

Cabinet – 13 March 2013

Revision to Walsall's Affordable Housing Supplementary Planning Document

Portfolio: Councillor Adrian Andrew, Deputy Leader, Regeneration

Related portfolio: Councillor Christopher Towe, Finance and Personnel

Service: Housing

Wards: All

Key decision: No

Forward plan: No

1. Summary

Walsall adopted an Affordable Housing Supplementary Planning Document (SPD) in 2005 to expand on Policy H4 of Walsall's Unitary Development Plan (UDP). The purpose of the SPD is to explain how the Council will expect developers to provide affordable housing as part of new residential developments.

The SPD was last revised in 2008. Since then, there have been major changes both in national and the Council's own planning and housing policies. The downturn in the economy has severely affected the viability of many housing developments and the ability of developers to provide affordable housing. The Homes and Communities Agency (HCA) has also revised the requirements for schemes that it funds. The SPD therefore needs to be revised to ensure that it reflects current circumstances.

The SPD does not contain any new policy but does provide further detail on what type, size, tenure, location and quality of affordable housing is required. The key change in this revised SPD is a requirement for housing providers to pay a commuted sum in lieu of affordable housing, rather than provide the affordable housing on site. The commuted sums will then be invested in providing affordable housing on key strategic housing sites across the borough.

The Draft SPD will be subject to a formal 6 week consultation period. The SPD will then be submitted to Cabinet for approval in approximately September 2013.

2. Recommendations

That Cabinet approves the Draft Affordable Housing Supplementary Planning Document attached at Appendix A as a basis for Public Participation, in accordance with Regulation 12 of the Local Planning Regulations 2012.

3. Report detail

- 3.1 The Council adopted Walsall's first Affordable Housing SPD in 2005, and revised it in 2008. Since 2005, the SPD has been used to negotiate approximately 400 affordable homes on applicable private sector developments. However, due to current market conditions affecting the viability of residential development sites, only 10 homes have been agreed via Section 106 (S106) agreements over the last year. The Council's current Affordable Housing SPD (2008) has a focus on providing affordable housing on site. It also sets out the process for developers to apply for a reduced affordable housing contribution based on financial viability, which includes submission of an independent financial viability appraisal funded by the developer.
- 3.2 The SPD explains how UDP Policies GP3: Planning Obligations and H4: Affordable Housing are applied through the development management process. Although UDP Policy GP3 is still in place and remains relevant, Policy H4 has been partly replaced (paragraphs (a) to (f)) by the Black Country Core Strategy (BCCS) Policy HOU3: Delivering Affordable Housing. Policy H4 subparagraph (g) therefore remains in force and states that affordable housing should only be provided off site in 'exceptional circumstances'. The phrase "exceptional circumstances" was derived from Circular 6/98, the previous Government guidance on affordable housing. Circular 6/98 has been replaced by the National Planning Policy Framework (NPPF), which no longer uses this term. It can therefore be argued that this part of the sub-paragraph is no longer up to date, and will be reviewed as part of the Site Allocation Document preparation. In the meantime, the SPD will primarily sit under policy HOU3 of the Core Strategy.
- 3.3 It is important to note that affordable housing is not the only contribution required from developers as part of the planning process. Where necessary developers can be required to contribute to improvements to, and provision of, green space in Walsall. Education contributions can also be sought in particular circumstances on a case by case basis. It is envisaged that such contributions will, with the exception of affordable housing, be replaced and provided through the Community Infrastructure Levy (CIL).
- 3.4 The Community Infrastructure Levy was introduced in 2010 to enable local authorities in England and Wales to choose to place a charge on new developments in their area to pay for supporting infrastructure. Cabinet in June 2011 agreed that officers should start work towards its possible introduction and it is expected that a charging schedule could be adopted in 2014. If approved by the council, CIL would be payable in relation to new developments granted planning permission from the date of adoption. The Council has not yet decided what the rates would be for particular types of development. For some types of development it is possible that the rate will be zero. The Community Infrastructure Levy Regulations exclude affordable housing from the

infrastructure that could be funded through the levy, so it will continue to be supported by s106 obligations.

3.5 National planning policy on affordable housing was formerly contained in Planning Policy Statement 3 (PPS3). This was revised in June 2011, primarily to amend the definition of affordable housing to include Affordable Rent (defined as no more than 80% of the local market rent). PPS3 was replaced by the National Planning Policy Framework (NPPF) in March 2012. However, the NPPF retained the affordable housing definitions previously contained within PPS3. Paragraphs 47 and 50 of the NPPF state that local planning authorities should ensure that their local plan meets the full, objectively assessed, needs for market and affordable housing in the housing market area. Policy 50 of the NPPF states that local planning authorities should, where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.

3.6 Affordable Housing is also provided in the borough through HCA funded schemes. Walsall attracted approximately £50m funding for the 2008/11 programme, delivering 1000 social rent, intermediate rent and shared ownership affordable homes across the borough. However, it should be noted that there is less public funding available in the current spending review. For the 2011/15 HCA programme, grant funding was only awarded for approximately 300 homes, although the Council has subsequently been successful in facilitating extra HCA funded schemes in the borough. Schemes that are supported by this funding have to meet the HCA's standards. The Council will continue to work with RPs and the HCA to provide more affordable homes. However, the reduction in public subsidy means that it is potentially more important to ensure developer contributions to affordable housing provision, wherever this is viable.

