

Stockton-on-Tees Borough Council

Supplementary Planning Document 8 – Affordable Housing

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1. Introduction

- 1.1. The Provision of Affordable Housing and the Need for Viability Evidence Supplementary Planning Document (SPD) will be part of the suite of documents that make up the Stockton-On-Tees Local Plan. The SPD will provide guidance on how Local Plan policies relating to affordable housing will be applied, how their requirements can be met and will be a material consideration when determining applications for planning permission within the Borough. It is part of an on-going phased review of the existing Planning Obligations SPD, which will be replaced by a series of topic specific SPDs as required.
- 1.2. This document is draft for formal consultation between 18 December 2013 and 29 January 2014. Comments on this draft should be made in writing and sent to spatialplans@stockton.gov.uk or posted to the following address:

Spatial Planning Section
Development & Neighbourhood Services
Stockton-on-Tees Borough Council
Municipal Buildings
Church Road
Stockton-on-Tees
TS18 1LD
- 1.3. The draft SPD can be viewed online at www.stockton.gov.uk/spd. Paper copies of the document can be viewed at all libraries within the Borough.
- 1.4. This SPD has two fundamental purposes. These are as follows: -
 - a) To provide guidance on how development plan policy regarding affordable housing, set out in Policy 8 of the Core Strategy, is applied
 - b) To provide guidance on how the Council's Strategic Housing and Spatial Planning teams will work with both developers and Registered Providers to deliver affordable housing.
- 1.5. The SPD approaches this task through the following steps: -
 - a) It sets out the national and local policy context.

- b) It summarises the evidence base provided by the 2012 Tees Valley Strategic Housing Market Assessment (SHMA) 2013 Rural Housing Needs Assessment and the Economic Viability of Affordable Housing Requirements Report (2009).
- c) It then provides guidance on how requirements for affordable housing provision set out in Core Strategy Policy 8 are to be applied as well as making reference to how up-to-date evidence in the 2012 TVSHMA and 2013 Rural Housing Needs Assessment is applied.
- d) Finally, it provides guidance on the robust justification needed if a developer wishes to vary from the affordable housing requirements set out in development plan policy CS8 on economic viability grounds.

2. Policy Framework

- 2.1. This Supplementary Planning Document (SPD) has been prepared in the context of national, regional and local policy. The relevant documents are outlined below:

National Context

National Planning Policy Framework (NPPF)

- 2.2. Section 6 ('Delivering a wide choice of high quality homes') of the NPPF advises at paragraph 47 that to boost significantly the supply of housing, local planning authorities should *"use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area..."* and, within paragraph 50, that where affordable housing is needed *"set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time."*
- 2.3. Ensuring viability and deliverability is a key element of plan making. This message is contained within paragraphs 172-177 of the NPPF which make it clear that to ensure viability, the costs of any requirements to be applied to development, including affordable housing, should, when taking into account normal development and mitigation costs, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.
- 2.4. Paragraph 174 of the NPPF advises that "Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence."

How the NPPF defines affordable housing

2.5. The NPPF defines affordable housing as:

- Affordable housing: Social rented, affordable rented and intermediate housing is provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.
- Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.
- Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).
- Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.
- Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.

National Housing Policy

Laying the Foundations: A Housing Strategy for England

2.6. In 2011 the Government published its Housing Strategy for England, which sets out its intended direction of travel for housing, its role in the wider economy and its provision and its contribution to social mobility. It sets out the shape of housing provision that the government wants to see, which involve the primacy of home ownership; social housing as welfare; and an increasing role for the private rented sector. The Strategy presents both existing

initiatives and policies and introduces a range of new interventions and approaches, which are set out below: -

- Increasing supply, more homes, stable growth which includes a new build indemnity scheme led by the Home Builders Federation and Council for Mortgage Lenders; and a £400 million 'Get Britain Building' investment fund,
- Social and affordable housing reform,
- A thriving private rented sector,
- A strategy for empty homes, with a commitment to bring empty homes back into use,
- Quality of housing experience and support, through supporting the most vulnerable households to prevent and tackle homelessness, and
- Quality, sustainability and design, by encouraging the promotion of imaginative, innovative, locally distinctive, well designed new homes and neighbourhoods.

Local Context

The Stockton-on Tees Housing Strategy 2012 - 2015

- 2.7. The Housing Strategy sets the Council's vision to '*provide access to good quality, affordable housing, with appropriate support, located within pleasant, safe and sustainable neighbourhoods*'

The Stockton-on-Tees Core Strategy

- 2.8. The Core Strategy, adopted in March 2010, sets out the vision and objectives that will underpin all the Council's development plan documents, and sets out the spatial strategy for meeting known and anticipated development requirements to 2024. It identifies enabling all of Stockton's residents to live in prosperous, cohesive and sustainable communities, and providing homes to suit all needs and incomes as strategic objectives for the Development Plan. The provision of an appropriate proportion of affordable housing in suitable locations, types and tenures is essential to achieving this.

