



**Shropshire Local Development Framework
Supplementary Planning Document (SPD)
on the Type and Affordability of Housing**

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Shropshire Type and Affordability of Housing SPD

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Shropshire Type and Affordability of Housing SPD

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1. Introduction

Introduction

- 1.1 This Supplementary Planning Document (SPD) supplements the Shropshire Core Strategy, adopted 24th February 2011. The Shropshire Core Strategy includes strategic objective 5:

“Provide for a mix of good quality, sustainable housing development of the right size, type, tenure and affordability to meet the housing needs and aspirations of all sections of the community, including provision for specialist needs and the elderly.”

- 1.2 The Type and Affordability of Housing SPD helps deliver this objective and supplements the Shropshire Core Strategy, including policies CS1 Strategic Approach; CS4 Community Hubs and Community Clusters; CS5 Countryside and Green Belt; CS6 Sustainable Design and Development Principles; CS11 Type and Affordability of Housing; CS12 Gypsy and Traveller Provision; CS13 Economic Development, Enterprise and Employment and CS17 Environmental Networks.

Policies and documents superseded

- 1.3 The SPD supersedes the Interim Planning Guidance (IPG) on Affordable Housing that was adopted on 16th July 2009, Bridgnorth District Council’s “Affordable Housing SPD” (2007), Oswestry Borough Council’s “Interim Planning Guidance: Affordable Housing” (2008) and South Shropshire District Council’s “Affordable Housing Solutions” guidance (2007).

Monitoring and Review

- 1.4 Monitoring of the delivery of affordable housing and specialist accommodation will take place as part of the *Annual Monitoring Report (AMR)*. The AMR is published each December and will be available on the Council website under the Planning Policy pages.
- 1.5 The state of the housing market in Shropshire is also monitored through updates to the Local Housing Market Assessment, a Developer and Housing Market Review Panel and reviews of the Housing Strategy, available on the Council’s website under planning policy and housing respectively.
- 1.6 This SPD will be kept under review in light of all material information and guidance. A review may be triggered by national changes in policy, updated information on housing needs or issues raised by the public, private or third sector regarding the operation of the SPD.

2. Type, mix and design of housing

Redressing Local Imbalances in the Housing Stock

- 2.1 It is the Council's aspiration that all developments are expected to contribute to a mix of dwelling types, sizes and tenures. The issue of tenure is considered in section 3. With regard to the mix of types and sizes of homes, Core Strategy Policy CS11 seeks "housing developments which help to balance the size, type and tenure of the local housing stock".
- 2.2 As part of pre-planning application discussions, the Council will advise developers on the acceptable mix of types and sizes of dwellings in any particular location, site, urban or rural. Overall the Council seeks to achieve mixed, balanced, inclusive and sustainable communities.
- 2.3 With this objective in mind, in the case of larger housing developments (10 plus houses in Shrewsbury, the market towns and other key centres and 5 plus houses in rural areas), the Council will generally seek to achieve a suitable mix of types and sizes of dwellings in the development. In particular it is normally important to include an adequate proportion of smaller dwellings as part of a development, particularly in rural areas where market forces tend to lead to the provision of larger dwellings at the expense of smaller dwellings. If this trend is unchecked it leads to the exclusion of less well-off people from rural villages and the countryside.
- 2.4 However, in any given case consideration will also be given to the local housing situation, as well as the proposed mix of housing types and sizes within an individual development. For example, in some areas the Council may consider there is a need for a development to provide a higher than usual number of smaller dwellings that are suitable as starter homes and/or homes for older people wishing to downsize, to make up for a shortage of such dwellings in the local area. This is most likely to be the case in rural areas.
- 2.5 In advising developers and in determining planning applications the Council will take into account evidence of imbalances in the existing housing stock and any other relevant factors, including the aspirations of local communities expressed through Parish, Town and Neighbourhood Plans. Imbalances may include a lack of provision for single young people and young families. It is not the intention of the Council to restrict occupation to young people as it is envisaged that by addressing current imbalances in housing stock and increasing delivery of affordable housing will assist in helping to rectify any current imbalances.

Addressing Specialist and Supported Housing Needs

- 2.6 Provision has to be made for the increasing number of elderly people in Shropshire and for other vulnerable groups who need either specialist accommodation or a setting where appropriate support can be provided. This provision may be made through market housing (eg. for older people) or

through some form of special provision, such as supported housing for adults with learning difficulties or other types of accommodation to enable people to live independently in their own homes.

- 2.7 Examples of types of specialist housing needs include the provision of accommodation suitable to meet the housing and support needs of people with learning difficulties; people with physical disabilities; people with mental health problems; people with substance misuse issues; people with acquired brain injuries; people who are ex-offenders; people who are elderly and may be frail and vulnerable young people.
- 2.8 To provide for specialist housing needs, there may be flexibility in the normal affordable contribution, where the development provides for a specific need in the locality that has been identified and requested by the Council. Where the Local Planning Authority accepts the case for specialist housing provision in lieu of (or partly in lieu of) the affordable housing contribution, negotiations will be on a site-by-site basis, between the developer and the Council's Housing Enabling officers. It will normally be assumed that these developments will fall within Use Class C3 (Dwelling Houses) rather than Use Class C2 (Residential Institutions).

Design of Residential Homes and Care Homes

- 2.9 Residential and care homes tend to either be purpose built new-build or conversions / extensions of large older buildings to the new use.
- 2.10 Where developments are conversions / extensions of existing buildings the development should be capable of taking place so as to be sympathetic to the character and appearance of the existing building. Successive piecemeal additions should be avoided, particularly where they detract from the character and appearance of the building and location and they will be unacceptable where they do not leave a satisfactory level of outside parking and service areas and amenity space for the occupants of the home.
- 2.11 Where entirely new residential and care homes are proposed these should be sympathetic to the character and appearance of the area and developments should have adequate surrounding amenity land and land for parking and servicing for the requirements of the home in the long term. Proposals submitted for planning permission should aim to provide for the long term needs of the site so as to avoid successive piecemeal built additions.
- 2.12 With both newbuild and conversions / extensions, the design, layout, parking, servicing and access should avoid detrimental impacts on neighbours, such as noise and disturbance, excessive traffic and overshadowing.

Amenity and Space Standards for New, Converted or Extended dwellings

- 2.13 Whilst there is a need to make efficient use of development land, it is also important to maintain acceptable living standards for the occupants of dwellings, in terms of the internal size of living accommodation and the

provision of external private amenity space. Developments must not provide cramped accommodation and minimal outside amenity space. It is also important to ensure such developments do not have unacceptable consequences for neighbours, such as overshadowing or loss of privacy.

- 2.14 In assessing planning applications for residential developments, including multiple and single plots, extensions, subdivisions and conversions, the Council will therefore take account of the internal and external space provided, with a view to ensuring reasonable living space requirements for the occupants, as well as protecting the living conditions of neighbours who might be affected. Developments providing unacceptably cramped accommodation will be resisted. With regard to private open space / storage facilities, developments will normally at least provide for a satisfactory level of children's play (in the case of family accommodation), the external drying of washing, storage of tools and garden equipment, secure bicycle storage, water butts, waste, compost and re-cycling bins. All developments should provide acceptable facilities / conditions for the storage and collection of waste and recycling (the Council publishes guidance for developers on waste and recycling storage and collection). Further detail will be provided through the Sustainable Design SPD.
- 2.15 In recent years, substantial building has taken place nationally on domestic garden land and this has been controversial. While this can be positive, in terms of making efficient use of land and avoiding building in the countryside, building on garden land can also have negative impacts including creating a cramped living environment, increased overlooking and loss of privacy. The potential impact on character and appearance of neighbourhoods is of great significance together with the loss of private amenity space and habitats. In considering proposals for building on domestic gardens, the Council will give careful consideration to all of the relevant factors on a case by case basis, ensuring that proposals provide satisfactory residential amenity for both existing and new dwellings.
- 2.16 In rural areas where new dwellings are permitted, consideration will be given to removing permitted development rights where it is considered that this is important to reduce the visual impact of building or to preserve the stock of smaller rural dwellings. Removal of permitted development rights will be in accordance with Government guidance.

House Extensions and Replacement Dwellings in the Countryside

- 2.17 As noted above, the size of dwellings in the countryside can be of concern, as the market trend is towards providing larger and more expensive dwellings and this tends to exclude the less well off, including those who need to live and work in rural areas. Whilst this problem can be partly addressed through providing affordable rural dwellings, it is also important to maintain and provide an acceptable stock of smaller, lower cost, market dwellings.
- 2.18 With these objectives in mind the Council is concerned to control both the size of any replacement dwellings in the countryside and the size of

extensions to houses in the countryside, as these can otherwise create larger and larger dwellings. In addition there are other considerations which require the size of dwellings in the countryside to be controlled, namely the visual impact of large buildings in rural areas and the need to ensure the development is sympathetic to the character and appearance of the original building.

2.19 In the first instance, rural replacement dwellings outside of settlements will only be permitted provided that the existing building has established and continuing residential use rights and has not been abandoned.

2.20 In the case of proposals for replacement rural dwellings and extensions to existing dwellings in rural areas, regard will also be had to the following:-

- The visual impact of the replacement dwelling or existing dwelling plus extension on the surroundings and the need to respect the local character of the area, taking account of bulk, scale, height and external appearance of the resultant dwelling.
- A requirement to be sympathetic to the size, mass, character and appearance of the original building. The replacement dwelling should ordinarily be sited in the same position as the original dwelling.
- The existing balance of housing types and tenures in the local area, and the need to maintain a supply of smaller and less expensive properties in the local area that are suitable for the needs of many newly-forming households.

2.21 Permitted development rights will generally be removed from replacement dwellings in rural areas. In general multiple successive extensions to dwellings should normally be avoided as this tends to lead to the creation of excessively large properties, where the extensions are often unsympathetic to the character and appearance of the original dwelling or the surrounding area.

Sub-divisions in the Countryside

2.22 Core Strategy Policy CS5 controls the countryside and Green Belt from inappropriate development whilst allowing, “development proposals on appropriate sites which maintain and enhance countryside vitality and character...where they improve the sustainability of rural communities by bringing local economic and community benefits”. Sub-divisions of existing residential properties can improve sustainability by helping rebalance the housing stock, particularly in the countryside where there can be a shortage of smaller dwellings (also see paragraphs 2.1 to 2.5 above).

2.23 Subdivisions can also enable rural communities to be adaptable to changing economic and demographic needs. In rural areas there are fewer properties available and this can make it difficult for residents to find suitable property in their local area to accommodate their changing needs. For example if they

wish to downsize, and/or accommodate the needs of other family members, sub-division is an option that avoids them having to leave the local community and its social support network. Such sub-divisions may be eligible for a nil or reduced affordable housing contribution, either as “intermediate affordable housing” (see paragraph 4.25(d)) or on the grounds of meeting specialist housing needs (paragraph 2.8), where they enable a current resident to meet their needs without leaving their home community.

Residential Conversions of Buildings in the Countryside

- 2.24 Core Strategy Policy CS5 sets out the basis for the control of development in the countryside and makes provision for conversion of suitable rural buildings for employment, residential and other appropriate uses such as community or heritage facilities. Priority is given to conversions for economic type uses and residential conversions to provide affordable housing to meet a local need (including agricultural workers’ dwellings).
- 2.25 The emphasis of Policy CS5 is on improving the sustainability of rural communities. There is recognition of the need to manage the nature of development providing criteria to achieve a quality of development which protects the character and setting of the buildings and the countryside and takes into account environmental considerations. There are specific links between Policies CS5, CS6 and CS17 and additional criteria on sustainability requirements are given as part of Policy CS6 and the Sustainable Design SPD. In order to take into account the importance of such buildings as landscape and heritage assets, the approach to conversions will be informed by evidence such as the Shropshire Farmstead Project. Conversion design guidance, such as that produced by English Heritage, will also inform the approach to considering applications.
- 2.26 In Green Belt there is need to take into account the further criteria set out in PPG2, which include the requirement that the buildings to be converted are of ‘permanent and substantial construction and are capable of conversion without major or complete reconstruction’. This criteria will also be a qualifying requirement for the acceptability of any residential conversions elsewhere in the countryside. It would also be expected that buildings to be converted are of a design and form which have merit either as heritage, architectural or landscape features. Where a market residential conversion is proposed there is a particular emphasis on the need to satisfy high sustainability requirements and to ensure that the heritage asset is respected. Contributions to affordable housing are also expected, except in the case of listed buildings (as set out in Policy CS11).

