



Development Management Plan (Regulation 19) Affordable Housing Policy

November 2017

Updated May 2018

List of updates between Reg 19 Publication version and Submission	
Paragraph 2.21 – 2.29	updated to reflect draft revised NPPF and PPG, March 2018
Paragraph 4.47 and 4.48	To reflect findings of the Regulation 19 DMP Viability Assessment, January 2019
Paragraph 6.10 :	insert “not”
Paragraph 4.47 and 4.48	Updated to reflect the findings of the 2018 DMP Viability Assessment.
Amend Figure 13	<p>Step 1 : multiplied by 30% “or 21% for schemes under <u>11 dwellings (gross)</u>” or 30%</p> <p>Step 1a : Round up or down according to mathematical convention (up at 0.5) (refer to paragraph 3.2.27 of the Reg 19 DMP..rounding for on-site provision only)</p> <p>Step 2: Proportion of affordable dwellings required x floorspace of <u>a</u> market dwellings-proposed on the site (GIA) = total floorspace of the affordable dwellings “<u>contribution required</u>”</p>
1. <u>After Figure 13:</u>	<p><u>Include two worked examples of calculations at 20%, 15% and 10% affordable housing contributions for comparison with the DMP viability evidence (January 2018).</u></p> <p>Example 1 A scheme of 7 units with 2 existing on site = 5 net Step 1 - 7 no. 3-bed houses (100sqm each) = 700sqm minus 200sqm for 2 no. existing houses = 500sqm net additional floorspace Step 2 - 500sqm ÷ (divided by) 700sqm = 0.71 Step 3 - 0.71 x 1.4..i.e. 1 (i.e. 20% of 7) = 0.71 @ £4,500/sqm = £4,450 x 0.40 (sales value to RP of % of market value) = £3,195 <u>This compares to £250/sqm as suggested in the January 2018 DMP Viability Study, net additional residential floorspace 500sqm x £250/sqm = £125,000 ... (i.e. £25,000 per net dwelling)</u></p> <p>Example 2 Proposed gross 10 dwellings of 75 sqm each (no “vacant building credit”): Step 1- Gross number of dwellings (minus any vacant building credit) multiplied by the affordable housing percentage = Number of affordable homes required = 10 x 20% = 2</p>

	<p>Step 2 – Number of affordable homes required (2) multiplied by x floorspace of a market home proposed (75sqm) = 150 sqm affordable floorspace required... $150 \times \text{£}4,500 \times 0.40 = \text{£}270,000$ (i.e. £27,000 per dwelling, equating to £360 per sqm)</p> <p><i>If 15% affordable housing sought for schemes under 11 dwellings....then :</i> $10 \times 15\% = 1.5$ affordable homes $1.5 \times 75 = 112.5$ sqm affordable housing required $112.5 \times \text{£}4,500 \times 0.4 = \text{£}202,500$Divided by 750 sqmEquates to £270 per sqm)</p> <p><i>If 10% affordable housing sought for schemes under 11 dwellings....then :</i> $10 \times 10\% = 1$ affordable homes $1 \times 75 = 75$ sqm affordable housing required $75 \times \text{£}4,500 \times 0.4 = \text{£}135,000$Divided by 750 sqmEquates to £180 per sqm)</p> <p><u>This compares to</u> using the DMP Viability Study (January 2018) recommended viable contribution of £250 / sqm = $10 \times 75 = 750\text{sqm} \times \text{£}250 = \text{£}187,500$</p>
Section 7 : 10%	Policy DES6. Point 2; 2 nd bullet point : substitute 20% with
Annex 1 :	Source of proposed new definition amended

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Summary

Section 1 of this paper provides an introduction to the issues including the housing affordability issues facing the borough and the Council and the need to review current local affordable housing policy.

Section 2 presents the current national affordable housing planning policy, and the key changes in national law, policy and guidance since the Council adopted its current affordable housing policy and guidance in 2014. This section also summarises the changes to national policy proposed to be introduced in spring 2018, potentially when the Council's Development Management Plan (DMP) is being independently examined.

Section 3 outlines the Council's current affordable housing policy and Supplementary Planning Document (SPD) guidance, and delivery against this.

Section 4 summarises the local evidence that informed the Core Strategy policy, and the latest local evidence of housing affordability, affordable housing need and the viability of development to support affordable housing provision.

Section 5 assesses the extent to which the Council's current Core Strategy policy is consistent with current national policy and with local evidence.

Section 6 presents options for a new Development Management Plan policy to replace the current Core Strategy policy. Section 6 includes an assessment of each of the options against their consistency with national policy and guidance, local evidence and the contribution to providing affordable housing, without compromising development viability.

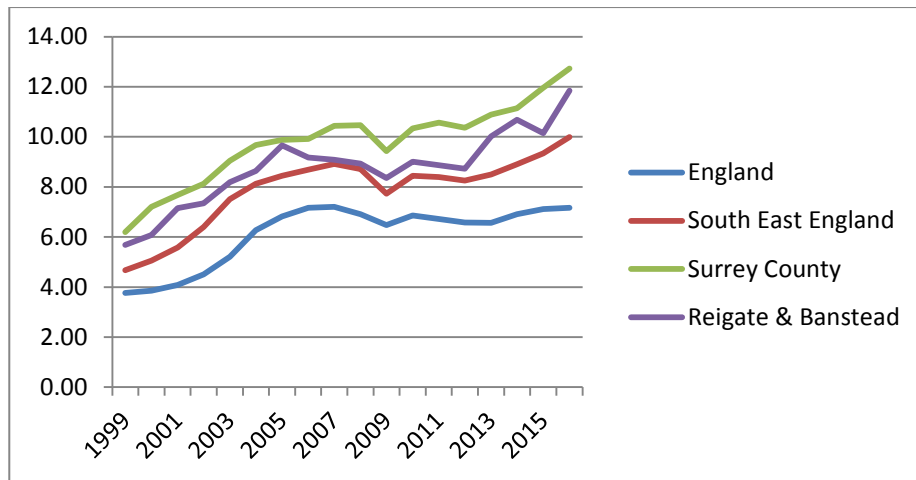
Section 7 presents a draft Development Management Plan policy together with its reasoned justification.

1. Introduction

- 1.1. Whilst Reigate and Banstead is generally an affluent borough, high land values and property prices mean that market housing to meet basic needs is beyond the reach of many of the borough's households. Shelter's *Analysis of housing affordability for first time buyers* (March 2015) compared changes in affordability for first time buyers nationally between 1969 and 2013, and highlighted that income was failing to keep pace with house price increase. Nationally, house prices for first time buyers have increased by 48 times but income has only grown by 29 times.
- 1.2. Affordability¹ of housing refers to the relationship between the cost of a market home that meets that household's needs and their ability to pay for it (usually measured by earnings). Affordability is of most concern to those with the lowest earnings, including first time buyers. For this reason affordability is generally measured by comparing the lowest 25 per cent of earnings to the lowest 25 per cent of house prices, which gives an "affordability ratio".
- 1.3. Lack of housing affordability in the borough is a significant challenge facing the Council, with the borough (market) house price to (gross) earnings ratio of 12.6 in 2015 for the median quartile (middle quarter of households and house prices when ranked in order), and 15.4 for the lowest quartile. Figure 1 shows how housing affordability has worsened over the years. Although there is variation between years, the overall trajectory is upwards, with property price increases outstripping the rate of increase in earnings. The ratio of median house price to lower quartile gross annual workplace-based earnings reflects the same pattern. Even a shared ownership one bedroomed flat is beyond the price range of many residents.

**Figure 1: Housing affordability in in the borough :
Ratio of lower quartile house price to lower quartile gross annual
workplace-based earnings**

¹ The government advises that the ratio calculated by dividing lower quartile house prices by lower quartile work-based earnings can be used to assess the relative affordability of housing. ONS (and previously CLG) publishes this data.



- 1.4. Private market rents in the borough are also very high relative to incomes of borough residents. Residents in the lowest quarter of the boroughs earnings would need to spend over half of their earnings to rent a one-bedroom flat within the lowest quarter of rental values.
- 1.5. The borough needs a variety of housing in order to sustain balanced, resilient and inclusive mixed communities. Ensuring provision of affordable housing supply is crucial to securing mixed communities, and helps to reduce the need to travel, particularly by those who work locally in lower paid employment.
- 1.6. The importance of the affordability challenge is recognised corporately in the Council’s Five Year Plan, which includes the target for over 20% of the new dwellings developed each year to be affordable dwellings. It is also monitored in the Key Performance Indicators (KPIs); specifically KPI3 (Number of affordable dwellings included in KPI2 “Total number of residential completions”), KPI7 “Number of Homeless acceptances” and KPI8 “Number of households in B&B accommodation”.
- 1.7. The Council’s Affordable Housing planning policy will help to deliver the Housing Strategy and Homelessness Strategy 2017-21, and assist lower paid workers to afford to live locally and first-time buyers are able to get onto the property ladder.
- 1.8. There is an increasing demand for temporary homelessness accommodation. The benefits cap, tax credit reduction, child benefit reduction and the introduction of Universal Credit along with the downturn in new build affordable rented housing that the proposed changes to affordable housing in the Housing and Planning Bill will bring, all add extra pressures onto finding and retaining affordable housing in the borough.

- 1.9. Housing in the borough is becoming increasingly unaffordable as the increase in the price of houses and flats has outstrips wage increases, and the stock of affordable dwellings is limited (although new stock being added, others are being sold into the open market).
- 1.10. In the past few decades, the primary mechanism for delivering new social / affordable dwellings across the country has changed from Council house-building, to provision of affordable dwellings through the planning system, which has until recent years, received substantial government subsidy. Since the 1980s, Councils have been able to require by policy that private developers of market housing must build a proportion as “affordable dwellings”, to be transferred to not-for-profit private registered providers (formerly known as housing associations). This means that the supply of affordable housing is dependent on the type and size of housing development that the market delivers. Other affordable housing is provided directly by private registered providers, as well as by Councils.
- 1.11. The type of housing that can be classed as “affordable housing” for planning purposes is defined in national planning policy. However, such housing does not meet the needs of all of those households identified as being in housing need, as for some, it will still be out of reach financially. Additionally, recent and proposed changes to national policy will have implications that need to be considered in the Council’s policy.
- 1.12. As well as affordable housing falling within the formal definition, there are other types of housing which may meet the needs of households who cannot afford entry level dwellings or private market rents. These include residential park dwellings, and innovative types of small dwellings.
- 1.13. In accordance with national planning policy, other Development Management Plan draft policies aim to ensure that developers of market housing provide a portion of dwellings as adaptable housing for those looking to downsize from family housing. There are also those households who can afford market mortgage repayments, but do not have the required deposit, even with Help to Buy. A challenge is to develop new dwellings (new builds and conversions) that are truly affordable to locals (not simply just meeting the national policy definition of affordable housing).
- 1.14. The Council is tackling the issue of housing affordability by a variety of means. These include requiring developers to provide a proportion of the new dwellings that they build or convert to be affordable dwellings, in particular, as social rented which are accessible to those in the greatest need. The Council is also increasingly investing in more temporary accommodation which reduces use of bed and breakfast accommodation,

and using development contributions to provide temporary accommodation and new affordable dwellings.

- 1.15. To increase the provision of affordable housing in the borough and support the Executive's emerging housing policy, the Council's Executive resolved (Ex102, 20 April 2017) to review the Council's affordable housing policy as part of the process of preparing the Development Management Plan, to take account of the latest evidence of local housing need and policy changes.

2. National policy

- 2.1. This section considers current national affordable housing policy, how it has changed since the Council adopted the Core Strategy in 2014 and the impact this has had on local policy application, and the proposed changes to national affordable housing policy.
- 2.2. The current definition of affordable housing for planning purposes is set out in Annex 2 of the NPPF, and is provided in Annex 1 of this Paper. The Council uses this definition for its current affordable housing development plan policy and guidance. This includes social rented, affordable rented and intermediate housing provided to eligible households (based on local incomes and local house prices) whose needs are not met by the market. Affordable Housing is provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Provision should be made for it to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision.
- 2.3. Over time, Governments have widened the planning definition of affordable housing, and have changed Government funding support for affordable housing. The Government added affordable rent (which must be no more than 80 per cent of local market rent) to the definition of affordable housing in 2011. Prior to its introduction, rented homes provided as affordable housing had to be social rented, a tenure for which guideline rents are determined through the national rent regime (Local Housing Allowance). Social rented homes are far more affordable, usually provided at approximately 50 per cent of market rents, and owned by local authorities and private registered providers (such as not-for-profit housing associations and for-profit organisations). There is no longer grant stream available for social rent. Affordable housing is let by local authorities or private registered providers at no more than 80% of market rent (including service charge where applicable).
- 2.4. Intermediate housing is for sale and rent provided at a cost below market levels and above social rent. This includes shared ownership and intermediate rent, but not affordable rent. Low cost market housing is specifically excluded from the definition.

Recent Changes to national affordable housing policy and guidance

- 2.5. The government has made several changes to national policy and guidance since the Council adopted its Core Strategy and SPD in 2014. Further significant changes are proposed through the Housing White Paper, “Fixing our broken housing market” Feb 2017. In preparing our DMP, we must ensure that we have had due regard for the need to be “consistent” with national policy, including balancing with local evidence.
- 2.6. A new policy introducing *Starter Homes Exception Sites* was introduced by Witten Ministerial Statement on 2 March 2015. Starter Home Exception sites must be on commercial and industrial land that is either under-used or unviable in its current or former use, and which has not currently been identified for housing. These starter homes should be offered for sale for at least 20% below open market price to first time buyers under the age of 40. Re-sale and letting of such properties at open market value should be prevented for five years. Pooled planning contributions, and affordable housing should not be sought should not be sought from starter homes developments.
- 2.7. The key change to national policy since 2014 has been made the by way of a Written Ministerial Statement (WMS) “[Support for small scale developers, custom and self-builders](#)”, made in the House of Commons on 28 November 2014. Amongst other things, this introduced new government policy in relation to a *national minimum site size threshold* for seeking affordable housing and pooled contributions towards infrastructure.
- 2.8. The WMS also introduced a “credit” for any vacant building that a development brings back in to use or demolishes for re-development; with the intention of incentivise development of previously developed land. On these types of previously developed sites, the affordable housing contribution must therefore be calculated on a “net” basis, by discounting existing vacant floorspace.
- 2.9. The WMS advised that “due to the disproportionate burden of developer contributions on small scale developers, for sites of 10-units or less, and (*emphasis added*) which have a maximum combined gross floor space of 1,000 square metres, affordable housing and tariff style contributions should not be sought.”
- 2.10. Following introduction of this policy, related changes to the [Planning Practice Guidance regarding Planning Obligations](#) (notably Paragraph: 031 Reference ID: 23b-031-20161116, 014 Reference ID: 23b-014-20160519, 017 Reference ID: 23b-017-20160519, 021 Reference ID: 23b-021-20160519, 022 Reference ID: 23b-022-20160519 and 023 Reference ID: 23b-023), including instruction on how to apply the vacant building credit.