Core Strategy Policy CS8 – Housing Mix and Affordable Housing Provision

- 2.9. Core Strategy Policy 8 (CS8) – Housing Mix and Affordable Housing Provision, sets out the Council's approach to the provision of affordable housing within the Borough. This includes the following points: -
- Policy CS8.4 – Annual targets for delivery of affordable housing

- Policy CS8.5 – The target range for the proportion of affordable housing provision that developments will be expected to provide
- Policy CS8.5 – The thresholds for when developments will be expected to contribute to affordable housing,
- Policy CS8.6 – Policy regarding off-site provision and financial contributions instead of on-site provision
- Policy CS8.7 – The mix of affordable housing to be provided, and
- Policy CS8.9 – Regarding the provision of rural affordable housing.

How this SPD supersedes the Planning Obligations SPD (May 2008)

2.10. The adoption of Core Strategy Policy CS8 – Housing Mix and Affordable Housing Provision has meant that the guidance contained within the Planning Obligations SPD with regards to affordable housing is now out-of-date. This SPD supersedes section 7 ‘Affordable Housing’ within the Planning Obligations SPD and provide guidance on how policy CS8 will be applied.

3. Evidence base

- 3.1. This was prepared having considered and given due regard to a number of studies and assessments that the Council has produced or commissioned in relation to affordable housing provision, during the plan period. The relevant evidence documents and a brief summary of their findings are outlined below.

Tees Valley Strategic Housing Market Assessment (2012)

- 3.2. The 2012 Tees Valley Strategic Housing Market Assessment (TVSHMA) updates the 2009 TVSHMA. The study has been carried out by Arc4 Ltd and has included:
- A major household survey,
 - Interviews with key stakeholders including local authority housing and planning officers, RP's, estate agents, lettings agents and developers; and
 - A review of the relevant secondary data.

Key findings – affordable housing requirement

- 3.3. The 2012 TVSHMA identifies an annual affordable housing requirement of **560 dwellings** for the Borough of Stockton-on-Tees. Given that the average annual housing requirement for the borough for dwellings of all tenure types is 555 dwellings it is clearly not realistic to meet the TVSHMA requirement in full and this is recognised in the annual affordable housing targets set by Core Strategy Policy CS8. However, the policy also states that the targets are minimums, not ceilings.
- 3.4. The TVSHMA has affirmed that the 15-20% target range for affordable housing provision stated at Point 5 of Policy 8 (CS8) Housing Mix and Affordable Housing Provision, of the Adopted Core Strategy (March 2010) remains valid. Although the annual affordable housing requirement was reduced from the 2009 SHMA, which identified an annual Borough-wide shortfall of 866, the requirement of 560 affordable dwellings identified in the 2012 TVSHMA fully supports this continued requirement.
- 3.5. In terms of the split between affordable rented and intermediate tenure products, the TVSHMA 2012 identified a revised mix (from 20% intermediate and 80% rented) to 30% intermediate and 70% rented tenures. This is reflected in the draft Housing Mix and Affordable Housing Provision of the emerging Regeneration and Environment LDD.

Economic Viability of Affordable Housing Requirements - Report for Stockton Borough Council (2009)

- 3.6. The 2009 TVSHMA identified an annual affordable housing requirement for the Borough of 866 dwellings. The relevant guidance operative at that time was Planning Policy Statement 3: Housing (PPS3). PPS3 stated that the target for affordable housing should also reflect an assessment of the likely economic viability of land for housing within the area.
- 3.7. Arc4 were commissioned to test the economic viability of the affordable housing requirements set out in Policy CS8 in the Core Strategy DPD Publication Draft. The methodology used was the subject of a consultation exercise with the development industry. The report found that, in the still relatively favourable market conditions of late 2007, most sites would be viable with at a level of 15-20% affordable housing provision and with a tenure split of 80% social rent and 20% shared ownership.
- 3.8. The report recommended that the baseline policies for affordable housing provision should be established in the context of market conditions in late 2007. However, it also recommended that these policies would need to be applied with considerable flexibility whilst the market is in recession.
- 3.9. The study was based on fourteen notional sites, referred to as “beacon” sites. The “beacon” sites represented different sectors of the market and were informed by actual opportunities and real-world intelligence but were to be taken as examples of a typical site rather than reflecting any specific site. This approach was considered best suited to informing strategic policy, which the study was designed to do. It was not designed to be a viability appraisal of specific sites and did not attempt to take into account site-specific factors that might have arisen on some sites such as flood risk, contamination, noise intrusion and the need for major highways improvements. Where relevant these factors are taken into account at the planning application stage through officer negotiation.
- 3.10. Arc4 provided the following policy advice based on the findings of the study:
 - As the market conditions will change during the currency of the Local Development Framework, the policies for affordable housing provision should be applicable to a broad range of house prices and land values.
 - The baseline policies for affordable housing provision should be established in the context of market conditions in late 2007. In those circumstances, a target of 15-20% affordable housing provision would be economically viable for most sites.

