

MERTON UNITARY DEVELOPMENT PLAN



SPG

SUPPLEMENTARY PLANNING GUIDANCE NOTE

Affordable Housing (Draft)

April 2004



MERTON UNITARY DEVELOPMENT PLAN SUPPLEMENTARY PLANNING GUIDANCE NOTE



Affordable Housing (Draft)

APRIL 2004

Supplementary Planning Guidance on Design

Explanatory Note

This draft SPG has been prepared in conjunction with the Merton Unitary Development Plan (October 2003). It does not form part of the UDP. It will be presented for public consultation, and after consideration of comments, and consequent amendments it is proposed that it should be approved by the Council as Supplementary Planning Guidance, and be taken into account by the Council in determining planning applications.

Except where indicated all reference to the UDP policies refer to the Merton Unitary Development Plan October 2003.



APRIL 2004

www.merton.gov.uk

SUPPLEMENTARY PLANNING GUIDANCE AFFORDABLE HOUSING 2004

1. BACKGROUND

- 1.1 The purpose of this guidance to developers planning to carry out residential schemes within Merton is to explain what the Council expects with regard to the affordable housing element of any residential development of 15 or more units, whether new build or conversion. This guidance should be read in conjunction with Merton's 2003 Adopted Unitary Development Plan (UDP) .

2. NATIONAL GUIDANCE

- 2.1 A number of documents have been published on affordable housing over the years. Circular 6/98 on Planning and Affordable Housing was published in 1998 by the former Department of Environment, Transport and the Regions which has now been replaced by the Office of the Deputy Prime Minister (ODPM). Circular 6/98 supplements Planning Policy Guidance Note 3 (PPG3) which provides guidance on how the planning system can contribute to the overall supply of affordable housing.

- 2.2 PPG3, published in March 2000, addresses affordable housing as follows:

"A community's need for a mix of housing types, including affordable housing is a material consideration which should be taken into account in formulating development plan policies and in deciding planning applications involving housing." [para 14]

- 2.3 Circular 6/98, aims to provide a clear framework for preparing policies and practical advice to local planning authorities on how they should encourage the supply of affordable housing in appropriate circumstances through negotiation with developers. The Council should:

"...encourage the development of mixed and balanced communities in order to avoid areas of social exclusion." [para 1]

- 2.4 PPG3 states that:

"Where there is a demonstrable lack of affordable housing to meet local needs - as assessed by up-to-date surveys and other information - local plans and UDPs should include a policy for seeking affordable housing in suitable housing developments." [para 14]

It also states that other than in exceptional circumstances, the affordable housing should be on the site in question. The Council commissioned a comprehensive Housing Needs Survey (HNS) during 1998/9 and an update to this survey in 2001 to identify the level of housing need in

Merton. The Council will be updating its HNS and regard will be made to the latest HNS.

- 2.5 All the publicised documents emphasise that the supply of affordable housing can be achieved via negotiation with developers and relevant parties through the planning process. Local Authorities should ensure that the mix of new dwelling types and sizes address the characteristics of people in housing need in their area.

3. UNITARY DEVELOPMENT PLAN POLICY

- 3.1 Merton's Unitary Development Plan which was adopted in October 2003 contains the Council's planning policies for the borough. These policies are used to assess submitted planning applications and development proposals. These policies have been formulated on the basis of Government guidance and legislation.

- 3.2 Policy HN1(Affordable Housing) sets out the Council's local planning requirements for affordable housing provision. It states as follows:

ANY PROPOSAL FOR RESIDENTIAL DEVELOPMENT OF 15 UNITS OR MORE ON A SUITABLE SITE WILL BE REQUIRED TO MAKE PROVISION FOR AFFORDABLE HOUSING ON THAT SITE, AS PART OF THE PROPOSED DEVELOPMENT. AT LEAST 30% OF THE TOTAL NUMBER OF NEW DWELLINGS ON A RESIDENTIAL SITE THAT FALLS WITHIN THE ABOVE THRESHOLD WILL BE AFFORDABLE HOUSING.

AFFORDABLE HOUSING SHOULD MEET THE NEEDS OF HOUSEHOLDS ON A RANGE OF LOW AND MODERATE INCOMES WHO CANNOT AFFORD TO RENT OR BUY OPEN MARKET HOUSING.

