

**Item 10: Delivering Investment from Growth**

**APPENDIX 10(b)**

Topic Papers (incorporating proposed revisions)**Topic Paper 1 - Affordable Housing** (attached)*(the remaining papers contained in Appendix 10(b) will be bound separately and will follow)*

Topic Paper 2 -	Transport
Topic Paper 3 -	Education
Topic Paper 4 -	Public Libraries
Topic Paper 5 -	Community and Social Service Facilities
Topic Paper 6 -	Health Care Provision
Topic Paper 7 -	Open Space
Topic Paper 8 -	Recycling Facilities
Topic Paper 9 -	Environmental Enhancements
Topic Paper 10 -	Archaeology, Conservation and the Historic Environment
Topic Paper 11 -	Fire and Rescue Infrastructure

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Topic Paper 12 -	Preventing Crime and Disorder
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Delivering Investment from Growth

## Topic Paper 1 - Affordable Housing

August 2004

**NOTE:** Please note that this paper is an interim draft as it is still being worked on by officers. It has been considerably edited from the earlier consultation draft to take account of the cessation of grant funding, to increase flexibility and to streamline the text. Text retained from the earlier consultation draft appears in a standard font. New text appears underlined.

*This document is one of the supporting topic papers of West Berkshire Council's supplementary planning guidance series 'Delivering Investment from Growth – West Berkshire Council's approach to securing developer contributions towards local infrastructure, services and amenities'. It is intended as a guide for landowners, developers and residents and sets out how the Council will deal with planning applications where a contribution towards affordable housing will be sought.*

### Aim

The overall aim of the Council's affordable housing planning policies and this SPG is to deliver, as far as possible, balanced and integrated communities, and to ensure that those in housing need in West Berkshire, both now and in the future, have access to decent affordable homes. Ensuring that there is an adequate supply of affordable housing is one of the Council's corporate priorities.

### 1.0 Introduction

- 1.1 The Government's Planning Guidance Note 3 (revised March 2000), and Circular 6/98, enable local authorities to seek affordable housing on suitable sites. PPG3 says:

*'A community's need for a mix of housing types, including affordable housing, is a material planning consideration which should be taken into account in formulating development plan policies and in deciding planning applications involving housing.'*

- 1.2 The Government expects local authorities to seek affordable housing on suitable sites to tackle identified shortfalls. It also supports the development of balanced communities. Planning Policy Guidance Note 3 (revised March 2000) states:

*'Local planning authorities should: plan to meet the housing requirements of the whole community, including those in need of affordable and special needs housing.' (para. 2)*

- 1.3 This paper specifically acts as supplementary planning guidance to policies HSG.5, HSG.9 and HSG.10 of the adopted West Berkshire District Local Plan

(WBDLP) and supports the Council's Housing Strategy. This guidance will be reviewed in response to the preparation of the Local Development Framework for West Berkshire, any developments in the need for affordable housing and any changes to Government policies and programmes for affordable housing.

- 1.4 The Council will continually monitor the delivery of all forms of affordable housing and the impact of changes in the housing market on housing needs. This will be reflected in its negotiations in respect of the required tenure mix on individual sites.
- 1.5 The Council's priority is to secure on site provision of affordable housing on qualifying sites. However, in exceptional circumstances, for example if the type of units proposed are not suitable for affordable housing or do not fit the need profile in the local area of the site, the Council recognises that this may not be appropriate. In such circumstances, the Council will consider whether a financial contribution in lieu of on site provision is appropriate, or whether alternatives, such as replacement provision on a separate site would meet its strategic priorities.
- 1.6 Developers and landowners seeking to submit planning applications are encouraged to contact the Council directly for site specific advice.

## **2.0 Housing Needs in West Berkshire**

- 2.1 The Council is seeking to address a range of affordable housing needs with the most vulnerable being its priority. The normal operation of the housing market does not act to meet these needs. Housing is in great demand and new dwellings secure high prices (usually above average prices), which are beyond the means of a significant proportion of those needing housing. Providers of subsidised housing are unable to compete with the private sector to secure land in the right locations to build affordable dwellings. Therefore, in accordance with Government policy it is necessary for the Council to intervene to ensure that the burden of providing affordable accommodation is shared with the development industry, rather than falling purely on the local community.

