

## RUNNYMEDE BOROUGH COUNCIL

## INTERIM ADVICE NOTE ON AFFORDABLE HOUSING

**1. Purpose**

- 1.1 The purpose of this advice note is to clarify what the Council's policy on affordable housing is given the variety of differing current guidance on the matter until it is formally clarified in the adopted Local Development Documents (LDDs). This advice note also clarifies how any planning application involving affordable housing provision will be processed and assessed to assist all those involved in the development process and the provision of affordable housing.

**2. Background***Current Affordable Housing Policies*Planning Policy Statement 3 (PPS3) – Housing

- 2.1 PPS3 issued in November 2006 replaces both PPG3 and Circular 6/98 'Planning and Affordable Housing'. PPS3 comes fully into force on 1st April 2007.
- 2.2 PPS3 sets a national indicative minimum site size threshold of 15 dwellings with local planning authorities setting their own targets for the amount of affordable housing to be provided on such sites in the LDDs.
- 2.3 Attached to PPS3 is a document entitled 'Delivering Affordable Housing'.

Draft South East Regional Plan

- 2.4 This regional plan states that local planning authorities are required to deliver a substantial increase in the amount of affordable housing in the South East. It sets regional targets of 25% of all new housing to be social rented accommodation and 10% other forms of affordable housing. LDDs will provide details and requirements of the local need.
- 2.5 The adoption of the South East Regional Plan is not expected until early 2008.

Advice from the Government Office for the South East (GOSE)

- 2.6 In November 2006 GOSE sent a letter to all local planning authorities in the South East stating where there was a demonstrable lack of affordable housing to meet local needs – development plans should include a policy for seeking housing in suitable housing developments.
- 2.7 This letter is attached as Annex A and includes the following quote:

*"The Government therefore does not regard that development proposals for sheltered or extra care housing to be sold or let on the open market should be exempt from the need to provide an element of affordable housing."*

Runnymede Borough Local Plan Adopted in April 2001

- 2.8 Policy HO4 of the Local Plan required 25% of units for affordable housing on sites larger than 1 hectare or comprising at least 25 units (net increase). This was based on the Government advice contained within Circular 6/98. The advice in Circular 6/98 has been superseded by PPS 3 (see paragraph 2.1 above).

Surrey Structure Plan adopted in October 2004

- 2.9 Policy DN11 of the Structure Plan has a target that 40% of all new housing provision should be affordable. The size of the qualifying site is determined by local planning authorities in order to meet locally identified needs.

Local Development Documents

- 2.10 Policy CS21 of Runnymede's Core Strategy document states that it will seek to ensure suitable housing is provided to meet identified housing needs and affordable housing targets.
- 2.11 The Core Strategy is set for an Inquiry in the Summer of 2007.
- 2.12 Policy HO8 of the Housing Development Plan Document (DPD) requires that at least 40% of all new housing provision should be affordable. On-site affordable housing will be secured on developments with 15 or more units (net) and/or on sites of 0.5 hectare or larger. For clarification purposes these qualifying criteria will include and take account of the applicant's adjoining landholdings which are outside the application site and any antecedent planning permissions on the application site or adjoining land.
- 2.13 Commuted sums will be sought for all housing developments less than 15 units and/or on sites under 0.5 hectare and also for commercial developments under 10,000 square metres (gross). These matters will be subject to consultations on the DPD and do not currently form part of the interim advice note.
- 2.14 The Housing DPD is expected to be submitted in the Summer of 2007 with an Inquiry expected in early 2008.

Runnymede Housing Needs Assessment 2005  
and the Borough Housing Strategy 2006

- 2.15 The Runnymede Housing Needs Assessment conducted in 2005 estimated a need for 522 affordable housing units each year. The greatest demand (78%) is for affordable rented housing. The study demonstrated that the need for affordable housing is inherent and ongoing within Runnymede, requiring a long term solution.

The Housing Strategy Statement 2006-2011

- 2.16 This document sets out Runnymede's housing plans for the Borough. The priority is to provide more affordable homes including supported housing and housing for essential workers.
- 2.17 The Housing Needs Assessment estimate is for 522 affordable units per year. This is difficult if not impossible to achieve given the lack of available land and finance. It also needs to be assessed against the current overall total requirement for 135 new dwellings to be provided within the Borough each year. Currently only a proportion of these new dwellings will be affordable housing units.
- 2.18 The Housing Strategy Statement has set a challenging but realistic target of 500 affordable housing units over the next five years (average of 100 homes per year) with an emphasis on two bedroom units for families and permanent accommodation for people with special needs.

