

Working towards a cleaner, greener and safer district

Affordable Housing

Supplementary Planning Document

ADOPTED



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1 INTRODUCTION

- 1.1 One of North West Leicestershire District Council's Strategic Aims is 'Enough Decent and Affordable Housing'. The Council's Delivery Plan 2006 - 09 has as one of its actions under Enough Decent and Affordable Housing to "Develop policies and actions to increase the supply of affordable homes in the District".
- 1.2 The provision of new affordable housing will come from a variety of sources. It is anticipated that a significant proportion of such dwellings will be delivered via the planning system as part of new housing developments. However, other dwellings will be delivered by other means such as developments by Registered Social Landlords or by using grants to bring empty properties back into use as affordable dwellings.
- 1.3 A report was considered by the Council's Executive Board of 15th August 2006 in respect of establishing a coordinated approach to the provision of Affordable Housing. This included an Action Plan which identified that a key task is the production of a Supplementary Planning Document (SPD) on Affordable Housing.

2 WHAT HAS HAPPENED SO FAR?

- 2.1 A key element of seeking to deliver affordable housing is the establishment of an evidence base which identifies what the level of need for affordable housing is. The Council commissioned consultants (Fordham Research) to undertake a Housing Needs Assessment (HNA) in 2005 to do this. The results of the HNA were published by the District Council in September 2006, including hosting a half day seminar for private house builders and Registered Social Landlords (more commonly known as housing associations).
- 2.2 Following the publication of the results of the HNA, the Council undertook consultation with a range of interested agencies and groups in October 2006. This consultation identified the issues that would need to be considered in the SPD and sought views on the possible approach that could be taken in the SPD.
- 2.3 A draft SPD was published for public consultation in February 2007. A report considering all of the responses was reported to the Cabinet of 16 October 2007 when it was agreed, subject to a number of amendments, that the SPD be adopted.

3 STATUS OF THIS DOCUMENT

- 3.1 This SPD provides advice which is supplementary to policy H8 of the adopted North West Leicestershire Local Plan and it will be a material consideration to be taken into account in determining planning applications.

4 OBJECTIVES OF THE SPD

- 4.1 The objectives of the SPD are:

- To provide guidance to add to Policy H8 of the adopted North West Leicestershire Local Plan;
- To optimise the provision of affordable housing as part of new housing developments

5 POLICY CONTEXT

- 5.1 The following is a brief summary of national, regional and local policies which are of relevance in respect of affordable housing. Further reference is made to these various policies and documents in other parts of this SPD.

National Policies

- 5.2 National policies and advice in respect of affordable housing are largely contained within Planning Policy Statement 3 (Housing) and 'Delivering Affordable Housing Policy Statement', both published by the Department for Communities and Local Government (November 2006).
- 5.3 Planning Policy Statement 3 (PPS3) provides advice about a range of housing issues. Specifically in respect of affordable housing it notes that the "The Government is committed to providing high quality housing for people who are unable to access or afford market housing ..". It advises that Local Planning Authorities should set:
- District wide targets for the amount of affordable housing to be provided;
 - Separate targets for social rented and intermediate housing;
 - Specify the size and type of affordable housing that is likely to be needed;
 - Set out the range of circumstances in which affordable housing will be required and
 - Set out the approach to developer contributions.

- 5.4 In rural areas it suggests that consideration be given to the allocation and release of sites solely for affordable housing, including the possible use of a Rural Exceptions Site Policy.
- 5.5 Affordable housing is defined as *“social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:*
– *meet the needs of eligible households, including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices; and*
– *include provision for the home to remain at an affordable price for future eligible households, or if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision”* (Appendix B of PPS3).
- 5.6 ‘Delivering Affordable Housing’ is largely concerned with providing information as to how the various delivery mechanisms available can help to deliver affordable housing. It notes that the Government’s affordable housing policy is based around three themes:
- Providing high quality homes in mixed sustainable communities for those in need;
 - Widening the opportunities for home ownership;
 - Offering greater quality, flexibility and choice to those who rent.