- However, these policies will need to be applied with considerable flexibility whilst the forecast sale prices remain significantly below these late 2007 levels, otherwise housing development may be substantially discouraged.

Stockton-on-Tees 2013 Rural Housing Needs Assessment

3.11. Arc4 Limited was commissioned in January 2013 to carry out a Rural Housing Needs Assessment in rural parishes and communities for Stockton-on-Tees Borough Council. The study updates the rural housing needs assessment published in March 2010. To deliver the rural housing needs study an approach was followed which included:

- A 100% survey of households across rural parishes in Stockton-on-Tees which achieved a response rate of 21%
- Responses were weighted to take account of response bias by tenure (and age of head of household using 2011 census parish statistics)
- Consultation with all parish councils and councillors regarding the household survey, community housing needs, and affordable housing sites
- Consultation with the residents through a series of four community events in clusters across the rural areas, during February 2013

Rural housing need and affordability requirements

3.12. Analysis carefully considered how housing need is arising within the Rural Area by Parish by identifying existing households in need (and who cannot afford market solutions), newly-forming households in need and existing households likely to fall into need.

3.13. This was then reconciled with the supply of affordable dwellings which considers location, size and designation (i.e. for general needs or older person). Analysis suggests that there is an overall annual net shortfall of 27 dwellings and 132 dwellings over the five years 2013/14 to 2017/18. Any new build figures would reduce this figure. Table1 shows this distributed by Parish area.

Study overview

3.14. It should be pointed out that this study demonstrates a marked increase in affordable requirements across the rural areas. This is due to a methodological change in calculations and also the impact of limited development since the last study was carried out.

- 3.15. In terms of methodology, the 2011 census has recently been published. This has allowed the survey results to be weighted to reflect the total number of households in each Parish so this study provides a more complete picture of dwelling requirements (both market and affordable) across the rural area.
- 3.16. In terms of development, as there has been limited development since the last study, the needs identified then have not been addressed and so the degree of backlog affordable housing need has built up since the previous study.

Table 1: Distribution of annual net rural affordable housing shortfall

Parish	Requirement
Aislaby & Newsham	2
Billingham	1
Carlton	13
Castle Leavington & Kirklevington	26
Elton	6
Grindon	28
Hilton Parish	6
Long Newton	9
Maltby	3
Redmarshall	7
Stillington & Whitton	20
Wolviston	11
Rural Area	132

Summary

- 3.17. The research has evidenced that there is a need for affordable housing across the rural area of Stockton-on-Tees. An annual shortfall of around 27 dwellings each year has been calculated which equates to 132 over the 5 year period 2013/14 to 2017/18.

4. Affordable housing delivery

Introduction

- 4.1. The Council will expect the developer to provide the affordable dwellings on-site in all but exceptional circumstances. This can be achieved through:
- The transfer of land from developers to Registered Provider
 - The developer may sell the completed dwellings to a Registered Provider or;
 - The sale of units at a discount below market value.

Housing Standards Design and layout

- 4.2. As with all forms of residential development the Council expects affordable housing to be built to a high standard of design and amenity. Affordable housing units provided within a new residential development should be of a similar size and quality to the open market housing and should be visually indistinguishable. All affordable housing units must meet the Homes and Communities Agency design and quality standards or such national standards prevalent at the time of the determination of the application. An appropriate level of parking should be provided for the affordable homes.

Trigger points for delivery

- 4.3. Where the Council and developer have agreed the affordable housing provision, a suitable phasing scheme shall be agreed outlining milestones and trigger points for the delivery of the units.
- 4.4. The Council will seek to agree the following trigger points for delivery. Revised trigger points may be negotiated in circumstances where a developer can demonstrate that these trigger points have strongly negative implications for scheme viability:
- no more than 50% of the open market housing to be substantially completed prior to the handover of 50% of the affordable housing units
 - no more than 85% of the open market housing to be substantially completed prior to the handover of 100% of the affordable housing units

The provision of site services

- 4.5. Where the developer has agreed to transfer part of a site to a Registered Provider or to the Council to hold for a Registered Provider, services shall be built out to the edge of the affordable site by the developer. In these circumstances, the developer shall not complete in excess of 25% of the open market dwellings prior to the land transfer.

‘Pepper potting’

- 4.6. The Council actively encourages that on-site affordable dwellings shall be mixed into the open market dwellings to generate a mixed community. This ‘pepper potting’ should also ensure the affordable dwellings are integrated with the overall design of the development. However, there may be exceptions to the rule, which the developer will be required to justify.

Perpetuity conditions

- 4.7. Planning obligations shall also ensure that the perpetuity conditions over the future occupancy of the affordable dwellings are retained.

Section 106 Agreement

- 4.8. On qualifying schemes, the Council will require a Section 106 Agreement to secure the affordable housing to be signed and completed before the planning permission, if granted, will be issued. The Principal Planning Solicitor (see Appendix 4 for contact details) can provide the applicant with a draft agreement once the relevant details have been provisionally agreed. Model Heads of Terms for a S.106 Agreement is appended to this SPD but note that this is indicative (see Appendix 2).

