



Affordable Housing Supplementary Planning Document

April 2020

Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate



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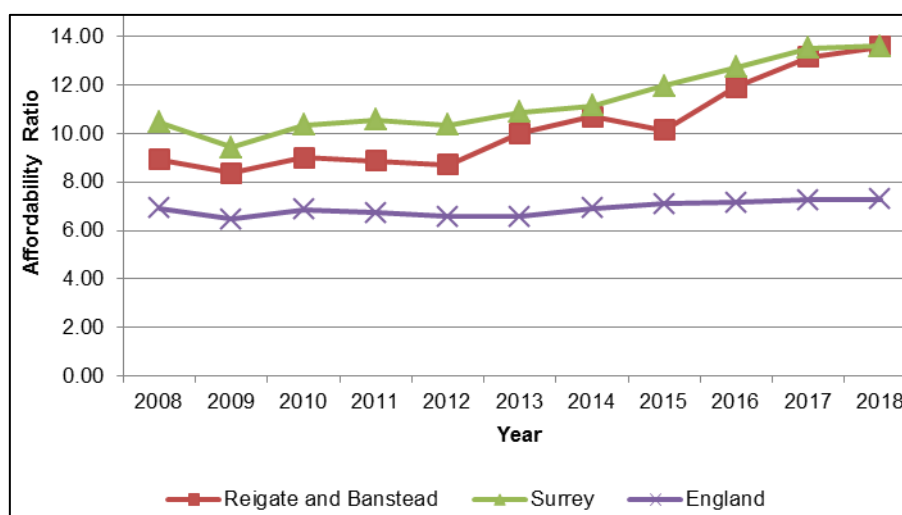
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1. Introduction

1.1. Whilst Reigate & Banstead is generally an affluent borough, high land values and property prices mean that market housing to meet basic needs is beyond the reach of many of the borough’s households. Ensuring the provision of affordable housing supply is crucial to securing mixed communities and to sustain balanced, resilient and inclusive communities.

1.2. “Affordability” of housing refers to the relationship between the cost of a market home that meets that household’s needs and their ability to pay for it. Affordability is of most concern to those with the lowest earnings, including first time buyers. For this reason affordability is generally measured by comparing the lowest 25% of earnings to the lowest 25% of house prices which gives an affordability ratio. Figure 1 below shows that the affordability of housing within the borough has worsened by 52.2% over the past decade (8.93 to 13.59). This compares with a 30.0% worsening for Surrey as a whole and a 5.5% worsening for England (10.47 to 13.61 and 6.91 to 7.29 respectively).

Figure 1 Affordability (2008-2018)



Source: Office for National Statistics (2019)

1.3. The Council is therefore keen to ensure that the new affordable housing provided in the borough meets the housing needs identified now and in future years. The Council’s Development Management Plan (DMP) requires the

provision of affordable housing on all greenfield urban extension sites and all sites providing 11 or more gross units. This supplementary planning document (SPD) will provide the detailed guidance for the delivery of affordable housing including size, type, tenure and design required. It also details the exceptional circumstances in which contributions in lieu of on-site provision may be accepted and, in those cases, the Council's approach to calculating the financial contribution required.

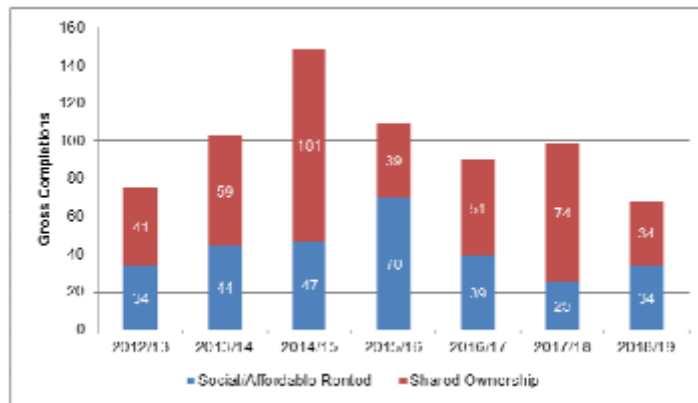
- 1.4. This SPD does not introduce new policy but rather ensures that existing policy is as effective as possible. It has been prepared for consultation in line with the Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended) and in doing so the Council has involved the Council's Housing Services and Registered Providers providing affordable housing within the borough and consulted the Environment Agency, Natural England and Historic England on a Strategic Environmental Assessment and Habitats Regulations Assessment Screening Statement¹.

¹ Responses are detailed in the Affordable Housing SPD Strategic Environmental Assessment and Habitats Regulations Assessment Screening Statement

2. Affordable Housing

- 2.1. This section gives a brief overview of affordable housing.
- 2.2. The National Planning Policy Framework (NPPF) 2019 defines affordable housing as “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)”. Affordable housing can be provided as either:
 - Affordable housing for rent (including social and affordable rent); or
 - Affordable home ownership products (including starter homes, discount market sales, shared ownership, equity loans, rent to buy and other low cost homes for sale at a price equivalent to at least 20% below market value).
- 2.3. Affordable housing required to meet an identified need for affordable housing in the borough which is determined through analysis of local incomes and local house prices. The Council’s most recent analysis (Housing Needs Assessment 2019) identifies a per annum need for:
 - 438 rented affordable housing units
 - 270 affordable home ownership units
- 2.4. Due to the characteristics and constraints of the borough including 69% Green Belt constraint, environmental constraints including the Mole Gap to Reigate Escarpment Special Area of Conservation, the Surrey Hills Area of Outstanding Natural Beauty and areas at high risk of flooding, the Core Strategy Inspector recognised that the Council was unable to meet its objectively assessed market housing need and therefore due to the reliance on the provision of market accommodation in the borough to deliver affordable housing, the borough is unable to meet its total affordable housing need. Instead, the Core Strategy and DMP require the Council to deliver 100 affordable dwellings per annum over the plan period (2012-2027). In the 7 years to 31st March 2018, the Council had delivered 692 affordable units.

Figure 2 Affordable Housing Delivery in the borough 2012 to date



Source: Reigate & Banstead Borough Council Housing Monitor (2019)

- 2.5. Given the need for affordable housing in the borough, the Council is tackling the issue of housing affordability by a variety of means in addition to seeking on-site affordable housing on greenfield urban extensions and sites delivering 11 or more gross units. The Council is developing affordable housing on our own sites, investing in temporary accommodation which reduces the use of bed and breakfast accommodation for homeless individuals and families, and using development contributions to provide temporary accommodation and new affordable dwellings.
- 2.6. The Council requires developers of sites providing affordable housing to enter into nomination agreements to ensure that the affordable housing is provided for local need and s.106 obligations requiring either the unit to remain in affordable housing use in perpetuity or in circumstances where affordable housing is released to market housing (for example a shared ownership flat staircasing to 100% market), and an obligation requiring the receipt to be re-used for affordable housing provision in the borough.

3. Legal and Policy Context

- 3.1. This section outlines the national and local policy and the legal context for supplementary planning documents and affordable housing.

Supplementary Planning Documents

- 3.2. Relevant legislation² specifies that local development documents that are not part of the local plan, and which include environmental, social, design and economic objectives are supplementary planning documents.
- 3.3. The National Planning Policy Framework (NPPF) 2019 advises that supplementary planning documents (SPDs) are “documents which add further detail to the policies in the development plan” and notes that “they can be used to provide further guidance for development on specific sites, or on particular issues, such as design”.
- 3.4. The NPPF³ notes that SPDs are not part of the development plan but can add detail and guidance to policy, and are capable of being a material consideration in planning decisions.
- 3.5. National Planning Policy Guidance (PPG)⁴ advises that given that SPDs are material considerations - and therefore not part of the development plan – they cannot introduce new planning policies into the development plan. It also guides that they should not add unnecessarily to the financial burdens on development.

Affordable Housing

- 3.6. The NPPF defines affordable housing as “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:

² Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended)

³ Annex 2

⁴ PPG Plan-making Paragraph 008 Reference ID: 61-008-20190315

- 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 Built 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 or 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".

3.7. The NPPF⁵ requires that “strategic policies should set out an overall strategy for the pattern, scale and quality of development and make sufficient provision for housing (including affordable housing)” and it requires plans to set out the level and types of affordable housing provision required⁶. The Council’s Core Strategy (which provides the policies to guide the type, level and location of future development over the 15 year plan period 2012-2027) plans for the delivery of at least 6,900 homes over the plan period, of which 1,500 will be provided as affordable homes⁷⁸.

3.8. The DMP (which provides the detailed policies and site allocations to deliver the Core Strategy targets) details how the Council will deliver the 1,500 affordable dwellings over the plan period –

3.9. DMP Policy DES6 states that:

- 1) “Between 2012 and 2027 a minimum of 1,500 gross new affordable homes will be delivered within the borough. These will be provided by registered providers, and by seeking affordable housing provision from housing developments.
- 2) The Council will negotiate affordable housing provision and contributions taking into account the specifics of the site, including financial viability as follows:
 - a) Development of allocated greenfield urban extension sites should provide 35% of (gross) homes on the site as affordable housing;
 - b) On all other developments providing 11 or more homes, 30% of the homes on the site should be affordable housing;

⁵ Paragraph 20(a)

⁶ Paragraph 34

⁷ Core Strategy Policy CS13 “Housing Delivery”.

⁸ The Council and the Core Strategy Inspector recognised that this level of provision is substantially below the need identified locally (at the time of the Core Strategy examination the SHMA 2012) but considered that it was one which could be realistically delivered considering the overall levels of development in the borough; the sites, and types of sites, likely to be developed; and the financial viability of the policies.

c) Within regeneration areas, a lower proportion of affordable homes may be accepted in order to achieve other regeneration aims, including improving the mix of local housing stock.

In exceptional circumstances, where it can be robustly justified, should the Council consider it would not be suitable or practical to provide affordable housing on site it may accept affordable housing provided on an alternative site or as a payment in lieu.