Regional Policies

- 5.7 The Regional Spatial Strategy for the East Midlands (RSS8) (2005) sets out the broad development strategy for the East Midlands up to 2021. It indicates that local planning policies should have regard to the priorities for affordable housing set out in the Regional Housing Strategy and includes policies seeking the provision of a mix of dwellings in terms of size, type, affordability and location in order to create inclusive communities which provide wider opportunity and choice.
- 5.8 Policy 18 identifies that the level of affordable housing should be justified by local housing needs assessments and includes an indicator for affordable housing provision across the region of 3,950 dwellings every year.
- 5.9 The Draft East Midlands Regional Plan (2006) (which will replace the existing RSS8 upon its approval) identifies that in the Leicester and Leicestershire Housing Market Area (which includes North West Leicestershire) 25% of all housing provision should be for social rented properties and 8% for intermediate housing. Based on the annual build rate for North West Leicestershire identified in Policy 14 (480 dwellings) this equates to 120 dwellings and 39 dwellings per annum respectively.

However, it notes that these targets should be reviewed in the light of more local assessments. It also suggests (paragraph 3.1.11) that in rural areas consideration be given to “setting separate targets for rural affordable housing in Local Development Frameworks”.

- 5.10 The Regional Housing Strategy (2004), which together with the Regional Economic Strategy and RSS8 constitute the Integrated Regional Strategy, identifies the regional priorities in respect of the delivery of housing. This includes seeking to ensure a more balanced provision of housing by building more affordable homes in areas where they are needed and that housing should meet the needs of a wide range of people.

County Policies

- 5.11 Housing Policy 4 of the Leicestershire, Leicester and Rutland Structure Plan (1996-2016) (2005) indicates that provision should be made for affordable housing in urban and rural areas based upon an assessment of local housing need.

Local Policies

- 5.12 Policy H8 of the adopted North West Leicestershire Local Plan (2002) states that:

Where there is a demonstrable need for affordable housing the District Council will negotiate with applicants/developers to secure the provision of an element of affordable housing as part of any development proposal.

Where such provision is neither low cost market housing nor subsidised housing to be managed by a registered social landlord, conditions will be imposed (or a planning obligation negotiated) to provide secure arrangements for ensuring that the affordable housing remains available for occupation by suitably qualified people only.

- 5.13 Other policies seek to ensure that new developments are designed to a high standard including to appropriate densities of development (Policy H6 and Policy H7).
- 5.14 The Council’s Housing Strategy (2006) identifies that within the North West Leicestershire Housing Market area that, amongst other matters, there is a need for affordable homes to rent and buy. A key priority of the strategy is to increase the supply of affordable housing.

6 EVIDENCE BASE

6.1 As previously noted the District Council commissioned Fordham Research to undertake a Housing Needs Assessment (HNA). In carrying out the HNA a number of data sources were used including:

- A postal survey of 10,000 randomly selected households, which produced 2,422 responses (about 24%);
- Interviews with local estate agents and letting agents;
- A review of secondary data sources, such as information on population from the 2001 Census and house price information from the Land Registry.

6.2 The postal survey was a very important element of the research and sought information on a wide range of matters including the current housing circumstances of individual households, past moves, future intentions and income levels.

6.3 In assessing the future needs for affordable housing the methodology used followed closely guidance produced by the Government.

6.4 The HNA also looked at broader issues beyond just affordable housing, including issues associated with the needs of particular groups of the population (e.g. the elderly or those with special needs) and also looked at the broader housing market, including the private sector market.

6.5 Key findings from the HNA are that:

- There is a shortfall in the provision of affordable housing of 305 dwellings per annum;
- the biggest need is for 1 and 2 bedroom properties and that there is an over provision of 3 bedroom properties;
- the greatest need is for social rented properties (170 out of 305) and that there is need for 134 dwellings in the intermediate sector (i.e. properties between the social rented sector and the open market in terms of cost);
- a target for securing affordable housing as part of open market housing schemes of 50% is recommended;
- a site threshold for seeking the provision of affordable housing of 15 dwellings (currently 25 dwellings) is recommended;
- a commuted sum in lieu of on-site provision only in exceptional cases is recommended;
- there is a shortfall in the owner-occupied housing sector and an over provision in the private rented sector;
- there is a need for housing for key workers (39 per annum out of the overall need of 305 dwellings);

- nearly 44% of all households are under-occupied and that just over 1% are overcrowded and ;
- there is a significant number of households with special needs members (19.4% of all households) and that there is considerable scope for 'care and repair' and 'staying put' schemes due to the physical condition and unsuitability of homes.

6.6 More details regarding both the methodology and the findings of the HNA can be found in the full report which is available on the Council's website at www.nwleics.gov.uk/development_planning .