## **3.0 What is affordable housing?**

- 3.1 Government Circular 6/98 states that affordable housing comprises:

*"housing...that will be available to people who cannot afford to rent or buy homes generally available on the open market."*

- 3.2 For the purpose of this guidance and the policies of the West Berkshire District Local Plan 'affordable housing' is defined as:

- i. Accommodation which is available at a price or a rent which is not more than 30% of a household's net income and;*

- ii. *is available to households who have insufficient income to purchase or rent a suitable property at open market values and;*
- iii. *will remain available in perpetuity to those in need of an affordable home.*

3.3 Affordable housing encompasses both low cost market housing and rented housing. In order to accord with the definition accommodation secured through planning policies must, regardless of tenure, be genuinely affordable to those in need having regard to the relationship between costs/rents and incomes.

3.4 Circular 6/98 states:

*'Local plan policies for affordable housing should.....define what the authority considers to be affordable in the local plan area in terms of the relationship between local income levels and house prices or rents for different types of households.'*

The Council considers it is critical for prices or rents of property of any form of tenure to be affordable to those categories of persons the Council is seeking to assist as a priority. These categories of persons are defined in the West Berkshire District Local Plan (paragraph 3.10.2).

3.5 Therefore, in assessing any affordable housing proposals, the Council will consider the projected cost, (whether via fixed equity, shared ownership or rent), and the level of incomes of households targeted.

#### **Meeting Priority Needs**

3.6 The Council's Housing Strategy states that a broad range of affordable housing types and tenures will be required if the objectives of PPG3 and the needs of the whole community are to be met. Therefore, the Council will not accept forms of affordable housing provision which will solely meet the needs of one particular group to the exclusion of others. Such provision will not be considered to provide affordable housing in terms of local plan policies and proposals for such forms of provision will not be permitted unless there are sound reasons.

#### **Types of Affordable Housing**

3.7 There are a number of different ways of providing affordable housing. The most common forms of provision are outlined in Appendix 2, although the Council will encourage developers and Registered Social Landlords to bring forward innovative proposals which meet the demonstrable needs of local communities.

### **4.0 The Level and Type of Affordable Housing Obligations**

4.1 This section sets out how the Council will consider individual development proposals and what form of affordable housing contribution will be sought. Provision of affordable housing or contributions towards such provision will be

sought from the following forms of development in accordance with the West Berkshire District Local Plan:

- i) Sites specifically allocated for housing
- ii) Unallocated sites of 15 dwellings or 0.5 hectares or more

4.2 The WBDLP explains that on-site provision of affordable housing will be sought in all but exceptional cases. However, today the Council faces a climate of reduced public finance following the cessation by the Government of Social Housing Grant which was an essential prerequisite in the delivery of affordable rented homes, in particular. The Housing Corporation said in 2003 that it would expect schemes negotiated through Section 106 agreements to be passed on to housing associations at no cost.

4.3 Due to these changes the Council will have to balance its primary aim of securing on-site provision of dwellings with the necessity to secure financial contributions to enable dwellings to be developed elsewhere. It will also be necessary to adopt measures which compensate for lack of Social Housing Grant funding on Section 106 sites in future.

4.4 Therefore, on sites where planning applications are submitted for residential development the required level of affordable housing must now be provided without undue pressure on public finance.

**i) Allocated Local Plan sites**

4.5 The sites identified in HSG.5 (see West Berkshire District Local Plan) provide a substantial proportion of the dwellings required to meet the Council's Structure Plan housing allocation. These sites provide excellent opportunities for the family size affordable housing most required across the district. Furthermore, as they will create sizeable new residential areas on the edge of settlements it is particularly important that they provide mixed and balanced communities with a range of tenures and house types.

4.6 Policy HSG.5 requires each site to provide up to 30% affordable housing, on-site. The Council will expect developers to provide a mix of types (and tenures) of affordable dwellings in order that mixed and balanced communities are created or secured. The circumstances of each site will vary and so the Council will decide on the appropriate tenure mix for each site based on identified local needs.

**ii) Unallocated housing sites providing 15 dwellings more or of 0.5 hectares or more in area**

4.7 Unallocated sites in this context are residential development sites which come forward during the Plan period which have not been specifically allocated in the WBDLP. Policy HSG.9 of the Local Plan states that the Council will seek at least 30% of the dwellings to be affordable housing, on residential developments of 15 dwellings or more (or land comprising 0.5 hectares or more).