- 3.3 Other relevant UDP policies include policy HN2 (Provision of Affordable Housing from Other Sources) which seeks affordable housing provision on sites that can accommodate less than 15 units through negotiations with developers where suitable opportunities occur. Policy HN3 (Dwelling Mix) requires all residential development provision to be a mix of housing types and sizes in order to provide choice and create mixed and inclusive communities. HN3 also promotes the development of new dwellings (public and private sector) to Lifetime Home standards which offer the occupier the choice to remain in their home longer rather than needing to move due to mobility problems. Any adaptations should be achievable at maximum ease and minimum cost. The Council's Accessible Environments Supplementary Planning Guidance (SPG) provides further guidance.
- 3.4 The Council will seek to ensure that 10% of new dwellings are built to wheelchair standards (see policy HN3 of Merton's Adopted UDP 2003). Developers should also have regard to the requirements of the Building Regulations, Part M. There should be consultation with the Council's

Housing & Social Services Department (HSSD) as to the current needs and type of wheelchair accommodation required in Merton at that time. The HSSD has a Wheelchair Design Guide which should be used when designing wheelchair accommodation in the affordable housing sector. Copies are available on request from HSSD. This will also be of relevance to developers providing wheelchair housing in the private sector. The Council's Accessible Environments Supplementary Planning Guidance (SPG) provides further guidance.

4. DEFINING AFFORDABILITY

- 4.1 There is no single definition of affordability which is used by the government or other agencies. Policy HP1 (Affordable Housing) of Merton's 2003 UDP sets out the Council's definition of affordable housing as follows:

"affordable housing should meet the needs of households on a range of low and moderate incomes who cannot afford to rent or buy open market housing"

- 4.2 In general PPG3 (Housing) emphasises the significance of affordable housing as an element in a community's *"need for a mix of housing types"*. The guidance also states that:

"Local plan policies for affordable housing should: define what the authority considers to be affordable in the local plan area in terms of the relationship between local income levels and house prices or rents for different types of households." [para 15]

- 4.3 Circular 6/98 states that affordable housing should be available to people who cannot afford to rent or buy houses generally available on the open market.

5. TYPES OF AFFORDABLE HOUSING

- 5.1 PPG3 (Housing) indicates that affordable housing can be either low cost market housing, discounted low cost housing, shared ownership or social rented housing. The rent or price for these types of housing should be permanently reduced, directly or indirectly, by means of a subsidy from the public, private or voluntary sector and which would be provided or managed by a Registered Social Landlord (RSL).

- 5.2 The Council's Adopted UDP 2003, has regard to all categories of affordable housing in accordance with Circular 6/98 and the UDP Inspector's recommendations. However Merton's Housing Needs Study and Update examined the affordability of different types of housing and concluded that: *"..social rented housing is the only sub-tenure which can meet the great majority of housing need."*

5.3 In accordance with the findings of the HNS the Council's preference is that the greatest proportion of provision is for social rented housing. Therefore of the 30% affordable housing required under UDP policy (See Para 3.2), the Council will negotiate to secure 25% provision as affordable rented housing. The remaining 5% of the affordable housing may be shared ownership units, which will be provided overall and not on a site by site basis, due to the small numbers involved. The housing design, mix and characteristics should be similar in the public and private sector provision.

6. HOUSING MIX

6.1 The specific mix of all affordable housing will be negotiated on a case by case basis with the Council and the RSL partner. The affordable housing is centred on meeting the housing needs of the Borough's residents and accommodation will range from 1 bedroom to 5 bedroom units. The mix of new build properties will depend on the size of the development and the location of the site.

6.2 The preferred mix of affordable housing on new sites in order to meet need in Merton, is identified in the Housing Strategy which is updated annually. The Strategy identifies that the priority housing mix is for 10% 4+ bedroom accommodation, 35% 3 bedroom accommodation and 55% 2 bedroom accommodation. There will be some consideration for the inclusion of 1 bedroom accommodation where a local need exists.

7. THE NEED FOR AFFORDABLE HOUSING

7.1 Results from Merton's Housing Needs Survey (1999) indicated that :

44,018 households in the borough as a whole would not be eligible for a new mortgage on a suitably sized property which would meet the requirements of the household.

8,000 - 10,850 additional affordable dwellings are required to meet housing need in full by 2011. The high house prices and private sector rents in Merton mean that a significant number of households on low incomes cannot afford to house themselves adequately in the private market.

57% of households could not afford to buy or rent at current market prices.

7.2 Merton's Housing Needs Update (2001) included a survey of house prices and rents and considered what changes had occurred to incomes over the period 1999 to 2001. This Survey found that house prices had risen by about 67% over the period and rents by 33%. The Survey found that incomes had also risen sharply by about 9% which whilst substantial is only a small fraction of the price/rent increase.