6.7 The results from the HNA were presented to a meeting of the Full Council on 5 September 2006 when it was agreed to note the findings and to have regard to them in preparing this SPD.

7 NEGOTIATING AFFORDABLE HOUSING PROVISION

7.1 As previously noted, Policy H8 of the adopted Local Plan states that the District Council will negotiate for the provision of affordable housing where there is a demonstrable need. The following section sets out a number of key principles which will be used to guide such negotiations.

7.2 What is affordable housing?

7.2.1 As already noted the definition of affordable housing set out in PPS3 includes both social rented and intermediate housing. A key aspect of affordable housing is defining what is affordable (or affordability). This is a matter which will depend upon particular local circumstances and is about the relationship between incomes and house prices.

7.2.2 The HNA defined combined affordability as being where:

A household containing one person or one employed adult is not eligible for a mortgage if the gross household income multiplied by 3.5 is less than the cost of the mortgage requirement. A household containing more than one employed adult or no employed adults is not eligible for a mortgage if the gross household income multiplied by 2.9 is less than the cost of the mortgage requirement.

AND

Renting privately would take up more than 25% of its gross household income.

7.2.3 Based on the findings of the HNA and the advice in PSS3 affordable housing is thus defined as:

Key principle AH1 – Definition of Affordable Housing

Non-market housing, including social rented and intermediate housing (that which is at prices or rents above those of social rents but below market prices or rents) and which will remain available as affordable housing in the future or include provision for any subsidy to be recycled for the provision of additional affordable housing in the event that it ceases to remain affordable.

For a property to be considered as being affordable it must be at a price or rent (or a combination of the two if shared ownership) which is:

- For a household containing one person or one employed adult no more than 3.5 times the gross household income and
- For a household containing more than one employed adult or no employed adults no more than 2.9 times the gross household income and
- For private renting would take up no more than 25% of its gross household income.

7.3 Thresholds

7.3.1 PPS3 suggests that the national indicative minimum size threshold is 15 dwellings but that lower thresholds may be used where viable and practicable.

7.3.2 The HNA recommends that the national threshold of 15 or more dwelling should be applied.

7.3.3 On the basis of the above it would thus be appropriate to seek affordable housing on all sites of 15 or more dwellings.

Key principle 2 – Site thresholds

The provision of affordable housing will be sought on all sites of 15 or more dwellings.

7.4 Amount of affordable housing required

7.4.1 PPS3 advises that an overall target should be set for the amount of affordable housing to be provided across an area. It also suggests, where appropriate, setting separate targets for social-rented and intermediate housing.

7.4.2 The approved RSS8 (Policy 18) includes an indicator for the provision of affordable housing for region as a whole of 3,950 dwellings per annum. The adopted Structure Plan does not include a specific target figure, but the Explanatory Memorandum notes that a figure of 30% was considered

- to be appropriate by the Structure Plan Examination in Public Panel (Housing Policy 4).
- 7.4.3 The draft East Midlands Plan (Policy 15) suggest that 33% of all new housing in the Leicester and Leicestershire Housing Market Area should be affordable housing.
- 7.4.4 As previously noted the HNA identifies a need for 305 dwellings per annum. It should be appreciated that not all of this need will (or could) be met via the planning system. In recognition of this the HNA suggests that an overall target of at least 50% is justified. It also suggests that this should be a district wide target.
- 7.4.5 Whatever target is set clearly needs to be both realistic and achievable and will need to be balanced against ensuring that developments remain financially viable, as advised in PPS3. A target of 50% as suggested in the HNA could impact substantially upon site viability such that it would not be a feasible target, at least in the short term. This was an issue highlighted in the pre-production consultation and was also reflected in the response received.
- 7.4.6 To avoid such problems the pre-production consultation suggested, therefore, that one option would be to have a lower target initially moving to a higher target in the longer term. The general concerns raised in respect of the impact upon site viability notwithstanding there did not appear to be any overwhelming objection to such an approach.
- 7.4.7 On balance it is considered that a target of 30% would be appropriate increasing to 40% at the start of the financial year 2008/09. Whilst this latter figure is higher than that included in the Draft East Midlands Plan it is considered that it is justified in view of the evidence from the HNA. Taking the figure of 40% and applying it to the requirements set out in the draft East Midlands Regional Plan (480 dwellings per annum) would (if all developments were above the threshold identified above, which is unlikely to be the case) result in 192 affordable dwellings per annum being provided. This is still some way short of the needs figure identified in the HNA and thus emphasises the need to maximising provision via the planning system whilst also recognising that other means will also have to be sought.
- 7.4.8 However, in the Coalville area it is considered that a target of 40% would not be appropriate. Whilst Coalville is the focus for growth in the emerging Regional Spatial Strategy and thus presents an opportunity to deliver substantial amounts of new affordable housing, it is considered that a target of 40% would be likely to result in an imbalance in terms of tenure. The greater Coalville area is defined as being Coaville, Whitwick,