- 2.11. The inclusion in the national minimum site size threshold of a floorspace threshold for the proposed dwellings (GIA) means that affordable housing provision or contribution and pooled infrastructure contributions may be sought from developments of less than 11 units that have a total gross floor space greater than 1,000 square metres. The Council's housing monitoring completions data shows that the average three-bedroom house built in the borough is approximately 100sqm.
- 2.12. The November 2014 WMS policy was quashed by a successful High Court challenge by two local authorities in August 2015, so that there was no national site size for affordable housing provision, and no "vacant building credit". The national policy was then re-introduced by a Appeal Court judgement in May 2016, which ruled in favour of the Secretary of State for Communities and Local Government.
- 2.13. A key change to national affordable housing legislation has come with the introduction of "starter homes" as an affordable housing tenure / product through the *Housing Act 2016*. The 2016 Act provides the legal basis for "starter homes" (new dwellings to be purchase at no more than 80% of market sales values by first time buyers under age 40), and subject to a price cap outside of London of £250,000).
- 2.14. The 2016 Housing Act introduced a general duty on councils to promote starter dwellings, and allowed for Secretary of State to introduce detailed requirements for starter dwellings through regulations. A 2016 "Starter Homes technical consultation" suggested that regulations could introduce a requirement for 20% of all homes on sites qualifying for affordable housing provision to be provided as starter homes. This has been superseded by government proposals for discount market sales requirements as set out in the Housing White paper 2017. Intriguingly there is currently no requirement for the purchaser to be in housing need, although the Housing White Paper 2017 proposes to address this omission.
- 2.15. In a letter (March 2017) to the London Borough of Richmond, the government Planning Inspectorate (PINS) responsible for considering planning appeals, acknowledged an inconsistency in a few appeal decisions in relation to the weight given to adopted affordable housing policy (both significant and very little weight) relative to the national policy on seeking affordable housing contributions from small sites.
- 2.16. The Inspector's letter re-stated the primacy of adopted development plan policies as the starting point for determining development applications and appeals (S36(8) of the 2004 Planning and Compulsory Purchase Act), and

that the weight to give to national policy and local policy respectively was for the decision maker to take.

- 2.17. In the letter, PINS said that "there will always likely be some material differences between proposals that are outwardly similar, which are capable of resulting in different outcomes. Moreover planning legislation and case law require that each appeal is determined on its own merits and on the basis of the evidence put before the Inspector. The law does not require all decisions to be "consistent" or the same rather that, where proposals are similar, explanations are given for the differences. "
- 2.18. As a material consideration, the PINS letter agreed (with the Court of Appeal) that "great weight" should be attached to the WMS. Depending on the specifics, local evidence of affordable housing need in some cases is capable of being afforded significant and substantial weight to outweigh the WMS.
- 2.19. The Court of Appeal judgement makes it clear that the weight to attach to a policy within the development plan and to material considerations in each situation is a matter of discretion for the decision taker.
- 2.20. As set out in Section 3, appeal decisions on proposed development schemes in the borough have impacted on the application of fairly recently adopted Affordable Housing Policy and the on-site delivery of affordable dwelling on sites between 11 and 14 dwellings and the financial contributions towards affordable housing provision made by developers of schemes of less than 11 dwellings. This is particularly concerning at a time when homelessness in the borough is increasing.

Proposed changes to national affordable housing policy

2.21. The draft revised NPPF, March 2018 includes changes to the definition of affordable housing, which are anticipated to be formally published in early summer 2018. This introduces "discount market sales" and "affordable housing for rent" (including when provided as part of a Build to Rent scheme in which case the landlord need not be a registered provider). It provides a more precise definition of "starter homes", and unlike the current definition, permits low cost market homes such as "discounted market sales housing" to be included as "affordable housing".

~~2.21.2.22. The Housing White Paper (HWP) published in February 2017 proposes to revise the NPPF, including changes to the definition of affordable housing.~~ The proposed changes to national planning policy

definition are summarised at Annex 1.

2.23. These include the addition of several new affordable housing products /tenures including discount market sales housing (which includes Starter Homes) and affordable private rent housing (also referred to as discount market rent housing) which would only be provided in build-to-rent developments. The ~~draft revised NPPF current proposal is~~ that both of these products would need to be provided at a minimum of 20% below local market values and rents. The ~~government has proposed that national planning policy (the NPPF) will be revised to~~ draft revised NPPF requires:

~~2.22-2.24. Major housing development (i.e. providing at least 10 homes or with a site area of 0.5ha or more) to provide at least 10% as “affordable homes ownership” unless this level would exceed the level of affordable housing required in the area, significantly prejudice the ability to meet the identified affordable housing needs of specific groups, or provides solely Build to Rent homes, amongst other exemptions. all local authorities to seek to ensure that a minimum of 10% of all dwellings on individual sites of 10 or more dwellings or 0.5ha are affordable home ownership products (such as Starter homes). These need not be provided by a Registered Provider. This size threshold would be important where developments are built at a density of under 20dph...~~

~~2.23-2.25.~~ As proposed, this could potentially result in two different national policy site size thresholds for affordable housing provision (11 and 1,000sqm as the minimum site size threshold for affordable housing, and 10 or 0.5ha for a 10% affordable home ownership requirement).

~~2.24-2.26.~~ When the national definition of “affordable housing” for planning purposes changes (~~which is proposed to be by April likely to be in early summer~~ 2018, it will be widened to include low cost market housing, including affordable private rented housing / discount market rent, and discount market sales housing which can include starter homes (at no more than £250,000, available for buyers getting a first mortgage, aged under 40, and with a maximum household income no more than £80,000 a year). These products will not be required to be provided by a Registered Provider.

~~2.25-2.27.~~ The draft revised NPPF Annex 1 : implementation proposes that the policies in the previous Framework will apply for the purposes of examining plans where those plans are submitted on or before a date government is proposing that its policies on affordable private rent (APR), also referred to as discount market rent (DMR) and build to rent (BTR) would take effect six months from publication of the final Framework after the policy is incorporated into the NPPF.

~~2.26. Through the Housing White Paper 2017, the government advises that its proposed change to the planning definition of affordable housing will require local planning authorities to develop new affordable housing policies to reflect this within a year of the changes.~~

2.28. The proposed changes also include removing the current requirement to secure some types of affordable dwellings (such as “Build to Rent”) in perpetuity (or to recycle the subsidy for alternative affordable housing provision), and to remove the existing specific exclusion of low cost market housing. Currently affordable and social rented housing must be provided by a local authority or private registered provider RP. The primary function of a Registered Provider is to provide dwellings that are affordable for those in housing need. RPs are “not-for-profit” organisations.

~~2.27-2.29. In March 2018, draft revised Planning Practice Guidance was also issued. This includes proposed changes to assessing the need for affordable housing, and to viability assessments, including in relation to affordable housing.~~

~~2.28. There is a level of uncertainty in national policy direction, which has changed over last 2 years from an emphasis on affordable home ownership (with a starter homes requirement) to emphasis on renting (affordable private rented housing / discount market rent), whilst still proposing a requirement for a nationally set proportion to be affordable home ownership products (including starter homes).~~

2.29-2.30. In April 2016, the temporary *national permitted development rights* to allow a change of use from offices to residential development without the need for planning permission, (but instead via an application for prior approval) in place since May 2013 (for a three year period), were made permanent. This has had a notable impact on affordable housing delivery in the borough, as such prior approval conversions cannot be subject to policy requirement for affordable housing provision.

2.30-2.31. Section 6 of this Paper considers how our affordable housing policy can best reach a balance between being consistent with national policy and being the most appropriate strategy based on appropriate evidence.

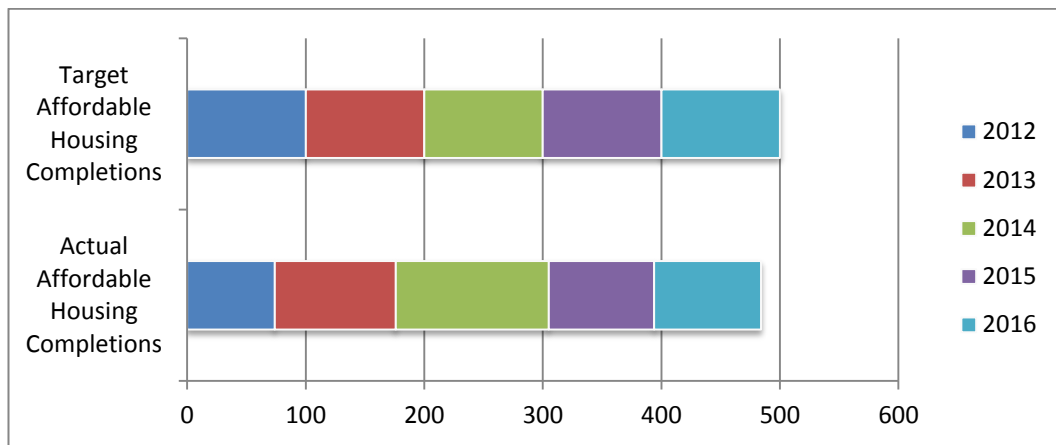
3. Local policy

- 3.1. The current affordable housing policy is [Core Strategy 2015 Policy CS15](#), adopted July 2014. This policy sets out that over the plan period 2012 and 2027, a minimum of 1,500 gross new units of affordable housing will be secured within the borough. These will be delivered by requiring sites providing 15 or more (net) dwellings to provide 30% of them on-site as affordable. This equates to an average of 100 new affordable dwellings per year (21.7% of the borough's total housing requirement). The affordable housing number is included within the overall housing target, and although acknowledged (in the [Core Strategy Inspector's Report](#)) not to meet the objectively assessed need for affordable housing in the borough, this is considered to be a realistic target.
- 3.2. Policy CS15 also requires a financial contribution broadly equivalent to provision of 20% affordable housing from sites between 10 and 14 net dwellings, and a financial contribution broadly equivalent to provision of 10% affordable housing from sites between 1 and 9 net dwellings.
- 3.3. The subsequently adopted [Affordable Housing Supplementary Planning Document \(SPD\) 2014](#) specifies the requirement of £155 / net m² from sites of 10-14 (net) dwellings which is broadly equivalent to 20% affordable provision, and contribution of £79 / net m² from sites between 1 and 9 (net) which is broadly equivalent to 10% on-site provision.
- 3.4. The SPD provides advice on the types residential developments that will need to provide affordable housing and when off-site provision or a financial contribution would be more appropriate. A financial contribution in lieu of on-site provision may also be accepted where the Council considers that it would meet the Council's policy objectives substantially better than on-site provision.
- 3.5. The Core Strategy Inspector's report (31 Jan 2014) noted that Policy 15 allows for the proportion to be negotiated on a case by case basis taking viability into account, so flexibility has been built into the policy. This accords with NPPF requirement (para 205) for local planning authorities to be sufficiently flexible in taking account of market conditions to prevent planned development being stalled.
- 3.6. The current policy was adopted in July 2014, only four months before the government introduced its new WMS national policy including a national site size threshold under which affordable housing should not be sought (see Section 3). As this effectively prohibited seeking contributions from

development schemes under 11 dwellings and with a total combined gross floorspace over 1,000sqm, it has affected the Council's ability to secure contributions from smaller developments. It does not impact on the Council's ability to secure on-site affordable housing from sites of 15 or more net dwellings in accordance with current policy. This has so far proved to be broadly successful in implementing this element of Policy CS15 to meet the affordable housing target.

- 3.7. In the three years between the adoption of the Core Strategy in July 2014 and August 2017, 22 development schemes were approved that provided at least net 15 dwellings, and therefore met the current policy threshold. Five of these were prior approval schemes involving a change of use from offices, and it was not therefore within our power to secure affordable housing within them.
- 3.8. Of the 17 other schemes, only seven (just over 40%) included on-site affordable housing. Provision on these seven approved schemes ranged from 11% on the former Liquid and Envy site at Station Road in Redhill, and 25% on the former De Burgh School site in Preston, Tadworth (which included a variety of other planning obligation costs including regeneration area improvements), to 200% affordable housing provision on a Raven Trust-owned site. The Raven Trust-owned site in Redhill included Ranmore House, which was redeveloped at greater density, to provide 1, and 2-bedroom affordable dwellings for elderly people and families.
- 3.9. Of the 10 schemes granted planning permissions without including any on-site affordable housing provision, two made financial contributions towards affordable housing for reasons of financial viability, whilst eight developments were agreed with no affordable housing contribution due to impact on the viability of the proposed development. Reasons for lack of affordable housing provision or financial contribution included the higher development costs associated with listed buildings and the low sales values associated with some regeneration schemes. It is worth noting that *Core Strategy Policy CS15 d)* allows for lower affordable housing provision in regeneration areas, so many of these developments in the lower value areas would not necessarily have been contrary to Policy CS15.
- 3.10. The Council's [Housing Monitor 2017](#) (Figure 2) reports that between April 2012 and March 2017, 484 new units of affordable housing had been completed, out of the 2,417 dwellings completed in the same period. This equates to 20.02% an annual average delivery of 97 affordable dwellings per year against an annual average of 100 dwellings (21.7%). That leaves at least 1,016 new affordable dwellings to be provided between April 2017 and March 2027.

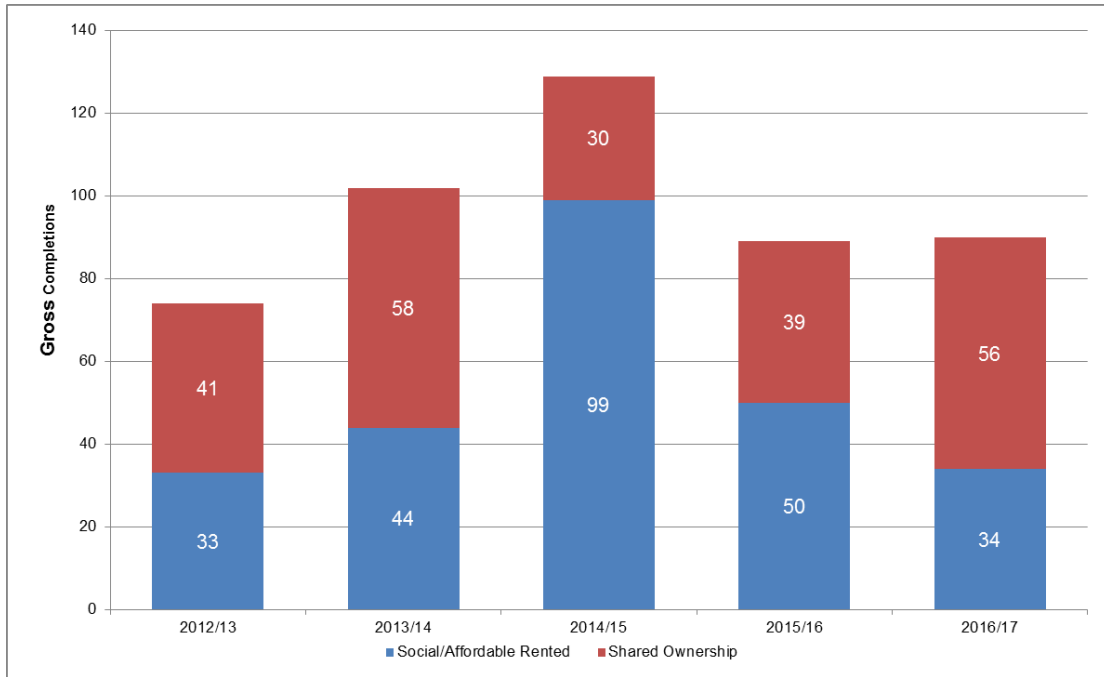
Figure 2 : Affordable Housing completions against Core Strategy target



3.11. The Core Strategy policy requires the tenure split to reflect the current assessment of housing needs. At 2014, this was 60% as intermediate housing, the other 40% being rented forms of affordable housing (social and affordable rent). This was the split considered needed to meet the affordable needs over the plan period, as set out in the Strategic Housing Market Assessment Update 2012.

3.12. The tenure mix of affordable housing that was built in the borough over the first five years of the plan period is shown in Figure 3. Figure 3 shows that since 2012/13 484 affordable units have been completed, 260 of which were social and affordable rented (54%) and 224 were shared ownership (46%). This better reflects the needs of those households recognised as currently being in housing need (on the Housing Register).

Figure 3: Affordable Housing Completions Trend
(Source: 2017 Housing Monitoring Report)



3.13. Since the introduction of office to residential (prior approval) permitted development rights in May 2013, a total of 526 dwellings have been permitted through this route (240 dwellings 2013/14, 161 dwellings 2014/15 and 125 dwellings 2015/16, 87 dwellings 2016/17)². Assuming that the number of approvals and the current implementation rate continues, it is anticipated that at least an additional 137 dwellings will be created by converted office accommodation to residential use over the next 5 years (27 per annum). These are classified within the “windfall” (sites not specifically identified) allowance for the remainder of the plan period. We have not included these in the calculation of potential future affordable housing supply in Section 6.

