

Affordable Housing Position Statement

February 2016



Introduction

This Position Statement sets out the Council's current plans to deliver new affordable homes. It builds on the track record of delivery and takes account of the work undertaken by the Affordable Housing Scrutiny Panel in 2015 to improve the delivery of new affordable homes as well as forthcoming changes in government funding and national planning policy.

Since 2007/08, 438 new affordable homes have been completed in Mole Valley. This has been achieved despite reducing levels of government subsidy, high land prices typical of the South East and Surrey and the constraint of 75% of the district being designated Green Belt, an Area of Outstanding Natural Beauty and open countryside.

Changes in funding and national planning policy present further challenges to the Council's ability to enable the development of new affordable homes and alongside existing mechanisms, new approaches and opportunities need to be explored to continue and improve delivery. This Statement provides background information on affordable housing, explains current and past delivery and sets out proposed actions on the delivery of new affordable homes. The Action Plan is attached at Appendix 1.

The Government's consultation on changes to the definition of affordable housing contained in the National Planning Policy Framework brings a degree of uncertainty. As the consultation has only recently closed, it is considered appropriate, at this time, to produce a Position Statement and associated Action Plan setting out background information and detailing actions proposed for the future to improve the delivery of new affordable homes. Once the outcome is known, the Statement will form the basis of an Affordable Housing Strategy which will be reviewed annually by the Executive, updated when a new Local Plan has been adopted and amended in response to future legislative change.

Corporate Commitment and Strategic Links

The Council has a corporate priority to increase the development of new affordable homes, which is supported by this Statement, the adopted Core Strategy 2009, the Affordable Housing Supplementary Planning Document 2010, the Asset Management Strategy 2015 and Homelessness Strategy 2015-2020.

The Core Strategy sets a target to secure a minimum of 950 net affordable units within the District between 2006 and 2026, which is an average of 47.5 per year; and the Council's corporate target is an average of 50 homes per year. Performance on delivery is monitored monthly and reported annually to Council.

This commitment was supported by the Council's decision to ring fence £5m from the capital receipt received from the stock transfer of the Council's housing stock to Circle Housing Mole Valley in 2007, for investment in new affordable homes.

What is Affordable Housing?

Affordable housing includes social rented, affordable rented and intermediate housing such as shared ownership, provided to specified eligible households whose needs are not met by the market. In other words affordable housing is required to help those who do not have enough income or savings to buy or rent a home on the open market. The definition is set out in the National Planning Policy Framework 2012, which the Council has applied in the Core Strategy and Affordable Housing Supplementary Planning Document. The relevant extract can be found at Appendix 2 of this Statement.

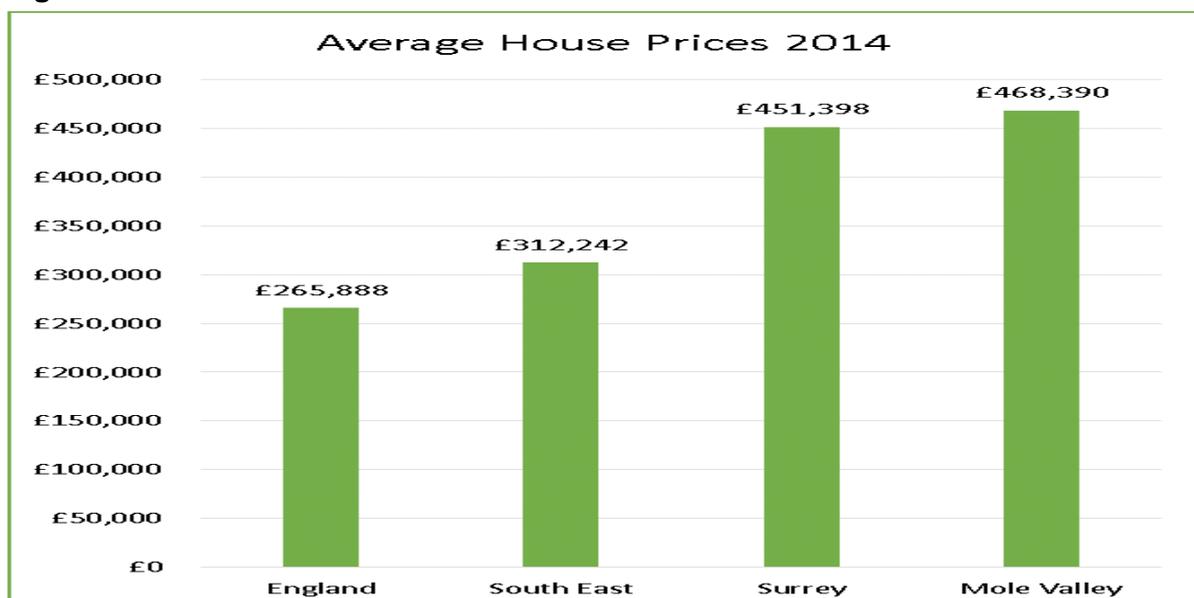
Affordable housing is generally provided by housing associations (now known as Registered Providers of social housing). Associations are registered and regulated by the government's agency the Homes and Communities Agency (HCA). The main housing associations operating in Mole Valley are: Circle Housing Mole Valley, Mount Green Housing Association, Thames Valley Housing, Raven Housing Trust, Affinity Sutton, Transform Housing and Support and A2 Dominion.