Thringstone, Greenhill, Ellistown and Battleflat, Bardon and Hugglescote and is identified on the plan at Appendix B.

Key principle 3 – Targets

For those sites which meet the threshold identified in AH2 the Council will (from the date of adoption of the SPD) seek to secure, by negotiation, a minimum of 30% affordable housing units up to the end of October 2008. Thereafter, this will be increased to 40% outside of the greater Coalville area and will remain at 30% in the greater Coalville area.

- 7.4.9 When applying the appropriate target the District Council will work on the principle of rounding up to the nearest whole figure. For example, a development of 15 dwellings would produce a requirement for 4.5 dwellings when the 30% target is applied. This would be rounded up to 5 dwellings.
- 7.4.10 For the avoidance of doubt, the target of 40% will be applied to those relevant applications whose original target date for determination is scheduled to be after 31st October 2008.
- 7.4.11 The Housing Needs Assessment provides information about the level of need at ward level. Whilst it would not be appropriate to set targets for individual wards, such information can be used to inform negotiations on specific proposals where appropriate.

7.5 Tenure

- 7.5.1 PPS3 advises that where appropriate Local Planning Authorities should *“set separate targets for be set for social-rented and intermediate affordable housing”*.
- 7.5.2 Furthermore the Government’s Sustainable Communities agenda specifically refers to a Sustainable Community being one that has *“A well-integrated mix of decent homes of different types and tenures to support a range of household sizes, ages and incomes;”*.
- 7.5.3 The draft East Midlands Plan (Policy 15) suggests that of the 33% of affordable housing in the Leicester and Leicestershire Housing Market Area, 25% should be social rented housing and 8% intermediate housing.
- 7.5.4 The Fordham report identifies the need for both social rented and intermediate housing. It suggests that there is an annual need for 170 social rented properties and 133 intermediate housing properties (56% and 44% of the overall need respectively).

Key principle 4 – Tenure

In seeking to secure affordable housing the Council will seek an appropriate mix of tenure types having regard to the findings in the Housing Needs Assessment and to the likely availability of public subsidy.

- 7.5.5 If the identified needs are going to be met it is important to ensure that what is secured is genuinely affordable. Therefore, in negotiating the provision of affordable housing which falls into the intermediate category it is important to understand which types are likely to be the most affordable.
- 7.5.6 In this respect the HNA looked at what types of affordable housing would be most appropriate to meet the identified need. This concluded that for discounted sales housing, that substantial discounts of between 46.5% and 54.5% would be required to make such properties affordable. In respect of shared equity properties (i.e. where a percentage of the property is purchased by the occupier) these are most affordable for 1 and 2 bedroom properties at 51% equity share and that shared ownership properties (i.e. where the occupier purchases part of the property whilst paying rent on the remainder) is a less affordable option. The HNA also considered a combination of the shared equity and low cost market (or discounted) housing and concluded that at 51% equity shared this would be affordable for all sizes of property and would also be affordable at 60% equity share for 1 and 2 bedroom properties.
- 7.5.7 Having regard to the findings of the HNA the following priorities will be sought:

Key Principle 5 – Intermediate Housing

In seeking the provision of affordable housing the Council's priority for the provision of intermediate housing will be:

- Discounted sale housing at no more than 50% of the open market value and then ;
- Shared ownership at an entry level of 25%

In addition to the above, in settlements of less than 3,000 population, the Council will also seek intermediate housing comprising Shared equity of 50% on discounted sale housing at a discount of at least 20% of the open market value.

In all cases it will need to be demonstrated that the intermediate housing proposed will be genuinely affordable having regard to the definition of affordability in Key Principle 1.