3.14. There have been five office to residential conversion schemes over the affordable housing threshold of 15 dwellings that have been given prior approval that would have been required to provide on-site affordable housing had planning permission been required. Another 35 development schemes under 15 dwellings (gross) would have provided a financial contribution towards affordable housing provision and to reducing homelessness in the borough.

3.15. Should the Council decide that it needs to take back control over the loss of offices to residential through this route, the Council has the option of considering an Article 4 Direction.

² There has also been a significant increase in office to residential redevelopments approved through full permissions in the time since the rights were introduced however these have not been factored into the windfall calculations.

- 3.16. The introduction of the Community Infrastructure Levy within the borough in April 2016 means that much of developer's non-site specific infrastructure costs are now absorbed in their the CIL payment and are therefore non-negotiable. This may well have had an effect on delivery of affordable housing, where viability was marginal, or approaching marginal. In accordance with national guidance ([Planning Policy Guidance](#)) this is now to be negotiated if a development would not be viable with all requirements (provided they had been taken into account in the price paid for the site or option).
- 3.17. The PPG advises (*Paragraph: 004 Reference ID: 23b-004-20150326*) that "where affordable housing contributions are being sought, planning obligations should not prevent development from going forward." ... "where local planning authorities are requiring affordable housing obligations or tariff style contributions to infrastructure, they should be flexible in their requirements. Their policy should be clear that such planning obligations will take into account specific site circumstances." (*Paragraph: 006 Reference ID: 23b-006-20140306*).
- 3.18. Prioritisation of site-specific mitigation and infrastructure provision before compliance with affordable housing policy when viability of a proposed development scheme is in question is reflected in [the Council's Developer Contributions SPD \(April 2016\)](#) Table 1. This confirms payment of CIL (which is non-negotiable), followed by necessary site-specific infrastructure to overcome any otherwise adverse impacts of development will be prioritised over affordable housing policy requirement if the proposed development would otherwise be unviable.

Financial contributions from smaller sites

- 3.19. As set out earlier in this section, Policy CS15 seeks a financial contribution towards provision of affordable housing from development sites under 15 net dwellings. The WMS policy introducing a national site size threshold summarised in Section 2 does not impact on the current policy for provision of on-site affordable housing.
- 3.20. The new national threshold has however had an impact on the negotiation of affordable housing financial contributions from development schemes under 11 homes and less than 1,000sqm total gross floorspace.
- 3.21. In January 2015, following the adoption of the Core Strategy, in considering an appeal ([Appeal Reference APP/L3625/W/14/3000049](#)) for a development of five detached dwellings at 38 to 44 Buckles Way, Banstead, an Inspector considered that the submitted unilateral undertaking to provide a financial

contribution towards affordable housing provision was not “necessary”. In dismissing the appeal on other grounds, he stated that :

“I do not doubt that the appellant’s undertaking would make a useful contribution to affordable housing provision within the Council’s area. However, in this instance, given the content of the PPG, I find there is no longer a policy imperative for an affordable housing contribution to be made.”

3.22. By mid-2016, there had been several appeal decisions on sites in the borough, in which the Planning Inspectorate gave greater weight to the WMP than to the recently adopted Core Strategy policy requiring financial contributions from developments under 11 net dwellings. In these appeals, PINS determined that no affordable housing contributions were required.

3.23. In August 2016, the Council produced a *Position Statement* (provided at Annex 2 to this paper) on the interplay between the WMS and PPG and the adopted Core Strategy Affordable Housing Policy. This was produced to provide further evidence of local affordable housing need, the role of financial contributions toward affordable housing provision and the Council’s efforts to reduce the burden on small scale developers.

3.24. The Statement aimed to address the issues raised by a Planning Inspector in considering an appeal ([Appeal Reference APP/L3625/W/16/3146512](#)), which he allowed, for development of two dwellings at Dormer Cottage, 13 Court Hill, Chipstead. In this case, the appellant had offered a unilateral undertaking but the Inspector considered that the planning obligation was not necessary. He suggested that he would need more evidence comparing housing affordability in the borough with national and regional affordability, the role that small sites are expected to make towards meeting the Core Strategy’s affordable housing target, and evidence of the impact of the affordable housing contributions on the delivery of small sites.

3.25. In November 2016, the Council lost a s78 planning appeal ([Appeal Ref: APP/L3625/W/16/3154480](#)) for one new house as backland development at 131 Gatton Park Road, Redhill, with costs awarded against it. The Inspector considered that the Council had failed to take into account previous appeal decisions, and, in accordance with the Planning Policy Guidance, was at risk of further award of costs being awarded against it. As a result, the Council’s Planning Committee agreed a report on [“Affordable Housing Contributions from Small Scale Developments”](#) , to the effect that in determining planning applications, it would no longer give more weight to Core Strategy Policy CS15 relative to the WMS national site size threshold. The report referred to the potential for a new Policy in the forthcoming Development Management Plan to supersede Core Strategy Policy CS15, which could post-date the

national policy.

- 3.26. Although the local evidence points to developers of small schemes being willing and able to provide the financial contribution set out in Policy CS15, and it not impacting on delivery of small developments, appeal decisions have nevertheless had an impact. This national policy, introduced only a few months after the Core Strategy was adopted, has therefore had a negative impact on the Council's ability to collect financial contributions from small developments, despite the policy being based on local evidence and consistent with national policy at the time of the Core Strategy examination.
- 3.27. Nevertheless, in the two years between adoption of the Core Strategy in July 2014, and July 2016, only three developers of small sites sought reduced contributions due to the viability. Over the same period, over 80% of financial contributions on sites of 10 units or less have been successfully secured in over 80% of relevant planning approvals since the Core Strategy was adopted (59 out of 63 approvals), generating potential income of approximately £1.5 million.³
- 3.28. These developer financial contributions play an important part in helping to deliver affordable housing and reduce homelessness in the borough. Between mid-2011 and mid-2016, over £2 million of developer contributions have been used to enable the creation of 53 additional affordable housing units and additional supported accommodation in the borough through new build or conversions by the Council, charities and Registered Providers (RPs).

³ All of the cases where contributions were not secured arose from appeal decisions immediately following the initial publication of the WMS rather than cases of marginal viability

4. Local evidence

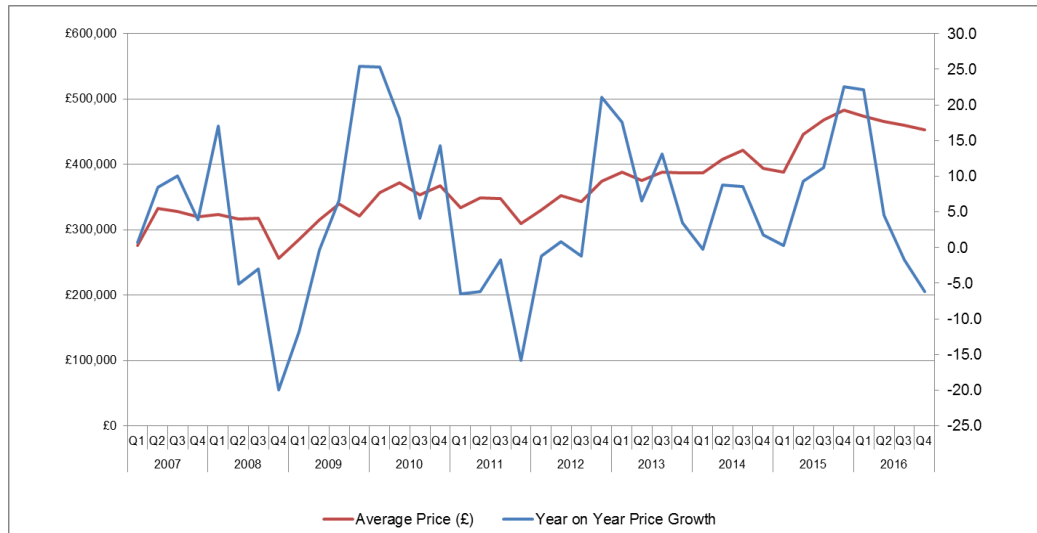
- 4.1. The key relevant evidence on which the Council's affordable housing policy is based relates to the affordable housing need in the borough, and to the viability of development to support provision for affordable housing. The size and type of development schemes likely to be important to the supply of housing in the borough is also an important issue.

Affordable housing need

- 4.2. *The East Surrey SHMA (2008)* for the East Surrey strategic housing market area (HMA) based on 2004 DCLG household projections, calculated need for affordable housing to be 523 per annum (assuming elimination of backlog in supply over five years). This was updated in 2009.
- 4.3. A further SHMA update in 2012 the *Reigate and Banstead SHMA Update, February 2012* (David Couttie Associates) considered Reigate & Banstead borough only and focused on affordable housing. It used 2008-based projections, and forecast a much higher overall housing need over the period 2008-2028. However, the annual affordable housing need was calculated to be 366 dwelling per annum, base on the more realistic assumption of reducing the affordable housing backlog over the (15 year) plan period. However, as this is more than three quarters of the total housing number proposed in the submitted Core Strategy, it is clearly not viable.
- 4.4. The 2012 SHMA found that the scale of need at that time justify the affordable housing target of 40%, subject to site viability, included in the submitted Core Strategy. The Study noted that this would represent almost 39% of the total annual average housing requirement.
- 4.5. The tenure balance of new affordable housing delivery between 2009- 2011 had been 41% social rent and 59% intermediate housing (which includes shared ownership housing). Given the importance of tenure in meeting housing needs (and in development viability), the 2012 SHMA recommended that the tenure mix of 40: 60 between social / affordable rent and intermediate housing should be continued.
- 4.6. In relation to the size of affordable dwellings to meet the likely need over the plan period, the 2012 SHMA concluded that future delivery in the affordable housing sector should appropriately be 75% of units for single / couple and small family households and 25% for larger families.

- 4.7. The Core Strategy Inspector concluded that although the 100 affordable dwellings proposed by the Core Strategy Affordable Housing policy (some 22% of all new dwellings each year) would be substantially less than the need, this is largely a consequence of the affordable supply being predominantly linked to the supply of market housing. As the borough's total housing supply is constrained, substantial alternative funding would be required in order to make come closer to meeting the objectively assessed need for affordable housing.
- 4.8. *The Kingston and North East Surrey SHMA, June 2016* recognised that the HMA has localised strong linkages in terms of pricing, household migration and travel to work with adjoining authorities such as Reigate & Banstead. These linkages are broadly consistent with those identified in the East Surrey SHMA 2008, highlighting the significant overlap between Housing Market Areas in this locality.
- 4.9. As the 2012 SHMA covered the Core Strategy Plan period, it is not considered necessary to revisit the housing needs data for the remainder of the Core Strategy plan period (to 2027) in terms of quantifying the overall affordable housing need. Various sources of more recent data, including from the RBBC's Homelessness Review 2017, Housing Monitor 2017, and the Small Sites Position Paper (August 2016) have been used to update the position on affordable housing need.
- 4.10. Figure 1 shows how the "housing affordability ratio" of lower quartile house price to lower quartile gross annual workplace-based earning (i.e. excluding self-employment) has over the years been on an up-ward trend over the years (with a drop following the 2008 recession) and consistently higher than the same for ratio the South East and for England as a whole. Lower quartile affordability is slightly better in Reigate borough than for Surrey County as a whole due to a few Surrey boroughs, such as Elmbridge having higher average land values.
- 4.11. ONS data shows that in 2016, the residence-based (i.e. people living in the borough) median housing affordability ratio was 11.69, whilst the workplace-based (i.e. people working in the borough) median housing affordability ratio was slightly better at 11.49.
- 4.12. Over the last year the average annual house price within the borough has increased compared to 2015/16 from £447,000 to £463,000, a 3.6% average increase across the borough as a whole.

Figure 4 Average House Price 2007-2017 (Land Registry Data)



4.13. As recognised in “Planning for the Right Homes in the Right Places: consultation proposals” DCLG consultation, September 2017, affordability is an issues of concern in the borough. This national consultation document proposes that R&B borough’s future housing need figure should be above the recent rate of household growth by the maximum 40% proposed, which reflects the level of housing affordability in the borough.

4.14. The borough’s affordability ratio (lower quartile house prices to lower quartile (gross) wages was 11.85 in 2016, compared to 7.16 in England as a whole. Given that most mortgages are offered at no more than 3.5 times the household income, even households of two adults on lower quartile wages would not be able to afford a mortgage on a lower home. The national site size threshold works on the assumption that a mortgage is 7.16 times the sales value of the property.

4.15. Private market rents in the borough are also high. Lower quartile rents for a two bedroom property in the borough are over £200 per month higher than the corresponding figure for the South East region (£700) and almost double the national figure (£495).

Figure 5: Median local rents in the borough per calendar month (August 2016)

Source: Zoopla

No of bedrooms	Social rent	Affordable rent	Private rent
Studio	£402.22	£529.75	N/A
1 bed	£500.72	£536.81	£841
2 bed	£615.51	£862.33	£1,114
3 bed	£603.72	£1,030.29	£1,368

4 bed	£607.19	unavailable	£1,818
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Figure 6 : Private market rents and earnings in the borough (2015 – 2016)

Source : RBBC analysis Small Sites Position Paper, August 2016

	Lower quartile rent £ per calendar month 2015-2016	Lower quartile gross annual earnings (2015)	Rent as % of gross income
	VOA Private Market Rents, 1 April 2015-31 March 2016, Table 2.3 and Table 2.4	From Annual Survey of Hours and Earnings, residence based	
One bedroom	£725 (£8,700)	£16,253	54%
Two bedroom	£925 (£11,100)		68%

4.16. There has been a reduction in the number of applicants to the Housing Register by almost 30% between 2011/12 and 2016/17. This is largely due to a change in the Housing Register and Allocations Policy which restricted the qualification rules for the Register, and resulted in the removal of many ineligible applicants. A further review of the Policy in 2015 also resulted in a slight reduction in households eligible to join the Housing Register. Since 2016/17, the number of households applying for the Housing Register each month is increasing.

4.17. The high residential sales values and rents relative to wages earned by those living in the borough local wages severely restrict the ability of many local residents to access conventional market housing, particularly those on lower incomes.

Tenure

4.18. The Core Strategy Affordable Housing policy does specify the affordable housing tenure mix required for on-site provision, but refers to the need to consider the latest evidence of need, which the Affordable Housing SPD advises is the 2012 SHMAA.

4.19. The proposed changes to the national planning definition of affordable housing will not affect how many households in the borough will be able to

afford to rent or to buy on the open market, and therefore how many will need affordable housing. However, the changes may well impact on the number and proportion of households that can afford the different affordable housing products, such as affordable rented housing, discount market sales housing (including starter homes), and discount / affordable market rent housing, which will impact on development viability.

4.20. The Regulation 19 draft Development Management Plan includes a policy which will introduce nationally described space standards to the borough (where viable). RBBC's [Housing Standards Justification \(June 2016\)](#) found that the policy requirement will drive up the size of the smallest 1- and 2- and 3-bedroom dwelling built in the borough. As developers will have to recoup their additional costs, this will make a proportion of 1- and 2-bedroom new dwellings less affordable to buy for some households in housing need, compared to a dwelling of the same number of bedrooms in past years. As shown in Figure 7, the greatest impact on the affordability will be to those needing one- and two-bedroom dwellings.

4.21. The affordability of buying a property to particularly households is predominantly driven by two factors:

- The affordability of the on-going mortgage payments
- The amount of up front costs including deposit requirements and other purchase costs)

4.22. Given the impact on housing affordability that meeting the new space standards will have on smaller properties (1, 2 and 3-bedroom), the need for affordable dwellings will therefore be for proportionally more rented affordable dwellings compared to under the Core Strategy Policy CS15, as fewer households in housing need will be able to afford the required deposit and mortgage repayments for an affordable home that meets their needs.

