

Housing and Planning Briefing Note for Scrutiny Inquiry on Private Rented Sector

Introduction

The Strategic Planning Team sit within the Transport & Planning Service of the Place Directorate. The Team has responsibility for the preparation and monitoring of planning policy that is used to determine planning applications.

The key planning policy document for Southampton is its Local Plan which in turn forms part of the wider Development Plan. A Local Plan can comprise one or more documents and it is a legal requirement for the Council to prepare and maintain one. The current Local Plan for Southampton comprises:

- Core Strategy including changes from the Core Strategy Partial Review (adopted 2015) (can be viewed at: <https://www.southampton.gov.uk/planning/planning-policy/adopted-plans/adopted-core-strategy-2015/>);
- ‘Saved’ policies of the Local Plan Review (amended 2015) (can be viewed at: <https://www.southampton.gov.uk/planning/planning-policy/adopted-plans/amended-local-plan-review/>); and
- City Centre Area Action Plan (adopted 2015) (can be viewed at: <https://www.southampton.gov.uk/planning/planning-policy/adopted-plans/city-centre-action-plan/>).

The Strategic Planning Team is currently working on a new Local Plan, known as the Southampton City Vision, to update and replace the existing suite of Local Plan documents. A draft version of the City Vision with options was subject to public consultation at the end of 2022. The consultation documents, including a full version of the City Vision Draft Plan with Options, can be viewed at: <https://www.southampton.gov.uk/planning/planning-policy/emerging-plans/cityvision/documentslibrary/>

The role of any Local Plan is to set out a vision and framework for future development in a given area and address needs in relation to housing along with other topics such as the economy, infrastructure and community facilities. A Local Plan also needs to address matters such as conserving and enhancing the natural and historic environments, mitigating and adapting to climate change, and achieving well designed places.

The Vision for Housing

The Southampton City Vision seeks to address a number of issues that affect the city including ensuring that people have access to the homes they need and that they live in high quality environments. To achieve this the City Vision has a number of objectives set out in paragraph 2.1, two of which are related to housing. They are:

- To deliver new high-quality homes; and
- To deliver the right mix of new homes, including affordable homes.

Policy within the City Vision does not just focus on the number of new dwellings required but also provides guidance on the specific types of homes that are needed in the city as well as setting out criteria for development. Some of these criteria are set out in other policies outside of the section on housing and are there to help ensure that new housing is sustainable and well designed.

The Types of Housing Proposed

To meet Southampton's housing needs, there will need to be a combination of retaining existing housing numbers, upgrading existing stock and ensuring new development is built at an appropriate density. The draft plan also includes policies to support the conversion of non-residential uses to residential dwellings in appropriate circumstances (Policy HO4: Conversion to Residential Use) and to only permit a net loss of housing in highly limited and specific circumstances (Policy HO5: Housing Retention).

It is proposed that a broad variety of new homes will be delivered to meet the housing needs of different city residents (Policy HO2: Housing Mix). This housing will include types such as:

- Private housing – both for ownership and Build to Rent;
- Affordable housing of various tenures including First Homes, affordable rent and shared ownership;
- Self and custom build housing;
- Shared rental living such as Houses in Multiple Occupation (HMOs) and co-living schemes;
- Specialist accommodation for older persons, Disabled People and others with specialist housing needs; and
- Purpose Built Student Accommodation (PBSA) where there is evidenced demand.

The Southampton City Vision will not specify which exact type of housing should be delivered on a specific site beyond establishing a target for onsite affordable housing delivery. Instead, it directs developers to deliver certain types of housing in certain areas where they would be considered more appropriate. For example, PBSA and co-living schemes are encouraged more in the city centre where there is greater access to key facilities and sustainable transport options, and there is less risk of creating imbalances in communities. Accommodation for older persons such as retirement flats are encouraged to be delivered on sites near designated centres to provide easy access to shops and amenities.