3.7 This Draft SPD has been amended to reflect a requirement for:

- commuted sums in lieu of on site affordable housing,
- affordable rent tenure (still allowing for social rent and shared ownership)
- HCA Design and Quality Standards (DQS)
- Overage clauses

3.8 **Commuted sums**

There are good arguments in favour of commuted sums in the Black Country. The original idea behind requiring on-site provision was to provide a better social mix and avoid concentrating affordable housing in particular locations. The nature of housing sites in Walsall is such that there are lots of fairly small sites that come forward through planning applications but also a heavy concentration of social housing in certain areas. The sites that seek planning permission are not necessarily in areas where there is the greatest need for more affordable housing, or the best access to services such as public transport or schools. By pooling contributions, the Council will be more able to direct affordable housing to more suitable sites, in line with the accessibility criteria in the Core Strategy.

A more mixed and balanced community as encouraged by the NPPF would in fact be provided by adding more “aspirational” housing in certain locations: the need for more aspirational housing is supported by the BCCS. Omitting affordable housing from some sites would increase the overall after-sale value and so increase viability: as long as the affordable housing is still provided elsewhere, this may result in more housing being provided overall.

This Draft SPD therefore proposes that the default position will be for a commuted sum to be sought, unless particular circumstances apply that mean it is preferable to provide affordable housing provision on site as part of the development. These circumstances are set out in the attached Draft SPD. They include very large developments on sites that are allocated in the development plan, and sites where there are no suitable locations for affordable housing nearby.

3.9 **Tenure**

The housing tenure, type and size requirements contained within the SPD are guided by Housing Needs studies and market intelligence from Registered Providers (RPs). Walsall’s Housing Needs and Demand Study Update (published by Fordham Research November 2010) demonstrated a net need for 1005 new affordable homes per annum, being mainly larger social rented family homes. The 2010 Housing Needs Update suggests a split of 80% of the units to be Social Rent (where the unit is owned entirely by a RP and rents are determined through the national rent regime) and 20% to be shared ownership (where the unit is part owned by the occupier and part owned by the RP, with rent charged to the occupier at the social rent rate). This is similar to the current requirement in the SPD. The rented element is normally purchased by an RP. The Study demonstrates a need for the majority of these affordable homes to be larger family accommodation. However, consultation with RPs has suggested that there is also a need for a proportion of smaller homes as well.

RPs who receive funding from the HCA 2011/15 Affordable Homes Programme (AHP) are contractually obliged by the HCA to purchase homes provided by developers through S106 agreements (known as 'nil grant' units) for Affordable Rent, rather than Social Rent. Affordable Rent is set at up to 80% of the local market rent, and in some other parts of England, notably the South, can be substantially greater than Social Rent. However in Walsall there is little difference between Affordable Rent and Social Rent levels, due to the lower market rents in the area. Therefore it is proposed that the standard requirement for on site affordable housing is Affordable Rent, although the SPD will still allow for the use of Social Rent and Shared Ownership where required.

3.10 **Standards**

The current SPD only 'encourages' affordable homes to be built to the HCA's Design and Quality Standards (DQS). However, as in 3.6, RPs who receive funding from the HCA 2011/15 AHP are contractually obliged to only purchase 'nil grant' units that meet DQS. Therefore it is proposed that this becomes a mandatory requirement for housing that is to be managed by RPs. The DQS require that Code for Sustainable Homes (CSH) level 3 is met, which is above current building regulation requirements. The council is keen to encourage higher levels of environmental sustainability, but acknowledge the financial viability issues associated with providing an affordable housing contribution in

Walsall. Therefore this revised Draft SPD will encourage affordable housing to be constructed to CSH level 4 or above, but it will not be a mandatory requirement. It should be noted that some of these standards, in particular the Code for Sustainable Homes, are currently being reviewed by Government.

3.11 Overage requirements

Poor economic conditions in the last few years have led the Council to relax affordable housing requirements on many sites. However, conditions may change in the future. As noted above, paragraph 50 of the NPPF expects affordable housing policies to be flexible. Policy HOU3 of the BCCS also refers to the use of claw back. Overage is the term used where in the present day market a planning permission is granted with reduced affordable housing contribution, based on a financial viability appraisal which clearly takes account of current expected sales values. An overage clause would allow the Council to require a future review of the financial viability based on revised sales figures (which may have risen in a rising market) to judge whether there could /should now be a payment towards affordable housing. It is proposed that this should take place when 50% of sales have been completed.

4. Council priorities

As expressed in the Corporate Plan 2011/12 – 2014/15, part of the Council's shared vision for the Borough is that Walsall will be a great place to live, work and invest, where "everyone has the chance to live in a home fit for their purpose and fit for their future". The provision of affordable housing, on strategic sites and / or within mixed tenure development, provides an essential contribution to this vision. It also reflects a key objective of the Marmot Review - Fair Society, Healthy Lives (2010), by helping to create and develop healthy and sustainable communities through making best use of homes to meet people's needs.

5. Risk management

- 5.1 Ensuring the ability to negotiate affordable housing contributions that are consistent, and defensible at appeal, is essential. The adoption of this SPD ensures affordable housing negotiations with developers are handled consistently based on clear policy. The SPD details the type, tenure, size, location and quality of affordable housing expected in Walsall in a clear and transparent way, and enables the council to negotiate affordable housing that meets housing needs. The SPD will provide the council with a more robust policy defence at appeals.
- 5.2 Not adopting this SPD will result in the council having a weaker position in negotiating affordable housing that meets housing need. It could mean that residents unable to afford open market housing, would not have a suitable affordable housing alternative to meet their needs.
- 5.3 There is a risk that affordable housing (and other planning obligation) requirements could make residential developments on some sites financially unviable. The SPD makes an allowance for sites with abnormal development costs and other factors that affect financial viability. The developer has the right

to request a reduction in affordable housing or other planning contributions if the financial viability of the development will be compromised. This must be supported by an independent financial viability assessment paid for by the developer.

