



CABINET

4TH SEPTEMBER 2014

AGENDA ITEM (7)

SECTION 106 AGREEMENTS - AFFORDABLE HOUSING

Accountable Member	Councillor Mrs. SL Jepson Cabinet Member for Planning and Housing
Accountable Officer	Philippa Lowe Head of Planning and Strategic Housing 01285 623000 philippa.lowe@cotswold.gov.uk

Purpose of Report	To consider affordable housing options to be incorporated into Section 106 Agreements
Recommendation(s)	(a) That the contents of the report, and the range of available affordable housing options, be noted; (b) that Officers be requested to identify within planning application reports the criteria and evidence upon which the level and mix of any affordable housing requirement is recommended.
Reason(s) for Recommendation(s)	To provide Councillors with greater clarity upon which to base decisions

Ward(s) Affected	All
Key Decision	No
Recommendation to Council	No

Financial Implications	None
Legal and Human Rights Implications	None
Environmental and Sustainability Implications	None
Human Resource Implications	The requirement may require additional officer time to complete report details
Key Risks	None

Equalities Analysis	No effect on protected groups identified
Related Decisions	Links to the emerging Local Plan policies
Background Documents	None
Appendices	None
Performance Management Follow Up	Officers will continue to monitor the impact of the delivery of affordable housing as part of ongoing reviews for the Local Plan
Options for Joint Working	The District is part of a County-wide scheme to support those seeking affordable rented homes

Background Information

1. Definition of Affordable Housing

1.1 National Planning Policy Guidance defines affordable housing as social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

1.2 National Planning Policy Guidance (NPPG) defines “affordability” as the comparison of “house costs against the ability to pay”. The ratio between lower quartile house prices and the lower quartile income or earnings can be used to assess the relative affordability of housing. The Department for Communities and Local Government (DCLG) publishes quarterly the ratio of lower quartile house price to lower quartile earnings by local authority district.

2. Types of Affordable Housing

2.1 Social Rented Housing is generally owned by local authorities and private registered providers, for which guideline target rents are determined through the national rent regime.

2.2 Affordable Rented Housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

2.3 Intermediate Housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing. Some of the key elements of these two tenures are set out below:-

- Shared Ownership Homes are provided through registered providers and are always leasehold. Purchasers buy a share of a home (between 25% and 75% of the home’s value) and pay a subsidised rent on the remaining share. Mortgage availability can be restricted due to lenders’ policies. Owners can buy more shares at any time (known as staircasing). The cost of the new shares will depend on the value of the home at the time new shares are being purchased. If property prices have increased they will be more expensive and cheaper if the value of the property has dropped.

- Discount Market Properties are available at a discounted rate below market value. No rent or fees are payable on the discounted element. The purchaser owns the property and there are no obligations on the organisation retaining the equity. This is similar to the Council's own Resale Covenant properties. The purchaser obtains a mortgage or uses savings to cover the discounted price of the property. Some (but not all) Registered Providers are prepared to provide this tenure.

2.4 Ten discount market units are being provided on a development in South Cerney. The first six properties have been purchased. The 30% discounted equity has been transferred by the developer to the Council. A Deed of Covenant is entered into with the Council for the remaining equity, which will set out the resale process and percentage discount to be applied. If the property was purchased with a 30% discount, it can only be resold at 70% of its market value. The purchaser will need to notify the Council of their intention to sell the property. The resale value has to be agreed with Housing Strategy who also approve any subsequent purchaser. The subsequent purchaser will need to satisfy the requirements of being in housing need and any local connection requirements.

2.5 The covenant would allow the property to be sold on the open market at full market value if no purchasers are found for the discounted price. In that case, the Council will receive the full value of the discounted amount to reinvest in affordable housing. The Council could allow purchasers to buy the remaining equity and remove the Deed of Covenant and its restrictions. The equity accruing to the Council will be reinvested in affordable homes within the District. However, it may be difficult to replace sold units to maintain a supply of affordable housing, especially in the more rural areas of the District.

2.6 The combination of low wages and savings and high housing costs creates affordability issues for Cotswold residents, especially those who work within the district. Discounted prices need to be set carefully to give the developer a reasonable return whilst remaining affordable to local people who are unable to meet their needs on the open market. Potentially a range of discounts could be negotiated on a development to try to meet the needs of more households.

2.7 Market saturation is a possibility if too many affordable homes of one tenure type are developed. Developers require tight time cascades in S106 agreements for local marketing (usually 3 months). After this period, properties will be sold to buyers with no local connection and ultimately could be sold on the open market. The restricted availability of mortgage finance for low cost home ownership can also reduce the local market, as potential buyers may be unable to obtain mortgages.

2.8 Further discount market homes will be developed on schemes in other communities, including Bourton-on-the-Water, Fairford, Mickleton, Moreton-in-Marsh and Tetbury.

