

**Isle of Wight Council**  
**Supplementary Planning Guidance**

# **Affordable Housing**



September 2004

This is one of a series of Supplementary Planning Guidance Documents. The Isle of Wight Council adopted this guide, September 2004, following public consultation. It is published by Isle of Wight Council, Directorate of Environment Services.

The document has been jointly prepared by the Planning and Housing Services Sections of the IW Council.

## Contents:

1.	Introduction .....	3
2.	The Council's Affordable Housing Policies .....	3
3.	The Role of the Council as an Enabler .....	4
4.	What are the Affordable Housing Needs on the Isle of Wight?.....	4
	<i>Interpretation of Policy H14 of the UDP 2001 .....</i>	<i>5</i>
	<i>Current Housing Need and Delivery of Affordable Housing .....</i>	<i>5</i>
5.	The Submission and Determination of Planning Applications on Development Sites which include Affordable Housing .....	8
	<i>The Content of the Section 106 Planning Obligation .....</i>	<i>9</i>
	Other Matters .....	10

## 1. Introduction

- 1.1 The purpose of this SPG is to supplement policy H14 of the Unitary Development Plan (UDP), and to set out how the Council believes affordable housing on development sites should be achieved. Through this proactive approach, it is hoped that this document will assist in more efficient and effective negotiations and agreement, reduce ambiguity and establish a clear and transparent process for delivering affordable housing.
- 1.2 In addition to outlining in more detail the processes for dealing with any application where an affordable housing contribution is required, the document also indicates a higher level of contribution than has previously been sought.
- 1.3 This SPG does not relate to H15 – “Rural exception” sites. The issue of rural exception housing is currently being considered through Government consultation and proposed changes to PPG3 Housing. Further information on the distinction between these categories of site can be obtained from the Council's Planning Services department.
- 1.4 The Council's commitment to affordable housing provision is set out in its Corporate Strategy, with the aim of achieving more homes to meet identified local needs and encouraging social inclusion across the Island.
- 1.5 Affordable housing on the Island must meet demonstrable local housing needs. The Council has had a Housing Needs Survey (HNS) carried out by David Couttie Associates (2001 and 2003) which demonstrates that in order to meet local housing needs, 1263 affordable homes are required annually, before 2011/the end of the UDP period. The principal area of identified need is for rented accommodation in the public sector.
- 1.6 Notwithstanding Circular 6/98, the Council does not envisage that low cost "market housing" will contribute towards meeting the identified affordable housing needs of the Island. This view was supported by the UDP Inspector, who endorsed the Council's approach on this issue. If RSL's and/or developers wish to provide low cost "market housing", such dwellings must be over and above the proportion of affordable housing on each housing allocation needed to satisfy the requirements of the UDP.
- 1.7 A more formal review of the policy will be considered as part of the Local Development Framework, which will replace the UDP by mid 2007.

## 2. The Council's Affordable Housing Policies

- 2.1 The Council's affordable housing policy is set out in the UDP (H14). It is designed so that:

- (a) All qualifying housing development provides an appropriate proportion of affordable housing in accordance with current Government guidance.
- (b) Affordable housing takes the form of units delivered via RSLs' registered with the Housing Corporation (in order to meet local needs).
- (c) The amount of housing on each site is a matter for negotiation with the Council. This is to ensure that the economics of development are reflected in the application of the policy, and that where potential arises, more than 20% can be negotiated.
- (d) The 50% discount replaces the need for Housing Corporation grants, thereby enabling the RSL to seek private funding for the remainder.
- (e) The affordable housing provided is tied by either condition or legal agreement to ensure that the dwellings remain available for those in need in perpetuity.

### **3. The Role of the Council as an Enabler**

- 3.1 In its enabling role, the Isle of Wight Council has funding, through the Housing Capital Programme, to assist in meeting the needs for affordable housing. Need has been identified in the Housing Needs Survey.
- 3.2 The availability of Social Housing Grants (SHG's) is limited and the Council will use these limited funds to meeting housing requirements in the areas of greatest need. SHG's will only be used to fund affordable housing provided through Policy H14 in exceptional circumstances. This is implicit in the wording of policy H14 of the UDP in respect of the discounted price of affordable housing to an RSL.

