

AFFORDABLE HOUSING IN MALVERN HILLS DISTRICT

SUPPLEMENTARY PLANNING GUIDANCE

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1. INTRODUCTION

THE PURPOSE OF SUPPLEMENTARY PLANNING GUIDANCE

- 1.1 The provision of affordable housing is one of the District Council's Priorities. This has been highlighted not only within the responses to the Key Issues Report on the review of the Malvern Hills District Local Plan but also in the responses to the Vision 21 consultation on the Community Strategy 2002-2006
- 1.2 The District Council's objectives for meeting affordable housing needs are set out in the Malvern Hills District Council Housing Strategy 2002-2007 and focus, inter alia, on enabling adequate provision of good quality affordable housing for rent and low cost shared ownership and the promotion of low cost market housing where this is not being provided by the market.
- 1.3 This Supplementary Planning Guidance (SPG) note has been produced by Malvern Hills District Council to provide additional information to assist in the implementation of affordable housing policies contained within the emerging District Local Plan. It is intended to guide developers and landowners in the provision of affordable housing through applications for new housing development or redevelopment by setting out a clear and transparent scheme of negotiation.
- 1.4 The document explains how the Local Plan policies will be implemented and the process which needs to be followed both by the District Council and the applicant when a planning application is submitted. The District Council will regard the SPG as a material consideration in determining planning applications.
- 1.5 The District Council is strongly committed to the provision of affordable housing to meet identified housing needs within the District. It will make effective use of its planning powers, working with the wide range of partners involved including Registered Social Landlords, the Housing Corporation, lending institutions, landowners and developers.
- 1.6 This document can be viewed on the District Council's website at www.malvern hills.gov.uk .
- 1.7 The statistical data referred to in this Guidance is based on the Housing Needs Assessment for Malvern Hills District – July 2002. The District Council is keeping appropriate information under regular review particularly income levels, house prices and the basis on which public subsidy is available. Some of these changes are reflected in this document. A formal review of the Housing Needs Assessment will be undertaken by the District Council biannually and the results of this review may necessitate changes to the way in which affordable housing is to be delivered.

SCOPE AND STATUS

- 1.8 There are a number of different ways in which affordable dwellings can be provided. **This guidance is concerned only with the provision of affordable housing through the planning process.** This includes dwellings provided through new development opportunities - i.e. on allocated, windfall and exception sites.

CONSULTATION

- 1.9 This draft SPG has been prepared by the District Council working jointly with planning, housing and legal officers of the District Council who have also sought advice from an external consultant and RSL's operating within the District. It will be subject to a wide consultation with interested groups and organisations.

2. WHAT IS AFFORDABLE HOUSING?

DEFINITION OF AFFORDABLE HOUSING

- 2.1 Affordable housing has been defined by the West Midlands Local Government Association Housing and Environment Committee in 1999. The definition was subsequently adopted by the Worcestershire County Structure Plan. The definition states that:

"Affordable Housing is housing provided for rent or sale, at a price level which can be sustained by local people in housing need

Affordable housing can be categorised into two types:

- a) *Subsidised housing provided by an organisation allocating on the basis of need. While such dwellings will normally be made available for rent, they may also include subsidised home ownership, such as shared ownership, where an RSL or local authority retains a continuing interest: and*
- b) *Low cost market housing, helping to meet the needs of first time buyers, single people, the elderly and other low income households that cannot afford to rent or buy houses generally available on the open market."*

LOCAL DEFINITION OF AFFORDABILITY

- 2.2 Circular 6/98- Planning & Affordable Housing states that affordable housing should be defined in Local Plans through reference to the level of local incomes and their relationship to house prices or rents.
- 2.3 Appendix 1 sets out a detailed assessment of local affordability based on the research findings of the Malvern Hills District Housing Needs Assessment 2002. In summary it states that where social renting is being considered as part of development proposals, rents should be within the Housing Corporation Target Rents framework which has regard to local circumstances. For 2002/3 the rent levels for Malvern Hills District are :-

1 bedroom	£50 –£52 per week
2 bedroom	£60 –£63 per week
3 bedroom	£65 –£69 per week

- 2.4 With regard to housing for sale it is important that the definition of affordability reflects changes both in income and in the multipliers used for mortgage purposes. In the light of the continuing low cost of borrowing, it is considered appropriate at the beginning of 2003 to apply a multiplier of 3.5 times a single income and 3 times a joint income. **On the basis of income levels as referred to in Appendix 1, and adding a deposit (5%), housing in the District would be considered to be affordable within the range £75000 - £88000.**
- 2.5 It should be borne in mind that affordability will be different for different income groups, and on any one site it should not exceed an average of the mid point of the above figures i.e. **£81,500**. Future changes in income levels and multipliers, which affect the amount that can be borrowed on a mortgage, may require these figures to be updated periodically.

- 2.6 For the purposes of illustration, a mid point figure of £81,500 is used throughout the SPG as the Affordable Housing Cost for properties which are sold in the open market. Above this cost Open Market Value housing is not considered to be generally available as an outright purchase to anyone on average earnings for occupation classifications which apply to 3/4 of the District's working population.

DEFINITION OF LOCAL HOUSING NEED

- 2.7 A local housing need exists where a household is able to:
- a) demonstrate that they are unable to secure or maintain a dwelling in the open market, which has the smallest number of rooms appropriate to meet their housing needs, due to lack of available capital and income, and
 - b) meet one of the following need criteria as identified below:
 - i) Existing residents needing separate accommodation in the district - e.g., newly formed households, people leaving tied accommodation on retirement, and owner-occupiers or private tenants whose changed circumstances means they are no longer able to afford market prices.
 - ii) People who are both permanently employed and live in a community whose main administrative area is Malvern Hills District.
 - iii) People who have long standing links with the District and who need to move nearer to close relatives in order to provide, or receive, necessary social support.

DEFINITION OF LOCAL NEED

- 2.8 The Worcestershire County Structure Plan policies SD.6 and SD.7 require new housing development to take place primarily in or adjacent to urban areas, but Policy SD.8 permits development within or adjacent to sustainable rural settlements: "at a level appropriate to meet local housing needs or employment and/or other local needs in order to support local services and to help achieve an improved balance of services."
- 2.9 Local Needs in this context therefore means the housing needs of the local population, regardless of income and affordability. The Structure Plan indicates that quite apart from the requirement for a proportion of new housing development to be affordable, the remainder should be primarily directed towards the needs of households already resident or employed in the District, and will allow for some movement into and within the County.

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3. THE LEGISLATIVE AND POLICY BACKGROUND FOR THE PROVISION OF AFFORDABLE HOUSING.

3.1 There is a clear framework for planning policy on affordable housing, which is designed to increase the consistency of planning decisions and provide a firmer and more certain basis for determining policies at each tier of government, and determining individual planning decisions. This framework is a combination of legislation and statutory instruments, guidance and advice, and it is further informed by housing strategies at each level.

3.2 The framework includes the following and more details are set out in Appendix 2 of the SPG :-

- Section 54A Town & Country Planning Act 1990
- Planning Policy Guidance Note No. 1 (PPG1) – General Policy and Principles (February 1997)
- Planning Policy Guidance Note No. 3 (PPG3) – Housing (March 2000)
- Planning Policy Guidance Note No.12 (PPG12) – Development Plans (December 1999)
- Circular 6/98 – Planning & Affordable Housing (April 1998)
- Circular 1/97 – Planning Obligations (January 1997)
- Rural White Paper “Fair Deal for Rural England” (DETR 2000)
- Regional Planning Guidance – 1991-2011 (April 1998)
- Draft Regional Planning Guidance (November 2001)
- West Midlands Regional Housing Statement 2001
- Worcestershire County Structure Plan 1996-2011
- Malvern District Council Housing Strategy 2002-2007

THE DRAFT MALVERN HILLS DISTRICT LOCAL PLAN 1996-2011

3.3 The Draft Malvern Hills District Local Plan includes a policy requiring a contribution towards affordable housing needs on all sites where the number of units is above the prescribed thresholds. This policy is in addition to a policy enabling "exception" sites to come forward within or adjoining rural settlements.

3.4 Policy CN2 Providing Affordable Housing in New Housing Development states :-

In order to address identified housing needs of the District, the Council will negotiate with landowners and developers for the inclusion of a proportion of affordable housing in all proposals for residential development on allocated and windfall sites.

Affordable housing will be sought as follows:

- a) **Up to half of all dwellings on sites of 0.5 ha and over, or 15 dwellings or more whichever is the smaller, in the settlement of Malvern.**
- b) **Up to half of all dwellings on sites of 0.2 ha and over, or five dwellings or more whichever is the smaller, in the remainder of the District.**

and where:

- c) **there is an identified need for affordable housing;**

- d) the scheme will remain economically viable;**
- e) the need to achieve other planning objectives will not be prejudiced;
and**
- f) an appropriate mix of housing types and tenures that meet the
housing needs of the area are provided.**

Permission will not be granted by the District Council until the applicant has entered into an agreement for delivering the Affordable Housing Scheme

- 3.5 The Reasoned Justification to the policy can be found in Appendix 3.
- 3.6 The District Housing Needs Assessment recommended, inter alia, that a target of 65 % of the dwellings on allocated and windfall sites should be for affordable housing purposes. Furthermore it recommended that the means by which cash contributions could be levied on sites below the recommended thresholds of 15 (Malvern) and 5(rural area) should be investigated.
- 3.7 The District Council has examined these recommendations but does not consider at this time that they are readily achievable having regard to the need to achieve balanced communities, the economic viability of developing sites, current government guidance and the experience of other local authorities in implementing affordable housing policies.
- 3.8 The District Council is keeping the delivery of affordable housing under regular review including the monitoring of supply and need and is aware of possible changes to PPG.3: Housing, regarding the identification and implementation of lower thresholds. Through its monitoring of local housing land supply characteristics the District Council believes that local circumstances are likely to justify the provision of additional affordable housing by the use of lower thresholds and / or a higher percentage of dwellings on eligible sites. If these approaches are supported by changes to Government advice the District Council will urgently seek an appropriate amendment to its Local Plan policy, related Supplementary Planning Guidance and to the District Council's Housing Strategy to facilitate this process.
- 3.9 Whilst Policy CN2 establishes a maximum percentage requirement for affordable housing to be achieved through negotiation on appropriate sites, this does not prevent developers or landowners proposing a higher percentage on appropriate sites.
- 3.10 The Draft Local Plan also includes Policy CN3 relating to rural exception sites and the basis on which such schemes could be considered :-

Policy CN3 - Rural Exception Sites

Exceptionally affordable housing will be permitted on sites which would not otherwise be released for housing provided that:-

- a) the need has been proven;**
- b) the development is within or adjacent to a settlement defined within Categories 1& 2 by Policy DS11 or is in a location which satisfies the special circumstances referred to in Policy DS12(b) in respect of Category 3 settlements and other locations**
- c) secure arrangements are made to ensure that the housing will remain affordable and available to meet the needs of local people in perpetuity; and**
- d) the proposals do not involve mixed development consisting of open market housing.**

- 3.11 The Reasoned Justification to Policy CN3 is set out in Appendix 3.
- 3.12 Appendix 4 sets out a summary of the Malvern Hills District Housing Needs Assessment on which the above policy is based. Appendix 5 is a summary of the District Councils Housing Strategy 2002-2007.

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4. THE FUNDING OF AFFORDABLE HOUSING

- 4.1 This section deals with the way in which affordable housing is funded through the planning process. There are a number of ways in which affordable housing can be funded, and in most cases more than one source of funding will be involved. It is therefore important that all the parties concerned have a clear understanding of this process, of the alternatives involved, and the limiting factors for each source.

