



**AFFORDABLE HOUSING  
SUPPLEMENTARY PLANNING  
GUIDANCE**

JULY 2014

Regeneration and Regeneration Services

Newport City Council

Civic Centre

Newport

South Wales

NP20 4UR



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## 1 EXECUTIVE SUMMARY

- 1.1 This document provides supplementary planning guidance (SPG) setting out the Council's requirements for affordable housing, to ensure new developments help to meet the City's housing needs and create mixed, sustainable communities. This SPG expands upon the planning policies set out in the adopted Unitary Development Plan and outlines how the Council expects affordable housing to be delivered as part of new residential developments.
- 1.2 This SPG will be a material consideration in the determination of all planning applications for residential development including applications for the renewal of consents.
- 1.3 Developers are encouraged to discuss their proposals with the Planning and Strategic Housing sections of the City Council and with the Registered Social Landlords as soon as they are looking to develop a site.
- 1.4 Newport City Council has produced a Local Housing Market Assessments (LHMA) to identify housing need within its area. This has been carried out in compliance with the relevant Welsh Government guidance: the "Local Housing Market Assessment Guide" produced in March 2006, and the "Getting started with your Local Housing Market Assessment Guidance" produced in June 2012.
- 1.5 The LHMA covers the period from 2013-2018. Newport requires 740 dwellings per year (based on the last 5 years' requirement of the UDP) of which 593 dwellings need to be affordable. This would require 80% of all housing constructed to be affordable. Newport City Council has worked with the development industry to look at viability of new-build housing sites as it would not be possible to facilitate this level of affordable housing delivery; as such the Council has set an affordable housing requirement of 30%.

**NOTE 1:** The preference will always be for affordable housing to be delivered on site.

**NOTE 2:** The size thresholds at which sites are required to provide affordable housing are when a site meets or exceeds one of the following:

- in the urban area, developments on sites of 1ha (2.47 acres) or more, or developments of 25 units or more (whatever the size of the site); or
- in a village or rural area, developments on sites of 0.4ha (0.99 acres) or more, or developments of 10 units or more (whatever the size of the site). Such a requirement applies to conversion schemes as well as new build developments.

**NOTE 3:** Affordable housing should be delivered through the neutral tenure model.

- 1.6 Neutral tenure means that the tenure of the units will depend on the occupants' financial circumstances and can therefore vary between rented accommodation and low cost homeownership over time. In order to provide certainty for the development industry, the value paid for the units will be determined using the Welsh Government's Acceptable Cost Guidance (ACG) or successor scheme.
- 1.7 The Council will nominate a Registered Social Landlord (zoned by the Welsh Government to develop in Newport) for each development to work with the developer in meeting their affordable housing requirement. The Registered Social Landlord will have a knowledge and understanding of the area and an existing management presence. The developer will be required to build the housing units to meet the current design quality standards of the Welsh Government at the date the agreement is signed.
- 1.8 These requirements are in accordance with the principles set out in Welsh planning policy guidance, which in turn are reflected in the adopted Newport Unitary Development Plan, which seeks to secure appropriate elements of affordable housing in new residential developments.
- 1.9 The Local Planning Authority accepts that the expected provision of affordable housing can affect the land values for residential development at a given location. However, developers are expected to have taken account of planning policies and this guidance (and its effects on land values) before entering into land and property negotiations. Pre-application discussions are advised with planning and housing officers.
- 1.10 The Council will use the Three Dragons Development Appraisal Toolkit to assist in the calculation of appropriate levels of affordable housing. Where a scheme is claimed to be unviable, developers will be required to provide a financial viability assessment on an 'open book' basis. If this is not possible the default values will be used. These values have been agreed with the HBF. The financial viability assessment provided will be treated as commercially sensitive and as such will not be released under the Freedom of Information Act.
- 1.11 If agreement cannot be reached regarding development viability, a District Valuer may be appointed at the developer's expense. Please refer to the Planning Obligations Supplementary Planning Guidance (2012) for further details.
- 1.12 The delivery of affordable housing on new private housing developments will be secured through agreements made under Section 106 of the Town and Country Planning Act 1990 (as amended). The future introduction of the Community Infrastructure Levy will not change this procedure.