3. Farm Workers' and Other Occupational Dwellings in Rural Areas, and Conversion of Holiday Lets

Introduction

- 3.1 It is recognised that agricultural, forestry and other occupations associated with rural-based enterprises sometimes require one or more workers to live on or near the site. Inevitably farms and rural enterprises change over time and the need for a tied dwelling may cease and the status of the dwelling then needs to be reviewed. Applications for the building of new rural occupational dwellings need careful assessment in order to prevent abuse of the planning system. The system of granting occupational dwellings and, when required, considering the removal of occupational conditions, must be fair and based on an accurate assessment of the needs of the enterprise.

Business Case Requirements

- 3.2 The requirements to establish a functional need and a financial need for proposed new agricultural dwellings are set out in national planning guidance PPS7 (Sustainable Development in Rural Areas). These tests are also used to assess other rural occupational dwelling requirements – for example, commercial equine developments. Consideration may be given to business cases which support farmers with a family connection seeking to retire on the farm, if an advantage to the business continuity can be proven and the property is treated on a similar footing to an affordable dwelling.
- 3.3 Strategic Objective 7 of the Core Strategy aims to support rural enterprise and diversification of the rural economy. In accordance with this objective, where a business case is shown, the Council will support applications for temporary dwellings. Applications for temporary permission for up to three years will be considered against the requirements for temporary agricultural dwellings set out in national planning guidance PPS7 (Sustainable Development in Rural Areas). This accords with Policy CS13 of the Core Strategy (Economic Development, Enterprise and Employment). At the end of the temporary period a reassessment of the functional need would be required.

Rural Occupancy Restrictions

- 3.4 Where planning permission is granted for a rural occupational dwelling, occupancy conditions will be attached in accordance with national guidance. It will also be usual to require a section 106 agreement which as a secondary requirement provides that, in the event of the dwelling no longer being required for its original purpose, it becomes available as an affordable dwelling (see chapter 5 and paragraph 3.9 below).
- 3.5 In some situations where there are also other dwellings associated with the farm / business unit it may be appropriate to require a legal agreement which

also ties these other dwellings to the unit and / or imposes occupancy conditions on them. This is justified so as to prevent situations arising where an existing unrestricted farm dwelling is sold-off on the open market when the new occupational dwelling is built.

- 3.6 Permission will not be granted if other suitable buildings or dwellings on the site have been sold off in the last 3 years or if the need could be accommodated by existing buildings or dwellings on site or suitable affordable dwellings nearby.

Size of Permitted Occupational Dwellings

- 3.7 PPS7 requires that new agricultural dwellings should be restricted in size strictly to that required for the particular need of the business. It is accepted that, for example, there may be a need for a farm office or wet room as part of the development, and this will be taken into account. As a starting point it is proposed that rural occupational dwellings should aim for a maximum gross internal floorspace of 100 sq m. Applicants will need to make the case for a larger amount of floorspace on a case by case basis. Similarly any outbuildings will need to be justified and permitted development rights for the dwelling will normally be taken away, as is the case for exception site dwellings.
- 3.8 Given the importance of the Shropshire landscape, and particularly in the Shropshire Hills Area of Outstanding Natural Beauty, dwellings will need to be built to a high design standard and incorporate appropriate materials and landscaping, to make a positive contribution to their rural location.

Lifting of Existing Occupancy Restriction Conditions

- 3.9 Our starting position is that new occupational dwellings will also be secured from the start by a section 106 agreement for affordable housing, to make them more flexible than in the past.
- 3.10 Applications will from time to time be made to remove occupancy conditions on a farm dwelling when an on-site farm worker is no longer needed. Procedures for lifting such conditions are well established in national planning guidance. The Council will only agree to lift occupancy conditions where the applicant agrees to enter into a legal agreement for the dwelling to become affordable under the normal terms for single affordable dwellings in the countryside, as set out in this SPD.
- 3.11 Exceptionally, if the Council believes that the dwelling is unsuitable as an affordable dwelling, due to extreme size for instance, then an agreement will be entered into whereby the difference of the market price and the restricted (occupancy condition) price of the dwelling is paid by the applicant to the Council as a contribution towards affordable housing.

Conversion of holiday lets into affordable dwellings

3.12 The conversion of holiday lets into dwellings may be acceptable (subject to access and other general design considerations) where they enter into a section 106 legal agreement to restrict their value in perpetuity as an affordable home. This would only apply to permanent dwellings only restricted as holiday lets by conditions or section 106 agreements and not temporary holiday units such as caravans or chalets etc. The definition of an affordable home will normally be the same as that of a single plot exception site (see paragraphs 5.31 – 5.34). However any of the definitions of affordable housing given in Appendix G would be acceptable in principle, such as Affordable Rented Housing.

4. Affordable housing on market housing developments

Introduction

- 4.1 The Core Strategy seeks to deliver 9,000 affordable homes over the plan period 2006-2026 (Policy CS1), equating to around a third of all new homes. Two primary means of achieving this are through developer contributions to affordable housing from open market developments (Chapter 4 of the SPD) and affordable housing 'exception' sites (Chapter 5). To help achieve more affordable units, the threshold for developer contributions set in Policy CS11 is one dwelling. In other words, *all* new open market housing will make a contribution to meeting affordable housing needs in Shropshire.
- 4.2 Core Strategy Policy CS11 requires “appropriate contributions to the provision of local needs affordable housing having regard to the current prevailing target rate, set using the Shropshire Viability Index.” “All new open market housing” includes any additional dwellings created by conversions and subdivisions, and includes the residential aspect of live-work units. The number of new market dwellings is *net* of any demolitions of existing dwellings (providing their use as dwellings has not been abandoned).

The current prevailing target rate

- 4.3 To provide a balance between flexibility and certainty, the current prevailing target rate for affordable housing is set for a period of twelve months at a time through the process set out in Appendix A1. The prevailing target rate is reassessed annually in December each year, for the following financial year (1st April – 31st March). The rate is published on the Council’s website and in the LDF Annual Monitoring Report, based on the template at Appendix A2.
- 4.4 The annual assessment allows the prevailing target rate to reflect changes to house prices, cost of construction, and alternative land use value, thereby accurately reflecting economic viability in Shropshire at any point in time, facilitating the processing of planning applications, and reducing the scope for disputes and appeals.
- 4.5 The year’s target rate will take effect on 1st April, for all planning applications submitted on and after that date. “Submission” means the date at which the application *and* all accompanying matters that are necessary to validate the planning application are received in full by the Council.
- 4.6 For outline permissions, the affordable housing contribution will be specified in the section 106 legal agreement as a formula which applies the affordable housing target rate that is prevailing at the time that the reserved matters are submitted.

- 4.7 The Index provides some certainty for developers so that they can plan ahead, factoring in the effect that changes in the market will have on the housing target rate in future years. Developments at pre-application stage will have some indication of the likely future target by tracking the three indices and applying the appropriate values to the dynamic viability index in Appendix B.
- 4.8 The SHLAA Developer Panel at the autumn Housing Market Assessment Review Panel meeting (usually November) will have the opportunity to discuss the latest published house price index (HPI), the construction cost index (BCIS) and agricultural land value (the alternative use value). Using the dynamic viability index in Appendix B, it will be apparent what the affordable housing target rate is likely to be in the year ahead. This will input into the Panel's wider discussions about the state of the housing market and its implications.

Affordable housing contributions.

- 4.9 Core Strategy Policy CS11 requires that:
"all new open market housing development makes appropriate contributions to the provision of local needs affordable housing having regard to the current prevailing target rate, set using the Shropshire Viability Index. For all sites of 5 dwellings and above, the provision of affordable housing will be expected to be on site".
- 4.10 As permitted by Policy CS11, small developments of less than 5 dwellings will be allowed to make a financial contribution in lieu of on-site provision, unless the developers prefer to provide the contribution on site.
- 4.11 Financial contributions will be normal where the amount of affordable housing required is less than one dwelling, unless the developer prefers to provide a whole unit on site instead. For example, at a prevailing target rate of 13% (the 2011/12 rate) a site of 7 dwellings would have an affordable housing requirement of 0.91 dwelling. The calculation for financial contributions differs according to whether it is a fraction of an affordable home and therefore cannot be provided on-site (paragraphs 4.13 – 4.17 below) or whether it is a financial contribution in lieu of a whole house (paragraphs 4.18 – 4.20 below).
- 4.12 A standard section 106 legal agreement will be required for all residential developments, for on-site provision (Appendix D) or financial contributions (Appendix F) as appropriate. The section 106 legal agreement for financial contributions (Appendix F) is a non-negotiable, tried and tested standard agreement and therefore should not incur applicants any additional legal costs. Financial contributions will be required to be paid 60 days after commencement of the development.
- 4.13 On sites involving 5 or more dwellings, the on-site affordable units should be integrated with, and, unless otherwise agreed, indistinguishable from, the market homes on the development.

Financial contributions for fractions of an affordable dwelling

4.14 The affordable housing target rate will seldom equal a round number of affordable properties. While a round number of affordable homes will be provided on-site, the balance will be provided as a financial contribution. In the formula below, the on-site affordable housing contribution is denoted by A_{ah} and the off-site balance is denoted by B_{ah} .

4.15 For example, a development of 14 homes with a 13% affordable housing contribution requires 1.82 affordable houses. The on-site contribution, $A_{ah} = 1$ while the off-site balance $B_{ah} = 0.82$. Similarly a development of 1 home with a 13% affordable housing contribution requires 0.13 of an affordable home as a financial contribution ($B_{ah} = 0.13$).

4.16 The total amount of affordable housing required is:

$$\text{Total affordable housing (on-site } A_{ah} + \text{ off-site } B_{ah}) = \text{net no. new dwellings} \times \text{affordable housing target rate}$$

4.17 Of this total, the on-site contribution is calculated using the following formula:

$$\text{on site } A_{ah} = \text{net no. new dwellings} \times \text{affordable housing target rate, rounded down to the nearest whole number}$$

4.18 The balance to be provided as an off-site financial contribution (FC) is calculated using the following formula:

$$FC = B_{ah} \times F \times C$$

Where

B_{ah} = Balance of the affordable housing remaining after the on-site contribution has been calculated

F = The average internal floorspace¹ of the proposed units, **OR** 100 square metres (whichever is the lower)

C = £900 per square metre (being the standardised cost of construction at Code Level 3 standards, regardless of the actual development cost, which will vary from site to site)

¹ In the case of live-work units or other mixed use schemes, only the residential floorspace is applied.

Worked examples of contributions for fractions of an affordable dwelling

NB. The examples below use the 2011/12 prevailing target rate of 13%. Rates for future years can be found in the Annual Monitoring Report or on the Council's website.

Example 1

On a development of 14 dwellings totalling 1260m² floorspace, at a target rate of 13%:

Total affordable housing ($A_{ah} + B_{ah}$) = 14 x 13% = 1.82 affordable homes

A_{ah} = 14 x 13% rounded down = 1 affordable home on-site

B_{ah} = total - A_{ah} = 1.82 – 1 = 0.82 affordable homes off-site

F = 1260sqm / 14 units = 90sqm

C = £900 per sqm

$$\begin{aligned} FC &= B_{ah} \times F \times C \\ &= 0.82 \times 90\text{sqm} \times \text{£}900/\text{sqm} \\ &= \text{£}66,420 \end{aligned}$$

Example 2

On a development of one dwelling of 120 square metres floorspace, at a target rate of 13%, the off-site contribution would be:

Total affordable housing ($A_{ah} + B_{ah}$) = 1 x 13% = 0.13 affordable homes

A_{ah} = 0 affordable homes on-site

B_{ah} = 0.13 affordable homes off-site

F = 120sqm / 1 units = 120sqm - **but** 100sqm maximum applies

C = £900 per sqm

$$\begin{aligned} FC &= B_{ah} \times F \times C \\ &= 0.13 \times 100\text{sqm} \times \text{£}900/\text{sqm} \\ &= \text{£}11,700 \end{aligned}$$

Financial contributions for whole affordable units in lieu of on-site provision

4.19 Where the affordable housing contribution involves whole dwellings, they will normally be provided on-site. However, there may be instances where on-site provision is not required. For example, if the prevailing target rate was to rise over time to 25%, a site of 4 units would need to provide 1 unit on site but as Core Strategy Policy CS11 does not require on site provision on sites of less than 5 dwellings a financial contribution in lieu would be acceptable.