The housing associations generally provide rented and shared ownership homes. There are intermediate rent and different home ownership products, but these have not been significantly developed. Housing associations provide two types of rented homes, 'social rent' at 60% of the market rent and 'affordable rent', which is 80% of the market rent. New affordable homes are generally let at 'affordable rents' and homes let on a 'social rent' are converted to an 'affordable rent' when a new tenant moves in. Shared ownership proportions can start at a 20 to 25% purchased share and 80 to 75% rental share, through to buying 100% of the property. In rural areas this is generally restricted to a maximum equity purchase of 80%.

Why is Affordable Housing Needed?

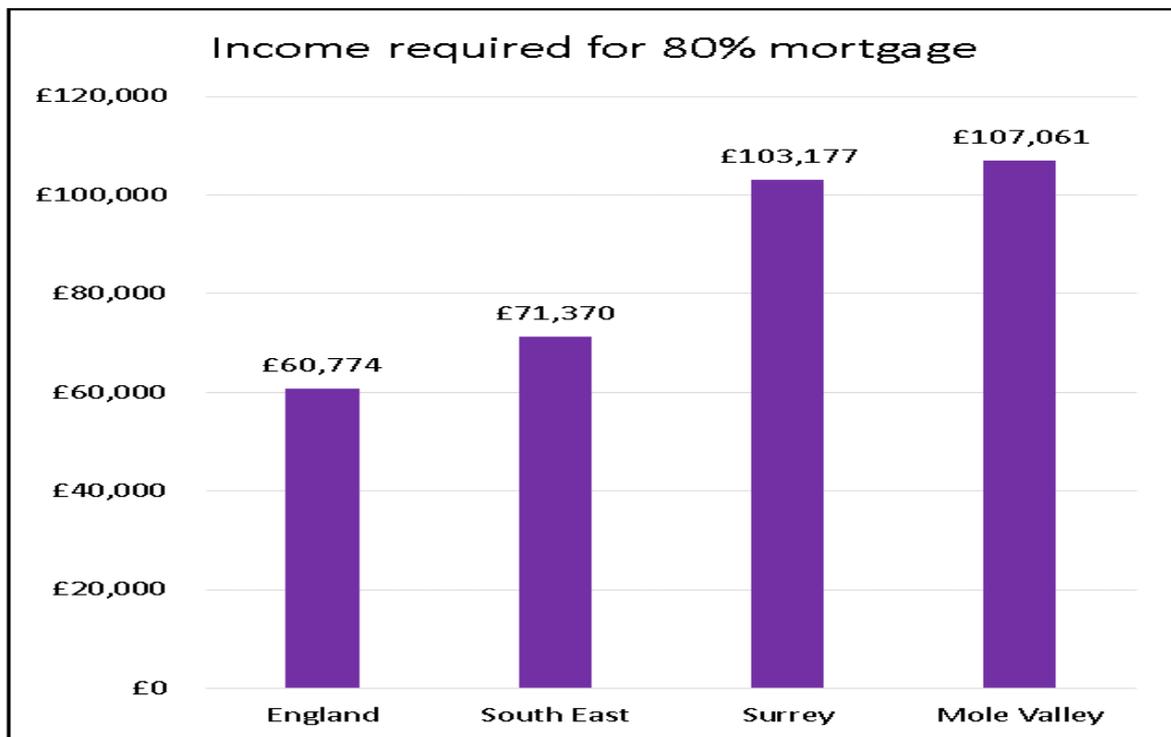
Households need affordable housing when they cannot afford to rent or buy on the open market. Figure 1 below shows that the average house price in Mole Valley is £468,000, which is higher than the national and Surrey average. The cheapest properties on the open market in Mole Valley are bedsits and one bedroom homes starting at about £165,000. Figure 2 shows that to be successful with an 80% mortgage in Mole Valley an income of £107,000 per annum is needed.