6. Financial implications

- 6.1 Any alterations to requirements imposed on developers that might result in changes to the numbers of affordable homes provided, could impact on the amount of New Homes Bonus received by the Council.
- 6.2 The proposed requirement for commuted sums (rather than on site affordable housing provision) will result in payments to the Council, which will need to be held in a ringfenced account for the provision of affordable housing across the Borough.

7. Legal implications

- 7.1 The content of the SPD is in accordance with the policies of the BCCS Policy HOU3, and the saved elements of policy H4 (specifically paragraphs (g) to (j)) in the UDP. The SPD becomes a material consideration that the Council must take into account when making planning decisions. The SPD will guide the content of Planning Obligations (Section 106 Agreements) entered into by the Council.
- 7.2 Consultation about the draft revised SPD is a legal requirement of the Local Planning Regulations 2012. The requirement to carry out a Sustainability Appraisal was removed by the Planning Act 2008, but there remains a requirement to issue a screening opinion as to whether a Strategic Environmental Assessment (SEA) should be undertaken.

8. Property implications

There are no specific property implications.

9. Staffing implications

There are no significant staffing implications.

10. Equality implications

The provision of more affordable housing, which will be either directed at strategic housing sites or incorporated within larger developments, will increase social and economic inclusiveness by making housing developments accessible to people with lower incomes and for those with a housing need. The completed EqIA has highlighted a need to assess and regularly update the housing need of different communities and ensure where affordable housing has been delivered the impact on communities is measured.

11. Consultation

- 11.1 Initial consultation has taken place with members of Walsall Housing Partnership to help inform the Draft SPD. A number of comments were received which guided changes to the SPD including support for commuted sums.
- 11.2 The preparation of the Final SPD will include consultation with developers, Registered Providers, community members and statutory bodies. This process is outlined in the Statement on Consultation, which has followed the Statement of Community Involvement. The formal consultation period will run for a period of 6 weeks during May and June 2013.

Background papers (all published)

Black Country Core Strategy
"Saved" Policies of Walsall's Unitary Development Plan
National Planning Policy Framework

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Walsall Council

**SUPPLEMENTARY PLANNING DOCUMENT
FOR AFFORDABLE HOUSING**

Draft Revision

February 2013

Supplementary Planning Document (SPD) Matters

Title of SPD

Supplementary Planning Document for Affordable Housing.

Subject

This SPD expands on Policy HOU3 of the Black Country Core Strategy (BCCS), and Paragraphs (g) to (j) of “saved” Policy H4 of the Walsall Unitary Development Plan (UDP), regarding provision of affordable housing in the Metropolitan Borough of Walsall.

Consultation

There will be a 6 week period of public consultation that will take place in May to June 2013

Address

Further information may be obtained, in written or electronic form, from:
Housing Strategy (Zone 1J)
Walsall Metropolitan Borough Council
1st floor, Civic Centre
Darwall Street, Walsall
WS1 1TP
Telephone: 01922 655411 Email: ldf@walsall.gov.uk

The relevant documents can be inspected on the Council’s website at: www.walsall.gov.uk/planning/xx, or during normal opening hours, at First Stop Shop reception in Walsall Civic Centre and at public libraries in the borough of Walsall.

Evidence

The key element of the evidence gathering stage was a Housing Needs and Demand Study Update completed in 2010. In addition, this document is supported by or has links to a number Walsall’s Housing Strategy 2011-2016, and Local Investment Plan 2011 – 2015.

The revision has also been informed by the adoption of the Council of the Black Country Core Strategy, and changes to national planning policy, in particular the introduction of the National Planning Policy Framework.

Copies of these documents are available on request from the contact address above.

SUPPLEMENTARY PLANNING DOCUMENT FOR AFFORDABLE HOUSING

Summary

1. Introduction
2. Aims of the SPD
3. Development of SPD / Policy Context
4. Outline of Housing Market and Need in Walsall
5. Definition of Affordable Housing
6. Level of need for tenure, type and size **AH1**
7. Design and Quality of Affordable Housing **AH2**
8. Abnormal Development Costs **AH3**
9. Affordable Housing Location - Off Site Provision **AH4**
10. Affordable Housing Location - On site provision **AH4**
11. Planning Obligations
12. Monitoring and Review of the Supplementary Planning Document
13. Appendix 1 – List of Registered Social Landlords

SUMMARY

There is a requirement to provide affordable housing in association with all new developments of 15 dwellings or above. These sites will be considered on a site by site basis, using the criteria below, detailing the requirements for the provision of affordable housing:

- Each development should provide for a number equal to 25% of the total number of dwellings proposed on the site to be affordable where this is financially viable.
- This number should be funded through the payment of a commuted sum to enable the affordable housing to be provided off site in strategic locations. However, in specific circumstances, such as very large sites, on site provision may be the preference,
- The objective is to provide an affordable property mix across the Borough focussed on affordable rented homes,
- Residential developments should not differentiate between affordable and private houses in terms of design, location or material specification and should therefore be 'tenure blind'.

