

Cotswold District Local Plan 2018 – 2031 Update

Town and Country Planning (Local Planning) Regulations 2012

Regulation 18 “Issues and Options” consultation/participation

Evidence Paper: Housing Affordability

1. Introduction

- 1.1 Cotswold District has an acute housing affordability issue. This means that many people, particularly younger people, are unable to afford a home close to where they work, grew up or have a close connection to. The district also has an aging population and if young people are unable to live here, this issue is exacerbated. The housing affordability issue is increasingly having a harmful impact on the local economy and the viability of some services. Furthermore, it is linked to the district’s high in-commuting rate.
- 1.2 This topic paper does not attempt to provide set options to choose between. Instead, it seeks to open a conversation by highlighting some causes of the housing affordability issue, what the Local Plan is currently doing to address the problem, and it puts forward some possible solutions on what more can be done. It invites critique on what may or may not work, as well as ideas on further policy updates and initiatives that can help to boost the supply of affordable housing and improve housing affordability in the District.

2. Objectives

- 2.1 Local Plan objective 2(a) aims, “through establishing the District’s OAN for the Plan period and allocation of land, provide an adequate supply of quality housing, of appropriate types and tenures, to at least meet objectively assessed needs.” This objective remains sound but the housing affordability issue is such that the revised Local Plan needs to go further.
- 2.2 Separate topic papers have been written for Health, Social and Cultural Wellbeing, as well as Transport. These demonstrate that the idea of simply building more affordable housing in isolated locations is not a good one. People who need affordable housing are often the least able to afford the private transport that can otherwise be needed to access services in a rural district like Cotswold. Good access to services is also intrinsically linked to peoples’ health and wellbeing. A reliance on private automobiles also goes against the Council’s response to the climate change emergency. So we need to build communities, not isolated developments.
- 2.3 A new objective is proposed, which is to “Provide opportunities for local communities to access high quality affordable and low cost housing together with community facilities and services”.

3. NPPF, NPPG and other material considerations. Discussion Point: this could include the Corporate Plan?

- 3.1 The NPPF requires strategic policies to set out an overall strategy for the pattern, scale and quality of development, and make sufficient provision for affordable housing¹. Local Plans should also set out the level of affordable housing required². Additionally, Local Plans need to set out the size, type and tenure of housing needed for different groups in the community including those who require affordable housing³.
- 3.2 Strategic policies should also be informed by a local housing need assessment to determine the minimum number of homes needed⁴. The PPG for housing and economic development needs assessments provides the methodology for this⁵.
- 3.3 NPPF paragraphs 62-64 explain that planning policies should expect affordable housing to be provided on site whilst creating mixed and balanced communities. There is an expectation that affordable housing should not prejudice development viability and some types of development are exempt from providing affordable housing.
- 3.4 Planning policies should also support entry-level exception sites suitable for first time buyers or people wishing to rent their own home. These sites should be on land not already allocated for housing. They should comprise entry-level homes that offer one or more types of affordable housing and should be adjacent to existing settlements but proportionate in size to them. They also must not be located inside Areas of Outstanding Natural Beauty⁶.
- 3.5 Planning policies in rural areas such as Cotswold District should also support opportunities to bring forward Rural Exception Sites that will provide affordable housing to meet identified local needs⁷. In some circumstances, allowing some market housing on these sites might be acceptable to facilitate this.
- 3.6 Annex 2 of the NPPF (2019) introduced a new affordable housing definition. This now includes affordable housing for rent; starter homes; discount market sales housing; and other affordable routes to home ownership. As of the end of June 2021, planning policy changes also require councils and applicants to take account of a new form of affordable housing for first-time buyers. NPPF Annex 2 also provides a definition of Rural Exception Sites.

4. Background evidence and Sustainability Appraisal – setting out the issues

- 4.1 Housing affordability is measured as a ratio between average house prices and average earnings. The District's affordability ratio is significantly higher than that of any surrounding local authority, Gloucestershire, the South West region and England⁸. Housing affordability in

¹ NPPF (2019) paragraph 20.