The Council will seek to secure a range of intermediate housing types within individual schemes where appropriate, having regard to the HNA

- 7.5.8 In accordance with AH1 it will be necessary to ensure that any affordable housing which is secured remains available in perpetuity or, where the property is removed from the stock of affordable housing (e.g. where a shared ownership property is bought outright by the occupant), that the public subsidy element is recycled for alternative future affordable housing provision. In respect of the former this is covered by other provisions under the Right to Acquire scheme.
- 7.5.9 In respect of discounted sales housing the Council wishes to ensure that such properties are made available to local people in need. The Council has previous experience of dealing with such properties and based on this will follow the approach outlined below. Those words in bold are defined in the glossary at Appendix A.
- 7.5.10 In the first instance the Council will seek to ensure that any future sales should be restricted to **Local people** at or below the **National Average Earnings Level** at the time of sale. Where this cannot be satisfied within a period of 6 months for the initial sale and a period of 3 months for subsequent sales, then the area of eligibility will be extended to the same criteria within three miles of the district. If after a further 6 months for initial sales or 3 months for subsequent sales then the District Council will require evidence as to why sales have not been possible before allowing a property to be sold to any purchaser but as affordable housing. Any unit secured as discounted sales housing and subsequently offered for sale should be notified to the District Council by way of an **Availability Notice** which should be accompanied by a **Certificate of Value** which should identify the **Open Market Value** of the property concerned. Any sale will then be restricted to the agreed percentage of this open market value. All purchasers will be required to sign a declaration stating that their earnings are at or below the National Earnings Level.
- 7.5.11 The District Council will use the Availability Notices to monitor the 'turnover' of such properties to establish trends to help inform future assessments of need. Where it becomes apparent that the discounted cost of such property is no longer 'affordable' (based upon the latest information about income levels and house prices and having regard to the definition of affordability set out in Key Principle 1), the Council will consider allowing the property to revert to full open market value subject to the difference between the open market value and the discounted value being given to the Council to use towards the provision of new affordable housing. Subsequent sales would then be on the open market and would not involve the Council any further.

7.6 Type and size of affordable housing required

- 7.6.1 PPS3 advises that Local Planning Authorities should specify the size and type of affordable housing that is likely to be needed.
- 7.6.2 In respect of property types the HNA identified that;
- the greatest need is for detached and semi-detached properties;
 - about one third of the need is for bungalows (or single storey dwellings) and
 - about 20% of all households had some form of support needs.
- 7.6.3 In respect of property size the HNA identified that;
- the greatest need is for 1 and 2 bedroom properties
 - there is an over provision of 3 bedroom properties and
 - a small shortfall of 4 bedroom properties.
- 7.6.4 There would be some merit, in terms of providing certainty for all those involved in the development process, in specifying the exact amount of different property sizes and types which would be required on developments. However, as all developments are different and need to have regard to specific local circumstances a more flexible approach might be taken. On balance the latter approach is considered to be more appropriate. This is reflected in the following policy.
- 7.6.5 It should be noted that notwithstanding the findings of the HNA regarding the need for 1 bedroom properties, such properties are widely regarded as being unsustainable as they do not offer sufficient flexibility in the longer term management of the social housing stock. Therefore, the provision of such properties will be generally resisted.

Key Principle 6– Property Type and size

In seeking the provision of affordable housing the Council will seek to achieve a mix of different property types and sizes having regard to the findings of the Housing Needs Assessment and the characteristics of the proposed site and the surrounding area.

In seeking a range of property types the Council will have particular regard to the significant need identified in the HNA for bungalows (single storey dwellings) and will weigh this against other considerations such as density, the location of the site concerned in relation to local facilities and public transport provision and the overall amount and type of affordable housing to be provided.

- 7.6.6 It is considered that it is particularly important that where affordable housing is secured that this include appropriate provision of bungalows (single storey dwellings). It is acknowledged that such provision could

conflict with other important issues, particularly that of density. Where this is the case the Council will weigh up the benefits of securing bungalows against such considerations and will seek to ensure that such provision does not compromise the aim of meeting minimum density requirements. Regard will also be had to overall amount and type of affordable housing that is proposed as part of any development.