4.20 Where one unit is required, but is not provided on site, the calculation of any off-site financial contribution (FC) will be based on the full cost of provision of affordable housing elsewhere, including land acquisition, in accordance with the following formula :-

$$FC = A \times F \times C$$

Where :-

A = The number of new dwellings multiplied by the affordable housing target % rate from dynamic viability, (expressed as a decimal)

F = The average gross internal floorspace of the proposed units, **OR** 100 square metres (whichever is the lower)

C = £1,155 per square metre (being the average typical cost of provision of an affordable unit at Code Level 3 standards, plus the cost of infrastructure, services, professional & enabling fees, and land purchase)

Worked example of whole dwelling contribution where provided off-site

For example, for a site of 8 dwellings (averaging 130 square metres internally) with the 2011/12 prevailing rate of 13%:-

$$\begin{aligned} \text{Total affordable housing} &= 8 \text{ new dwellings} \times 0.13 \\ &= 1.04 \text{ affordable homes} \end{aligned}$$

A = 1 unit

B_{ah} = 0.4 units (to be provided using the calculation in paragraph 4.18 above)

F = 100sqm (the maximum that can apply)

C = £1,155 per square metre

$$FC = A \times F \times C$$

$$FC = 1 \times 100\text{sqm} \times £1,155/\text{sqm} = £115,500$$

4.21 The trigger point at which the financial contribution must be made will be specified in the section 106 agreement. Although it may be tailored to the specific circumstances of that development, the trigger for payment will always be after the development has started, but before the entire development is occupied.

Use of financial contributions for off-site provision

4.22 The financial contributions for off-site affordable housing will be pooled to be spent on facilitating the delivery of additional affordable and/or supported housing for local people. Generally this will be additional housing in the local area (defined as the parish) but this may be widened over time (see below), to ensure housing is delivered and prevent the unused contribution having to be returned to the developer.

4.23 Where it appears to the Housing Enabling Officer that there is no realistic prospect of delivering affordable housing in the parish within one year, the financial contributions may be pooled with other settlements in the Place Plan

area and spent within their combined area. If again there is no realistic delivery of affordable housing from the financial contribution within a further four years (five years in total), then the contribution concerned may be spent elsewhere in Shropshire. This helps to ensure that the contribution has every opportunity to deliver local needs affordable housing and not be returned to the developer if not spent within the specified period (normally ten years) stipulated in the relevant section 106 agreement.

Exemptions

4.24 All new open market housing is required by Core Strategy Policy CS11 to make appropriate contributions to the provision of local needs affordable housing. The following are exempt from the definition of “new open market housing” for the purpose of making affordable housing contributions:

- Replacement dwellings (ie. where there is no net increase in dwellings).
- Use Class C2 (Residential Institutions) developments.
- Conversions of listed buildings, as exempted by Core Strategy Policy CS11.
- Non-market housing, in other words affordable housing including both social rented and intermediate affordable housing.
- Farm workers’ dwellings, as these will default to affordable housing if no longer required for the agricultural business (see paragraphs 6.8 - 6.9 regarding lifting occupancy conditions on farm workers’ dwellings.)
- Other accommodation that is limited in its occupation by a planning condition or legal agreement, and is therefore not fully open market housing, including military accommodation and Service Family Accommodation properties; nurses accommodation; estate workers’ dwellings and other tied housing (excluding live-work units). Removal of such a condition or legal agreement would trigger payment of the appropriate affordable housing contribution as a new market property.

Exceptional cases where development is not viable

4.25 The Council accepts that within Shropshire, there will be some areas and some types of development where the financial viability is marginal. In some cases, compromise may be necessary over the affordable housing contribution in order to deliver new homes for the benefit of the local community, or other benefits such as the provision of low cost market housing or employment premises. In these exceptional instances advice should be sought from the Housing Enabling Officer before formal planning proposals are submitted.

- 4.26 Where a development can demonstrate to the satisfaction of the Housing Enabling Officer that it is not viable at the level of contribution required, negotiations will determine what would be a viable contribution. An open book accounting approach will be used to assess the financial aspects of the development including land acquisition costs, finance costs, 'abnormal' development costs, professional fees and prevailing market conditions. The template used by the Council is available at Appendix C.
- 4.27 Small schemes will normally be assessed in-house by Shropshire Council, while large or complex schemes, or schemes where the developer wishes to have independent scrutiny, may be referred at the developer's cost to the District Valuer Service or other independent assessor. Large developments with phased reserved matters should expect to be assessed for viability at each phase.
- 4.28 The open book accounting approach will expect land prices to reflect current market conditions, current alternative land use value and current policy requirements. The latter include any specific design costs, for example the cost of preserving heritage assets.
- 4.29 Assessing the financial viability of a scheme is only one part of the process. There are also wider issues for the Council to consider when reaching a conclusion about whether a scheme should be allowed to proceed at a lower level of affordable housing provision. The Council will make an overall judgment taking into account not only development viability, but also the "strategic importance" of the site in terms of :-
- Current levels of need for affordable housing in the local area;
 - The existing and likely future supply of affordable housing from other sites in the local area;
 - Any site-specific reasons to bring forward the development of a site where the provision of the affordable housing element is currently financially unviable – such as the appearance of the site and its impact on local residential and visual amenity, .
- 4.30 Where a developer demonstrates to the satisfaction of the Council that a scheme is not currently viable at the affordable housing target rate **and** the Council determines that it is appropriate to negotiate a reduced contribution rate, the section 106 agreement will include an overage clause. This sets an agreed completion date for a further appraisal that will be based on achieved development values and actual development costs at that point in time. If a profit of over 20% Gross Development Value (GDV) is achieved by the development, the overage clause will normally require the surplus above this profit level to be recouped by the Council up to the remaining balance of the

affordable housing contribution at the affordable housing target rate that was applicable at the time of the submission of the latest relevant application².

- 4.31 In cases where financial viability is demonstrably an issue, other developer contributions may be reduced instead of, or in addition to, reductions in the affordable housing contribution. In deciding what is the priority contribution (whether affordable housing or other infrastructure), the Council will have regard to the current LDF Implementation Plan. The LDF Implementation Plan reflects locally determined priorities as identified in the 18 Place Plans. These reflect community concerns, town, parish and neighbourhood plans, and investment available from other organisations. Where viability is an issue, the identified priorities for the local area will inform the Council's decision on which contributions take precedence.

Mix, type and layout of the affordable housing requirement

- 4.32 Within the affordable housing component, a 70%:30% split between Social Rented and/or the new Affordable Rented model (70%) and intermediate housing (30%) will be the starting point for negotiations on the mix with the Housing Enabling officer (unless there is evidence that a different local mix would be appropriate - see paragraph 3.34 below). It must also be assumed by all parties that the affordable housing is being delivered **without** public sector grant.
- 4.33 "Intermediate affordable housing" encompasses intermediate rent, developer's shared ownership, New Build HomeBuy, discounted sale and other types of low cost home ownership providing that the property is retained as affordable in perpetuity.
- 4.34 A suitable mix of tenures, house types and sizes will be required, informed by any local needs evidence, including Choice Based Lettings data; the Shropshire Local Housing Market Assessment, the Housing Strategy, Shropshire Tenure Strategy and any relevant parish needs survey. A duly prepared and adopted Town or Parish Plan, Neighbourhood Plan or Village Design Statement will also be considered as a material policy consideration.
- 4.35 Shropshire Council will expect prospective developers to seek clarification on the number, tenure, type and size of affordable housing required in the course of pre-application discussions with the Development Management case officer, in consultation with the Council's Housing Enabling Officer for the area. A schedule of the proposed affordable housing, showing the tenures, property type and size, and locations within the development, must be provided with the application.
- 4.36 Affordable housing must be fully integrated with market properties in their design, layout and siting within the development. For ease of management, small clusters of affordable homes, for example pragmatic groupings of up to

² For large sites, this will usually be the reserved matters application- see paragraph 4.6.

six properties, may be acceptable provided that when viewed as a whole the development meets this requirement for integrated design.

Standard definitions of affordability

- 4.37 In responding to the overwhelming scale of locally arising housing need, Shropshire Council proposes a broad range of affordable housing options available to qualifying people in perpetuity. These provide our residents with access to well designed, high quality and environmentally sustainable housing at affordable prices, regardless of property size and tenure.
- 4.38 In addition to Social Rented Housing, Affordable Rented Housing and New Build Homebuy housing, the Council also recognises the role of private intermediate affordable housing types in helping to meet housing need in Shropshire. (for more details see Appendix G).
- 4.39 Affordable homes for purchase fall into two categories - those within mixed developments that also include open market housing, and those on exception sites. In both cases, the future resale value of the property will be expressed in the section 106 agreement as a simple percentage of open market value to be safeguarded in perpetuity.

Allocations of affordable housing on open market developments

- 4.40 All new affordable dwellings on open market developments will be conditioned to the effect that homes *for rent* shall be *advertised* through the Council's preferred Choice Based Letting scheme *and allocated* through the approved Shropshire Allocation Policy and Scheme (in combination with any local lettings plan or section 106 agreement). This is to ensure that all new affordable homes for rent are allocated in accordance with the Shropshire Housing Allocation Policy whether or not they are managed through a Registered Provider.
- 4.41 All affordable homes *for sale* shall be *advertised* through the Council's preferred Choice Based Letting scheme at the same time as any other sales and marketing is carried out in relation to the property or properties.
- 4.42 Section 106 agreements will cross-refer to Local Lettings Plans that may be in operation (these being local variations allowed by the Shropshire Housing Allocation Policy) to overcome any risk of conflict between the section 106 agreement and the Allocation Policy. They will replicate the 'cascade' of any appropriate local lettings plan, which progressively widens the eligibility criteria by which occupiers are selected, through geographical catchment and/or degree of housing need.

Section 106 agreement Heads of Terms

- 4.43 The section 106 Agreement will, as appropriate, cover the following Heads of Terms:

1. No more than x% of the market housing units shall be occupied before all the affordable units are fully completed and fit in every respect for occupation as affordable dwellings (appropriate percentage depending on the clustering of the affordable housing units and infrastructure costs).
 2. The affordable housing units shall be of the size, type, tenure and specific plot numbers that are specified in a schedule that has been agreed with the Council's Housing Enabling Officers. (Note that the definition of "affordable housing" will be consistent with the definitions in Appendix G.)
 3. The agreed Registered Provider shall, so far as is legally permissible, exclude any right to buy / right to acquire or any other such mechanism that results in the home being removed from the affordable housing stock.
 4. In relation to affordable housing for new build homebuy – no greater than 80% ownership to be transferred to the buyer with the Registered Provider retaining the balance in perpetuity.
 5. In relation to intermediate affordable housing to purchase outright and non-Registered Provider intermediate affordable properties – restriction on the Title in favour of Shropshire Council, similar to the model section 106 agreement in Appendix D.
 6. Restrictions on cost, allocation, local occupancy and cascade requirements as well as provisions to prevent, so far as is possible (without making the property unmortgagable), such dwellings from becoming available for sale at full open market values.
- 4.44 The Council will monitor compliance with the section 106 agreement, and will work with registered providers and others to ensure that its provisions are adhered to. The Council will respond to and fully investigate any reports of a breach of condition or the terms of a section 106 legal agreement, and enforcement action will be taken where necessary.

5. Affordable homes for local people: exception sites

Introduction

- 5.1 “Exception sites” are in locations that would not normally obtain planning permission for new housing development. The exception is made because it is development of affordable housing for local people. The sites can involve a number of dwellings (usually between 2 and 25) or be “single plot” exception sites. The former are normally developed by Registered Providers (housing associations) for a mixture of Social Rent, Affordable Rent and New Build Homebuy, while the latter are usually individuals who wish to utilise the Council’s “build your own affordable home” scheme (ie. owner occupied affordable housing). The Core Strategy treats both types of exception sites in the same manner.
- 5.2 The approach encourages those with resources (both land and finance) to invest them in the stock of affordable housing. Shropshire Council seeks to maximize the opportunities for the following to deliver affordable housing:
- Registered Providers and philanthropic organizations, such as community land trusts and others including developers, to provide affordable housing for sale, part-sale and rent on exception sites
 - Private individuals and families, to build their own affordable home on land that would not normally obtain planning permission through the single plot “build your own affordable home” scheme
- 5.3 For exception sites, the Council will provide a draft section 106 legal agreement to the applicant detailing the requirements and restrictions that will apply. A model section 106 agreement for outright owner occupied affordable housing on exception sites is available in Appendix D.