## 2 POLICY CONTEXT

### National Policy Framework

#### Planning Policy Wales

- 2.1. Planning Policy Wales (PPW) updated in November 2012 provides the overarching national strategic guidance with regards to land use planning matters in Wales. Paragraph 4.4.3 states that Local Planning Authorities should: “Ensure that all local communities - both urban and rural - have sufficient good quality housing for their needs, including affordable housing for local needs and for special needs where appropriate, in safe neighbourhoods.”
- 2.2. The housing section of Planning Policy Wales (November 2012) (paragraph 9.1.2) seeks the promotion of sustainable mixed tenure communities. It states: “Local Planning Authorities should promote sustainable residential environments, avoid large housing areas of monotonous character and make appropriate provision for affordable housing.”
- 2.3. With regard to need, paragraph 9.2.14 states: “A community’s need for affordable housing is a material planning consideration which must be taken into account in formulating development plan policies.”
- 2.4. Affordable housing is defined in paragraph 9.2.14 of PPW: “Affordable housing for the purposes of the land use planning system is housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers. However, it is recognised that some schemes may provide for staircasing to full ownership. Where this is the case there must be secure arrangements in place to ensure the recycling of capital receipts to provide replacement affordable housing. Affordable housing includes social rented housing owned by local authorities and registered social landlords and intermediate housing where prices or rents are above those of social rent but below market housing prices or rents. All other types of housing are referred to as ‘market housing’, that is private housing for sale or rent where the price is set in the open market and occupation is not subject to control by the local planning authority.”
- 2.5. Where development plan policies make it clear that an element of affordable housing will be required, PPW paragraph 9.3.5 states: “Applicants for planning permission should therefore demonstrate and justify how they have arrived at a particular mix of housing, having regard to development plan policies. If, having had regard to all material considerations, the local planning authority considers that the proposal for a site does not contribute sufficiently towards the objective of creating mixed communities, then the authority will need to negotiate a revision of the mix of housing or may refuse the application”.

**Technical Advice Note 2: Planning and Affordable Housing**

- 2.6 The purpose of Technical Advice Note (TAN) 2: Planning and Affordable Housing (June 2006) is to provide practical guidance on the role of the planning system in delivering affordable housing.
- 2.7 With regard to affordability, this is generally defined as the ability of households or potential households to purchase or rent property that satisfies the needs of the household without subsidy. This could be based on an assessment of the ratio of household income or earnings to the price of property to buy or rent available in the open market in the required local housing market area (paragraph 4.1).
- 2.8 The TAN gives a strong presumption that affordable housing will be provided on the application site so that it contributes to the development of socially mixed communities (paragraph 5.4).
- 2.9 Local housing market assessments are seen as vital to the understanding of the whole housing system, and should cover the whole housing market by considering the requirement for both market and affordable housing. As required by the TAN, Newport City Council has prepared its assessment following Welsh Government guidance.
- 2.10 The TAN advises that targets and thresholds should be set for affordable housing, but balanced against the need to ensure site viability (paragraphs 10.4, 10.5). Planning authorities may apply their policies on sites below the threshold where they can demonstrate that those sites are capable of delivering more housing than proposed, and which would then be above the threshold, and/or are part of a larger site above the threshold, and/or are integral to the development of sustainable communities (paragraph 10.8).
- 2.11 The potential for rapid changes in the housing market is seen as justification for a flexible approach to targets and thresholds (paragraph 10.10).
- 2.12 Small scale local exception sites are permissible in rural areas on land that would not otherwise be released for market housing where it would meet the needs of local people, and in perpetuity (paragraph 10.13).
- 2.13 Section 12 sets out guidance on the use of planning conditions and planning obligations. Normally this provision should be on-site (paragraph 12.5). 2.2.9 The use of planning obligations under section 106 of the Town and Country Planning Act 1990 as amended and of planning conditions is set out in section 12 and Annex A of TAN2. The use of s106 agreements to secure affordable housing will not be changed by the introduction of the Community Infrastructure Levy.

## Local Policy Framework

### Newport Unitary Development Plan 1996 – 2011

- 2.14 The current advice from the Welsh Government postdates the adopted Unitary Development Plan (UDP), but the previous Government guidance under which the UDP was prepared also encouraged the provision of appropriate elements of affordable housing.
- 2.15 Strategic Policy SP11: Planning Obligations provides the basis for the Council to seek relevant benefits for the community by means of planning obligations, including for affordable housing.
- 2.16 In addition there are two more detailed policies within the adopted UDP: Policy H5: Housing Mix and Affordable Housing and Policy H6: Affordable Housing in Villages. Policy H5 enables the Council to seek appropriate elements of affordable housing, together with a mix of housing types and sizes, capable of meeting a range of housing needs. Whereas Policy H6 allows a level of affordable housing provision outside village areas where need is identified, justified and secured in perpetuity.
- 2.17 The policy basis for securing affordable housing is well established in Newport, and increasing emphasis is being placed upon the role the private sector can have in its delivery.