### **4. What are the Affordable Housing Needs on the Isle of Wight?**

- 4.1 The Housing Needs Survey 2003 has confirmed the following:
  - (a) There is currently a high need on the Island for small dwellings, ie. one and two bedroom properties.
  - (b) There will be an increasing need for a larger proportion of small dwellings on the basis of National Household Projections and Government policies seeking better use of housing land.
  - (c) Notwithstanding (a) and (b) above, there is a need to monitor the position for all types of dwelling.
  - (d) The precise mix of housing on any particular site will have to reflect the Islandwide need at that time.
  - (e) The principal areas of need are the main towns of Ryde, Newport, Sandown/Shanklin, Cowes and East Cowes.

### *Interpretation of Policy H14 of the UDP 2001*

- 4.2 Since the adoption of the UDP in May 2001 the statutory policy basis for considering planning applications requiring an affordable housing contribution has been Policy H14. In general terms the policy seeks to negotiate an element of affordable housing to be provided and the scale and type of provision will be considered in relation to local needs.
- 4.3 Although the policy seeks to achieve 20% of housing on appropriate sites, the plan states that the precise number is a matter for negotiation on each site and that the Council will seek to ensure “not less than” 20% are affordable.
- 4.4 It is therefore considered that 20% is not a maximum ceiling on what can be sought within the adopted policy framework.
- 4.5 The policy also refers to an unspecified “element” of provision and that its scale will be considered in relation to local need. This implies the scale of provision could differ. The references to “meeting an identified need” and “not less than” 20% provision indicate that where evidence of need exists Policy H14 could seek a proportion of affordable housing greater than 20%.

### *Current Housing Need and Delivery of Affordable Housing*

- 4.6 Table 1 (below) sets out both the supply and need for affordable housing on the Island. This evidence is based on information contained within the Housing Needs Survey of 2001 and 2003, actual delivery of built units; social housing re-lets and new builds.

**Table 1**

	<b>2001</b>	<b>2003</b>
<b>Housing Supply</b>		
A Available relets	553	280
B Committed units new supply (inc. PPG3)	133	78
C TOTAL SUPPLY (A + B)	686	358
<b>Housing Need</b>		
D Backlog (per annum)	140	145
E Newly arising affordable need	921	1,474
F TOTAL NEED (D + E)	1,061	1,619
G <b>ANNUAL SHORTFALL (C - F)</b>	-375	-1,261
H Total housing completions (all tenures)	777	373

I	% of affordable housing needed from total completions to meet shortfall (G ) H)	49%	579%
J	Total units provided through PPG3	8	16

- 4.7 The table shows that taking current provision of affordable housing, there is an annual shortfall in provision of some 1,261 units (at 2003). The table also shows the dramatic increase in need for affordable housing from 2001 to 2003. This change reflects the significant increase in house and land prices in recent years, which has resulted in more newly forming households being unable to afford to get onto the housing ladder. As a consequence it has also led to more families presenting themselves to the Council as homeless. There are limited opportunities to negotiate affordable housing on sites because many are below the current thresholds set out in both local and national guidance due to their size and the figures also show a low number of units being provided through the planning process.
- 4.8 It is also clear that from the 2001 survey that 49% of all built units would have been required to be affordable in order to meet the need whereas due to a huge increase in need coinciding with a significant drop in annual residential completions, over five times as many units are now required each year for affordable homes than are currently being built (2003 figures). As the majority of house building is undertaken by the private sector on a speculative basis, any increase in the provision of affordable housing to meet this growing need has to be realistic and viable to ensure continuing affordable housing provision without making housing development uneconomic.
- 4.9 PPG3, Circular 6/98 and Policy H14 are clear in stating that any affordable housing contribution must be considered in relation to the viability of the housing development as a whole and the Council would wish to ensure that the negotiation of any residential scheme did not prejudice the delivery of housing per se.
- 4.10 In order to ensure that the provision of affordable housing is maximised without undermining the viability of provision the council has undertaken additional research during 2004 through Adams Integra, to identify the impact of various levels of affordable housing requirements on the viability of a range of housing sites. The detailed findings have recommended that a figure of 30% as the starting point for negotiating affordable housing provision is reasonable, given the current market conditions. The full Adams Integra report can be obtained by contacting the Council's Housing and Community Support Service Department (contact details at Appendix 2 of this report).

