

Guidance for Developers

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1.0 Introduction

- 1.1 This document sets out guidance on the requirements for affordable housing provision within the Warwick District. It is to be read in conjunction with the Affordable Housing Supplementary Planning Document January 2008.
- 1.2 The Council is committed to maximising the provision of affordable housing in the District. The aims of the Council's policies and guidance are to ensure we achieve mixed, balanced and sustainable communities and to deliver high quality affordable housing for local people in housing need.
- 1.3 This document will be reviewed every year; the next review will be November 2011.

2.0 Planning Policies

- 2.1 Planning Policy Statement 3 (PPS3) – Housing was published in November 2006 and sets out the national planning policy framework for delivering the Government's housing objectives.
- 2.2 The key objectives of PPS3 are to deliver:
 - well designed, high quality housing
 - mix of housing, market and affordable, in terms of tenure and price
 - suitable locations – access to key services, transport, jobs and adequate infrastructure
 - sufficient quantity – reflecting need and demand
 - flexible, responsive supply of land
- 2.3 The Warwick District Local Plan (1996 – 2011) was adopted in September 2007. The policies which are particularly relevant to affordable housing are **SC1, SC11, RAP1** and **RAP4**. The Local Plan can be viewed on the Council's web site at:

<http://www.warwickdc.gov.uk/NR/rdonlyres/D604A7A3-9B62-47C1-91B0-9D304155F31B/0/Adopt2Complete.pdf>

Policies SC1 and SC11 are contained within Chapter 5 of the Local Plan, policies RAP1 and RAP4 are contained within Chapter 8.

- 2.4 The Affordable Housing Supplementary Planning Document (SPD) was adopted by the Council in January 2008. This document expands upon the affordable housing policies in the Local Plan. The SPD can be found at:

<http://www.warwickdc.gov.uk/NR/rdonlyres/1A63FD22-0373-4497-ADC2-ED90175A6116/0/AffordableHousingSPDreduced.pdf>

- 2.5 Other Supplementary Planning Documents include:

Vehicle Parking Standards Supplementary Planning Document (2007)

<http://www.warwickdc.gov.uk/NR/rdonlyres/63980320-E4D7-4196-BAF80634A70D66A5/0/VehicleParkingStandardsSPDNovember2007.pdf>

Sustainable Buildings Supplementary Planning Document (2008)

<http://www.warwickdc.gov.uk/NR/rdonlyres/02A8FD02-307C-4978-9B72-DBCAB2E7E92F/0/SustainableBuildingsSPDAppendixOne.pdf>

Open Space Supplementary Planning Document 2009

<http://www.warwickdc.gov.uk/NR/rdonlyres/C3133D03-C24C-4734-B441-367ED1CC0F20/0/Openspacespdweb.pdf>

3.0 Housing Market Assessment

South Warwickshire Joint Housing Assessment 2006

- 3.1 This Joint Assessment of the housing needs of Warwick and Stratford on Avon Districts was undertaken by Outside UK Ltd. The study used a combination of primary and secondary data to assess levels of affordability in line with Government guidance as set out in the draft practice guidance "Housing Market Assessments" (ODPM December 2005). The source of the primary data was a household survey which combined postal and face-to-face questionnaires.

The main findings of the survey, in terms of affordability in Warwick District, were as follows:-

- The entry-level price of a dwelling was £179,856 (2005 prices)
- The gross annual income required to be able to afford to purchase an entry-level house would be £62,019 for a two (or more) earner household and £51,387 for a single earner household
- The price of an entry-level house would be outside the affordability range of 90% of two (or more) earner households and 95% of single earner households
- A total of 821 additional affordable dwellings would need to be provided each year in order to meet housing need over the next five years.
- Up to 20% of new affordable homes could be provided as shared ownership dwellings
- The priorities for new affordable dwellings in terms of size and type are two and three-bed houses and two-bed flats.
- The distribution of need across the District is proportionate to population

A full copy of the Housing Market Assessment can be found on the Council's website;

www.warwickdc.gov.uk/WDC/Housing/Housing-help-and-advice/Affordable+Housing+Requirements.htm

4.0 Meeting Affordable Housing Needs

Definition of Affordability

4.1 Warwick District Council defines affordable housing as set out in PPS3 and the Affordable Housing SPD.

"Affordable housing includes 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".*

4.2 PPS3 defines **social rented housing** as:

"Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the rent regime. The proposals set out in the three Year Review of Rent Restructuring (July 2004) were implemented as policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed by the local authority or Housing Corporation as a condition of grant."