- 3) The tenure mix of affordable homes provided on each qualifying site should contribute (to the Council's satisfaction) towards meeting the latest assessment of affordable housing needs.
- 4) The size mix of the affordable homes provided on each qualifying site, expressed as number of bedrooms and bed spaces, should take into account the affordable housing needs in the borough at that time, the size of the market homes provided on the site, and the prevailing type of housing in the area.
- 5) On developments of 60 or more homes (gross) 5% of the affordable homes provided on site should be designed to meeting Building Regulation requirements for wheelchair user homes. These should be provided as affordable housing for rent. This can contribute towards the overall requirement for provision of wheelchair accessible homes in housing developments.
- 6) Planning permission will not be granted for development that would result in a net loss of affordable homes that were secured by planning obligation or condition".

3.10. This policy is consistent with national policy⁹ which states that "the provision of affordable housing should not be sought for residential developments that are not major developments¹⁰. For major development, the NPPF requires at least 10% of the homes to be available for affordable home ownership (as part of the overall affordable housing contribution from the site) unless this would exceed the level of affordable housing required in the area, or

⁹ NPPF paragraph 63

¹⁰ Major developments are defined as providing 10 or more homes

significantly prejudice the ability to meet the identified affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.

- 3.11. Exemptions to this 10% requirement should be made where the site or proposed development:
- a) Provides solely for build to rent homes
 - b) Provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);
 - c) Is proposed to be developed by people who wish to build or commission their own homes; or
 - d) Is exclusively for affordable housing, an entry-level exception site or a rural exception site.

3.12. National policy¹¹ is clear that where a need for affordable housing is identified it is expected to be met on-site unless:

- a) Off-site provision or an appropriate financial contribution in lieu can be robustly justified; and
- b) The agreed approach contributes to the objective of creating mixed and balanced communities.

DMP Policy DES6 (2) is consistent with this national policy.

3.13. The NPPF¹² makes it clear that where local planning authorities have up-to-date policies which set out contributions expected from development (including affordable housing requirements sought) that:

- It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage;
- The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up-

¹¹ NPPF Paragraph 62

¹² Paragraph 57

to-date and whether there have been any changes in site circumstances since the plan was brought into force; and

- The viability assessment should reflect the recommended approach in national planning guidance, including standardised inputs.

3.14. The PPG details the standardised inputs to viability assessment that should form part of viability appraisals.

3.15. The NPPF encourages early pre-application discussions specifically on affordable housing¹³.

3.16. National policy supports the re-use of brownfield land where vacant buildings are being reused or redeveloped, by requiring any affordable housing contribution due to be reduced by a proportionate amount reflecting vacant building floorspace¹⁴. In line with this policy requirement, Paragraph 2.1.33 of the Explanation text to Policy DES6 states that “the national vacant building credit will be applied where relevant in calculating the on-site provision required”. Footnote 28 of the NPPF is clear that vacant building credit does not apply to vacant buildings which have been abandoned.

Local Policy Context

3.17. In accordance with Paragraph 33 of the NPPF, the Council has an up-to-date Local Plan. The Core Strategy was adopted in July 2014 and revised in accordance with Regulation 10A of the Town & Country Planning (Local Planning) (England) Regulations 2012 (as amended) in July 2019 and the DMP was adopted in September 2019.

3.18. The Core Strategy provides the strategic framework for the borough over the plan period (2012-2027). It sets out a strategic vision for the borough and provides policies to guide the type, level and location of future development over the 15 year plan period. Specifically, Core Strategy Policy CS13 “Housing Delivery” plans for the delivery of at least 6,900 homes between

¹³ Paragraph 41

¹⁴ Paragraph 63

2012 and 2027. Of these new dwellings the Council aims to provide 1,500 new homes as affordable.

3.19. The Core Strategy does not provide targets for the size/ type/ tenure of housing, instead Paragraph 7.5.3 of the supporting text to Policy CS13 Housing Delivery states that “planning policy will be informed by regular assessment and monitoring of the housing market through updates to the Strategic Housing Market Assessment and the Council monitoring reports. Assessments will consider the supply of homes and compare this to levels of demand to identify the need for different tenures and sized properties”. The 2019 Core Strategy Review concluded that the lack of specificity with regards to size, type and tenure and the recognition that the requirements will be influenced by recent assessments of need meant that the Core Strategy was flexible enough to respond to changing needs and was therefore not outdated by changing circumstances.

3.20. Similarly, the DMP policy does not provide any detailed requirements for the size and tenure of affordable housing, as this detail changes over time and an SPD can be more responsive than a Local Plan to such changes.

DMP Policy DES4 “Housing Mix” requires the proposed housing mix to:

- Respond appropriately to relevant evidence of local need and demand for different sizes and types of housing, including the Council’s most recent Strategic Housing Market Assessment (or similar); and
- Address any site specific requirements contained in this or other relevant local plan documents including the requirements of the Affordable Housing Supplementary Planning Document.

DMP Policy DES6 “Affordable Housing” requires:

3. The tenure mix of the affordable housing provided on each qualifying site should contribute (to the Council’s satisfaction) towards meeting the latest assessment of affordable housing needs.

4. The size mix of the affordable housing provided on each qualifying site, expressed as number of bedrooms and bed spaces, should take into account the affordable housing needs in the borough at that time, the size of the market homes provided on the site, and the prevailing type of housing in the area.

3.21. Paragraph 2.1.32 of the Explanation to DMP Policy DES6 elaborates on this policy requirement, advising that “the latest evidence of affordable housing needs in the borough identifies a need for 60% rented and 40% other affordable housing tenures, and for 1, 2, and 3-bedroom flats and houses”. It also encourages developers and agents, when designing development schemes, to discuss the local affordable housing needs at the time with the Council’s Housing Service and/or a locally-active registered provider.

3.22. To better understand local affordable housing needs going forward, the Council commissioned specialist consultants to undertake a housing needs assessment. This assessment reviewed the need for affordable housing in the borough in order to identify the size, type and mix of affordable housing needed in the borough. The conclusions are summarised in Chapter 4.

4. When is Affordable Housing Provision Required?

C2 Accommodation

- 4.1. DMP Policies DES6 and DES7 make clear that developments providing C2 units are not required to provide affordable housing. DMP Policy DES7, encourages developments falling within C2 use to incorporate provision of, or contribution towards, affordable rooms or care packages that meet strategic requirements for elderly care.

C3 Accommodation

- 4.2. DMP Policy DES6, requires provision of on-site affordable housing from all developments falling within C3 use which :
- Provide 11 or more gross dwellings; or
 - Are allocated greenfield urban extension sites.
- 4.3. This includes C3 dwellings permitted through changes of use, conversion and subdivisions as well as new build dwellings. It excludes C3 dwellings granted via permitted development rights, since prior approval applications cannot be subject to policy requirements for affordable housing. In April 2016 the Government made permanent the temporary national permitted development rights that had been in place since May 2013 to allow a change of use from offices to residential development without the need for planning permission (but instead via an application for prior approval).
- 4.4. In exceptional circumstances, where it can be robustly justified to the Council's satisfaction that it is not suitable or practical to provide C3 affordable housing on-site, Policy DES6 (2) confirms that the Council may consider accepting affordable housing provided on an alternative site or as a payment in lieu.

- 4.5. The following chapters provide guidance on how the requirements for the provision of on-site affordable housing should be calculated on individual developments, the practicalities of delivering affordable housing on-site; the exceptional circumstances in which it can be robustly justified that it would not be suitable or practical to provide affordable housing on-site, and the Council's approach to the financial contribution required in such circumstances.

5. On-Site Affordable Housing

- 5.1. In accordance with DMP Policy DES6 the Council expects affordable housing to be provided on site unless the applicant is able to demonstrate that exceptional circumstances exist in which it is robustly justified to the Council's satisfaction that it would not be suitable or practical to provide affordable housing on site, including for reasons of future management. In these circumstances the Council may accept affordable housing to be provided on an alternative site, or a financial contribution to be made via a payment in-lieu of on-site provision.
- 5.2. The chapter provides guidance on how the requirements for the provision of on-site affordable housing should be calculated on individual developments and the practicalities of delivering affordable housing on-site.

Calculating the requirement for affordable housing

- 5.3. DMP Policy DES6 requires the following provision of affordable housing on-site:
- 35% of homes on allocated greenfield urban extension sites
 - 30% on all other developments providing 11 or more homes
- 5.4. Developments that seek to avoid this requirement by failing to make the most efficient use of land or by artificially subdividing land ownership into smaller development sites or phased development will be required to increase density where appropriate, or to meet the cumulative requirement for all the sites on one or more of the sites.
- 5.5. The requirement relates to the gross number of new dwellings created – it includes all C3 dwellings permitted through changes of use, conversion, subdivisions, new builds and housing provided as part of mixed-use schemes, but excludes C3 units created via permitted development rights.

5.6. In calculating the requirement for affordable housing provision, where there are existing buildings on-site that are vacant (but not abandoned) in line with national guidance¹⁵, the Council will take into consideration the national vacant building credit. The vacant building credit recognises the higher existing use value, the cost of demolition of the existing buildings and the higher construction costs of brownfield land and therefore incentivises the use of previously developed sites. In calculating the requirement for affordable housing on sites where there is existing vacant (but not abandoned floorspace) the following calculation will be used:

Figure 3 Vacant Building Credit Calculation and Worked Example

Step 1: Calculate the site affordable housing requirement:
 (Net change in floorspace (GIA) / Proposed floorspace (GIA)) * Policy Requirement

Step 2: Multiply this site affordable housing requirement by the gross number of units proposed

Worked example:
 Existing GIA floorspace: 10,000sqm
 Proposed development: 352 dwellings with a total GIA of 30,000sqm
 Policy requirement: 30%

Step 1: Calculate the site affordable housing requirement:

- Calculate the net change in floorspace (GIA):

$$30,000 - 10,000 = 20,000$$
- Divide this net change in floorspace by the total proposed floorspace:

$$20,000 / 30,000 = 0.67$$
- Multiply this by the policy requirement percentage of affordable housing required on-site:

$$0.67 * 0.3 = 0.2$$

Step 2: Multiply this site affordable housing requirement by the gross number of units proposed:

$$0.2 * 352 = 70$$

The total number of affordable housing units required as part of this development is therefore 70.

