Social Rent, Affordable Rent, Intermediate Rent and other Intermediate affordable housing tenures. The fee will also apply to affordable housing that is re-provided or remodelled.

4.6 Allocations, lettings & sales

General needs affordable rented homes delivered will be allocated through the Council's 'HomeChoice' housing register (or any subsequent system for allocating affordable homes in the city). Sustainable Lettings Plans (formerly known as Local Lettings Plans) and specialist allocations will be supported in accordance with the Council's Housing Allocations Scheme. This will be secured through the Section 106 agreement.

There is an expectation that Shared Ownership homes delivered without subsidy in the city will be sold to people with a local connection. The local connection criteria that will apply are set out in the Council's [HomeChoice allocations policy](#) (section 3.2b).

Appendix 1: Local Housing Needs Assessment and housing zone profiles

The 2021 [Local Housing Needs Assessment](#) (LHNA) identifies the overall need for affordable dwellings (including affordable home ownership products) in Bristol from 2020 to 2040 as 22,261 dwellings. This includes a need for larger houses as well as flats. An extract from the LHNA's analysis for Bristol is reproduced below.

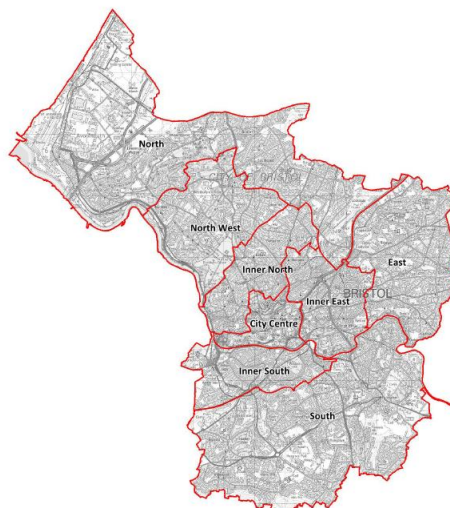
BRISTOL

Figure 145: From Figure 103 - Overall need for Market and Affordable Dwellings in Bristol 2020-40 (including affordable home ownership products) by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

BRISTOL 2020-40		Affordable Housing Need			Total Affordable Housing	Total Market Housing	Total Housing
		Unable to Afford Market Rent		Affordable Home Ownership			
		Social rent	Affordable Rent				
Flat	1 bedroom	2,199	255	3,493	5,947	4,690	10,637
	2+ bedrooms	2,074	499	1,357	3,930	10,209	14,139
House	1-2 bedrooms	1,294	291	2,139	3,723	4,050	7,773
	3 bedrooms	3,675	1,215	1,577	6,468	19,498	25,966
	4 bedrooms	1,185	327	225	1,738	2,752	4,490
	5+ bedrooms	336	93	26	455	46	501
TOTAL HOUSING NEED		10,764	2,679	8,818	22,261	41,244	63,505
Dwellings for Institutional Pop		-	-	-	-	415	415
LHN		10,764	2,679	8,818	22,261	41,659	63,920

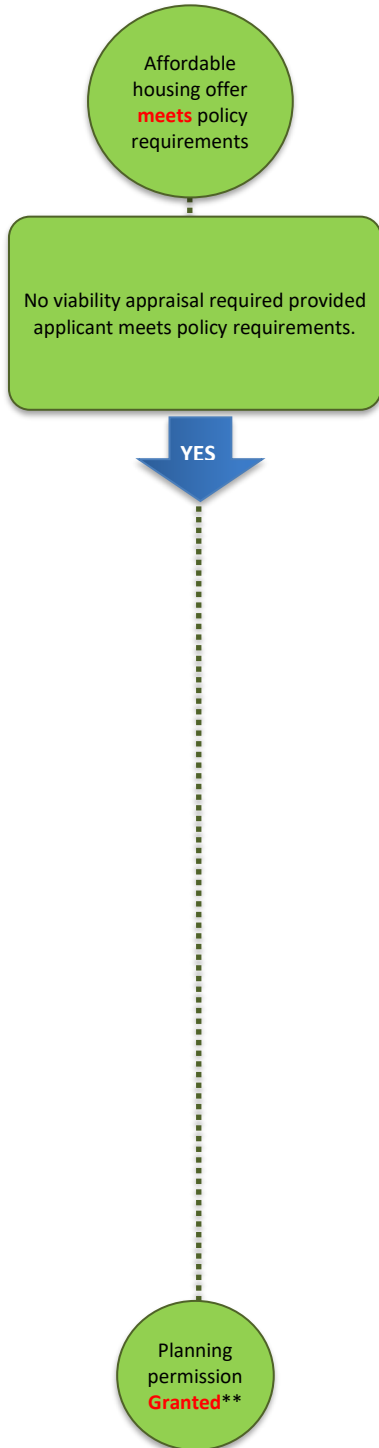
Housing zone profiles

The LHNA is one information source on affordable housing need for Bristol and provides information at a city-wide level. The Council has also carried out more detailed analysis of housing demand, bidding activity and new supply using information from the HomeChoice housing register and pipeline supply data. It has developed profiles of the preferred mix of new affordable homes to be delivered for each of 8 areas of the city. These are based on different city zones as indicated on the map below (the map is a refinement of the planning zones found on p.4). For each zone information can be requested from the Council's [Strategy and Enabling team](#)