8. FUNDING FOR AFFORDABLE HOUSING

- 8.1 A key concern for the Council is that rents are kept at an affordable level so that tenants are not caught in the "poverty trap". Social rented housing should have sufficiently low rents so that households on low incomes can remain active in employment. Rents should be in line with Housing Corporation guidelines, which are based on floor area. For 2004/2005 examples of the published figures are as follows:

1 Bedroom (55-60 m ²)	£72.07 per week
2 Bedroom (70-75 m ²)	£86.27 per week
3 Bedroom (90-95 m ²)	£97.19 per week
4 Bedroom (105-110 m ²)	£108.11 per week

The annual rent increase will be no higher than the Retail Price Index plus 1% per annum.

- 8.2 The Council may require the developer and RSL to provide a certain number of residential units to cater for special needs accommodation. If this is the case, the developer and RSL will need to negotiate the requirements of the accommodation with the Council at an early stage. In some circumstances the Council may consider the use of Social Housing Grant to provide special needs accommodation.
- 8.3 Where affordable housing is provided directly on site for sale to an RSL the price will be set at the level where no SHG (Social Housing Grant) is normally required. The details of the Council's preferred method of financial calculation, for on-site provisions is set out in Appendix 1. In some cases the Council may require developers to submit financial appraisals in connection with proposed affordable housing schemes.

9. ON-SITE PROVISION

- 9.1 The Council requires affordable housing to be provided on-site. The Council will require the inclusion of an element of affordable housing in all suitable housing developments of 15 or more dwellings. The Council will also seek to encourage developers to provide affordable housing on sites below this site threshold where it considers that this is feasible and practical. PPG3 and Circular 6/98 contain guidance on the factors to consider in assessing the suitability of sites for affordable housing. It is the Council's view that most sites in the Borough that are considered suitable for housing are likely to be suitable for affordable housing. It would therefore be the responsibility of the developer to demonstrate the justification that a site is not considered suitable where the developer contends that it would not be appropriate to provide affordable housing on that particular site.

- 9.2 In schemes that are at or above the threshold size, the Council will require that a minimum of 30% of the units are provided on site as affordable housing, whether new build or conversion (see Para 3.2).
- 9.3 Developers whose schemes are just below the threshold level, will have to satisfy the Council that the proposals do not represent an under-occupation of the site, nor that a large site is being brought forward in phases in order to avoid the threshold at each stage.
- 9.4 Where a developer has demonstrated to the Council's satisfaction (please refer to Para 9.1) that due to exceptional circumstances a site is not considered suitable for provision on the site, then the affordable housing should be provided on an alternative site by the developer within the immediate vicinity. This is subject to the site being available suitable and having relevant planning permission.

10. OFF-SITE PROVISION

- 10.1 Where it is agreed in exceptional circumstances that affordable housing is to be provided off-site, affordable housing equivalent to 42% of the original development shall be provided off-site. The seeking of 42% for affordable housing is justified on the basis that the developer is effectively building two schemes, one off-site and the other on-site, which will in total create more units than the original on-site development. The 42% effectively represents the two 30% portions for the affordable housing in both on-site and off-site developments, built only off-site.

11. COMMUTED PAYMENTS

- 11.1 There may be very exceptional circumstances when both the planning authority and developer feel that, although there is a requirement for on-site affordable housing, the obligation could be met by an off-site financial contribution. However, it must be stressed that this is a last resort as the payment of a commuted sum does not immediately lead to the provision of affordable housing.
- 11.2 In order to calculate the amount to be paid as a commuted sum, the formula and principles devised by the London Borough of Tower Hamlets will be adopted. This formula is used by a number of Boroughs and has been recommended by the former LPAC Executive Sub-Committee: "Consultation response to cash in lieu: Report no. 40/97 & supplementary advice". This has also been endorsed by the National Housing Federation [London].
- 11.3 The calculation of cash in lieu for social rented housing is based on the principles of the Tower Hamlets formula:

$$\frac{3 \times \text{Total Units Proposed}}{\text{-----}} \times (\text{TCI}^1 \times \text{SHG}^2 \text{ rate})$$

¹The TCI (Total Cost Indicators) are estimated scheme costs provided by the Housing Corporation and varies according to the floor area of the accommodation and its geographical location.

²The SHG (Social Housing Grant) is a subsidy paid by the Housing Corporation towards the construction of affordable housing and varies according to the type of accommodation.