### **3. DEFINITIONS**

#### **Affordable housing**

3.1 The term used to describe certain 'below market' price properties that are available either for sale or rent. Affordability determines whether people have the ability (financial resources) to satisfy their housing requirements by buying or renting on the open market without subsidy. Affordability can be assessed in a number of different ways, but each one depends on common factors that are crucial to the analysis. The affordability of any particular household will depend on the relationship between:

- the amount that the household is able to afford, and
- the cost of appropriate local housing.

#### **Social Rent**

3.2 Social Rented Housing is housing available to rent at affordable, below market levels. Lower rents are possible because the Government subsidises local authorities and registered social landlords (RSLs), who are the main providers of social rented housing in Wales. Social rented accommodation is allocated according to a needs based allocation systems administered by RSLs and/or the Council.

#### **Intermediate Housing**

3.3 Prices or rents are above those of social rent, but below market housing prices or rents. Shared equity schemes enable the resident to part-own the dwelling and pay rent on the remaining proportion. The remaining equity of these properties is retained by a third party, usually an RSL. The most common form of intermediate housing in Wales is Homebuy, a Welsh Government initiative under which an RSL provides an equity loan for an agreed percentage (usually 30% but up to 50% in some areas) of the property purchase price. The purchaser funds the balance through a conventional mortgage and savings. No interest is payable on the loan, but when the loan is repaid, the amount repayable will be the same agreed percentage of the value of the property at that time. The loan can be repaid at any time but must be repaid when the property is sold. Sub market rented housing is normally provided by an RSL with a local management presence.

#### **Neutral Tenure/Flexible Tenure**

3.4 Neutral Tenure refers to housing whose tenure is not predetermined, but may vary according to the needs, means and preferences of the household to whom it is offered. This incorporates the tenures described above. This arrangement gives flexibility in that it allows the tenure type of a property to change between occupiers, or even with the same occupier. So for example, on first occupation a house might be social rented, but when that occupier vacates the property, the next occupier may choose the Homebuy option. In another instance, a property might initially be rented, but if the economic circumstances of the occupier improve, they may choose to convert to Homebuy. Neutral tenure is the preferred tenure option in Newport.

**Allocation of affordable housing**

- 3.5 Newport City Council maintains the Common Housing Register from which all Housing Associations in the City allocate their properties regardless of tenure. Applicants are placed in one of four bands dependent upon their housing needs and circumstances. Properties are then advertised and interested applicants can bid for the homes, thus ensuring choice. The list incorporates people who are looking for specialist accommodation e.g. applicants with a physical or learning disability.

## 4 EVIDENCE OF NEED

- 4.1 The production of Local Housing Market Assessments has been specified by Welsh Government in two main documents. “Local Housing Market Assessment Guide” was produced in March 2006 and the “Getting started with your Local Housing Market Assessment Guidance” was produced in June 2012, followed by subsequent training provided by the Local Government Data Unit and the Welsh Local Government Association in conjunction with Welsh Government. This guide consolidates and strengthens previous guidance on housing market and needs assessment into one document.
- 4.2 The Local Housing Market Assessment Guide aims to enable local authorities to develop an understanding of the nature and level of housing demand and need in their local housing markets. It is based on work by the Centre for Housing and Planning Research, University of Cambridge, commissioned by the Office of the Deputy Prime Minister and the Welsh Assembly Government.
- 4.3 The Guide sets out how local authorities can assess the housing need and demand of their communities in order to plan housing services and reflect the objectives of the Assembly Government in developing sustainable communities. The guide enables authorities to derive overall figures for the number of households requiring additional housing in their areas, and to determine what this means in terms of market and affordable housing provision. Based upon this assessment, authorities will then have the basis to develop sound planning policies. It will also ensure the right mix of housing in terms of tenure.
- 4.4 Like many areas, property prices in Newport have fluctuated significantly in the last 10 years. In June 2007 the average property price in the city reached a peak of over £170,633, before declining dramatically. Since then, property prices have begun to recover but the average price has remained below that of the Wales average since June 2008.
- 4.5 Between 2001 and 2011 Newport saw its resident population grow from 137,011 people in 2001 to 145,736 in 2011. One of the reasons for this is Newport’s relatively youthful population. Between 2001 and 2011 many of the population that were children in 2001 would have grown up and had families of their own. Another reason is increased migration to Newport, particularly international migration. At the time of the 2011 census around 5% of Newport’s population was born outside the UK. Undertaking this housing market assessment has identified the need for 593 new affordable housing units per year. However, these figures are not annual delivery targets as new build homes are not the total solution to the supply of affordable homes for the City.
- 4.6 The need for affordable housing therefore remains acute. Economic recession may have some impact on the propensity to form separate households, and will also have an effect on the type of tenure sought, but will have little impact on the base population level, apart from some possible variations in migration flows. Therefore, the population to be housed will be largely the same, whatever the state of the economy.