¹⁵ currently set out in PPG Planning Obligations Paragraphs 026 , 027 and 028

- 5.7. In accordance with the NPPF¹⁶, the Council will not apply vacant building credit to “abandoned” buildings. In order to determine whether buildings have been abandoned the following will be taken into consideration. The Council will however assess each application on its own merits.
- The condition of the property
 - The period of non-use
 - Whether there is an intervening use
 - Evidence regarding the owner’s intention
- 5.8. Given that the purpose of the national vacant building consent is to incentivise brownfield development the Council will not take into consideration vacant building credit where the building has been made vacant for the sole purposes of re-development or where the building is covered by an extant or recently expired planning permission for the same or substantially the same development.
- 5.9. Where the requirement for on-site provision for affordable housing results in a fraction of a dwelling, the requirement will be rounded up or down according to mathematical convention (up at 0.5).

Practicalities of delivering affordable housing on-site

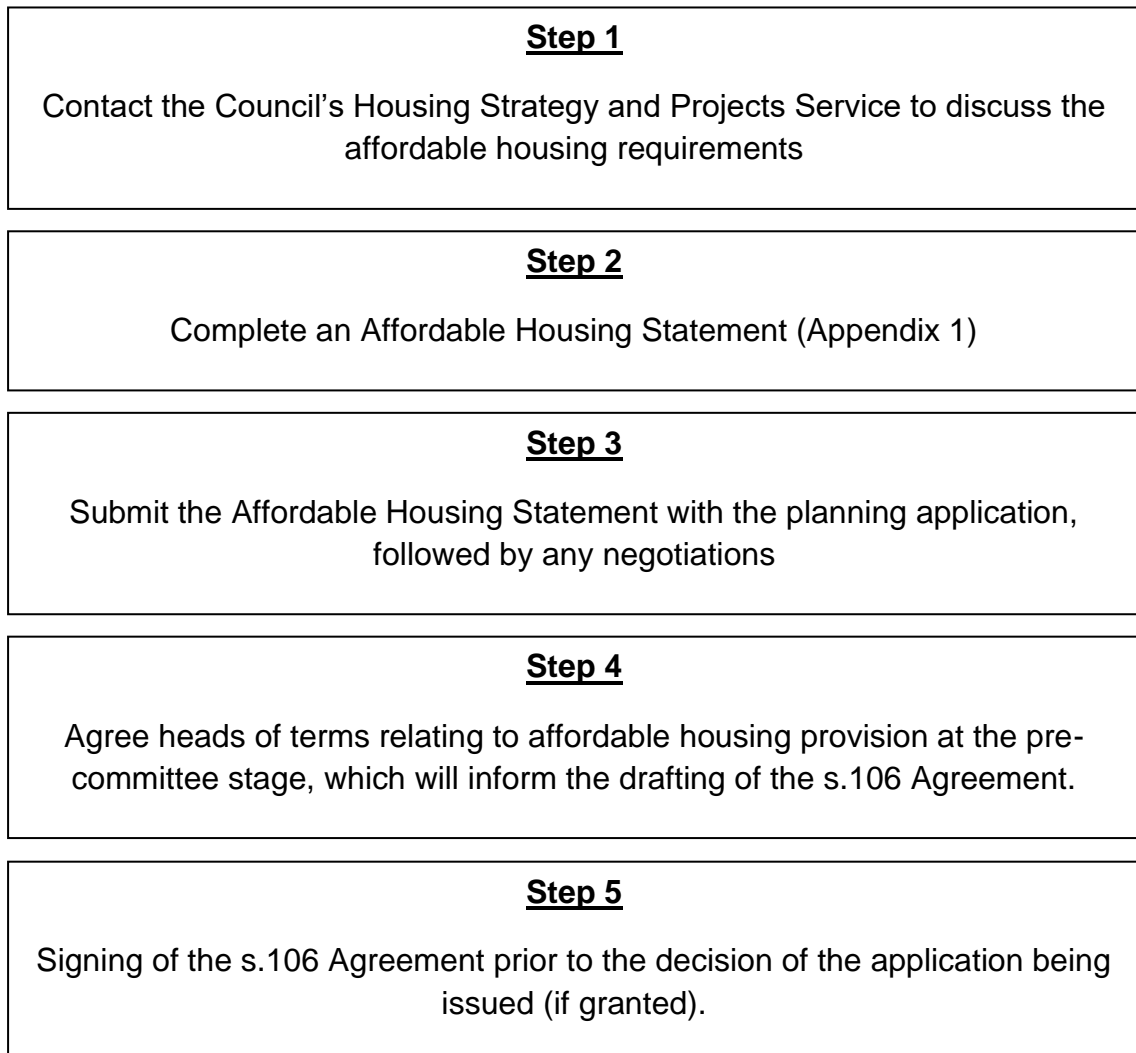
- 5.10. Once the on-site affordable housing required has been calculated, consideration should be given to the practicalities of delivering affordable housing on site, for example the planning application process; the type and mix of homes required; the size (bedrooms and bedspaces) of homes that should be provided; how affordable housing should be designed; who should be the registered provider (except for Build to Rent schemes); and the households in need of affordable housing in that area. The following section provides this guidance.

Planning Application Process

¹⁶ Footnote 28

5.11. The Council recommends the following planning application process for developers of schemes including affordable housing:

Figure 4 Stages in Planning Application Process for applications include affordable housing



5.12. **Step 1:** Before making a planning application, applicants should engage with the Council's Planning and Housing Strategy officers in pre-application discussions to discuss specifics of suitable affordable housing requirements for the site location and type. The discussions will need to include the following:

- Clarify the amount, type, size, tenure of affordable housing to be provided.
- Discuss the design and location of the affordable housing units.
- Identify possible registered providers and potential funding opportunities.
- Agree with the Council the Heads of Terms of the s.106 Agreement that will be required to ensure the delivery of the affordable housing.

Wherever possible, pre-application discussions should include a Registered Provider of affordable housing.

- 5.13. **Step 2:** The applicant should complete an Affordable Housing Statement following the pre-application discussion with the Council. The Affordable Housing Statement should outline the proposed methods of meeting the affordable housing requirements outlined in this SPD. A template for a simple Affordable Housing Statement is provided in Appendix 1 but the requirements and details are likely to vary by site.
- 5.14. **Step 3:** An Affordable Housing Statement will need to be submitted with the planning application. If an application does not include an Affordable Housing Statement, or that Statement is unacceptable, the application will not be registered and will be returned to the applicant.
- 5.15. **Step 4:** Once details of the affordable housing provision has been agreed with the Council, the Council will draft an appropriate s.106 Agreement.
- 5.16. **Step 5:** The s.106 Agreement will need to be finalised and ready for completion prior to the determination of the application.

Mix of Affordable Housing Required

- 5.17. Key characteristics of a mixed community are a mix of household sizes, ages and housing tenures, including couples, single person households, families with children, people with disabilities, and older people. In order to achieve a mixed community, a variety of housing tenures, types (flats and houses) and sizes are required.
- 5.18. To ensure a suitable mix of affordable housing to meet identified needs in the area is provided, applicants for planning permission will be required to have regard to the Council's most recent Strategic Housing Market Assessment (or similar), address any site specific requirements contained in local plan documents, have regard to the size and type of the market homes provided on the site and the prevailing type of housing in the area.

5.19. The Council's most recent Strategic Housing Market Assessment (now referred to in national policy as a Housing Needs Assessment) was completed in October 2019. This identified the following mix requirements:

- Tenure Mix:
 - 62% rented and 38% other affordable home ownership products
- Size Mix of housing:

Table 1: Affordable Housing Needs by Tenure and Property Size (Bedroom Numbers)

Number of bedrooms	Affordable Rented Accommodation (Social rented, affordable rent or affordable private rent)	Other Affordable Home Ownership Accommodation
1-bedroom properties	20%	20%
2-bedroom properties	40%	45%
3-bedroom properties	30%	25%
4+-bedroom properties	10%	10%

Source: Icini's 2019 Housing Needs Assessment

5.20. As set out in Policy DES6, the number of bed spaces in new affordable homes is also important in meeting identified needs, and details are set out in paragraph 5.3 below.

5.21. In exceptional circumstances, where the developer provides evidence that the design of development would mean that the target size is undeliverable, the Council may negotiate an alternative mix.

5.22. The Council may also negotiate an alternative tenure split where it would lead to the delivery of a greater number social rent units, however, in accordance with Paragraph 64 of the NPPF the Council will require 10% of all of the homes on the site to be provided as affordable home ownership products

unless the development is exclusively for affordable housing, is a self-build scheme, provides specialist accommodation for a group of people with specific needs or provides solely build to rent homes.

- 5.23. Where variations to tenure and mix of housing are proposed this needs to be discussed with the Council prior to submission of a planning application.

Type of Affordable Housing

Rented Accommodation

- 5.24. The Council requires the tenure mix of affordable housing provided on each qualifying site to contribute, subject to the Council's satisfaction, towards meeting the latest assessment of affordable housing needs. The Council's 2019 Housing Needs Assessment identified what might be considered a truly 'affordable' rent for different sized properties for households who cannot afford to privately rent. This is essentially a 'Living Rent'. The table below compares these living rents to the average gross social and affordable rents for the borough; this suggests that affordable rented accommodation will not meet the needs for those who are unable to afford market homes in the borough.

Table 2 Average Gross Costs

	Average Gross Social Rent (per week)	Average Gross Affordable Rent (per week)	Living Rent (per week)
1 Bedroom	105.18	122.75	£105.25
2 Bedroom	119.31	151.62	£136.75
3 Bedroom	132.89	192.84	£168.25
4 Bedroom	145.41	269.6	-

- 5.25. To meet the latest assessment of affordable housing needs in the borough, all rented accommodation should be provided as social rented accommodation. Where robust justification is provided, the Council may accept a proportion as affordable rent. The specific tenure mix will be negotiated on a site-to-site basis depending upon site specific circumstances and the latest needs for affordable housing in the specific local area. In some

cases the Council may accept a higher proportion of affordable home ownership products to enable the delivery of some social rented units.

- 5.26. Where affordable rent is provided, rent levels should be set at a level significantly below the prevailing Local Housing Allowance rate. In particular, rents for three bedroom homes should reflect the local Living Rent, subject to national rent setting guidance. Rents for four bedroom homes should be set well below the prevailing Local Housing Allowance level to maintain affordability for the intended households.