### **3. Reasons for the Interim Advice on Affordable Housing**

- 3.1 The South East is one of the most expensive regions in which to buy or rent a home. The cost of housing is a major barrier to continued economic growth, contributing to recruitment and retention and long distance commuting.
- 3.2 Rates of new affordable housing provision in the region run well below the rate required to meet existing needs. This is the case in Runnymede. The Council's housing priority is to provide more affordable homes at an average of 100 homes per year.
- 3.3 The current policies, as set out above, have changed dramatically over the past few years. New and updated policies are at varying stages in the adoption process. The newer policies are in accordance with the new PPS3. The older adopted planning policies are becoming increasingly out of date. The number and variety of policies and guidance on affordable housing at the current time is potentially confusing. This interim advice note seeks to clarify the Council's current position and provide information to applicants and developers as to how planning applications will be assessed. This advice note will remain in place until the South East Regional Plan and/or LDD policies are adopted.

### **4. Definition of Affordable Housing**

- 4.1 There are many differing definitions of affordable housing. For the purposes of this interim advice note the definition set out in PPS3 will be used. This definition is:

*"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; and*
- *include provision for:*
  - (i) the home to be retained for future eligible households; or*
  - (ii) if these restrictions are lifted, for any subsidy to be recycled for alternative affordable housing provision.*

*Social rented housing is rented housing owned and managed by local authorities and RSLs for which guideline target rents are determined through the national 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 with the local authority or with the Housing Corporation as a condition of grant.*

*Intermediate affordable housing is 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 (eg HomeBuy) and other low cost homes for sale, and intermediate rent."*

- 4.2 Intermediate Housing usually consists of shared ownership, Homebuy units or rented accommodation provided at 70-80% of market rents. The Housing Needs Survey undertaken for the Council has shown that this type of housing is not affordable to many people in housing need in Runnymede and that only 22% of people could afford intermediate housing options. We will therefore require that no more than 22% of the units to be provided on a site are Intermediate Housing units.
- 4.3 To meet the affordable housing definition the cost of Intermediate Housing must also be low enough for eligible households to afford. Because of the high value of property in Runnymede many Intermediate Housing products are not affordable and do not meet the definition.
- 4.4 The Housing Needs Survey data has been used to establish the value at which Intermediate Housing will assist the greatest numbers of those in housing need in Runnymede. The details of the numbers in need at different prices are given in the Council's Housing Strategy Statement. From this information it is estimated that to meet the needs of a substantial number of people in housing need intermediate housing must be provided at a monthly cost (mortgage/rent/ service charge) that is below, or close to, the following levels:

1 bedroom	£466 per month
2 bedroom	£576 per month
3 bedroom	£728 per month
4 bedroom	£996 per month

NB: These figures are based on a mid point within the table given within the Housing Strategy Statement (page 17) and have been uplifted by 4.8% to allow for inflation since completion of the Housing Needs Survey. The details will be reviewed annually and revised further is appropriate.

- 4.5 It is acknowledged that on many developments it will not only be necessary to achieve affordable housing, but also to ensure a balanced community and diversity of tenure. To achieve these different objectives the Council will accept shared ownership as the 22% intermediate affordable housing element within a scheme but only if it is provided on a 30% equity share basis and at annual rent on the unsold equity of 2% which would be increased by inflation annually.
- 4.6 Furthermore, the Council reserves the right to demand that intermediate rented units are provided in place of shared ownership where property values are very high and make the cost of shared ownership unaffordable.
- 4.7 Intermediate rented units must be provided at rents that are in line with the monthly costs provided in paragraph 4.4.

## **5. Type of Affordable Housing**

- 5.1 The Council will require that the affordable housing units are built to the Housing Corporation's scheme design size standards and any other requirements that are needed to secure grant funding eg ECOHomes 'very good' or 'excellent'.
- 5.2 The Council would prefer developers to use existing providers of social housing within Runnymede and the Council currently has the following preferred partners for the provision of affordable housing :-

A2 Housing Group  
Accent Peerless Housing Association  
Hyde Housing Association  
Thames Valley Housing Association.