Figure 7 : Summary of the impact of introducing the nationally prescribed space standard on affordability by dwelling size

Source : RBBC Housing Standards Justification (June 2016)

Dwelling type	Affordability (% of dwellings likely to be affected by new standard)		
	High	Medium	Low
1 bed flat	2.4%	1.2%	3.6%
2 bed flat	4.2%	3.8%	0.4%
2 bed house	2.5%	25.0%	2.5%
3 bed house	0.5%	5.1%	13.4%

4 bed house	0.0%	0.0%	0.0%
5 bed house	0.0%	0.0%	0.0%
6 bed house	0.0%	0.0%	0.0%

- 4.23. A key determinant of the affordability of a mortgage is how it compares to income. New mortgage lending rules introduced in 2014, new rules within the sector require most providers to ensure that no more than 15% of their mortgage loans are at a multiple of more than 4.5. The national average multiple in 2016 was 3.6.
- 4.24. Any increase in the size and value of a property which results in the income multiplier for a particular household moving above the 4.5 multiplier could therefore risk affordability as the availability of, and their ability to access, mortgages is reduced.
- 4.25. The effect on the amount of deposit required will also affect affordability. In most cases, a minimum 10% deposit is required to access the majority of mortgages at reasonable interest rates (save for through specialist schemes such as Help to Buy). Any increase in the value of a property will therefore increase the amount of deposit needed and therefore require the purchaser to have additional savings/capital, particularly when additional purchase costs (such as stamp duty) are factored in.
- 4.26. This evidence, together with recent experience of RBBC's Housing Service's often attempts to allocate new-build shared ownership housing to households on RBBC's Housing Register indicates that an increasing proportion of households in housing need will not be able to the deposit and repayments on shared ownership housing. Without an adjustment to the current tenure split set out in the 2014 Affordable Housing SPD (para 5.2.2), which is informed by the 2012 SHMA, much of the shared ownership built in the borough will have to be allocated to households outside of the borough.
- 4.27. If it becomes government policy in spring 2018 as is suggested, the national proposal (summarised in Section 2) to require a minimum of 10% of all dwellings on individual sites of 10 or more dwellings or 0.5ha to be affordable home ownership products (such as Starter homes) will impact on the type of new affordable housing that is provided in the borough. The likely impact of such a policy is set out in Figure 8 below.

Figure 8 : Summary of impact of introducing a national requirement for 10% of all homes on qualifying sites to be affordable home ownership products

Source : RBBC analysis

Number of new dwellings on site (gross)	Number of affordable dwellings (gross dwellings proposed x 30%)	Number of affordable home ownership homes...e.g. starter homes (A x 10%) at <u>10% of all homes on the site</u>	Number of rented affordable homes on the site	% of affordable housing that is rented housing
260		26	65	71
200		20	50	71
100		10	25	71
50	15	5	10	67
25	7.5	2.5	5	67
20	6	2	4	67
15	4.5	1.5	3	67
14	4.2	1.4	2.8	67
11	2.2	1.1	1.1	50

Dwelling size needed

4.28. Recent evidence of housing needs indicates that almost three quarters of households in housing need require one- and two- dwellings (Figure 9).

Figure 9 : Housing Register dwelling size needs (June 2017)

Bedroom requirement	% of total households
1 bed	32%
2 bed	41%
3 bed	22%
4 bed +	5%

Other specific housing needs

4.29. The second largest group of accepted homeless applicants (after dependent children) is people with physical disabilities (Homelessness Review 2017). From time to time, there is a registered housing need for wheelchair user affordable rented housing. Section 3 of RBBC’s Housing Standards Justification (June 2016) sets out the need for, and development viability implications of providing new housing built to “wheelchair-user standards” in the borough to meet a portion of the needs (other needs can be provided for by adapting existing dwellings). A requirement is therefore proposed for the new Affordable Housing policy.

4.30. This is very much dependent on the specific needs of those registered as being in housing need at the time of the development proposal being considered.

Development viability

4.31. The policy requirement to provide affordable housing alongside market housing can be a significant cost affecting the financial viability of development. Viability is a crucial consideration in setting the policy for affordable housing requirement, and in negotiating planning applications, as development must be viable if it is to deliver housing.

4.32. *The Affordable Housing Viability Assessment*, March 2012 (by Dixon Searle Partnership), was commissioned to update the Core Strategy Affordable Housing viability evidence (*Affordable Housing Study 2007*). The 2012 Study informed the development of the policy in the revised (proposed submission) Core Strategy. The 2012 Viability Assessment was commissioned to capture the impact of economic uncertainty following the world economic crisis, and changes to the affordable housing regime introduced by the NPPF. The Assessment included the assumption of nil grant availability to assist developers, and considered options for tenure split including affordable rented housing.

4.33. The Study calculated the Residual Land Value (RLV) as a percentage of Gross Development Value (GDV) with no affordable housing provision to approximate the factor that should be applied to the sales value (GDV) of a relevant affordable home type to arrive at the base value of the land required for that affordable home. This was then applied pro-rata to the equivalent affordable housing proportion (i.e. 10% and 20% equivalent target proportions). The Assessment then calculated what these financial contribution sums would be equivalent to in pounds per square metre (£ / sqm) by dividing the RLS by the floor area in sqm. These calculations for a range of generic sites “types” were carried out over a range of “Value Levels”, each representing a different area of the borough, some with a specific type of development, for example, “high end” or “standard”.

4.34. The 2012 Viability Assessment recommended a “sliding-scale” of developer contributions, with sites of at least 15 net dwellings providing 30% provision on site, and smaller developments providing a lower proportion, to be provided as a financial contribution rather than as on-site provision. The Assessment devised a £/sqm contribution and set out how this would be calculated using a “land plot calculation”.

- 4.35. The Assessment suggested an option that could support on-site affordable housing provision (at 20%) from sites of between 10 and 14 dwellings. It advised against on-site provision on developments of less than 5 dwellings. The Assessment recommended that policy site size thresholds be based on “net” application; especially on the smallest schemes, taking account of the significant impact that “gross” application can have in some circumstances.
- 4.36. The 2102 Affordable Housing Viability Assessment summarised (at paragraphs 3.6.1 and 3.6.2) that “...we can see that a 10% affordable housing equivalent-based contribution using the land plot calculation is approximately equivalent to all new market dwellings contributing at about £79/sq m.....a 20% affordable housing equivalent based contribution using the land plot calculation is approximately equivalent to all new market dwellings contributing at up to about £155/sq m.”
- 4.37. The Inspector’s Report (2014) into the Core Strategy commented that “the generally higher site costs often encountered on previously-developed land in urban areas is the basis for arguments that the affordable housing proportion should be lower than 30%. However, given the difficulties in developing an areas-based sliding scale affordable housing requirement, and the specific wording added to the policy in relation to the lower value regeneration areas (which evidence showed for some previously developed sites are unlikely to be viable), “overall, on the available evidence, a borough-wide figure of 30% affordable housing is appropriate” (paragraph 95). The CS Inspector advised that “before the next review the Council should consider undertaking a more wide-ranging viability study to establish whether there is justification for setting targets which reflect, in particular, the broad cost differential between brownfield and greenfield sites.”
- 4.38. The Core Strategy examiner also noted that the 2012 Assessment had not tested development schemes over 100 dwelling or for houses-only schemes, over 25 dwellings. There was some concern as to whether large greenfield developments such as Sustainable Urban Extensions are more likely to be able to sustain a 40% level of provision, due to the considerably higher infrastructure costs on large sites.
- 4.39. The Council’s CIL Viability Study, March 2015 tested greenfield urban extensions of between 45 and 300 houses and flats (as part of mixed use sites at Value Point 3). It also assumed nil public grant for affordable housing, and included an assumption of 20% starter dwellings, as was proposed by government at the time (not this proposal has since been changed to a proposal for more general requirement for affordable home ownership products. The 2015 Study recommended a CIL rate of £200 / sq

m for areas outside of existing urban areas (which includes all Sustainable Urban Extensions), the highest of the residential CIL rates in the borough.

- 4.40. A Viability Study of the Regulation 19 Development Management Plan (DMP) is currently being undertaken, based on the DMP to be subject to Regulation 19 consultation in early 2018. As well as assessing the potential affordable housing proportions, it also includes the “whole plan” testing required by national policy and guidance, in order to ensure that the plan as whole is “deliverable”.
- 4.41. The Study is using the residual valuation approach to test a range of generic residential and mixed-use types of developments typical of past completions and which the 2016 SHLAA Addendum identify as likely to be developed across the borough in the period to 2027. Providing consistency across the past year’s viability studies, it also uses Value Levels as broad areas across which viability is assessed. The 2017 Study uses the same Value Levels as the 2015 CIL Viability Study, which have been simplified since they were originally formulated for the borough in the 2012 Affordable Housing Viability Assessment. For sites of less than 11 gross dwellings, the Study input “zero” for the affordable housing contribution. From this we can ascertain what financial contribution these smaller sites can viably make that is proportionate to their smaller size and relatively higher development costs.
- 4.42. The 2017 Viability Study is also including assessment of the key site allocations, including Sustainable Urban Extensions and mixed-use town centre sites, which are being tested using the Homes and Communities Agency’s (HCA) Development Appraisal Tool.
- 4.43. The assumptions used in the 2017 Study have been checked by a critical friend, a Property Regeneration consultancy of chartered surveyors and planners. We have also made an assessment of the costs of complying with Core Strategy and the Regulation 19 Development Management policies, which has also been subject to similar independent expert scrutiny. The consultancy will also advise on the development appraisals themselves once completed. This work will be written up in a 2017 Viability Study Report to accompany the Regulation 19 consultation in early 2018.
- 4.44. The current testing of the urban extension site allocations includes consideration of their higher S106 planning obligations and S278 highways agreements, as well as their higher CIL rate. Weighed against these additional development costs are the lower values paid for the sites (most are farms), and the economies of scale they can achieve.

- 4.45. Recent years have seen reduction in central government funding streams to assist developers to deliver affordable housing within their schemes. Both the Council's 2015 Viability Study and the 2017 Viability Study currently being prepared both assume nil Government grant. The proposed changes to the national affordable housing definition including the new affordable housing products, will result in affordable homes being affordable to fewer local households in need, but should improve viability for developers.
- 4.46. The main impact on development viability is anticipated initially to fall on sites providing 11-14 gross dwellings, which the current Core Strategy policy requires to provide a financial contribution broadly equivalent to the value of land to accommodate 20% on site affordable housing provision. Under the proposed new policy, these sites would be required to provide 30% affordable dwellings on-site.
- 4.47. The 201~~87~~ DMP Viability testing has will provide more up to date viability information which has will informed the DMP prior to submission for independent examination. Sites of between 1 and 10 gross dwellings which current policy requires to provide a financial contribution, less than the value of land to accommodate 10% on site affordable housing provision, would be required, under the proposed new policy, to provide a financial contribution equivalent to the cost to the developer of providing 210% affordable housing contribution.
- 4.48. The Regulation 19 proposed new affordable housing policy has been drafted on the evidence of the 2015 CIL Viability Study, the 2016 CIL rates, and the early indications from the 2017 viability testing. The 2018 Viability Study confirmed that Initial findings indicate that with the exception of some site typologies even in low value areas, development schemes of 11 gross dwellings on previously- developed land can be viability developed with 30% on-site affordable housing, of the tenure mix proposed in the Regulation 9 DMP.

Site supply

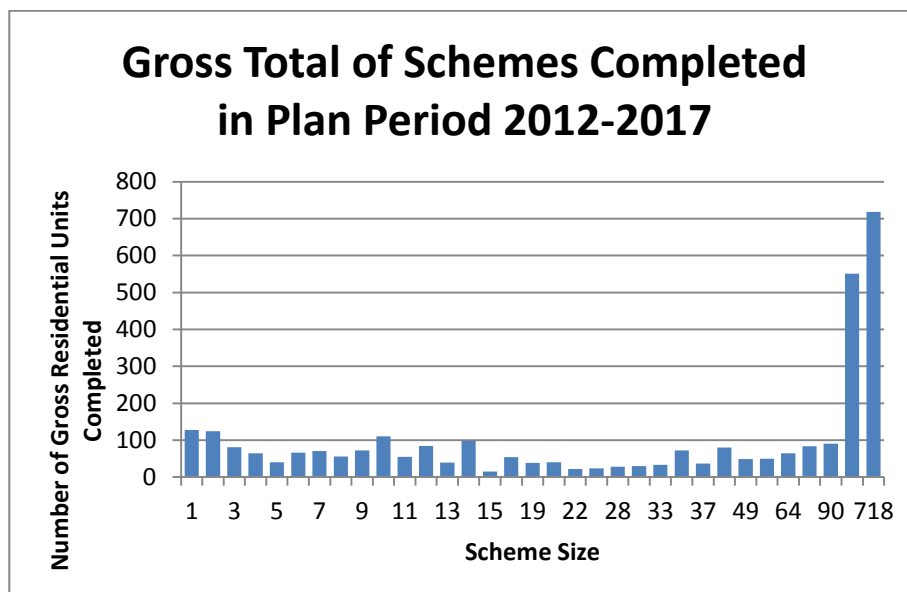
- 4.49. Alongside need for affordable housing we consider the pattern of site supply, i.e. what size and type (such as greenfield urban extensions) of development schemes do we expect to be delivered over the next 10 years, and how could this affect supply of affordable housing provision and our policy options.
- 4.50. We have considered both the past completions since the start of the plan period (2012), and expected future provision (based on the SHLAA 2016

data, updated to 2017 for the draft DMP Regulation 19 Transport Modelling). Based on completions over the plan period so far (2012 - 2017), as shown in Figure 10 a lower site size threshold seeking on-site provision from developments of 11 net (compared to the current 15 unit net threshold) would have produced an additional 83 affordable dwellings built on site, that is an additional three quarters of a year's affordable housing supply in just five years. Had the site size threshold been based on the gross number of dwellings provided, even more affordable dwellings would have been provided.

4.51. Figure 8 appears to show that by reducing the site size threshold for on-site provision of 30% from the current 15 dwellings (net) to 11 dwellings (gross) would result in few additional affordable dwellings, as between 2012 and 2017, only 2% of all new dwellings were built on developments of 11 to 14 dwellings. However, when the two untypically large developments of Watercolour at Redhill (the former Holmethorpe Quarry) and The Acres, North East Horley are excluded, 15% of all new dwellings built were in schemes between 11 and 14 dwellings. Both of these developments exceed by some margin the largest planned urban extension in the Development Management Plan site allocations. By lowering the site size threshold for on-site provision from the current 15 to 11, some 82 additional affordable dwellings may be built as part of market housing developments.

Figure 10: Number of dwellings completed by scheme size (2012 – 2017)

Source: RBBC analysis



- 4.52. There remain 5,233 dwellings yet to be completed by 2027 to meet the Core Strategy housing requirement. Of these, 2,670 already have planning permission, negotiated under the current Core Strategy affordable housing policy. This leaves 2,563 housing requirement yet to get planning permission or prior approval permitted development. 75 dwellings per year are expected to be from “windfall” sources (i.e. previously unidentified sites), of which 25 per year are likely to be permitted development changes of use from offices, where we are not able to secure an affordable housing contribution. This leaves 500 “windfall” dwellings that may be required to contribute to affordable housing provision, either on-site, or by way of a financial contribution, depending on the development scheme size.
- 4.53. 464 of the 1,813 dwellings (remaining housing requirement yet to get planning permission minus “windfall” dwellings) are expected to be on identified sites of less than 11 dwellings, for which we would not seek on-site affordable housing provision.
- 4.54. A total of 2,039 dwellings would contribute to on-site affordable housing provision at 30% resulting in 612 affordable dwellings in the remainder of the plan period to 2027. If urban extension sites (which will provide approximately 753 dwellings) make a slightly higher provision at 35%, they could provide an additional 38 on-site affordable dwellings over the remainder of the plan period.
- 4.55. The draft policy would therefore produce a total of 650 affordable dwellings to 2027 in addition to the 458 affordable dwellings that have already have permission granted but are not yet built. A total of 1,118 affordable dwellings over the plan period 2017-2027 would ensure that the Core Strategy affordable housing target is met.
- 4.56. The actual number of affordable dwellings approved will be slightly lower than this due to the recently reintroduced “vacant building credit” (see later section on recent changes), which applies to brownfield sites which have existing used buildings on. On a minority of qualifying sites, provision may be provided in the form of a financial contribution that we will use to increase provision on other sites.