Affordable rents

- 4.9. Rents must be affordable to all eligible tenants, and any proposals for future rent increases or shared ownership costs must be affordable in perpetuity, within any relevant ceiling set by the Housing Benefit system (or its replacement).
- 4.10. Mortgage costs and rents for intermediate housing are set at approximately no more than 30% of gross household income.

Stair-casing

- 4.11. If some intermediate housing is lost in the long term when the tenant buys their property, the net capital receipts should be recycled to provide affordable housing elsewhere in the Borough.

Marketing and letting

Affordable Homeownership Register

- 4.13. The Council operates an Affordable Homeownership Register. This is a scheme aimed at local people who would like to buy a property in the Borough on the open market, but would otherwise struggle without assistance.
- 4.14. It is aimed at:
- Households with a local connection who, due to affordability issues are unable to enter the housing market;
 - Households in redevelopment areas;
 - Households releasing a socially rented home in the Borough; and
 - Homeless households.
- 4.15. The purpose of the Register is to identify households wanting to buy, and match them up to suitable properties in the location(s) they have specified. The Council's Affordable Homeownership Team will forward details of eligible households to the Developers/House Builder who will contact the applicant direct and proceed with the sale.
- 4.16. The Council will only match the details of prospective purchasers from the Affordable Homeownership Register to suitable developments. The Council will not be, or become, involved in the sales process.

Allocation of Affordable Rented Housing

- 4.17. Affordable housing for rent delivered through a Section 106 by a Registered Provider will be available for allocation to applicants registered on the Compass Choice Based Lettings system.
- A Nominations Agreement must be signed with the Registered Provider or other affordable housing provider.
 - It has must have 100% nomination rights on the first lets/sales of all affordable homes.
 - Subsequent occupancy will be the responsibility of the Registered Provider, with a minimum of 50% of nominations coming from the Council.
 - Applicants must be nominated, in accordance with the Council's published local lettings policy.

Identifying a Registered Provider

- 4.18. To achieve consistency in the development quality and management standard of affordable housing in the borough, the Council has introduced an Affordable Housing Partnership Framework for Registered Providers.
- 4.19. The standards contained within the Affordable Housing Partnership Framework cover a Registered Provider's performance regarding housing management, customer service, development and their role as a strategic partner contributing to agendas such as homelessness and anti-social behaviour. It is not a legally binding document but is in place to promote transparent and effective partnership working with the ultimate aim of meeting the housing needs of both current and future residents of the borough.
- 4.20. Developers are encouraged to work in collaboration with one or more Registered Providers who are members of the Affordable Housing Partnership Framework. Details can be provided of the Registered Providers on the Affordable Housing Partnership Framework on request.

5. Off-site provision and financial contributions instead of on-site provision

Policy

Adopted Core Strategy Policy CS8.6

- 5.1. The policy states that *'off-site provision or financial contributions instead of on-site provision may be made where the Council considers that there is robust evidence that the achievement of mixed communities is better served by making provision elsewhere'*.

SPD Guidance

Provision should be on-site unless robust justification provided

- 5.2. Affordable housing is required to be provided on site. Any deviation from this position will only be considered in exceptional circumstances and only when robust evidence is provided. In such circumstances, the developer is encouraged to enter into early discussions with the Council to justify the rationale for either off-site provision or a commuted sum payment. Since delivery via a commuted sum would only be applicable in exceptional circumstances, the exact level of payments will be established on a site-by-site basis.

How the Council will spend the sums received

- 5.3. The Council will utilise any such funds received in accordance with its Adopted Core Strategy: in some instances the Council may be in a position to bring about the construction of new build affordable housing, however, in other instances the Council (like the developer) may be unable to deliver new build affordable housing and accordingly funds may be spent flexibly in pursuance to paragraph 12.40 of the Adopted Core Strategy. Agreement will be reached between the Council and developer over the period of time within which the funds must be spent, before the payee becomes eligible for their return. Options for spending the sums include the following:
- The purchase and refurbishment of private sector stock for conversion to affordable housing stock
 - Bringing vacant upper floors above shops into use as affordable housing accommodation

- Contributing to the Council’s equity loan scheme to assist first time buyers to gain access to the housing market

How a commuted sum will be calculated

5.4. In accordance with the National Planning Policy Framework any commuted sum payment should be of broadly equivalent value to the cost to the applicant of on-site provision. Any costs associated with affordable housing should take account of the deliverability of the development. The sum for each unit will be based on the difference between the Registered Provider purchase price and the Borough average house price. The total calculation will be based on the equivalent number of affordable dwellings that would have been required on the original development site. The calculation will be as follows:

Commutated sum calculation methodology

Table 2: commuted sum methodology – actual calculation

A. The average Borough house price	-	B. Registered Provider Purchase Price per unit, adjusted for the mix and tenure of the affordable housing to be provided	=	C. Developer contribution per unit
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A. The average Borough house price
Data source: Tees Valley House Price Index – based on Land Registry price paid data – the average will be provided on a quarterly basis by the Economic Strategy and Intelligence team at Tees Valley Unlimited and published on the Council’s website. Upon request this can be broken down by house type.