- 5.3 The preferred partners for supported housing schemes are:-  
Surrey Community Development Trust  
Hanover Housing Association.

## **6. Funding of Affordable Housing**

- 6.1 When compiling initial proposals for affordable housing an assumption should be made that grant *will* be made available. The developer will be expected to work with an organisation that is registered to receive funding from the Housing Corporation and should make adequate endeavours to secure grant. If this is not possible then an agreement will be reached with the developer to a cascade mechanism which will either result in a reduction in affordable units or a change in the tenure of the proposed units.

## **7. Allocation of Affordable Housing Units**

- 7.1 A nomination agreement for the allocation of the affordable housing units will be drawn up between the Council and the Registered Social Landlord. This will set down the timescales in which the Council must nominate suitable applicants.
- 7.2 The Council will also draw up a local lettings plan for developments with over 10 affordable housing units. The purpose of this plan is to achieve a balanced community. The Registered Social Landlord and developer can contribute suggestions for inclusion within the plan. The final plan will be approved by the Council's Housing and Community Services Committee.

## **8. Interim Advice on Affordable Housing**

- (1) This Council encourages pre-application discussion on applications. Many potential issues including affordable housing provision in terms of number, size and tenure can be resolved and discussed before a formal planning application is made;
- (2) The definition of affordable housing will be taken from PPS3 as set out in Section 4 above;
- (3) On-site affordable housing provision will be required on all sites which are 0.5 hectare or larger and/or have a net gain of 15 or more residential units as set out in Section 2 above;
- (4) The sub-division of a site or piecemeal developments of adjoining sites or antecedent planning permissions will be counted as a single qualifying site if the cumulative numbers reach or exceed 0.5 hectare or 15 or more residential units (net);
- (5) Sheltered or extra care housing to be sold or let on the open market shall not be exempt from affordable housing provision;
- (6) On such qualifying sites at least 40% of new housing should be affordable and in accordance with the Housing Needs Assessment 2005 and the Housing Strategy Statement 2006;

- (7) Large scale commercial development involving over 10,000 sq m of gross floor area will be expected to contribute towards the provision of affordable housing via on site, off site or commuted payment depending on the nature, scale and location of the scheme;
- (8) The current priority is for socially rented homes, two bedroom family units and permanent accommodation for people with special needs;
- (9) All planning applications or applications which are proposing less than 40% on-site affordable housing provision shall be supported by a written justification including financial records to explain the reasons why 40% cannot be achieved. If no written justification is provided with a planning application it will first be made invalid. If the applicant/developer insists that such an application is made valid and registered without any justification, it is likely that such an application will be refused planning permission because the applicant/developer has failed to demonstrate that 40% on-site affordable housing cannot be provided;
- (10) The submitted financial figures/reports will be assessed by an independent auditor/valuer on behalf of the Council to ensure that the submitted financial figures/reports are reasonable and realistic.
- (11) Intermediate Housing should comply with the requirements set out at paragraphs 4.2-4.7 above.
- (12) Affordable housing units should be built to the Housing Corporation's design and size standards as set out in paragraph 5.1 above.
- (13) The Council suggests that applicants work with one of the Council's preferred partners for the provision of affordable housing listed in paragraphs 5.2 and 5.3 above, and
- (14) The layout and positioning of the affordable housing units should be 'pepper-potted' across the whole of the application site and fully integrated with the remainder of the development.
- (15) If a planning application is considered to be acceptable, it will require a Section 106 legal agreement to secure the affordable housing provision set out in this interim advice note.
- (16) An applicant and/or those parties with legal interests in the current ownership and occupation of the application site will be required to enter into and complete a Section 106 legal agreement, embodying the Council's requirement in respect of the provision of affordable housing as part of the development proposal prior to the granting of planning permission.
- (17) If the applicant has not completed a Section 106 legal agreement prior to the granting of planning permission, the application will be recommended for refusal on the basis that the on-site affordable housing provision cannot be secured in accordance with this interim advice note.

## **9. Consultations**

- 9.1 This advice note will be considered by the Planning Committee and the Full Council. The advice note will then be subject to consultation as part of the Local Development Framework. This is likely to take place in the Spring/Summer of 2007.
- 9.2 The consultation responses will then be considered and reported back to the relevant Committee(s) and the Full Council.