- 4.8 The size, location and character of unallocated sites varies considerably from densely developed sites in town centres to development in suburban areas, villages and countryside locations. Almost all such sites contain no obstacles to the provision of affordable housing in terms of the Council's policies and Government guidance (see paragraph 10 of Cir. 6/98).
- 4.9 The Council needs to achieve a balance between the provision of affordable housing dwellings on sites where it is important to do so and seeking financial contributions towards provision elsewhere in lieu of all or some on-site provision on other sites. The Council will consider a range of options for affordable housing obligations on unallocated sites from:
- full on-site provision;
  - a mix of on-site provision and a financial contribution; to
  - full provision on an alternative site or financial contribution

It will be for the Council to determine in each case the appropriate form of obligation to be provided. In assessing the type and balance of provision of affordable housing obligations it will seek from unallocated sites, the Council will have regard to the following factors:

- the degree and type of housing need in the locality of the site
- The desirability of securing additional on-site provision having regard to the site's size or location
- The proposed or potential form of the residential development
- Existing provision of affordable housing in the vicinity, including proposed development sites likely to deliver on-site provision in the near future

### ***Financial contributions***

- 4.10 Where financial contributions are considered appropriate in place of some or all on-site provision, the value of the contribution will be calculated as set out in Appendix 3.
- 4.11 The financial contribution will be required on completion of the first dwelling within a development and will be ring-fenced by the authority for the procurement of affordable housing. Where the contribution is not allocated to alternative forms of affordable housing provision within 10 years it will be returned to the original developer.

## **5.0 Layout , Design and Integration**

### **Integration of affordable housing**

- 5.1 The Council wishes to ensure that new developments form balanced and mixed communities. In the past, the absence of a 'tenure mix' approach precipitated the neighbourhood problems and unbalanced communities which it is now in the public interest to avoid.

5.2 To ensure satisfactory integration, affordable housing on new developments should be fully integrated within the general market housing. The Council expects affordable housing to be 'pepper potted' throughout a development. Where practicable, this means that affordable housing should be in groups of not more than 5 dwellings at any single location within the development.

5.3 This approach is fully consistent with Government policy. PPG3 states:

*'The Government believes that it is important to help create mixed and inclusive communities, which offer a choice of housing and lifestyle. It does not accept that different types of housing and tenures make bad neighbours. Local Planning authorities should encourage the development of mixed and balanced communities: they should ensure that new housing developments help to secure a better social mix by avoiding the creation of large areas of housing of similar characteristics'*

5.4 The report on Responses to Housing Green Paper (December 2000) highlighted the practical value of pepper potting. Paragraph 8.5 states:

*'On the issue of mixed tenure development a number of respondents point out that mixed tenure developments may be more successful if the social element of the development is pepper-potted within the development, rather than concentrated within one specific area. Regardless of size of development, pepper potting is seen to be the best approach, integrating the tenures and not creating a recognised 'social housing' area or block of dwellings.'*

### **Design**

5.5 To complement the pepper potting approach it is essential that affordable housing is of good quality and indistinguishable from general market housing. The Council will take into account the quality of layout and design of the affordable dwellings. In addition, to ensure that rented homes are sustainable for families in the long term, and to ensure the development qualifies for any grant funding which might become available, affordable housing must conform to the latest Scheme Development Standards published by the Housing Corporation.

### **Sustainable Development**

5.6 In line with its Housing Strategy and its planning policies the Council will encourage developers and RSLs to provide affordable housing which is environmentally sustainable in the use of energy and water. Where possible affordable housing should include the following features:

- Rainwater collection butts
- Low energy light fitting
- Condensing boilers
- Use of passive solar gain
- Solar hot water systems

5.7 It is more cost effective to incorporate such measures at the initial construction stage of a new dwelling rather than add them later. Such features also contribute

to reducing energy consumption helping with the continuing affordability of each unit.

### **Accessibility**

- 5.8 All the affordable dwellings should be constructed to life time homes standards to ensure that they are readily adaptable for those with special needs if required.