Figure 1



Source: Home Truths 2015/16 – The Housing Market in the South East – National Housing Federation

Figure 2

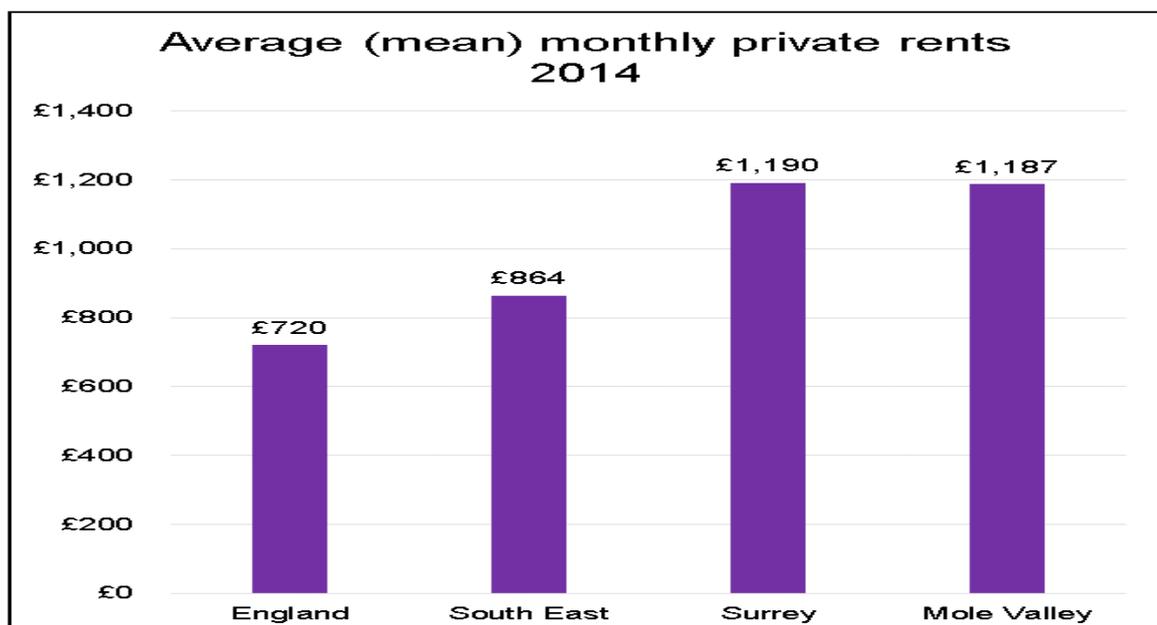


Source: Home Truths 2015/16 – The Housing Market in the South East – National Housing Federation

Shared ownership and other affordable home ownership initiatives provide an option for those on lower incomes to buy. For shared ownership an income of £28,000, up to a maximum of £60,000, with savings of around £7,000 are required. Shared ownership has proved to be a popular and successful product in Mole Valley.

Open market rents are also expensive in Mole Valley, as shown in Figure 3 below and the average open market rent for Mole Valley is £1,187 per month.

Figure 3



Source: Home Truths 2015/16 – The Housing Market in the South East – National Housing Federation

In addition to the above affordability issues the Council has a legal responsibility towards statutory homeless households and to have a published Housing Allocations Scheme. To carry out these responsibilities the Council has to arrange affordable accommodation for households in housing need. This is usually by nomination to a housing association. Currently there are 473 households on the Housing Register, which includes those accepted as homeless. Households waiting on the Housing Register are shown in the Table 1 below.