7.7 Developer contributions

- 7.7.1 PPS3 advises Local Planning Authorities to set out what their approach is to “seeking developer contributions to facilitate the provision of affordable housing”. It also advises that “the presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing”. It goes on to suggest that off-site provision or a financial contribution in lieu of on-site provision (of broadly equivalent value) may be appropriate.
- 7.7.2 The HNA reflected this approach but noted that a reasonable basis would be required to calculate the level of commuted sums. It suggests that one possible means to do this would be to use the Housing Corporations Total Cost Indicator, although this is to be abolished.
- 7.7.3 The provision of affordable housing on-site has a number of advantages, including making it easier to integrate such provision within the wider development and thus contribute towards creating balanced and mixed communities.

Key Principle 7 – Developer Contributions: preferred approach

In seeking the provision of affordable housing the Council’s preferred approach is for the agreed provision to be made on-site.

- 7.7.4 Where provision is to be made on-site and it includes social rented properties, the Council will seek to ensure that in accordance with the East Midlands Regional Housing Strategy (2004) that this will include providing the land in question at nil cost to the Registered Social Landlord, fully serviced and free of contamination. However, where an alternative arrangement is agreed between the developer and a Registered Social Landlord then the Council will not normally resist such arrangements, subject to the arrangements being included in any Section 106 Agreement.
- 7.7.5 Whilst on-site provision is the Council’s preferred approach, it is recognised that there may be occasion where such an approach is not appropriate. It is considered that such instances should only arise in exceptional circumstances. Such circumstances might include:

- Where it can be shown that on site provision is not physically or financially viable;
- Where it can be shown that off-site provision would better meet the identified needs.

Key Principle 8 – off site provision

Where a developer/landowner considers that there are exceptional circumstances which suggest that on site provision is not appropriate they should identify this to the District Council as soon as possible, preferably as part of any pre-application discussions or when an application is submitted. In all instances the developer/landowner will have to demonstrate to the Council's satisfaction that on site provision is not appropriate and the reasons for this.

- 7.7.6 It should be appreciated that the provision of affordable housing is of paramount importance and that in not making on site provision may lead to additional problems for the District Council and social housing providers.
- 7.7.7 Where a developer/landowner raises concerns in respect of the impact that affordable housing provision will make on site viability, the Council will require that a financial appraisal be submitted in support of such concerns. The appraisal will need to ensure that it covers all the major components including:
- Construction costs (e.g. build costs, land remediation costs, highway costs, other planning obligation contributions, contingency costs);
 - Residual land value;
 - Site purchase price (including date of purchase);
 - Details of any finance agreements;
 - Fees associated with purchase and site development (e.g. lawyers fees, architects fees, acquisition agents fees, planning fees, surveying fees, stamp duty etc);
 - Anticipated revenue from the proposed development and
 - Anticipated developer profit.
- 7.7.8 The Council will reserve the right to subject the submitted financial appraisal to independent assessment and verification before agreeing to off site provision. The cost of this assessment will be expected to be met by the developer/landowner.
- 7.7.9 Off site provision could take different forms. For example, a developer/landowner could provide a commuted financial payment to be used to provide affordable housing elsewhere or could provide the affordable housing on another suitable site elsewhere in the district, either

as a stand alone development or as part of a larger scheme. It is anticipated that in most cases where off site provision is considered appropriate that such provision will take the form of a commuted sum. This is the Council's preferred approach.

7.7.10 Where it is proposed to make alternative provision on another site, the amount of provision should be the same as if provision were made on site. However, provision will not be allowed on another site where affordable housing would be required, unless such provision is in addition to that which would be provided.

7.7.11 Where it is agreed by both the Council and the developer/landowner that a commuted sum will be provided, it will be necessary to ensure that a consistent approach is taken to calculating the appropriate sum required. In addition, as noted in PPS3 any financial contribution in lieu of on-site provision should be of a broadly equivalent value to that which would be required on site but for the exceptional circumstances.

7.7.12 In calculating a commuted sum the District Council will adopt the following approach. An agreement will be reached on the number and type of affordable properties which would have been required. We will then agree the Open Market Value (OMV) that could be expected for these dwellings having regard to the advice of three local estate agents. A minimum of 3 RSLs will then be approached to ascertain what cost the RSL could pay to purchase the properties concerned whilst also being able to ensure that the properties would be affordable (whether as rented or shared ownership). The level of contribution required will be equal to the difference between the OMV and the maximum price that the RSL could pay as outlined above.