## **6.0 Special needs**

- 6.1 The Council's Housing Strategy highlights the needs of particular categories of persons with a special need for supported or adapted housing. The target group for specialist housing changes from time to time depending on changes in legislation (such as the Homelessness Act 2002), government funding priorities, changes in legislation (such as National Care Standards which affect residential care home standards), gaps in local provision identified through the Supporting People programme etc. As both the Planning, Housing and Social Services Authority, the Council has a duty to ensure that affordable housing is provided to meet a whole range of needs. Future revisions of the Housing Strategy will include details of housing priorities for special needs groups.
- 6.2 Developers will be expected to consider the inclusion of special needs housing on appropriate sites. These will be part of the 30% affordable housing provision. However, where larger residential or shared housing is required, the affordable housing requirement will be calculated based on the assumption that the average affordable dwelling size required is 76 m<sup>2</sup> and a shared housing project larger than this will be equivalent to more than one affordable dwelling.
- 6.3 The vast majority of special needs housing delivered on private sites will be for tenants who are already living independently. In most cases, the affordable housing will not require any special facilities or adaptations. There is however need for a greater proportion of wheelchair 'standard' housing as part of the affordable housing element. Developers should discuss the number of wheelchair standard housing within the site with the Council.

## **7.0 Phasing of the Affordable Dwellings**

- 7.1 The Council will normally require all affordable housing to be in place before 80% of the market housing on the site has been completed.

## **8.0 Summary – contents of S106 agreement**

- 8.1 Section 106 agreements for developments of more than 15 dwellings (or 0.5ha) will be required to cover the following issues as set out in detail above:
- Arrangements for, and cost of transfer of affordable units



- Methods of securing affordability in perpetuity
- Proportion, mix of types and tenure of affordable dwellings
- Design and construction standards
- Creation of small groups of dwellings
- Inclusion of environmental design features
- Any arrangements for off site provision or financial contribution
- Arrangements for special needs dwellings

## **9.0 Rural Exceptions Schemes**

- 9.1 Policy HSG.11 allows for the development of small scale affordable housing schemes to meet identified needs on sites in rural areas which would not otherwise receive planning permission for housing development. The Council expects exception schemes to be supported by the local Parish Council and actively encourages Parishes which are aware of a need for affordable housing to work with the Rural Housing Trust or Rural Housing Enabler to undertake housing needs analysis.

## **Appendix 1: Indicators of Housing Need and Affordability Criteria**

The Housing Needs Survey 2002 for West Berkshire identified that 43.3% of households in the District have a net monthly income below that required to buy an 'entry level' property priced at £110,000. It is the more vulnerable and often older or younger households who are likely to experience the affordability gap to the greatest extent. Since the Housing Needs Survey was undertaken house prices have continued to rise rapidly and so it is likely that the affordability gap has increased.

NOTE: affordability criteria are currently being developed by officers

## **Appendix 2: Types of Affordable Accommodation**

Affordable housing encompasses both rented housing and low cost housing for sale. As outlined above, the key test will be whether it is genuinely affordable.

The Council wishes to see developments which meet a broad range of needs, from the most vulnerable groups, those with special needs or the homeless to those on modest incomes such as key workers who need a more limited level of subsidy to enable them to purchase a home. Affordable housing will always need to meet local needs. As a general guide large developments of around 10 affordable dwellings or more, should include a mixed scheme of subsidised rented and some form of low cost ownership (LCHO).

The various forms of affordable housing provision, and their suitability to meet needs in West Berkshire, are explained in more detail below.

### **AH1 - Affordable Dwellings for Rent from a Registered Social Landlord**

This form of affordable housing contributes most to meeting housing needs in West Berkshire, and will therefore be the expected on most sites where provision is to be made. Delivery of affordable housing through a Registered Social Landlord (RSL) ensures appropriate building and space standards for housing for rent. The Council will expect all affordable housing (whether via an RSL or not) to meet the Housing Corporation's current Scheme Development Standards (SDS) (published August 2001) or subsequent versions of SDS.

Subsidised rented housing is especially important as it is the only tenure available to individuals or families who are unable to obtain a mortgage to purchase even a significantly discounted property e.g. households in receipt of benefits or those with support needs.