PUBLIC SUBSIDY

- 4.2 Public subsidy for affordable housing can be provided by both the Housing Corporation and the District Council depending upon the circumstances of the proposal and the availability of resources. The principal source is the Housing Corporation, which delivers its Approved Development Programme (ADP) through the distribution of Social Housing Grant (SHG) to Registered Social Landlords (RSLs).
- 4.3 The ADP however is increasingly being targeted at regional priorities. Such priorities include the needs of rural areas and a share of the ADP is currently allocated to rural schemes. A major focus of the ADP is now the regeneration of urban areas and support for areas which have been designated for major growth, both of which clearly exclude Malvern Hills District.
- 4.4 A further source of public subsidy was the provision of Local Authority Social Housing Grant (LASHG). Following its abolition from 1st April 2003, the District Council will have limited opportunities, if any, to contribute public subsidy in the support of affordable housing provision for the remainder of the new Local Plan period.
- 4.5 The estimate of future levels of public subsidy will be updated in the Council's annual Housing Strategy Statement.

Developer contributions to affordable housing should be calculated on the basis that no ADP or District Council resources will be available.

THE RSL CONTRIBUTION - THE AFFORDABLE COST

- 4.6 Social Rented Properties

The amount that an RSL can pay from their own resources for the purchase of a **social rented property**, is established by the Housing Corporation as the difference between the Total Cost Indicator (TCI) and the standard grant rate for any given property type. This is on the basis that they are able to borrow that sum of money and repay it from the rents they receive after allowing for their expenses. These rents are set out in paragraph 2.2 and cannot be exceeded if the Local Definition of Affordability is to be met. The amount that an RSL can pay on this basis will not usually be sufficient to cover the cost of construction.

- 4.7 Therefore, when an RSL purchases a property for rent it is usually reliant on a level of subsidy which covers all of the land cost, in addition to a part of the costs of development. Even if the land is available fully serviced and at no cost, there is still a requirement for some form of subsidy towards the costs of development. Without any form of public subsidy the RSL contribution cannot exceed the amount that they can pay from their own resources, which is **the TCI less the standard grant rate.**

For example:

For the year 2003/4 the TCI for a 3 bedroom dwelling with a floor area of 85 sq. metres is £113,900, and if the grant rate is 60% this would give a grant of £113,900 x 60% = £68,340. Therefore, the amount that an RSL is expected to be able to pay from its own resources is £113,900 - £68,340 = £45,560

The RSL Contribution for a 3 bedroom dwelling for social rent in 2003/4 would be £45,560, which is the Affordable Housing Cost for this type of dwelling.

4.8 Shared ownership Properties

Shared ownership is the arrangement by which a purchaser acquires an equity share in the property, with an RSL acquiring or retaining the balance. The purchaser will usually purchase a 50% share initially, but this may be as much as 75%, or as little as 25%. At a subsequent date, the purchaser can acquire a further share of the equity, up to full ownership, except in rural areas outside Malvern town where ownership may be restricted to a maximum of 80%.

4.9 The RSL purchases the remaining share of the property, with a combination of grant and borrowings, and repays the borrowings by charging a small amount of rent on their share.

4.10 For example if a property has a market value of £140,000, and the purchaser acquires a 50% share, both the purchaser and the RSL would pay £70,000. Part of the RSL share would be provided by grant from the Housing Corporation and the balance would be borrowed and repaid out of the rent charged for the unsold share.

4.11 If the cost to the purchaser is not to exceed the Affordable Housing Cost (ie £81,500 – see paragraph 2) then the maximum share of the property which they would be able to purchase is 58% (£81,500 divided by £140,000). The RSL would then have to pay the difference ie £58,500 without being able to charge any rent since to do so would increase the costs to the purchaser above the Affordable Housing Cost threshold. The whole of the RSL's share would therefore have to be paid for by subsidy when the purchasers share amounts to as much as the Affordable Housing Cost .

4.12 If the purchaser paid less than the full Affordable Housing Cost, then the RSL would have to pay more, and this additional amount would be recovered by charging sufficient rent to repay a loan of that amount. That would have the effect of increasing the cost to the purchaser to the equivalent of the full Affordable Housing Cost.

4.13 In the absence of any public subsidy, the Affordable Housing Cost - £81,500 as defined in paragraph 2.2 - is therefore the maximum amount that either the purchaser, or an RSL, can pay for a shared ownership property.

Therefore:

Regardless of Open Market Value, Shared Ownership properties must be available at a maximum cost of £81,500 to the purchaser, or the monthly equivalent in combined mortgage and rent, in order that they can be considered to be affordable housing.

THE LANDOWNER/DEVELOPER CONTRIBUTION

- 4.13 The landowner/developer would be required to bear the cost of providing the affordable housing less any public subsidy and/or contribution from RSL's or purchaser designated as being in local housing need.
- 4.14 The contribution by a developer or landowner would be secured through the planning process by use of a Section 106 Agreement (see Glossary of Terms). The use of such an Agreement is the means by which the dwellings can be provided at a cost that brings them within the definition of Affordability. In the absence of such an agreement, planning permission will not be granted.
- 4.15 Policy CN2 of the Draft Local Plan regarding affordable housing on allocated and windfall sites recognises the need for due consideration to be given to:
- i) the economics of provision in relation to site circumstances - such as exceptionally high costs of development and/or the need for the land price to reflect a particularly high alternative use value for the site
 - ii) the need to achieve other stated planning objectives - such as major improvements to off-site infrastructure without which the development would be unacceptable in principle.
- 4.16 There may be specific site circumstances which determine that the site cannot be developed at all if the RSL is unable to pay more than has been indicated in 4.6 above, or if there are a number of priorities for securing planning objectives through the development of the site as well as the affordable housing requirements. In such instances the District Council will have to take all of the circumstances into account and make a judgement as to which of the following alternatives it would be prepared to accept:
- i) An alteration to the tenure and/or housing mix that would otherwise have been sought
 - ii) A reduction in the amount of affordable housing
 - iii) An allocation of SHG, if and when available
 - iv) Not securing all of the planning objectives for the site.
 - v) An acceptance that the site will not be developed at this time

4.17 Land Subsidy

Landowners and/or developers should be aware that a planning obligation to provide affordable housing effectively reduces the value of the land upon which the affordable housing is sited. Land which is likely to be the subject of such planning obligations should be valued accordingly. In order to achieve homes which are affordable and accessible to those people who cannot afford open market prices or rents development appraisals need to take full account the costs of providing the affordable homes.

JUSTIFICATION FOR SOCIAL HOUSING GRANT (SHG)

- 4.18 In circumstances where the economics of provision make it otherwise impossible to apply its affordable housing policy fully, the District Council may accept that SHG should be made available. Such grant would be on the

principle of 'gap funding'. This is, the amount which would be necessary to convert the scheme from financially non-viable to financially viable.

Note:

It should be understood that the availability of SHG will depend upon the availability of resources from the Housing Corporation through the ADP programme or from the District Council's resources

4.19 In such a case, it would be necessary for the applicant to provide sufficient financial information for the District Council to make an assessment of financial viability, based on the following assumptions:

- i) A land purchase price that was no greater than the alternative or existing use value, plus a margin which provided sufficient incentive for a vendor to sell
- ii) A gross profit margin on the market housing which was within the range that was considered acceptable within the industry
- iii) A gross profit margin on the affordable housing that was sufficiently reduced from ii) to reflect the guaranteed sale of a block of properties

4.20 Without such an assessment of financial viability, there would be no safeguard against the use of SHG to unnecessarily enhance either the land price or the gross profit margin, which would clearly be an inappropriate use of public funds.

4.21 Failure to provide the information necessary for such an assessment, or alternatively a failure to provide the required amount and type of affordable housing at an affordable cost, would justify the refusal of planning permission, in accordance with Circular 6/98 paragraph 24 which states:

"Where a local planning authority considers, having regard to the policy in this Circular, that certain sites are suitable for an inclusion of an element of affordable housing and an applicant does not make such provision as part of the proposed development, such a failure could justify the refusal of planning permission."

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5. NEGOTIATING FOR AFFORDABLE HOUSING

5.1 The process for negotiating the affordable housing element of a residential development has two main aims:

- i) To ensure that it is fully integrated in the overall development
- ii) To ensure that the negotiations cause the minimum delay to the preparing and processing of the planning application

5.2 In order to achieve these aims, it is essential that all the parties involved have a clear understanding, and acceptance, of the negotiation process. The process is outlined in Figure 1 and described more fully below.

THE AFFORDABLE HOUSING BRIEF

5.3 Before designing a housing layout for pre-application discussions, or submitting a plan for outline or full planning permission, it is usual for the architect or agent to be given a brief which contains the objectives and constraints of the scheme. The affordable housing issues are clearly an important element of that brief and should therefore be clarified from the outset by making a number of initial inquiries. All of these should be addressed in the first instance to the Planning Services case officer, who will provide answers based on consultation with Housing Services Section.

INITIAL ENQUIRIES

Initial Enquiry 1: Is the site required to include an element of affordable housing?

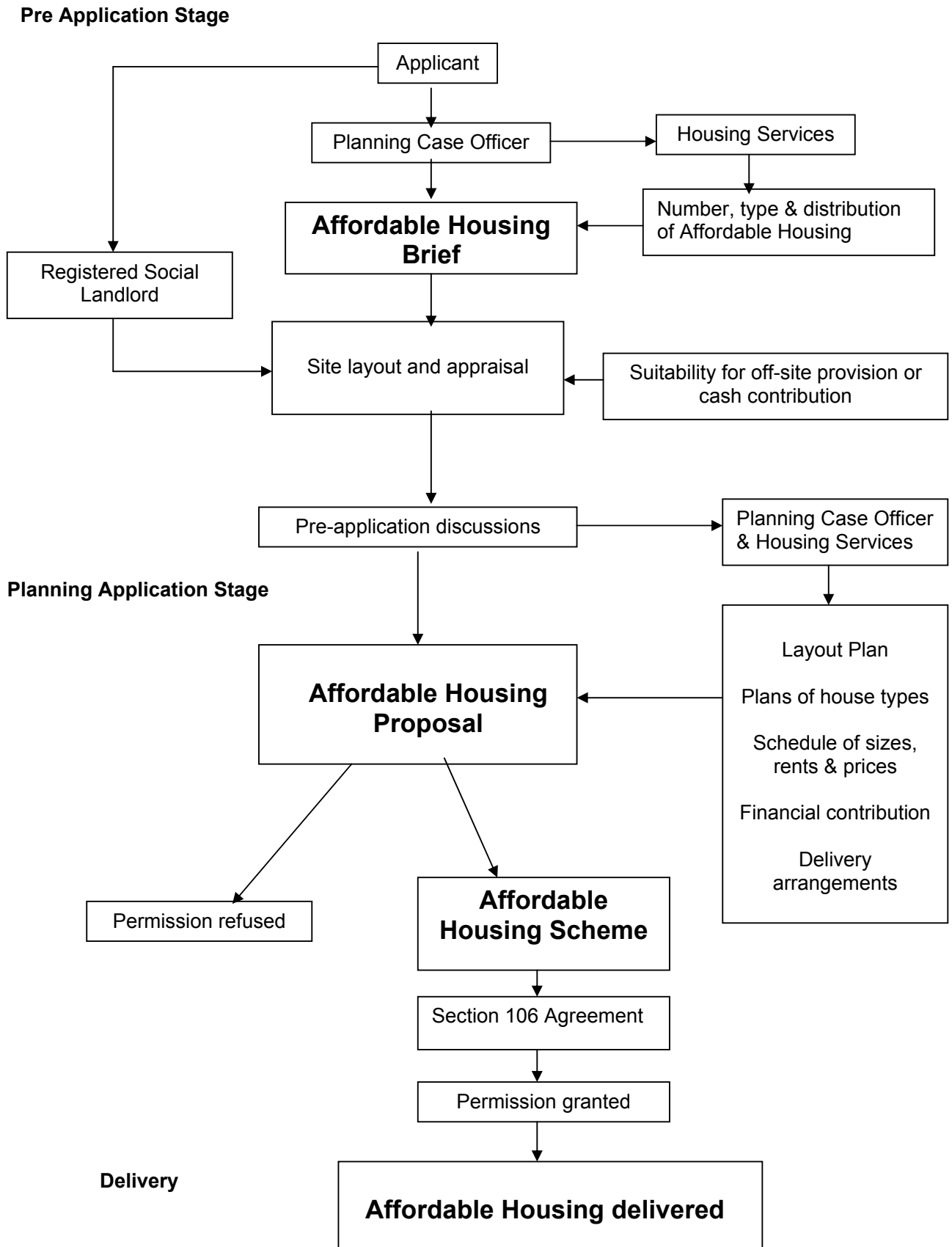
5.4 The requirement for an element of affordable housing has an impact on the value of the land, as well as implications for housing mix and layout. It would therefore be prudent for prospective purchasers and/or developers of any housing site to make an initial enquiry to establish the way that the District Council's affordable housing policies would impact on the site, just as they would normally consider the impact of any other Local Plan policy.