1. Introduction

- 1.1 This Supplementary Planning Document (SPD) sets out detailed policy regarding the provision of affordable housing in the Borough of Walsall. Once adopted, it will form part of the Local Plan and will be a material consideration in the determination of planning applications for residential development.
- 1.2 It seeks to guide delivery of affordable housing to appropriate locations in the Borough, while at the same time providing for balanced, mixed communities, and ensuring a consistent approach to the provision of affordable housing across the Borough. It also seeks to contribute to ensuring the housing priorities contained within Walsall's Housing Strategy 2011 -16, namely 'increase housing choice and employment opportunities', and to ensure housing needs in Walsall are met.
- 1.3 The first edition of this SPD was adopted in 2005 and it was revised in 2008. It has now been revised again for several reasons, including:
 - (a) The planning policy context has changed. The adoption of the Black Country Core Strategy (BCCS) in 2011 has resulted in several of the policies in Walsall's Unitary Development Plan (UDP) being replaced. These include paragraphs (a) to (f) of policy H4 of the UDP which have been replaced by policy HOU3 of the BCCS. At a national level, the former Planning Policy Statement 3 (PPS3) has been replaced by the National Planning Policy Framework (NPPF). The NPPF incorporates changes to the definition of affordable housing that had been made previously to PPS3 but after the last revision of this SPD.
 - (b) National housing policy is now set out in the National Housing Strategy published in 2011.
 - (c) The downturn in the economy has severely affected the viability of many housing developments and the ability of developers to provide affordable housing. It is hoped that the changes set out in this document will enable affordable housing to continue to be developed.
 - (d) An update to the Council's Housing Needs and Demand Study was completed in 2010 and published in 2011.
 - (e) The document needs to reflect the requirements of Registered Providers (RPs) and the Homes and Communities Agency where affordable homes are to be acquired and managed by them.
- 1.4 The purpose of the SPD is to expand on BCCS policy HOU3, and paragraphs (g) to (j) of "saved" policy H4 of the UDP (2005). It is intended to help developers, planners, local people and other interested parties to enable them to take the need for affordable housing into consideration at an early stage in the development process.
- 1.5 The SPD is accompanied by a Screening Statement for Strategic Environmental Assessment.
- 1.6 When this revised SPD is adopted, the Council will publish a statement on how stakeholders and statutory organisations have been involved in preparing the

SPD. Stakeholder involvement will be carried out in accordance with Walsall's Statement of Community Involvement (SCI) 2012.

Conformity

- 1.7 The policies and other content of this SPD must be in conformity with the Development Plan, including the BCCS and the UDP, and must be consistent with the NPPF.

Comments

- 1.8 As part of the consultation about this revision, comments or representations will be able to be made concerning the content of this SPD only. It is not an opportunity to seek to alter the policies in the BCCS or the UDP. A feedback form will be made available for people to comment on this document.
- 1.9 The purpose of the consultation will be to improve this SPD. The Council will therefore welcome comments about any relevant aspect of this SPD during the public consultation period, and respond positively where it considers that any suggested changes would lead to an improvement.

2. Development of the SPD

Process

- 2.1 The process for revising this SPD is being carried out in line with the stages detailed in Walsall's Statement of Community Involvement (SCI) 2012 :
- Stakeholder Involvement: The period of stakeholder involvement began in October 2012, with a set of consultation questions distributed to Walsall Housing Partnership, which consists mainly of Registered Providers. Consultation will be continued through a 6 week formal consultation period in May / June 2013.
 - Evidence Gathering: The key element of the evidence gathering stage was the Housing Needs and Demand Study Update 2010 which was published in February 2011 by Fordham Research.
 - A Screening Statement on the determination of the need for a Strategic Environmental Assessment (SEA) will also be prepared, in accordance with The Environmental Assessment of Plans and Programmes Regulations 2004 and European Directive 2001/42/EC.
 - The formal consultation period will be for six weeks during which people will be able to comment on any relevant part of this draft SPD. A separate Statement on Consultation will be prepared to accompany this SPD.
 - Monitoring and Review: The Council will monitor the effectiveness of the SPD in delivering affordable housing against the background of changing needs and aspirations and will review the SPD as necessary. Details will be published in the annual Development Plan Monitoring Report.

National Policy

- 2.2 The NPPF states that the planning system has a role in supporting strong, vibrant and healthy communities, by providing the supply of housing required to meet the needs of present and future generations. Every effort should be made to meet the housing and other development needs of an area. Local planning authorities should ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area.
- 2.3 The NPPF also states that, to deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:
- plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
 - identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and
 - where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.

To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

- 2.4 The National Housing Strategy states that a thriving, active but stable housing market that offers choice, flexibility and affordable housing is critical to our economic and social wellbeing. It includes proposals for social and affordable housing market reform.

Council Policy

Black Country Core Strategy

- 2.5 The Vision set out in paragraph 2.2 of the BCCS states that we will create a network of cohesive, healthy and prosperous communities across the Black Country, with equal access to a mix of affordable and aspirational housing.
- 2.6 Policy HOU3 of the BCCS states that

The Local Authorities will aim to provide a minimum 11,000 new affordable dwellings between 2006 and 2026, in partnership with developers and the Homes and Communities Agency.

Local Planning Authorities will seek to secure 25% affordable housing on all sites of 15 dwellings or more where this is financially viable. The tenure and type of affordable units sought will be determined on a site by site basis, based on best available information regarding housing need, site surroundings and viability considerations.

On sites where 25% affordable housing is proven not to be viable, the maximum proportion of affordable housing will be sought which will not undermine the development's viability, subject to achieving optimum tenure mix and securing other planning obligations necessary for the development to gain planning permission. Financial viability assessments conforming to an agreed methodology will be required and, where necessary, independently appraised by the local planning authority at the cost of the applicant. Claw back and other flexible arrangements will be sought through planning agreements, wherever possible, to allow for changing market conditions in future years.