5. Consistency of current policy with national policy and latest local evidence

Net versus Gross

- 5.1. The current requirement for calculating whether a development scheme should contribute a proportion of affordable housing is based on the net number of housing units. Additionally, for developments of 1-14 dwellings net (inclusive), which provide financial contributions in lieu of on-site provision, the requirement is based on the net floorspace increase.
- 5.2. It is not considered necessary to apply a net calculation twice for these sites. Government policy, introduced by the Nov 2014 WMS includes the requirement for application of a “vacant building credit”, so that any existing vacant (but not abandoned) floorspace on the site is deducted in calculating the proportion of affordable housing required. This is intended to encourage development on smaller brownfield sites.
- 5.3. The application of a “vacant building credit” ensures that brownfield sites have existing vacant (but not abandoned) floorspace deducted from the proportion required as affordable housing, reflecting the higher existing use values and demolition and construction costs of brownfield sites.
- 5.4. As a policy requirement rather than mitigation, we are proposing to base the new affordable housing policy on “gross” number of dwellings. This would likely deliver more dwellings from previously developed brownfield sites, accepting the vacant floorspace would likely be discounted. This approach misses the opportunity to seek on-site affordable housing contributions from sites that provide 11 gross dwellings, but not 11 net dwellings.
- 5.5. To calculate the required financial contribution for developments of 1-14 net dwellings (inclusive), the existing residential floorspace on the site is deducted from the proposed floorspace. However, as only existing residential floorspace is currently discounted, and it is not limited to discounting vacant floorspace, and existing vacant commercial floorspace is not discounted. This approach is not consistent with national policy on vacant building credit introduced by WMS in late 2014, which applies to all uses, and excludes abandoned buildings.

- 5.6. The method we currently apply to discount existing residential floorspace on the site is also now not consistent with government guidance on method for calculating a discount for existing vacant floorspace of any use (which is not abandoned and not in use), which requires a proportional approach to the number of affordable dwellings required (using discount of same % as ratio of existing vacant floorspace to proposed floorspace).
- 5.7. The existing policy is not so effectively already includes deduction for existing buildings, but is more generous to developers as the calculation of number of affordable dwellings to be provided / financial contribution initially deducts the units already on the site.
- 5.8. For sites currently in residential use, in calculating the requirement based on “net additional Gross Internal Area” we are more generous to developers than the national “vacant building credit”, which doesn’t discount floorspace currently in use or abandoned.
- 5.9. Therefore a “vacant building credit” is being applied, which is a requirement of national policy, however, its application is not just to vacant buildings, but also to occupied and abandoned buildings, and only to residential buildings, and not to vacant buildings of other lawful uses.
- 5.10. For on-site provision, use rounding of requirement to be based on mathematical convention (i.e. at up at 0.5, down at 0.4 and below) will be specified, recognising that it can have viability implications for developers, particularly of smaller schemes.

Site size threshold

- 5.1. The impact of the changes to national policy introduced by the WMS in November 2014 (and re-introduced by the Court of Appeal judgement in May 2016) on our affordable housing delivery is set out Section 3. In summary, Policy CS15 that seeks a financial contribution from developments of less than 11 net dwellings, is not consistent with national policy. As the WMS does not specify gross or net number, the effect of the Council’s stipulation that this is net dwellings on compliance is not clear. Given the “vacant building credit”, the WMS is considered likely to refer to gross dwellings. However, this policy remains part of the borough’s adopted development plan.

Small Sites Financial Contribution

- 5.2. It is recognised that small developments are generally more expensive to develop, and the individuals and small and medium firms that development

these sites do not have access to finance on the same sort of terms as the large housebuilders. Additionally it is not practical to provide and / or for Registered Social Landlords to manage affordable housing on small sites.

- 5.3. The 2015 Report for the Federation of Small Businesses "*Housing development : the economics of small sites – the effect of project size on the cost of housing construction*" reported that in South East England, build cost per sqm (on housing only sites) are 14% higher for housing developments under 10 homes than for developments over 10 homes, and 22% higher for developments under 5 dwellings. Small developments of flats are not subject to the same economies of scale, with build costs of flatted schemes up to 10 flats being 5% less than developments over 10 flats.
- 5.4. The current adopted Core Strategy policy seeks an affordable housing contribution as a financial contribution only, at a lower proportion (10% or 20%) on sites under 15 dwellings, which ensures that the policy requirement does place a disproportionate burden on smaller scale housing developments. Rather the required contribution to affordable housing provision in the borough is proportionate to the size of the development, requiring more from developments over 10 dwellings.
- 5.5. This 'land plot calculation' suggested in the 2012 Affordable Housing Viability Assessment as a method of calculating a sum "broadly equivalent" to on-site provision of the same percentage. It is a simple method used to calculate a contribution towards affordable housing provision from smaller sites, where on-site provision would not be suitable.
- 5.6. The land plot calculation method involved calculating the value of the land that would have been provided to accommodate the on-site affordable housing. This does not however reflect the additional financial benefit to a developer providing an affordable housing financial contribution compared to providing affordable dwellings on site.
- 5.7. The current 2014 Core Strategy policy requires financial contributions to be "broadly equivalent" to on-site provision. The 2012 Viability Study (paragraph 3.6.5) acknowledged that the residual land values (RLVs) from the financial contribution route are marginally better for developers than providing on-site affordable housing at 20% affordable housing provision (on development sites of 10-14 dwellings), and notably better than 10% equivalent comparison. This disparity is compounded by changes to residential gross development values since 2012 that have not been reflected in payments from sites under 15 dwellings.

- 5.8. For sites under 15 dwellings, the current Core Strategy policy requires a financial contribution from sites of 1-9 dwellings (£79 / sqm : broadly equivalent to provision of 10%) and from sites of 10- 14 dwellings (£155/sqm : broadly equivalent to 20%). Until November 2016 (as outlined in Section 3), we were applying the square metre levies to development sites of 1-14 dwellings (net), as set out in the 2014 Affordable Housing SPD. This equates to a contribution of approximately £7,900 for an average 3-bedroom house on a site of between 1 and 9 net dwellings and £15,500 for an average 3-bedroom house on a site of between 10 and 14 net dwellings. This amount is reduced if there is existing residential floorspace on the site to deduct (i.e. it is charged on net floorspace if there are residential buildings on the site), but not if there are other buildings.
- 5.9. The requirement sites under 15 dwellings to make a financial contribution to affordable housing provision in the borough under Core Strategy Policy CS15 is based on a sliding scale. This requires a lower level of contribution on sites between 14 and 10 dwellings and a contribution of less than one third that required from sites of 15 or more dwelling.
- 5.10. This supports the Government's stated aim set out in the 2014 Ministerial Statement of avoiding imposing a "disproportionate burden of developer contributions on small-scale developers". Using a sliding scale ensures that the level of contribution sought from an individual development is "fairly and reasonably related in scale and kind", as required by the CIL Regulations 2010 (as amended) and the policy tests in the NPPF.
- 5.11. In considering the most appropriate local site size threshold for affordable housing provision and contributions, it is important to consider the Government's reason for introducing a national minimum site size threshold, and to balance this against the need to found our policies on local evidence of affordable housing need and local development viability.
- 5.12. The square metre levy set out in the 2014 SPD was based on gross development values and residual land values in 2012. However there have been changes to factors affecting development since then, including both development costs and sales values. Figure 4 shows the increase in sales values of all dwelling types since 2012.

6. Policy options assessment

- 6.1. We have considered housing affordability, the need for affordable housing, the site supply contribution that development schemes of different sizes make to the borough's, and evidence of development viability (which is currently being updated) in light of the proposed Development Management Plan policies and the borough's Community Infrastructure Levy (CIL) rates. These are summarised in Section 4.
- 6.2. In considering affordable housing needs, we have considered and assessed the likely impact of the proposed new definition, and the requirement to provide 10% as affordable home ownership products. Should these become part of government policy before the Development Management Plan is examined, we will consider the need to revise the proposed policy wording to refer to this in the "tenure mix" part of the policy.
- 6.3. In order for a Local Plan to pass the "soundness" test at independent examination, it must be "*consistent with national policy*". This means that the plan should enable the delivery of sustainable development in accordance with the policies in the Framework. The plan must also be "*justified*", that is it "should be the most appropriate strategy considered against reasonable alternatives, based on appropriate evidence."
- 6.4. The Court of Appeal judgement quotes Richard Drabble QC, barrister for the Secretary of State for Communities and Local Government's statement in the High Court Challenge that "if in future a LPA submits for examination local plan policies with thresholds below those in the national policy, the Inspector will consider whether the LPA's evidence base and local circumstances justify the LPA's proposed threshold. If he concludes that they do and the local plan policy is adopted, then more weight will be given to it than to the new national policy in subsequent decisions on planning applications." (*emphasis added*) (paragraph 99 iv of the judgement). This statement by the government's legal representative was confirmed in the Court of Appeal judgement of 11 May 2016 (paragraph 26 iv).
- 6.5. It is therefore clear that the government intention is that each Local Plan Inspector may consider whether there are sufficient local circumstances to justify conflict with national policy. A summary of Inspector's conclusions since the re-introduction of a national minimum site size threshold policy in May 2016 is set out in Figure 11.

Figure 11 Local Plans found to be "sound" since re-instatement of the national minimum affordable housing site threshold on 11 May 2016

and
which include a new affordable housing policy

Council and Development Plan	Date of Inspectors Report	Site threshold and any relevant important comments from Inspector
Hull Local Plan	4 October 2017	Site threshold of 11
Adur Local Plan (in West Sussex)	29 September 2017	<p>Policy 22 Proposed on-site provision on all sites from 1 dwelling (gross), at 10% from sites of 1-5 dwellings 20% on sites of 6-14 dwellings 30% on sites of 15 or more</p> <p>Inspector asked for submission of development appraisals to justify the approach for sites of 10 or less dwellings, for all parties to consider this in light of Whole Plan Viability and CIL report for tenure split (75% rented and 25% shared ownership) for sites of 10 or less dwellings.</p> <p>Inspector found there to be no local circumstances of sufficient weight to justify making an exception to the WMS, and directed a Main Modification to increase the threshold to 11 dwellings. Also required social and affordable rented tenure split to be separated.</p>
Maidstone Borough Local Plan	27 July 2017	<p>Policy DM13 Proposed on-site threshold of five or more dwellings. No viability testing of development schemes of less than 11 dwellings with affordable housing. 70% social and affordable rented and 30% shared ownership and intermediate rent. Supporting text about vacant building credit and proposed national changes to affordable housing.</p> <p>Inspector found the policy no longer consistent with WMS national policy and required modification to be sound to 11 dwellings.</p>
City of Bradford Core Strategy		15 dwellings, and 11 dwellings in the listed towns.
Cheshire East Local Plan Strategy	21 June 2017	<p>Policy SC5 Inspector required clarification of threshold for seeking affordable housing Requires at least 30% from sites of 15 or more (or 0.4ha) in key towns and service centres and elsewhere, and least 30% from sites of 11 or more (or with a combined maximum gross floorspace of more than 1,000sqm)</p>
Canterbury Local Plan	15 June 2017	<p>Policy HD2 Submitted requiring 30% provision on sites of 7 or</p>

		<p>more dwellings, and 30% (on-site or as financial contribution) from sites of 2 to 6 dwellings. Inspector considered in detail whether the evidence base and local circumstances justify a lower threshold (the correct approach as confirmed in the Court of Appeal judgement). <i>“The new national policy is only one of the matters to be considered when formulating local plan policies, albeit one to which the Secretary of State considers very considerable weight should be attached.”</i></p> <p>Considered in detail viability and delivery from small sites, but concluded that lowering current threshold from 15 to 10 would provide some additional affordable homes.</p> <p>For soundness, the Inspector required policy to be changed to at least 30% on all developments of 11 or more or which have a combined gross floorspace of 1,000sqm; except sites in Area of Outstanding Natural Beauty where commuted sums sought on sites of 6 to 10 dwellings.</p>
Stevenage Local Plan	<p>June - July 2017</p> <p>Consultation on Proposed Main Modifications following examination hearing</p>	<p>Policy HO7</p> <p>Submitted Plan included provision on all sites. Proposed modification to refer to national guidance on thresholds and includes if this is withdrawn in future, Policy HO7 will apply to all sites.</p>
Central Lincolnshire Local Plan	<p>Adopted April 2017</p>	<p>Policy LP11</p> <p>Affordable housing sought on sites of 11 dwellings or more, or on development sites less than 11 dwellings if the total floorspace of the proposed dwellings exceeds 1,000sqm.</p> <p>Policy includes wording regarding where development land is phased or subdivided to avoid this threshold....a requirement will apply.</p> <p>Submitted policy included a threshold of 4 dwellings.</p> <p>The Council’s Viability Study evidence concluded that developments between four and ten dwellings could generally sustain a contribution to affordable housing and still remain viable. However, the Inspector referred to the WMS which states that it is seeking to tackle the disproportionate burden on small-scale developers by lowering construction costs. So the fact that smaller developments may be able to sustain a contribution to provision does not in itself justify an exemption from clearly stated national policy.</p> <p>Supply is likely to be reduced by around 450</p>

		<p>affordable dwellings if the threshold is raised in line with the WMS.</p> <p>The Inspector considered that the relatively limited scale of the potential contribution from smaller sites does not justify a departure from national policy.</p> <p>For the reasons that apply in this specific case, and to ensure consistency with national policy, the Inspector required the policy to be amended to reflect the thresholds in the WMS and PPG.</p>
Redditch Borough Council	Adopted January 2017	<p>Policy 6</p> <p>Submitted with a threshold of 5 dwellings, which was supported by viability evidence, however the Council proposed to make a change to accord with the WMS, and the Inspector recommended this. Contributions towards affordable housing will not normally be sought from development of 10 units or less, and which have a maximum combined gross floorspace of no more than 1000 sq m (gross internal area).</p>
London Borough of Sutton	Post hearing advice to incorporate into Main Modifications	<p>Policy 8</p> <p>Borough wide target of 50% affordable to be reduced to 35%. Financial contribution on sites below 11 is not justified by local circumstances.</p>

- 6.6. In some cases, the Inspector specifically commented on the affordable housing policy site size threshold. Many Inspectors have recently appeared to apply the test of “consistency with national policy” in a blanket fashion as the only factor to consider in whether the proposed new affordable housing policy was “sound”. However, the Inspectors of both the Canterbury and the Central Lincolnshire Local Plans appeared to carefully weigh up the consistency with national policy against the need for Local Plans to be justified based on local evidence, which are both requirements in order to be “sound”.
- 6.7. Being consistent with the national site size requires that we do not seek affordable housing from developments of 10 or less dwellings (other than on sites over 5 dwellings in Designated Rural Areas) unless their total gross floorspace is over 1,000sqm. This is having the effect of reducing the number of affordable dwellings being negotiated compared to applying the 2014 Core Strategy policy.
- 6.8. National planning policy also requires that Local Plan should meet objectively assessed need for market and affordable housing unless “any adverse impacts of doing so would significantly and demonstrably outweigh the benefits, when assessed against the policies of in this Framework taken as a

whole” or “specific policies in this Framework indicate development should be restricted.”