5.5 Even when sites appear to be below the threshold for the inclusion of affordable housing within the settlement of Malvern, there are three questions which need to be answered before this can be established:

- i) Does the proposal make best use of the land and achieve the density levels, which are required by PPG3 and development plan policies?
- ii) Does the proposal form part of a larger site, which has either been identified as, or should be treated as, a single entity for the purposes of achieving a co-ordinated form of development?
- iii) Has the site area been correctly calculated or have areas been excluded from the calculation that should have been included?

5.6 In assessing the affordable housing requirements of planning applications the District Council will have regard to the potential density of the site in the

Figure 1 Affordable Housing Negotiation Flowchart



light of the Governments requirements for making the best use of land as referred to in PPG3- Housing. Where the District Council is not satisfied with an applicant's claim that the site should be treated as being below the affordable housing threshold, it will be entitled to refuse planning permission on the grounds that the application has failed to make the necessary provision for affordable housing.

Outline planning applications

- 5.7 The District Council acknowledges that in the case of applications for outline planning consent the number of units which it is intended to provide may not be established. For such applications the District Council will seek to secure the commitment to provide the proportions of affordable housing referred to in Policy CN2 of the District Local Plan as part of a Section 106 agreement for the site.
- 5.8 The Section 106 agreement would include a formula which would enable appropriate contributions to be calculated based on the number of units specified in the detailed application and the TCI relevant at the time the detailed planning application is submitted.
- 5.9 PPG3 requires local authorities to take account of local housing needs assessments in determining the type and size of all additional housing. In considering a detailed application the District Council will take account of the local housing requirements as specified by the District Council's Housing Services Section at the time of submission of the application.

Initial Enquiry 2: Are there any factors which might make off-site provision, or financial contribution more appropriate than on-site provision?

- 5.10 This will apply only exceptionally, as indicated in Section 6.1. If however, it is agreed by the District Council and the developer that one of these alternatives should apply, then it will be necessary to establish both the appropriate number and type of affordable dwellings and the availability of an alternative site in order that the two proposals can then be processed in tandem.
- 5.11 Only if it is agreed that a financial contribution is appropriate (due to the absence of an alternative site or the existence of a preferred alternative which is already in the ownership of an RSL or the District Council), can the proposal proceed to a planning application without any further details of provision being agreed.
- 5.12 The amount of the financial contribution, will have to be agreed and embodied in a planning obligation agreement before planning permission can be granted. This will be calculated in accordance with Section 6 below, applying the type and tenure of affordable housing which is generally appropriate for the location of the application site, as indicated in the Council's annual Housing Strategy Statement.

Initial Enquiry 3: Are there any circumstances which are likely to reduce, or even eliminate, the amount of affordable housing which should be included in accordance with Policy CN2, or alternatively justify the use of SHG?

- 5.13 Paragraphs 4.15 – 4.16 set out the particular site circumstances which the District Council will take into account, and the options which it may consider in the event that these circumstances prevent the achievement of its affordable housing requirements in full.
- 5.14 Paragraphs 4.18 – 4.21 set out the method for justifying the allocation of any SHG to assist in the provision of affordable housing, and the same process should be applied if a case is to be made for Local Plan policy requirements to be modified in any other way. Unless such information is provided, and is accepted as a justification for such modification, the District Council will be entitled to apply the policy fully.

Initial Enquiry 4: What Affordable Housing types should be included?

- 5.15 The Housing Services Section of the District Council will provide the mix of affordable dwelling types and sizes which would be most appropriate to include in a planning application for the site, along with any justification for modifying the proportions of rented and sale properties which are set out in Policy CN2. The mix of dwelling types and tenures would be based on published information from up to date Housing Needs Assessments or other local surveys and the annual Housing Strategy Statement. It would cover all dwellings including specially designed housing for disabled and other special need clients.
- 5.16 The Malvern Hills District Housing Need Assessment (2002) concluded that the current relationship between house prices and incomes in the District means that low cost market housing would have to be significantly discounted if it were to be available to the majority of households. In order for low cost market housing to be accepted as affordable housing, the applicant will need to demonstrate that it would be sufficiently discounted to meet the housing needs of those who cannot afford market rents or property sale prices generally available in the locality.
- 5.17 The applicant would also have to satisfy the District Council that an objective assessment has been undertaken to demonstrate that the purchasers are in local housing need, and that the properties would be available to such purchasers in perpetuity and not just on initial sale.

Initial Enquiry 5: How should the Affordable Housing be distributed and when should it be delivered?

- 5.18 As a general principle, the affordable housing should be distributed throughout the site in way that allows it to be fully integrated with the market housing and not segregated by either design or location. Furthermore there should be no difference outwardly in the style though there may be variations in the tenure within the streetscene.
- 5.19 There may be practical limitations to the manner in which affordable housing is distributed. This is a matter which the District Council Housing and Planning officers involved will consider on a site by site basis in consultation with an RSL and make recommendations to the prospective applicant as to how the affordable housing should be distributed on the site.

- 5.20 The delivery of affordable housing units will be phased throughout the housing development but the District Council will generally seek to ensure that, subject to consultation with RSL partners, all of the affordable housing is constructed and available before 75% of the total development has been completed and ready for occupation as determined by the District Council.

THE AFFORDABLE HOUSING PROPOSAL

- 5.21 The Affordable Housing Brief will provide sufficient information for the applicant to prepare a site layout, in conjunction with one of the District Council's preferred RSL partners, for pre-application discussions with planning and housing officers. It will also enable the applicant to make a detailed financial assessment of the whole scheme, and establish the site value.
- 5.22 However, Policy CN2 requires that a planning application has to be accompanied by the details of the affordable housing proposal, or exceptionally by a justification for the omission of an affordable housing proposal.

Details of the Affordable Housing Proposal

- 5.23 This will need to be consistent with the Affordable Housing Brief, subject to any amendments which may have been agreed with the Council. It will also contain the following information which can be established prior to the submission of a planning application:
- i) A layout plan showing the affordable dwellings and the areas to be transferred with them.
 - ii) A set of floor plan and elevations for each of the affordable house types with sufficient detail to show that they comply with the Housing Corporation Scheme Development Standards and are also in accordance with the preferred RSLs own design requirements.
 - iii) A schedule of the affordable dwelling types, with gross internal floor areas, rent levels and/or sale prices for each type.
 - iv) An outline of the arrangements by which the affordable housing would be transferred to an RSL and/or occupied by a person in Local Housing Need, including the sequence and approximate timing of completions, and any variations to the Council's standard lettings and allocation policies.
 - v) Details of any SHG which may have been agreed, or which may be requested, together with a justification for the SHG where this has not been agreed, in accordance with Section 4.4 above. Alternatively, the amount of financial contribution which has been calculated in accordance with Section 6 below.

In the case of an outline planning application, which does not include the siting and design of the dwellings, only paragraphs iv) and v) would apply.

THE AFFORDABLE HOUSING SCHEME

- 5.24 Policy CN2 requires an applicant to enter into an agreement for delivering the Affordable Housing Scheme before planning permission is granted. This agreement will normally be a planning obligation in accordance with Section 106 of the Town and Country Planning Act 1990. In addition to the details in the Affordable Housing Proposal, this will incorporate additional details which are necessary for ensuring that the affordable housing is delivered, occupied and managed as set out in Section 8.

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6. FINANCIAL CONTRIBUTIONS AND OFF-SITE PROVISION

OFF-SITE PROVISION

- 6.1 Circular 6/98, para. 21 states: *"where a requirement for an element of affordable housing is appropriate, it should be provided as part of the proposed development."*
- 6.2 The Circular recognises however, that there may be circumstances where both the local planning authority and the developer agree that it would be preferable that a financial or other contribution should be made towards the provision of the element of affordable housing on another site in the local planning authority's area. (para 22.)
- 6.3 In view of the limited number of housing sites proposed to be allocated within the Draft Malvern Hills District Local Plan, it is unlikely that this situation would occur other than exceptionally. However, there are two sets of circumstances in which this option might be appropriate, subject to the agreement of both the District Council and the applicant:
- i) where the integration of the affordable housing element is not possible without severely compromising the design requirements of the site - such as the conversion of a period building with very large rooms that were not appropriate for sub-division
 - ii) where the location of the site would place additional financial burdens on households occupying the scheme through isolation or increased costs in gaining access to local services and facilities such as schools and employment
- 6.4 In such cases the Council will expect the applicant to provide the affordable housing on another site, by substituting the appropriate number of market dwellings on the alternative site with additional affordable dwellings. However the ratio of market dwellings to affordable housing will still need to be maintained and therefore the greater amount of market housing achievable on the original site will require an appropriate amount of affordable housing units on the alternative site.

As an example in rural areas, where half of all new dwellings are to be affordable, a site of 5 market dwellings would require the simultaneous provision of 5 affordable dwellings on another site. If the additional site was capable of being developed for more than the required 5 affordable dwellings, then any subsequent dwellings constructed at market value would have to be accompanied by a further 50% of affordable housing units in order to maintain the 50% requirement overall.

- 6.5 This scenario assumes that an additional site is available and acceptable in planning terms. As an alternative, the District Council may accept a financial contribution in lieu of either an on-site or off-site provision, which would be used to facilitate the provision of affordable housing directly by an RSL elsewhere in the District.

Information required for Calculating the Financial Contribution

- 6.13 In order to calculate the financial contribution for a particular proposal, the following information will be required:
- i) Details of the house types, sizes and tenure of the affordable housing
 - ii) The current TCI for each house type and size included in the proposal
 - iii) The current grant rate for each rented house type and size
 - iv) For shared ownership the current Affordable Housing Cost (this will be updated periodically as explained in 2.2)
- 6.14 Both off-site provision and financial contributions would be provided through a Section 106 Agreement drawn up in accordance with para. 23 of Circular 6/98, to ensure that the release of the requirement for on-site provision was simultaneous with either :-
- i) a contractual commitment for the delivery of the off-site provision, or
 - ii) an arrangement for the payment of the financial contribution on the first transfer, lease or sale of the completed properties.
- 6.15 Any financial contribution paid in this way would be held by the District Council for use by an RSL, in lieu of or in addition to SHG for any affordable housing scheme in the District, and could include any of the following:
- i) A scheme where an economic justification for SHG has been accepted in accordance with 4.18 - 4.19 above
 - ii) A scheme on a rural Exceptions Site
 - iii) A scheme on land acquired in the marketplace by an RSL
 - iv) A scheme on land already owned by an RSL, including the re-modelling or re-development of properties which no longer met local housing need
 - v) The purchase of individual properties for letting or shared ownership sale by RSLs.
- 6.16 Unless specifically instructed to do otherwise the District Council will amalgamate developer contributions with Council funds. The contribution would be recorded in a separately identifiable ledger account within the Council's financial system and an annual transfer in respect of the interest would take place each year until such time as the funds are utilised or returned to the developer as applicable.
- 6.17 The financial contribution would be used within 10 years of its receipt, or such longer period that may be agreed with the applicant, and would be used in accordance with the conditions applying at the time for the use of SHG. Failure by the District Council in conjunction with an RSL to use the financial

contribution as specified above would result in it being re-paid to the landowner/developer together with any interest which had accrued.