Saved policies of Walsall Unitary Development Plan

2.7 Paragraphs (g) to (j) of Policy H4 state:

- (g) In exceptional circumstances, the Council may consider provision of the affordable housing element off-site, subject to an equivalent level of housing need being met. This may be either by the developer directly providing affordable units on the alternative site, or by making a financial contribution to enable the provision. The meeting of other policy objectives or the economics of housing provision could provide justification for such off-site provision.
- (h) Developers must ensure that affordable housing will be reserved for those who need it (these will include people on housing waiting lists and those who cannot afford to purchase a property on the open market) and that it will remain available at low cost for initial and successive occupants. Developers are encouraged to enter into partnership arrangements with registered social landlords whose interest in the property will ensure control over initial and future ownership and occupation. Alternatively, developers must demonstrate how these objectives will otherwise be secured. Where affordable housing is provided under Part II of the definition it will be necessary for developers to prove that such housing will meet the needs of those who cannot otherwise afford rents or prices prevailing in the locality.
- (i) The provision and continued availability of affordable housing under this policy will normally be secured through the use of Planning Obligations.
- (j) In addition to the affordable housing to be secured under the foregoing parts of this policy, the Council will also continue to encourage the direct provision of affordable housing in developments promoted specifically for this purpose by registered social landlords or others. These schemes will often be on smaller sites below the size threshold specified in (c) or through conversions.

Walsall Sustainable Communities Strategy

- 2.8 The Walsall Sustainable Communities Strategy has a commitment to transforming the Borough's environment by improving housing conditions and widening the range and quality of residential and living environments available for existing and future residents.

DRAFT

3. Outline of Housing Market and Need in Walsall

Stock and condition

- 3.1 There are approximately 112,000 dwellings in Walsall. At the time of the 2011 Census, 107,822 were occupied, of which 24% were socially rented, 13% rented from a private landlord or living rent free and the remaining 63% were owner occupied. At March 2012 all stock in the socially rented sector that was to be retained in the borough was decent. The 2008 stock condition survey showed that 31.2% of privately-owned stock failed the Decent Homes standard.
- 3.2 The proportion of social rented stock has declined whilst owner occupied stock has increased since 2001.

Demographics

- 3.2 The 2011 Census showed Walsall's population to have risen by 6% to 269,300 compared to the Census 2001 when it stood at: 253,502. The increase in population is largely attributed to inward migration, increases in the numbers of children and people generally living for longer (there may also have been an element of under-recording of population in 2001). In 2001, Walsall's Black Minority and Ethnic population represented approximately 14% of the borough; however, Census 2011 shows a rise in the BME population to just over 23%. The largest increased have been in mixed groups and from other ethnic groups.
- 3.3 We have a large dependant population: 17% (16.5% nationally) is aged 65 years or over and 26% is between 0-19 years old.

Affordability

- 3.4 Housing affordability continues to be an issue for Walsall, as with the majority of the country. The Housing Needs Study Update 2010 calculates the average mean income level in the Borough to be £23,328 per annum and the median income at £17,797 per annum. In November 2012 the average house price based on sales in the borough stood at £105,758. This is a reduction based on November 2011 by 3% when the average price stood at £109,934. Land Registry data by property type, shows as at November 2012 that terraced houses are the lowest priced property type with average terraced properties selling at £75,212.

Housing Need

- 3.5 A borough-wide Housing Needs and Demand Study was conducted in 2004/5, by Fordham Research. The original survey included 500 face to face interviews and 10,000 postal questionnaires distributed randomly across the Borough, with an additional 1750 distributed to areas of higher Black and Minority Ethnic resident concentration. 2,806 questionnaires were returned, giving a total sample of 3%.
- 3.6 The Study was updated in 2007 and again in 2010, to take account of:
- the housing market (i.e. changes in prices/rents),

- local incomes,
- supply of affordable housing,
- a re-basing of household figures.

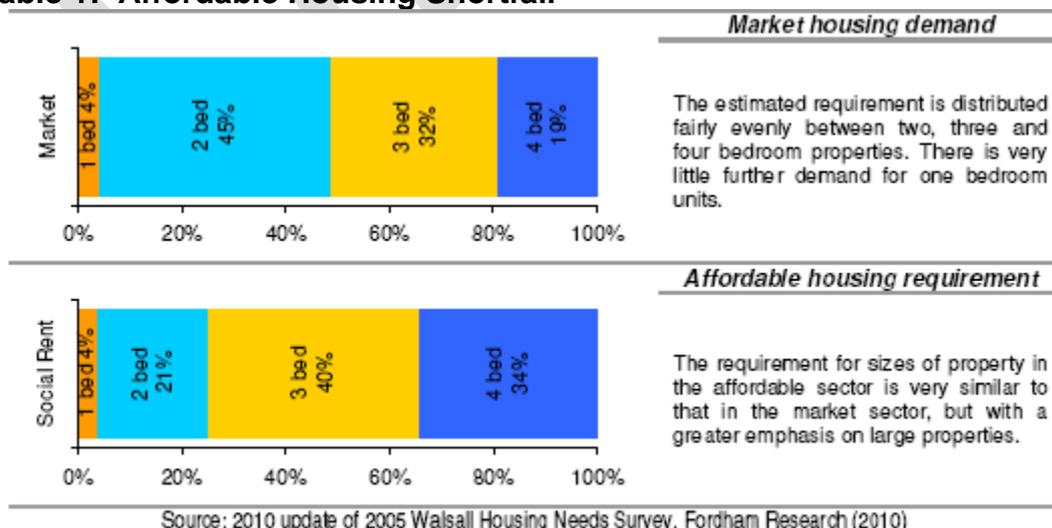
3.7 The results and estimated supply are based on information available at the time of the study and updates, and do not take any account of investment or policy changes that took place after those dates. For the purpose of this study, households were deemed as requiring affordable accommodation if they could not afford their housing costs within a sliding scale of 25% to 35% of their income.