## 5 HOW THE POLICY WILL BE APPLIED

### Percentage Requirement

- 5.1 Whilst the Local Housing Market Assessment 2013 identifies a net affordable housing requirement of 80% (based on the last 5 years' requirement of the UDP), the Council considers it reasonable and practicable to seek to secure 30% affordable housing on all sites which trigger the policy thresholds.

**NOTE 4:** Where the percentage produces a fraction of 0.5 and above, the number of affordable units is to be rounded up; otherwise the figure will be rounded down.

### Size of Site

- 5.2 The policy will apply to residential developments (including mixed use, conversions and change of use) in the urban area of 25 dwellings or more; or for developments in village areas the threshold is 10 or more units. Where sites are sub-divided, the Council will seek to secure an appropriate amount of affordable housing, as if the whole site were to be developed. Where part of the site has previously been developed, subsequent developers will be expected to make provision to reflect the numbers on the combined parts of the site. On outline planning applications a presumed density will be calculated in order to determine whether the trigger for affordable housing will be met, and similarly if a site appears to the Council to be under-developed.

### Location of Affordable Housing

- 5.3 Normally, affordable housing should be provided on-site. This should help in the creation of inclusive, mixed communities. The mix of house types should reflect local needs; this information can be established from the Council's Housing Strategy Service on a site-by-site basis in accordance with the particular needs of the community in which the site is located.

**NOTE 6:** Provision for affordable housing will be secured through Section 106 Agreements and these agreements will also require that the affordable housing will be available 'in perpetuity'.

- 5.4 Householder permitted development rights may be withdrawn so that control may be exercised over the enlargement or alteration of dwellings in ways that would change their affordability for future occupiers.
- 5.5 Off-site provision will only be considered in exceptional circumstances, for example as part of a strategic approach agreed with the Local Authority, bearing in mind the Unitary Development Plan, the Housing Strategy and area based regeneration strategies. The developer will need to demonstrate that:

- i) the delivery of the off-site affordable dwellings is assured. This could be, for example, through a formal agreement with a housing association about the provision of the units; and
  - ii) there is a sufficient number of affordable units proposed. The number of affordable units should be based on the combined total of the units on both (or all) sites.
- 5.6 In the rare cases where off-site provision is acceptable, the onus will be on the developer to demonstrate that the above requirements are met. The developer will be responsible for liaison with the Council and RSLs jointly to identify a suitable site (or sites) and agree development arrangements. Such sites will need to be acceptable in planning terms, conforming to the Newport Unitary Development Plan.
- 5.7 Landowners and developers are advised to make early contact with the Local Authority to clarify requirements and discuss relevant issues, including density, and how best to achieve a mutually acceptable approach to achieving a good quality and appropriate development. Relevant contacts in the Local Authority are included in Appendix 1.
- 5.8 Where there are over-riding difficulties in providing the required affordable dwellings, either on-site or off-site, there will be a mechanism for a commuted sum to be paid by the developer to discharge the affordable housing requirement. This route may be appropriate for development of small sites in the rural area. The sum should reflect the resulting cost savings and any uplift in value of the site. Appendix 3 sets out the basis for such a calculation.

### **Delivery and Financial Arrangements**

- 5.9 The preferred arrangement will be for developers to build the affordable housing themselves and to transfer it to a registered social landlord. This means of building will help to ensure consistency in the design and materials used in the development as a whole and contribute to the social inclusion agenda. Dwellings should be constructed to the requirements of the Welsh Government relevant at the time the section 106 agreement is signed. Details of current requirements can be obtained from either the Housing Section at the City Council, Registered Social Landlord's or the Welsh Government. Types of accommodation should be agreed with the Local Authority (see below), and when complete will be transferred to the social housing provider at the relevant percentage of the Welsh Government Acceptable Cost Guidelines (ACG) – (see Appendix 3). Model planning agreements to satisfy these requirements are set out on Appendix 5.
- 5.10 The Council has a long-term joint commissioning partnership with RSLs to secure the strategic provision of all types of housing accommodation. This covers minimum standards of service in management terms, allocation of Social Housing Grant, specialisms of the Housing Associations and the long-term allocation of affordable housing sites. A list of Housing Associations developing in Newport is included at Appendix 2. Other housing associations may just manage rather than develop accommodation. The Council will normally allocate a Housing Association to each site where affordable housing is to be provided on the basis of that RSLs

development capacity, grant monies available, other properties in the area, rental levels and other relevant issues.