RSL rents are regulated by the Housing Corporation. This ensures homes are affordable in perpetuity<sup>1</sup>. Table 1 below sets out affordable 'target' rents for West Berkshire for 2002/03. NOTE: officers are currently revising this table

Table 1: Affordable Rent and equivalent monthly mortgage repayments by dwelling type

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<sup>1</sup> Under the Government's rent restructuring regime, RSL rents can only rise at RPI+1% per annum.

Dwelling size	No. of persons	Minimum size (m <sup>2</sup> )	Affordable rents (i.e. West Berkshire 'Target rents' )	Equivalent monthly mortgage repayment
1 bed flat	2 persons	45-50	To be revised	
2 bed flat	3 persons	60-65		
2 bed house	4 persons	70-75		
3 bed house	5 persons	85-90		
4 bed house	7 persons	100-105		
5 bed house	8 persons	115-120		

While the Council will not impose a particular RSL partner on any developer, it will advise developers on those RSLs which are currently active in the West Berkshire area. The Council will normally only support development by those RSLs which have existing stock in or near West Berkshire, those which have a particular expertise which may be lacking amongst the RSLs already active in the area or those which can demonstrate that they can maintain on-going investment within West Berkshire.

Long term ownership and management by an RSL partner is the Council's preferred option for the majority of the affordable housing to be provided on residential development sites. However, more important is that the units for rent are let at affordable rents, are available for rent in perpetuity and are built to the required standard. The Council will consider alternative models which achieve these aims.

### **AH2 - Shared Ownership**

Shared ownership refers to dwellings which are part purchased and part rented to leaseholders, usually but not exclusively by an RSL freeholder. It is normally built to the same standards as rented accommodation but shared ownership requires occupiers to purchase a part share of a property (say 25-50%) and rent the remaining share from the freeholder. It is therefore affordable to a narrower range of people. To be affordable such accommodation needs to be targeted towards particular income groups.

Shared ownership leaseholders usually have the right to 'staircase up' their equity share, even to full ownership. If this is permitted in the leasehold agreement and the section 106 planning agreement, the leaseholder is able to purchase additional equity at the current property valuation pro rata. Where an RSL owns the freehold, the proceeds of sale by the leaseholder's purchase, must be used by the RSL to fund additional affordable housing in the district in some other way. It is also essential that the RSL has the first option on the eventual resale of a shared ownership property so that it remains affordable for subsequent occupiers.

The Council will consider models which do not involve an RSL provided the basic parameters described above are applicable.

### **AH3 - Fixed Equity schemes**

Typically this form of accommodation is where a property is sold by the developer at a discounted price to the first occupier. To be genuinely affordable such accommodation would need to be subject to mechanisms and controls which ensure that:

- the initial discounted sale price is restricted to a purchaser in housing need as defined in this guidance

- the sale price is fixed for all subsequent sales at a level of discount to open market value (OMV) which reflects the income of the majority of households in need, (or particular groups if this is deemed more appropriate for a particular site), to current property prices.
- the form of lease will ensure that the price is discounted in perpetuity to households in need registered with the Council, who are assisted both on first and subsequent re-sales. Developers will be required to enter into a legal agreement requiring them to provide information on a potential purchaser's current circumstances. The Council will seek the right to nominate suitable households from the waiting list.
- dwellings are built to the Housing Corporation's Scheme Development Standards – affordable housing must never be sub-standard whatever tenure is proposed.

The cost of market housing is so high relative to the incomes of those in need, that landowners or developers may be unable to offer new dwellings at a sufficient level of discount to OMV to make them affordable. The Council will be need to be assured that levels of discount are sufficient.

Both shared ownership and fixed equity schemes offer some potential to households on moderate to middle incomes who have been priced out of the local housing market. However, this group of modest wage earners are increasingly falling into housing need and the Council recognises that certain sites and forms of development, such as apartment schemes, may lend themselves to low cost home ownership options.

#### **AH4 - Key Worker Accommodation**

The difficulties with recruitment and retention of key workers due in part to the high cost of housing in the South East is well documented. The Council is participating in a joint project with other Berkshire authorities which aims to define the need for this type of housing and also put in place a mechanism for defining which occupations should be included in the category of key worker. Until this work is completed, the Council will assess proposals for the provision of accommodation of this type on a site by site basis.

#### ***Appendix 3: Calculation of financial contributions***

***NOTE – officers are continuing to work in this methodology***