B. Registered Provider Purchase Price per unit
Data source: Information provided by the Registered Provider. The Registered providers will be asked to provide their specific purchase price in relation to the specific Section 106 agreement that is being negotiated.

5.5. The Council is however approached on a regular basis by developers who are considering the option of commuted sums. We will not gather the information detailed above unless both parties are agreed that a commuted sum is appropriate. However, in order for developers to carry out a very indicative calculation prior to submitting a planning application the Council will ask five Registered Providers to provide their average purchase price across the Borough over the previous financial year. The Council will then take an average of the prices to generate the average Registered Provider purchase

price for the Borough. This will be updated on an annual basis and will be available from the Council on request. The table below will be updated annually to provide indicative figures which developers may find of use/ interest when considering this option.

Table 3: commuted sum methodology – template for indicative calculation

A. The average Borough house price	-	B. Estimated Registered Provider Purchase Price per unit, adjusted for the mix and tenure of the affordable housing to be provided	=	C. Developer contribution per unit
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A: The average Borough house price as at the date of publication of the SPD
Data source:– Tees Valley House Price Index – based on Land Registry price paid data - the average will be provided on a quarterly basis by the Economic Strategy and Intelligence team at Tees Valley Unlimited and published on the Council’s website.

B: The average Registered Provider purchase for affordable units
Data source: On an annual basis the five Registered Providers on the Council’s Affordable Housing Partner Framework will be asked to provide their average purchase prices for affordable rented and intermediate products for the previous financial year.

Rounding of Contributions

- 5.6. This section sets out how the Council will deal with the issue of equivalent part dwellings being required off-site. For example if 375 dwellings were being built on a site and 15% is required this equates to an off-site provision equivalent to 56.25 dwellings. The question is whether the Council states that it requires payment for 56 or 57 dwellings?
- 5.7. If the part thereof is less than 0.49 it is rounded down, 0.5 and above it is rounded up. In some circumstances the Council will benefit but in others lose out. Overall, it will balance itself out.

The split of equivalent provision

- 5.8. The 2012 TVSHMA shows a need for a range of affordable housing and in particular one and two bedroom properties to meet affordable housing need. In order to meet this need, developers may be required to pay for smaller properties than those being proposed on the main development.

Tenure split

- 5.9. Policy 8 of the Core Strategy sets out an 80:20 split between social rented and intermediate housing. However, the market may wish to have a different split. If this is the case then Policy 8 allows for the developer to demonstrate how and why a different split would be more appropriate. It is relevant in this context that draft Housing Mix and Affordable Housing Provision Policy in the emerging Regeneration and Environment LDD sets out an 70:30 split between affordable rented and intermediate housing. This is based on up-to-date evidence in the 2012 TVSHMA.

The timing of payments

- 5.10. The calculation is to be made at the point the Section 106 agreement is signed but the sums due will increase by the same percentage increase in the index specified in the section 106 agreement between the month prior to the signing of the agreement and the month prior to the date of payment . The trigger points for the payments are consistent with the trigger points for the delivery of on-site affordable housing set out in paragraph 4.3 as follows:
- 50% of the contribution will be paid when 50% of the market houses on the site have been substantially completed, and
 - The balance of the contribution will be paid when 85% of the market houses on the site have been substantially completed.

6. The Affordable Housing Tenure Mix

Policy

Core Strategy Policy CS8.7

- 6.1. The policy states: *'The mix of affordable housing to be provided will be 20% intermediate and 80% social rented tenures with a high priority accorded to the delivery of two and three bedroom houses and bungalows. Affordable housing provision with a tenure mix different from the standard target will only be acceptable where robust justification is provided. This must demonstrate either that provision at the standard target would make the development economically unviable or that the resultant tenure mix would be detrimental to the achievement of sustainable, mixed communities.'*

Most up-to-date evidence

- 6.2. The 2012 TVSHMA shows that the affordable housing need is now greatest for smaller 1 /2 bedroom properties. The following table is reproduced from the TVSHMA.

Table 4: Annual affordable housing requirements by property size and designation (general needs/older person) 2012/13 to 2016/17

Housing sub area	General		Older	
	Smaller 1/2 bedroom	Larger 3+ bedroom	1/2 bedroom	TOTAL
Billingham	102	4	12	118
Ingleby Barwick	71	8	2	81
Rural areas	29	2	2	33
Core Area	-44	-9	12	-41
Stockton	189	10	11	210
Thornaby	30	31	1	62
Yarm, Preston and Eaglescliffe	89	2	6	97
Totals	466	48	46	560

SPD Guidance

Affordable Housing Tenure Mix

6.3. As detailed above the Core Strategy states that the mix of affordable housing to be provided will be 20% intermediate and 80% rented tenures with a high priority accorded to the delivery of two and three bedroom houses and bungalows. However, following the publication of the SHMA 2012 a mix of 30% intermediate and 70% rented tenures is being requested by the Council and this is reflected in the emerging Regeneration and Environment LDD. Affordable housing provision with a tenure mix different from this revised target will only be acceptable where robust justification is provided. This must demonstrate either that provision at the standard target would make the development economically unviable or that the resultant tenure mix would be detrimental to the achievement of sustainable, mixed communities.