Affordable Home Ownership Accommodation

- 5.27. The Council will expect the tenure mix of affordable home ownership accommodation to meet the latest assessment of affordable housing needs in the borough. The Council's Housing Needs Assessment (2019) identified that a significant proportion of households in the private rented sector (30%) have an income that would allow them to buy a home. This suggests that for many households, barriers to accessing owner-occupation is less about the income/ the cost of the housing and more about other factors which could for example include the lack of a deposit. Given this, Icenic recommended shared ownership as the most appropriate form of affordable home ownership. To meet the latest identified needs for affordable home ownership in the borough, affordable home ownership products should be delivered as shared ownership accommodation.
- 5.28. The Council may accept other forms of affordable home ownership depending on the specifics of the site. This will be dealt with on a site by site basis reasons may include where it would meet an identified local need, where the whole site is proposed for affordable home ownership, or where the Council is satisfied that the affordable home ownership units need to be provided in alternative types due to future management reasons.

Size of Affordable Housing Required

- 5.29. It is important that affordable homes are well designed and of sufficient size to enable a good living environment for future residents, but are not too large, which would reduce their affordability.
- 5.30. The Council will therefore expect (as required by DMP Policy DES5: Delivering High Quality Homes) each new affordable housing to meet the nationally described internal space standards, unless it is providing an innovative type of affordable housing (for example modular homes). Where innovative affordable housing is proposed, the Council would encourage early pre-application discussion to discuss internal layout.
- 5.31. To meet identified needs, two-bedroom accommodation should be provided as 2 bedroom 4 person accommodation and a proportion of three-bedroom accommodation should be provided as 3 bedroom 6 person accommodation:
- The greatest need for accommodation in the borough is for 2 bedroom accommodation, in particular 2 bedroom 4 person accommodation as it can accommodate a greater number of household types.
 - Housing Services have identified that there is a need for a proportion of three-bedroom accommodation to be provided as 3 bedroom 6 person accommodation as it is difficult for families with three children to occupy 3 bedroom 5 person properties and therefore as a result the need is often translated to 4 bedroom need which can result in a notable increase in costs (particularly in the north of the borough where the Outer South London maximum Local Housing Allowance rate is higher).
- 5.32. To ensure the provision of the correct number of bedspaces per affordable home meets the national minimum space standards which are in DMP Policy DES4, the floorspace of each affordable unit will be specified in the s.106 agreement.

Design of Affordable Housing

- 5.33. In accordance with DMP Policy DES5, the Council expects all new development to:

- Be arranged to ensure primary habitable rooms have an acceptable outlook and where possible receive direct sunlight.
- Provide a convenient and efficient layout, including sufficient circulation space and avoiding awkwardly or impractically shaped rooms.
- Be designed to minimise the disturbance to occupants from other land uses nearby and/or sources of noise and pollution.
- Incorporate sufficient space for storage, clothes drying and the provision of waste and recycling bins in the home.
- Make adequate provision for outdoor amenity space, including balconies and roof terraces, and/or communal outdoor space¹⁷.

5.34. It is important that the new affordable housing in the borough is of a high quality. The Council will require developments to meet the latest design and quality codes set out by national government, including the National Design Guide: Planning Practice Guidance for Beautiful, Enduring and Successful Places¹⁸.

5.35. The Council's expectation is that its appearance in terms of design and materials should not differentiate it from the market housing developed on-site. Occupants should also have the same level of access to transport, facilities, shops and children's outdoor play areas. Car parking spaces should also be allocated on the same ratio as for market housing, which recognises the need for parking for work-related vehicles.

5.36. For flatted schemes the Council will require:

- Rented accommodation to be provided in a separate block to other affordable accommodation and market accommodation. This block should be no more than four storeys high.

¹⁷ This area should not be included in the floorspace provision for the units.

¹⁸ Available at: <https://www.gov.uk/government/publications/national-design-guide>
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/835212/National_Design_Guide.pdf

- Where it is not possible for design reasons to provide a separate block of rented accommodation, there should be a separate access and a separate core for the rented accommodation.
 - Where it is not possible for design reasons to provide a separate entrance or separate core, the units should be provided on the ground floor so that each unit can have its own external entrance.
 - Where this is not possible with the agreement of a registered provider, the rented accommodation should be provided on a separate floor.
- 5.37. On large mixed tenure s.106 schemes, affordable housing should be spread throughout the development. For management reasons, the units should be clustered rather than “pepper-potted” throughout the development. Clusters should not usually be more than 12 units in any one location. The s.106 agreement will detail specifically which units are to be provided as affordable housing.
- 5.38. On developments of 60 units or more, as stipulated in DMP policy DES6, developers are required to provide 5% of the gross affordable housing on the site as rented accommodation meeting Building Regulation Part M requirements for wheelchair user dwellings. For such schemes a planning condition will require approval of the working drawings of the affordable rented wheelchair units to ensure the Council is satisfied with the design, layout and characteristics of the units.
- 5.39. When designing schemes, the Council will expect developers to consider the practicalities of future management of the affordable housing, in particular the affordable rented units. The provision of large roof terraces, communal facilities and facilities which would lead to high service charges should not for example be designed into affordable rented accommodation.

Affordable Housing Provider

- 5.40. The Council's preference is for affordable housing to be provided and managed by registered providers. However, the Council recognises that it

cannot be prescriptive on this issue for Build to Rent Schemes or other affordable routes to home ownership.

- 5.41. For Build to Rent schemes, the Council's preference is still that they are managed by a registered provider, however, the Council recognises that the NPPF¹⁹ states that the landlords need not to be a registered provider. For mixed tenure build to rent schemes the Council will expect common management.
- 5.42. For Build to Rent schemes, the Council will require the provider to enter into a s.106 agreement which will detail the process for managing the Affordable Private Rent homes. This will include information on:
- The parameters of the lettings agreement
 - Rent levels
 - Apportionment of the homes across the development
 - A management and service agreement
 - A marketing agreement setting out how availability is to be publicised
 - A requirement to produce an annual statement for the Council which confirms the approach to letting the affordable units, their ongoing status, and clearly identifying how the scheme is meeting the overall affordable housing level required in the planning permission.

Cost of Affordable Housing

Social Rent Accommodation

- 5.43. Where accommodation is provided as Social Rent, the Council will expect social rents to be charged in accordance with the relevant guidance at the time of the application. For more information see Appendix 2.

Affordable Rented Accommodation

- 5.44. The Council encourages affordable rented accommodation to be provided in line with the following monthly 'living rent' levels.

¹⁹ Affordable Housing, Annex 2: Glossary

5.45. Where Affordable Rent accommodation is to be provided, the Council will require the rent (including all service and management charges) to not exceed the Local Housing Allowance or 80% of the market rent, whichever is the lowest²⁰.

Table 3: “Living Rents” for Affordable Rented Accommodation

	1-bedroom	2-bedroom	3-bedrooms
North	£432	£562	£691
Central	£421	£547	£674
South	£402	£522	£643
Borough	£421	£547	£673

Source: Icen Projects Ltd (2019) (ASHE and Living Rents Methodology)

Cost of Other Affordable Home Ownership Products

5.46. The change to the NPPF definition of affordable housing introduced in 2018 broadens the definition of affordable housing (i.e. social rented and affordable rented accommodation) to also include other affordable home ownership products including starter homes, low cost market housing, discounted market sales housing and other affordable routes to home ownership including, 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).

5.47. As part of the Housing Needs Assessment Icen Projects Ltd. examined the relative cost of housing to buy and rent in the borough and identified that there are a number of households earning between £31,500 and £60,000 falling within a rent/buy gap (i.e. able to afford to rent privately but not able to buy a property in the borough). They therefore recommended that affordable home ownership products should be pitched at such households.

5.48. For the affordable home ownership products specified in the NPPF (excluding starter homes), the NPPF advises that these properties should be sold at a

²⁰ More information on affordable rent and rent setting is provided in Appendix 2.

price equivalent to at least 20% below local market value. The concern with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that housing is not actually affordable to those in housing need.

- 5.49. The Housing Needs Assessment included a calculation of a range of affordable purchase costs for different sizes of accommodation in the borough taking into consideration affordability in the borough. These should be borne in mind when establishing prices for affordable home ownership in the borough as setting higher prices would mean that such housing would not be available to households for whom the Government is seeking to provide an 'affordable' option.

Table 4 Affordable Purchase Costs

		1-bed	2-bed	3-bed	4+-bed
North	Lower Limit	£149,000	£194,000	£248,000	£328,000
	Upper Limit	£178,000	£279,000	£424,000	£558,000
Central	Lower Limit	£142,000	£183,000	£231,000	£306,000
	Upper Limit	£161,000	£252,000	£383,000	£504,000
South	Lower Limit	£131,000	£166,000	£205,000	£271,000
	Upper Limit	£134,000	£210,000	£319,000	£419,000
Borough-wide	Lower Limit	£138,000	£178,000	£223,000	£295,000
	Upper Limit	£152,000	£239,000	£363,000	£477,000

Source: Icen Projects Ltd (2019)

- The bottom end of the range is based upon converting the private rent figures into an equivalent house price, so that the sale price will meet the needs of all households in the gap between buying and renting.
- The upper level is set based on the estimated lower quartile price to buy a home.

Nominations

- 5.50. The Council requires affordable housing to be provided in order to meet identified housing need in the borough. It is therefore important that households with an established local connection with the borough are given priority for affordable housing.
- 5.51. Local connection for rented accommodation will be defined in line with the Council's most recent Housing Allocations and Nominations Policy. At the time of adopting this SPD, this requires applicants for rented accommodation to have either continually lived in the borough for three years or have been continually employed in the borough for a period of 12 months at the date of the application to join the housing register²¹. Criteria are set for affordable homeownership products separately. These prioritise homes to local households, unless Homes England funding sets an alternative requirement.
- 5.52. Providers of affordable housing will be required to enter into a nomination agreement with the Council. The Council's usual requirement is to include a "nominations protocol" (see Appendix 3) in the s.106 Agreement signed by the developer. The Council will normally require:

²¹ A number of exceptions to this are outlined in the Housing Register and Allocations Policy available at:

http://www.reigate-banstead.gov.uk/download/downloads/id/5403/housing_register_and_allocations_policy_pdf.pdf

Table 5 Nomination Requirements

	Rented Accommodation	Homeownership
Initial Lets/ Sales	100% nominations	100% nominations
Relets/ Resales	75% nominations	100% nominations

- 5.53. Nominations for rented homes will be made from within the Council’s Housing Register, via the HomeChoice system, or by direct offers. . In some cases the Council will agree a local lettings policy with the provider of rented homes to meet particular needs or local circumstances. For homeownership, applicants must normally be registered on the local Help to Buy Agent’s List.
- 5.54. Nomination obligations will be required to be passed to any future owners of the affordable dwellings, or be provided elsewhere. A summary of the main issues to be included within a nominations agreement is provided within Appendix 3.