4.3 PPS3 defines **intermediate housing** as:

"Housing at prices and rents above those of social rent, but below market prices or rents, and which meets the criteria set out above. These can be shared equity products (e.g. Home Buy), other low cost homes for sale and intermediate rent."

Tenure Mix and Housing Costs

4.4 The Local Plan states that affordable housing should, by definition, be affordable to those in housing need. The Council will, therefore, expect **housing for rent** to be no more than Homes and Communities Agency (HCA) benchmark rents and be within the limits of those receiving housing benefit.

Intermediate housing is often unaffordable to those in housing need, and certainly to those in receipt of housing benefit. However, the Council accepts that there is a role for such housing in the form of the following tenures;

- intermediate rent (rent charged above that of Social Housing but less than the open market rent),
- Homebuy (formerly Shared Ownership) or
- Rent to Homebuy (property initially rented at an intermediate rent for 2-3 years then purchased on a homebuy basis), for those wishing to make the transition from rented housing to home ownership.

The Council, therefore, will accept intermediate housing only where the costs are considered to be affordable in relation to the income of newly-forming households. This relationship is based on the mortgage cost of the dwelling which should be no more than three and a half times the income of newly forming households.

4.5 Where Homebuy is provided the mortgage cost for each unit must be no more than three and half times the average income for newly forming households within Warwick District.

4.6 The current annual income of newly forming households in Warwick District is £28,430 (as at September 2009). This figure can be updated with reference to the latest figures for the increase in average incomes as published by the Office of National Statistics.

4.7 Homebuy comprises the mortgage element and the rent charged on the un-owned share which is a monthly amount. The target rent charged on the un-owned equity is set by the HCA at 2.75% with the absolute maximum of 3% on any individual scheme.

For example, the full open market value of a property is £150,000, the purchaser funds the 50% share through capital/mortgage and pays rent to the Registered Social Landlord (RSL) for the 50% remaining share. The rent is calculated on the 50% un-owned share of £75,000 at a maximum of 3%. The maximum monthly rent that can be charged is therefore £187.50 per month ($£75,000 \times 3\% = £2,250$ per annum / 12 for monthly payments of £187.50).

4.8 Each scheme will be looked at on a case by case basis and overall housing costs will be taken into account when assessing affordability. Consideration needs to be given to management and any service charges that may be levied as this may affect the overall affordability of dwellings.

4.9 Since the completion of the Joint Assessment of Housing in 2006 there has been an economic downturn resulting in huge changes to the housing, financial and employment markets and further impacting affordability within the district.

This has had a direct affect on the sale of properties for homebuy. Generally within the mortgage market applicants are now required to have larger deposits and are finding it harder to source a mortgage as there are fewer products available. It is therefore necessary for the Council and RSL partners to consider alternative tenures where Homebuy is proposed. This could include providing homebuy in shares lower than the traditionally offered 50%, "intermediate rent" and "rent to homebuy". However, these will all have an impact on what price the RSL can offer for the units to the developer.

- 4.10 Where Homebuy tenures are proposed within a scheme the Council will require clarification of a clear delivery mechanism for the units prior to agreement, for example, details of a RSL already on board or a satisfactory alternative if the developer is unable to transfer the units to a RSL e.g the transfer of the units to a suitable management organisation or delivered by the developer (to the satisfaction of the Council), or the ability to change the tenures of the units.

Sizes and Types of Homes

- 4.11 The District Council will expect that all opportunities for providing the highest priority type of affordable housing (i.e houses) will be maximised. All sites that are capable of providing houses must provide houses with provision being 2 and 3 bedroom properties to help promote sustainability. On larger developments (20+ affordable units) capable of providing houses some four bedroom houses will be also be expected within the provision.

Location of Homes on Site

- 4.12 Consideration should be given to the location of affordable housing within the site. On larger sites the Council will expect the affordable housing to be in small clusters throughout the site, with a mix of house types where appropriate to ensure a mixed and balanced development is achieved.