Worked example based on a requirement for 20 units: -

- Tenure: Using the ratio of 70/30, it is proposed the split should be:

Proportion	No. of units	Tenure
70%	14	Rent
30%	6	Intermediate Tenure

- Bed Size: Using the Yarm, Preston, Eaglescliffe housing need data it is proposed that the 20 units should be split 91% - 2 bed and 9% - 3 bed. This would be:

Size	Proportion	No. of units
2 bed	91%	18
3 bed	9%	2

Tenure would then be split as follows:

No. of units	Size	Tenure
18	2 bed	13 x Rented 5 x Intermediate
2	3 bed	1 x Rented 1 x Intermediate

7. How we will work with you/developers (negotiation process).

7.1. The Council's Strategic Housing and Planning teams will: -

- Negotiate with you at the earliest stage regarding the provision of an element of affordable housing in sites proposed for residential development,
- Discuss the mix of affordable housing to be provided on the site. This will be based on the housing need for the borough and the type of housing to be provided on site.
- We will make available a list of the Registered Providers which meet the criteria set out in the Affordable Housing Partnership Framework and have successfully applied to join the framework, and
- Identify households wanting to buy through the Affordable Homeownership Register and match them to suitable properties.

7.2. To assist in this process we would need from a developer: -

- A map showing the area proposed for development,
- A description of the proposal, including proposed dwelling numbers, type and tenure, and
- An indicative layout showing what the site would look like after development.

7.3. Developers are encouraged to speak to Registered Providers as early as possible in the process of the delivery of affordable housing through Section 106 agreements which would include the location of affordable housing units and options for intermediate products.

7.4. Developers are encouraged to complete the Development Enquiry Form which will inform negotiations, (see Appendix 5)

One Stop Shop

7.5. The Council's One Stop Shop is designed to give a single point of contact within the Council when considering any development work within the Borough. Asking the One Stop Shop for its opinion and advice before submitting a formal planning application will save time and money, as any potential problems will be highlighted before you submit your application. Submitting an enquiry to the One Stop Shop is free, and there is no limit to the number of times you can use the service.

8. Viability Guidance

- 8.1. A development proposal which includes a target of less than 15% affordable housing provision will require robust justification demonstrating that market conditions, or site specific costs, would make this unviable.

Gross Development Value Calculation

- 8.2. Any development proposal where affordable housing is proposed at a rate lower than 15% or with a tenure mix different from the standard target (30% intermediate and 70% affordable rented) must to be supported by a financial appraisal. These appraisals will be assessed on a case-by-case basis, along with other considerations or potential planning obligations. The Council will arrange for the appraisal to be independently assessed by an agent or consultant selected by but independent of the Council. The applicant/developer will be liable for the costs incurred in appointing the assessor.
- 8.3. The appraisal of viability will be based on the Residual Land Value (RLV). The RLV has been taken as the sum remaining out of the gross value of sales after deducting build costs etc. and after deducting a profit of the gross value of sales to be retained by the developer.
- Gross sales (number of units x sales value per unit) value
 - Development costs (build costs, fees, finance, planning gain (excluding affordable housing), etc.)
 - Minimum development profit
 - Residual Land Value (gross sales value – development costs – profit)
 - Gross sales – (Development costs + Minimum development profit) = Residual Land Value (the amount representing Residual Land Value and prior to netting off affordable housing costs)
- 8.4. If the above calculation shows that the scheme is viable, i.e. there is a positive RLV, without taking affordable housing provision into account, then the cost of providing affordable housing at a rate of 15% and with a tenure mix of 30% intermediate and 70% affordable rented tenures should be factored in. However, on schemes where the viability is marginal, a rate of affordable housing provision below 15% may be considered.
- 8.5. This will produce a RLV (the 'adjusted RLV') incorporating the provision of affordable housing at the 15% target level.

- 8.6. In accordance with the Royal Institution of Chartered Surveyors ('RICS') Guidance Note, "Financial Viability in Planning" (August 2012), this Residual Land Value will then need to be compared with both the Current Use Value ('CUV') and any Alternative Use Value ('AUV') of the site.
- 8.7. If the adjusted Residual Land Value is below the Current Use Value / Alternative Use Value, then the scheme will be non-viable, at that level of affordable housing provision. Normally, but not always, the adjusted Residual Land Value will need to be above the Current Use Value / Alternative Use Value, at a level for the landowner to be incentivised to sell.

