

## Changes to South Worcestershire Affordable Housing SPD after revision of NPPF 2018:

The publication of the revised NPPF in July 2018 has impacted upon the interpretation of the adopted Affordable Housing SPD in the following ways. Please note that the section and paragraph numbering used in this update is in accordance with the numbering in the original SPD.

### 2. Policy Background (page 4):

#### Definition of Affordable Housing:

2.2 The definition of affordable housing has been amended, as contained in Annex 2 of the Framework, and now reads as follows:

**Affordable housing:** housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

- a) **Affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).
- b) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.
- c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.
- d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes 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.

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### 3. Specific Policy Context (page 11):

3.5. The SWC will now implement SWDP15 differently, to take into account the thresholds as set out in the revised NPPF which states that:

Para 63: Provision of affordable housing should not be sought for residential developments that are not major developments<sup>1</sup>, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer).

There is no longer a reference to a total combined gross floorspace of 1000sqm that appeared in the Written Ministerial Statement of Nov 2014 which means that the following affordable housing contributions will be sought as follows:

### 3.6

- On sites of 15 or more dwellings on greenfield land, 40% of the units should be affordable and provided on site.
- On sites of 15 or more dwellings on brownfield land within Worcester City and Malvern Hills 30% of the units should be affordable and provided on site. On sites of 15 or more dwellings on brownfield land within Wychavon, 40% of the units should be affordable and provided on site.
- On sites of 10-14 dwellings, 30% of units should be affordable and provided on site.
- Within the Designated Rural Areas, on sites of 6-9 dwellings, a financial contribution towards local affordable housing provision should be made, based on the cost of providing the equivalent in value to 20% of the units as affordable housing on site. The sum will be payable on completion of the development.
- Outside of the Designated Rural Areas, on sites of 9 dwellings or less, no affordable housing contributions will be sought.
- On sites of 5 dwellings or less, no affordable housing contribution will be sought across the whole of the plan area.

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**Exceptions to on-site provision** (amend 6-10 dwellings to 6–9 dwellings in a Designated Rural Area page 12)

**3.15** Under part C of policy SWDP 15, exceptions to on-site provision may be considered where it can be demonstrated that the site is unsuitable for the type or amount of affordable housing required. This may include where:

- The proposals are for the conversion of buildings (including heritage buildings) that because of their design will not provide adequate space, amenity or other services to those in affordable housing need, or the subdivision of the building presents management problems for the Registered Provider.
- The site would place additional financial burdens on potential households in affordable housing need because of the remoteness from essential services such as schools, employment, healthcare, lack of public transport provision etc.
- The topography of the site would be too steep to accommodate a design layout that would provide for adequate affordable housing in terms of space, amenity or the provision of services.
- The scheme will not be viable with the amount or mix of affordable housing required (see Section 5 on viability considerations).
- The proposal is for a site of 6-9 dwellings in a Designated Rural Area

In such circumstances the Councils will seek **off-site** provision. For all sites, with the exception of sites of 6 - 9 dwellings in a Designated Rural area, the amount of affordable housing required on an alternative site will be calculated to take account of the increase in market dwellings on the application site, as a result of the affordable housing being located elsewhere. Off-site provision could either be on an agreed alternative site or by a financial contribution or commuted sum paid on commencement of the development. The number of dwellings to be provided on the alternative site and the financial contribution are calculated in accordance with the formulae

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<sup>1</sup> Major development: For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more.

given in Appendix 5. For sites of 6-10 dwellings in Designated Rural Areas, a commuted sum only will be required, and will not be payable until the completion of the units.

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**Delete reference to Intermediate Housing** (para 3.26 – 3.28, page 17 and replace with):

**Affordable housing available for home ownership**

The NPPF states that affordable housing now also includes homes for sale for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers). The NPPF refers to 3 options namely: starter homes, discounted market sales housing and other affordable routes to home ownership.

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**Tenure requirements** (page 18)

**Replace para 3.29 with:**

Para 64 of the NPPF introduces a new requirement for major development<sup>1</sup> sites in relation to the provision of affordable dwellings available for home ownership. It requires that on sites of 10 or more dwellings or 0.5ha or more, at least 10% of the total number of dwellings should be available for affordable home ownership, unless:

- this would exceed the level of affordable housing required in the area or
- significantly prejudice the ability to meet the identified affordable housing needs of specific groups;

The number of affordable dwellings available for ownership will form part of the affordable housing contribution for the site.

The following example clarifies how this change impacts on the calculation for affordable housing:

Example: for a scheme of 200 dwellings:

- 10% should be available for affordable home ownership
    - 10% of 200 = 20 dwellings;
  - 40% affordable dwellings
    - 40% of 200 = 80 dwellings;
  - Calculate how many of the affordable dwellings should be available for rent
    - 80 affordable dwellings in total minus 20 dwellings available for affordable home ownership equals the number of affordable dwellings for rent
    - $80 - 20 = 60$  affordable housing for rent
  - Therefore 20 dwellings should be available for affordable ownership with the remaining 60 as affordable dwellings for rent.
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**5 Financial Considerations** (page 24 amended to read)

**Financial contributions in lieu of on-site provision**

5.1 As explained in paragraph 3.15 above on sites of 10 dwellings or above, a financial contribution may be considered where the council agrees that on-site provision is not practicable and off-site provision is not viable. For viability considerations see paragraph 5.3 below. The level of affordable housing required or the level of commuted sum payable will be calculated to take account of the increase in market dwellings on the application site as a result of the affordable housing being located elsewhere.

5.2 Note that in Designated Rural Areas, on sites of 6-10 dwellings, affordable housing contributions will take the form of commuted sums payable upon completion of the development. See paragraphs 3.7-3.8 and 3.15.

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**Appendix 5: Affordable Housing; Calculation of Off-Site Contributions** (page 54)

No affordable housing contributions will be sought on sites of less than 10 dwellings unless they are either in a Designated Rural Area.

**Sites of less than 10 dwellings within a Designated Rural Area**

For sites within a Designated Rural Area, no affordable housing contribution will be sought on sites of 5 dwellings or less.

For sites of 6 – 9 dwellings, a financial contribution will be sought payable upon completion of the development. SWDP15 seeks 20% on sites of 5 – 9 and this percentage will be applied to the financial contribution calculation as follows:

For sites of 6 – 9 dwellings within a Designated Rural Area:

- a. Land cost per unit = £15,000
- b. Build cost per unit = £102, 700
- c. 10% on-costs per unit = 10% of (b)

Total cost per unit: £127,970

Reduce by 50% to allow for RP contribution = £63,985 per unit

20% contribution = £12,797 per dwelling

30% contribution = £19,195.50 per dwelling

Number of Units	Affordable Housing %	Contributions £
6	20%	£76,782
7	20%	£89,579
8	20%	£102, 376
9	20%	£191,955

**For sites of 10 or more dwellings**, the following applies:

Criterion C of SWDP15 states: Where a robust justification exists, off-site contributions may be accepted in lieu of on-site provision. Generally, affordable housing should be provided on-site. In the event that on-site provision is not desirable in the view of the Council, then there are two other options available.

(The remainder of the appendix is as written in the original version of the Affordable Housing SPD)

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**Glossary (page 59):**

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- a) Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).
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