Maintaining accommodation as affordable housing

- 5.55. Given the need for affordable accommodation in the borough, the Council requires affordable housing to be secured in perpetuity by planning obligation, (i.e. to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision) in order to comply with national planning policy for affordable housing. Section 106 agreements will therefore require the units to be retained as such in perpetuity, or for the subsidy to be recycled for alternative affordable housing provision.
- 5.56. To ensure that affordable housing continues to meet the borough needs for affordable housing, the s.106 agreement will also require subsequent purchasers to take on the obligations in the nomination agreement or to enter into a replacement nomination agreement with the Council.

- 5.57. The Council will therefore resist planning applications which result in a net loss of affordable housing which has been secured by planning obligation or condition, as stated in DMP Policy DES6(6).
- 5.58. The Council will not resist the loss of affordable housing that has not been secured by planning obligation or condition, as experience shows that typically these affordable homes are outdated and no longer fit for purpose. The Council recognises that the redevelopment of these sites will deliver other benefits such as regeneration benefits, provide more modern/ better sized dwellings, improve the quality of housing or deliver a better tenure mix.
- 5.59. Such proposals should be discussed with the Council prior to the submission of a planning application.
- 5.60. The Council recognises that there are circumstances in which affordable housing will be lost (for example shared ownership staircasing to 100% or discharge of the charge on a shared-equity dwelling) and therefore s.106 agreements will also require any receipts to be spent on the re-provision of affordable housing in the borough. Where grant funding has been used to fund the development of the units, the s.106 agreement will require the receipts to be recycled for alternative affordable housing provision in the borough or refunded to the Government or local authority depending upon the funding source and the funding policies and requirements.

Legal Agreement

- 5.61. The Council will expect the developer to enter into an appropriate s.106 agreement covering all aspects of the on-site deliver of affordable housing outlined above. The content of the agreement will vary from site to site, a standard s.106 agreement template is not considered suitable. However Appendix 4 lists the main issues that will be included in most agreements.

- 5.62. A mortgage in possession clause will always be included in the planning agreement; together with limitations on the occupation of the affordable housing.
- 5.63. The council will draft an appropriate agreement for which a fee is payable. The fee will depend on the complexity of the Agreement. An estimate of the fee payable can be obtained from the Council's Legal Services.

Funding

- 5.64. Prior to submitting a planning application, developers should make themselves aware of the funding sources available for affordable housing provision and the ability of affordable housing providers to bid for property within the borough. Developers should also consider whether they would like to offer the whole scheme to a registered provider.

6. Viability

- 6.1. The Council expects planning proposals to be policy compliant. Both the 2012 and 2019 NPPF and the PPG are clear that the role of viability assessment is primarily at the plan making stage where the cost of complying with all development plan policies is tested. This was tested during the preparation of the DMP and included the assessment of all of the sites allocated for development and a selection of theoretical sites.
- 6.2. In the event of anticipated viability issues, which may result in a non-policy compliant scheme being proposed, the developer is advised to contact the Local Planning Authority before submitting the planning application to discuss ways of addressing the requirements for providing affordable housing.
- 6.3. To justify not providing policy requirements in the policy and this guidance (i.e. size/ mix/ tenure/ on-site provision etc.), the Council will expect a detailed viability appraisal to be submitted.
- 6.4. The viability assessment will be required to comply with and provide the following:
 - To be undertaken in line with the current NPPG at the time of submission
 - It must refer back to the viability assessment which informed the DMP and for a summary to be provided as to what has changed since the viability assessment which informed the DMP
 - Be provided in an electronic format with working spreadsheets to allow those reviewing the assessment to alter the inputs to establish the impact this might have on viability.
 - Any viability assessment to be accompanied by a clear written summary which explains the findings and gives sufficient information for the public and decision makers to enable them to understand the conclusions.
 - For information and data to be provided on:
 - The methodology used for the appraisal and details of any appraisal software or toolkits used.

- Land values, both current and at the time of purchase if different (please note that the price paid for land will not be accepted as a reason to justify a viability appraisal)
 - Price paid for the land and costs taken into account when arriving at the price paid for the land (if the land is not owned by the applicant, details of any option agreements or agreements to purchase)
 - Residual land values and gross development value
 - Gross and net area of the development
 - Number, size and type of units
 - Build costs (per square meter) and comparison with appropriate published RICS data
 - Abnormal or exceptional costs not reflected in the land value/ price (and reasons why)
 - Other costs e.g. design, legal, consultants, planning etc.
 - Costs of any other planning obligations including infrastructure requirements and financial contributions
 - Build programme and phasing
 - Interest rates, cap rates, loan costs and cash flows
 - Developers profit and an explanation of its make up, and any company or financiers requirements
 - Anticipated phasing
 - Marketing and legal costs (and as a percentage of GDV)
 - Anticipated sales price for each unit type, and current assumed value of each unit type
 - Anticipated phasing of sales
 - Ground rents and service charges payable
 - Proposals for on-site affordable housing meeting the requirements of the SPD
 - Anticipated price to be paid by the affordable housing provider, and the assumption on which this is based.
 - Substitution values and revenues for less or no affordable housing on site.
- And for detailed evidence to support all inputs.

- 6.5. Depending on individual site circumstances, further information may be required, for example:
- Developers market analysis report
 - Details of company overheads
 - Copy of financing offer/ letter
 - Copy of cost plan
 - Board report on scheme
 - Letters from auditors re. land values and write offs
 - Sensitivity analysis showing different assumption options (e.g. low, medium and high).
- 6.6. For mixed-use schemes similar information and data will be required on the non-residential uses.
- 6.7. In accordance with the NPPF, viability appraisals will be made publicly available on the Council's website.
- 6.8. The Council reserves the right to ask developers for additional information where necessary.
- 6.9. Viability assessments will either be reviewed by council officers or independent external assessors. Where assessments are appraised by external assessors, a fee will be charged to the applicant to cover this cost. Where deemed necessary this may include the cost of a full viability appraisal. Information on the fee level will be available from the Council and must be paid to ensure validation of any planning application. Fees will vary according to the size of the application and the level of scrutiny required.

Affordable Housing Cascade

- 6.10. Where developers demonstrate to the Council's satisfaction that providing the amount, tenure mix, size and/or type of affordable housing required by this SPD would not be economically viable, the Council will follow the following cascade mechanism to assist with delivering a scheme:

- Vary the tenure mix (for example a greater number of intermediate properties to enable a greater proportion of social rented accommodation rather than the provision of affordable rent), size, and/or type of homes to be provided
- Reduce the overall number of affordable homes
- Deferred contribution payments

Off-Site Financial Contributions

6.11. The Council expects affordable housing to be provided on-site and expects the land-owner and developer to make provision for this requirement. Off-site financial contributions are the least favoured option for delivering affordable housing as it places further pressure on the Council to find sites and acquire land themselves or identify opportunities to allocate such affordable housing contributions and it takes the responsibility away from developers. They will therefore only be accepted in exceptional circumstances.

6.12. Applicants will be required to provide strong justification for the provision of off-site provision or a commuted payment; in particular they will be required to demonstrate that it is not suitable or practical to deliver the affordable housing on-site. Such circumstances may include:

- Where affordable housing would be too expensive (for example where there would be high costs for occupiers associated with the development. for example, in conversions of listed buildings which results in high service/ maintenance charges and where this cannot be satisfactorily overcome or avoided by alternative design).
- Where the development would result in a small number of affordable housing units and for reasons of future management there is not a willing Registered Provider to take on the units²²

6.13. In the exceptional circumstances in which the Council considers that it is justified for affordable housing provision to be provided as an off-site payment

²² In this circumstance, the Council will require evidence that contact has been made with Registered Providers and confirmation from them that they are not willing to take on the units.

in lieu, the Council will expect the off-site contribution to be equivalent or greater than the cost of providing the affordable housing on-site. In order to calculate this requirement, the Council will require the developer to put forward two viability appraisals, one residual appraisal assuming full compliance with affordable housing requirements of the DMP and the requirements of this Affordable Housing SPD and one residual appraisal assuming 100% market housing (as is proposed by the developer without affordable housing). The off-site payment in lieu will be the difference between the two residual land values.

Other Information on Financial Contributions

Payment Requirements for Financial Contributions

- 6.14. The Council will generally expect the following to be incorporated into the s.106 agreement:
- The amount to be paid as at the date of the application or date of the planning committee resolution.
 - Indexation from the date of the resolution to grant until the date of payment. Indexation will be on an annual basis in accordance with the retail price index.
 - Payment to be made on the commencement of development for amounts up to £50,000. For amounts over £50,000 the payment schedule will be 50% on commencement and 50% when half of the units have been occupied. Indexation will continue until the final payment is made. Unless a variation to this has been agreed on the basis of scheme viability
 - Applicant to notify the Council when payment trigger is reached.
 - Penalty interest to be payable on late payments.
 - The council will have 10 years in which to spend the contribution.
 - The Council may spend the money in any part of the borough for the provision and/ or improvements to affordable housing.

Collection of Financial Contributions

- 6.15. The s.106 agreement will contain a milestone that triggers the payment of the contribution, usually (but not always) this will be the carrying out of any

material operation. When the payment is triggered the applicant should notify the Council that the payment is now due.