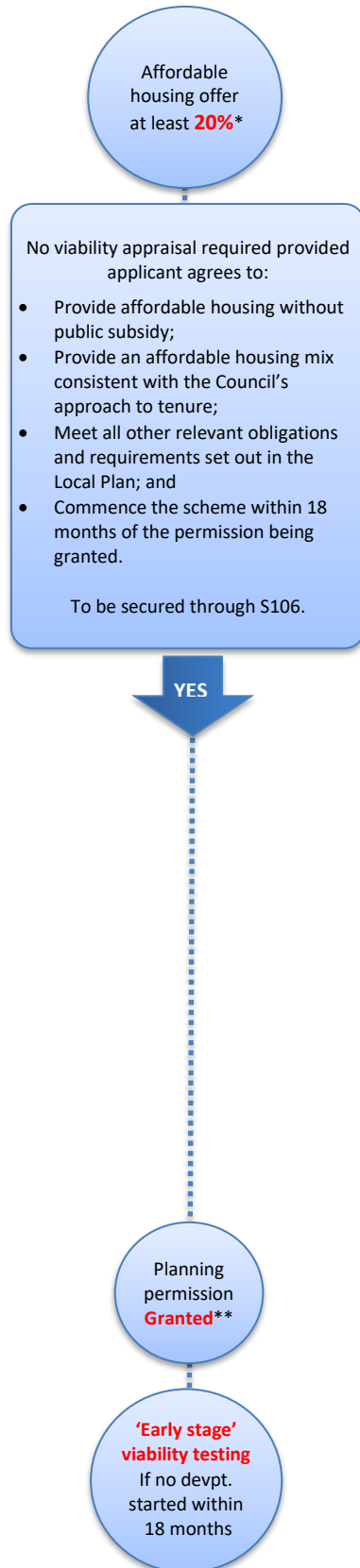


Appendix 2: Application process

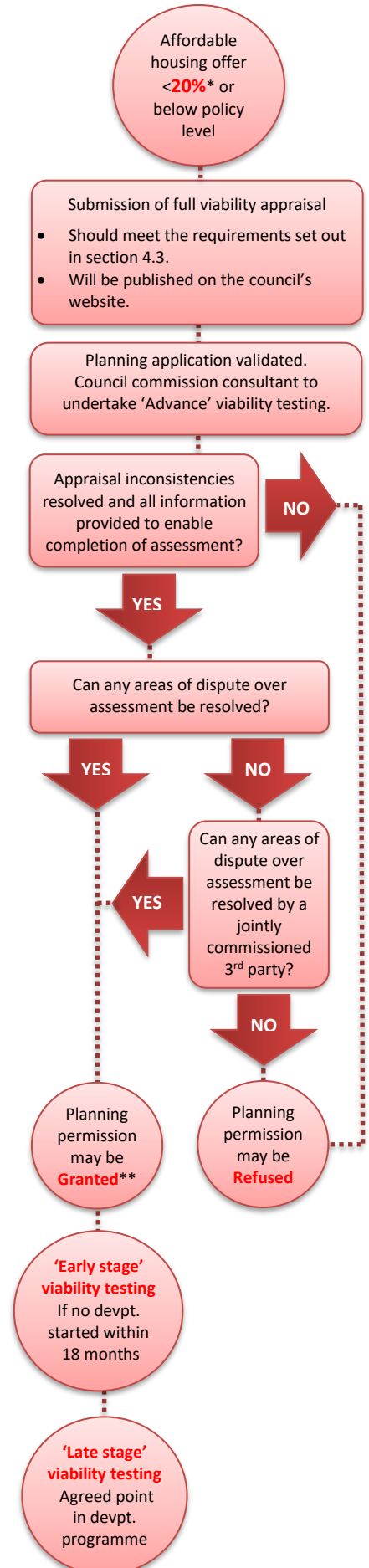
Route 1: Fully policy compliant scheme



Route 2: 'Threshold' compliant scheme



Route 3: Non-compliant scheme



*under policy BCS17 and within the city's Inner West and Inner East zones (see Fig. 1) and within the Whitehouse Street Regeneration Framework area.

** Provided proposal meets all other relevant policy requirements and obligations set out in the Local Plan.