- 6.18 The District Council will repay any unspent monies within a period of three months from the expiry of the ten year period (or longer period as may be agreed) subject to the landowner/developer or the successive owners in title submitting a claim in writing to the District Council for the repayment of the contribution. Where no such claim is made within a period of three months from the date of expiry of the agreed period the District Council will assume that no valid claim can be made on the retained monies and will utilise such monies for affordable housing or other community uses.
- 6.19 The rate of interest to be applied to landowner/developer contributions would be set at 1% below Bank of England base rate to allow for administration charges.

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7. THE CONTENT OF SECTION 106 AGREEMENTS

DELIVERY

- 7.1 The Section 106 agreement should identify the amount and type of affordable housing to be provided by reference to the Affordable Housing Scheme detailed in 5.2 and 5.3 above. It should also include the financial arrangements which ensure that it will be delivered at an Affordable Cost as set out in 4.2 above, and specify the sequence in which the affordable housing and the market housing will be delivered.
- 7.2 There may be circumstances in which the Council has agreed that the Affordable Housing Scheme cannot be delivered unless a specified amount of Social Housing Grant is made available. In such cases a 'fallback' Affordable Housing Scheme should be specified, so this can be delivered as an alternative in the event that the Social Housing Grant is not available within a specified period of time.
- 7.3 Where exceptionally the affordable housing is to be provided off-site, this should be commenced, with all the necessary agreements in place to ensure its completion, before the first occupation of the market housing. Similarly, where a financial contribution is to be made, this should be paid at this stage.
- 7.4 On larger sites, there may be a phasing arrangement whereby a specified number of affordable dwellings should be available for occupation before more than a specified number of market dwellings may be occupied. This phasing arrangement should have regard to the site layout, the total number of dwellings, and any exceptional costs of development in cases where the Affordable Housing Cost is significantly below the cost of construction.

OCCUPANCY

Social Rented Housing

- 7.5 Where an RSL is involved, the District Council would not always seek to apply occupancy controls in addition to those already operated by RSLs within the District. However, there are a number of circumstances in which, even with the involvement of an RSL, it would be appropriate to specify occupancy criteria:
- i) For Rural Exceptions Sites, the parish or group of parishes should be named for substitution for 'District' in the criteria set out in 2.3 above.
 - ii) For Allocated and Windfall sites where a specific local housing need has been identified, a similar set of criteria to those applying to Exceptions Sites may be included in order to ensure that the identified need is given priority over general needs across the District.
- 7.6 Although the District Council strongly recommends the involvement of a RSL for all types of Affordable Housing, it acknowledges that the developer could choose to comply with all of the details of the District Council's affordable housing policies without involving an RSL. In such cases, the Section 106 Agreement would need to include all of the letting criteria, reporting

procedures and management commitments that are embodied in the arrangements that are entered into between the District Council and RSLs, in order to ensure that the same standards and conditions would apply.

Low Cost Home Ownership

- 7.7 The occupancy criteria for Shared Equity and Low Cost Market Housing would be no different to the occupancy criteria for social rented housing. The involvement of an RSL in both these types of Low Cost Home Ownership is strongly recommended as a way of both simplifying the process for all concerned and ensuring that the District Council's policy objectives are met.
- 7.8 By transferring any difference in value between the Affordable Cost and the TCI cost to the RSL, by way of a free equity share, there would be no need for additional occupancy controls to be included. The RSL would be directly involved in any transfer of ownership and would be able to ensure that this always involved a person in Local Housing Need.
- 7.9 For example, if a property has a TCI cost of £125,000, and an Affordable Housing Cost of £81,500, then the share which the purchaser will be able to acquire is $\frac{£81,500}{£125,000} = 65.2\%$. The RSL will be gifted the remaining 34.8% share, which it will be able to retain on a future transfer of ownership to a qualifying person. Alternatively, it would be able to sell this share, after an agreed minimum period of time, to either the existing or subsequent occupier, and use the proceeds of that sale to enable the purchase of another property.
- 7,10 The District Council is aware that there have been instances in other local authority areas where affordable housing has included properties sold, either at market value or at a discount to market value, to persons in Local Housing Need, with a covenant restricting the way that they are re-sold in the future. It has examined a number of these arrangements, and come to the conclusion not only that the covenants would be extremely difficult to enforce, but also that any attempt to do so would represent an inappropriate administrative burden. In addition, it is evident that recent increases in house prices has already made many such properties no longer affordable, often eliminating the benefit of the discount within a year or two of the date of first occupation.

MANAGEMENT

- 7.11 In addition to the advantages of using an RSL to control occupancy, both initially and subsequently, there are issues of management which also need to be addressed in the Section 106 agreement if RSLs are not involved:

Service Charges

- 7.12 With the increase in mixed use and apartment style of developments, there is an increased likelihood of significant levels of service charges. This can be a particular problem in mixed tenure schemes, both for tenants and low cost home owners, and the Section 106 agreement should make it clear that it is the total cost of occupation, not just sales prices and rents, which has to fall within the definition of Affordability, both initially and in perpetuity.

Maintenance and Future Rent Levels

- 7.13 Due to the scale of their operation, and their regulatory regime, the involvement of RSLs ensures that high standards of future maintenance are achieved economically, and that future rent increases do not affect affordability. The use of any alternative landlord would necessitate arrangements that achieved similar benefits.

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APPENDIX 1: Local Definition of Affordability

The Malvern Hills District Housing Need Assessment (2002) reviewed the Worcestershire County Economic Assessment (2001-2) and concluded that:

"Part Time Working accounts for over a third of all employment, and for over half of all female employment, so in setting a definition of housing affordability, it would be reasonable to assume that there is one full time and one part-time income. Even if there are two full time incomes, the costs of child care would be likely to reduce the net value of the second income to a level similar to a part-time income." (para. 4.8.3)

For the 1/4 of occupations which fall within the categories for which average incomes are £14,750 or less, social renting is the most likely option, and **rents should be within the limits set by the Housing Corporation** as being appropriate for local circumstances. For 2002/3, for Malvern Hills District, these are:

1 bedroom	£50-52 per week
2 bedroom	£60-63 per week
3 bedroom	£65-69 per week

From the statistics provided by the Worcestershire County Economic Assessment 2001-2 it is clear that a significant proportion of jobs in Malvern Hills District (33%) are in the occupations defined as 'Sales', 'Personal and Protective' and 'Plant and Machine Operatives' which provide average incomes of £16,250 - £17,250 p.a. and above it a further 18% are 'Skilled Craft', earning an average of £18,638 p.a., which puts them at the margins of providing access to market housing.

Below this middle half of occupations are 16% in the Clerical and Secretarial category with average incomes of £14,750, and a further 9% unclassified at lower income levels.

Above the middle half are the 'Associate Professional' and 'Managerial and Professional' categories which make up the top 24% of occupations and which are the only ones which provide reasonable accessibility to home ownership in the current market.

For the bottom quarter of occupations, it might be reasonable to assume that full home ownership is unlikely to be a realistic option, and social renting or subsidised shared ownership is the most likely tenure. However, for the middle half of occupations, access to social renting is unlikely to be achievable, and home ownership will usually be the preferred, and only available alternative.

Based on multipliers used in the HNA if it was assumed that there were two incomes, comprising one full time job at the bottom of the middle half - £16,250 - and one part time at 50% of the average for the Clerical and Secretarial category - £7,375, this would mean that with a mortgage of 3 times the main income and 1 times the second, **a purchase at just under £60,000 could be achieved** with mortgage of £56,125, plus a deposit of 5% deposit of £3,000.

Alternatively, if the Skilled Craft category average of £18,638, at the top of the middle half, is substituted for both the main income and the part time income, then a **purchase of just under £70,000 could be achieved** with a mortgage of £65,233 plus a 5% deposit of £3,425.

Land Registry data shows that only 23.5% of dwellings sold within the District in 2001 (317 in total) were below £80,000, and for 2002 this has reduced to just 11% (164 in total). This means that "houses generally available on the open market" are likely to be out of reach to almost all of the 3/4 of the District's working population who are in occupation classifications that produce average incomes of £18,638 or less.

As a result of this information, affordable housing is defined as being housing which can be purchased by households with one full time and one part time income at the average level that applies for those occupation categories which make up the middle half of all employment, and with a 5% deposit. At 2001-2 income levels, and the income multipliers used in the Housing Needs Assessment, this means that affordable housing for sale would have been between **£60,000 and £70,000**.

It is important that the definition of affordability reflects changes both in income and in the multipliers used for mortgage purposes, and in the light of the continuing low cost of borrowing, it would be more appropriate at the beginning of 2003 to apply 3.5 times a single income and 3 times a joint income, which would provide the following equivalent calculations:

- a) $£16,250 + £7,375 = £23,625$ joint income $\times 3 = £70,875$ + deposit - say **£75,000**
- b) $£18,638 + £9,319 = £27,957$ joint income $\times 3 = £83,871$ + deposit - say **£88,000**

Future changes in income levels and multipliers, which affect the amount that can be borrowed on a mortgage, may require these figures to be updated periodically.

Housing for sale would therefore be considered to be affordable as long as it was within the range of **£75,000 to £88,000**, bearing in mind that affordability will be different for different income groups, and on any one site it should not exceed an average of the mid point between these figures, which is **£81,500**.

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APPENDIX 2 - Details of Legislative and Policy Background for Affordable Housing Provision

SECTION 54A TOWN AND COUNTRY PLANNING ACT 1990

The legislative background for Local Plan policies for affordable housing is based on Section 54A of the Town and Country Planning Act 1990. The Act makes affordable housing policies, contained in the District's development plans, a material planning consideration in all planning applications. The Act states:

"Where, in making any determination under the Planning Acts, regard is to be had to the development plan, the determination should be made in accordance with the plan unless material considerations indicate otherwise."

PPG1 - GENERAL POLICY AND PRINCIPLES (February 1997)

PPG1 provides guidance on considering affordable housing as a material consideration. In particular paragraph 24 states that: *"In preparing their development plans, local planning authorities should consider the land use requirements of various types of social provision."* One of the key objectives is for a local planning authority to consider the need to *"provide a mixture and range of types of housing to meet the increasingly varied types of housing requirements, including the need for affordable housing."* - para.24.

PPG3 - HOUSING (March 2000)

The policies for the provision of affordable housing in the District's adopted Local Plan were prepared to comply with the requirements of the previous PPG3 - Housing dated 1992. This guidance has been updated in a revised PPG3 which was published by the DETR in March 2000.

PPG3 sets out the Government's policy for planning and housing and includes guidance on the provision of affordable housing through the planning system. More specifically, PPG3 states that if there is a demonstrable lack of affordable housing to meet local needs then authorities may seek to negotiate with developers for the inclusion of an element of affordable housing on larger schemes, on both allocated housing sites and on other sites. In doing so, local authorities should:

- Assess and plan to meet the level of local housing need in their area
 - Indicate their intentions to meet this need in local plan policies
 - Give clear guidance on their definition of affordable housing
 - Outline the arrangements to ensure that such housing is reserved in perpetuity for those in housing need
-

PPG 12 – DEVELOPMENT PLANS – (December 1999)

PPG12 states that SPG can play a valuable role in supplementing plan policies and proposals. Whilst only the policies in the development plan can have the status that Section 54A of the 1990 Act provides in deciding planning applications, SPG may be taken into account as a material consideration.