- 6.16. On receipt of the notification the Council will issue an invoice for the amount payable, including any indexation.
- 6.17. The Council will monitor CIL, building control and other data sources and issue an invoice if the applicant fails to advise the Council that the payment has been triggered. Indexation applies until the date of the invoice, so in these circumstances the amount may be higher than if the applicant had advised the Council when the payment was triggered.
- 6.18. Penalty interest is payable if the invoice is not paid within the required timescale.

Using Financial Contributions

- 6.19. The Council will use the financial contribution collected in a number of ways, and will require the flexibility to do so to be reflected in the s.106 agreement.
- 6.20. In all cases the Council will use contributions for the provision of affordable housing or to improve or make best use of the existing stock of affordable housing in the borough. The Council may choose to:
 - Fund registers providers to buy land for affordable housing
 - Fund the development of affordable housing by registered providers
 - Fund the purchase of affordable housing by registered providers, the council or other charitable bodies
 - Fund the refurbishment, conversion or redevelopment of existing affordable housing
 - Fund the conversion of existing affordable housing where the proposed completed dwelling cannot be (or is unlikely to be) provided in other ways
 - Fund other innovative methods of providing affordable housing
- 6.21. The Council may spend financial contributions in the form of a Grant to be given to Registered Providers; the Council will also consider other methods of

achieving the provision of affordable housing including direct provision of affordable homes. In recent years the Council has spent financial contributions from planning agreements on:

- Conversion and refurbishment of properties into temporary accommodation.
- Grant funding to a registered provider to support the provision of single person low support accommodation.
- Provision of loft conversions to increase the supply of 4 and 5 bedroom affordable properties.

6.22. The Council will normally aggregate financial contributions from different sites and will spend contributions in the way that best achieves the council's priorities for affordable housing. The number of units resulting from expenditure may be more, or less, than the number of units used in calculating the original contribution. Financial contributions may be used to fully fund a project or to top up funding from other sources.

6.23. Decisions on the expenditure of financial contributions will be made in accordance with the Council's Constitution and Scheme of Delegation.

7. Monitoring and Review

Review of SPD

- 7.1. The Council will review the need to update the SPD annually and will revise the SPD if anything significantly changes.
- 7.2. The appendices will be revised as necessary when the information in them requires updating. Updating of information in the appendices will not be subject to consultation.

Monitoring

- 7.3. The Council monitors the effectiveness of its development plan policies and guidance for the provision of affordable housing through the Annual Housing Monitor. The Council publishes the AMR each summer following the end of the monitoring period (April to March). From 2020 this information is required to be provided in the Councils' annual Infrastructure Funding Statement.²³
- 7.4. The Council monitors:
 - The number residential applications:
 - Number of sites of 15 units and above
 - Number of sites of 14 units and below
 - Viability of applications
 - On-site provision (agreed/delivered):
 - Tenure mix
 - Numbers
 - Sites/ types
 - Financial contributions agreed/ due/ paid/ spent etc.
 - Affordable housing provided other than through the Core Strategy policies

²³ Required by the 2019 CIL Amendment Regulations

Appendix 1: Affordable Housing Statement

Applications for residential development of 11 or more homes or greenfield urban extension sites are required to be accompanied by an affordable housing statement outlining the proposed methods of meeting the affordable housing requirements outlined in this SPD.

The statement should cover the following issues and if any information is unknown at the time of the application the reason should be stated below in the relevant section.

Affordable Housing Statement	
Application site	
Proposal description	
Does the proposed development take into account the guidance in the Affordable Housing SPD? Please provide details of how the scheme meets the guidance or explain the reasons why it is unable to meet the guidance.	Yes/ No
Has the applicant discussed the affordable housing provision with the Council's Planning and Housing Services, if so who, when did this discussion take place?	Yes/ No Officer: Date:
If a Registered Provider involved? If there is no Registered Provider at this stage, please provide details of the timings and process for identifying one	
Number of affordable units to be provided	
Type (houses / flats) and tenure and size (bedrooms and bedspaces) of	e.g. affordable housing: 1x 2 bed 4 person semi-detached house xx sqm

affordable and market housing proposed	1 x 1 bed 2 person flat xx sqm
Any other information relating to the affordable housing proposals	

Appendix 2: Cost of Affordable Rent and Social Rented Accommodation

- 1.1. This appendix provides additional information on the cost of affordable rent and social rented accommodation.
- 1.2. Until April 2011 the main affordable rented tenure was social rent with rents fixed by each Registered Provider in accordance with the National Rent Regime and the Registered Providers own target rents. However in the October 2010 Spending Review²⁴ announced the Government's intention to introduce a new type of "intermediate rent" tenure (subsequently introduced as affordable rent). The rationale for the introduction of this new tenure was to:
 - Maximise the delivery of new social housing by making the best possible use of constrained public subsidy and the existing social housing stock
 - To provide an offer which is more diverse for the range of people accessing social housing, providing alternatives to traditional social rent
 - To offer housing associations the flexibility to convert vacant social rent properties to affordable rent at re-let, at a rent level of up to 80% of market rent and therefore reinvest the additional rental income into the supply of new affordable housing.
- 1.3. The Written Ministerial Statement²⁵ stated that affordable rent can be let at up to 80% of market rent for an equivalent property for that size and location and that the association's calculation of market rent would need to be based on a residential lettings estimate for a property of the appropriate size, condition and area. It stated that the maximum annual rent increase on an affordable rent property will be RPI + 0.5% but that associations will be required to

²⁴ HM Treasury Spending Review 2010, October 2010
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/203826/Spending_review_2010.pdf

²⁵ Local Decisions: A Fairer Future for Social Housing Consultation, November 2010
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/8512/1775577.pdf

rebase the rent on each occasion that a new tenancy agreement is issued (or renewed) for an affordable rent property and that this requirement overrides the RPI + -.5% limit to ensure that the rent set at the beginning of each new tenancy is no higher than 80% of the market rent.

- 1.4. On 14 February 2011, the Homes and Communities Agency (HCA) published their Framework Document²⁶ which formally introduced the affordable rent tenure as part of a number of changes to the funding and delivery of affordable housing. This document (and the subsequent revised NPPF) is clear that affordable rent is not a replacement for social rent and that the two tenures co-exist.
- 1.5. The Ministry of Housing, Communities and Local Government “Policy Statement on Rents for Social Housing”, February 2019 states that “affordable rent housing means accommodation that is:
 - a) Provided by a registered provider pursuant to a housing supply delivery agreement between that provider and the Homes and Communities Agency (now known as Homes England) or the Greater London Authority and the accommodation is permitted by that agreement to be let at an affordable rent;
 - b) Provided by a registered provider pursuant to an agreement between a local authority and the Secretary of State and the accommodation is permitted by that agreement to be let at an affordable rent; or
 - c) Provided by a local authority and the Secretary of State, Homes England or the Greater London Authority has agreed that it is appropriate for the accommodation to be let at an affordable rent”.
- 1.6. The impact of affordable rent is significant in the borough because of its location within some of the highest rental areas in the country outside of London²⁷. The borough falls within two Broad Rental Market Areas: “Crawley

²⁶ <http://www.homesandcommunities.co.uk/public/documents/Affordable-Homes-Framework.pdf>

²⁷ The borough was ranked in the top 20% most expensive in terms of monthly private rentals in the country April 2018 – March 2019.
<https://www.gov.uk/government/statistics/private-rental-market-summary-statistics-april-2018-to-march-2019>

and Reigate” and “Outer South London”. The table below shows that the average weekly gross social rent for the borough is significantly below the average gross affordable rent for the borough²⁸.

Table 1 Average Gross Social and Affordable Rent

	Average Gross Social Rent (per week)	Average Gross Affordable Rent (per week)
1 Bedroom	105.18	122.75
2 Bedroom	119.31	151.62
3 Bedroom	132.89	192.84
4 Bedroom	145.41	269.60

Source: Valuation Office Agency (2019)

- 1.7. It is therefore a major concern that affordable rents could be unaffordable to a substantial proportion of households in the borough, particularly those households which have the greatest need for affordable housing.

Cost of Affordable Rent Accommodation

- 1.8. With regards to rent setting, the Ministry of Housing, Communities and Local Government “Policy Statement on Rents for Social Housing”, February 2019 policy statement states that:
- The rent for affordable rent housing (inclusive of service charges) to not exceed 80% of gross market rent. Gross market rent is defined as the rent (inclusive of any applicable service charges) for which the accommodation might reasonably be expected to be let in the private rented sector.
 - Property size, location, type and service provision must be taken into account when determining what gross market rent a property might achieve if let in the private rented sector.
 - When setting rents, registered providers must also ensure that they comply with the terms of any agreements with Homes England, the Greater London Authority or the Secretary of State.

²⁸ Statistical Data Return 2018 to 2019
<https://www.gov.uk/government/statistics/statistical-data-return-2018-to-2019>

- Providers must also have regard to the conditions and policies set out in the Frameworks for the government's affordable homes programmes, where they are letting properties on affordable rent terms within these programmes.
- Properties let by registered providers are not subject to the Local Housing Allowance. Nevertheless, providers should have regard to the local market context, including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located, when setting affordable rents.
- An affordable rent should be no lower than the potential formula rent for the property. In cases where the rent would be lower than the formula rent, the formula rent constitutes a floor for the rent to be charged.
- Registered providers may not always need to undertake a full valuation on each occasion that a property is let on affordable rent terms (for example in areas where affordable rent is widely used, providers might have a rolling schedule of tenancies coming up for re-issue or re-let and therefore may have an adequate comparable ready to hand and therefore may not need to undertake a full valuation) but in situations where a full valuation is required, valuations for initial rent setting must be made in accordance with a method recognised by the Royal Institution of Chartered Surveyors.