² NPPF (2019) paragraph 34.

³ NPPF (2019) paragraph 61.

⁴ NPPF (2019) paragraph 60.

⁵ <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments> and <https://www.gov.uk/guidance/housing-needs-of-different-groups>

⁶ NPPF (2019) paragraph 71.

⁷ NPPF (2019) paragraph 77.

⁸ Office for National Statistics: Ratio of median house price to median gross annual (where available) workplace-based earnings by local authority district, England and Wales, 1997 to 2019

the District has continued to worsen for the past 20-years but even more so than most surrounding authorities.

Ratio of median house prices to median gross annual workplace based earnings (2019)			
England	7.3	Wiltshire	9.6
South West	8.9	Wychavon	9.6
Gloucestershire	8.5	Forest of Dean	9.4
Gloucester	6.9	Cheltenham	8.7
Cotswold	13.5	Stroud	8.7
West Oxfordshire	10.4	Tewkesbury	8.1
Stratford-on-Avon	11.3	South Gloucestershire	7.6
Vale of White Horse	9.6	Swindon	8.8

- 4.2 The Sustainability Appraisal identifies that although the District scores well on most Indices of Deprivation compared to other areas, there are pockets of social and economic deprivation. Furthermore, around 9% of the District's households live in 'fuel poverty'. This is linked to housing affordability, particularly with rented accommodation.
- 4.3 The District's average household size in 2021 is 2.28 people per house but this is set to decrease to 2.18 by 2041. This pattern of decreasing household size is similar to Gloucestershire and England. The issue is linked to the ageing population, so is more acutely experienced in Cotswold District.
- 4.4 The District has a higher proportion of detached houses than the national average but lower proportions of terraced houses and flats. It also has higher than average proportions of four and five bedroom houses than Gloucestershire and England but lower than average proportions of one and two bedroom houses. There is therefore a mismatch between what the market is offering and the smaller and typically more affordable homes that are needed to accommodate the District's smaller and decreasing average household size. Larger houses fetch higher profits and are therefore more popular with housebuilders, so there is also often a mismatch between the types of house needed and the houses that developers want to build.
- 4.5 In some instances, the Council receives a commuted sum from developers towards the delivery of off-site affordable housing. However, finding suitable sites for affordable housing has been difficult. The introduction of Local Plan Policy DS3 has resulted in sites in Non-Principal Settlements, which may previously have come forward as Rural Exception Sites, now coming forward as market housing. Furthermore, the 'hope value' of such sites now often extends above the maximum acquisition threshold for an affordable housing site.

- 4.6 Cotswold District has extremely high demand for housing. When the Government's 'Right to Buy' scheme was introduced, many social rented homes became privately owned. The district now has an extreme shortage of social-rented housing.
- 4.7 Social rented housing is genuinely affordable to occupants. However, at around 50% open market value in viability terms, social rented housing delivers a lower return to the developer than other affordable housing tenures. A balance has to be struck between delivering more social rented homes or more of the other types of affordable housing.
- 4.8 Housing delivery in the adopted Local Plan period has been front-loaded (i.e. the free market has delivered more houses earlier in the plan period than were required). Based on the current housing land supply as things stand, annual housing delivery rates over the remaining years of the Local Plan period (2011 - 2031) are expected to be lower than earlier in the plan period. The bulk of affordable housing delivery is on larger development sites. For these reasons, affordable housing delivery is also expected to decrease over the remainder of the plan period.
- 4.9 Unfortunately, the concept of building more and more houses to reduce house prices simply does not work, particularly in Cotswold District. There is much local evidence to support this⁹. The District has sustained a significant over-delivery of its housing requirement for many years running. Yet house prices have continued to increase and affordability has continued to worsen. The desirability of owning a home in the Cotswolds is such that simply building more housing has not solved, and will not solve, the affordability issue here.
- 4.10 There are multiple factors that affect affordability. These clearly show that this is a national housing issue. For example:
- land banking and hoarding value (i.e. land being used as a financial asset to increase share prices rather than to deliver housing) and developers purposefully 'drip-feeding' new homes into the market to ensure house prices remain high and maximum profits are made;
 - wages have not kept pace with house prices;
 - Right to Buy has extended well-beyond its original purpose and has left a shortage of social-rented housing nationally;
 - not enough social-rented housing has been built in recent years across the country;
 - both low interest rates and the increased ability of people being able to get a mortgage have fuelled an increase in house prices;
 - Stamp Duty holidays have fuelled increased demand for housing. With more money to spend on buying a home, house prices have risen; and
 - second home ownership and buy to let have removed housing from the market that could otherwise be made available to those who want to own just one home, and