- 6.9. We have considered the high level of need for affordable housing, the affordability of housing in the borough, the viability of 210% equivalent financial contribution from development schemes under 11 dwellings, and the likely supply of development schemes under 11 dwellings expected to be developed over the next 10 years.
- 6.10. This has led us to consider that the Council has a case to make based on compelling local circumstances which are of sufficient weight to justify an exception to national policy set out in the WMS and national planning practice guidance, and that the proposed policy would not place a disproportionate burden on small developments. ~~It~~ Indeed by seeking a smaller contribution to affordable housing provision from sites under 11 dwellings, we are ensuring that the “burden” on those sites is indeed proportionate.
- 6.11. It is important that any new policy strikes an appropriate balance between housing affordability, the need for affordable housing in the borough and the viability of development, in order to ensure that the delivery of development is not put at risk. The policy wording specifically refers to negotiating the affordable housing contribution based on the specifics of the site.
- 6.12. Given the high house prices and the lack of housing affordability resulting in demonstrable high affordable housing need, and the contribution of small sites to the borough’s housing supply, it is considered that all housing should contribute towards the provision of affordable housing in the borough to ensure maximum provision over the remaining Local Plan period (to 2027).
- 6.13. Since the adoption of the Core Strategy, many sites over the 15 dwelling threshold have provided have provided less than 30% on-site provision, and some sites have provided none. In most cases, this has been either because they are were regeneration sites and were therefore considered under Policy CS 153d), most being within the lower values areas of Redhill and Horley town centres, as well as the number of housing schemes that have come forward through the permitted development prior approval change from offices. Overall affordable housing delivery has been provide at almost (20%) the 21.7% target of all dwellings set out in Core Strategy Policy CS15.
- 4.57. On-site provision on larger sites alone will not deliver sufficient affordable housing to meet identified need. Securing additional commuted funding from smaller developments, where viable, is therefore essential to maximise

affordable housing in the borough, whilst recognising that this will still fall considerably below meeting all need. In order that the policy requirement does not have a disproportionate impact on small developments, the new policy would seek a lower proportion from developments of less than 11 dwellings (net).

6.14. The key impacts of the new affordable housing policy will be :

- To increase the number of sites contributing to on-site affordable housing stock; from 15 dwellings (net) to 11 dwellings (gross);
- To change the site size threshold size from net to gross, reflecting that affordable housing provision is a policy requirement rather than mitigation the impact of additional dwellings in a development;
- To increase the percentage provided on allocated greenfield urban extensions
- To increase the financial contribution from small sites (from a % of land capture to equivalence approach, i.e. from the broad value of the land to a % of the cost to the developer if he had provided that affordable housing on site); and
- To bring off-site (and on-site) calculations in line with government policy, in terms of vacant building credit (discounting existing floorspace on brownfield land).
- To simplify the affordable housing policy (from a sliding scale with three site size thresholds to two site size thresholds);
- To update the tenure mix to reflect most recent evidence of affordable housing needs (from 40% rented to 60% rented);

6.15. To reflect the higher development costs and fees that smaller development schemes are subject to, the policy proposes a simple sliding scale that ensures the required contribution remains proportionate and viable for smaller developments. The financial contributions from smaller sites will be simplified into a single percentage requirement rather than the current sliding scale, and will increase the contribution of smaller developments to assist the Council to provide new affordable housing in the borough. The policy will specifically state the need for the Council to take account of the specifics of the development scheme and site in assessing requirements under the new policy.

6.16. Given the high affordability ratio in the borough and the high level of affordable housing needs, we consider that it is important to ensure that as many sites as possible and viable contribute to the borough's affordable housing stock. We also need to ensuring that new policy is not so onerous for smaller developments as to deter them, which would not help the overall housing supply nor the affordable housing stock.

6.17. See Figure 14 below for a summary of policy options, and recommendations for the preferred option.

Calculating the affordable housing contribution

6.18. The affordable housing requirement for on-site provision from developments providing 11 or more dwellings (gross) will be calculated as follows. As part of the calculation, for relevant previously developed sites, we will apply the national “vacant building credit” policy in accordance with national guidance.

6.1. To calculate the total number of affordable dwellings required to be provided on-site, multiply the number (gross) of market dwellings proposed on the site by the percentage required to be as provided as affordable housing (generally **30%** for sites over 11 dwellings and 35% for allocated urban extension sites). Where this results in a fraction of a dwelling, this is to be rounded up or down according to mathematical convention (up at 0.5).

6.19. For previously developed sites that include vacant buildings (whether residential or non-residential) on site at the time the planning application is made, we will apply the national vacant building credit. This credit is equivalent to the existing floorspace (gross) of a vacant building (i.e. not in use when the application is submitted) to be demolished for redevelopment purposes, or to be brought back into use. The vacant building credit is not applied to “abandoned” buildings, nor to those vacated for the sole purpose of redevelopment.

6.20. We will calculate the vacant building credit for certain previously developed sites in accordance with national guidance, as follows :

Figure 12 : Calculation of vacant building credit and financial contributions from sites of between 1 and 10 dwellings (inclusive) excepting single replacement dwellings

National vacant building credit (applied to relevant previously developed sites only)

Gross number of dwellings proposed provided multiplied by 30% = required number of affordable dwellings

1. 1st Step :

Proposed gross floorspace (GIA) – (minus) existing “vacant” floorspace of any residential or non-residential use (GIA) =
net additional floorspace /sqm

2nd Step :

net additional floorspace /sqm ÷ (divided by) proposed gross floorspace (GIA) = *decimal figure*

3rd Step :

decimal figure x (multiplied by) required number of affordable dwellings (rounded up or down according to mathematical convention, i.e. at 0.5 = the **required number of affordable units with vacant building credit applied**

For example:

1st Step proposed gross floorspace 10,000sqm - 8,000sqm (GIA) = 2,000

2nd Step 2,000 (net floorspace increase) / 10,000sqm (gross floorspace proposed) = 0.2

3rd Step 0.2 x required number of affordable units

Financial Contribution from small developments and in-lieu of on-site provision

6.21. The Council will use a standardised method for calculating the financial contribution that we seek from small development schemes of 10 or less dwellings (gross).

6.22. It is considered to be a more equitable approach to require a contribution broadly equivalent to on-site provision (on that site at the time at the time pp is granted), *rather than the current land capture method*. By requiring a lower proportion of affordable contribution from small schemes (under 11 dwellings) than we will for large development schemes, we will avoid imposing a disproportionate burden on small developments.

6.23. The method proposed for calculating the required affordable housing contribution for sites proposing less than 11 dwellings (gross), and where accepted by the Council, as an exception, for contributions in lieu of on-site provision from sites providing 11 or more dwellings (gross).

Figure 13 : Calculating affordable housing financial contributions for sites under 11 dwellings, and contributions in lieu of on-site provision from sites of 11 or more dwellings

Step 1	Gross number of dwellings proposed provided multiplied by <u>30%-10% for schemes under 11 dwellings (gross) or 30%</u>
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	<u>for contributions in lieu of on-site provision</u> = required number of affordable dwellings
Step 1a Only for previously developed sites with vacant buildings	Apply the vacant building credit (as set out in Figure 12) to relevant previously developed sites only = number of affordable dwellings required (from Step 1, without rounding up / down at Step 1) x % (from Step 1a) = number of affordable dwellings required Round up or down according to mathematical convention (up at 0.5)
Step 2	Proportion of affordable dwellings required x floorspace of <u>a</u> market dwellings proposed on the site (GIA) = total floorspace of the affordable dwellings contribution required
Step 3	Total floorspace of the affordable dwellings required x borough average sales value / sqm* x 0.40** (reflecting the cost to the developer of providing affordable housing <u>inverse</u> of the multiplier of the sales value / transfer value to an Registered Provider of affordable housing to a developer) = Affordable housing financial contribution
<p>* sourced from Land Registry, and set out in the <u>Affordable Housing Evidence Report</u> → <u>Affordable Housing SPD 2018/19</u>. It will be updated annually in the <u>Housing Monitor report</u> This is currently £4,500</p> <p>** The approximate average of transfer or sales value to Registered Providers of affordable rented housing is 55%, of social rented housing is 50%, and intermediate housing 70%.</p> <p><i>This factor may be decreased should the national definition of Affordable Housing be broadened to include private rent / discount market rent housing and discounted market sales housing / starter dwellings</i></p>	

Worked examples of calculations at 20%, 15% and 10% affordable housing contributions for comparison with the DMP viability evidence (January 2018).

Example 1

A scheme of 7 units with 2 existing on site = 5 net

Step 1 - 7 no. 3-bed houses (100sqm each) = 700sqm minus 200sqm for 2 no. existing houses = 500sqm net additional floorspace

Step 2 - 500sqm ÷ (divided by) 700sqm = 0.71

Step 3 - 0.71 x 1.4..i.e. 1 (i.e. 20% of 7) = 0.71 @ £4,500/sqm = £4,450 x

0.40 (sales value to RP of % of market value) = £3,195)

This compares to £250/sqm as suggested in the January 2018 DMP Viability Study, net additional residential floorspace 500sqm x £250/sqm = £125,000 ... (i.e. £25,000 per net dwelling)

Example 2

Proposed **gross 10 dwellings** of 75 sqm each (no “vacant building credit”):

Step 1- Gross number of dwellings (minus any vacant building credit) multiplied by the affordable housing percentage = Number of affordable homes required = $10 \times 20\% = 2$

Step 2 – Number of affordable homes required (2) multiplied by x floorspace of a market home proposed (75sqm) = 150 sqm affordable floorspace required...

$150 \times £4,500 \times 0.40 = \mathbf{£270,000}$ (i.e. £27,000 per dwelling, equating to **£360 per sqm**)

If 15% affordable housing sought for schemes under 11 dwellings....then :

$10 \times 15\% = 1.5$ affordable homes

$1.5 \times 75 = 112.5$ sqm affordable housing required

$112.5 \times £4,500 \times 0.4 = £202,500$ Divided by 750 sqmEquates to **£270 per sqm**)

If 10% affordable housing sought for schemes under 11 dwellings....then :

$10 \times 10\% = 1$ affordable homes

$1 \times 75 = 75$ sqm affordable housing required

$75 \times £4,500 \times 0.4 = £135,000$ Divided by 750 sqmEquates to **£180 per sqm**)

This compares to using the DMP Viability Study (January 2018) recommended viable contribution of £250 / sqm = $10 \times 75 = 750$ sqm x £250 = £187,500

- 6.24. Financial contribution to be secured by a S106 planning obligation and for financial payments for developments of less than 11 dwellings, due for payment to the Council with 30 days of first occupation of any part of the development approved.
- 6.25. For developments which are exceptionally accepted as providing a financial contribution in lieu of on-site provision, payment is due to the Council within 30 days of commencement of development. For payments in lieu over £50,000, half the due amount will be due on commencement and half on first occupation.
- 6.26. The Council will consider whether it is necessary to include an “overage” clause if the sales values are market dwellings are likely to increase significantly between approval and first occupation, or the size of the dwellings significantly changes.

Qualifying residential developments for affordable housing provision

- 6.27. The policy applies to all types of housing development within the C3 use class, including retirement and sheltered housing.
- 6.28. Assisted living / extra care housing is purpose-built self-contained accommodation (with some communal areas and facilities) primarily for older people, which includes design features that enable people to self-care and/or use specialist equipment more easily. Unlike care dwellings (Use Class C2), assisted living / extra care tenants are generally not obliged to obtain their care from a specific provider, i.e. the housing is a separate entity from the care. Domestic services may be included within the charges for all residents.
- 6.29. Assisted living / extra care housing may be required to make provision. This will be considered on a case-by case basis depending on the specifics of the proposed development. It may be exempt from providing an affordable housing contribution where it is to be registered with the Care Quality Commission (CQC), where the minimum hours of care to be provided for each resident is over 50 hours, and where the service charge is greater than that which could reasonably be expected for a non-institutional apartment.
- 6.30. In most cases, a payment in lieu of on-site provision will be most appropriate. Pre-application submissions for developments of assisted living / extra care housing should be accompanied by details of the anticipated support needs,

and the arrangements for provision of care, so that an assessment may be made.

6.31. No provision will be required from residential institutions such as care dwellings or nursing dwellings within the C2 use class, nor sui generis hostels.

Redevelopment of existing affordable housing and sites within regeneration areas

6.32. Core Strategy policy CS15 includes a requirement that on sites which include existing affordable housing, the number of affordable dwellings should not be reduced as a result of development.

6.33. Experience of applying this policy indicates that in considering redevelopment proposals for some sites, most have been included older affordable / social housing sometimes as non-self contained bedsits, or tied housing. A proposed reduction in number of affordable dwellings has sometimes been justified by other factors including the benefits of provision of modern dwellings, achieving better size, quality of housing or better tenure mix.

6.34. The new policy includes a less restrictive requirement that seeks to protect the number of affordable dwellings only on sites where the affordable housing has been provided by planning obligation or condition. This policy requirement will therefore not generally apply to the older affordable / social housing in the borough much of which is outdated in order to ensure that better quality affordable dwellings are provided to meet the needs of the area. It should capture the more recently developed affordable housing whilst permitting the older, outdated housing to be redeveloped for newer affordable stock, even if fewer dwellings.

6.35. The new policy recognises that in regeneration areas, other Council objectives regeneration objectives may justify a lower number of affordable dwellings. This is a continuation of the current policy approach.

Figure 14 : Summary of options considered for new Affordable Housing Development Management policy

Options for new policy	Case For	Case Against	Consistency with national policy
<p>1. Site size threshold (including net v gross)</p> <p>Current Core Strategy Policy CS15 (and Affordable Housing SPD 2014) :</p> <p>Sites of at least 15 net dwellings = 30% contribution (on-site provision)</p> <p>Sites between 10 and 14 net dwellings = 20% contribution (financial payment)</p> <p>Sites between 1 and 9 net dwellings = 10% contribution (financial payment)</p>	<p>Should the national site size threshold be removed from national policy (as was the case for the previous national indicative threshold, which was cancelled in 2012), this policy would retain its 1 dwelling threshold.</p> <p>The Council would not run the risk of having a Local Plan Inspector requiring a modification to be made the policy to be “sound” to include the national site size threshold (of 11 and at least 1,000sqm total combine gross floorspace).</p>	<p>Fails to optimise affordable housing contributions that would help to deliver more affordable housing in the borough, resulting in provision of fewer affordable dwellings than could be provided in the borough.</p> <p>The current policy :</p> <ul style="list-style-type: none"> • Does not seek on-site provision from sites of 11-14 dwellings, which the current national site threshold permits, • Does not require a higher level of contribution from greenfield urban extensions • Fails to optimise financial contributions from smaller sites (balancing benefits to the affordable housing stock and reducing homelessness against development viability). • Misses the opportunity to seek on-site affordable housing contributions from sites that provide 11 gross dwellings, but not 11 net dwellings. 	<p>Not consistent with national policy due to requirement for financial contribution from sites under 11 dwellings.</p> <p>However, since November 2016 the Council’s adopted policy is being applied in accordance with the national site size threshold of 11 dwellings and 1,000sqm</p> <p>Not consistent with national policy on</p>

Options for new policy	Case For	Case Against	Consistency with national policy
			"vacant building credit" discount for non-residential vacant buildings.
a) A Financial contribution from 1 dwellings (gross), excluding replacement dwellings, with development of 11 or more (gross) providing affordable dwellings on site	<p>Would optimise number of new affordable dwellings, i.e. the maximum we could comfortably secure without prejudicing development viability, provided that the proportion sought is proportionate to the size of the development, and that replacement dwellings are excluded.</p> <p>Would result in over 82 additional affordable dwellings built on site (without accounting for change from net to gross capturing more developments)</p>	<p>Would not be consistent with national policy</p> <p>Depending on proportion of affordable housing sought (see below), the profit in absolute terms (rather than as a % of development value) may discourage landowners from releasing very small sites.</p>	No, in relation to site size threshold.
b) 5 dwellings (gross)	None	Would not be fair and equitable, would fail to optimise affordable housing delivery and would not be consistent with national policy.	<p>No, in relation to site size threshold.</p> <p>Except for Salfords and Sidlow Parish, which as a Designated Rural Area (exempt from the Right to Buy) and the</p>