- 4.11 A key aspect of the viability of schemes to both developers and Housing Associations has been the 50% discount at which affordable housing must be provided to a RSL under Policy H14.
- 4.12 During the formulation of H14 through the UDP process it was determined that a 50% discount to a RSL would have enabled them to fund provision at that time (1988-1999) and this was substantiated by written confirmation from a number of Housing Associations on the Island to the UDP Inquiry Inspector.
- 4.13 However, price rises over the last four years, together with changes in the funding of new builds through the RSL, has meant that in many cases they have been unable to fund the purchase.
- 4.14 Changing economic circumstances must be taken in to account in seeking to achieve provision of affordable housing and the Council takes the view that a developer offering required units at 50% discount which an RSL would not be able to take up, could justify rejecting the offer. If the proposal would not lead to any provision then the underlying objective of Policy H14, which is to achieve affordable housing provision, would be undermined.
- 4.15 Given that house prices, types and sizes are unlikely to differ across the Island; the Council considers that the discount to a RSL is dealt with on a site-by-site basis. The starting point will be that units are anticipated to be provided at 50% discount but that if this is shown to be uneconomic by the developer, or the RSL, then alternative methods should be considered which ensure the delivery of units required. In some cases, therefore, the local planning authority would not wish to impose the mechanics of affordable housing provision through any condition of S106 Agreement, but leave both the developer and RSL in conjunction with the housing department to negotiate any details provided that:
1. Any condition or legal agreement identifies the number of units to be provided on site.
  2. There are an agreed number of units of speculative housing that cannot be constructed until the affordable housing has been completed.
  3. The social housing principles set out in the Council's Housing Strategy are met.
  4. Discussions take place on an "open book" basis.
- 4.16 In conclusion, therefore, when negotiating the provision of affordable housing on relevant planning applications through Policy H14, the Council will:

1. Seek to achieve at least 30% of units on any qualifying sites to be provided as affordable housing.
2. Review the 50% discount requirement in the light of evidence to ensure deliverability of any affordable housing provision under the economic conditions at the time.

## **5. The Submission and Determination of Planning Applications on Development Sites which include Affordable Housing**

- 5.1 It is essential that discussion between the developer, the RSL and the Council take place at each stage of the planning process to ensure the smooth and uncomplicated progression of planning applications involving affordable housing. This will include both pre-application and post-application discussion.
- 5.2 On larger sites, a development brief prepared by the Council may be available. This will contain details of the Council's requirement for that particular site. It is usual for pre-application discussions to take place in order to discuss the content of any development brief and any additional matters that may have to be resolved prior to the submission of a planning application. As mentioned above, these discussions should involve the developer, the Council and the RSL.
- 5.3 In most cases, an application for outline planning permission will be made. It is preferable that this is a joint application between the developer and the RSL (or a consortium of RSLs). Detailed planning applications should involve a RSL as a joint applicant, failing which the Council will require assurances that appropriate contractual arrangements exist between the developer and the RSL for the provision of affordable housing.
- 5.4 Any outline planning application or site that is developed in phases should include a masterplan showing how the developer intends to develop the housing allocation and relevant timescales for implementation. This masterplan must demonstrate the approach the applicants intend to take for the provision of affordable housing.
- 5.5 Affordable housing to be provided on larger development sites should be distributed in groups of dwellings throughout the development rather than concentrated in one location. This will help to avoid any obvious visual separation between private and affordable housing and will provide the opportunity to introduce more interesting design and variety in housing layout. Further it will assist in ensuring social inclusion in that a reasonable

mix of housing types and tenure is achieved in line with the requirements of PPG3.