It will ultimately be up to developers to come forward with proposals for housing which they consider would be most appropriate for a site, that can be successfully delivered to the market and adhere to the Council's objective of delivering mixed and balanced communities. For example, for a new flatted development in the city centre it would be the developer's decision, partly determined by their operating model, whether to build it out for sale to private occupiers or whether to retain the building and let out individual flats to renters, as occurred at the Bow Square development on the former Fruit & Vegetable Market on Bernard Street and Queensway.

Houses in Multiple Occupation (HMOs)

HMOs are a type of housing occupied by three or more people, including children, who form two or more households. A household can comprise a single person, a cohabiting couple or several members of the same family who are all related by blood or marriage. HMOs that are occupied by 3 to 6 people are classified as 'C4' use class for planning purposes, as per the Use Classes Order. HMOs occupied by more than 6 people are considered to fall under the 'Sui Generis' use class. These are distinct use classes from standard residential dwellings which are classified as 'C3' dwellings. Following the enforcement of a city-wide Article 4 Direction, since 2012, any proposal to convert a C3 residential dwelling to a C4 or Sui Generis HMO requires planning permission.

The City Vision recognises the role that HMOs play in meeting the housing rental needs of certain groups of people including students, graduates, those on short or temporary work placements, those looking for cheaper forms of accommodation and those who may not want to live alone. However, the proliferation of HMOs in some parts of the city, particularly in the city centre and around the University of Southampton campuses, has led to imbalances in communities often to the detriment of existing residents. To address this issue the Council adopted a Supplementary Planning Document (SPD) on HMOs in 2016 giving guidance on planning application decisions on new HMOs. Most notably, the SPD introduced guidance blocking new HMOs where the proportion of HMOs within a 40 metre radius of the proposed HMO is greater than 10%. To address changes around the use of SPDs introduced by the Levelling Up and Regeneration Act 2023, the policy approach to HMOs contained in the SPD will now be absorbed into policy within the City Vision (Policy HO6: Houses in Multiple Occupation). This also has the benefit of strengthening the weight that can be applied to this approach in decision-making on planning applications.

Landlords who operate HMOs are also required by law to comply with various pieces of legislation as set out on the Council's website (available at: <https://www.southampton.gov.uk/housing/landlords/houses-multiple-occupation/regulations/>). This includes the need to obtain a licence for certain types of HMOs as again set out on the Council's website (available at: <https://www.southampton.gov.uk/housing/landlords/houses-multiple-occupation/licences/>). It should be noted that this legislation related to HMOs is a separate regulatory regime to Town and Country Planning legislation.

Purpose Built Student Accommodation (PBSA)

PBSA is a distinct asset class that is designed and built specifically for students. They may comprise individual study flats or cluster bedrooms with resident students sharing a kitchen and/or bathroom. PBSA schemes often include additional facilities for use by resident students such as study spaces, social spaces, a gym or a café.

The growth in student numbers at both of the city's universities has incentivised the delivery of more PBSA in recent years. This has led to an increase in the number of purpose built bed spaces in the city from 10,800 in 2016 to approximately 15,600 in 2020. PBSA accounts for an ever growing proportion of student accommodation in Southampton and helps to alleviate pressure in other sectors such as HMOs, although PBSA does tend to be more

expensive to rent. A number of PBSA schemes have been delivered over the past decade mainly focused in the city centre and Portswood. Proposed policy (Policy HO7: Purpose Built Student Accommodation) supports the delivery of further PBSA provided there is an evidenced need for it. New PBSA development will be directed towards areas such as the city centre where it is less likely to create or exacerbate a community imbalance or place an unacceptable strain on local facilities. The cumulative impact of new and existing PBSA schemes will also be monitored to further try to avoid these issues.

PBSA schemes will be required to deliver a high-quality, healthy living environment and include internal communal space that provide a genuinely alternative usable space beyond the bedroom accommodation. Following legal advice, PBSA schemes in the city are classified as part of the Sui Generis use class and are therefore not proposed to have a requirement to deliver accommodation units that would meet the definition of affordable housing.