Options for new policy	Case For	Case Against	Consistency with national policy
			AONB may be subject to a lower threshold of 5 dwellings
c) 10 dwellings (gross)	Threshold proposed in Housing White Paper Feb 2017 for affordable home ownership (including starter dwellings)	Would not be consistent with national policy	No, not in relation to site size threshold..
d) 11 new dwellings (gross) and 6 new dwellings (gross) in designated rural areas, including AONB (of which 10% would be delivered as affordable home ownership products)	Consistent with national policy (in Nov 2014 WMS “small developers”). However, would reduce number of affordable dwellings delivered in borough as we could not seek any financial contribution from smaller developments.	Potential for avoidance of site size threshold may drive down density (policy could include for this).	Yes
<p>2. Proportion sought as affordable housing on qualifying sites</p> <p>Current Core Strategy Policy CS15 (and Affordable Housing SPD 2015) : 10% financial contribution* from sites between 1 and 9 dwellings (net), 20% financial contribution from sites between 10 and 14 dwellings (net), and 30% on-site provision from sites of at least 15 dwellings (net)</p>			N/A

Options for new policy	Case For	Case Against	Consistency with national policy
<p>*calculated as a <u>per sqm payment</u> of the net additional Gross Internal Area (GIA) ... which was calculated in the 2012 Affordable Housing Viability Update Study as an estimate of the value of the land that would have been provided to accommodate the on-site affordable housing (land Plot Calculation).</p> <p>For the exceptional circumstance where a payment in lieu is acceptable (such as for retirement housing), the calculation will normally be based, as a minimum on the “broadly equivalent value”</p> <p>In some regeneration areas an alternative proportion may be sought to achieve a more balanced community and deliver other regeneration initiatives (such as delivering the affordable dwellings on another site)</p> <p>Introducing an equivalence approach to calculating off-site payment would be more responsive as a calculation of equivalent value to the developer of not providing the affordable</p>			

Options for new policy	Case For	Case Against	Consistency with national policy
housing on-site.			
a) Retain current “sliding –scale” requirement for proportions of affordable to increase % for larger sites, for example, 30% no sites of at least 15 dwellings, but only 20% on sites less than 15 dwellings.	<p>Requiring a lower proportion on smaller sites would be proportionate and would ensure that the absolute profit would be a significant enough incentive for a landowner to release the land for development.</p> <p>Not consistent to the letter of national policy, but consistent with the spirit of national policy, as it ensures that the policy requirement does not place a disproportionate burden on smaller scale housing developments, but rather is a <u>proportionate</u> contribution.</p>		
b) Require 30% affordable housing from all qualifying sites	on balance, 30% for all sites over 15 dwellings (gross) would be suitable	Viability evidence indicates that this level of provision on smaller sites (below about x dwellings) would be likely to impact on development viability to the extent that it threatens the delivery of the whole development.	
c) Introduce a different sliding scale requiring a smaller % from small sites (under 11 gross dwellings) and a higher % of affordable dwellings on SUEs, which have much lower low EUVs, and enjoy economies of scale, but have lower overall	<p>Reflecting their lower existing use value and Benchmark Land Values and the economies of scale in build costs for larger sites</p> <p>The proposed Development Management Policy looks to increase on-site affordable housing provision by introducing a reduced site size threshold</p>		

Options for new policy	Case For	Case Against	Consistency with national policy
<p>densities and higher infrastructure costs) than the mainly brownfield sites of over 11 dwellings</p>	<p>for on-site provision from 15 (net) to 11 (gross), as well as a higher proportion of affordable housing sought on greenfield urban extensions, which will be delivered in the later phases of the plan period, Details are set out in Section 4.</p> <p>Introducing a higher % of affordable provision from greenfield urban extensions would result in 38 additional affordable dwellings built on these sites (compared to a policy of 30%)</p>		
<p>3. Affordable housing tenure / product mix</p> <p>Core Strategy Policy CS15 specifies that the mix of tenures, including rented, and a mix of sizes and types should reflect the current assessment of housing needs.</p> <p>The RJ to the policy amplifies that the current evidence on future affordable housing needs points to a tenure mix of 40% (social and affordable) rented and 60% intermediate housing, and need for a range of unit sizes, from 1 to 4 bedrooms</p> <p>Proposed (to be introduced April</p>			<p>N/A : to meet the borough's objectively assessed housing needs</p>

Options for new policy	Case For	Case Against	Consistency with national policy
<p>2018) national policy change to require 10% of ALL dwellings on qualifying sites to be delivered as affordable home ownership products</p>			
<p>Starting point for negotiations will be :</p> <ul style="list-style-type: none"> 60% rented (social or affordable rented) and 40% other forms of affordable housing, including shared ownership, including starter homes to meet the housing needs within the borough <p>Build to rent Low cost market housing that doesn't meet the national affordable housing definition (see glossary) will not be accepted</p> <p>Proposed national requirement for 10% of ALL dwellings on sites of at least 10 dwellings to be delivered as affordable home ownership products (to be introduced April 2018)</p>	<p>Would contribute in the optimum manner to meeting the borough's housing needs</p>	<p>Would fail to meet the needs of a high proportion of those on RBBC's Housing Register.</p>	

7. Recommended policy and reasoned justification

7.1 The following policy and justification is included within the Regulation 19 Development Management Plan:

Policy DES6 : Affordable Housing

1. Between 2012 and 2027 a minimum of 1,500 gross new affordable dwellings will be delivered within the borough. These will be provided by registered providers, and by seeking affordable housing provision and contributions from all housing developments except for single replacement dwellings.
2. The Council will negotiate affordable housing provision and contributions taking into account the specifics of the site, as follows :
 - Development of allocated greenfield urban extension sites should provide 35% of (gross) dwellings on the site as affordable housing;
 - On all other developments providing 11 or more dwellings (gross), 30% of the dwellings on the site should be affordable housing;
 - On development sites providing less than 11 dwellings (gross), a financial contribution broadly equivalent to the cost to the developer of on-site provision of ~~2~~10% will be sought;
 - Within the regeneration areas, a lower proportion of affordable dwellings may be accepted in order to achieve other regeneration aims, including improving the mix of local housing stock.
3. The tenure mix of the affordable dwellings provided on each qualifying site should contribute, to the Council's satisfaction, towards meeting the latest assessment of affordable housing needs.
4. The size mix of the affordable dwellings provided on each qualifying site, expressed as number of bedrooms and bed-spaces, should take into account the affordable housing needs in the borough at that time, the size of the market dwellings provided on the site, and the prevailing type of housing in the area.
5. On developments of 60 or more dwellings (gross) 5% of the affordable dwellings provided on site should be designed to meet Building Regulation requirements for wheelchair user dwellings. These should be provided as affordable housing for rent. This can contribute towards the overall requirement for provision of wheelchair-accessible dwellings in housing developments.

6. Planning permission will not be granted for development that would result in a net loss of affordable dwellings that were secured by planning obligation or condition.

Reason:

- 7.2 The high level of house prices and rental values both in absolute terms and relative to wages within the borough means that many households cannot access market housing to meet their needs. Lack of affordability has the greatest impact on households with the lowest earnings, including first time buyers. In order to maximise the amount of new affordable housing in the borough, we will seek a financial contribution from small developments, although at a lower proportion than larger sites.
- 7.3 Whilst this approach will go some way to assisting with affordable housing delivery, the need for affordable housing within the borough is considerably higher than it is possible to deliver given the mechanisms for providing affordable housing.
- 7.4 The Council will seek to provide affordable housing as part of development on its own sites. It will also work with developers of market housing and with registered providers to ensure that more affordable housing that meets local people's housing needs is provided within the borough.
- 7.5 "Affordable Housing" is defined in accordance with the national planning definition, and along with definitions of "affordability" and "bed-spaces", is provided in the Glossary at Annex 1. *Any changes to the national planning definition of affordable housing that the government makes before completion of the examination of this plan will be reflected in the glossary. These changes include the governments proposed changes to introduce new affordable home ownership products (including starter homes and discount market sales), and affordable private rent housing (also known as discount market rent housing).*
- 7.6 The policy applies to all types of housing development within the C3 use class. Provision from retirement and sheltered housing may be provided on site or as a financial contribution in lieu of on-site provision should the Council consider it appropriate. Assisted living / extra care housing may be required to make provision or a contribution, and will be considered on a case-by case basis depending on the specifics of the proposed development.
- 7.7 This policy (Policy DES6) has been informed by new evidence prepared to support the DMP and supersedes Policy CS15 in the Core Strategy in its entirety. This policy requires different affordable housing provision depending on the gross number of dwellings provided on a site. An exception to this is

single replacement dwellings, it is not considered reasonable or viable to require contributions from a development of this size.

- 7.8 The policy requirement relates to the gross number of new dwellings created, including through changes of use, conversion and subdivisions, as well as new builds. This also includes mixed-use sites which include an element of housing.
- 7.9 The latest evidence of affordable housing needs in the borough identifies a need for 60% rented and 40% other affordable housing tenures, and for 1, 2, and 3-bedroom flats and houses. In designing development schemes, developers and agents are encouraged to discuss the local affordable housing needs at the time with the Council's Housing Service and / or a locally-active registered provider.
- 7.10 Where requirement for on-site provision of 30% or 35% would result in a fraction of a dwelling, this will be rounded up or down according to mathematical convention (up at 0.5). The national vacant building credit will be applied where relevant in calculating both the on-site provision required and the affordable housing contributions required from smaller sites. Details of both calculations will be set out in a revision to the Affordable Housing Supplementary Planning Document 2014.
- 7.11 Developments that seek to avoid the requirements of this policy by failing to make most efficient use of land or by artificially subdividing land ownership into smaller development sites will be required to increase density where appropriate, or to meet the cumulative requirement for all the sites on one or more of the sites.
- 7.12 This policy requires developers of market housing to contribute to the stock of affordable dwellings for rent and sale within the borough. A level of provision has been set that ensures that necessary infrastructure can also be funded and that the delivery of developments is not put at risk due to viability.
- 7.13 Land and property values are generally high across the borough, although with considerable variation, and assessments show that the level of provision we are seeking can be supported by the vast majority of developments. However, the Council recognises that there may be some sites where abnormal and unanticipated costs would make a development scheme unviable if they had to deliver the full affordable housing provision or contribution in line with the policy. If applicants demonstrate to the Council's satisfaction that the affordable housing sought is not financially viable, then variation of tenure and / or size mix, or number of affordable dwellings, may be agreed by negotiation.
- 7.14 Affordable housing should be provided on site on developments of 11 or more

dwellings in order to contribute towards mixed, balanced communities and economies. However in exceptional circumstances should the Council consider that it would not be suitable or practical to provide the affordable housing on site, including for reasons of future management, it may accept affordable housing provided on an alternative site, or a payment in-lieu of on-site provision. Either alternative provision / contribution will be expected to be of equivalent cost to the developer compared to on-site provision.

Annex 1: Summary of proposed changes to affordable housing definition

(Source: ~~draft Revised National Planning Policy Framework~~ ~~Annex to the Housing White Paper~~, ~~March 2018~~ ~~Feb 2017~~)

Definition of Affordable Housing (source: NPPF 2012 Annex 2)

Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.

Affordable Housing	<ul style="list-style-type: none">• Provided for sale or rent to those whose needs are not met by the market (this can include housing that provides a subsidised route to	Proposed new definition removes : <ul style="list-style-type: none">• the requirement for all types of affordable housing to be provided to eligible households, and
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	<p>home ownership);</p> <ul style="list-style-type: none"> • Should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision; and which meets the criteria for one of the models set out below : 	<ul style="list-style-type: none"> • the specific exclusion of “low cost market” housing.
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Affordable housing tenure / product	Key features	Notes and Issues
Social rented housing	<ul style="list-style-type: none"> • Owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the Government’s rent policy. • It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Dwellings and Communities Agency • Eligibility is determined with regard to local incomes and local house prices. • Has Eligibility is determined with regard to local incomes and local house prices. 	<p>Definition unchanged</p> <p>Target rents are set by government (<i>usually at between 40 and 50 per cent of market rents</i>).</p>

Affordable housing tenure / product	Key features	Notes and Issues
Affordable rented	<ul style="list-style-type: none"> • Let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. • Is subject to rent controls that require a rent of no more than 80% of local market rent⁴ (including service charges, where applicable). • Eligibility is determined with regard to local incomes and local house prices. 	Definition unchanged
Intermediate housing : Can include shared ownership and other low cost dwellings for sale, and intermediate rent (including Rent to Buy), but excluding Affordable Rent	<ul style="list-style-type: none"> • Provided for sale and rent at a cost above social rent, but below market levels. • Can include Shared Ownership, equity loans, other low cost dwellings for sale and intermediate rent (including Rent to Buy housing). • It should include provisions to remain at an affordable price for future eligible households or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement. • Eligibility is determined with regard to local incomes and local house prices. 	
Starter home (NEW)	<ul style="list-style-type: none"> • Privately owned • As defined in Sections 2 and 3 of the Housing 	The government will commence the general duty on Councils (S4 of the H&P Act 2016) to promote the supply of starter dwellings,

⁴ Defining “Local market rent” in guidance papers by RICS and HCA (see reference in Affordable Housing SPD 2014)

Market rent is based on a RICS valuation for the property. Affordable Rents will increase at CPI plus 0.5% with re-basing of the rent on each new tenancy.

Affordable housing tenure / product	Key features	Notes and Issues
	<p>and Planning Act 2016 and any subsequent secondary legislation made under these sections :</p> <p>..Section s 2 and 3 include the following requirements :</p> <ul style="list-style-type: none"> ○ is a “new dwelling” as built or converted, ○ is available for purchase (freehold or leasehold) by qualifying first-time buyers only (e.g. aged between 23 and 40, or injured service personnel and those whose partner has died in service); ○ is to be sold at a discount of at least 20% of the market value⁵; ○ is to be sold for less than the price cap of <i>£250,000 (or £450,00 in London) as proposed in the draft Starter Dwellings Regulations</i>); and ○ is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State. <ul style="list-style-type: none"> ● Eligibility should be restricted to those who have maximum household incomes of £80,000 a year or less (or £90,000 a year or less in Greater London). ● The definition of a starter home should reflect the meaning set out in statute at the time of plan-preparation or decision-taking. 	<p>and will progress regulations to finalise the starter dwellings definition and monitoring provisions(as an annex to the annual monitoring report), including :</p> <ul style="list-style-type: none"> ● restricting the sale and sub-letting of starter dwellings for 15 years following initial sale <p>The Housing White Paper proposes introducing a national requirement for at least 10% of all dwellings on developments 10 or more or 0.5ha, to be affordable home ownership products (i.e. discount market sales, starter dwellings ...and intermediate including shared ownership). The precise mix of product can be determined locally.</p>
Discounted market sales	<ul style="list-style-type: none"> ● Privately owned 	<p>The Housing White Paper proposes introducing a national requirement for at least 10% of all dwellings on developments 10</p>

⁵ Which will be determined by valuation of that specific property

Affordable housing tenure / product	Key features	Notes and Issues
housing (NEW)	<ul style="list-style-type: none"> • sold at a discount of at least 20 per cent below local market value⁶. • Eligibility is determined with regard to local incomes and local house prices. • should include provisions to remain at a discount for future eligible households. 	<p>or more or 0.5ha, to be affordable home ownership products (i.e. discount market sales, starter dwellings ...and intermediate including shared ownership). The precise mix of product can be determined locally.</p>
Affordable private rent housing (also known as Discount market rent housing) (NEW)	<ul style="list-style-type: none"> • Should only be sought and provided in Build to Rent developments, where it is particularly suited. • Should be at a minimum of 20 % below local market rent (i.e. no more than 80% of market rents). • Eligibility is to be determined with regard to local incomes and local house prices. • Provision should be made to ensure that it remains available for rent at a discount for future eligible households or for alternative affordable housing provision to be made if the discount is withdrawn (subject to a “claw-back” arrangement secured by S106). 	<p>The promotion of Built to Rent has emerged following the 2012 “Review of the barriers to institutional investment in private rented dwellings”.</p> <p>The government has set out its draft proposals proposed terms for APR provision in a consultation on Build to Rent housing (Feb 2017).</p> <p>NOTE: <u>The government is proposing that its policies on Affordable Private Rent (APR) and Discount Market Rent (DMR) would take effect 6 months after the policy is incorporated into the NPPF.</u></p> <p>The proposals, although not to be included in policy are for ARH to be provided as minimum of 20% of the dwellings in any Build to Rent development, at a minimum of 20% discount, provided in perpetuity.</p> <p>The consultation document includes an example calculation.</p> <p>This requirement could be flexible, so that developers could negotiate different Affordable Private Rent (APR) terms (e.g.</p>