The Secretary of State will give substantial weight in making decisions on matters that come before him to SPG which derives out of and is consistent with the development plan, and has been prepared in the proper manner.

CIRCULAR 6/98: PLANNING & AFFORDABLE HOUSING (April 1998)

This Circular supplements PPG3 by amplifying the Government's approach to planning and affordable housing. This SPG takes full account of the Circular in offering guidance on the implementation of the policies and the thresholds. The Circular will assist in updating the policies on affordable housing in the adopted Local Plan which pre-date Circular 6/98.

CIRCULAR 1/97 - PLANNING OBLIGATIONS (January 1997)

This Circular sets out Government policy for the use of planning obligations. Amongst other things, it specifies that planning obligations might appropriately be used *"to secure the inclusion of an element of affordable housing in a larger residential or mixed use development."* - para. B11.(i)

THE RURAL WHITE PAPER "A FAIR DEAL FOR RURAL ENGLAND" (DETR 2000)

This identifies that better use of the planning system should be used to secure more affordable homes as part of mixed developments in market towns and rural areas. It states that *"there is no reason why, in small villages if there is evidence of need and subject to financial viability, every market house should not be matched with an affordable home."*

REGIONAL PLANNING GUIDANCE - 1991-2011 (April 1998)

RPG11 identifies the importance of meeting local housing needs in a sustainable way. It also recognises the positive contribution that this can make to the social and economic well-being of an area, and encourages the provision of a mix of house types and sizes from existing stock and new provision to cater for the needs of all sections of the community. Particular reference is made to the increasing proportions of single people and other small households expected to form in the future.

RPG11 also indicates that County Structure Plans should provide a link between regional analysis and proposals in local plans by setting down clear planning guidelines for the provision of affordable housing.

DRAFT REGIONAL PLANNING GUIDANCE (November 2001)

Draft Regional Planning Guidance for the West Midlands was published in November 2001. Following the publication of the Panels Report of the Public

Examination (October 2002) the First Secretary of State published Proposed Modifications in September 2003.

The Proposed Changes include a new Policy CF5; Delivering affordable housing and mixed communities. The policy is set out below.

Policy CF5: Delivering affordable housing and mixed communities

Local authorities, developers and social housing providers should co-operate to create more balanced and mixed communities through the provision of a range of housing types and tenures within new housing developments and sites across all parts of the Region.

Local authorities should keep under review the need for affordable housing in their area, based on local housing needs assessments, using a broadly consistent approach, the production of which will be co-ordinated by the RPB. Both social and low cost market housing should contribute to meeting the need for affordable housing. Opportunities should be sought within the existing housing stock where this would help the creation of mixed communities, as well as through new build.

The Regional Housing Partnership should facilitate partnership approaches to the assessment and delivery of affordable housing across common local housing market areas.

Local Planning Authorities in their development plans should:

- a. indicate how many affordable homes need to be provided throughout the plan area;*
- b. in rural areas specify the balance of affordable housing to be achieved between market towns and villages where there is a need to retain or strengthen services; and*
- c. consider the need to prevent the unjustified use of affordable housing provision for general market housing purposes.*

Local authorities should also consider whether there is a need for affordable housing to be sought on sites below the thresholds set out in national guidance in areas where low-income households have particularly difficulty in affording local general market house prices. Where local authorities can demonstrate that local circumstances, particularly the likely viability of developments, justify adopting a lower threshold, they should bring forward proposals through the development plan process. This applies especially in the south and east of the Region, in the corridor extending from the Malvern Hills to the Warwickshire border with the South East Region, and in some rural areas where appropriate thresholds should be set for settlements with populations of 3,000 or less.

Development plans should ensure that adequate provision is made for suitable sites to accommodate gypsies and other travellers. Such provision should reflect the order of demand in the area as indicated by the trends shown by the ODPM annual count and any additional local information.

WEST MIDLANDS REGIONAL HOUSING STATEMENT 2001 (Government Office for the West Midlands and The Housing Corporation)

This identifies one of the Key Issues as:

"The lack of affordable housing in high cost areas (especially certain rural areas) prevents low income households in those areas from exercising their choice to stay in the community. Large increases in rural housing costs (in part a result of scarcity of supply stemming from planning controls) raises problems for actual and potential households from within the local community. The inability for community ties to be renewed because low income households (relative to the incomes of those able to purchase property in these locations) have to move away, has detrimental effects on rural communities. Policy initiatives and measures are needed to seek to increase the supply of lower cost housing in high cost locations, in response to carefully specified community needs. Policies of this type will also help low to middle income households to enter the housing markets in these locations."

WORCESTERSHIRE COUNTY STRUCTURE PLAN 1996-2011

The Structure Plan contains policies which require Local Plans to make adequate provision for affordable housing (Policy D.6) and to consider the appropriate site size threshold for the inclusion of a proportion of affordable housing (Policy D.7). The full text of these policies and their explanatory memoranda are set out below.

It also draws attention to the fact that Circular 6/98 allows local authorities to adopt lower thresholds where exceptional local constraints can be demonstrated and explains that this, reflected in Policy D7, "should help to ensure the provision of affordable housing during the Plan period, particularly in Malvern Hills District where historically many housing sites are very small." (paras. 6.27 and 6.28)

Policy D6 – Affordable Housing Needs

"As part of the overall housing provision in each District as set out in Policy D.4, District Planning Authorities should make adequate provision in their Local Plans for affordable housing which will be provided within the District during the Structure Plan period.

This provision should be based upon District Council's assessments of the affordable housing needs arising from both local and migrant households.

The level, range and type of provision to be achieved on individual sites, including suitable windfall sites, should be agreed through negotiation with developers at the planning application stage. Local Plans should set indicative targets for the level of affordable housing to be provided on suitable sites to inform this process.

Planning conditions or planning obligations may be used to control the occupancy of affordable dwellings to ensure the benefit of such dwellings accrue to both the initial and any subsequent occupiers."

Policy D.7 - Site Size Thresholds – Affordable Housing Needs

"In assessing the suitability of sites for the development of affordable housing, District Planning Authorities should consider whether the site size thresholds in DETR Circular 6/98 Affordable Housing are appropriate, in the light of their local housing needs assessments."

The Explanatory Memorandum for Policy D.7, paras 6.27 and 6.28 states:

"DETR Circular 6/98 sets out the site size thresholds below which it is considered that it would be inappropriate to seek affordable housing. These are below sites of 1 hectare or with a capacity of 25 dwellings. However it recognises that in settlements in rural areas with populations of 3,000 or fewer there may be justification for lower thresholds based on local authorities' local needs assessments and the available supply of land for housing and adopted through the local plan process. In view of the rural settlement pattern of much of Worcestershire, Policy D.7 allows District Councils this flexibility. This should help to ensure the provision of affordable housing during the Plan period, particularly in Malvern Hills District where historically many housing sites are very small.

In accordance with Circular 6/98 it may also be appropriate for local authorities to generally adopt a lower threshold than sites of 1 hectare or with a capacity of 25 dwellings, where exceptional local constraints can be demonstrated, through the reviews of District Local Plans."

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**APPENDIX 3 –Draft Affordable Housing Policies included within Draft
Malvern Hills District Local Plan**

Policy CN2 - Providing affordable housing in new housing development

In order to address identified housing needs of the District, the Council will negotiate with landowners and developers for the inclusion of a proportion of affordable housing in all proposals for residential development on allocated and windfall sites.

Affordable housing will be sought as follows:

- g) Up to half of all dwellings on sites of 0.5 ha and over, or 15 dwellings or more whichever is the smaller, in Malvern town.**
- h) Up to half of all dwellings on sites of 0.2 ha and over, or 5 dwellings or more which ever is the smaller in the remainder of the District.**

and where:

- i) there is an identified need for affordable housing;**
- j) the scheme will remain economically viable;**
- k) the need to achieve other planning objectives will not be prejudiced; and**
- l) an appropriate mix of housing types and tenures that meet the housing needs of the area are provided.**

Permission will not be granted by the District Council until the applicant has entered into an agreement for delivering the Affordable Housing Scheme.

Reasoned Justification

The provision of affordable housing is one of the District Council's priorities, highlighted not only within the responses to the Key Issues Report on the review of the Malvern Hills District Local Plan but also in the responses to the Vision 21 consultation on the Community Strategy preparation during Spring 2002.

The District Council's objectives for meeting this need are set out in the Malvern Hills District Council Housing Strategy 2002-2007 and focus, inter alia, on enabling adequate provision of good quality affordable housing for rent and low cost shared ownership and the promotion of low cost market housing where this is not being provided by the market.

The District Councils priority is for the affordable housing to be in the form of serviced land and buildings, at an Affordable Cost to the occupier or owner as defined in Supplementary Planning Guidance on Affordable Housing in Malvern Hills District. Off-site provision or financial contributions towards the cost of off-site provision will only be considered in exceptional circumstances. Such circumstances, together with the means by which the amount of off-site provision or financial contribution is to be calculated will be set out in Supplementary Planning Guidance on Affordable Housing in Malvern Hills District.

Applications for residential development above the thresholds established by this policy will not be considered by the District Council unless they are accompanied by either of the following, as set out in Supplementary Planning Guidance on Affordable Housing in Malvern Hills District:

1. Details of the Affordable Housing Proposal, or
2. Justification for the Omission of an Affordable Housing Proposal,

Permission for residential development will not be granted by the District Council until the applicant has entered into an agreement for delivering the Affordable Housing Scheme, as set out in Supplementary Planning Guidance on Affordable Housing in Malvern Hills District.

Permitted development rights may be withdrawn on dwellings provided under the terms of the policy either by planning condition or by legal agreement so that control may be exercised over the enlargement or alteration of the dwellings in ways which would affect their affordability for future occupiers.

Notwithstanding the provision of affordable housing in rural areas under Policy CN3 Rural Exception Sites, the need for affordable housing will not be treated as an over-riding factor to justify the release of otherwise unacceptable development sites which do not comply with the policy framework established by this Plan.

Definition Of Affordable Housing

For the purposes of the Local Plan the West Midlands Local Government Association definition of affordable housing has been adopted and is categorised into two types :-

Housing provided by an organisation – such as a registered social landlord or local authority allocating on the basis of need. While such dwellings will normally be made available for rent, they may also include subsidised home ownership, such as shared ownership, where a registered social landlord or local authority retains a continuing interest ; and

Low cost market housing, helping to meet the needs of first time buyers, single people, the elderly and other low income households, who cannot afford to rent or buy houses generally available on the open market

However, in the light of the findings of the Housing Need Assessment, referred to below, it is unlikely that low cost market housing in any part of the District will be within the reach of those households referred to in the definition. There is a wide gap between the income levels of those who are allocated rented housing by a social landlord, and the income level required for purchase of any type of property at market value. This means that a range of forms of subsidised home ownership will be required to meet the housing needs of those households whose incomes are between the top and bottom quartiles.

The actual level of these incomes, and the prices at which they allow for home ownership will be set out in Supplementary Planning Guidance on Affordable Housing in Malvern Hills District and kept under review and adjusted as necessary through the annual Housing Strategy Statement.

The District-Wide Housing Needs Assessment 2002

In October 2001 the District Council commissioned a district-wide Housing Needs Assessment to be carried out along the lines advocated in the DETR publication "Local Housing Needs Assessment: A Guide to Good Practice" (July 2000).