Exception sites criteria

- 5.4 Core Strategy Policy CS11 permits, “exception sites for local needs affordable housing on suitable sites in and adjoining Shrewsbury, Market Towns and Other Key Centres, Community Hubs, Community Clusters and recognisable named settlements, subject to suitable scale, design, tenure and prioritisation for local people and arrangements to ensure affordability in perpetuity.” Core Strategy Policy CS5 allows such homes in the countryside (with special safeguards in the Green Belt) “on appropriate sites which maintain and enhance countryside vitality and character”.
- 5.5 This section covers these aspects in turn, namely:
- Green Belt
 - Local needs

- Location
- Scale and design
- Tenure – general
- Tenure - the single plot, “build your own affordable home” scheme
- Prioritising local people
- Ensuring affordability in perpetuity
- Standard conditions

Green Belt

5.6 A small part of Shropshire is in the metropolitan Green Belt that surrounds the Wolverhampton / Birmingham conurbation. National Policy (PPG2 Green Belts) places stronger restriction on development in the Green Belt than the wider countryside. Therefore providing exception sites in Green Belt can be particularly problematic. However PPG2 does allow for ‘limited affordable housing for local community needs’ according to the development plan. In accordance with national planning policies in PPG2 and PPS3, the Shropshire Core Strategy Policy CS5 permits “*limited* local needs affordable housing” in the Green Belt on exception sites that accord with Policy CS11, namely, in and adjoining recognisable named settlements. Together PPG2, PPS3 and the Shropshire Core Strategy Policies provide sufficient policy justification for allowing *limited* local needs affordable housing in appropriate Green Belt settlements.

Local needs

Local needs on all exception sites

- 5.7 The Core Strategy allows *local* needs affordable housing *in or adjoining settlements* of all sizes, including appropriate settlements in the Green Belt. Exception sites must, first and foremost, relate to local needs. Secondly, they must be in or adjoining an existing settlement.
- 5.8 Very small settlements will be likely to have a correspondingly small level of local need, due to their population size. Larger settlements will generally have a higher level of need. The provision of affordable housing should be reflective of the size of the community and its local economy, enabling local people to live in close proximity to their work and/or family support network. Where exception sites are proposed that seem out of proportion to the scale of local need, Shropshire Council will consider carefully whether the evidence of local need matches the development that is proposed. Where there is no clear evidence that the exception scheme is proportionate to need taking into account the size and character of the settlement and existing provision in the parish, then this can form the basis for a refusing a planning application.
- 5.9 The Council will take account of any duly prepared and adopted Parish, Town and Neighbourhood Plan or local design statement as well as Choice Based Lettings data, information from parish housing needs surveys and information

in the local housing market assessment or other sources when determining the requirement for local needs affordable housing in a specific area.

5.10 'Local area' is initially defined as the Parish.³

Local needs for single plot exception sites

5.11 For single plot exception sites, applicants must demonstrate the following points to the satisfaction of the Housing Enabling Officer:

- (1) That they are in housing need and either cannot afford to purchase a suitable home currently available in the local area or cannot identify a suitable home in that area that meets their needs to rent or buy. Housing need is demonstrated if the household unit has no independent home of its own, or is renting from a Council or Registered Provider and would like to become an owner-occupier, or occupies accommodation deemed to be unsuitable for their needs for some other reason. For example, the current housing may be too large or too small for the household; be in a poor state of repair; or be too costly for the household to maintain or sustain. It may be in a location that is considered to be too far from existing employment, schools or support networks and the cost or availability of transport may be prohibitive to the particular household.
- (2) That they have a strong local connection to the area (as set out later in this SPD). Applicants are expected to be proactive in obtaining confirmation of their 'local connection' from the local Parish or Town Council.
- (3) That their housing need *should* be met in the local area. This is met if:
 - They need to live in the local area for employment reasons, or
 - They need to live in the local area to receive or provide support to / from a close relative, including (but not limited to) childcare or supporting an elderly or disabled relative, or
 - They can demonstrate with evidence active community involvement for a minimum period of 2 years.

5.12 Applicants will normally be the prospective occupiers of the proposed single plot affordable dwelling. Speculative single plot development is **not** permitted.

5.13 Other than when built as part of the rural occupational dwelling scheme, (section 6), exception sites must be demonstrably part of, or adjacent to, a recognisable named settlement. Larger settlements, such as market towns and villages, obviously qualify as recognizable named settlements. Guidance is provided in paragraphs 5.15 to 5.17 regarding whether a small hamlet or group of houses qualifies as a recognizable named settlement.

³ N.B.Parish is not necessarily the same as the Parish Council area

- 5.14 Sites that do not lie in a settlement, constituting isolated or sporadic development, or which would adversely affect the landscape, local historic or rural character (for example due to an elevated, exposed or other prominent position) are not considered acceptable.
- 5.15 Each case is treated on its merits, but the following guidelines apply when assessing whether a small hamlet constitutes a “recognisable named settlement”. A settlement always comprises a group of houses occupied by households from different families. The group becomes a settlement due to the *number and proximity* of the houses in the group. Although a matter of judgment in each case, particularly for settlements where the number is small or where the houses are dispersed, for example strung along a road, it is the *combination* of these two factors that determines whether the dwellings constitute a settlement.
- 5.16 Recognisable settlements are also characterised by how local people refer to them – by a place name that is shared by a number of dwellings. This might not necessarily be reflected in the postal address. It will usually (but not always) be named on the Ordnance Survey map. The views of the Parish Council can often be of assistance in cases where it is a finely balanced judgement.
- 5.17 Because a settlement is a *relationship* between different properties, the limits of the settlement are defined by where the relationship peters out. This varies from settlement to settlement, depending on a number of factors. For example, a site a short distance from a loose-knit settlement may be considered “adjoining” while a similar distance in a tightly clustered settlement would not be. Larger settlements also have a wider “pull” or “sphere of influence” than small settlements, influencing the relationship between a site and the settlement.



Example of a loose-knit settlement Example of a tight-knit settlement

- 5.18 All sites will be assessed on an individual basis and be subject to the same considerations as other developments with regard to sustainable design, environmental networks and water management (Core Strategy Policies CS6, CS17 and CS18 respectively, supplemented by the Sustainable Design SPD).

Scale and design

- 5.19 Exception site developments must have regard to housing need and are relatively small sites. The scale of any individual scheme must reflect the character and scale of the settlement.
- 5.20 The Council is seeking a development in harmony with the character of the area, of a suitable design and construction materials and appropriate to its location. Given the exceptional nature of these developments, high quality design is essential and full, rather than outline, planning applications will be required for single plot exception sites. Normal planning criteria relating to highway safety, neighbour amenity, wildlife and heritage considerations, open space, etc will apply. An early dialogue with Planning Officers is essential and account should be taken of any relevant duly adopted Village Design Statements or Parish Plans. In the Shropshire Hills Area of Outstanding Natural Beauty (AONB), the AONB Management Plan should also be taken into account.
- 5.21 Where an applicant owns land which could provide a number of possible sites, the most environmentally sustainable and appropriate site (assessed against the range of normal planning considerations) will be sought. Once again early advice should be sought.
- 5.22 In the case of owner-occupied affordable tenures (such as the single plot “build your own affordable home” scheme), **the dwelling size will not normally be permitted to exceed 100 square metre gross internal floor space** (defined by the Royal Institute of Chartered Surveyors (RICS) as the area within external walls including internal partitions). Attached garages will count against the 100sqm. Detached garages and other outbuildings for storage purposes will not count against the 100sqm and therefore may be permitted, where they are suitably designed and appropriate to their context. Any permitted buildings will be subject to suitable conditions to ensure they are for not simply a means of circumventing the 100sqm maximum dwelling size.
- 5.23 For single affordable homes, the overall plot size must be appropriate in terms of the general pattern of development in the surrounding area. However, **a plot size exceeding 0.1 hectare will not normally be permitted.** Sites which form part of the curtilage of an existing property must provide an appropriately sized plot for the new dwelling. In this respect, it will be important to achieve a ratio of dwelling size to overall plot size which is in keeping with surrounding properties. Such sites must also respect the existing character and setting of the original property, so as not to adversely alter that character or create a cramped form of development.
- 5.24 For all exception sites, the following requirements in terms of design of the proposed dwelling and the appearance of the curtilage around it must be met:

- Materials of construction and external finishes should be sympathetic to those in use locally.
- Standardised, “off the peg” designs of the type found on large estates will not be accepted. Design elements – chimneys, eaves, dormers, doors and windows for example – will be expected to reflect the site’s unique context.
- Garages and outbuildings should reflect the local rural vernacular in layout, style and materials.
- Important features such as trees, hedgerows and boundary walls which contribute to the character of the site or the area in general, must not be lost or substantially altered as a result of the development without direct replacement resulting in demonstrable betterment over the altered features.
- Any new boundaries created must utilise locally native species of trees and hedgerow. Landscaping proposals which involve the introduction of any clearly non-native (eg leylandii) planting that is designed to “hide” the development will not be acceptable. This can quickly become unsightly and alien in its own right.
- The Council will be looking to avoid the introduction of urban features such as brick walls defining visibility splays and entrances, and the use of suburban style close-boarded fencing to define boundaries.
- Driveways will need to be constructed in material that is appropriate to the area. Natural finishes will always be preferred to brick paviers and plain or coloured tarmacadam.
- Additional care is needed in the Shropshire Hills Area of Outstanding Natural Beauty (AONB) and in designated Conservation Areas, where regard must be had to the AONB Management Plan and the relevant Conservation Area Appraisal respectively.

5.25 Pre-application discussion of your design ideas with the Development Management service at an early stage is always advisable.

Tenure

Tenure - general

5.26 The appropriate mix of tenures on an exception site will be informed by local housing information regarding identified community needs. This can include information from duly prepared and adopted Town, Parish or Neighbourhood Plans or Village Design Statements, Choice Based Lettings data; the Shropshire Local Housing Market Assessment and any relevant parish needs survey.

- 5.27 In the absence of local housing information to the contrary, a 70% : 30% split between Social Rented or Affordable Rented and intermediate affordable housing types will be the starting point for negotiations.
- 5.28 Shropshire Council will expect prospective applicants to seek clarification in advance on the number, tenure, type and size of affordable housing required in the course of pre-application discussions with the Council's Planning and Housing Enabling Officers. A schedule of the agreed affordable housing, showing the tenures, property type and size, and locations within the development, must be provided with the application and may form part of the legal agreement.

Tenure – single plot “Build your own affordable home” scheme

- 5.29 The single plot “build your own affordable home” scheme enables would-be home owners to fund their own home from their own resources, ie. capital from savings or the sale of existing property as well as raising development finance through a commercial mortgage.
- 5.30 The future re-sale value of the affordable home is fixed in perpetuity below open market value (typically 60% of market value) to ensure that it remains affordable for subsequent occupiers. Purchasers of the property in the future must also meet the local needs criteria or, if applicable, the cascade criteria.
- 5.31 To qualify for this scheme, applicants must be in housing need, be unable to access a suitable home currently available in the area and need to live locally (see paragraph 5.11), and have strong local connections (see paragraph 5.36). Applicants will normally be the prospective occupiers of the proposed affordable dwelling and speculative development is not permitted.
- 5.32 As a requirement of the section 106 legal agreement, the property cannot change hands without the written consent of Shropshire Council. This will only be forthcoming if the Council is satisfied that the new purchaser is paying the prevailing ‘affordable’ price and meets the local needs or cascade criteria as defined in the section 106 legal agreement. Inheritance of the property by family members is permitted, providing they meet the local needs criteria.

Prioritising local people

- 5.33 Exception sites are granted planning permission as an exception to normal planning policies in order to meet a local need for affordable housing.

Definition of “strong local connection”

- 5.34 To ensure that occupiers are genuinely local, it is necessary for them to demonstrate strong local connections to the Town or Parish area where the settlement in question lies. This will require them to meet at least two of the following criteria for at least one of the members of the household:

- Their parents were permanently resident in the local area at the time of the applicant's birth;
- They were a permanent resident of the local area for at least five years as a child, and attended a local school;
- They are currently permanently resident in the local area;
- They have previously lived in the local area for 15 continuous years as an adult;
- They are currently employed or usually carry out self-employed work within 5km of the settlement or the parish;
- They have a confirmed written offer of permanent full-time work in or close to the settlement (within 5km) or the parish;
- Their parents currently live in the local area, or another close family member who provides or requires a substantial degree of support currently lives in the local area;
- If over 55, they have a close family member currently living in the local area, or they can demonstrate with written evidence active community involvement sustained for at least the previous 2 years.