3.8 The study shows that there is a projected annual shortfall of 1005 units and supports the target of at least 25% affordable housing element on each development. The shortfall of 1005 units per annum assumes that the “back log” of housing needs are met over the next 5 years.

Required Property Mix

3.9 The study indicates the required property types within the shortfall, and recommends the mix of property sizes in table 1. Firstly, residents, needs were measured against a strict bedroom standard using the Basic Needs Assessment Model (BNAM) as defined in ODPM Guidance 2000 ‘Local Housing Needs Assessment: A Guide to Good Practice.’ However, this does not take account of the respondents’ stated requirements in the study and therefore a Balanced Housing Market (BHM) Analysis has been produced, as also recommended in the Government guidance and Audit Commission work. Due to the different methodologies, the two methods produce different results although, both the BHM and BNAM analyses suggest that there will be a shortage of larger affordable housing in the future.

Table 1: Affordable Housing Shortfall



Source: 2010 update of 2005 Walsall Housing Needs Survey, Fordham Research (2010)

3.10 To ensure a balance between need and aspiration in the affordable housing provision in the Borough, the two analyses have been combined in Table 2 to provide an average figure. For further details, see Walsall's Housing Needs and Demand Study Update December 2010.
(www.walsall.gov.uk/walsall_hna_update_2010__v4.1_final_.pdf)

3.11 The figures in the 'average' column represent the suggested size mix for additional affordable housing. This shows that the main shortfalls are for two and three bedroom housing, although there is also a need for four -bedroom affordable properties.'

Table 2

Table S9 Total annual shortfall or surplus (constrained model)			
Tenure	BNAM	BHM	AVERAGE
1 bedroom	4%	(4%)	(4%)
2 bedroom	21%	45%	33%
3 bedroom	40%	32%	36%
4+ bedroom	34%	19%	27%
TOTAL	100.0%	100.0%	100.0%

Source: Fordham Research Walsall HNDS Update 2010

3.12 The Housing Needs Study 2007 update also identified a demand for bungalows across all tenures for older people, particularly social rented (Tables 9.8 and 9.9). It specifically stated that for affordable housing bungalows there was a 'demand for 230 units per annum over the next two years, some of which can be met through re-lets of the current stock' (9.15).

3.13 The 2010 Update showed an increase in demand for sheltered and supported housing. This shows up clearly in the model, which refers to all these types of housing under the umbrella term 'specialist housing'. For specialist housing most households in this situation appear to require a one bedroom unit according to the standard tests; however in reality additional space may be required for a carer or visitors, or the housing may be communal.

Table 3: Overall net need for Walsall

Table 5.14 Social rented and intermediate housing requirements in Walsall per annum (CLG model)				
	<i>Intermediate (with equity)*</i>	<i>Intermediate rented**</i>	<i>Social rented</i>	<i>Total</i>
Gross annual need	17	230	3,023	3,271
Gross annual supply	59	36	2,171	2,266
Net annual need	-42	194	852	1,005
% of net shortfall	0%	19%	81%	100%

* e.g. shared ownership ** at 80% of median market rent

Source: 2010 update of 2005 Walsall Housing Needs Survey, Fordham Research (2010)

- 3.14 The analysis showed for the borough an overall 19% intermediate housing and 81% social rent need for affordable housing would be required to meet the housing need.

Supported Housing Schemes

- 3.15 There is a requirement for supported housing schemes in the Borough, including Young Parent, Learning Disability and Older Person Schemes, specifically Extra Care.

4 Definitions

- 4.1 The Council uses the policy definitions given in the NPPF:

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

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable). Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.

- 4.2 This revised definition includes Affordable Rent. Registered Providers (RPs) who receive funding from the HCA 2011/15 Affordable Homes Programme (AHP) are contractually obliged by the HCA to purchase homes provided by developers (known as 'nil grant' units) for Affordable Rent, rather than Social Rent. Affordable Rent is set at up to 80% of the local market rent, and in some other parts of England, notably the South, can be substantially greater than

Social Rent. However in Walsall there is little difference between Affordable Rent and Social Rent levels, due to the lower market rents in the area. Therefore, the standard requirement for on site affordable rented housing in this SPD is Affordable Rent, although the SPD will still allow for the use of Social Rent and Shared Ownership where required.

- 4.3 Social rented housing generally tends to be provided by Registered Providers (RPs) and is allocated on the basis of need and in accordance with the Council's Nominations Policy at that time. The developer sells the property to an RP at a discounted rate.
- 4.4 Shared ownership is housing that is partly sold and partly rented. The developer sells the property to an RP at a discounted rate. The home buyer purchases a share of the property, between 25% and 75%, and rents the other portion from the RP. The owner can purchase additional shares at any point, up to full ownership. The cost of the additional shares will be based on market property value at that time. The RP would have first option on any resale so that the affordability benefits are enjoyed beyond the first occupier. In cases where the shared ownership purchaser increases their share of ownership to 100%, the Council will expect the RP to reinvest the money in Walsall for the purposes of affordable housing.