**Table 1 Households on the Housing Register by Band and Bedroom Size
31 January 2016**

Band	1 Bed	2 Bed	3 Bed	4 Bed +	Total
1	22	13	2	2	39
2	30	94	22	9	158
3	158	70	43	5	276
Total	210	177	67	19	473

Source: Mole Valley District Council

Approximately 80% of registered households require one and two bedroom homes. The majority of households, 210, are waiting for a one bedroom home and of these 102 are over the age of 55. However, a need remains for larger family homes and this is because housing association three and four bedroom vacancies do not occur frequently. There has not been a four bedroom house become vacant for let since 2013, and Table 2 below illustrates this point.

Table 2 Households Housed from the Housing Register by Financial Year and Bedroom Size up to 31 January 2016

Year	Over 55 1 Bed	1 Bed	2 Bed	3 Bed	4 Bed +	Total
2008/9	51	81	49	28	2	211
2009/10	41	89	59	23	1	213
2010/11	89	85	53	27	1	255
2011/12	61	96	60	22	5	244
2012/13	66	79	51	34	5	235
2013/14	87	88	57	26	3	261
2014/15	71	83	81	35	0	270
2015/16	50	85	41	30	0	206

Source: Mole Valley District Council

Finally, the last Housing Needs Survey in 2007 forecast that there was a net annual shortfall of 1,070 affordable homes in the district. This forecast will be updated during the preparation of a new Local Plan for Mole Valley.

How is Affordable Housing Provided and Funded in Mole Valley?

Housing associations may deliver affordable homes by:

- buying property on the open market and refurbishing for letting or selling as affordable housing;
- developing land they already own, such as under used amenity land or garage sites;
- buying land to develop; and
- purchasing the affordable housing element on private sector developments where the Council's planning policy requires a proportion of affordable homes to be provided – this arrangement is typically referred to as 'section 106'. It is explained in further detail under the heading below 'Affordable Housing and Planning Policy'.

Housing associations borrow and use their reserves to fund the development of affordable homes. Their borrowing is secured against their property assets and repaid using a proportion of the rental income received from tenants. In the past the HCA has provided significant capital subsidy towards rented and shared ownership affordable housing, but this has diminished over the last six years. Subsidy may also be available through the acquisition of land at a reduced price achieved through the 'section 106' process or direct capital subsidy from the Council. Associations also cross subsidise schemes with receipts from shared ownership sales and more frequently with open market sales. The overall direction is for housing associations to become self financing.

The Council's Capital Funding for Affordable Housing

Since 2007/08, the Council has invested £5.8m in capital towards 438 new affordable homes developed since stock transfer. The Council has two sources of capital funding to invest in new affordable homes: financial contributions through the planning system, the balance at present is £1,640,000; and the balance of the £5m stock transfer capital receipt (ring fenced for affordable housing), which is £2,907,000, making a current total of £4.5m available for investment. The financial contributions must be spent within five years and are, therefore, spent before the stock transfer capital receipt.

Following the Government's introduction of 'affordable rent' as a form of affordable housing, on 1 March 2011 the Executive agreed that the Council's capital investment for new affordable homes be prioritised for social rented homes. The HCA has indicated that their capital subsidy will no longer be available for affordable rented homes and funding will be shifted to affordable home ownership initiatives such as the £2.3 billion Starter Home Initiative.

There is, therefore, scope for the Council's capital investment to be widened to not only subsidise the development of social rented homes, but also affordable rented homes, shared ownership homes and to contribute towards innovative solutions to provide new affordable homes. This may include for example investment with traditional Registered Providers, joint ventures with developers and Registered Providers or with small community housing trusts. Investment with smaller organisations will be subject to their financial capacity based on an assessment of their reserves, existing assets and revenue stream and the ability to borrow.

Action Point

To invest the Council's capital ring fenced for affordable housing in social and affordable rented and shared ownership homes, and to contribute towards innovative solutions to provide new affordable homes.