7.7.13 The following example outlines how this would work. On a scheme of 10 dwellings it is agreed that 4 affordable dwellings would have been required, 3 for rent and 1 shared ownership. For all properties the OMV is agreed to be £150,000. For rented properties the RSL is able to pay a maximum of £80,000 whilst for shared ownership it is able to pay £100,000. Thus the level of commuted sum will be £210,000 for the rented properties (OMV (£150,000) – maximum price payable by RSL (£80,000) = £70,000 X 3 =£210,000) and £50,000 for the shared ownership property (OMV (£150,000) – maximum price payable by RSL (£100,000) =£50,000). Thus the total commuted sum will be £260,000 (£210,000 + £50,000).

7.7.14 Where a commuted sum is provided in lieu of on site provision, this will normally be given to the District Council, unless the developer has identified a particular scheme somewhere in the district to which the monies will contribute. Any monies provided as a commuted sum will be

'ring fenced' to ensure that they are used to increase the supply of affordable housing across the district, which could include bringing empty homes back into use.

7.8 Design and Layout

- 7.8.1 As with all new housing developments the Council expects that these will be of high quality in terms of their design and layout. In particular, it will be essential to ensure that any affordable housing is properly integrated into the overall development and that the dwellings are built to appropriate standards.

Key Principle 9 – Design and Layout

To ensure a high standard of design and to create balanced communities, the Council will expect affordable housing to:

- i) Be well related to, and indistinguishable from, the market housing on site;
- ii) Be distributed across a number of different areas around the site;
- iii) Be built to the appropriate standards of the Housing Corporation and;
- iv) Reflect the principles of designing out crime as set out in the Council's approved Supplementary Planning Guidance

Where appropriate the Council will consider removing permitted development rights to ensure that dwellings are not extended or altered in such a way as to increase their value beyond an affordable level. This will not prevent appropriate adaptations or extensions where required by an occupant with disabilities or to allow for family growth.

- 7.8.2 In respect of the distribution of affordable dwellings it is better that these are in small groups in a number of different areas across a site. The developer should distinguish which dwellings are proposed to comprise affordable housing on the plans submitted as part of a planning application.

8 DELIVERY OF AFFORDABLE HOUSING

- 8.1 Where affordable housing is to be provided as part of new development (whether on or off site) it is important to ensure that it will be secured in accordance with the agreement reached. Whilst it may be possible to do this using conditions attached to any planning permission the Council's preferred approach is to use Section 106 Agreements.

Key Principle 10 – Use of Section 106 Agreement

In securing the provision of affordable housing, and where appropriate their continued availability as affordable housing in the future, the Council will require that a Section 106 Agreement be signed by the Council, the developer, a Registered Social Landlord (where appropriate) and any other parties as may be considered appropriate.

- 8.2 To make the process as quick and consistent as possible, the Council will be producing standard Heads of Terms and standard clauses for use when drafting all such agreements relating to the provision of affordable housing. The clauses will include a requirement to provide the affordable dwellings at least as quickly as the remainder of the development. It will also include appropriate clauses to ensure that properties remain available as affordable dwellings in the future, particularly in respect of low cost market (discounted) housing) and that where commuted sums are paid the monies will be only used to increase the supply of affordable housing across the district. It will also include a clause stipulating the period within which such monies are to be used, normally ten years, and provision will be made for the repayment to the developer/landowner to claim back unspent monies in the event that they are not spent within the agreed period.
- 8.4 The Government has published a Good Practice Guide in respect of the use of planning obligations. This includes a number of examples in respect of securing affordable housing. Until such time as the Council has completed the work outlined above the Council would support the use of these examples as appropriate.
- 8.5 The Council would encourage developers to provide draft Heads of Terms when they submit a planning application.
- 8.6 Where those dwellings which are classified as affordable are to be transferred to a Registered Social Landlord (and a Registered Social Landlord has been identified) then they will need to be signatories to the Section 106 Agreement. The decision as to which RSL is to be involved is at the developers discretion. The District council does not have any preferred partners, although there are a number of RSLs who have worked in the district.

9 MONITORING AND REVIEW

- 9.1 The effects of the policies in this SPD will be monitored by the Council on an annual basis. The results of the monitoring will be included in the Annual Monitoring Report (AMR) which will be made publicly available.

- 9.2 The monitoring will be undertaken as set out in Section 7 of the Sustainability Appraisal Report.
- 9.3 Any monitoring of affordable housing provision will also include the use of any commuted sums which have been provided in lieu of on site provision.