- 5.11 The financial calculation required of the developer is set out in Appendix 3, together with an example of the Acceptable Cost Guidelines published by the Welsh Government. RSLs are non-profit making organisations, regulated by the Welsh Government working jointly with Local Authorities.
- 5.12 The proportion of different types of affordable housing required will need to reflect current assessments of need, as set out in Appendix 4, and see also paragraph 5.9 below. Specialised accommodation may be required for elderly persons' dwellings or for those with disabilities. Adjustments to financial calculations would then be required as higher grant rates are normally required. Due to the extra cost of these types of accommodation, fewer units may be required in order not to increase the total cost to the developer.
- 5.13 Occasionally, it may be appropriate for the developer to transfer fully serviced, remediated land to the registered social landlord, rather than build the accommodation. In this case, this should be done at no cost to the social housing provider and with a contribution of 30% of ACG towards build costs.

### **Service Charges and Ground Rents**

- 5.14 Rents or purchase price are usually seen as the main measures of affordability, but the whole cost of occupation could be significantly higher where service charges and/or ground rents are also payable, for example in a block of apartments. Where there are to be service charges and/or ground rent then these should also be set at an affordable level if properties are to be classed as affordable. If at the time of determining a planning application the level of service charge or ground rent is not known, an appropriate condition or section 106 agreement clause will be applied.

### **Development Appraisal Toolkit**

- 5.15 Newport City Council has taken the lead, along with other Local Authorities in South Wales, in procuring a version of the Development Appraisal Toolkit from Three Dragons Consultancy. This has been customised with local data and is used to allow financial appraisals of development sites to be undertaken. The model allows sites to be appraised with typical local costs and values, or specific ones if these are made available. The Toolkit is widely used in London and many other areas, and allows calculations to be undertaken on a site by site basis as to what is a realistic level of planning obligations be provided by a developer under section 106 of the Town and Country Planning Act 1990 (as amended).

### **Phasing**

- 5.16 The occupation of general needs housing should be linked to the completion and transfer of the related affordable units. On large developments this should be phased so that the affordable housing is provided in step with the general housing. Appropriate trigger points should be included in planning agreements (see Appendix

5). This should help in the creation of inclusive, mixed communities. These requirements will apply wherever the affordable housing is to be provided.

### **Perpetuity**

5.17 Most affordable housing will be managed by an RSL and the properties allocated through the Common Housing Register. In the unusual circumstances where an RSL is not involved, it will be necessary for there to be appropriate long term occupancy arrangements, which may be secured through planning conditions or planning obligations. In these cases, the Council will require full nomination rights, which will be exercised according to the Council's allocations policy as current at the time. The key requirement is that any housing that is provided as affordable should remain in the affordable stock each time there is a change of occupant.

### **Types of Accommodation**

5.18 Affordable housing is required in a range of sizes and types. The mix of property types will be influenced by the circumstances of each site, topography, proposed market housing and evidence of housing need including any potential specialist provision. Developers will be expected to liaise with the Council over the mix of affordable units to be built.

### **Tenure**

5.19 In line with Welsh Assembly Government guidance the preference is for 'neutral tenure' as described in Definitions 3.4. In all cases an RSL will be the most appropriate body to act as agent, to ensure the benefit of affordability is retained in perpetuity.

### **Special Needs**

5.20 Where the affordable housing to be provided is designed to meet specialist housing needs at the behest of the City Council, an appropriate reduction in the proportion of affordable housing may be allowed to reflect the additional cost of such dwellings.

### **Design and distribution**

5.21 In order to meet the objective of creating inclusive, mixed communities, it is important that the affordable elements of a housing scheme should be well integrated into the scheme as a whole. This means that they should not be segregated, and should preferably be dispersed throughout the development. Integration will also be assisted by the use of a common design theme through the development and if the developer also builds the affordable housing.

**NOTE 7:** Affordable housing should be distributed throughout the development, not clustered.

- 5.22 It will be appropriate for higher density parts of a development to be located near to public transport routes and other facilities. Generally no more than 18 apartments should be clustered together and no more than 12 houses. All Affordable Housing will need to be constructed to the requirements of Welsh Government: currently this is the Design Quality Requirement (DQR), which also includes Secure by Design, Lifetime Homes and attainment of level 3 of the Code for Sustainable Homes.