Affordable Housing and Planning Policy

The Council's adopted Core Strategy 2009, policy CS4, sets out the Council's definition of affordable housing, which is in keeping with the current National Planning and Policy Framework 2012, and the affordable housing policy that applies to residential sites submitted for planning. While the approved Affordable Housing Supplementary Planning Document (SPD) 2010, explains how policy CS4 is implemented.

Policy CS4 requires that all new residential development schemes contribute towards the provision of new affordable homes, as follows:

- new housing developments of 1 to 9 dwellings to have a financial contribution equivalent to providing 20% of the total number of dwellings as affordable;
- 30% of the dwellings on new housing sites of 10 to 14 dwellings have to be affordable homes; and
- 40% of the dwellings on all new housing developments of 15 dwellings or more have to be affordable.

Key points of the policy are:

- a mix of tenure is required for affordable housing and this is set at 50% affordable rent and 50% shared ownership;
- there is a specific policy to promote the development of affordable homes in rural areas through rural exception sites;
- the size of affordable housing required is the same as market housing – policy CS3 in which the Council particularly seeks the development of two and three bedroom homes;
- application of the policy is subject to financial viability and developers often claim that sites are not financially viable with a financial contribution towards affordable housing or on site affordable housing;
- affordable homes are exempt from Community Infrastructure Levy; and
- conversion of office floor space to residential use is permitted development and policy CS4 does not apply.

The Government's consultation on changes to the definition of affordable housing closed on the 22 February 2016, and the Affordable Housing Policy CS4 contained in the Core Strategy and Affordable Housing SPD will need to be reviewed and amended when the Government implements the outcome. A review of this Position Statement will follow with a view to developing an Affordable Housing Strategy.

Action Point

Develop an Affordable Housing Strategy when the Government publishes the new national definition for affordable housing.

The development of a new Local Plan for Mole Valley, over the next 18 months, will also bring the opportunity to review the detail of the Affordable Housing Policy CS4 and Affordable Housing SPD. The Affordable Housing Strategy would be amended accordingly.

Preparation of the Local Plan will be an opportunity to consider the Affordable Housing Scrutiny Panel's recommendation to increase the proportion of affordable homes on 'section 106' sites and for that calculation to be made on the percentage of bedrooms provided on a site, rather than as at present on the number of units. Consideration will also be given to the size of accommodation to be developed for affordable housing, as the Housing Register statistics in Table 1 above indicate the need for smaller units with a smaller proportion of family sized homes. The existing Core Strategy policy CS3 is not entirely consistent with this evidence and currently requires the development of two and three bedroom homes. Detailed housing needs analysis will be undertaken for the Local Plan and the findings on need by bedroom size will also have to be taken into account to develop the Council's affordable housing policy on this issue.

Action points

As part of the Local Plan process review:

- the percentage of affordable housing to be required on section 106 sites and how it is calculated; and
- the size of affordable homes to be developed.

Delivery of Affordable Homes

The Council works with housing associations, developers and other partners to enable the delivery of new affordable homes. The number of affordable housing completions since Large Scale Voluntary Stock Transfer to Circle Housing Mole Valley in 2007 is shown in Table 3 below. The number varies per year because of fluctuations in the house building market and because developments typically take three to five years to come to fruition. A scheme may start in one financial year, but may not complete until the next or subsequent financial year. The average per year achieved is 48.6, which compares to the Core Strategy average of 47.5 per year and the corporate target of an average of 50 per year.

Table 3 Affordable Housing Completions 2007/8 to 2015/16

Year	Affordable Housing Completions
2007/08	67
2008/09	56
2009/10	55
2010/11	22
2011/12	88
2012/13	23
2013/14	21
2014/15	66
2015/16	40
Total	438 (average per year 48.6)

Source: Mole Valley District Council

By comparisons Table 4 provides information on affordable housing completions across the Districts and Boroughs of Surrey since 2008/09 to date.