The amount of any premium for the landowner to be incentivised to sell above Current Use Value / Alternative Use Value will depend on the individual circumstances. There is no set addition and each case needs to be considered on its merits

Information Requirements

Detailed scheme information

- 8.8. The financial appraisal will determine the percentage of affordable housing to be provided overall on the site. The tenure mix in terms of intermediate tenure and socially rented tenures will then be apportioned as a percentage of the total number of dwellings to be provided on the site. The tenure mix may be varied from that outlined in the policy only if the financial appraisal supports the requirement to review the tenure mix to make the development, with affordable housing, viable. The mix of units (1bed, 2 bed, etc) will then be apportioned by percentage to generate a schedule of accommodation which reflects the affordable housing requirements identified in the 2012 TVSHMA.

Dwelling Sales Prices and Land Values

- 8.9. The value to be attributed to the private dwelling sale prices shall be based upon valuation evidence to be supplied to the Council. Unless otherwise agreed with the local authority this shall be in the form of certified valuations from local RICS qualified surveyors and include evidence for comparable sites near the area of development. Where possible evidence should be provided for new build properties in the local area, together with comments on the specification compared to the subject scheme and any comments on the comparability of the schemes, in terms of marketability/value.

- 8.10. Comparables should be analysed on a price per unit (square foot, square metre of Net Sales Area) basis or gross internal area if appropriate. A schedule of the units in the scheme should be provided with Net Sales Area for each.
- 8.11. The value of the intermediate affordable housing market prices to be taken into account shall be taken to be the actual price to be offered by the Registered Provider (RP). Stockton Borough Council's Housing Service team will input a value if this information is not available at this stage. If this value is disputed then it will be valued independently, the cost of which will be borne by the applicant/developer.
- 8.12. The value of the affordable rented affordable housing accommodation shall be taken to be the actual price to be offered by the Registered Provider. Stockton Borough Council's Housing Service team will input a value if this information not available at this stage. If this value is disputed then it will be valued independently, the cost of which will be borne by the applicant/developer.
- 8.13. For the purposes of undertaking a viability assessment, developers should assume (unless they have had prior agreement from the Homes and Communities Agency) that no grant funding will be available.

Development Costs

Building Costs

- 8.14. Full details of building costs should be provided, together with basic proposed specifications, unit types and sizes and justification for the costs adopted, either through a Quantity Surveyor report, or detailed breakdown showing how the figures have been calculated. The independent appraiser is not bound to follow the Quantity Surveyor advice if the figures appear excessive.
- 8.15. The rates are based on Gross Internal Floor Area (RICS definition) and exclude external works and contingencies; these should be costed and added separately within the calculation.

Other Costs

- 8.16. The developer will be required to provide written evidence for site infrastructure costs / external works such as roads, sewers, services, landscaping etc.

Legal Fees

- 8.17. These should reflect the charging rates of local solicitors and conveyancers.

Sale Fees

- 8.18. These should reflect the charging rates of local Agents (although it is recognised that larger house builders may provide this service in-house).

Marketing costs

This should reflect any reasonable costs incurred by marketing directly relevant to the scheme.

Professional Fees

- 8.19. Where relevant, these can include Architect, Quantity Surveyor, Structural Engineer, Mechanical and/or Electrical Engineer, Project Manager, CDM Management, and other necessary consultants. Evidence should be provided.

Cost of Finance

- 8.20. Appropriate debit and credit finance rates should be stated, with justification for their adoption.

Development Period

- 8.21. It is accepted that this will vary from project to project, a reasonable and realistic estimate should be provided. A cash-flow with any pre-development period and anticipated sales rates, build period and timing of section 106 payments/contributions etc. should be submitted. If possible this should be provided, together with any appraisals in electronic form.

Contingency

- 8.22. The more complex the project, the more likely it is that there will be difficulties or delays. Therefore, contingencies should be calculated at between 2% and 5% of total costs (i.e. building costs, ancillaries and professional fees) depending on the complexity of the development, on the basis that other abnormal costs will be separately identified and reflected in other parts of the calculation.

Developer's Gross Margin % of GDV

The appropriate profit level will depend on the nature of the project and the risk/reward scenario. The developer shall be required to provide written justification for the level of

development profit that is built into the financial appraisal. Profit on the affordable housing element would be expected to be lower, as there is no marketing risk, and this can either be shown separately or as a blended return across the whole scheme.

Abnormal Costs

- 8.23. Standard development costs such as demolition works, landscaping, noise bunds, archaeological and ecological surveys, drainage and flood prevention measures, noise and other environmental attenuation, and appropriate infrastructure provision, which may include highway and public transport measures, will not usually be considered abnormal site costs. These should be individually identified, if appropriate, with appropriate evidence of the anticipated costs and scope of works required.
- 8.24. In the event that a developer considers that abnormal development costs have been incurred, it will be the responsibility of the applicant to demonstrate how the costs have been derived. A site investigation report, remediation statement, detailed drawings and calculations of how the abnormal costs have been derived must be submitted with the application.

S.106 Obligations

The developer will provide details of all agreed or requested S.106 obligations and the costs associated with them.