5.35 The above criteria are set out in the model section 106 legal agreement sub-clauses 1.18.1 to 1.18.6 inclusive (Appendix D). For owner-occupied affordable housing on exception sites, eligibility is determined by the Council's Housing Enabling Officers (see paragraphs 5.11 & 5.12 above). For affordable homes managed or part owned by a Registered Provider, the Registered Provider is required to assess eligibility in accordance with the section 106 legal agreement.

Definition of "local area"

5.36 The Core Strategy definition of "local need" is,

"the need in the settlement and its hinterland. The extent of a settlement's hinterland is essentially its sphere of influence, and ends where another settlement's sphere of influence becomes more dominant. For practical purposes this can be approximated by a set distance, or a parish boundary. In relation to affordable housing, section 106 legal agreements will define the extent of "local area" in relation to a particular development. "Local area" can differ between settlements and over time. Consequently the extent of "local area" is defined in the Type and Affordability of Housing SPD, as a document that is both more detailed and more readily updated than the Core Strategy."

5.37 The local area is here defined as the parish⁴ in the first instance. The cascade mechanism then applies as below.

'Cascade' approach

5.38 A balance needs to be struck between keeping the affordable housing for local people, and affordable housing lying empty if there are no local persons at that time who are eligible to occupy the affordable housing. While exception sites are for local people and they will rightly be considered first, if there are no eligible local persons in housing need then the property must be made available to a wider catchment area of potentially eligible occupiers.

5.39 The 'cascade' approach is a progressive widening of the local area over time until an eligible person in housing need is found. The two important elements of a cascade are the geographic extent, and the time required before moving to the next level of the cascade.

Registered Provider Cascade

5.40 For Registered Provider managed Social Rented, Affordable Rented and New Build Homebuy dwellings, a local lettings plan may detail the agreed local cascade. In the absence of a local lettings plan the default cascade will be as follows:

1. For an initial period of six weeks, persons with a strong local connection with the local area, where "local" is defined as the parish;
2. After the initial period of six weeks, persons with a need of affordable housing within either the parish or a 10km radius of the site, excluding from that radius settlements exceeding 3,000 persons;
3. After a further period of six weeks, persons with a need of affordable housing within either the parish or a 10km radius of the site or the Shropshire Council area as a whole, including settlements exceeding 3,000 persons.

5.41 A model section 106 legal agreement for such sites is contained in Appendix D2.

Cascade for owner-occupied exception sites

5.42 For owner-occupied affordable 'single plot' or other intermediate housing for sale not managed by Registered Providers', the cascade needs to satisfy mortgage lenders that the mortgagee will not be trapped in a property he/she cannot sell. Current best practice recommendations are that the property must be free from local occupancy and housing need restrictions within 20 weeks of being put on the market by the owner.

⁴ N.B. The Parish is not necessarily the same as the Parish Council area

5.43 The default cascade contained within section 106 agreements (Appendix D1) for this type of housing on exception sites (unless varied in accordance with a Local Lettings Plan) is therefore:

1. Persons with a need of affordable housing having a strong local connection with the local area, where “local” is defined as the parish;
2. After a period of six weeks, persons with a need of affordable housing having a strong local connection within a 10km radius of the site, excluding from that radius settlements exceeding 3,000 persons;
3. After a cumulative period of twelve weeks, persons with a need of affordable housing that arises within the Shropshire Council area including settlements exceeding 3,000 persons; or a sale to the Council or a body nominated by the Council;
4. After a cumulative period of twenty weeks, if neither a qualifying person nor the Council, nor a body nominated by the Council has exchanged contracts to purchase, then for that particular sale only, the dwelling may be sold without restriction as to the qualification of the purchaser. However, the property must still be sold at the affordable price.

5.44 The above cascade is inclusive of an additional 2 week period at the beginning of the sale process for the affordable price to be determined and a suitable marketing plan to be agreed between the Owner and the Council.

5.45 In the unlikely event of the property failing to sell after a cumulative period of 24 weeks, the owner may apply to the Council for all of the affordable housing restrictions to be removed from the Land Registry title. The property may then be sold at full value on the open market with 50% of the value of the difference between the affordable and market prices being recycled into the provision of affordable dwellings elsewhere in the Shropshire Council area. This arrangement is to balance trying to ensure that these properties remain affordable in perpetuity with minimising the financial risks for lenders in order to ensure that affordable properties for outright sale are mortgagable.

Local Lettings Plans

5.46 Once built, the allocation of tenants or purchasers of the affordable housing is done through both the section 106 legal agreement *and* through the Shropshire Housing Allocation Policy and Scheme. To ensure that the two are compatible, and overcome any risk of conflict between planning and housing law, section 106 agreements will be cross-referenced to Local Lettings Plans.

5.47 Local Lettings Plans are local variations allowed by the Shropshire Housing Allocation policy. They normally relate to a named settlement and balance giving priority to local people in accordance with the Shropshire Core Strategy

with complying with the duty imposed on the Council by housing legislation to give 'reasonable preference' to those who are in greatest housing need, such as the homeless, those living in the poorest conditions and the most vulnerable. They are also a useful tool in helping to foster and sustain balanced communities.

Ensuring affordability in perpetuity

5.48 Affordable housing that is granted as an exception to normal planning policies must, so far as is possible, remain in the affordable housing stock for ever. This is usually achieved through a planning condition where the development consists solely of properties managed by a Registered Provider, and through a section 106 legal agreement in all other cases.

5.49 To ensure affordability in perpetuity (defined as the lifetime of the building), wherever possible restrictions will be put on the right to buy / right to acquire for rented homes managed by Registered Providers, and on the ability of purchasers to 'staircase' beyond 80% ownership for new build homebuy. Similar restrictions will also be applied to private affordable housing for rent and shared ownership or equity share purchase together with mechanisms to ensure that values remain affordable over time.

5.50 Affordable housing for outright sale will initially be valued as set out in Appendix G, with this being expressed within a section 106 agreement as a simple fixed percentage of prevailing open market value. This percentage of open market value will apply in perpetuity and be used to determine the affordable sale value applicable at subsequent changes in ownership. The section 106 legal agreement will also put a Restriction on the Title of the property, to the effect that the property cannot change hands without the written consent of Shropshire Council. Therefore the Land Registry will effectively enforce this provision, as it will not be possible for a solicitor to register a new ownership with the Land Registry without the appropriate written consent from Shropshire Council.

5.51 Homes developed under the Council's single plot "build your own affordable home" scheme and other homes developed for outright sale as intermediate housing on exception sites are valued as follows:

For ease of both mortgageability and administration the Council deems that the value of completed single plots is normally 60% of the prevailing full open market value (OMV). This 60% maximum value is set out in the section 106 agreement and currently translates as a maximum potential sale value of around £140,000 for a 100 sq m dwelling (inclusive of a notional £10,000 for land value).

5.52 In exceptional cases, the percentage of OMV will be assessed on an individual 'off-plan' basis to ensure that the property is both financially viable for the owner to develop and also remains affordable for future purchasers in the local area.

- 5.53 Because the affordable price is a percentage of open market value, it will go up, or down, in line with local market prices.
- 5.54 Other emerging intermediate affordable models and tenures may potentially be acceptable on exception sites. The 'local need', 'allocation', 'affordability' and 'in perpetuity' requirements for any such tenures will be determined on a case by case basis. However they will be broadly similar to those required for the established intermediate tenures already permitted through this Supplementary Planning Document (See Appendix G). The advertising and marketing of such properties will be carried out through a combination of the Council's preferred Choice Based Lettings system and direct marketing by the developer to qualifying people in accordance with the terms of a section 106 agreement.

Standard planning conditions for "exception sites"

Standard condition regarding design requirements

- 5.55 In order to provide a consistent and manageable approach to exception sites, Shropshire Council proposes to use standard planning conditions on all exception sites to ensure that sustainable construction, energy and water efficiency aspects equivalent to a minimum of level 3 of the Code for Sustainable Homes will apply to *all* schemes involving affordable housing until this is exceeded by changes in the Building Regulations. The recommended condition is:-

- | |
|--|
| <p>1. The new (affordable) dwelling(s) hereby permitted shall be constructed to a minimum of an equivalent to the Code for Sustainable Homes level 3, for energy and water efficiency. REASON: To ensure the dwelling is constructed with a view to reducing its carbon footprint.</p> |
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Standard conditions for single plot exception sites

- 5.56 In order to ensure that dwellings approved are, and will remain, affordable, a dwelling size restriction will be imposed. The size of dwellings will normally be restricted to no more than 100sqm gross internal floor space, with a curtilage normally not exceeding 0.1ha. In the majority of cases, 100 sqm is adequate for a family of five persons. Larger properties are, by definition, more expensive and run counter to the primary aims of ensuring affordability. Therefore the following standard condition will be applied to single plot owner-occupied affordable housing schemes:-

- | |
|---|
| <p>2. The dwelling hereby permitted, shall not exceed 100sqm gross internal floor area, including any future extensions. No further internal habitable space shall be created within the dwelling by internal alterations. REASON: To ensure that the dwelling is of a size appropriate to the local affordable housing market.</p> |
|---|

5.57 Permitted development rights of the affordable dwellings will normally be removed in order to retain control over future extensions. Applications for extensions and adaptations will be considered on their merits, including the personal circumstances of the applicant such as the needs of an occupant with disabilities or to accommodate appropriate extensions for family growth.

3. Notwithstanding the provisions of Schedule 2 part 1 of the Town and Country Planning (General Permitted Development) Order 1995 (or any Order modifying, revoking or re-enacting that Order), no garage, carport, extension or other building shall be erected within the curtilage of the dwelling hereby permitted without the prior consent in writing of the Local Planning Authority. REASON: To enable the Local Planning Authority to retain control of the siting and external appearance of any buildings to be erected in the interest of visual amenity and to maintain the future affordability of the dwelling.

5.58 While households that can afford suitable open market properties are expected to meet their needs in the market by moving house, the Council recognises that there are genuine difficulties faced by growing households already occupying affordable housing, due to its chronic shortage in Shropshire. Consequently it may be acceptable to enlarge an existing affordable house in order to accommodate the needs of the existing household, but applicants should be aware that its potential sale value will remain restricted as if it were still a maximum of 100 sqm and therefore there will be no financial profit from an enlargement.

Standard conditions for exception sites promoted by Registered Providers

5.59 Local occupancy and maintaining affordability in perpetuity is usually controlled through a section 106 agreement. However, where a Registered Provider is the applicant/developer these aspects can normally be controlled by a standard planning condition which sets out the affordable housing requirements that apply. The local occupancy condition will apply the cascade approach, giving persons in housing need with local connections priority, as set out previously in this SPD.

5.60 The Standard Condition to ensure affordability in perpetuity is as follows: -

4. The dwellings shall not be let or occupied other than either:-

- a. under a tenancy in accordance with the normal letting policy of a Registered Provider;

or

- b. by way of a new build homebuy lease or equity share arrangement whereby the occupier cannot progress to or achieve a share greater than 80% of the whole;

and/or

c. by way of discounted sale price secured by way of a restriction on the Land Registry title of the dwelling.

REASON: To ensure compliance with the requirements of Shropshire Core Strategy Policy CS11 to ensure affordability in perpetuity.

5.61 The standard conditions to prioritise local people by controlling occupancy of the property are:-

5. In addition to the requirements of the Shropshire Affordable Housing Allocation Policy, all lettings by Registered Providers shall meet the local connection or cascade requirements set out in the Shropshire Type and Affordability of Housing SPD or any policy or guidance that may from time to time replace it.

REASON: To ensure compliance with Shropshire Core Strategy Policy CS11 with regard to local needs and prioritisation for local people.

6. The affordable housing units for rent shall be advertised through the Shropshire Choice Based Letting scheme, and allocated through the Shropshire Housing Allocation Policy. The affordable housing units for sale shall be advertised in the Shropshire Choice Based Letting scheme.

REASON: To ensure that all affordable properties are advertised to local people and that the Shropshire Allocation Policy (in combination with any local lettings plan or section 106 agreement) is applied in allocating the affordable properties for rent.

5.62 A section 106 legal agreement may be necessary on sites adjacent to a settlement exceeding 3,000 population to remove the ability to staircase (ie. the ability to purchase homes outright from the Registered Provider) or to control other affordable houses available for purchase as part of a mixed development.