**NOTE 8:** Affordable housing must meet the Welsh Government's Design Quality Requirement (DQR) standards.

### **Abnormal Development Costs**

- 5.23 The Council, through the Unitary Development Plan, expresses a clear priority for the re-use of 'previously developed land'. This "brownfield strategy," as well as making good use of the land itself, helps to bring visual and wider environmental benefits while contributing to the more general regeneration of the whole area. Such sites do, however, sometimes have abnormal development costs, especially where remediation of contamination from former uses is required. In these cases, if insistence on the full proportion of affordable units would render the development unviable, then the developer may seek a reduction in the requirement in order that the development might proceed. Any such negotiation would need to be on an "open book" basis, providing a financial viability assessment including appropriate supporting evidence of costs and value. Where all parties are unable to agree the level of provision, a third party can be appointed (at cost to the developer/owner/applicant) to provide an independent financial viability assessment.

### **Pre-application advice**

- 5.24 Applicants are advised to make early contact with the Local Authority in order to achieve a mutually acceptable approach and to avoid a refusal of permission.

### **Community Infrastructure Levy**

- 5.25 The Community Infrastructure Levy (CIL) was introduced by the 2008 Planning Act, and has been brought into operation by the Community Infrastructure Regulations 2010. The CIL is designed to be a mechanism whereby new development would contribute to the provision of the new or improved infrastructure. Affordable housing will remain subject to section 106, and is not included within the scope of CIL. Negotiations on affordable housing will therefore continue as previously. However, in the circumstances where a developer submits a financial viability assessment to seek reduction in the required proportion of affordable housing, this should take into account the cost of any CIL liability and other residual site-specific Section 106 obligations required to make the proposed scheme acceptable in planning terms

## **APPENDICES**

### **Appendix 1: Newport City Council Contacts**

#### **Housing**

Sally Davies

Housing Development Manager

Tel: 01633 414507

Email: sally.davies@newport.gov.uk

#### **Planning Contributions Manager**

Alun Lowe

Tel: 01633 210087

Email: alun.lowe@newport.gov.uk

#### **Development Management**

##### **West Area:**

Stephen Williams

West Area Manager

Tel: 01633 210106

Email: stephenj.williams@newport.gov.uk

##### **East Area:**

Tracey Brooks/Joanne Davidson

East Area Manager

Tel: 01633 210066

Email: tracey.brooks@newport.gov.uk

joanne.davidson@newport.gov.uk

**Appendix 2 Registered Social Landlords Developing Affordable Housing  
Schemes in Newport**

<p><b>Melin Homes Ltd</b> Ty'r Efail, Lower Mill Field Pontypool Torfaen NP4 0XJ Tel: 08453 101102</p>	<p><b>Seren Group</b> Exchange House High Street Newport South Wales NP20 1AA Tel: 01633 679911 Fax: 01633 245930</p>
<p><b>Derwen Homes</b> Floor 6, Clarence House Clarence Place Newport NP19 7AA Tel: 01633 261990 Fax: 01633 261991</p>	<p><b>Linc-Cymru Housing Association</b> 387 Newport Road Cardiff CF24 1GG Tel: 02920 473767 Fax: 02920 482474</p>

### Appendix 3 Financial Calculations and Acceptable Cost Guidelines

- A3.1 The financial arrangements for the transfer of property from a developer to a housing association are to be calculated using the current grant rates published by the Welsh Government's Housing Directorate.
- A3.2 Grant rate calculations are based on the Acceptable Cost Guidelines (ACGs), and other financial information from Welsh Government, within the booklet "Acceptable Cost Guidance/On Costs for Use with SHG Funded Housing in Wales". These figures are reviewed on an annual basis and the latest available figures will be used as a basis for negotiations for the provision of affordable housing. Newport is split by area and the booklet should be referred to for detail. By way of example, figures below are for a development in the Band 3 area.

#### ACCEPTABLE COST GUIDELINES – August 2012

1 Bed Flat, 2 Person 46 sq. m minimum £85,800

2 Bed Flat, 3 Person 59 sq. m minimum £107,000

2 Bed House, 4 Person 83 sq. m minimum £134,500

3 Bed House, 5 Person 94 sq. m minimum £149,600

4 Bed House, 6 Person 110 sq. m minimum £174,400

- A3.3 The above amounts are subject to a discounted rate, currently set at 50% for neutral tenure units. The developer will then be expected to sell the property to the Registered Social Landlord at this percentage rate. A list of developing Housing Associations in Newport is also included in Appendix 2. Example for a neutral tenure property (ACG Band 3)

For a three bed house the ACG = £149,600

50% of £149,600 = £74,800

Therefore the RSL would pay the developer £74,800 for the property.

This methodology can be applied to any scheme simply by applying the formula according to the number and types of properties in the development.