Given the current growth plan of both universities it is predicted there will be a continued demand for PBSA for some time. Consequently, the loss of PBSA is not permitted by the City Vision. The only exceptions to this would be where an unexpected weakening of demand provides clear, demonstrable evidence the accommodation is no longer needed, or where an equivalent or more suitable form of provision is to be provided in an alternative sustainable location. New PBSA schemes will be encouraged to be built with sufficient flexibility that they could be converted to standard residential dwellings in the future should the aforementioned exceptions occur to permit the loss of the PBSA scheme.

Build to Rent

Build to Rent is a distinct asset class within the private rented sector. It refers to purpose built housing that has been designed for rent rather than sale. Build to Rent schemes tend to be brought forward and owned by institutional investors who then appoint specialist companies to operate the building on their behalf.

The City Vision does not propose a specific policy on Build to Rent as it is considered that requirements for such developments are adequately addressed through various relevant policies related to housing and development principles. The affordable housing policy of the City Vision proposes that Build to Rent schemes must deliver 35% of their proposed dwellings as affordable housing for affordable private rent. This is defined by Government as being at least 20% cheaper than local private market rents, including service charges.

It must be cautioned that this 35% target for the number of affordable units to be provided is significantly higher than the 20% benchmark recommended by Government. It has been challenged by developers in the sector in responses they made to consultation on the City Vision. The Strategic Planning Team and its consultants will therefore be preparing robust viability evidence to justify the 35% target based on the high level of affordable housing need in the city in line with Government guidance (see section below on viability for further information).

Buy to Let

Buy to Let is where an individual looks to purchase a single dwelling in order to rent it out rather than live in it themselves. Many private landlords will have acquired their properties through Buy to Let. Acquiring a property for Buy to Let will involve purchasing either an existing dwelling or a new one that forms part of a larger new housing scheme from a developer. Since the sale of a Buy to Let property from a private individual or developer to a prospective landlord is a private transaction that would occur once planning permission has been granted and the scheme is being or has already been built out, the control of the Buy to Let market is not an area that can be addressed through planning policy. Therefore, the City Vision does not include any specific policies on Buy to Let. There are however policies in the City Vision governing HMOs (see section above on HMOs and City Vision Policy HO6: Houses in Multiple Occupation) which some Buy to Let purchases can be for. Landlords who purchase buy to let properties with the intention of letting them out as HMOs need to comply with various elements of Government legislation including any relevant licensing requirements.

Family Homes

With many large developments, particularly those in the city centre, having focused on the delivery of smaller 1 and 2 bed apartments in recent years, policy is being used to establish a 30% target for the delivery of family housing, defined as any dwelling with at least 3 bedrooms (Policy HO2: Housing Mix).

This target will help deliver on the City Vision's objective to achieve the right mix of homes to ensure the housing needs of all residents are met, particularly families in this case. By ensuring that a proportion of new homes in developments are family dwellings this will help achieve more mixed and balanced communities and increase social cohesion.

Policy in the Core Strategy (Policy CS16: Housing Mix and Type) currently looks to resist a net loss of family dwellings unless there are overriding policy considerations that justify this loss. This approach will be carried over into the City Vision (Policy HO2: Housing Mix) to ensure the city continues to retain its existing family dwellings.

Another potential source of new family dwellings are conversions from other types of dwellings. The City Vision will permit a net loss of housing where smaller dwellings are combined to create a single larger family dwelling (Policy HO5: Housing Retention). The conversion of HMOs to family dwellings is strongly supported, particularly as many HMOs were originally converted from family dwellings. Existing Permitted Development Rights allow HMOs within the C4 use class to be converted to C3 residential dwellings without the need for planning permission.