3. Current Local Plan Policy and the Affordable Housing Supplementary Planning Document

3.1 The current Local Plan policy states "For the purposes of this policy, affordable housing is dwellings for sale or rent at a price level below the going market rate, and which is related to the ability to pay of those identified in a housing survey as being in need."

3.2 The Affordable Housing Supplementary Planning Document (AHSPD) provides that the Cotswold District will normally seek a range of dwelling types, based on the following proportion, whilst still ensuring a reasonable mix and ability to pay:-

- broad targets of 2/3 social rented, 1/3 subsidised low cost home ownership;
- the proportion of house types will depend upon local housing needs and constraints of each site.

3.3 The principal mechanism for delivering affordable homes is through Section 106 Agreements attached to planning permissions. These Agreements specify the number, size, type, tenure, location and phasing of affordable housing and other 'planning obligations' necessary for the development to proceed.

4. Affordable Housing Delivery Achieved

4.1 Despite the economic downturn, unlike many local authorities the Cotswold District has delivered relatively high proportions of affordable homes without the availability of Government grants: 654 affordable homes were delivered between April 2010 and March 2014 (over 42% of the 1,547 completions in that period). This includes delivery on sites where there was no requirement for affordable homes under current policy. This has contributed to the Housing Register recently being at a ten-year low, despite the rising level of housing need (Strategic Housing Market Assessment (SHMA) 2014). 4.2 Scheme viability has been important in supporting this level of provision, but so has the flexibility of the authority in negotiating the affordable housing provision within Section 106 Agreements. Utilising the flexibility of policies within the current Local Plan, a wider range of low cost home ownership products and cascade mechanisms has been included in negotiations. This has helped by responding to the changing housing market and viability whilst ensuring the affordability and quality of completed homes.

4.2 At the same time, this approach has other beneficial effects. It is helping to increase the diversity of the affordable housing offer available within the Cotswold District for those unable to buy homes on the open market. The Discounted Market Housing (DMH) product differs from shared ownership, and can appeal to a different group of potential buyers.

4.3 Discount market housing should be considered as part of the affordable offer alongside rented homes and other low cost home ownership tenures e.g. shared ownership. The Housing Strategy team will be assessing the effectiveness of these new discounted homes in meeting local needs.

5. Effective Delivery

5.1 In order that the local housing requirement for market and affordable homes can be met over the Plan period, large housing developments need to be appropriately phased to manage delivery and effective allocation to match local need. There are issues around the fact that there is a time lag between permission being issued and on-site delivery and, therefore, the tenure mix and proportion of the tenures need to be carefully evidenced and planned.

5.2 Housing Officers have worked with Development Management colleagues, developers and Registered Providers to address these issues to influence and monitor build rates and the phasing of large developments.

6. Emerging New Local Plan Policies Used to Determine Housing Requirements for Individual Planning Applications

6.1 The objective for the new Local Plan is to enable the delivery of an adequate supply of housing of the appropriate type and tenure to meet the District's objectively-assessed requirements for market and affordable homes and support economic growth. Key pieces of work are being undertaken to inform the Local Plan, including a Gloucestershire-wide Objectively Assessed Need (OAN), an updated SHMA and associated testing of alternative scenarios.

6.2 However, in advance of an adopted Local Plan, it is necessary to objectively assess affordable housing requirements for individual planning applications.

6.3 Evidence from the SHMA 2014 shows a rising annual need for affordable housing, despite the high delivery of affordable homes in recent years. The majority of households who will need affordable homes during the next five years are newly-forming households or existing households falling into need who will not be able to afford market solutions to meet their housing needs. This reflects the high cost of market rents and prices in relation to local wages. Housing mix and affordable housing are two examples of how Local Plan policies can influence the supply, type and tenure of new housing and consideration is currently being given to the key issues around need and demand -

- Housing Mix - the delivery of future housing should meet the needs and aspirations of local people requiring market and affordable housing in the District and those moving here to take up employment. Providing an appropriate mix of housing types and tenures is a vital part of creating balanced, sustainable communities and meeting the diverse needs of all people within the District. The provision of market housing should also contribute to meeting local demand for smaller more affordable open market homes. This would help to reduce the requirement for affordable homes.
- Affordable Housing: the current Local Plan seeks up to 50% to meet the District's growing need for eligible households whose needs are unable to be met within the open market. Affordable housing includes social rent; affordable rent; and intermediate, low cost home ownership including shared ownership, discount market (equity share model) having regard to local incomes and prices. The policy target in the new Local Plan will provide for a range of tenures and affordability levels and will be linked to evidence which is subject to review every five years.

6.4 Work is being undertaken to assess the viability of development sites in the District to deliver affordable housing at varying percentages and mixes alongside other planning obligations which will inform the target for affordable housing.

6.5 Retaining flexibility in delivering affordable housing is important. It is essential that policies allow flexibility regarding housing tenure to effectively meet needs as development proposals come forward and to incorporate new models as appropriate. Policies also need to provide for the phasing of delivery to meet the full local housing requirement over the Plan period.

(END)