#### A3.4 **Off-site Calculation**

In those exceptional circumstances where off-site provision is permitted under this guidance, the total number of affordable units built is calculated as follows:

Number of off-site affordable homes = (Total number of units built on-site x 0.3) / 0.7

For example, if site A is being developed with 100 units, the offsite affordable housing requirement is  $(100 \times 0.3) / 0.7 = 43$  affordable units. So 100 market dwellings are built on the site, and 43 affordable dwellings are built off-site: total build is 143 units. (43 out of 143 units = 30% affordable).

#### A3.5 **Commuted Sums**

Where a commuted sum is being considered in place of provision on-site, the calculation should be carried out on the above basis, namely that the contribution should reflect the number of units that would have been needed off-site. This will thereby reflect the uplift in the value of the site by the removal of the affordable housing requirement. The units would be assumed to be neutral tenure and calculated at the relevant ACG

## Appendix 4 Housing Market Assessment Summary

- A4.1 The Local Housing Market Assessment has fully utilised the guidance provided by Welsh Government and is intended to cover the period from 2013 – 2018. The need for new housing in Newport, therefore, equates to the production of 740 units per year (based on the last 5 year requirement of the UDP), of which 593 need to be affordable. This would require 80% of all housing constructed to be affordable. Newport City Council has worked with the development industry to look at viability of new build housing sites and obviously it would not be possible to facilitate this level of affordable housing delivery. Affordable housing will also be delivered by bringing empty private sector homes back into use and by housing associations delivering new homes on land in their ownership. The tenure of these units will be neutral, i.e. this will be dependent upon the applicants circumstances, if they can afford to purchase a share they can, otherwise they can rent their home.
- A4.2 The housing market analysis will be undertaken on an annual basis and will therefore review the supply of affordable housing delivery as well as fluctuations in the housing waiting list and inward and outward migration as well as changes in the mortgage market.
- A4.3 This is all obviously a dynamic situation and therefore these figures can change. Advice regarding the delivery of affordable housing on specific sites can be obtained from the Housing Strategy section at the time of obtaining planning permission. The need for accommodation for people over 55 years as well as the needs for people requiring specialist or adapted accommodation has also been included within these figures. The common housing register includes all applicants and properties are advertised to enable all applicants to have a choice of area within the City. Applicants whose physical circumstances mean that a property may only require a minor adaptation can often be accommodated in standard housing. On occasions there is the need to purpose build specific accommodation for applicants with a physical or learning disability; this is accomplished with guidance from either social services or the health authority, who also advise on the suitability of location.
- A4.4 Proposed changes to the welfare benefit system will also have an impact on the housing situation causing pressures and increased demand in the private rented sector.
- A4.5 There has been a significant increase in housing need within the City since the last housing market assessment was undertaken. This is only to be expected when there has been an increase in the population as a whole, economic migrants moving to Newport, as well as the City becoming an asylum dispersal area.
- A4.6 There have been increased pressures on availability within the private rented sector and many individuals and households priced out of the home ownership market, either by limited mortgage finance being available or the requirement for large deposits.
- A4.7 When previously estimating housing need, the consultants took into account that the multiple housing registers in operation at that time, would have meant an element of

double counting. When the Common Housing Register was implemented it was found that people registering on multiple registers was considerably less than was first envisaged and, therefore, it is likely that previously numbers was underestimated because of this.

- A4.8 This assessment pulls together all the available data in order to produce an accurate and detailed picture of housing need in Newport. As has been acknowledged throughout this assessment, there are many factors that impact on the supply and demand for housing and, as such, this Assessment will be updated on a regular basis. This will ensure that both the Local Authority and its partners have a clear understanding of housing need in Newport and that they are able to work together to ensure the best outcomes for the residents of the city, both now and in the future.

## Appendix 5 Model Heads of Terms (under section 106)

WHERE A DEVELOPER BUILDS AND TRANSFERS AFFORDABLE HOUSING UNITS TO REGISTERED SOCIAL LANDLORD

### Definitions:

**Affordable Dwelling Units** – the units consisting of [x no. or x% of the total no.] to be constructed pursuant to the planning permission for affordable housing purposes, the number, type and mix to be agreed with the council prior to the commencement of the development.

**Open Market Dwellings** – dwellings which are not Affordable Dwelling Units constructed as part of the development intended for sale in the private housing market at open market value

**Acceptable Cost Guidance (ACG)** – the highest acceptable scheme costs as provided in the appropriate band in the Acceptable Cost Guidance produced by the Welsh Government or any similar cost definition applicable to affordable housing amending or replacing the same and current for the type and size of dwelling at the date that a binding contract is entered into between the Owner and the RSL or affordable housing provider.

**Affordable Housing Provider** – ‘X’ Housing Association, a social housing landlord registered with Welsh Government as defined in the Housing Act 1996 and is capable of managing affordable housing and receiving grant from Welsh Government and is zoned to develop in Newport.