Delivering Higher Densities

To increase supply, new housing is proposed to be built at a density appropriate to its location, taking account of accessibility, prior delivery densities and site-specific constraints. The following are the densities currently proposed in the City Vision (Policy HO1: Density) although these may be altered in the next iteration following additional analysis of the density of previously approved developments in the city. The highest density housing is

proposed for the city centre at a minimum of 250 dwellings per hectare. Mixed-use development is particularly encouraged in the city centre with commercial uses at ground and lower levels with residential dwellings above. Shirley Town Centre and the city's four district centres (Bitterne, Lordshill, Portswood, Woolston) are also proposed for denser development of at least 150 dwellings per hectare. A higher density of development of at least 100 dwellings per hectare is proposed along a 400 metre buffer around the city's main transport corridors and its train stations. These transport corridors are the city's main arterial routes and served by regular bus services. They include routes such as Bassett Avenue, Millbrook Road West, Thomas Lewis Way, Winchester Road, Bursledon Road and Portsmouth Road. In the remainder of the city densities of between 35 and 75 dwellings per hectare will be supported depending on local context.

Improving Housing Quality

There is a recognised issue around the quality of some housing that has been delivered historically at both the national and local level. Whilst planning powers do not extend to allow the Council to enforce housing quality improvements retrospectively, the Strategic Planning Team has been considering what measures can be introduced in the Southampton City Vision Local Plan to improve the quality of new housing coming forward.

Policies in the City Vision include requirements for new homes, and the developments they are part of, to be high-quality design and create appropriate internal and external living environments (Policy DE1: Placemaking and Quality of Development). New housing will be required to meet the Nationally Described Space Standards or any subsequent updated standards published by Government (Policy DE6: Housing Standards). A proportion of new homes in developments of 10 dwellings or more will be required to meet the M4(2) 'accessible and adaptable' standards set out in Building Regulations. Furthermore, a proportion of new homes in developments of 50 dwellings or more will be required to meet the M4(3) 'wheelchair accessible' standards. The exact proportions of dwellings to be built out to these standards will be determined once viability testing has been undertaken on the City Vision.

New buildings, including those for residential use, as well as public spaces must be designed so they can be accessed safely, conveniently and with dignity by all people regardless of disability, age or reduced mobility. Designs and layouts must present no disabling barriers and be flexible and offer multiple accessibility options recognising that one solution may not work for all users (Policy DE5: Accessible and Inclusive Design).

New buildings, including those that incorporate residential development, will be required to meet strict standards to address issues around climate change, air quality and energy resilience (Policy DE7: Energy and Net Zero Carbon Buildings). This includes achieving a space heating demand of 15-20 kWh per square metre per annum and aiming for an air tightness value of 1 m³/h.m² @ 50pa. Heating systems will be required to enable decarbonisation and the amount of renewable energy that can be generated onsite should be maximised. New housing will be required to take a design-led approach to climate change adaptation, including addressing the risk of overheating.

Viability

In order to be brought to market by a developer, any housing scheme of any tenure or mix will need to be viable. In planning terms, this normally refers to financial viability by looking at whether the value of development is more than the cost of developing it (see the Government's Planning Practice Guidance on viability for more information at:

<https://www.gov.uk/guidance/viability>). This includes looking at a variety of information including:

- the total value of the development once it is completed (known as the Gross Development Value);
- costs (such as build costs and abnormal costs such as the cost to decontaminate a site);
- the current value of the land where the development will occur (known as the Existing Use Value although sometimes an Alternative Use Value can be used where it would be more appropriate to assess the site for something other than its existing use);
- the landowner premium (this represents the minimum return at which it is considered a reasonable landowner would be willing to sell their land); and
- developer return (this is the profit a developer receives for undertaking and completing a development and is intended to reward the risk developers take on during this process. Government considers a suitable return to developers is 15-20% of Gross Development Value).