5.0 Standards of Affordable Housing

Minimum Standards for Affordable Housing

- 5.1 The Council will expect high standards of design, layout and landscaping for all developments. All affordable dwellings will be required to meet the standards set out in Local Plan Policies DP1 – DP14 see Chapter 4 of the Local Plan on the Councils website;

www.warwickdc.gov.uk/WDC/Planning/Planning+policy/Local+Plan/default.htm

5.2 The following Table provides a guide to the standards that the Council will expect all affordable housing schemes to meet. These include the standards set out in the HCA's "Design and Quality Standards". There are additional design and quality standards for specialised housing such as higher density family housing, housing for older people, wheelchair-user housing or supported housing. Individual RSLs may also have their own checklists of standards which may differ from the standards below.

Checklist of Standards for Affordable Housing	
Standard	Requirement
1. Internal Standards	
Housing Quality Indicators (HQIs) Communities & Local Government	Minimum Scores for different elements as follows: Size: 41 Layout: 32 Noise, Services, Light: 22 Storage: Meets HQI requirements for the occupancy
Lifetime Homes Standard Joseph Rowntree Foundation	30% of homes where practical and appropriate
2. Sustainability	
Code for Sustainable Homes Levels 1-6 Communities & Local Government	Level 3 (from April 2011 Level 4)
3. External Environment	
Secured by Design	Submit Application
Building for Life (CABE & HBF) Rural & street-fronted infill: All other Developments:	50% positive response (10 out of 21) 60% positive response (12 out of 20)

- 5.3 With the exception of the Lifetime Homes and Secured by Design standards, the above standards represent the **minimum requirements** for schemes which receive HCA funding.
- 5.4 Developers are also referred to "Checklist West Midlands" (Advantage West Midlands and West Midlands Regional Assembly) which is a sustainability checklist for new development. The checklist can be used to assess how sustainable designs are for new housing and mixed use developments.
- 5.5 Government policy for improved energy/carbon performance in new homes includes a 25% improvement by 2010, 44% by 2013 and zero carbon homes by 2016.¹ All new homes are now required to be assessed against the Code for Sustainable Homes.²
- 5.6 Developers are advised to refer to the Housing Corporation's document "Design and Quality Standards" (April 2007). This can be found at;
- http://cfg.homesandcommunities.co.uk/public/documents/Design_quality_standards.pdf

6.0 Delivery of Affordable Housing

Planning Process

- 6.1 Where a development is required to provide affordable housing, the planning application should show clearly the location of the affordable dwellings along with information about the proposed tenure and size of the units. Developers will be expected to provide an acceptable mix and tenure as set out in this document.
- 6.2 The delivery expectation will be set out through the s106 agreement prior to the grant of planning consent. The District Council have published a model s106 agreement in relation to affordable housing so that developers are aware of their obligations prior to the submission of the planning application.
- A copy of the model s106 is in Appendix 1 for Urban and Rural Development*
- 6.3 Developers will also need to give consideration to other financial obligations that they will be required to meet within the Section 106 Agreement such as highways, education and library contributions.

¹ Building a Greener Future: Towards Zero Carbon Development. CLG Consultation. December 2006

²Code for Sustainable Homes: Technical Guide. CLG May 2009

Site Viability

- 6.6 It is expected that developers will be aware of their obligations in respect of affordable housing, and other planning requirements at the outset and that the financial implications of these will have been taken into account prior to negotiations on the purchase of the land. Where applicants claim that they are unable to provide 40% affordable housing because this would make the scheme unviable, the Council will require written evidence of the costs of the scheme.

Developers may wish to utilise the HCA's "Economic Appraisal Tool" which is available on their web site;

<http://www.homesandcommunities.co.uk/economic-appraisal-tool>

or the methodology of the Affordable Housing Development Control Toolkit, developed by Three Dragons consultancy and Nottingham Trent University available at;

www.london.gov.uk/who-runs-london/mayor/publications/planning/affordable-housing-development-control-toolkit

All such information would be confidential between the Council and the developer. The details will be validated by an independent Chartered Surveyor, appointed by the Council.

Grant Funding

- 6.7 The Homes and Communities Agency (HCA) will not fund affordable housing on s106 sites unless it can be demonstrated that either a greater number of units can be delivered over and above the 40% requirement, or that grant will ensure some 'additionality' – this means either a better mix/type of units can be achieved (e.g an increase in the number of properties for rent) or higher standard of units can be achieved (e.g above Level 3 of the Code for Sustainable Homes).