⁹ For example, the District has maintained between a 6-7 year supply of housing sites since 2013. The district has also been within the top 10 authorities in the country for its Housing Delivery Test score since the test was introduced.

the resulting increased demand within a reduced pool of housing stock inflates house prices and worsens affordability.

- 4.11 The Covid-19 pandemic has further affected housing markets, particularly in Cotswold District. More flexible working practices and increased home working have meant that people are less tied to living close to their normal places of work, which are often located in urban areas. People can now live further afield and commute to work on a less regular basis. Added to this, the Covid-19 lockdowns highlighted the importance of having a garden or access to high quality open space. This has created a demand for larger houses with more living space, particularly space for a home office in a room that would normally be a bedroom. These factors, coupled with a relaxation of stamp duty, have created a so-called 'race for space' and a house buying boom in Cotswold District, which has put additional pressure on the existing housing stock.
- 4.12 Between June and November 2020, there were reportedly 1,636 agreed sales in the Cotswolds¹⁰. This is a 78% increase on the same period the preceding year. There has been a similar 41% uplift in agreed sales across the UK over the same period¹¹. This again shows how acute demand is making housing affordability worse, but even more so in Cotswold District. The long-term effects of Covid-19 on the housing market in Cotswold District are still panning out. The short-term impact of the pandemic has done nothing to improve the District's housing affordability situation.

5. Current Local Plan Policy

- 5.1 Local Plan Policy H2 identifies an affordable housing need of 157 (net) additional affordable homes a year for the period 2015-2031. To deliver this need, Local Plan Policy H2 seeks an affordable housing requirement on qualifying sites of up to 30% of new dwellings on brownfield sites and up to 40% of new dwellings on all other sites¹².
- 5.2 A technical summary of the District's affordable housing need and supply is provided in Appendix I. The Inspector of the adopted Local Plan concluded that the Local Plan affordable housing strategy was sound, which sought to deliver 64% of the District's affordable housing need over the plan period¹³. Since the Local Plan was adopted, the Council has sought to maximise affordable housing delivery. Based on completions and current supply it is estimated that 83% of the Local Plan affordable housing need will be delivered by 2031.
- 5.3 Cotswold District's affordable housing need has recently been reassessed¹⁴, although this requires examination in public and is not yet part of the adopted Local Plan. The need is estimated to be 1,249 affordable homes for the period 2021 to 2031 (average of 125 dwellings per annum). The current affordable housing supply for 2021 and 2031 is 941 dwellings, which is 75% of the need. This is higher than the percentage the Local Plan

¹⁰ According to estate agents Savills and consultancy TwentyCi

¹¹ Financial Times, December 2020

¹² All percentages calculated on the gross number of homes created

¹³ The adopted Local Plan affordable housing need is around 2,500 affordable homes for the period 2015 to 2031 (an average of 157 a year)

¹⁴ [Gloucestershire Local Housing Needs Assessment \(ORS, September 2020\)](#)

Inspector reasoned to be sound. However, the Council wants to go further, particularly with regard to delivering more social-rented housing.

- 5.4 Policy H3 specifies that in some circumstances, market housing might be acceptable to facilitate the delivery of Rural Exception Sites. However, monitoring of this policy has identified that market housing is often the starting point for negotiations on these sites, not the exception. Furthermore, very few Rural Exception Sites have come forward since the Local Plan was adopted.