In commissioning the Assessment the District Council recognised that whilst the existing Local Plans for the district contained affordable housing policies the extent to which these policies had delivered affordable housing throughout the District was very limited. The primary reason for this is the low incidence of development sites coming forward which meet the current thresholds contained in the existing Local Plans for the negotiation for affordable housing units.

The Assessment drew upon a wide range of local and national data including the results of Parish Housing Needs Surveys which are being carried out on an on-going basis throughout the District, a postal survey carried out in Malvern town in Spring 2002 by the District Council and an analysis of housing completions in the district since 1996.

Some of the main findings of the Housing Needs Assessment which was published in July 2002 are:

- Average earnings in Worcestershire are 10% below the regional and 12% below the national averages, and almost 3/4 of occupations in Malvern Hills District are in categories for which average earnings do not exceed £18,638, which suggests that for most households the maximum mortgage that could be obtained with one full time and one part time income would be between £60,000 and £70,000.
- House prices throughout the District are well above regional and national averages.
- The number of family homes which are affordable for the majority of households is diminishing.
- Private rented accommodation is scarce and expensive, especially for family homes.
- Housing completions district-wide show a predominance of small sites.
- The supply of affordable housing delivered by use of Section 106 agreements has been very limited, and the opportunities for affordable housing to be supplied by other means have been diminishing.
- There is a need for 1,400 additional affordable dwellings over the Local Plan period to 2011, of which only about 200 can be expected from exception sites and other measures, leaving a shortfall of 1,200.

The District Council acknowledges that the planning system is only one of a number of initiatives which can be employed to deliver local affordable housing, but in the light of the findings of the Assessment, it is likely to be the only one which can make a significant contribution.

Lower Thresholds

Policy CN2 adopts lower thresholds than those recommended in Circular 6/98. However the Circular states that lower thresholds can be used but justification for them should be provided through the Local Plan process.

The principal justification for lower thresholds is based on an analysis of the size and type of housing site which has been achieved within the district over the period 1996-2003 as shown in the Council's Housing Land Availability Report April 2003. The thresholds represent larger sites in both Malvern and the rural area. The Structure Plan acknowledges that many sites in the District are very small and that 5 dwellings represents an appropriate threshold for the identification of large sites.

Over this period 2526 new units (ie completions & outstanding commitments) were provided throughout the district, of which 1043 (41%) were in Malvern town and 1483 (59%) within the rural area. Table 1 below analyses the number of units provided by site size over the period 1996-2003 for both Malvern town and the rural area.

Table 1: Dwelling Completions and Outstanding Commitments 1996-2003

	Total	Sites 25+ units	Sites 15+ units	Sites 5+ units	Sites <5 units
Malvern Town (inc. West Malvern, Malvern Wells & Little Malvern)	1043 (41%)	301 (49%)	477 (57%)	764 (53%)	279 (26%)
Rural Area	1483 (59%)	318 (51%)	367 (43%)	671 (47%)	812 (74%)
Total	2526 (100%)	619 (25%)	844 (33%)	1435 (57%)	1091 (43%)

Note: Completion figures are gross

On the basis of existing adopted Local Plan policies 77 affordable dwellings were provided by Section 106 agreements in Malvern town and 34 in rural areas over a five year period. This amounts to 22 p.a. compared with the identified need for 156 p.a.

Amount Of Affordable Housing

Policy CN2, together with all dwellings which could come forward through exception schemes and other measures, can be expected to deliver approximately 550 additional affordable dwellings, or 39% of the identified shortfall. The District Council is keeping the delivery of affordable housing under regular review including the monitoring of supply and need. If local circumstances are such as to justify the provision of additional affordable housing by the use of lower thresholds or a higher percentage of dwellings on eligible sites, or both, an appropriate amendment will be made to the Local Plan and to the District Council's Housing Strategy to facilitate this process.

Supplementary Planning Guidance

In order to support the above policy and assist in its implementation the District Council has published Supplementary Planning Guidance on The Provision of Affordable Housing. It explains how the policies will be implemented, the process and procedures which need to be followed both by the landowner/developer and the District Council in submitting and considering a planning application, and how the affordable housing should be delivered.

Monitoring and Review

The District Council is keeping the delivery of affordable housing under regular review including the monitoring of supply and need and is aware of possible changes to PPG3: Housing, regarding the identification and implementation of lower thresholds. Through its monitoring of local housing land supply characteristics the District Council believes that local circumstances are likely to justify the provision of additional affordable housing by the use of lower thresholds and / or a higher percentage of dwellings on eligible sites. If these approaches are supported by changes to Government advice the District Council will urgently seek an appropriate amendment to its Local Plan policy, related Supplementary Planning Guidance and to the District Council's Housing Strategy to facilitate this process.

Policy CN3 - Rural Exception Sites

Exceptionally affordable housing will be permitted on sites which would not otherwise be released for housing provided that :-

- e) the need has been proven;**
- f) the development is within or adjacent to a settlement defined within Categories 1 & 2 by Policy DS11 or is in a location which satisfies the special circumstances referred to in Policy DS12(b) in respect of Category 3 settlements and other locations;**
- g) secure arrangements are made to ensure that the housing will remain affordable and available to meet the needs of local people in perpetuity; and**
- h) the proposals do not involve mixed development consisting of open market housing.**

Reasoned Justification

Circular 6/98 and Annex B to PPG3 Housing 2000 recognises the difficulties in securing an adequate supply land for affordable housing in rural areas for local needs particularly where there are no new housing allocations.

This policy is intended to supplement Policy CN2 and provide additional opportunity for affordable housing to be provided in the rural area, particularly those parts of the District where opportunities for the implementation of Policy CN2 will be limited by virtue of the likely size of the housing sites which will come forward during the plan period.

In order to qualify as an exception scheme proposals need to demonstrate that a need for affordable housing exists in the parish. Reference will need to be made to

the District Councils Housing Needs Assessment which may need to be locally verified by an up-to-date parish survey.

For the purposes of this policy the term "adjacent to the settlement" normally refers to a site immediately adjacent to the settlement boundary for those settlements listed in Categories 1 and 2 within Policy DS11. However there may be circumstances where, in the opinion of the District Council, the proposed site is in a sensitive location which, if developed, would be detrimental to the setting of a listed building, the character of a Conservation Area or the general character and landscape setting of the settlement. In these instances the site should be located close to the settlement boundary and comply in all other respects with Policy DS3.

The settlements identified in Policy DS11 and DS12(b) enable affordable housing schemes to come forward in many rural settlements. However the District Council recognises that a need for such schemes may exist in locations other than those listed in policies DS11 and DS12(b). In order to address such needs, in exceptional circumstances where a proven need exists which cannot be met in one of the settlements listed above in Policies DS11 and DS12(b), consideration may be given to alternative rural locations. Such consideration will have regard to the District Housing Needs Assessment, a Parish Housing Needs survey and reasons why the identified need cannot be met in either a Category 1, 2 or 3 settlement. Other issues that will be taken into account include sustainability, economic and social isolation, site viability and the need for the site to be environmentally acceptable without creating any amenity or highway problems.

Where exceptional local housing need is to be met within or adjacent to a Category 3 settlement or another appropriate rural location, proposals will be carefully considered against policies for development in the open countryside. For Category 3 settlements proposals will need to demonstrate that they are clearly related and sympathetic to the existing settlement pattern. In all other locations proposals for local housing need will be very small scale and expected to be associated with existing residential development or groups of buildings in the landscape, with adequate road access and services.

For reasons of social isolation the District Council does not consider that it would be appropriate to extend this approach to the consideration of OAP and special needs accommodation which it is considered should be located in more sustainable locations.

In the absence of a settlement boundary defined on the Proposals Map it is essential that any housing provided under the terms of Policy DS12(B) pays particular regard to the appropriateness of the proposal in the landscape and the objectives of the Landscape Character Assessment undertaken for Worcestershire.

Exception schemes need to take full account of environmental considerations, including design, siting and materials. Similarly a site's location should not place additional financial burdens on households occupying the scheme through isolation or increased costs in gaining access to local services and facilities such as schools and employment.

Permitted development rights may be withdrawn on dwellings provided under the terms of the policy either by planning condition or by legal agreement so that control may be exercised over the enlargement or alteration of the dwellings in ways which would affect their affordability for future occupiers.

Housing provided as exception schemes under the terms of this policy is additional to the provision of housing to meet the requirements of the Worcestershire Structure Plan though the number of units built will be taken into account in monitoring the Plan and calculating the housing need which remains to be met.

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APPENDIX 4: MALVERN HILLS DISTRICT HOUSING NEEDS ASSESSMENT JULY 2002 - Summary

In July 2000, the DETR published A Guide to Good Practice for Local Housing Needs Assessment which has changed the emphasis away from the previous heavy reliance on questioning heads of household about future intentions and self certified needs. Local authorities are now advised to collect, analyse and monitor data from a wide variety of sources, and make their projections on the basis of past trends and known facts, with regular updating to take account of changed circumstances.

Taking account of the need to work towards these objectives, the Council commissioned an up to date Assessment of Housing Needs, which would:

- 1) Provide an authoritative statement of Housing Need within the District for Affordable Housing.
- 2) Inform the development of Local Plan Policies and Supplementary Planning Guidance which will contribute to meeting this need, through including:
 - a) The amount of affordable housing which should be sought as an overall objective for the period of the new Local Plan.
 - b) The appropriate thresholds above which new housing developments should include a proportion of affordable housing, having regard to the size, number and distribution of such developments.
 - c) The likely overall proportion of housing which should be affordable on developments which are above those thresholds.
 - d) Arrangements for meeting local housing need in rural areas where development would not normally be permitted.
- 3) Recommend a methodology to the Council for updating the assessment of Housing Need on an annual basis, and monitoring the effectiveness of Affordable Housing Policies in the Local Plan, identifying the sources of relevant data and a computer based application for data collection and dissemination of relevant information.

The Housing Need Assessment was completed in July 2002 and approved by the District Council on 15th October 2002 for:

- The basis for the preparation of appropriate Local Plan policies on affordable housing
- The purposes of informing development control negotiations over the provision of affordable housing in the light of existing Local Plan policies and Government guidance where appropriate.
- The purposes of informing the District Council's Housing Strategy.

The main findings of the Assessment are set out in the following sections. It should be noted that these findings relate to general needs housing only, and take no account of the need for supported or specialised housing which was outside the scope of its study. Neither has any account been taken of

affordable housing needs generated by households moving into the area to take up employment or to provide or receive social care and support.

ASSESSMENT METHODOLOGY AND SUB AREA DIVISION

The Assessment combined administrative data, which is capable of regular updating for monitoring purposes through the identification of changes and trends, with households surveys that revealed information which is not available within the administrative data.

The research was carried out during the last quarter of 2001 and the first quarter of 2002, through a Project Group led by an external consultant and assisted by Housing and Planning Officers from Malvern Hills District Council, a Research Officer from Worcestershire County Council, the Worcestershire Rural Housing Enabler and representatives of 2 local Registered Social Landlords. It was also guided by a Steering Group comprising senior officers and members of the District Council, directors of 2 Registered Social Landlords, and representatives other public and private sector agencies.

The sources of information were:

- The Council's Statutory Housing Register
- Lettings Returns submitted by Registered Social Landlords (RSLs)
- Land Registry Records by Post Code Sectors within the District
- Malvern Hills District Council records of Land Supply and Dwelling Completions
- Malvern Hills District Council Tax Records
- Malvern Hills District Housing Strategy
- Worcestershire County Economic Assessment 2001-2
- The results of a number of recent Parish Housing Needs Surveys
- The results of a postal survey of 3,000 households in Malvern town

The assessment looked firstly at the housing stock profile, the costs and the supply in each section of the housing market: full owner occupation, shared ownership, private rent and social rent. It then reviewed each element of housing need - registered and un-registered, backlog and emerging, urban and rural, to enable a detailed comparison to be made between need and supply which highlighted the nature and extent of shortfalls. Finally, it considered ways in which planning policies could contribute to meeting those shortfalls, the effect of alternative thresholds and proportions of affordable housing within new developments and the way in which those policies could be implemented and kept up to date.