- 11.4 Where the commuted payment is offered, a similar ratio of market to affordable housing units should be achieved as if they were provided on-site. For example, in a development of 100 new units where affordable housing is preferred on-site the appropriate mix of market to affordable housing units will be 70 to 30, or 7:3 (assuming 30% affordable housing is sought). Consequently when cash in lieu is offered, as the developer would provide 100 market units 'on-site' an amount of money to subsidise 42 affordable housing units elsewhere should be sought as a commuted sum.
- 11.5 If the Council agrees to accept cash in lieu, the cash sum is to be paid to the Council in accordance with the Section 106 agreement which normally will specify payment of the cash sum at the commencement of the private development. The payment will be used to subsidise the development of affordable housing on alternative sites in the Borough in line with the Housing Corporation Circular F2-42/98: "Planning issues relating to the provision of affordable housing and Section 106 contributions by registered social landlords."

12. REGISTERED SOCIAL LANDLORD (RSLs)

- 12.1 The Council considers RSLs to be the best and only practicable suppliers of affordable housing. The Council wishes to ensure that the affordable housing is permanently retained and available as affordable housing for successive occupiers as well as the initial occupier. The Council will work with RSLs who currently have rented accommodation in the Borough, recent development experience, a local management presence and will meet local housing need.
- 12.2 Developers are advised to contact the Council about RSLs which are active in the Borough and to receive details on issues such as space standards, energy efficiency ratings, design standards such as 'Secured by Design' etc. The design and specification terms to which RSLs work are specified in the latest edition of the "Housing Corporation Scheme Development Standards". A list of the Council's preferred RSL partners are contained in Appendix 2.

13. SECURING AFFORDABLE HOUSING

- 13.1 Section 106 Agreements will be used by the Council to secure affordable housing obligations and to ensure that housing is provided on a similar basis to that produced via conventionally funded social housing.
- 13.2 In the cases of on-site provision, the Section 106 Agreement will also ensure that 100% of the general market housing on the site cannot be occupied until the affordable housing element is completed and ready for occupation.

14. FURTHER INFORMATION

- 14.1 Interested parties are advised to consult the following documents:

London Borough of Merton Unitary Development Plan (2003)

Accessible Environments Supplementary Planning Guidance (2003)

Merton Housing Needs Survey (1999)

Merton Housing Needs Update (2001)

Merton Housing Strategy (2004 – 2007)

15. ATTACHMENTS

Appendix 1

Appendix 2

16. POINT OF CONTACT

Plans and Projects Team, Environment and Regeneration, London
Borough of Merton

Tel: 0208 545 3053

Email: policyandinformation@merton.gov.uk

APPENDIX 1

On-site provision of affordable housing 2004/2005

MERTON SPG CALC 2004/05

Dwelling area	Original Rent Caps 01/02	04/05 Inflated Rents @Rent Caps+9.2%	M&M @ £320 pa +9.2%	V & BD @ 3%	S/C @ 7%	Net Rent	Capital Sum (30 years @6.50%)
30-35m ²	49	53.51	6.72	1.47	3.75	41.57	33,258
35-40m ²	52	56.78	6.72	1.56	3.97	44.53	35,623
40-45m ²	56	61.15	6.72	1.68	4.28	48.47	38,777
45-50m ²	59	64.43	6.72	1.77	4.51	51.43	41,142
50-55m ²	62	67.70	6.72	1.86	4.74	54.38	43,508
55-60m ²	66	72.07	6.72	1.98	5.05	58.33	46,662
60-65m ²	69	75.35	6.72	2.07	5.27	61.28	49,027
65-70m ²	72	78.62	6.72	2.16	5.50	64.24	51,392
70-75m ²	76	82.99	6.72	2.28	5.81	68.18	54,546
75-80m ²	79	86.27	6.72	2.37	6.04	71.14	56,911
80-85m ²	82	89.54	6.72	2.46	6.27	74.10	59,277
85-90m ²	86	93.91	6.72	2.58	6.57	78.04	62,431
90-95m ²	89	97.19	6.72	2.67	6.80	80.99	64,796
95-100m ²	92	100.46	6.72	2.76	7.03	83.95	67,161
100-105m ²	95	103.74	6.72	2.85	7.26	86.91	69,527
105-110m ²	99	108.11	6.72	2.97	7.57	90.85	72,680
110-115m ²	102	111.38	6.72	3.06	7.80	93.81	75,046
115-120m ²	105	114.66	6.72	3.15	8.03	96.76	77,411
120-125m ²	109	119.03	6.72	3.27	8.33	100.71	80,565
125-130m ²	112	122.30	6.72	3.36	8.56	103.66	82,930

Assumptions

Rent Caps	Based on HC 2001/02
Rent Inflation at RPI +	0.50%
Management & Maintenance at £674 per unit in Year 1	
Void & Bad Debts	3% of Gross Rent in Year 1
Service Charge	7% of Gross Rent in Year 1
Borrowing Rate	6.50%
Term	30 Years

	RPI	0.50%	Total Increase
Year 01/02	-	-	100%
Year 02/03	2.50%	0.50%	103%
Year 03/04	1.70%	0.50%	105.2%
Year 04/05	1.70%	2.30%	109.2%

APPENDIX 1 (cont..)