Table 4 Affordable Housing Completions – Surrey Districts and Boroughs

Local Authority	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16 31 Dec 2016
Elmbridge	65	38	185	83	44	120	94	34
Epsom & Ewell	100	7	86	64	91	104	89	0
Guildford	121	65	86	69	22	17	68	27
Mole Valley	56	55	22	88	23	21	66	40
Reigate & Banstead	215	131	155	67	56	102	142	74
Runnymede	133	127	80	3	129	16	153	121
Spelthorne	67	114	111	152	63	44	16	11
Surrey Heath	104	14	14	127	22	9	0	0
Tandridge	29	11	62	63	48	57	60	0
Waverley	69	52	0	24	83	10	45	52
Woking	99	111	35	26	13	17	73	76
TOTAL	1058	725	836	766	594	517	806	435

Source: Elmbridge Borough Council

The affordable housing programme for 2015/16, and beyond is attached at Appendix 3. There are also approximately 50 units currently at the pre-planning application stage.

Strategy for Continued Delivery

The Council has made a clear corporate commitment to continue the delivery of new affordable homes to meet the needs of its residents and support its communities and economy. To continue this against a background of national change, new approaches and opportunities need to be explored. This commenced during 2015, when the Affordable Housing Scrutiny Panel met to consider how the delivery of affordable homes could be improved. The Panel made four recommendations that were agreed by the Executive on 20 October 2015. These are listed below. The Executive added a further recommendation, also listed below.

Affordable Housing Scrutiny Panel Recommendations

- That Ward Members continue to be informed of new major planning applications in their area once submitted via the weekly list of planning applications.
- The Panel recommends that the Local Plan Working Group looks proactively at increasing the proportion of affordable housing provided within a development and also the bedroom size of the properties provided.
- That the Executive undertake further work to assess the viability of the Council building, managing and maintaining affordable housing, particularly in light of the Transform Leatherhead regeneration project, which may provide development opportunities.
- That sites within the built up area continue to be carefully reviewed as part of the Local Plan making process and sites that come forward for consideration from developers in the meantime are assessed in terms of opportunities for affordable housing and are pursued where appropriate.
- That consideration be given to whether developer contributions for affordable housing can be directed to local community housing trusts and associations rather than the wider range of organisations as at present.

The third action set out above (Action Plan Point 5) to assess the viability of the Council directly or indirectly building affordable homes will be a detailed piece of work, but timely given the opportunities presented by Transform Leatherhead and other Council owned sites that may come forward. There are a range of mechanisms that might be considered, which include the Council building its own homes, the establishment of a housing company or special purpose vehicle or a partnership with a private developer and or a Registered Provider. These and land acquisition options on behalf of Registered Providers have the potential benefit of low level, long term revenue streams for the Council.

The Action Plan attached at Appendix 1 incorporates the Scrutiny Panel's actions along with the other actions highlighted above in this Statement. The following further actions have been identified to aid the delivery of new affordable homes and these are also detailed in the Action Plan.

Action Points

- Evaluate the corporate implications of introducing Article 4 Direction to remove permitted development rights to convert office floor space to residential use, which would then enable the application of the affordable housing policy.
- Promote the development of new affordable homes to Parish Councils and Resident Associations.
- The Leader and Executive Member for Community Engagement and Resident Services to meet with appropriate developers and housing associations to motivate them to accelerate plans for new development and development of affordable homes.

- Encourage Circle Housing and Mount Green Housing Association to carry out further reviews of their assets, to identify land that they own that could be potentially developed, such as unused amenity land and garage sites.
- Progress the Council owned site at The Foundry, Dorking for the development of affordable housing.
- Mole Valley has an aging population and Surrey County Council (SCC) has identified that at least two to three Extra Care Sheltered Housing schemes need to be developed in the area, which will also enable long term savings in Adult Social Care costs. This requirement will be further developed for the new Local Plan.

Review of this Position Statement

This Statement will be reviewed once the Government has announced the outcome of the proposed changes to the definition of affordable housing in the National Planning Policy Framework and will then be developed into an Affordable Housing Strategy, which will be subject to consultation with partners. The Strategy will be reviewed annually by Executive and further reviews will be required when a new Local Plan is adopted, a new Affordable Housing SPD is approved and when there is legislative change. Delivery of affordable homes will continue to be monitored monthly and reported to Council at least annually.

Last updated	February 2016
Responsible Officer	Strategic Housing Manager
Approved by	Executive Committee
Next update due	Annual