6. Gypsy and Traveller Sites

Introduction

6.1 Gypsy and Travellers have a recognisable culture, protected by law. In Gypsies and Traveller culture, the extended family is extremely important, and they have their own language, beliefs and traditions. Originally Gypsies and Travellers were nomadic, regularly travelling to earn a living, as some still do. Others travel part of the time, but many settle on permanent sites or in houses. Wherever they live, most Gypsies and Travellers want to retain their cultural identity. However life can be very difficult when there is nowhere to park a caravan, or neighbours are hostile.

General considerations – the Human Rights Act

6.2 The Human Rights Act (1998) has particular relevance to determining planning applications for Gypsy and Traveller accommodation. Article 8 of the Human Rights Act (HRA), applies to everyone, regardless of race or origin, and establishes:

‘1. Everyone has the right to respect for his private and family life [and] his home...

2. There should be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.’

6.3 Case law has established that, for Gypsy and Traveller planning applications, the balance between rights of the individual and the rights of others has to take into account the difficulties faced by this recognised ethnic group in finding any suitable sites on which to live that respect their culture. Consequently legal judgments in the Courts tend to emphasise the right for Gypsies and Travellers to a home, unless there is demonstrable and considerable harm to the public interest. The careful balance that needs to be struck in the planning system is one of fairness in the eyes of both the settled and travelling communities.

6.4 The legal situation means that the identified need for Gypsy and Traveller sites is a paramount consideration in assessing a planning application. The identified need for this specialist type of dwelling, compared to current provision, is reported annually in the LDF Annual Monitoring Report and periodically in the Local Housing Market Assessment, both available at www.shropshire.gov.uk/planning.nsf.

6.5 The importance given by the Courts to the Human Rights Act when examining Gypsy and Traveller cases means that the personal circumstances of the

applicants are material considerations when considering planning applications. Whilst Shropshire's approach is to narrow the distinction between settled and travelling communities, the distinctions remain a material consideration if we are to meet the housing needs of all sectors of the community.

Sites to meet identified need

- 6.6 Core Strategy Policy CS12 seeks to address the needs of Gypsies and Travellers by providing for the allocation of sites to meet identified needs and the support of suitable proposals. As with other types of residential development, sites should be located close to Shrewsbury, the market towns and key centres, and community hubs and community clusters. Sites that are not close to these settlements must have special justification (see criteria for exception sites in Chapter 5 of this SPD).
- 6.7 In all cases, genuine Gypsy or Traveller status must be demonstrated. Evidence that the intended occupiers of a site fall within the legal definition of a Gypsy or Traveller must be provided (eg. documentary evidence, oral evidence, photographic evidence, supporting statements from known members of the community). Occupancy conditions will be used⁵ to limit initial and future occupancy to bona fide Gypsies and Travellers who meet the established lawful definition.
- 6.8 The need for Gypsy and Traveller sites in Shropshire is identified in the Gypsy and Traveller Accommodation Assessment. In assessing a planning application, the Council will consider whether the applicant is a bona fide Gypsy or Traveller and the availability of alternative suitable sites. The Council will seek to establish whether the applicant(s) reside in or resort to Shropshire. Further guidance on the criteria in Policy CS12 is provided in the table below.

⁵ For example, using the Planning Inspectorate's model conditions for gypsy and traveller sites

Policy CS12 criteria	Guidance
<p>“Reasonably accessible to services and facilities”</p>	<p>Although the ideal may be that Gypsy and caravan sites are located amongst other residential areas of our towns and villages, in practice it has proved extremely difficult to obtain such sites. The evidence is that, over time, the Gypsy and Traveller community is becoming more integrated in the wider community. However, it takes time to overcome long-term prejudice and antagonisms towards Gypsies and Travellers in the settled community and while these still exist it is necessary to make special provision to ensure that everyone in the community has a home. Consequently sites should be reasonably accessible to facilities and services, but may be further outside settlements than would normally be allowed for other developments in the interests of promoting a peaceful and integrated co-existence between the site and the local community.</p> <p>A further consideration is the benefit that a permanent site brings in terms of providing a settled base to access schools, health care and other facilities, compared to a transitory lifestyle on unauthorised encampments.</p>
<p>“incorporate suitable design and screening”</p>	<p>Landscaping and planting with appropriate trees and shrubs can help sites blend into their surroundings, give structure and privacy, and maintain visual amenity. Enclosing a site with too much hard landscaping, high walls or fences can give the impression of deliberately isolating the site and its occupants from the rest of the community, as well as being alien to the character of rural areas, and should be avoided.</p>
<p>“have suitable access and areas for manoeuvring caravans and parking for all essential uses”</p>	<p>Vehicular access to and from the public highway must be safe, with suitable sightlines. On-site roads should be adequate for residents and visitors. There must be sufficient capacity for touring caravans and any visiting caravans. Planning conditions will be used to control the number of visiting caravans to a number that can be reasonably accommodated on the site.</p>

<p>“make provision for essential business uses...as appropriate”</p>	<p>Where business use is likely to be involved, the site must be suitable for the type and scale of business, taking account of neighbouring uses, access and parking and environmental considerations.</p>
<p>“make provision for....recreational facilities as appropriate”</p>	<p>Refer to the Sustainable Design SPD and Site Allocations and Management of Development DPD for open space requirements.</p>
<p>Policy CS6 requirements</p>	<p>Romany Gypsies, Irish Travellers and Scottish Gypsies/Travellers are protected under the Race Relations Act because they are distinct ethnic groups. There is also legal recognition that their right to a home (under the Human Rights Act) includes the right to live in a caravan rather than in bricks-and-mortar housing.</p> <p>Policy CS6 is designed for bricks-and-mortar buildings, and therefore some flexibility is necessary in applying it to Gypsy and Traveller sites. Nevertheless, the objectives of good location, siting and design – including sensitivity to the setting, reducing reliance on the car, seeking resource efficient construction and energy efficiency to ensure warm accommodation, among other factors – still apply.</p> <p>The site must have adequate space to protect the amenity of residents and their neighbours, taking into account potentially free ranging animals and any use of the site for business or storage uses.</p> <p>In areas with nationally recognised designations (including among others the South Shropshire Hills Area of Outstanding Natural Beauty (AONB), Sites of Special Scientific Interest, National Nature Reserves, RAMSAR sites, Conservation Areas, Registered Historic Battlefields and Registered Parks and Gardens) planning permission will only be granted where it can be demonstrated that the objectives of the designation will not be compromised by the development.</p>

	<p>Where more than two residential caravans are proposed and there are legitimate concerns about residential and local amenity, a planning condition may be used to require that a site management plan is agreed with the Council's Gypsy and Traveller Liaison Officer.</p>
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Green Belt

6.9 The Green Belt is a special designation surrounding the metropolitan urban areas, in which there is a general presumption against inappropriate development. In accordance with national planning policy PPG2 on Green Belts, Gypsy and Traveller sites are considered inappropriate in the Green Belt.

6.10 Inappropriate development is only permitted in “very special circumstances” (PPG2 paragraph 3.2) where the applicant can demonstrate that the harm caused by not allowing the development exceeds the harm to the Green Belt. Previous cases in the Green Belt show that “very special circumstances” can include the harm caused by a lack of provision to meet identified needs for Gypsy and Traveller accommodation in Shropshire. The availability of other sites elsewhere in Shropshire will therefore be a key consideration when considering proposals for sites in the Green Belt.

Exception sites

6.11 Gypsy and Traveller sites that are not close to settlements in which development is allowed (second bullet point of Policy CS12) will be subject to the normal restrictions that apply to development in the open countryside (Policy CS5). In the countryside, residential development is tightly controlled. Exceptions are made for local needs affordable housing (Policy CS11) and for dwellings to house agricultural, forestry or other essential countryside workers and other affordable housing / accommodation to meet a local need in accordance with national planning policies (Policy CS5). Small exception sites for Gypsies and Travellers are considered to comply with Policy CS5 where a strong local connection is demonstrated (third bullet point of Policy CS12).

6.12 In addition to the standard requirement to demonstrate genuine Gypsy or Traveller status (paragraph 6.7), in the case of an exception site there is also a requirement to demonstrate a strong local connection. As part of normal consultation procedures for exception sites, the Parish or Town Council will be asked for their views on both the planning application *and* the applicant's local connection,

6.13 Accommodation for Gypsies and Travellers is included in the “other affordable housing / accommodation to meet a local need” category in Policy CS5 and in

the “local needs affordable housing” category in Policy CS11. “Local needs affordable housing” is defined in the glossary to the Core Strategy as:

“Affordable housing that is provided for people with a strong connection to the local area....Detailed definitions of what constitutes a ‘strong connection’ and the extent of the ‘local area’ are contained in the Type and Affordability of Housing SPD.”

6.14 “Local area” has the same definition as in paragraph 5.40 of the SPD, namely the parish.

6.15 For the purposes of applying Core Strategy Policy CS12, “Strong local connection” is therefore defined as meeting 2 or more of the following criteria:

- The applicants were born in the Shropshire Council area or lived in the Shropshire Council area as a child;
- The applicants normally reside in the local area and have done so for at least 3 years*;
- The applicants have family who are normally resident (and have been for at least 15 years) in the local area*;
- The Shropshire Council area is their main place of work.*

*In the case of applications for retrospective planning permission, these criteria relate to the situation at the time of commencement of the development.

6.16 Planning applications for a rural exception site must be accompanied by a supporting statement that provides evidence of the applicant’s local connection (eg. birth certificate; school records; license agreements; work contracts; oral evidence; photographic evidence; supporting statements from known members of the community). Early discussion with the Council’s planning officers is strongly encouraged.

6.17 As with other types of accommodation, as circumstances change Gypsy and Traveller sites may be sold on. To prevent any abuse of the system, where planning permission is granted for residential accommodation it will be subject to planning conditions⁶ and/or section 106 legal agreements, similar to agricultural workers’ dwellings, limiting initial and future occupancy to bona fide Gypsies and Travellers meeting the established lawful definition.

⁶ For example, using the Planning Inspectorate’s model conditions for gypsy and traveller sites

Appendix A1: Setting the Current Prevailing Target Rate Using the Shropshire Viability Index

A1.1 The purpose of the Shropshire Dynamic Viability Index is to allow the affordable housing target rate to alter over time, to reflect current economic viability in constantly changing market conditions. The Viability Index is based on the “*Shropshire Affordable Housing Viability Study*” (April 2010, Fordham Research, updated in August 2010), which calibrates the Index to Shropshire conditions. It enables the affordable housing target rate to be varied over time in relation to changes in three published indices, namely market prices as measured by the Halifax House Price Index (HPI); construction costs as measured by the Building Cost Information Service (BCIS) and alternative land use value as measured by the Valuation Office Index of land values.

A1.2 The indices on which the dynamic viability matrix is based are given in table A1 below. These vary slightly from the Shropshire Affordable Housing Viability Study, notably in the use of the HPI for West Midlands rather than the national HPI, the use of Q4 2008 as the starting value, and the use of the new Valuation Office Agency’s figures for agricultural land in Shropshire.

Table A1. Indices for automatic updating of Dynamic Viability

Variable	Index	Starting value
House Price	Halifax House Price Index: West Midlands Seasonally Adjusted Source: Halifax House Price Index (free, quarterly)	Quarter 4 2008 = 551.2
Build cost	BCIS General Building Cost Index Source: BCIS Review Online (subscription only, monthly) Produced by the Royal Institute of Chartered Surveyors	November 2008 = 290.9
Alternative use value	Agricultural Land (Equipped Mixed) with vacant possession West Midlands (Shropshire) Valuation Office Agency: Property Market Reports (free, annual)	January 2009 = £7,036 per acre/£17,379 per ha

A1.3 The recommended initial affordable housing target rate at the base date of November 2008 was 20%, as shown in table A2 below. Dynamic viability enables the affordable housing target rate to change in response to changes

in house prices (the columns in the table), construction costs (the rows in the table) and land values (the 8 figures in each box in the table).

A1.4 The key below shows which of the 8 figures in each cell relates to various changes in land value. The central figure in each cell assumes zero land value change, while the three figures at the top of each cell reflect the impact of lower land values, and so on.