6. Potential Policy Responses

- 6.1 Various Local Plan policy changes could help to deliver additional affordable homes, particularly social rented homes. There are also policy changes that could help to make other types of housing more affordable. The following is not an exhaustive list:

- Policy DS3 could include a prescribed accessibility to services test. Where the test is failed, development would only be permitted in exceptional circumstances. An exception would be proposals for Rural Exception Sites that accord with Local Plan Policy H3.
- Policies SI-S19 could be updated to include the allocation of 700-900 additional dwellings, which will likely be required to meet minimum housing needs and could provide additional affordable housing supply (note: this is again about trying to deliver more affordable homes to provide genuinely affordable, as opposed to simply building more market housing to reduce house prices).
- One of the determining factors in the choice of sites could be the number or type of homes / affordable homes that would be delivered. However, this has to be balanced against the need to prioritise the reuse of brownfield sites, where there would likely be a lower provision of affordable housing.
- Policy H1 could be updated to enable the delivery of a higher proportion of 1, 2 and 3 bedroom market houses, and fewer 4 and 5 bedroom houses. Smaller homes are generally more affordable. This would reduce the pressure on 'affordable housing' stock and rebalance the housing stock to better accommodate the needs of the District's population.
- Policy H2(1) states that "*all housing developments that provide 11 or more new dwellings or have a combined gross floorspace of over 1,000sq.m will be expected to contribute towards affordable housing*". So 10 dwelling developments currently do not require affordable housing. However, NPPF (2019) paragraph 63 and the PPG now refer to affordable housing not being sought for residential developments that are not major development. The new NPPF Glossary definition for major (housing) development is development of 10 or more homes, or sites with an area of 0.5 hectares or more. Policy H2(1) could be updated to reflect the national policy, which would reduce the affordable housing threshold from 11 to 10 dwellings.
- Local Plan Policy H2(2) requires an affordable housing contribution from developments of 6-10 homes in designated rural areas (i.e. AONBs). However, NPPF (2019) paragraph 63 states that policies may set out a lower threshold of 5 or fewer affordable housing units in designated rural areas. Policy H2(2) could be updated to

reflect national policy. Furthermore, additional analysis could be undertaken to establish whether a lower threshold is justified and deliverable.

- Policy H2(2) requires that qualifying developments in designated rural areas will make a financial contribution by way of a commuted sum towards the District's affordable housing need subject to viability. However, NPPF (2019) paragraph 62 and the supporting guidance no longer require that such contributions must be commuted sums. Policy H2(2) could be updated to expect affordable housing obligations to be met through on-site delivery.
- Policy H2(3) includes affordable housing percentage requirements for brownfield and greenfield sites. These could be adjusted upwards. However, this could affect the delivery of other types of infrastructure. A balanced strategy would be needed.
- Policy H2 could specify a required tenure split for social rented and other forms of affordable housing, which could be based on the needs identified in the Gloucestershire Local Housing Needs Assessment (ORS, September 2020).
- Policy H2 could increase the percentage discount for Discounted Sale Home Ownership (DSHO) housing. DSHO housing typically comes with a 30% Open Market Value discount, although even with this discount it is still unaffordable to most local prospective first-time buyers due to the district's high base house prices. The Council could increase the discount to 40% or 50%, even if this is just for First Homes. This would need to be balanced with whole-plan viability and scheme viability.
- Policy H2 could be updated to plug a loophole, whereby a developer may currently submit several smaller developments on a larger site, which in isolation would not exceed the affordable housing threshold, but cumulatively would require affordable housing.
- Policy H3 could include further clarity to explain that market housing will only be accepted on Rural Exception Sites in exceptional circumstances - for example, where all grant funding options have been exhausted and funding is either unavailable or is insufficient. Only then will cross-subsidy from market housing be considered.
- Policy H3 could be updated so that Rural Exception Site could also take consideration of the identified affordable housing need of neighbouring parishes, where site constraints allow and where the accessibility score of that site is greater than that of the adjoining parish. This could make better use of available land and opportunities to deliver affordable housing, whilst also helping to deliver sustainable development.
- Policy H3 could be updated to support 100% affordable housing sites, small or large, adjacent to the development boundaries of Principal Settlements within the AONB, providing the sites pass the same accessibility test that is proposed to accompany Policy DS3. Qualifying sites could be exempt from the requirement for a parish needs survey, which is otherwise be required by Policy H3.
- The Local Plan could include a policy that restricts second home ownership within new developments.