The District was divided into five sub-areas, within which it would be desirable to achieve some degree of match between need and supply. Each sub-area contains either one large settlement with a full range of facilities, or a number of larger villages which can meet need from the rest of the sub-area.

The sub area analysis included:

- Past and projected levels of new housing supply,
 - Distribution and turnover of housing by price band,
 - Average price level and rate of increase for different property types
 - Comparison of social housing need and supply for different property sizes
-

By comparing the extent of housing need and potential affordable housing supply within each sub-area, it was possible to establish that the uniform application of the recommended policy approaches throughout the District would not lead to an over-supply in any one of the five sub-areas. It also helped to establish the types of affordable housing which would be most appropriate to provide in each sub-area.

THE LOCAL HOUSING MARKET

Areas such as Malvern Hills, with an attractive physical environment, good education and cultural facilities, and ease of access to the Motorway and Rail networks, create high levels of demand which have an impact on house prices: The average price of all dwellings sold in the District during 2001 was well above the regional average at £131,575, ranging from £120,859 in Malvern town to £164,770 in the South sub area based on Upton upon Severn, and representing an increase of around 40% over the previous 3 years. Dwellings in the lower price bands represented a much smaller proportion of the total in the rural parts of the District than in Malvern town and the larger villages on the Worcester fringe.

Incomes, however, are below the regional average, with almost half of household incomes below £18,200, and for 3/4 of households the maximum mortgage which would be available on a 3.5 plus 1 multiplier would be £68,000.

25% of all households would not be able to purchase a property, even with assistance, but have incomes of between £16,250 and £17,250. This is above the level of almost all of those who are allocated social rented housing, but also inadequate to secure suitable sized property in the private rented sector where rents are about double the amount.

A further 40% of households would be able to purchase - either outright or on shared ownership - if the supply of properties at the lower end of the market was adequate.

THE INADEQUACY OF EXISTING AFFORDABLE HOUSING SUPPLY

A disproportionately lower rate of vacancies occur in family houses than other property types - even more so in rural areas than in urban ones. With land prices generally above the level that can be afforded by housing associations, and with a very limited opportunities through planning agreements, new supply has averaged only 53 p.a. over the last five years, about equal to the level of Right to Buy sales.

Pressure for social rented family houses comes from large numbers of existing tenant households who have outgrown smaller properties, and also from homeless households, leaving very little scope for other applicants. While the greatest numbers in households in need are in Malvern town, the greatest shortages of affordable housing supply, in proportion to the numbers required, are in the rural areas.

A particular feature in all parts of the District is the very small stock, and almost non-existent re-lets, of 4 bedroom houses, and the continuing reduction in 3 bedroom stock through the Right to Buy. While the greatest number of applicants are for 2 bedroom properties, a very significant number

of existing tenants need larger accommodation, so it would be more efficient to increase the supply of 3 and 4 bedroom houses which would in turn create vacancies in existing smaller properties.

Household surveys in both rural and urban areas have revealed high numbers of households who need social rented and/or shared ownership housing but are not registered on the Council's Waiting List.

The number of households within the District requiring various forms of low cost home ownership greatly exceeds the diminishing supply. They also have to compete for this with purchasers from outside the District.

THE SHORTFALL IN AFFORDABLE HOUSING SUPPLY: 2002 - 2011

This was calculated by:

- i) Combining the backlog of housing need which existed at the point that the Assessment was carried out, with the projection of housing need which would emerge over the next five year period, to give
Gross Need of: 3,355

(The backlog of housing need is a combination of unregistered need identified by household surveys, and registered need shown by the Council's Housing Waiting List. Projections of emerging housing need were made from the household surveys.)

- ii) Combining the number of re-lets which can be expected to take place over the next 5 years, with the number of additions to affordable housing stock, based on present levels, to give a Gross Supply of **2,550**
- iii) Deducting Gross Supply from Gross Need, to arrive at:
Net Need for the 5 year period 2002 - 2007 805
- iv) Projecting these figures forward to 2011, to arrive at a
Net Need for the 4 year period 2007 - 2011 600
- v) Combining iii) and iv) above to give:
Total Shortfall of Affordable Housing Supply for the period 2002 - 2011 1,405

SOURCES OF AFFORDABLE HOUSING SUPPLY

Before considering the use of Local Plan policies to seek the provision of affordable housing as part of Allocated or Windfall sites, through Section 106 Agreements, it is necessary to consider how much might reasonably be expected to be provided through other measures.

Existing Properties

The scope for bringing empty or non-residential properties into residential use was assessed as part of the Housing Needs Assessment as around 90 over the Local Plan period, on the basis that there had been a negligible contribution from this source over recent years, as the high price of all types of property makes it increasingly difficult for housing associations to achieve acquisitions at market values.

Exception Sites

National guidance contained in PPG3 (Annex B) and Circular 6/98 (Para. 25), and the Worcestershire County Structure Plan (Policy D9), provide for planning permission to be granted for affordable housing in rural areas on land that would not normally be released for general housing development, provided that it meets a number of criteria which includes meeting identified local housing need.

Both of the adopted Local Plans contain policies which deal with these Exceptions Sites, and in the new Draft Malvern Hills District Local Plan Policy will state that, where it is not possible to provide affordable housing in rural areas on allocated or windfall sites under Policy, planning permission will be granted for small scale development on sites which would not otherwise be released for housing subject to a number of criteria.

The scope for providing affordable housing through the means of Exceptions Sites was estimated in the Housing Needs Assessment at 108 over the remaining period of the new Local Plan, a significant increase on achievements during the period of the previous Local Plan.

Allocated and Windfall sites

The number of affordable dwellings which can realistically be expected to be provided from Existing Properties and Exceptions Sites, throughout the Local Plan period amounts to 198 dwellings. Deducting this from the total shortfall of 1,405 previously identified, leaves around 1,200 which can be supplied only through Section 106 agreements on new housing developments that arise from Allocated and Windfall sites.

THRESHOLDS FOR, AND PROPORTIONS OF, AFFORDABLE HOUSING ON ALLOCATED AND WINDFALL SITES

In accordance with Regional Planning Guidance and Structure Plan policies, the overall level of housing supply is anticipated to reduce from an average of 289 p.a. over the period 1996 - 2001, to 225 p.a. over the period 2001 - 2011. As a result of the number of completed dwellings, outstanding consents, and the anticipated number of windfall consents, the provisional number of dwellings, subject to confirmation, for which sites need to be allocated in the Local Plan is 628.

In urban areas, Circular 6/98 gives local planning authorities the opportunity to set a threshold of not less than 15 dwellings or 0.5 of a hectare, where they have demonstrated "exceptional local constraints" through the local plan process.

In Malvern town, over half of all housing completions in the period 1996-2001 (442 out of 829) were on sites of less than 15, and less than one third were on sites of 25 or more.

On the basis of past trends, 440 out of the projected 1,128 windfalls have been estimated by the Housing Needs Assessment as being located in Malvern town. Therefore, assuming that all the 628(provisional) proposed allocations were in Malvern town, 1,068 dwellings are estimated as being likely to be granted approval in the Local Plan period. If, as in the past, no more than half of these were on sites of 15 or more, and if two thirds of this total were affordable, **the number of affordable dwellings which could come forward as part of new development in Malvern town would be:**

Half of all the 1,068 new dwellings on sites of 15+ = 534 dwellings, and 2/3 of 534 = 356 affordable dwellings.

In rural areas, the limitation on lower thresholds in Circular 6/98 is specifically excluded from settlements with populations of 3,000 or fewer. The Rural White Paper "A Fair Deal for Rural England" (DETR 2000), also states that *"there is no reason why, in small villages if there is evidence of need and subject to financial viability every new market house should not be matched with an affordable home."* (Para. 5.4.5)

Appendix 2 'Distribution of New Housing Supply - Past and Projected' shows that:

- i) Without the effect of the large allocated sites at Powick and Tenbury, (amounting to 264 dwellings) which featured in the District Council's 1996-2011 Housing Land Availability calculations, only 31% of new dwellings in rural areas were on sites of 5 or more. There are no reasons to suggest that this will be significantly different in the future.
- ii) On the basis of past trends, and assuming no sites were allocated outside Malvern town, the number of windfall consents between 2001 and 2011 has been estimated at **688**. On the basis of past trends, the same proportion on sites of 5 or more would amount to 31% of 688 = **213**

If affordable housing was required only on sites of 5 or more dwellings, even a two thirds contribution would only amount to **142** (213 x 2/3) over the whole of the local plan period. This would be less than the Housing Needs Assessment has shown (Table 7, paragraph 7.7.5) as the backlog of unregistered need for rented housing alone.

However, if half of all of the estimated windfalls were affordable, **the number of affordable dwellings in rural areas would be 344.**

Therefore even by setting the lowest possible site thresholds for the inclusion of affordable housing, and seeking the highest realistic proportion of affordable housing on sites above the thresholds, **a total of 700 new affordable dwellings would be provided (Malvern town 356 and rural areas 344) compared with a shortfall of 1,200.**

POLICY RECOMENDATIONS

Policy Recommendation 1

That affordable housing should be sought on sites of 15 dwellings or more in the Malvern urban area, and 5 dwellings or more elsewhere in the District.

Policy Recommendation 2

That out of an identified shortfall of 1,405 affordable dwellings over the period of the Local Plan, policies should seek to provide 694. 496 of these would be provided through a target of 65% of the dwellings, on allocated and windfall sites which do not yet have planning consent being affordable, with between 25% and 30% of the total dwellings on those sites being for social rented housing.

Policy Recommendation 3

The means by which cash contributions could be levied on sites below the thresholds should be investigated and included in Local Plan policies, with the appropriate increase to the figures in Policy Recommendation 2, if practicable.

Policy Recommendation 4

Although Supplementary Planning Guidance (SPG) can be binding only on policies which are in force, there is no reason why it cannot be prepared as soon as the policies for an emerging plan have been drafted, in order to provide clarity as to how it is intended that the new policies will be applied. Just as the new policies will acquire greater weight as the Local Plan process progresses (especially where adopted policies have been overtaken by subsequent government guidance through PPGs and Circulars) so will the SPG that underpins those policies, especially where it has been both the subject of widespread consultation and endorsed by the Government Office.

ADDRESSING THE SHORTFALL OF AFFORDABLE HOUSING THROUGH OTHER MEASURES

The Assessment acknowledges that Local Plan policies cannot provide for all of the shortfall, and it makes a number of recommendations for measures which will assist, directly or indirectly, in meeting housing needs:

- 1) Increasing the supply of modestly priced rented accommodation in the private sector.
- 2) Increasing the supply of family accommodation by addressing the needs of under-occupiers in the social sector.
- 3) Increasing the use of the Council's Housing Register as a comprehensive source of information on affordable housing need and supply.
- 4) Carrying out periodic household surveys to supplement the Housing Register information.
- 5) Carrying out a review of the needs of elderly people and those who have specific support needs, to ensure that both existing and new housing stock is appropriate to those needs.
- 6) Continue the role of the Rural Housing Enabler in assessing and monitoring housing needs, and in enabling new development, in the rural parts of the District.

APPENDIX 5: MALVERN HILLS DISTRICT HOUSING STRATEGY 2002 - 2007

This is an annually updated statement of the District Council's housing objectives and priorities. It sets out the Council's principal of working in partnership with RSLs and other providers to achieve the provision of sufficient housing of all types and tenures to satisfy local housing need, to achieving optimum energy efficiency ratings so as to minimise running costs, and to help maintain sustainable communities.