Key

		-30%	-20%	-10%
CHANGE	TO		0%	+10%
LAND VALUE		+20%	+30%	+40%

A1.5 To illustrate the effect of changes, a 2% rise in the price of homes (HPI) would result in the target rate moving to the next column on the right, to 23%. Similarly, the effect of a rise of 2% in the cost of construction index (BCIS) would result in a move the next row down, to 17%. A combination of a 2% rise in both the HPI index and the BCIS index would result in a diagonal move to a rate of 20%. An increase in land values by 40% would move the target rate to the bottom right figure in the cell, in this example 19%.

Table A2: extract from the Dynamic Viability Matrix (Appendix B)

		CHANGE TO PRICE (HPI)												
		-4%			-2%			0%			2%			4%
CHANGE TO COST (BCIS)	-4%	19% 19% 19%	23% 23% 23%	26% 26% 26%	29% 29% 29%	32% 32% 32%								
		19% 19%	23% 23%	26% 26%	29% 29%	32% 31%								
		19% 19% 19%	22% 22% 22%	25% 25% 25%	28% 28% 28%	31% 31% 31%								
	-2%	16% 16% 16%	20% 20% 20%	23% 23% 23%	26% 26% 26%	29% 29% 29%								
		16% 16%	19% 19%	23% 23%	26% 26%	29% 29%								
		16% 16% 16%	19% 19% 19%	22% 22% 22%	25% 25% 25%	29% 28% 28%								
	0%	13% 13% 13%	17% 17% 17%	20% 20% 20%	23% 23% 23%	26% 26% 26%								
		12% 12%	16% 16%	20% 20%	23% 23%	26% 26%								
		12% 12% 12%	16% 16% 16%	19% 19% 19%	23% 22% 22%	26% 25% 25%								
	2%	10% 10% 10%	13% 13% 13%	17% 17% 17%	20% 20% 20%	23% 23% 23%								
		9% 9%	13% 13%	17% 17%	20% 20%	23% 23%								
		9% 9% 9%	13% 13% 12%	16% 16% 16%	20% 19% 19%	23% 23% 23%								
4%	6% 6% 6%	10% 10% 10%	14% 14% 14%	17% 17% 17%	20% 20% 20%									
	6% 6%	10% 10%	13% 13%	17% 17%	20% 20%									
	6% 6% 5%	10% 10% 9%	13% 13% 13%	17% 17% 17%	20% 20% 20%									

A1.6 The full dynamic viability matrix, calibrated to Shropshire's conditions, can be found in Appendix B.

A1.7 At the point at which the degree of change exceeds that shown in the matrix, the viability study will be recalibrated and a new matrix produced.

A1.8 To provide a balance between flexibility and certainty, the target rate is set for a period of twelve months at a time through the following process:

Deriving the Current Prevailing Target Rate

A1.9 The process for updating the prevailing target rate is :

Updating the Affordable Housing Prevailing Target Rate
Step 1 Checking the current indices
In December each year, the latest available quarterly house price index for the West Midlands (usually Q3), the latest available <i>firm</i> construction cost index (BCIS) (usually August of that year, published December), together with the agricultural land value as at January of that year (published July) are obtained.
Step 2 Applying change in indices to the Dynamic Viability Index
The three index values are related to the dynamic viability index (Appendix B of the SPD) to determine a viable affordable housing target rate for the year ahead. The amount of change from the starting figure determines which row and column are appropriate for this year's figure. If the HPI or BCIS figure has changed by more than half the interval to the next step, then the target cell will change. This may or may not involve a target rate change, since some of the target rates will be the same in several cells.
Step 3 Revised affordable housing target rate
The updated HPI, BCIS and agricultural land value, together with the new affordable housing target rate is published in the LDF Annual Monitoring report and on the Council's website in order to provide certainty to the development industry. The updated prevailing target rate will take effect for the financial year ahead, namely 1 st April to 31 st March.

Appendix A2: Template for Setting the Current Prevailing Target Rate

The prevailing target rate for affordable housing contributions for the financial year ahead is published every year in December, in the LDF Annual Monitoring Report and on the Council's website, based on this template.

Affordable Housing Prevailing Target Rate for 20xx/xx

The calculation and application of the current prevailing target rate for affordable housing contributions is detailed in the Type and Affordability of Housing SPD. It employs a Dynamic Viability Index to adjust the affordable housing target rate on an annual basis, to reflect changing market conditions with reference to three variables: changing house prices, cost of construction, and alternative land use value. Its purpose is to provide an affordable housing target rate for developer contributions that is economically viable in current market conditions for the majority of developments.

Step 1: checking the current index values

The most recent update values for the three indices are compared with the starting values in the Table below.

December 20xx Current Indices				
	Index	Starting Value (a)	Current Value (b)	% change (b-a)/a
House Price	Halifax Price Index West Midlands Quarterly (Seasonally adjusted)	Q4 2008 = 551.2		
Build Cost	BCIS Build Cost Index	November 2008 = 290.9		
Alternative Use Value	VOA Property Market Report Mixed Equipped Agricultural Land (Shropshire)	January 2009 = £7,036 /acre		

Step 2: applying change in indices to the Dynamic Viability Matrix
(commentary as appropriate)

Step 3: Revised affordable housing prevailing target rate

**Revised affordable housing target rate for
1st April 20xx – 31st March 20xx
is x%**

Appendix B1: Dynamic Viability Index

Note: Appendix B2, the full dynamic viability index, is available as a separate excel spreadsheet with the range -20% to +50% BCIS and -20% to +60% HPI index.

FINE MATRIX	CHANGE TO PRICE (HPI)																																																					
	INTERPOLATE -8%			-6%			-4%			-2%			0%			2%			4%			6%			8%			10%			12%			14%			16%			18%			20%			22%			24%					
-8%	19%	19%	19%	23%	23%	23%	26%	26%	26%	29%	29%	29%	32%	32%	32%	35%	35%	35%	38%	38%	38%	40%	40%	40%	42%	42%	42%	45%	45%	44%	47%	47%	46%	49%	49%	48%	50%	50%	50%	52%	52%	52%	54%	54%	54%	56%	56%	56%	57%	57%	57%			
	19%	19%	19%	23%	23%	23%	26%	26%	26%	29%	29%	29%	32%	32%	32%	35%	35%	35%	37%	37%	37%	40%	40%	40%	42%	42%	42%	44%	44%	44%	46%	46%	46%	48%	48%	48%	50%	50%	50%	52%	52%	52%	54%	54%	54%	56%	56%	56%	57%	57%	57%			
-6%	16%	16%	16%	19%	19%	19%	23%	23%	23%	26%	26%	26%	29%	29%	29%	32%	32%	32%	35%	35%	35%	37%	37%	37%	40%	40%	40%	42%	42%	42%	44%	44%	44%	46%	46%	46%	48%	48%	48%	50%	50%	50%	52%	52%	52%	53%	53%	53%	55%	55%	55%	57%	57%	57%
	15%	15%	15%	19%	19%	19%	23%	23%	23%	26%	26%	26%	29%	29%	29%	32%	32%	32%	35%	35%	35%	37%	37%	37%	40%	40%	40%	42%	42%	42%	44%	44%	44%	46%	46%	46%	48%	48%	48%	50%	50%	50%	52%	52%	52%	53%	53%	53%	55%	55%	55%	57%	57%	57%
-4%	12%	12%	12%	16%	16%	16%	19%	19%	19%	23%	23%	23%	26%	26%	26%	29%	29%	29%	32%	32%	32%	35%	35%	35%	37%	37%	37%	39%	39%	39%	41%	41%	41%	44%	44%	44%	46%	46%	46%	48%	48%	48%	49%	49%	49%	51%	51%	51%	53%	53%	53%	55%	55%	55%
	11%	11%	11%	15%	15%	15%	19%	19%	19%	23%	23%	23%	26%	26%	26%	29%	29%	29%	32%	31%	31%	35%	34%	34%	37%	37%	37%	39%	39%	39%	41%	41%	41%	43%	43%	43%	45%	45%	45%	47%	47%	47%	49%	49%	49%	51%	51%	51%	52%	52%	52%			
-2%	9%	9%	8%	12%	12%	12%	16%	16%	16%	20%	20%	20%	23%	23%	23%	26%	26%	26%	29%	29%	29%	32%	32%	32%	35%	35%	34%	37%	37%	36%	39%	39%	39%	41%	41%	41%	44%	43%	43%	46%	45%	45%	48%	47%	47%	49%	49%	49%	51%	51%	51%	52%	52%	52%
	8%	8%	8%	12%	12%	12%	16%	16%	16%	19%	19%	19%	22%	22%	22%	25%	25%	25%	29%	28%	28%	31%	31%	31%	34%	34%	34%	36%	36%	36%	39%	39%	39%	41%	41%	41%	43%	43%	43%	45%	45%	45%	47%	47%	47%	48%	48%	48%	50%	50%	50%			
0%	5%	5%	4%	9%	9%	9%	13%	13%	13%	17%	17%	17%	20%	20%	20%	23%	23%	23%	26%	26%	26%	29%	29%	29%	32%	32%	31%	34%	34%	34%	36%	36%	36%	39%	39%	39%	41%	41%	41%	43%	43%	43%	45%	45%	44%	47%	47%	46%	48%	48%	48%			
	4%	4%	4%	8%	8%	8%	12%	12%	12%	16%	16%	16%	19%	19%	19%	23%	22%	22%	26%	25%	25%	29%	28%	28%	31%	31%	31%	34%	34%	34%	36%	36%	36%	38%	38%	38%	40%	40%	40%	42%	42%	42%	44%	44%	44%	46%	46%	46%	48%	48%	48%			
2%	3%	3%	2%	6%	6%	6%	10%	10%	10%	13%	13%	13%	17%	17%	17%	20%	20%	20%	23%	23%	23%	26%	26%	26%	29%	29%	29%	31%	31%	31%	34%	34%	34%	36%	36%	36%	39%	39%	39%	41%	41%	40%	43%	43%	42%	44%	44%	44%	46%	46%	46%			
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Appendix C: Basic Development Appraisal

Gross Development Value			
Unit Type	Floor Area (sq m)	Number of Units	Actual or Anticipated Sales Value
TOTAL GROSS DEVELOPMENT VALUE			

Total Development Costs				
Cost Centre		Rate		Total
A	Construction	£	per sq m	
B	Roads and Services	£	lump sum	
C	Landscaping	£	lump sum	
D	Marketing & Advertising	£	lump sum	
E	S106 (off-site contributions)	£	lump sum	
F	Land Acquisition Cost	£	lump sum	
G	Planning & Feasibility Fees	£	lump sum	
H	Other (specify)	£	lump sum	
	Abnormal costs (please specify)			
I	Land Acquisition Fees	£ & %	of F	
J	Legal Fees on Sales / Lettings	£ & %	of GDV	
K	Agents Fees on Sales / Lettings	£ & %	of GDV	
A to K Sub-total				

L	Professional Fees	£ & %	of sub-total	
M	Project Management	£ & %	of sub-total	
TOTAL DEVELOPMENT COSTS				

Cost Of Bank Finance		
Interest Rate	% please state actual likely to be paid now.	
Development Period	Years	
Total Development Costs	Multiplied by	{[(1+Interest Rate expressed as a fraction) to the power of the number of yrs] -1} x 0.5
£	X	$[(1 + IR)^Y - 1] \times 0.5$
TOTAL FINANCE COST		

Development Surplus / Loss			
	Money In	Money Out	
GDV			
Development Costs			
Bank Interest			
TOTAL SCHEME SURPLUS OR LOSS			
Expressed as a % of Gross Development Value			

Appendix D1: Model legal agreement for rural single plot exception sites

Appendix D2: Model legal agreement for registered provider exception sites

Appendix E1 – model legal agreement for multiple open market developments

Appendix E2 – model legal agreement for single open market developments

Appendix E3 – model legal agreement for open market developments including overage provisions

Appendix F1: Model legal agreement for financial contributions (fractions on multiple plot developments)

Appendix F2 – model legal agreement for financial contributions (for whole affordable units in lieu of on site provision)

Available on the Council's website as separate documents.

Appendix G: Types of affordable dwellings

For the purposes of this guidance the definition of affordable housing follows that set out in national Planning Policy Statement 3 (PPS3). The working definition of “affordable” housing seeks to provide housing based on local incomes. It recognises that other affordable housing solutions may be available in limited circumstances to other people unable to access housing on the open market – such as intermediate affordable housing.

Affordable dwellings should not normally exceed 100 sq m gross internal habitable floor space (including any attached or integral garaging).

Types of affordable housing tenures recognised by the Council through this SPD are set out below.