Viability in Southampton has been historically challenging due to a variety of factors including high existing land values relative to the value of a finished new development, the higher costs associated with developing brownfield land and a growing number of costs needed to make planning applications compliant with legislation and national and local policy, including making Community Infrastructure Levy (CIL) payments. As an example of these costs, developers must mandatorily meet the costs of a number of environmental obligations including making payments to the Solent Disturbance Mitigation Project (see more at: <https://www.southampton.gov.uk/planning/planning-permission/solent-disturbance-mitigation-project/>), making developments nutrient neutral (see more at: <https://www.southampton.gov.uk/planning/planning-permission/sustainability-checklist/nitrogen-mitigation/>) and in 2024 onwards, developments will need achieve at least a 10% Biodiversity Net Gain.

To ensure a development is viable, developers will have to look at ways of reducing costs and one way of achieving this is negotiating with the Council on their planning obligations. With items such as CIL and environmental obligations being legal requirements, other areas with more flexibility are often negotiated on. This usually includes affordable housing as it is a significant cost to the developer.

The current approach to affordable housing set out in the Core Strategy (Policy CS15: Affordable Housing) is intended to be taken forward in the City Vision (Policy HO3: Affordable Housing), albeit with some modifications to reflect required changes by Government on tenure, such as the introduction of First Homes. The current target is that 35% of all new dwellings on a development site of 10 or more dwellings, or where the site

area is 0.5 hectares in size or greater (regardless of the number of dwellings proposed), should be provided as affordable housing. The intention is to continue with this 35% target although this may change depending on the results of viability testing. The City Vision will continue with the approach that before agreeing to a reduction in the overall number of affordable dwellings, the Council would first look to negotiate on the housing mix to see if that can be altered in a manner that would improve viability.

As part of the evidence base for the City Vision, a whole plan viability assessment will be undertaken by an appointed consultant. The assessment will look at aspects such as site allocations, development costs and required developer contributions in policies to confirm the level of affordable housing that can be viably delivered in Southampton. This will then be confirmed in the final iteration of the City Vision's affordable housing policy. Changes to national planning policy mean that greater emphasis is now given to viability testing at the plan making stage. Consequently, when the City Vision is adopted there is a general expectation that a policy compliant development should be viable thereby reducing the need for viability assessment at the application stage and a potential downward negotiation on affordable housing levels.

Engaging Partners

The Strategic Planning Team has regularly engaged with a range of stakeholders in drafting the policies of the Southampton City Vision. This includes other teams within the Council as well as external organisations and government bodies. The Team has engaged with Homes England to discuss stalled housing sites in the city and what support options are available to unlock these. Discussions have also been had with key consultees including the Environment Agency, Historic England and Natural England to consider approaches to conserving and enhancing the natural and historic environments whilst delivering new homes, and addressing issues that could restrict future housing growth such as flood risk and pollution.

The Team has held meetings with representatives of both the University of Southampton and Solent University to understand their growth plans and how their estate strategies, including the provision of student accommodation, are being shaped to meet these plans. The Team has also met with property advisors to the NHS Integrated Care Board to discuss housing growth in the city and the provision of healthcare infrastructure and services to support this growth.

The Team has also had strong engagement with the public and developers. In early 2020, an initial consultation was held to understand what local residents and workers valued about the city and what they needed to better live, work and thrive. Ideas were also sought on what kinds of places should be delivered across the city. The results of this consultation were published in October 2020 and can be viewed at: https://www.southampton.gov.uk/media/jejk04en/southampton-city-vision-consultation-results-final-03-11-2020_tcm63-433062.pdf. At the same time a 'Call for Sites' was held asking developers and landowners to put forward land they would be willing to develop over the plan period.

Having assessed the sites put forward in that initial Call for Sites, along with other development options such as densification, it became apparent that there were insufficient sites available to meet the city's housing needs in full. Therefore, a further Call for Sites was held in 2021 which yielded some additional sites for assessment.