Notes:

1. The Affordable rents are based on 2004/05 rent caps plus 0.50% and an increase in the retail price index. These affordable levels of rent are those at which RSLs are expected to charge rents on schemes involving section 106 agreements.
2. In terms of financial arrangements, the Council would wish the developer to provide the required amount of units/habitable rooms at a discount to allow an RSL to produce/acquire the affordable housing without external subsidy. The above table demonstrates the Council's preferred approach for achieving this. The last column indicates how much an RSL would pay a developer for an affordable housing unit of a particular size.
3. On – costs (the difference between rent cap and net rent) consist of:
 - Management & Maintenance of £320 p.a. plus 9.2%.
 - Voids and Bad Debts at 3%
 - Service charge at 7 %

The affordable weekly housing cost (rent caps) includes an element to pay for service charge (typically 7%). Where service charges are likely to be significantly above this level, developers are expected to make financial arrangements to ensure that the higher costs are not passed on to the affordable housing occupier.

4. The sum payable to the developer is the amount that a RSL will pay a developer for affordable housing units and represents the mortgage debt that can be serviced by the rental income.

APPENDIX 2

RSL preferred partners with significant development role in Merton

Wandle Housing Association
232 Mitcham Road
London
SW17 9NN
020 8682 1177

London & Quadrant Housing Trust
Renway House
36 – 38 Artillery Place
London
SE18 4AB
020 8557 2830

Presentation Housing Association
Biko House
16 Bromell's Road
London
SW4 0BL
020 7498 6544

Threshold Housing & Support
467 Garratt Lane
London
SW18 4SN
020 8875 5555

Croydon Peoples Housing Association
2nd Floor, Sycamore House
799 London Road
Thornton Heath
Surrey
CR7 6AW
020 8689 4474

If you would like more information in your own language, please contact us at the address shown in the bottom box.

Bengali যদি আপনার নিজের ভাষায় লেখা আরও তথ্য চান তাহলে দয়া করে আমাদের সঙ্গে যোগাযোগ করুন, তলার বক্ সে আমাদের ঠিকানা রয়েছে।

Chinese 如果你需要用中文印成的資料，請按低端方格內提供的地址與我們聯系。

French Pour tout renseignement complémentaire dans votre propre langue, veuillez nous contacter à l'adresse figurant dans l'encadré du bas.

Gujarati જો તમને તમારી પોતાની ભાષામાં વધારે માહિતી જોઈતી હોય, તો કૃપા કરીને નીચે અંતમાં આપેલા ખાનામાં દર્શાવેલા સરનામે અમારો સંપર્ક કરો.

Panjabi ਜੇਕਰ ਤੁਸੀਂ ਪੰਜਾਬੀ ਵਿਚ ਹੋਰ ਜਾਣਕਾਰੀ ਲੈਣੀ ਚਾਹੁੰਦੇ ਹੋ ਤਾਂ ਕ੍ਰਿਪਾ ਕਰਕੇ ਹੇਠ ਲਿਖੇ ਖਾਨੇ ਵਿਚ ਦਿੱਤੇ ਪਤੇ 'ਤੇ ਸਾਡੇ ਨਾਲ ਸੰਪਰਕ ਕਰੋ।

Somali Hadii aad u baahan tahay faahfaahin intaa kabadan oo ku soobsan afkaaka hooyo ama Af Somali fadlan lana soo xiira cinwaanka hoos ku qoran.

Spanish Si usted desea mas informacion en su propia lengua, por favor contactenos en la direccion al pie del formato.

Tamil உங்கள் மொழியில் மேலதிக தகவலைப் பெற விரும்பினால், அடியிலுள்ள பெட்டிக்குள் தரப்பட்டுள்ள விலாசத்தில் எம்முடன் தொடர்பு கொள்ளுங்கள்.

Urdu اگر آپ اپنی زبان میں مزید معلومات حاصل کرنا چاہتے ہیں تو براہ کرم ہم سے اس پتہ پر رابطہ قائم کریں جو کہ نیچے کے بکس میں درج ہے۔

Information is also available in large print, Braille and tape.

Telephone:

020 8545 3053

email:

valerie.mowah@merton.gov.uk



Plans & Projects,
Environmental Services,
London Borough of Merton,
Merton Civic Centre,
London Road, Morden,
Surrey SM4 5DX.

Printed by Merton Print