Social Rented Housing (Council & Registered Provider)

This traditional type of affordable housing is owned and managed by either the Council or a Registered Provider (eg: Housing Association) accredited by the Homes and Communities Agency and Tenant Services Authority.

Properties are let to people in need from the Council’s Housing Register on either a Secure or Assured tenancy with the tenant having security of tenure. Minimum standards for management, maintenance and the provision of other services are set nationally.

Net rent levels for Social Housing managed by a Registered Provider are calculated in accordance with a “Target Rent” formula set by the Homes and Communities Agency which takes account of the number of bedrooms in a dwelling, local property values as at 1999 and average earnings data. Applicable Service Charges may be added to the Target Rent figure resulting in the total Social Rent level.

Social Rented Housing shall wherever legally possible be excluded (in perpetuity) from mechanisms that could result in such dwellings becoming available for rental or sale on the open housing market. Relevant Planning Conditions and/or Section 106 Agreements will also be used to ensure that controls on rent levels, local occupancy, cascade requirements, tenant selection, allocation and general management standards are agreed and honoured in perpetuity.

This type of tenure is regulated by the Homes and Communities Agency and the Tenant Services Authority.

Affordable Rented Housing (Council & Registered Provider)

This new type of affordable housing is owned and managed by either the Council or a Registered Provider (eg: Housing Association) accredited by the Homes and Communities Agency and Tenant Services Authority.

Properties are let to people in need from the Council's Housing Register on a flexible type of tenancy for an initial minimum period of 2 years. Minimum standards for management, maintenance and the provision of other services are set nationally.

At the end of an Affordable Rented Tenancy, Registered Providers and their tenant may choose to convert it to shared ownership (on similar terms to New Build HomeBuy).

Rent levels for Affordable Rented Housing (Council & Registered Provider) are set at 80% of the open market rental value that a property could otherwise yield (with a cap being imposed at the maximum amount of Local Housing Allowance payable for that property in the local area if this is lower than the calculated 80% figure). Applicable Service Charges must also be included within this 80% formula price calculation.

The methodology for determining the open market rental value is the definition settled by the International Valuation Standards Committee and shall be carried out by a Royal Institution of Chartered Surveyors (RICS) accredited valuer:

"Market rent: The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. Whenever market rent is provided the 'appropriate lease terms' which it reflects should also be stated." (©IVSC, GN 2, para. 3.1.9.1)

The relevant Local Housing Allowance figures are published monthly on Shropshire Council's website as attachments on the following page: <http://www.shropshire.gov.uk/counciltax.nsf/open/613237F9DC39EB42802575600031051D>

The maximum annual rent increase on an Affordable Rented property will be Retail Price Index (RPI) + 0.5%. RPI will be taken as at September of the previous year. Additionally there will be a requirement to rebase the rent on each occasion that a new Affordable Rent tenancy is issued (or renewed) for that property to ensure that the rent remains at no more than 80% of market rent (inclusive of service charges) – this requirement overrides the RPI + 0.5% limit

Affordable Rented Housing shall wherever legally possible be excluded (in perpetuity) from mechanisms that could result in such dwellings becoming available for rental or sale on the open housing market. Relevant Planning Conditions and/or Section 106 Agreements will also be used to ensure that controls on rent levels, local occupancy, cascade requirements, tenant selection, allocation and general management standards are agreed and honoured in perpetuity.

This type of tenure is regulated by the Homes and Communities Agency and the Tenant Services Authority.

Affordable Rented Housing (Private Provider)

This new type of affordable housing is owned and managed by private providers (viz: those individuals, companies and organisations **not** registered with and accredited by

the Homes and Communities Agency and Tenant Services Authority). Properties are let to people in need from the Council's Housing Register on an Assured Shorthold tenancy for an initial minimum period of 2 years (or longer if the landlord prefers). After the initial fixed period, tenancies will be renewed by the landlord on a further fixed term basis (minimum of 2 years). Tenancies will be managed by the landlord in accordance with the provisions of the Housing Act 1988 as amended by the Housing Act 1996 (or any subsequent amending legislation).

Rent levels for Affordable Rented Housing (Private) are set at 80% of the open market rental value that a property could otherwise yield (with a cap being imposed at the maximum amount of Local Housing Allowance payable for that property in the local area if this is lower than the calculated 80% figure). Applicable Service Charges must also be included within this 80% formula price calculation.

The methodology for determining the open market rental value is the definition settled by the International Valuation Standards Committee and shall be carried out by a Royal Institution of Chartered Surveyors (RICS) accredited valuer:

"Market rent: The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. Whenever market rent is provided the 'appropriate lease terms' which it reflects should also be stated." (©IVSC, GN 2, para. 3.1.9.1)

The relevant Local Housing Allowance figures are published monthly on Shropshire Council's website as attachments on the following page:

<http://www.shropshire.gov.uk/counciltax.nsf/open/613237F9DC39EB42802575600031051D>

The maximum annual rent increase on an Affordable Rented property will be Retail Price Index (RPI) + 0.5%. RPI will be taken as at September of the previous year as published by the Office of National Statistics in data table RP04 ("*All Items – percentage change over 12 months*"):

<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=9413>

If the September RPI figure + 0.5% results in a negative amount, the new level will reflect this change by way of a rent reduction for tenants.

Additionally there will be a requirement to rebase the rent on each occasion that a new Affordable Rent tenancy is issued (or renewed) for that property to ensure that the rent remains at no more than 80% of market rent (inclusive of service charges) – this requirement overrides the RPI + 0.5% limit

Affordable Rented Housing shall wherever legally possible be excluded (in perpetuity) from mechanisms that could result in such dwellings becoming available for rental or sale on the open housing market.

This type of tenure is regulated by the Council and is only acceptable where the private provider enters into a Section 106 Agreement to ensure that obligations similar to those required from Registered Providers in relation to rent levels, local occupancy, cascade

requirements, tenant selection, allocation and general management standards are agreed and honoured in perpetuity.

New Build HomeBuy (Registered Provider)

This type of intermediate affordable housing (sometimes also referred to as shared ownership) enables people in need from the Council's Housing Register to purchase a share of a property from a Registered Provider and pay rent on the remaining part that they don't own. The Council requires all Registered Providers to retain no less than 20% of the equity of a New Build HomeBuy property at all times.

A share of between 25% (minimum) and 80% (maximum) is purchased at market value with rent being paid to the Registered Provider for their remaining share at a maximum rate of 2.75% of the retained equity. Applicable Service Charges may also be added to the rental figure. The purchaser may increase their share of ownership over time through a process known as 'staircasing' up to the maximum of 80%.

Relevant Planning Conditions and Section 106 Agreements will also be used to ensure that controls on rent levels, local occupancy, cascade requirements, purchaser selection, allocation, minimum retained equity and general management standards are agreed by the Registered Provider and honoured in perpetuity.

Intermediate housing such as New Build Homebuy is only acceptable to the Council as part of a mixed affordable tenure scheme that also incorporates either Social Rented Housing or Affordable Rented Housing.

Private Shared Ownership / Shared Equity Housing (Private Provider)

These types of intermediate affordable housing enable people in need from the Council's Housing Register to purchase a share of a property from a Private Provider.

Purchasers either pay rent to the private provider for the remaining part that they don't own, or make repayments towards the capital value of remaining part that they didn't initially pay for, or otherwise enter into some form of legal agreement to defer repayment of the capital value of the outstanding equity share at a date or trigger point in the future.

There are many private sector models of shared ownership / shared equity provision and not all of them will be acceptable to the Council under the general terms and requirements of this Supplementary Planning Document. Regardless of the specific model employed, the Council requires all Private Providers to retain part of the equity in the property to ensure in perpetuity that 100% of the freehold cannot be sold at full open market value.

This type of tenure is regulated by the Council and is only acceptable where the private provider enters into a Section 106 Agreement to ensure that obligations similar to those required from Registered Providers in relation to cost, local occupancy, cascade requirements, purchaser selection, allocation and general management standards are agreed and honoured in perpetuity.

Intermediate housing is only acceptable to the Council as part of a mixed affordable tenure scheme that also incorporates either Social Rented Housing or Affordable Rented Housing.

Other emerging private models of intermediate provision may be acceptable to the Council in certain circumstances and will be negotiated on a case by case basis under the general terms and requirements of this Supplementary Planning Document.

Affordable Housing for Outright Sale on mixed sites

This type of intermediate affordable housing enables people in housing need to purchase a property outright from a developer as part of the affordable housing requirement on mixed open market sites.

The tenure caters for households wishing to purchase their own property outright (100%) at a fixed discounted price which is set at below market value. The initial discounted price is based on local income data (using the formula below) and expressed as a simple fixed percentage of full open market value.

A Section 106 Agreement is used to apply a re-sale covenant which ensures that the same “discount” (as a % of prevailing open market value) applies to all subsequent re-sales and therefore guarantees that the dwelling remains affordable in perpetuity. Local occupancy and cascade requirements are also incorporated as appropriate. Special provisions apply to a Mortgagee (lender) in possession of the property.

Affordable Housing for sale on mixed sites is defined by a range of discounted sale prices at the first disposal between a) and e) as follows:

- a. Home ownership at a price for a property (not less than 45 sqm up to 60 sqm), equivalent to 2 times median gross household income in Shropshire***
- b. Home ownership at a price for a property (of between 60 sqm to 70 sqm) equivalent to 2.5 times median gross household income in Shropshire***
- c. Home ownership at a price for a property (of between 70 sqm to 80 sqm) equivalent to 3 times median gross household income in Shropshire***
- d. Home ownership at a price for a property (of between 80 sqm to 90 sqm) equivalent to 3.5 times median gross household income in Shropshire***
- e. Home ownership at a price for a property (of between 90 sqm to 100 sqm) equivalent to 3.75 times median gross household income in Shropshire***

The most recent median gross household income figure for Shropshire can be found in the Local Housing Market Assessment, available at www.shropshire.gov.uk.

The discounted sale price is expressed as a fixed representative percentage of the open market value. Resale prices are calculated at the same percentage of the open market value at which the first disposal was made.

Affordable Housing for Sale on Exception Sites (cross subsidised by intermediate housing)

One of the big challenges facing affordable housing, is how to bring forward local needs affordable homes on an exception site with either very little or no public subsidy.

In the event of either no, or very little public subsidy being available, or at the particular request of the Council or a local community to proceed, an exception site (cross subsidised by intermediate housing) can be considered under the following criteria:

- That it allows a proportion (no more than 50%) of the housing on the exception site to be intermediate housing of sufficient value to the developer to allow them to 'cross subsidise' and develop on that same site, a proportion (no less than 50%) of local needs Social Rented, Affordable Rented or other such affordable tenure as the Housing Enabling & Development Officer agrees in writing.
- That the sale value of the properties required to generate that cross subsidy **must not** exceed 90% of their open market value as determined by an average of no less than two written 'off-plan' valuations calculated at the granting of full planning approval and carried out by independent qualified valuers accredited by the RCIS. These are therefore 'discounted' open market properties for local needs.
- That the number of discounted open market properties required on the site must be agreed in the first instance by the Housing Enabling Officer.
- That the scheme shall be developed via an open book approach and will be reappraised at site completion by the Council. Any excess in profit above the original agreed scheme will be divided equally between the developer and the local community or Parish, with the community share to be used to aid future affordable housing schemes.
- This scheme **must** hold no "hope" value, or offer any enhancement to the landowner. The site value will be as a conventional exception site with public subsidy (maximum £10,000 per plot). Should the developer exceed this value on acquisition, the excess will not form part of the proposed negotiated calculations to determine the relevant scheme.

The "Build Your Own" affordable home single plot exception scheme

This intermediate affordable housing option is available in a limited range of circumstances (usually as single plots on exception sites) **where the affordable dwelling is to be occupied initially by the individual planning applicant and is not immediately for resale or rent.**

A Section 106 Agreement is used to apply housing need, local occupancy and cascade requirements together with future affordability provisions. The Agreement also includes a potential buy-back option for the Council or its nominee in certain circumstances together with special provisions for a Mortgagee (lender) in Possession of the property.

The initial affordable 'formula price' of the property for the purposes of obtaining a mortgage is set in the Section 106 Agreement and is normally 60% of the prevailing open market value to ensure that the initial affordable value is in the region of £140,000 (inclusive of £10,000 land value). This same percentage of future prevailing open market value is used to determine subsequent resale values.

The accuracy of the figures used to determine the 'formula price' for new single plot Section 106 Agreements will be reviewed annually by the Council to ensure that relevance is maintained over time.