5. Level of Need for Tenure, Type and Size

- 5.1 The Housing Need and Demand Study Update 2010 demonstrates a need for an additional 1005 affordable homes per annum, which supports the affordable target of 25% on applicable developments. It demonstrates that across the Borough there is a need for 80% social rented property, and 20% shared ownership. However, the requirement will be 100% Affordable Rent as per paragraph 4.2 above, although social rent and shared ownership can be considered on a case by case basis. The study also provides guidance on the desired size and type of property, showing the main requirement is for larger properties and houses. There is also some need for affordable rented bungalows.
- 5.2 In addition there is a requirement for supported housing schemes in the Borough, including Young Parent, Learning Disability and Older Person Schemes, specifically Extra Care.

Policy AH1 Tenure Type and Size

Wherever possible the Council will require:

- (a) 100% affordable rent**
- (b) Supported Housing Schemes across the borough where appropriate**
- (c) A property mix of predominately houses (to include bungalows if feasible) with 34% 2 bedroomed, 38% 3 bedroomed and 28% 4 bedroomed and above. This mix will not apply to supported housing schemes referred to in AH1 (b).**

6. Design

- 6.1 All affordable housing should be designed to the highest standards and should be indistinguishable from neighbouring open market housing. The Council is committed to the fact that affordable housing must not mean sub-standard housing, either in terms of space or standards. Detailed guidance on housing layout and design principles is contained within the Supplementary Planning Document for Urban Design “Designing Walsall”. The Council will expect all affordable housing to conform to a minimum of the Homes and Communities Agency Design and Quality Standards, which includes the Code for Sustainable Homes Level 3.
- 6.2 The Council has an aspiration to deliver environmentally sustainable homes, and whilst not a mandatory requirement, will encourage the provision of affordable homes meeting a minimum of CSH level 4 or equivalent as national guidelines develop, subject to consideration of viability.
- 6.3 The Council will expect developers to build the affordable housing units to a ‘Lifetime Homes’ standard and encourage the build of wheelchair adapted homes where appropriate.

Policy AH2 - Quality of Affordable Housing

Affordable housing must not be of a lower standard, in terms of space or other design specifications, than market housing with the same number of rooms that is being built on the same site or nearby. It must conform to the Homes and Communities Agency Design and Quality Standards (DQS), and will be expected to meet the Lifetime Homes standards. Residential developments should not differentiate between affordable and private houses in terms of design or material specification.

7. Abnormal development costs and Claw Back

- 7.1 Policy HOU3 of the BCCS has been adopted in the context of a metropolitan borough where it is expected that the overwhelming majority of new homes will be built on previously developed land. Policy HOU1 sets a target of 95% of new dwellings to be built on such sites. Development of such sites is likely to lead to costs associated with past industrial and mining activity, for example, which developments will normally be expected to bear in addition to providing a full complement of affordable housing.
- 7.2 However, in some circumstances these development costs might be so exceptional as to render a full complement of affordable housing unviable. Where a developer proposes to provide less than the amount and mix of affordable housing that would otherwise be required by this SPD, they will be expected to provide, with any planning application, a full financial appraisal, demonstrating the impact of abnormal costs and a full complement of affordable housing on the financial viability of the development. The Council will appoint independent assessors for this purpose to provide professional and impartial advice. The developer shall reimburse the Council its reasonable costs for the assessment, as this is carried out for the benefit of the developer

and the cost should not be borne by the public purse. In considering financial appraisals and other information, the council will respect confidentiality and commercial sensitivity, within the confines of the Freedom of Information Act 2000.

- 7.3 In line with policy HOU3, claw back and other flexible arrangements will be sought through planning agreements, wherever possible, to allow for changing market conditions in future years.

Policy AH3 - Abnormal Development Costs and Claw Back

- a) **The Council does not define 'abnormal' in absolute terms, but this may include: contamination; past mining; infrastructure; flood management; or other constraints, which, individually or in combination, might severely affect the viability of the development.**
- b) **The onus will be on the developer to submit evidence, including a detailed financial appraisal of the scheme, to demonstrate that abnormal development costs would necessitate a reduction in the affordable housing element. The appraisal will be independently assessed and the developer will bear the cost of this assessment.**
- c) **"Claw back" (through overage clauses in S106) and other flexible arrangements will be sought, to allow for changing market conditions in future years.**

8. Affordable Housing Location

Off Site Provision

- 8.1 The council will normally expect affordable housing to be provided off site via a commuted sum in lieu of on site affordable housing. This is because of the need in Walsall, which is recognised by paragraph 50 of the NPPF, '... to contribute to the objective of creating mixed and balanced communities.'
- 8.2 In particular circumstances affordable housing provision may be required on site as part of the development - these will be considered on a site by site basis. They may include very large developments on sites that are allocated in the development plan, and sites where there are no suitable locations for affordable housing nearby.

Commuted Sum

- 8.4 All cash payments will be held in a ring-fenced account and be used to fund affordable housing in line with the Council's Housing Strategy and Local Investment Plan. Contributions will be used to increase overall affordable housing supply across the borough.

- 8.5 The Council will base the calculation of the commuted sum on the total sum required to enable a similar amount of affordable housing to be provided on another site in the Borough, (assuming 25% provision) that meets the requirements of Policy AH1 and AH2, around property type, size and standard. This will be negotiated on a site by site basis.
- 8.6 The commuted sum payment will need to match the theoretical subsidy that the developer would be providing for on site affordable housing. The calculation of the commuted sum will incorporate some of the variables below, and feedback is welcomed as part of the consultation on the most appropriate method / calculation, and which variables are considered as most important:
- Open market housing sales value
 - Affordable housing value
 - Open market land value
 - Affordable housing residual land value
 - Cost per M2
 - Developer 'risk' of increased open market sales
- 8.7 Any money paid to the Council for the purposes of providing affordable housing shall be repaid to the developer if not used by a specified date for the specified purpose.