**Alternative Housing Provider** – A registered social landlord nominated by the Council who shall be different from the Affordable Housing Provider to which the first offer is made pursuant to paragraph 4 below.

**Offsite Affordable Housing** – only in exceptional circumstances will agreement be given for the affordable housing to be provided in an alternative location, rather than as part of the main development. In these circumstances the developer is required to identify a site in close proximity to the main development site, and obtain planning consent for the development of affordable housing. The number of affordable units should be based on the combined total of the units on both (or all) sites. The site will then be transferred to the Affordable Housing Provider at nil cost. The developer will then pay 30% of ACG towards build costs.

**Offsite Affordable Dwelling Financial Contribution** – The sum of money paid in-lieu of providing an Affordable Dwelling Unit on site. The sum is to be calculated on the basis of the number of units being those required as an offsite contribution i.e.

$(\text{No. of units on main site} \times 0.3) / 0.7 = \text{total number of off-site affordable units.}$

The financial contribution is then 50% of ACG for the proposed units in the appropriate band as detailed in the Acceptable Cost Guidance provided by Welsh Government.

- 1 The Owners shall prior to the commencement of development submit to the Council for its approval:
  - a) Details of specification, service charges, and programme for the construction of the affordable Dwelling Units in accordance with the Welsh Housing Quality Standards, Development Quality Requirements, Lifetime Homes Standard and Secured by Design principles published by the Welsh Government as applicable
- 2 The affordable housing units shall be constructed to at least the same specification and all internal fittings, finishes, kitchen and bathroom units and sanitary ware shall be of the equivalent quality as those in the Open Market Dwellings.
- 3 None of the Open Market Dwellings shall be occupied until such time as the Owners have made an offer in writing to the Affordable Housing Provider to build and transfer the affordable housing units to the Affordable Housing Provider in accordance with:
  - a) the Planning Permission
  - b) the details and specification approved pursuant to paragraphs 1a and 2 above, and building regulations and other statutory consents required
  - c) and the owners have provided evidence of this in writing to the Council.
- 4 The owners shall use reasonable endeavours to enter into a binding unconditional contract with the Affordable Housing Provider in accordance with paragraph 3 above but in the event that the Affordable Housing Provider fails to enter into such a contract within three months from the date the draft contract is submitted to the Affordable Housing Provider then the owners shall use reasonable endeavours to enter into a binding unconditional contract with the Alternative Housing Provider in accordance with paragraph 3 above
- 5 In the event that the Owners fail to enter into a binding unconditional contract with either the Affordable Housing Provider or the Alternative Housing Provider within a period of (24) twenty four months from the date the development is commenced and the Council is satisfied that the owners have used reasonable endeavours to enter into such a contract then the Council will accept payment of the Off-site Affordable Dwelling Financial Contribution
- 6 No more than x% of the Open Market Dwellings may be occupied until such time as a binding contract has been entered into between the Owners and either the Affordable Housing Provider or Alternative Housing Provider for the building and transfer of the affordable dwelling units in accordance with paragraph 4 above or the Council has certified in writing that it is satisfied that a lump sum payment in accordance with paragraph 5 may be made in-lieu of the on-site affordable dwelling provision
- 7 No more than x% of the Open Market Dwellings shall be occupied until such time as the affordable dwelling units and any amenity/garden land associated with the affordable dwelling unit have been transferred to the Affordable Housing Provider or Alternative Housing Provider or the Council (having first certified that a lump sum

payment may be made) has received from the owners the said lump sum payment in accordance with the definition of the Off-site Affordable Dwelling Financial Contribution (the lump sum payment to be used by the Council to provide affordable housing at its discretion in the City of Newport)

8 The Owners covenant with the Council as follows:

8.1 The offer referred to at Paragraph 3 shall be made on the following basis:

a) With full title guarantee

b) With vacant possession

c) Free of financial encumbrance

d) With the benefit of all rights of access and passage of services as are reasonably necessary to service the affordable dwelling units through, on, over and under the remainder of the site

e) With such other terms as may be agreed between the parties thereto

f) Subject to each party bearing its own costs in relation to such transfer

g) The Standard Conditions of Sale (Third Edition) or any modification or subsequent reissue thereof shall apply to the transfer in so far as the same are not inconsistent with the express terms of this Agreement

h) With a price of 50% (fifty per cent) of the ACG for the dwelling type for the Council Ward Area in which the Development will take place (Band x); and,

i) Subject to the owners agreeing to procure the issue of an insurance certificate from the NHBC (or other warranty provider approved by the Council of Mortgage Lenders) in relation to the Affordable Housing Units