1.9. With regards to changes to rent, the policy statement states that:

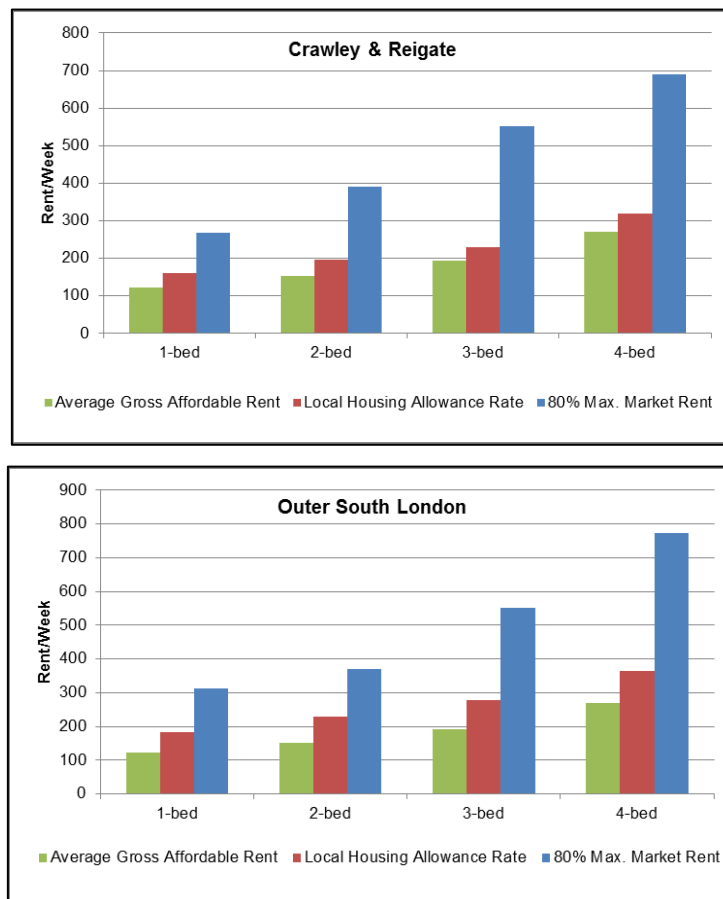
- Registered providers must not increase rents for properties let on affordable rent terms by more than CPI (taken as at September of the previous year) plus 1 percentage point each year.
- Providers should consider the local market context when deciding whether to implement a rent increase and the level of that increase, as well as the levels of Housing Benefit or Universal Credit that is available to claimant households who might occupy their properties.
- When a tenancy/ licence of affordable rent housing is let to a new tenant (or re-let to an existing tenant), registered providers must re-set the rent based on a new valuation to ensure that the new rent is no more than 80% of the relevant market rent. However, if the accommodation is re-let to the

same tenant as a consequence of a probationary tenancy coming to an end, the rent must not be re-set.

- Where a registered provider is re-setting the rent as a result of re-letting affordable rent housing to an existing tenant, the provider may not increase the rent by more than CPI plus 1 percentage point.

1.10. Figure 1 below shows that for both the Crawley & Reigate and the Outer South London broad rental market areas that the average gross affordable rent is below the Local Housing Allowance Rate and 80% of maximum market rent.

Figure 1 Comparison Cost of Affordable Housing



Source: Valuation Office Agency (2019)

1.11. To understand what might be considered an 'affordable' rent, as part of the Housing Needs Assessment the 2019 Housing Needs Assessment considered what might be considered a 'living rent'. This analysis was based

on local incomes and housing costs and research by JRF/Savills²⁹ and use the following methodology:

- Annual Survey of Hours and Earnings (ASHE) lower quartile earnings;
- Adjustment for property size by recognised equivalence model;
- Starting rent set at 28% of net earnings; and
- Rent set at Local Housing Allowance (LHA) limits where calculations show a higher figure.

1.12. The analysis identified the following ‘living rent’ levels for different areas of the borough.

Table 2 "Living Rent"

	1-bedroom (Per month)	2-bedroom (Per month)	3-bedrooms (Per month)
North	£432	£562	£691
Central	£421	£547	£674
South	£402	£522	£643
Borough	£421	£547	£673

Source: Icen Projects Ltd (ASHE and Living Rents Methodology)

1.13. The table below shows that these ‘living rents’ are below Local Housing Allowance Levels.

Table 3 Comparison of “Living Rent” and Local Housing Allowance

Borough	1-bedroom		2-bedroom		3-bedroom	
	‘Living Rent’	LHA*	‘Living Rent’	LHA*	‘Living Rent’	LHA*
North	£432	£696	£562	£854	£691	£993
Central	£421	£792	£547	£997	£674	£1,210
South	£402		£522		£643	

*LHA July 2019

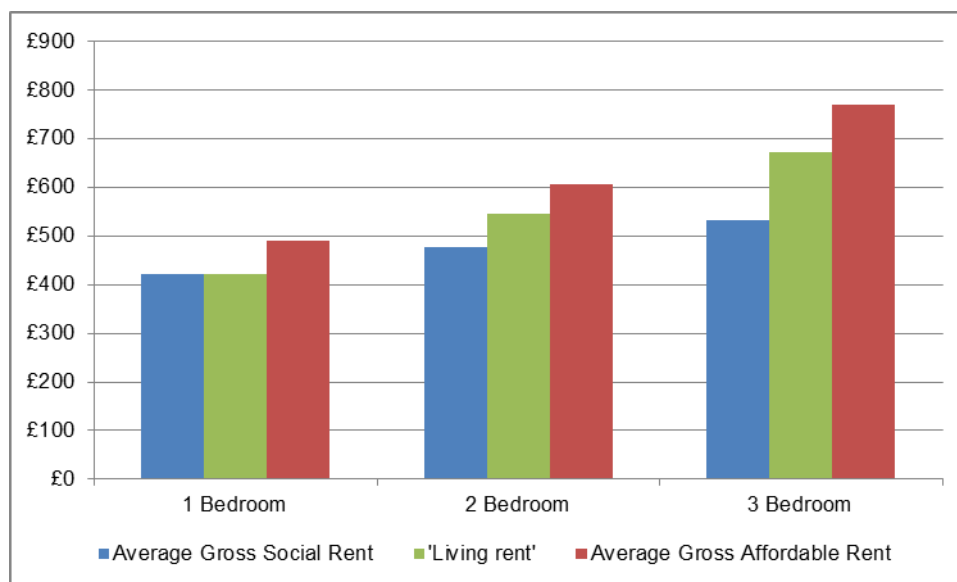
Source: Valuation Office Agency (2019)

1.14. Figure 2 below also shows that the ‘living rent’ for the borough as a whole is above the average gross social rent for the borough (for 2-bed and 3-bed

²⁹ <http://pdf.savills.com/documents/Living%20Rents%20Final%20Report%20June%202015%20-%20with%20links%20-%2019%2006%202015.pdf>

properties and the same for 1-bed properties) but below the average gross affordable rent for the borough.

Figure 2 Comparison Cost of Rented Accommodation



Source: RBBC Analysis (Iceni Projects Ltd. 'living rent' data and Valuation Office Agency 2019 data)

Setting Affordable Rent Levels

- 1.15. Given that the 'living rents' for the borough are below the average gross affordable rent for the borough, and given the recognised need for affordable housing in the borough which the Core Strategy Inspector recognised that the Council will not be able to meet due to land constraints constraining market housing delivery and the proportional relationship of the delivery of market housing and affordable housing, the Council will still only accept affordable rented affordable housing where there is robust financial justification for doing so based on the circumstances of the specific site (or phase within a larger site) or where the provision of affordable rented units would lead to the delivery of a greater proportion of social rented units. Where affordable rented products are proposed, the Council encourages early pre-application engagement.
- 1.16. Where affordable rented accommodation is to be provided, the Council will require the rent (including all service and management charges) to not exceed the Local Housing Allowance or 80% of the market rent, whichever is the

lowest and the Council encourages affordable rented accommodation to be provided in line with the following 'living rent' levels.

Table 4 "Living Rent"

	1-bedroom	2-bedroom	3-bedrooms
North	£432	£562	£691
Central	£421	£547	£674
South	£402	£522	£643
Borough	£421	£547	£673

Source: Icenii Projects Ltd (2019) (ASHE and Living Rents Methodology)

Cost of Social Rent Accommodation

1.17. Since 2001, social rent levels have generally been based on a formula set by Government. The Department for Communities and Local Government "Guidance on Rents for Social Housing", 2014³⁰ set out the government's policy on rents for social housing from April 2015. This stated that under social rent policy, rents should be set based on a formula and that this formula should enable local authorities to set rents at a level that allows them to meet their obligations, their tenants and maintain their stock, while maintaining a credit balance on their Housing Revenue Accounts. For the majority of social rent properties, a formula rent has already been set, but there will be some cases where a formula rent is not in place (i.e. newly developed properties or newly acquired properties). For these properties the formula rent will need to be calculated.

1.18. The basis for the formula rent is:

- 30% of a property's rent should be based on relative property values;
- 70% of a property's rent should be based on relative local earnings; and
- A bedroom factor should be applied so that, other things being equal, smaller properties have lower rents.

³⁰

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/313355/14-05-07_Guidance_on_Rents_for_Social_Housing_Final_.pdf

Weekly formula rent is equal to:

70% of the national average rent
Multiplied by relative county earnings
Multiplied by the bedroom weight
Plus
30% of the national average rent
Multiplied by relative property value

National average rent: the national (England) average rent in April 2000.

Relative county earnings: the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels.

Relative property value: an individual property's value divided by the national (England) average property value, as at January 1999 prices.

- 1.19. The amounts to use for the national average rent, national average manual earnings, the national average property value and bedroom weights are detailed in Appendix A of the report.
- 1.20. Once the formula rent for 2000/01 has been calculated, it then needs to be uprated annually by CPI (at September of the previous year) plus 1 percentage point. If the formula rent is higher than the capped rent (stated in Appendix A and uplifted by CPI (at September of the previous year) plus 1.5 percentage points each year) then the formula rent is capped at this level.
- 1.21. In the Summer Budget of 2015³¹ the Chancellor however announced that rents in social housing would be reduced by 1% a year for four years resulting in a 12% reduction in average rents by 2020-21. This policy change was unexpected and was greeted with some dismay by social landlords who had to model the impact on their business plans. Providers of supported housing, where rent levels tend to be higher, expressed particular concerns about the viability of these schemes.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/443232/50325_Summer_Budget_15_Web_Accessible.pdf

- 1.22. At the end of January 2016, Lord Freud in a letter to Homeless Link³² announced a year-long exception for all supported housing from the 1% rent reduction. This was later confirmed in his address to the House of Lords on 27 January 2016³³.
- 1.23. On 15 September 2016, Damian Green the then Secretary of State announced that the deferral of the 1% rent reductions would end³⁴. Rent reductions are therefore being applied to all supported housing schemes, with some exceptions, so that rents for these properties decrease by 1% a year for 3 years up to and including 2019/20.
- 1.24. The National Housing Federation subsequently lobbied for flexibility for associations to set their own rents. The Housing White Paper “Fixing Our Broken Housing Market”, 2017³⁵ includes a commitment to “set out, in due course, a rent policy for social housing landlords (housing associations and local authority landlords) for the period beyond 2020 to help them borrow against future income”. It also stated at Paragraph 3.26 that the Government would undertake further discussions with the sector before introducing the rent policy.
- 1.25. Following this commitment in the White Paper, on 4 October 2017 the Government announced that increases to social housing rents will be limited to the CPI plus 1% for 5 years from 2020 to give social tenants, councils and housing associations the security and certainty that they need³⁶.