The results of these consultations along with discussions with stakeholders, including those mentioned above as well many other, informed the policies presented in the Draft Plan with Options consultation held between October 2022 and January 2023, which was open to residents, businesses and stakeholders. This included issuing an invite to comment on the Draft Plan to the National Registered Landlords Association (NRLA) however they did not provide a response to the consultation. Copies of the documents available during this consultation, including a full version of the City Vision Draft Plan with Options, can be viewed at: <https://www.southampton.gov.uk/planning/planning-policy/emerging-plans/cityvision/documentslibrary/>. The consultation portal for the consultation, which now has headline results available, can be viewed at: <https://yourcityyoursay.southampton.gov.uk/hub-page/city-vision>

Since the closure of the consultation the Team has held regular meetings with stakeholders and has been working to analyse the responses from the consultation. The feedback received will help the Team to select options for the next iteration of the City Vision. This iteration will then be subject to a further round of consultation with the public, businesses and stakeholders before it is submitted to the Secretary of State for an examination to be undertaken by the Planning Inspectorate.

Southampton's Housing Target

The Southampton City Vision is required by Government to set a target for the number of new homes that will be delivered over the plan period, which is currently 2022 to 2040. The starting point for calculating the city's housing target is a formula devised by Government known as the Standard Method. This takes into account factors such as household growth projections and affordability ratios. The formula also applies a 35% uplift to Southampton's housing target as it is one of the 20 most populous urban authorities in England.

When preparing the Draft Plan with Options version of the City Vision for consultation, the Standard Method established a target for Southampton of 26,500 dwellings over the plan period, equivalent to about 1,472 dwellings per annum. However, following updates by the Office for National Statistics (ONS) to the data used to calculate the Standard Method, the target for Southampton has increased slightly to 26,550 dwellings over the plan period, equivalent to 1,475 dwellings per annum. This increased target will be included in the next iteration of the City Vision.

Various means have been explored to identify how the city can meet this target including assessing the impacts of increasing density and building heights in new developments. A 'Call for Sites' exercise was held in Spring 2020, and again in October 2021, where landowners and developers could put forward sites to be considered for development for housing and/or other uses. The submitted sites were assessed as part of the Council's

Strategic Land Availability Assessment (SLAA) and the results of this assessment will determine which sites can be taken forward as allocations for development.

It is estimated that the city will have a total housing supply of 18,002 new dwellings over the plan period. This is a notable increase over the supply of 16,800 dwellings that was identified in the Draft Plan with Options version of the City Vision. This reflects the results of work to identify further sites and gently increase densities on potential development sites where appropriate. The supply of new housing will come from the following sources:

- Sites with an existing planning permission but are not yet completed and occupied;
- Sites that are allocated in the current Local Plan but have not yet come forward for development and will be carried over into the City Vision;
- New sites that have been identified as being appropriate for development in the SLAA; and
- Allowances for new 'windfall' developments that may come forward unexpectedly over the plan period.

This supply does of course represent a deficit against the city's housing target of around 8,500 dwellings but as a tightly constrained urban authority there is highly limited land available to support new housing delivery. This is not an issue unique to Southampton with many urban authorities facing a similar challenge.

The need to address this deficit is recognised in ongoing strategic planning work with Partnership for South Hampshire (PfSH). The latest draft version of PfSH's Spatial Position Statement recognises the need for neighbouring authorities to take on the unmet need from Southampton that is calculated under the Standard Method prior to the application of the 35% uplift. Since the 35% uplift is a tool by Government to increase housing delivery in major cities and increase redevelopment of brownfield land, the PfSH position is that it would not be appropriate to require Southampton's more rural neighbouring authorities to meet this requirement. This is particularly the case given that meeting the housing number required by the 35% uplift would likely require the development of greenfield land contrary to the Government's intention (more information about the PfSH Spatial Position Statement which was taken to PfSH Joint Committee on 6th December 2023 for approval can be viewed at: <https://www.push.gov.uk/wp-content/uploads/2023/11/Item-9-Spatial-Position-Statement-1.pdf>).