- 5.6 As part of the process involved in determining planning applications, the Council will have to be satisfied that the affordable housing is workable, viable and acceptable to both planning and housing in terms of need. In all cases, the RSL involved will be decided by the Council's Housing Department and will come from the Council's partnership list attached to this report for information as Appendix 1. Where an agreement already exists between developers and RSL's for the development of a site, the IWC Housing Department will honour that agreement.
- 5.7 The Council is unlikely to grant permission if it cannot be satisfied that secure arrangements are in place to ensure the delivery of affordable housing as part of the proposed development.
- 5.8 If the planning application is approved by the Council this will be subject to conditions/legal agreements/approval of reserved matters to secure the following:
- (a) Agreement with the Council of the location of affordable housing.
  - (b) A timetable and programme for the provision of affordable housing.
  - (c) The transfer of the affordable housing to a RSL.
- 5.9 Any legal agreements (made in pursuant to Section 106 of the Town and Country Planning Act 1990) may also include provisions requiring contributions towards the provision of community infrastructure, eg. community centres, leisure facilities and commuted sum payments in connection with open space land, etc.

#### *The Content of the Section 106 Planning Obligation*

- 5.10 In broad terms, any Section 106 Agreement required to secure affordable housing may deal with the following matters:
- (a) The location of the affordable housing.
  - (b) A timetable and programme for its provision.
  - (c) The transfer of the affordable housing to a RSL.
  - (d) Contributions towards the provision of community infrastructure.
  - (e) That the land necessary for the affordable housing be transferred to a RSL prior to the occupation of the first open market house.
  - (f) All main services and all necessary access to be provided up to the boundary of the affordable housing land.
  - (g) The affordable housing shall only be used for the purposes of providing housing and accommodation to meet the objectives of the RSL and to meet local housing need.

- (h) That the affordable housing should be excluded from any right to buy or other mechanism that could result in affordable housing being available on the private housing market.
- (i) A "mortgagee in possession" clause may be included in situations where a mortgagee of a RSL gains possession of the whole of the affordable housing land. The mortgagee will then be able to dispose of the affordable housing on the open market free from the restrictions in the Section 106 Agreement. In reality, this is highly unlikely given the structuring of Housing Associations and the role and remit of the Housing Corporation.

### *Other Matters*

- 5.11 In calculating the number of units to be provided on any qualifying scheme the Council will always round up to the nearest number of whole units. For example if the proportion is 4.1 then the number of units will be rounded up to five. This principle will be applied irrespective of whether the units being provided are on-site or off-site or through a financial contribution.
- 5.12 In phasing the provision of affordable housing on-site the Local Planning Authority will, through condition or legal agreement, seek the following:
- Before one quarter of the overall numbers of units are completed, 25% of the affordable housing units shall be provided.
  - Before half of the overall numbers of units are completed, 50% of the affordable housing units shall be provided.
  - Before three quarters of the overall number of units are completed, all of the affordable housing units shall be provided.

The Council will provide further guidance on matters of detail in the Development Control process through advice on content and expectations from Section 106 Agreements.

## Appendix 1 Registered Social Landlord Partners

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<p><b>Swaythling Housing Society</b> Herbert          Collins House Wide Lane Southampton          SO18 2HZ          Contact: Andrea Taylor or Claire Tibbel          Development Officer          Telephone: 023 8048 7487          Fax: 023 8058 6416 Email:  <a href="mailto:info@swayhs.org.uk">info@swayhs.org.uk</a></p>	<p><b>Vectis Housing Association</b> (incorporating East          Cowes Housing Association) 30 Carisbrooke          Road Newport PO30 1BW Contact: Mrs A Fox          Telephone: 01983 525985          Email: <a href="mailto:enquiries@vectis-housing.demon.co.uk">enquiries@vectis-housing.demon.co.uk</a></p>

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