The Strategy also refers to the joint-commissioning process which it operates with five RSLs in order to secure a long term investment programme for new development to meet identified needs. All new affordable housing is expected to be delivered through this process, and the Head of Housing Services can provide advice to developers and landowners on the preferred partner(s) for any proposal.

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APPENDIX 6: RECOMMENDED CLAUSES FOR S.106 AGREEMENTS

1. Where developers build and transfer affordable housing units to Registered Social Landlords:

- 1.1 The developer shall not permit the occupation of any of the Open Market Housing Units until they have entered into an unconditional contract, with an RSL acceptable to the Council, for the sale (either by freehold transfer or lease for a term of not less than 125 years) of the Affordable Housing Units in accordance with the Affordable Housing Scheme as set out in Schedule XX of this agreement, and at a sum no greater than the Affordable Cost, (as defined in the Council's Supplementary Planning Guidance for the Provision of Affordable Housing and updated in the Council's annual Housing Strategy), plus any Social Housing Grant the Council has confirmed as being available.
- 1.2 The developer shall not permit the occupation of more than Open Market Housing Units until they have constructed all of the Affordable Housing Units in accordance with the Affordable Housing Proposal as set out in Schedule of this agreement and effected the transfer to the RSL of completed dwellings which are fully serviced and available for occupation.

(On larger developments it may be appropriate for the affordable housing to be delivered in phases, in which case the above clause will need to specify the number of affordable housing units which comprise the first phase, with further clauses limiting the number of open market housing units which can be occupied before each successive phase of affordable housing units are transferred.)
- 1.3 To procure that the Affordable Rent Units are occupied only under assured tenancies complying with the requirements of the Housing Act 1988, the terms of which tenancies shall be in accordance with Housing Corporation guidance.
- 1.4 To procure that the Affordable Rent Units are allocated in accordance with the general lettings policy which the Council has agreed with RSLs within the District, or in accordance with any local lettings policy which the Council has agreed with those RSLs for this particular location or part of the District.
- 1.5 To procure that the rents for the Affordable Rent Units do not exceed the limits set for each type of dwelling by the Housing Corporation.
- 1.6 To procure that the Affordable Sale Units are disposed of only by way of a shared ownership lease to persons who are in Local Housing Need as defined in Section 2.3 of the Supplementary Planning Guidance for the Provision of Affordable Housing.

To procure that the RSL shall hold a proportion of the equity of the Affordable Sale Units which represents the difference between the Open Market Value and the price paid by the lessee, and that the RSL will utilise any receipts from the subsequent sale of part or all of that equity for the provision of alternative affordable housing within the District.

2. Where developers transfer serviced land to Registered Social Landlords

- 2.1 The developer shall not permit the occupation of any of the Open Market Housing Units until they have transferred to an RSL acceptable to the Council, either by freehold transfer or lease for a term of not less than 125 years, all of the fully serviced land required for the affordable housing proposal as set out in Schedule ... of this agreement, together with the payment of a sum which represents the difference between the cost of constructing the Affordable Housing Units and the Affordable Cost, of the same, (as defined in the Council's Supplementary Planning Guidance for the Provision of Affordable Housing and updated in the Council's annual Housing Strategy), plus any Social Housing Grant the Council has confirmed as being available.
- 2.2 Clauses 1.3 to 1.7 shall apply as above (the obligations passed on to the RSL)

3. Where developers build and transfer affordable housing units to Registered Social Landlords on another site:

- 3.1 The developer shall not commence the development until they have acquired clear title to the land and all necessary planning and building regulation approvals, for the Affordable Housing Scheme as set out in Schedule..... of this agreement, and have also entered into an unconditional contract with an RSL acceptable to the Council, for the sale (either by freehold transfer or lease for a term of not less than 125 years) of the Affordable Housing Units in accordance with the affordable housing proposal at a sum which is no greater than the Affordable Cost as defined in the Council's Supplementary Planning Guidance for the Provision of Affordable Housing and updated in the Council's annual Housing Strategy.
- 3.2 The developer shall not permit the occupation of more than Open Market Housing Units until they have constructed all of the Affordable Housing Units in accordance with the Affordable Housing Proposal as set out in Schedule.... of this agreement and effected the transfer to the RSL of completed dwellings which are fully serviced and available for occupation.
- 3.3 Clauses 1.3 to 1.7 shall apply as above (the obligations passed on to the RSL)

4. Where developers pay a financial contribution in lieu of any affordable housing provision

- 4.1 The developer shall not permit the occupation of any dwellings until they have paid to the Council a sum equal to the difference between a) the Open Market Value and b) the Affordable Cost, plus any Social Housing Grant which the Council has confirmed as being available, of the number and type of Affordable Housing Units which the site would otherwise have included in accordance with Policy CN2 of the Malvern Hills District Local Plan and as set out in Schedule of this agreement.
- 4.2 The Council will utilise this sum to facilitate the provision of affordable housing elsewhere in the District and repay it to the developer with interest if it is not so used within 10 years from the date of receipt.

APPENDIX 7: GLOSSARY OF TERMS

Affordable Cost - The price at which housing has to be provided to if it is to be considered to be Affordable.

Affordable Housing Cost – The price at which housing has to be provided, either to an individual purchaser or to an RSL (or to them jointly) if it is to meet the Local Definition of Affordability as set out in paragraph 2.2. This figure will vary according to the size and tenure of the dwelling concerned, and will be reviewed periodically to reflect changed circumstances.

Affordable Housing Brief – Requirements for the provision of affordable housing on any site, such as dwelling types, no. of bedrooms etc as specified by the District Council.

Affordable Housing Proposal – Proposals for affordable housing prepared in accordance with the Affordable Housing Brief and submitted with a planning application for discussion with the District Council.

Affordable Housing Scheme – The proposal for the provision of affordable housing as agreed by the District Council together with other matters relating to occupancy and management of the scheme to enable it to be embodied within a legal agreement. This may not necessarily be the same as the Affordable Housing Proposal submitted with the planning application since this may have changed through negotiations with the District Council.

Allocated Sites - Sites which are identified in the Local Plan for the development of new housing .

Housing Corporation - The non departmental public body whose role is to fund and regulate Registered Social Landlords in England.

Housing Corporation Approved Development Programme (ADP) - The annual funding programme of grants which are made to Registered Social Landlords for the provision of new affordable housing.

Housing Strategy - The Council's statement of its housing policy objectives and programmes, which is subject to a continual process of review.

Local Authority Social Housing Grant (LA SHG) – former grants paid by Local Authorities to Registered Social Landlords for the provision of new affordable housing (now abandoned).

Low Cost Market Housing - Dwellings which are provided at market value and which are at the lowest level of cost that is generally available.

Open Market Value - The price at which a property would be sold, given a willing vendor and a willing purchaser, with no financial incentives, discount or subsidy.

Parish Housing Needs Surveys - Surveys which are carried out in parishes, or groups of parishes, to establish the extent of local housing need among existing and potential households which have a connection with that parish or group of parishes.

Planning Policy Guidance Notes (PPGs) - Published by the Office of the Deputy Prime Minister, and its predecessors, to interpret government policy and to guide local authorities in their local planning activity.

Registered Social Landlord (RSL) - A not for profit organisation, often referred to as a Housing Associations, which provides both social rented and shared ownership housing, and which is registered with and regulated by the Housing Corporation

Section 106 Agreements - An agreement by a local authority with a landowner/developer restricting or regulating the development or use of land in accordance with the Town and Country Planning Act 1990.

Shared Ownership - The ownership of a dwelling jointly by the occupier and a Registered Social Landlord (RSL), where the occupier is unable to afford to purchase the dwelling outright, and which usually involves the payment of a subsidised level of rent to the RSL for the share which the occupier has not purchased, with the opportunity for the occupier to acquire additional shares at a later date.

Social Housing Grant (SHG) – Grant given by the Housing Corporation to RSLs in accordance with the Corporation’s Approved Development Programme (ADP).

Social Rented Housing - Housing which is owned by local authorities and Registered Social Landlords (RSLs) and which is allocated according to priority of housing need at subsidised rents.

Statutory Housing Register – now referred to as the Council's housing waiting and transfer lists from which all social rented housing is allocated.

Total Cost Indicators (TCI) - TCI tables are used in conjunction with Housing Corporation grant rates (% of TCI) to determine the maximum amount of scheme costs which would be funded by any form of public subsidy. They are up-dated every year and take account of the location, type and size of property and maximum rent levels that an RSL can charge in the District. They give “benchmark” costs for development based on average costs for land, buildings and for all on-costs.

Windfall Sites - Sites which are not specifically allocated within the Local Plan but which come forward as part of the normal development control process and are consistent with other Local Plan policies. Small sites of less than 5 dwellings are regarded as contributing towards the allowance for such development as referred to in Policy D11 Unidentified Sites of the Worcestershire County Structure Plan.

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APPENDIX 8 – LIST OF CONTACTS

Malvern Hills District Council -General Enquires

General enquiries can be made at:

Malvern Hills Customer Services Centre
Great Malvern Library
Graham Road
Malvern
WR14 2HU
Tel: 01684 862151 Fax: 01684 574906 [Email](#)

Malvern Hills District Council - Housing Services

The contact address for housing matters is:

The Council House
Avenue Road
Malvern
WR14 2AZ

The following persons can be contacted for information on housing need and affordable housing briefs:

Keith Parry -Head of Housing, Revenues and Technical Services
Tel: 01684 862440
E-mail: keith.parry@malvernhills.gov.uk
Rose Newbury -Housing Manager, Housing Services
Tel: no 01684 862371
E-mail: rose.newbury@malvernhills.gov.uk

Malvern Hills District Council - Planning Services

The contact address for all planning matters is :

Planning Services
Brunel House
Portland Road
Malvern
WR14 2TB

The following persons can be contacted for pre-planning application enquiries :

Development Control matters
Chris Couper – Area Planning Officer (North)
Tel: 01684 862225
E-mail: chris.couper@malvernhills.gov.uk

Duncan Rudge – Area Planning Officer (South);
Tel: 01684 862224
E-mail: duncan.rudge@malvernhills.gov.uk
Rosalyn Kirby – Area Planning Officer (South) P/T
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Housing Associations - Joint Commissioning Partners

Bromford Housing Group

South West Regional Centre
Harley House
29 Cambray Place
Cheltenham
GL50 1JN

Tel: 01242 530053

Contacts: Annette Homer / Kirsty Powell – DD 01242 544421
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Elgar Housing Association

Partnership House
Groveswood Road
Malvern
WR14 1GD

Tel: 01684 579579

Contacts: Richard Grounds/Simon Vick

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Tel 01684 579431

Gwenda Cope – Tel: 01905 823135

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FCH

50 Newhall Hill
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Tel: 0121 506 2800

Contacts: Harriet Wilson and

Keston Villers Tel: 0121 506 2814 mobile: 07973 462 597

E-mail: kestonv@fch.org.uk

Marches Housing Association

Lion Court
Broad Street
Leominster
Herefordshire
HR6 8LE

Tel: 01568 610100

Contacts: David Hinchliffe/Chris Watson/

Richard Finney Tel: 01568-619618

E-mail: richard.finney@marchesha.co.uk

Sanctuary Housing Association

164 Birmingham Road
West Bromwich
West Midlands
B70 6QG

Tel: 0121 5253131

Contact: Gary Turner

West Mercia Housing Association

Barnsley Hall
Barnsley Hall Road
Bromsgrove
B61 0TX

Tel: 01527 556400

Contact: Claire Thomas

Worcestershire Housing Association Ltd

The Hop Warehouse
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WR1 1NJ

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