⁶ Defining “**Local market rent**” in guidance papers by RICS and HCA (see reference in RBBC’s AH SPD)

Affordable housing tenure / product	Key features	Notes and Issues
		<p>greater discount but fewer discounted dwellings).</p> <p>The government considers that the discount on market rents may be withdrawn, in some circumstances, e.g. where sale of the market rented dwellings within the development makes management of the APR dwellings impractical.</p> <p>Tenancies of 3 years or more must be offered where new tenants request them.</p> <ul style="list-style-type: none"> • The government intends to set an expectation in the national planning policy that, where Affordable Private Rent is offered, consideration should be given to accepting it instead of other forms of affordable housing. <p>The intention is that local authorities do not require other affordable housing products in Build to Rent development schemes.</p> <p>Without reference to Local Housing Allowance (LHA) in the definition of APR, even at 80% of market rents, in high-specification Build to Rent developments, the APR / DMR could be out of reach for households identified as being in housing need.</p>

Annex 2: Reigate and Banstead's small site position statement (August 2016)

Ministerial Statement on Small-Scale Developers and Government Guidance on the Application of Tariff Style Infrastructure Obligations and Affordable Housing Contributions on Small Sites

- 1 Following the Court of Appeal judgement, the Council recognises that the provisions within the Planning Practice Guidance and the Written Ministerial Statement (WMS) of 28 November 2014 by Brandon Lewis MP are material considerations in determining planning applications locally.
- 2 As confirmed by the Court of Appeal judgement, the weight to be afforded to both the Practice Guidance and WMS in the overall planning balance and when seeking planning obligations therefore remains a matter for the decision-taker at the local level, taking account of all other relevant considerations. Indeed, the judgement confirms (paragraph 26) that local circumstances may justify lower (or no) thresholds as an exception to the national policy.
- 3 In judging the overall planning balance when determining applications, the Council considers that the following local circumstances are also relevant material considerations:
 - a. Local affordable housing need and the role of financial contributions in delivering targets
 - b. Steps taken by the Council to reduce the burden on small scale developers
- 4 This statement also responds to the findings in the appeal decision at Dormer Cottage, Chipstead⁷ (attached as an Appendix to this statement) and in particular the evidence which the Inspector considered would be necessary to ascertain whether an exemption from the WMS can be justified (see paragraph 16).

Local affordable housing need

Local housing market conditions

- 5 House prices in the borough are exceptionally high. During 2015, the median house price in the borough was over £343,000, more than 30% above the

⁷ Appeal Ref: APP/L3625/W/16/3146512

national median of £206,000. This gap widens even further at the lower quartile end of the market, with lower quartile prices in Reigate & Banstead (£250,250) almost 80% higher than the corresponding national figure (£138,360).

- 6 As a result, there is significant pressure on the affordability of housing in the borough. As Table 1 below demonstrates, median house prices in the borough are more than 12 times the median income of residents in the borough and this increases to over 15 times for lower quartile prices/incomes. These statistics place the borough within the 20% least affordable areas in England (including London) to buy a home.

Table 1: Affordability of homes in Reigate & Banstead

	House price (Q1-Q4 2015) ⁸	Gross annual earnings (2015) ⁹	Affordability ratio
Median	£343,119	£27,222	12.60
Lower quartile	£250,250	£16,253	15.40

- 7 Private market rents in the borough are also high. Lower quartile rents for a two bedroom property in the borough are over £200 per month higher than the corresponding figure for the South East region (£700) and almost double the national figure (£495). As a result, the cost of renting even a one bedroom property in the borough represents over half of annual gross income, compared to 45% regionally and under 40% nationally.

Table 2: Private market rents in Reigate & Banstead

	Lower quartile rent £pcm (£pa) (2015-2016) ¹⁰	Lower quartile gross annual earnings (2015) ²	Rent as % of gross income
One bedroom	£725 (£8,700)	£16,253	54%
Two bedroom	£925 (£11,100)		68%

- 8 These factors severely restrict the ability of many local residents to access conventional market housing, particularly those on lower incomes. Failing to provide affordable housing to meet the needs of these residents, particularly those who work locally, will ultimately compromise the Council's ability to create strong, sustainable and inclusive communities as envisaged by national policy (paragraphs 7 and 50 of the National Planning Policy Framework) and may increase pressure on those adjoining housing markets where prices are lower.

Homelessness and affordable housing need

⁸ Office of National Statistics, HPSSA datasets 9 and 15, all dwellings

⁹ Annual Survey of Hours and Earnings, residence based

¹⁰ VOA Private Market Rents, 1 April 2015-31 March 2016, Table 2.3 and Table 2.4

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- 9 As accepted at the Core Strategy examination and through the Inspector's Report¹¹, Reigate & Banstead experiences a very high level of affordable housing need. At present, there are over 900 households on the Council's Housing Register, with approximately 460 households applying each year. Against this need, only 295 vacant social housing units (within the existing stock) were offered to the Council last year, of which 20% were age restricted (over 50s). Homelessness has continued to grow at a disproportionately faster rate than the national or county picture and remains under pressure as a result of on-going welfare reform. During 2015, the Council accepted a homelessness housing duty to 104 households, a figure which has increased by 940% since 2008-09¹². Over the same period, the corresponding increase across Surrey has been 290% and nationally only 8%.
- 10 As a result of these factors, the Council's latest Strategic Housing Market Assessment (2012)¹³ concludes that there is a need for at least 366 additional affordable homes per annum in the borough.

Challenges to affordable housing delivery and the importance of small site contributions

- 11 The Core Strategy (Policy CS15) ambition to deliver a minimum of 100 affordable homes per annum is, as confirmed by the Core Strategy Planning Inspector "substantially less than the need" but reflects the fact that opportunities for on-site provision as part of mixed market/affordable schemes are restricted by land supply and that "substantial alternative funding would be required if greater inroads into the affordable housing need were to be made" (Inspector's Report, paragraph 67).
- 12 The challenge of on-site delivery is apparent from the fact that, since the Core Strategy was adopted in July 2014, on-site provision on sites of over 15 units (as required by Policy CS15) has only been secured on one scheme (out of 16). This has been caused by viability challenges (and therefore reduced or nil affordable housing) on several recent permissions for large brownfield regeneration sites in the borough, particularly in Redhill and Horley town centres, as well as the fact that a number of larger schemes have come through permitted development routes.
- 13 The recent introduction of Starter Homes, including the anticipated national starter homes requirement and consequent amendments to the definition of

¹¹ www.reigate-banstead.gov.uk/corestrategy

¹² In 2008-09, the Council accepted a homelessness duty to 10 households. Data from CLG Table 784, available at: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>.

¹³ http://www.reigate-banstead.gov.uk/info/20088/planning_policy/22/evidence_and_research_for_planning_policies/2

affordable housing, will further weaken the Council's ability to secure affordable homes through on-site delivery on market schemes. As the data Table 1 demonstrates, Starter Homes (which have a price cap of £250,000) will represent almost 15 times the lower quartile income in the borough, meaning that they will be out of reach of many on low incomes and unlikely to serve those in greatest housing need.

- 14 These factors clearly illustrate that on-site provision on larger sites alone will not deliver sufficient affordable housing to meet identified needs, and is very unlikely even to deliver the target of 100 units in the Core Strategy. Securing additional commuted funding from smaller developments, where this is viable, is therefore essential to meet as fully as possible the affordable housing needs of the borough - in accordance with the National Planning Policy Framework (NPPF) (paragraphs 17, 47 and 50).
- 15 In contrast to the challenges associated with securing on-site provision on large sites, financial contributions on sites of 10 units or less have been successfully secured in over 80% of relevant planning approvals since the Core Strategy was adopted (59 out of 63 approvals)¹⁴, generating potential income of approximately £1.5 million. Assuming these trends continue, financial contributions could generate a further £5 million of income over the remainder of the plan period (i.e. to 2027).
- 16 The statistics above also confirm that, whilst the Council's Core Strategy allows for contributions to be negotiated where there is a genuine viability justification (see below); there have been no cases to date where this has been relied upon by an applicant on an approved schemes of less than 10 units. Even taking account of schemes which have been refused, the Council's records show only three cases since the Core Strategy was adopted where the applicant sought reduced contributions due to poor viability. This is consistent with evidence set out below which demonstrates that local housing delivery by small builders has been unaffected by the introduction of the requirement for affordable housing contributions (see paragraph 25-28 and Table 3).
- 17 These contributions have a vital role to play in delivering affordable housing. Over the past 3 years, approximately £2.3 million of contributions have been used to enable the creation of 53 additional affordable housing units and additional supported accommodation in the borough. This has been through a combination of new build or conversion schemes by the Council, charities and

¹⁴ All of the cases where contributions were not secured arose from appeal decisions immediately following the initial publication of the WMS.

Registered Providers (RPs) as well as the purchase of market housing for use as affordable units. Monies have also been used to improve and extend existing affordable homes in order to meet the significant need for affordable family homes in Reigate & Banstead. Assuming future funding supported a similar range of projects, the estimated income from financial contributions from sites of 10 units or less (£6.5m – see above), could support creation of at least a further 150 affordable homes, equivalent to 10% of target in the Core Strategy.

Summary of local affordable housing need

- 18 On the basis of the compelling local evidence summarised above, the Council believes that the significant pressure on affordability and essential role of financial contributions in meeting high affordable housing need add significant weight in favour of deviating from the national policy and following the adopted Development Plan (the Core Strategy). These circumstances also confirm that it remains “necessary” at the local level (in accordance with the Community Infrastructure Levy Regulations 2010 (as amended) and Paragraph 204 of the NPPF) to secure contributions towards affordable housing from smaller sites in order to make housing developments acceptable in planning terms.

Steps taken by the Council to reduce the burden on small scale developers

- 19 The Council’s approach to affordable housing provision – in particular with respect to contributions on small sites – was only very recently found sound and is consistent with the provisions of the NPPF, including those relating to ensuring viability and deliverability which remain unchanged despite the WMS.
- 20 The approach to affordable housing as set out in Policy CS15 of the Core Strategy – being a sliding scale with reducing levels of contributions on smaller sites – serves to support the Government’s stated aim (as set out in the Ministerial Statement) of reducing the “disproportionate burden of developer contributions on small-scale developers” and unlocking small-scale sites. This ensures that the level of contribution sought from an individual development is fairly and reasonably related to it in scale and kind, as per the statutory requirements and policy tests in the NPPF, and that the effect on smaller developers would not be disproportionate.
- 21 The Council’s approach to calculating affordable housing contributions – through the use of a flat rate per square metre charge applied to net additional residential floorspace - (as set out in paragraphs 6.1.2 to 6.1.9 of the Affordable Housing SPD) also directly serves to reduce administrative and financial burden on

developers. This clear and simple approach reduces complexity of the calculation process, minimises uncertainty for developers, reduces scope for disagreement and as such avoids unnecessary delay in the application process. The use of a net units/net floorspace approach also ensures contributions are fair and reasonable. The Council publishes an online calculator ¹⁵ to assist developers in understanding and calculating their liability as early in the process as possible.

- 22 Additional provisions for contributions to be reduced on a case-by-case basis where there is a genuine viability justification provides further scope to deliver the Government's aim of reducing the burdens on, and unlocking, development where required contributions would prove unviable. The Council actively encourages developers to raise any such concerns early in the process, particularly through pre-application engagement where the scope and nature of viability agreements can be discussed and agreed (see for example paragraphs 3.18 to 3.22 of the Council's Developer Contributions SPD¹⁶).
- 23 Consistent with national Planning Practice Guidance (Reference ID: 23b-027-20150326), the Council uses a standard unilateral undertaking which incorporates boilerplate clauses and places the minimum of obligations on developers. In line with the Government's aspirations, this is designed to assist developers of small-scale sites and speed up delivery of development by reducing the time taken to execute agreements (including with third parties such as lenders/chargees/mortgagees), reducing associated legal costs and ensuring the legal and administrative burden on developers are minimised. The Council's standard agreement is readily available on the Council's website and accompanied by clear guidance on progressing agreements in both the Affordable Housing SPD and Developer Contributions SPD.
- 24 These actions cumulatively serve to reduce financial, legal and administrative burdens attached to securing planning consent and ensure that small-scale developers would not be disproportionately burdened by providing financial contributions for affordable housing. They therefore achieve the same aims as the national policy introduced through the WMS, albeit without the associated detriment to affordable housing provision.

Impact of the contributions on local housebuilding activity by small-scale developers

¹⁵ http://www.reigate-banstead.gov.uk/info/20085/planning_applications/28/supplementary_planning_documents_and_guidance/3

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- 25 Monitoring data demonstrates that the introduction of the requirement for affordable housing contributions on small sites has not adversely impacted on the role which small-scale developers play, and as such their ability to participate, in the supply of housing in the borough.
- 26 Data prior to the adoption of the Core Strategy (between 1 April 2007 and 31 March 2014) indicates that approximately 25% of the new homes built in the borough were completed by small-scale developers¹⁷, at an average rate of 148 units per annum. In addition, a further 8%, at an average of 47 units per annum, were completed by private individuals or as self-build schemes (see Table 3).
- 27 In the period since adoption of the Core Strategy (i.e. from 1 April 2014 to 31 March 2016), approximately 28% of completions have been built by small-scale developers, at a rate of 144 units per annum. Completions by private individuals have also remained consistent with past trends (8% at 43 units per annum).

¹⁷ Broadly defined as those known or anticipated to normally deliver 100 units or less per annum in total but excluding self-build by private individuals

Table 3: Completions by small-scale builders in Reigate & Banstead

	Medium/large-scale developers	Small builders/developers	Private individuals (inc. self-build)
2007/08	461	151	54
2008/09	673	198	53
2009/10	305	206	120
2010/11	337	131	18
2011/12	328	132	32
2012/13	360	121	27
2013/14	339	100	23
2008/09-2013/14 (Total)	2,803 (67%)	1,039 (25%)	327 (8%)
2008/09-2013/14 (Average p.a.)	400	148	47
2014/15	312	114	26
2015/16	353	174	60
2014/15-2015/16 (Total)	665 (64%)	288 (28%)	86 (8%)
2014/15-2015/16 (Average p.a.)	333	144	43

28 These statistics compare favourably with the national picture, with recent publications indicating that across the country, small and medium sized builders (up to 500 units per annum) accounted for less than 25% of new homes built in 2014¹⁸. Combined with the data above (paragraph 16), this provides substantive evidence that the requirement for affordable housing contributions on small sites has had no discernible impact on the viability of small scale developments or the role which small builders are able to play in the supply of housing locally.

Summary

29 In view of the significant need for affordable homes in the borough, the importance of financial contributions to the delivery of affordable housing, the alternative steps which the Council has taken to reduce the financial, legal and administrative burden on developers and the evidence that imposition of contributions is not hampering the role of small-scale builders in housing supply locally, the Council considers that there are compelling local circumstances which are of sufficient weight to justify an exception to national policy set out in the WMS and national planning practice guidance.

30 As such, unless there is clear evidence or unique circumstances – on a case-by-case basis – to demonstrate that providing affordable housing contributions will have a specific disproportionate on a particular scheme, the Council will apply greater weight to Core Strategy Policy CS15(3) and continue to seek affordable housing contributions on small sites in accordance with it. Such contributions

¹⁸ See for example Increasing Diversity in the Housebuilding Sector, CPRE and Housing Foresight (2014), page 5 quoting NHBC data; <http://www.cpre.org.uk/resources/housing-and-planning/housing/item/3679-increasing-diversity-in-the-house-building-sector>

continue to be lawful and justified in the context of the tests in the CIL Regulations 2010 (as amended) and National Planning Policy Framework which remain unchanged by the WMS.