Warwick District Council will support schemes where 'additionality' can be demonstrated.

Partner Registered Social Landlords

- 6.8 The delivery of the affordable housing will usually be through a RSL who have preferred partner status within our Joint Commissioning Partnership, however consideration will be given to schemes where delivery will be by the developer or other management organisation (subject to the satisfaction of the Council).
- 6.9 RSL's are regulated by the Tenants Services Authority but can apply for grant funding from the HCA. In line with HCA guidance,

Warwick District Council operates a Joint Commissioning Partnership – this is a group of RSL’s who have existing stock and resources within the District, who have been selected based on a variety of performance information and who all work in partnership with the District Council to bring forward affordable housing. All of our partner RSL’s work within the Council’s affordability criteria.

- 6.10 Developers are advised to liaise with the RSL’s in the Joint Commissioning Partnership at an early stage of the development process as they will be able to give detailed advice about the mechanisms of the delivery of the affordable housing.
- 6.11 As an indication only, developers could expect to receive from an RSL approximately 35 – 40% of open market value for a rented unit, and approximately 60 - 70% of open market value for a shared ownership. The developer will need to subsidise the dwellings sufficiently to ensure the RSL can deliver the units within the affordability criteria.
- 6.12 The RSL’s who currently form the Joint Commissioning Partnership are:

Bromford Housing Group
Jephson Housing
Orbit Housing Group
Warwickshire Rural Housing Association

The partnership is due to be reviewed in 2010.

- 6.13 Developers will be expected to select an RSL from the Joint Commissioning Partnership unless it can be demonstrated that there are exceptional circumstances that a non-partner should be considered. As good practice it is expected that the developer will keep the Council’s Development Officer informed as to which RSL they have selected.
- 6.14 *Full contact details of our partner RSL’s can be found in Appendix 2*

Alternative Developer Contributions

- 6.15 The presumption is that the affordable homes will be provided on the development site. This will ensure that the development provides a mix and balance of homes. The preferred approach is where the developer builds the homes and transfers them to a Registered Social Landlord.
- 6.16 There may be exceptional circumstances where it is not possible to provide affordable housing on the site. This could include, for example, a small conversion scheme where it is not possible to separate the affordable housing from the market housing and where this would present difficulties in terms of management arrangements and service charges. In such instances, an

alternative location for the affordable housing will be considered or the Council may agree to a financial contribution in lieu of the affordable housing. This financial contribution would be used to support the provision of affordable housing in other locations. The contribution will be calculated on the basis that the site size, in terms of dwellings, is equal to the numbers of dwellings provided on the site plus 40%. This takes into account the increased number of market dwellings provided on the original site (100% as opposed to 60% - see Table below).

Alternatively, the Council may consider the provision of the affordable housing on an alternative site if such a site can be identified and secured for the provision of housing to meet the needs of the district. As with the example cited above, the amount of affordable housing to be provided off-site will reflect the increase in the number of market homes which can be provided on the development site itself.

Calculations of Affordable Housing Requirement in the Case of					
(1) On-site Provision of Affordable Housing and					
(2) Off-site Provision of Affordable Housing					
Example of Site with Capacity of 80 Dwellings					
	Market Dwellings		Affordable Dwellings		Total Dwellings
(1) Provision On-site	48	on-site (60%)	32	on-site (40%)	80 (100%)
(2) Provision Off-site	80	on-site (60%)	53	off-site (40%)	133 (100%)

6.17 In the case of both financial contributions and off-site provision, the details of the arrangements will be set out in a planning (Section 106) agreement.

7.0 Rural Exception Housing

7.1 Planning Policy allows small groups of affordable homes to be built, subject to planning permission, in rural settlements to meet local needs on sites where housing development would not normally be allowed. Proposals need to be in line with Policy **RAP4** of Warwick District Local Plan.

7.2 Where rural affordable housing is proposed in relation to policy RAP4 there must be evidence of need. Housing Needs Surveys can be carried out as part of a Parish Plan or as a one-off survey. Rural Housing Enablers from either Warwickshire Rural Housing Association or Warwickshire Rural Community Council can