³²

<https://www.homeless.org.uk/sites/default/files/20160127.1%20per%20cent%20exception.Lord%20Freud.pdf>

³³ <https://publications.parliament.uk/pa/ld201516/ldhansrd/text/160127-0003.htm#1601284000153>

³⁴ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2016-09-15/HCWS154/>

³⁵

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf

³⁶ <https://www.gov.uk/government/news/2-billion-boost-for-affordable-housing-and-long-term-deal-for-social-rent>

- 1.26. Between September and November 2018 the Government consulted on a new rent direction – “Rents for social housing from 2020-21”³⁷. This consultation asked “do you agree with the proposal to permit registered providers to increase rents by up to CPI plus 1% each year?” In response to the consultation³⁸, the Government confirmed its commitment to increases to social rent and limiting this increase to CPI plus 1%.
- 1.27. In February 2019, the Government published a new direction to the regulator of social housing to set a standard on rents for social housing. This comes into force on 1 April 2020. The “Policy Statement on Rents for Social Housing”, February 2019³⁹ which states that for social rent, “registered providers may set the initial rent on properties to be let at social rent at a level that is no higher than formula rent, subject to the rent flexibility level”. The basis for the calculation of formula rents is:
- 30% of a property’s rent is based on relative property values
 - 70% of a property’s rent is based on relative local earnings
 - A bedroom factor is applied so that, other things being equal, smaller properties have lower rents.

Weekly formula rent is equal to:	
	70% of the national average rent Multiplied by relative county earnings Multiplied by the bedroom weight
Plus	30% of the national average rent Multiplied by relative property value

National average rent: the national (England) average rent in April 2000.

Relative county earnings: the average manual earnings for the county in which the property is located divided by national average manual earnings, both at 1999 levels.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/740299/180912_Rents_for_social_housing_from_2020_to_2021_consultation_document.pdf

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781243/Consultation_Response_document_-_25-02-19.pdf

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf

Relative property value: an individual property's value divided by the national (England) average property value, as at January 1999 prices.

- 1.28. The amounts to use for the national average rent, national average manual earnings, the national average property value and bedroom weights are detailed in Appendix A of the report.
- 1.29. Once the 2000/01 formula rent has been calculated it needs to be up rated, for each year, using the relevant uplift set out in the table in Appendix A of the guidance. From 2020/21 onwards, the guidance states that formula rents will need to be increased by CPI plus 1 percentage point each year from 2020/21 onwards.
- 1.30. In line with the previous approach, formula rent is then subject to a rent cap. The rent cap is a maximum ceiling on the formula rent and depends upon the size of the property (the number of bedrooms that it contains). Where the formula rent is higher than the rent cap for a particular size of property, in line with the previous guidance the rent cap must be used instead. Registered providers are required to not allow rents to rise above the rent cap level for the size of property concerned. The rent caps for 2019/20 are set out in Appendix A of the guidance and from 2020/21 will increase by CPI (at September of the previous year) plus 1.5 percentage points annually).
- 1.31. The guidance advises⁴⁰ that “while the rent caps will increase annually by CPI plus 1.5 percentage points, the annual change in rent for the tenant in a ‘rent capped’ property must still be governed by the CPI plus 1 percentage point limit on rent changes” and that “where a property whose rent has been subject to the rent cap comes up for re-let (and formula rent remains above the rent cap), the new rent may be set at up to the rent cap level – which will have been increasing by CPI plus 1.5 percentage points, rather than CPI plus 1 percentage point”⁴¹.

⁴⁰ Paragraph 2.11

⁴¹ Paragraph 2.12

Appendix 3: Nominations – Summary of issues to be included in Nomination Agreements

- 1.1. The registered provider or alternative affordable housing provider (“provider”) will be expected to enter into a Nomination Agreement with the Borough Council that shall contain, as a minimum, the following principles:

General

- 1.2. The provider will give the borough council reasonable notice of all vacancies, sales and re-sales.
- 1.3. The borough council will have a reasonable period in which to nominate households.
- 1.4. All requests for nominations and resulting nominations will be in writing (including email) and contain appropriate information concerning the property, the sale or tenancy terms and the household nominated.
- 1.5. In many instances the borough council will nominate more than one household for each property, where this is the case the borough council will put households in priority order and the provider will only make offers in that priority order.
- 1.6. The borough council may, at its sole discretion, allow other local authorities and/or public organisations to take up some of the borough council’s nominations. In this case the borough council shall notify the provider of the nomination arrangements.
- 1.7. In selecting nominees the borough council will have regard to the reasonable priorities and policies of the provider.
- 1.8. The provider will not unreasonably refuse to make an offer to a nominee.

- 1.9. Where the borough council fails to make a nomination within a reasonable time, or a reasonable number of nominees for a property have not resulted in a tenancy or sale of the property, the provider shall be free to let or sell the property to a household of their choice subject to cascade in paragraph 1.12.
- 1.10. The provider will seek the borough council's approval of any marketing or publicity material for the units.
- 1.11. The provider will have reasonable regard to the borough council's policies, in particular policies on waiting lists, nominations, and choice based lettings etc.
- 1.12. In any circumstance where the provider is able to offer a property to someone who is not a nominee of the borough council, the provider will seek to allocate tenancies or sales in the following order:
 - Households who reside, work or have close family living in the borough council's area.
 - Households on the housing registers or waiting lists of adjacent local authorities in Surrey.
 - Households who reside, work or have close family living in the areas of adjacent local authorities in Surrey.
 - Any other household with links to the local area.
- 1.13. The provider will keep the borough council informed during the nomination process including regular updates on the progress of nominees, sales and lettings and the results of nominations.
- 1.14. The provider and the borough council will agree appropriate arrangements for the monitoring of nomination processes.

2. Social Rented Housing (Including Any Extra Care Housing)

- 2.1. The borough council will have the right to nominate to 100% of all the initial lettings, and 75% of all re-lets in perpetuity.

3. Shared-Ownership Housing (Including Any Extra Care Housing)

- 3.1. The borough council will have the right to nominate 100% of all sales in perpetuity (or until such time as the property is sold outright).
- 3.2. The provider will ensure that the lease (or similar) for each property requires the leaseholder to seek nominations from the borough council (via the provider) if they wish to sell their share of the property.
- 3.3. The provider will comply with the affordability criteria set out in the main agreement for initial sales.
4. Similar nomination arrangements will be required for tenures other than those specifically mentioned above.

Appendix 4: Summary of Heads of Terms for s.106 Agreements

- 1.1. The council does not use a standard s.106 agreement as the agreement is specific to the individual circumstances of the development. The following is intended as an indication of the matters likely to be included in any agreement for on-site affordable housing provision as part of a wider development. This is not a definitive list – other matters may be required depending on the site circumstances.

- 1.2. Summary of common heads of terms to be included in s.106 agreements for affordable housing:
 - Details of the planning application
 - Details of all parties with an interest in the land (including mortgagees)
 - A site location plan
 - Definition of affordable housing
 - Number of affordable dwellings, the mix, size, type and tenure
 - Design, standards and location on site etc.
 - Affordability criteria
 - Details of the affordable housing provider (and / or RP)
 - Floorspace of affordable housing to be provided
 - Phasing of delivery of the affordable housing
 - Obligation to compete an Affordable Housing Scheme
 - Obligation to enter into a Nomination Agreement with the Council
 - Triggers for the commencement and completion of the affordable housing
 - Limitation on occupation of the units, and maintaining them for affordable housing
 - Recycling of receipts from disposal of affordable housing
 - Mortgagee in possession clause
 - Funding issues (if any)
 - Registration of the agreement as a local land charge
 - Payment of the Council's costs in drawing up the agreement

Appendix 5: Affordable Housing Scheme

- 1.1. The affordable housing scheme should generally meet the requirements outlined below.
- 1.2. It is expected that the developer and registered provider and/or affordable housing provider will submit the Affordable Housing Scheme jointly. It is agreed by the parties that where any of the information required below is not available at the time of submitting the affordable housing scheme such information shall be submitted or re-submitted (where an amendment is required) for approval prior to commencement of construction of any affordable housing unit within the relevant sub phase.

All Affordable Housing Units

- 1.3. The total number of affordable units in the sub phase as a percentage of the total units in the sub phase.
- 1.4. The anticipated tenure, size and type of each of the units.
- 1.5. A site layout showing the location of the units.
- 1.6. Plans showing the indicative internal layout of each type of unit.
- 1.7. Confirmation that the units meet all the requirements set out in this deed or any approved amendments to such requirements.
- 1.8. Details of the proposed registered provider or alternative affordable housing provider that will deliver the units.
- 1.9. Confirmation that all of the units will be rented or sold in accordance with the provisions of the nominations protocol.

Rental Units

- 1.10. Details of the proposed rent and any service charge for each type of unit and confirmation that these met the affordability requirements set out in this appendix.
- 1.11. Details of the management arrangements.

Shared-Ownership

- 1.12. Details of the anticipated: price; percentage equity to be sold; mortgage payments; rent; service and management charge for each type of unit; and confirmation that these meet the affordability requirements set out in this deed.
- 1.13. Details of the shared-ownership lease and arrangements for resales under which the units will be sold.
- 1.14. Indicative marketing arrangements.
- 1.15. Similar details will be required for any tenures not specifically mentioned above.