APPENDIX A
GLOSSARY

Affordable Housing

PPS 3 defines this as including:

social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.

Annual Monitoring Report

Part of the *Local Development Framework*, the Annual Monitoring Report will assess the implementation of the *Local Development Scheme* and the extent to which policies in *Local Development Documents* are being successfully implemented.

Availability notice

A written notice confirming that an Affordable property is available for sale or disposal. The notice should be accompanied by (a) a Certificate of Value (b) details of the price or premium of the property concerned and (c) a plan and (where available) agents particulars identifying the relevant unit for sale. A sample copy is attached for information purposes.

Certificate of Value

A written estimate of the Open Market Value of the Affordable unit to sold. The Estimate should be provided by a surveyor/estate agent from a list agreed between the developer and the Council PROVIDED that the chosen surveyor/estate agent does not also act for the vendor in respect of the sale of the relevant property concerned.

Discounted sale housing

Property available for purchase but with a discount applied to its open market price such that the property can be bought outright at a reduced rate.

Housing Strategy

Sets out how the Council proposes to address a range of housing issues.

Intermediate housing

Housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (eg HomeBuy), other low cost homes for sale and intermediate rent.

Local Development Framework

The name for the portfolio of *Local Development Documents*. It consists of *Development Plan Documents*, *Supplementary Planning Documents*, a *Statement of Community Involvement*, the *Local Development Scheme* and *Annual Monitoring Reports*. Together these documents will provide the framework for delivering the spatial planning strategy for a local authority area.

Local Development Document

The collective term covering *Development Plan Documents*, *Supplementary Planning Documents* and the *Statement of Community Involvement*.

Local Development Scheme

Sets out the Council's programme for preparing *Local Development Documents*.

Local People

Those persons who already live or work within the district of North West Leicestershire or who are moving to the district to take up employment within the district or to be near to relatives within the district.

National Average Earnings Level

Average weekly earnings based upon information from the latest New Earnings Survey Average Weekly Earnings for all full time employees all industries figures published by Office for National Statistics.

North West Leicestershire Local Plan

Sets out the planning policies for North West Leicestershire. This will, in time, be replaced by the Local Development Framework.

Open Market Value

The price or premium of an affordable property on the open market (ie without any restrictions). The value should be determined by a certified surveyor/estate agent chosen by the owner of the property concerned. The value should reflect

what in his opinion the property would command at the date of his Certificate of Value on the open market from a willing individual purchaser with vacant possession in the absence of any restrictions.

Permitted development rights

Permitted development rights are provided by the Town and Country Planning (General Permitted Development) Order 1995 (the GPDO) to allow certain types of development to proceed without the need for a planning application, since planning permission for them is deemed to be granted.

Planning Policy Statement

Statements which set out the Government's policies on various aspects of planning in England.

Regional Spatial Strategy for the East Midlands

Sets out the policies in relation to the development and use of land in the East Midlands.

Registered Social Landlords

A Housing Association or a non-profit company, registered by the Housing Corporation, providing social housing.

Right to Acquire

The Right to Acquire is a Housing Corporation scheme giving eligible tenants of registered social landlords the legal right to buy the home they currently rent.

Section 106 Agreements

A private legal agreements negotiated, usually in the context of planning applications¹, between local planning authorities and persons with an interest in a piece of land (or "developers"), and intended to make acceptable development which would otherwise be unacceptable in planning terms.

Shared equity

Where more than one party has an interest in a property e.g. an equity loan arrangement or a shared ownership lease. There may be a charge on the loan, and restrictions on price, access and resale.

Shared ownership properties

A form of shared equity under which the purchaser buys an initial share in a home from a housing provider, who retains ownership of the remainder and may charge a rent. The purchaser may purchase additional shares (staircasing) in most cases up to the full value of the property (Staircasing out) and own the whole home, although this may be restricted in rural areas.

Social rented housing

Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant.

Supplementary Planning Document

Proposed under the Planning and Compulsory Purchase Act 2004, SPDs provide detailed or supplementary guidance about how planning policies will be implemented.

Sustainability Appraisal

A tool for appraising policies to ensure they reflect sustainable development objectives (i.e. social, environmental and economic factors) and required in the Act to be undertaken for Supplementary Planning Documents.

APPENDIX B
MAP SHOWING GREATER COALVILLE AREA