6.2 There are also some areas where further clarification could be provided to the Local Plan:

- Policy H2 includes an affordable housing definition, which is out of date. The NPPF affordable housing definition now includes affordable housing for rent, starter homes, discounted market sales housing and other affordable routes to home ownership (see NPPF Annex 2: Glossary). A further type of affordable housing was introduced in May 2021 - 'first homes'¹⁵.
- There is currently ambiguity about how Policy H2 should apply if a development of 5 or fewer dwellings, with a gross floorspace of over 1,000m², is proposed in a settlement in a rural area.
- H2(3i) and H2(3ii) refer to 30% of new dwellings gross and 40% of new dwelling gross respectively. This conflicts H2(1) and H2(2), which refer to a net increases. Removing this inconsistency would ensure that replacement dwellings are not included in the 30% or 40%.

6.3 In addition to changes made to the Local Plan policies, Cotswold District Council is also actively pursuing a partnership working approach with an affordable housing provider. This will take further control in proactively delivering the Council's corporate aim to build more affordable housing, particularly social rented housing.

¹⁵ [First Homes Guidance \(MHCLG, May 2021\)](#)

Appendix I: Technical explanation of affordable housing need and supply

The adopted Local Plan strategy seeks to deliver around 64% of the District's affordable housing need (approximately 100 affordable homes per annum against a need of 157 affordable homes per annum). The Inspector of the adopted Local Plan accepted that the affordable housing need could not be met in full. A balance had to be struck in order to achieve sustainable development with regard to delivering affordable housing and the need to protect the high quality built and natural environment and the need to avoid long distance commuting. The Inspector concluded that the Local Plan affordable housing policies were sound¹⁶.

Since the Local Plan was adopted, several additional years of monitoring data have become available. Between 2015 and 2021, the District delivered 1,145 affordable homes (an average of 191 affordable homes a year). This included 68 social rented homes (an average of 11 per year).

Between 2021 and 2031, developments with planning permission, remaining Local Plan site allocations, Rural Exception Sites and affordable homes delivered as windfalls are currently expected to deliver a net total of 941 additional affordable homes (an average of 94 per annum). Added to delivery since 2015, this provides a total of 2,086 affordable homes between 2015 and 2031 (130 affordable homes per year on average). This is over-delivery of the 100 affordable homes per annum figure, which the Local Plan Inspector considered to be a reasonable number of affordable homes over the plan period.

The Gloucestershire Local Housing Needs Assessment (ORS, September 2020) has recently reassessed the affordable housing need of Cotswold District. It identified an affordable housing need of 2,497 dwellings for the period 2021-2041 (average of 125 dwellings per annum).

The housing need for the 20-year period can be divided into two to provide a housing need for the period from 2021-2031. This gives a figure of 1,249 additional affordable homes. The current affordable housing supply of 941 dwellings between 2021 and 2031 is 75% of the need for that period. As with the current adopted Local Plan, this will not fully meet the need. However, it is higher than delivering 64% of the housing need, which the Inspector of the adopted Local Plan considered to be a suitable balance between achieving sustainable development with regard to delivering affordable housing and the need to protect the high quality built and natural environment and the need to avoid long distance commuting. Aside from over-delivering on what can be reasonably expected in the district, one of the aims of the Council's Corporate Strategy is to "Provide more affordable housing with the emphasis on social rented accommodation"¹⁷, so there is an aspiration to go even further.

¹⁶ See paragraphs 55, 56 and 209 of the Report on the Examination of the Cotswold District Local Plan 2011-2031 (PINS, 5 June 2018, PINS Ref: PINS/F1610/429/2)

¹⁷ Page 10 - Cotswold District Council Corporate Plan 2020-2024