**10. Timescales**

- 10.1 Following the approval of this advice note by the Planning Committee and the Full Council it will be used as a material consideration in the determination of planning applications received after the adoption of the interim advice note.

**11. Conclusion**

- 11.1 Affordable housing is a high priority both at national and local level. However, affordable housing provision remains complicated and is likely to remain complicated in the short term as the existing and emerging planning policies need to integrate to provide some clarity and definitive advice. This interim advice note is intended to clarify Runnymede's position on affordable housing provision until the up-to-date and emerging planning policies are formally adopted. It is intended to be clear and simple advice for all involved in the development process.

pladep/wp/dc/advice note on affordable housing(3)

**ANNEX A**

Undated letter from GOSE received on 14th November 2006

To all South East local authority  
Chief Executives

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Dear colleague

### **SHELTERED HOUSING AND AFFORDABLE HOUSING**

I am writing to you in connection with an enabling measure which the Government has agreed to undertake as part of the Surrey County Council Local Area Agreement process. This concerns the issue of whether proposals for private sheltered and extra care housing should make a contribution towards an area's affordable housing needs.

A community's need for a mix of housing types, including affordable housing, is a material planning consideration which should be taken into account in formulating development plan policies and in deciding planning applications involving housing. Where there is a demonstrable lack of affordable housing to meet local needs – as assessed by up-to-date surveys and other information – development plans should include a policy for seeking affordable housing in suitable housing developments (see paragraph 14 of Planning Policy Guidance Note 3 [PPG3]: *Housing*).

The Government sees no distinction between proposals for open market sheltered accommodation and any other open market housing in terms of assessing such schemes against affordable housing policies in development plans. In areas where there is an acknowledged need for affordable housing, as a matter of principle, the Government therefore does not regard that development proposals for sheltered or extra care housing to be sold or let on the open market should be exempt from the need to provide an

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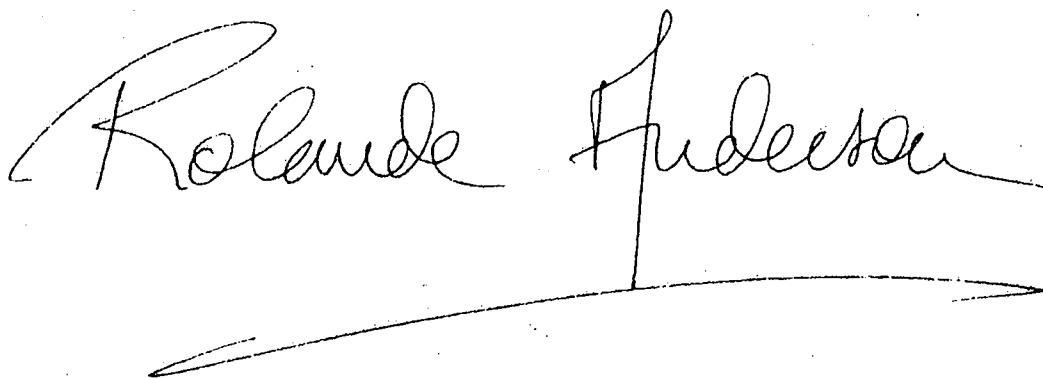


INVESTOR IN PEOPLE

element of affordable housing. Planning applications for such proposals should be considered on a case by case basis and local planning authorities should balance the need for affordable housing against the viability of sites in their area.

The presumption is that affordable housing should be provided on the application site so that it contributes towards achieving the objective of creating more mixed communities. However, local development documents may set out the circumstances in which provision would not be required on an application site or in which a financial contribution would be acceptable in lieu (see paragraph 28 of draft Planning Policy Statement 3 [PPS3]: *Housing*).

Yours sincerely

A handwritten signature in cursive script, reading "Rolande Hudson". The signature is written in black ink on a white background. Below the signature, there is a long, thin horizontal line that tapers to a point on the right side.

cc: All South East local authority Chief Planners/Directors of Planning  
Home Builders' Federation  
National Housing Federation  
Local Government Association  
McCarthy & Stone  
Katrine Sporle, Chief Executive & Ben Linscott, South East Inspector Manager,  
Planning Inspectorate  
Joan Bailey, Planning Policies Division, ODPM  
Government Regional Office Planning Directors