9 Appendices

Appendix 1 - Information to accompany a planning application

1. The proportion of dwellings to be affordable target range 15 - 20%
2. A financial appraisal if the target range is not achieved.
3. The proportion of affordable housing to be provided as affordable rented and intermediate housing
4. Layout plans showing the affordable housing by tenure
5. Details of the Registered Provider who will be partnering on the site
6. Details of the open market valuations of the affordable dwellings
7. If a FULL application the plot numbers (and property type) for each affordable Housing unit.

Appendix 2 – Summary of Heads of Terms for Section 106 Agreements in respect of Affordable Housing

On-Site Provision

- a. Not to commence development until a scheme for the provision of affordable housing has been submitted to and approved by the local planning authority, such scheme to contain the area of land within which the affordable housing is to be provided; the type, size and tenure of each affordable housing unit; the mechanism for ensuring the units remain affordable housing units in perpetuity and phasing for the provision of affordable housing
- b. not less than [X]% of dwellings constructed on the site pursuant to the planning permission shall be Affordable Housing
- c. 70% of the Affordable Houses shall be Affordable Rented Housing and 30% shall be Intermediate Affordable Housing
- d. Of the agreed affordable housing percentage, the bedroom size / tenure split is as detailed below
- e. no more than 50% of the open market housing to be substantially completed prior to the handover of 50% of the affordable housing units
- f. no more than 85% of the open market housing to be substantially completed prior to the handover of 100% of the affordable housing units

Off-Site Provision

1. To pay to the Council a commuted lump sum which is broadly equivalent to the cost of providing the Affordable Housing on site, such sum to be calculated in accordance with the following formula

$$A - B = C$$

Where A is the average Borough house price

B is the Registered Provider purchase price per unit and

C is the developer contribution per unit

And the number of units shall be not less than X% of the of number of dwellings to be constructed on the site pursuant to the permission (and shall be subject to the same proportion of affordable rented housing and intermediate housing as set out above (X or Y bedroom properties)))

2. No more than 50% of the dwellings to be constructed on the site shall be substantially completed until 50% of the developer contribution has been paid to the Council
3. No more than 85% of the dwellings to be constructed on the site shall be substantially completed until 100% of the developer contribution has been paid to the Council

Appendix 3 – Glossary

Affordability

A measure of whether housing may be afforded by certain groups of households.

Affordable Rent

This refers to rented housing let by Registered Providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime, but is subject to other rent controls that require rent of no more than 80 per cent of the local market rent.

Affordable housing

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

Homes and Communities Agency (HCA)

The non-departmental public body that funds new affordable housing in England.

Intermediate affordable housing

Housing at prices and rents above those of social rent, but below market prices or rents. It can include shared equity products, other low cost homes and intermediate rent, but does not include affordable rented housing.

Market housing

Private housing for rent or for sale, where the price is set in the open market.

National Planning Policy Framework

Sets out the Government's planning policies for England and how these are expected to be applied.

Registered Provider

An independent, registered, non-profit making organisation to build, improve and manage affordable housing for sale or rent. An RP must be registered with and regulated by the current government regulating authority.

Section 106 Agreement

Planning obligations are agreements entered into between the Council and developers, usually in conjunction with the granting of planning permission. Planning obligations apply to land, binding it and whoever owns it. They are made using powers under section 106 of the Town and Country Planning Act 1990, which is why they are also called "section 106 agreements.

Social Rented Housing

Rented housing owned and managed by local authorities and Registered Providers, 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 the same rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant.

Tees Valley Strategic Housing Market Assessment (2012 TVSHMA)

Local authorities are required to prepare a SHMA for their housing market area as part of the evidence base to inform the development of planning and housing policy.

Supplementary Planning Documents (SPD)


These provide amplification in respect of policies in the Core Strategy and other local development documents.

Appendix 4 – Contact details

For further information please contact: -


1. The Spatial Planning Team: which provide planning policy advice to the Council, external organisations and individuals.

 spatialplans@stockton.gov.uk

 (01642) 526049


2. The Strategic Housing Team: which looks at the current and future housing needs of people that live in the Borough and ensures that appropriate amount of affordable and supported social housing is developed.

 housing.strategy@stockton.gov.uk

 (01642) 526683



3. The Principal Planning Solicitor who is responsible for negotiating S.106 Agreements

 julie.butcher@stockton.gov.uk

 (01642) 526310

Appendix 5 – Developer enquiry form

Please complete all sections providing the required detail and site location plans if available and submit the completed enquiry form to: housing.strategy@stockton.gov.uk

Development Enquiry	
Developer: Address: Contact details  	
Site Location	
Brief Description of proposal, including property numbers, property type and tenure.	
Affordable Housing proposal, including phasing.	
Location plan attached	Yes <input type="checkbox"/> No <input type="checkbox"/>
Proposed site layout attached	Yes <input type="checkbox"/> No <input type="checkbox"/>
Supporting information, if applicable.	