9. On Site affordable Housing

- 9.1 On site affordable housing will be required in certain circumstances only, and will be considered on a site by site basis, but will tend to include:
- very large developments on sites that are allocated in the development plan,
 - sites where there are no suitable locations for affordable housing nearby.
- 9.2 There are two main ways of providing affordable housing on-site:
- the site is developed and a proportion of the units are transferred by the developer preferably to a RP to manage (with or without a transfer of ownership of land); or
 - the transfer of a fully serviced site, with full access rights, preferably to an RP.
- 9.3 The Council's preferred approach is for the developer to construct all of the housing and transfer a proportion to an RP to manage. The developer constructing all of the housing will ensure that the affordable homes are not isolated in one part of the development.
- 9.4 The managing RP will be expected to let affordable properties in accordance with the Council's Nominations Agreement, and to people with a local connection; ie living in Walsall, employed in Walsall, family connection in Walsall, or offer of employment in Walsall.

- 9.5 The on site affordable housing will be required to be integrated within the development. There has been a previous aspiration that affordable housing is 'peppercotted', ie no 1 affordable housing unit was adjacent to another. However, it is accepted that for ease of management and freehold purposes, RPs would prefer to have 'clusters' of properties, rather than full 'peppercotting'. The cluster approach means that in the case of flats, the RP would expect to have all flats in a block as affordable, alternatively as a minimum they would expect to have full control of a 'staircore'. In the case of houses, they would expect to have all the homes in each terraced block / pair of semi detached. The affordable units should be shown on a location plan as part of the Section 106 agreement. If this is not possible, prior to the work commencing on each phase of the development, a plan showing the location and mix of the affordable housing units will need to be submitted to and approved by the Council.

AH4 – Affordable Housing Location

- a) The Council's preferred approach is for a commuted sum in lieu of on site affordable housing provision**
- b) In specific circumstances, including large sites and areas with lower than average existing affordable housing, on site affordable housing will be sought**
- c) If on site provision, the developer will construct all of the housing and transfer a proportion to an RP to manage.**
- d) The Council will require the affordable housing units to be integrated, in clusters, across the development.**

10. Planning Obligations

- 10.1 Where affordable housing is to be provided, the applicant will be expected to enter into an obligation under Section 106 of the Town and Country Planning Act or other appropriate legal agreement to secure the agreed provision and to ensure that the provision remains genuinely affordable for as long as is required. If the affordable housing is to be provided on site, developers will also be encouraged to enter into partnership arrangements with RPs early in the process, whose interest in the property will control initial and future ownership and occupation. A list of RPs operating in Walsall is included in Appendix 1 for information, however developers are not restricted to partnerships with these RPs only. This list may change over the life of this SPD.
- 10.2 Affordable housing should be available, both initially and for subsequent occupancy, only to those with a demonstrable housing need and at a price level which can be sustained by them.
- 10.3 It is intended that the Council will consider draft S106 agreements at the same time as the planning application. The Council will ensure that the agreement is

concluded before the granting of planning permission. In order to be as specific as possible about level of commuted sum and / or the amount and type of affordable housing to be provided, the Council will encourage the submission of full rather than outline applications.

10.4 The Section 106 Agreement or Obligation will usually include clauses setting out requirements with regard to:

- Level of commuted sum payment
- Payment schedule / trigger
- Criteria / time period for use of commuted sum
- Overage, in the event the agreed contribution is less than the Policy requirement (25%), based on financial viability

In addition, if provision on site is required:

- The housing mix, type, size, tenure and number of affordable units,
- The location and distribution of affordable housing within the site,
- The timing of construction and occupation in relation to the whole site (a development threshold to secure the affordable housing provision before a specified date or stage in the development - on phased housing developments there will be a requirement to include a reasonable proportion of affordable housing in each phase),
- A preferred standard of Design and Quality,
- The mechanisms to ensure the initial and subsequent occupancy of the affordable housing benefits those in housing need and with a local connection, and that the affordable housing is retained in perpetuity or that proceeds from sales are reinvested in Walsall
- The timing and conditions for the transfer of the land or affordable housing to a housing association,
- Mortgagee in possession clause.

11. Monitoring and Review of the Supplementary Planning Document

11.1 The Council currently monitors the levels of provision of affordable housing on an annual basis. The Council will plan, monitor and manage the levels of affordable housing provision across the borough to ensure that sufficient homes of the right type, size, tenure and quality are produced to meet the needs of the borough's existing and potential residents.

11.2 Information from a variety of sources will need to be linked to any review of affordable housing requirements, and subsequently any review of this SPD.

These may include future revisions to government guidance, Walsall's UDP and future Housing Needs updates, Sub Regional Housing Market Assessments, Walsall Housing Market analysis reports.

11.3 Walsall's Local Development Framework (LDF) will be monitored through the Annual Monitoring Report. The provision of affordable housing will be monitored through this report.

11.4 The provision of Affordable Housing will be monitored by:

- Level of commuted sum negotiated, received and spent
- Number of affordable homes which are provided by LA planning powers,
- Average percentage of affordable housing on all developments,
- % of provision by property type and size

Appendix 1

List of Registered Social Landlord (RSL) partners.

Accord Housing Association Ltd / Group / Matrix
Black Country Housing Group Limited
Bromford Housing Association Limited
Friendship Care and Housing Limited
Heantun Housing Association Limited
Housing 21
Jephson Housing Association Limited
Mercian Housing Association Limited
Midland Heart Limited
Sanctuary Housing Association
Walsall Housing Group Limited
Waterloo Housing Association Limited
WATMOS Community Homes
West Mercia Homes Limited