

Affordable housing supplementary planning document

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Introduction

The purpose of this document as a Supplementary Planning Document (SPD) is to provide additional guidance on key development plan policies and how they will operate. It does not introduce new policy but supplements existing policies in the Council's Local Plan. This SPD aims to provide advice to developers, including private developers, housing associations and other Registered Providers, on the Council's approach to affordable housing provision.

This documents sets out how the Council will apply its policies for affordable housing, including the thresholds and percentages applicable, and how and when commuted payments will be considered. It supersedes references to affordable housing in the existing [Planning Obligations](#) document but all other elements of that document remain current.

This document has been produced following consultation with stakeholders and discussion with other local authorities.

About Luton

Luton Council's overarching strategic priority is to ensure that no-one will be in poverty in Luton by 2040. As such, Luton Council is committed to enabling and providing homes which are affordable to local households. This means supporting a supply of homes at price points to meet differing needs which creates sustainable housing options for working households who are unable to access family-sized private accommodation.

Luton has a particularly dynamic and diverse population. Recent research into population movements¹, found a high level of movement in and out of the borough. There is also a high birth rate. This is significant for the delivery of council services and across the wider public sector particularly the NHS.

It is estimated that approximately 50 to 60 per cent of the current population were either not born or not living in Luton at the time of the 2011 Census.

According to the latest data from the Office for National Statistics, Luton's population is now (July 2018) 214,700², which is a fall by 1,200 between 2016 and 2017. Nationally, the population rose.

Internal migration is showing an increase of people moving from North London boroughs to Luton, but the highest number is from Central Bedfordshire. Luton has a younger population than the rest of England and in the Eastern Region, with 22% of the population under 15, compared to 18% regionally and nationally. Further information on Luton and how its population has changed over the years are present in the Luton Housing Strategy 2019-2022.

The average house price in Luton during August 2018 was at £239,582 exceeding the national UK house price which is £232,797 although it is below the average for the East of England (£292,107) and South East (£329,264)³.

New ideas, new initiatives and better working relationships with developers, partner agencies and neighbouring local authorities will all play a part in working with Luton. Luton will hope to welcome such relationships and achieve affordable housing for its population.

¹ Population Churn in Luton 2018.

² Luton 2017 Mid-Year Population Estimates – July 2018

³ Source: Land Registry Nov 2018

The NPPF

The revised National Planning Policy Framework was published on 24 July 2018 and sets out the government's planning policies for England and how these are expected to be applied.

This revised Framework replaces the previous National Planning Policy Framework published in March 2012. The first NPPF was written to help with sustainable development *Sustainable* means ensuring that better lives for us doesn't mean worse lives for future generations. *Development* means growth. We must accommodate the new ways by which we will earn our living in a competitive world. We must house a rising population, which is living longer and wants to make new choices.

The revised NPPF has new paragraphs on the green belt, and helping with the delivery of housing, minimum density for city and town centres (and other parts of the plan area) where there is a shortage of land. The NPPF review is mostly focused on housing, particularly on ways for improving delivery to reach the 300,000 homes per year target, and how to increase affordable housing provision.

Luton's Local Plan 2011 to 2031

The Luton Local Plan (2011 to 2031) sets out policies, developments, allocations and actions to meet the environmental, social and economic challenges facing the area over the next 20 year plan period.

1. The Luton Local Plan provides a strategy for the distribution and level of development and supporting infrastructure, a set of proposals to meet that strategy, policies to deal with planning applications and proposals for monitoring the success of the plan.
2. The Local Plan states that the overall housing need is 17,800. Luton is landlocked and 8,500 homes are planned within Luton's borders.
3. Luton has an affordable housing need of 7,200 dwellings.
4. The Local Plan Policy LLP16 will require the provision of 20% affordable housing units on developments that deliver a net gain of at least 11 dwellings and on sites of 10 dwellings or more which have a combined floor space of more than 1,000 sqm.
5. The application of Policy LLP16 could help deliver around 1,700 affordable dwellings potentially leaving an unmet need of around 5,500 dwellings.
6. Development proposals will need to ensure that the size, type and tenure of affordable dwellings provided reflect the identified housing need requirements of the area (and in accordance with the Homes England space standards) in the Strategic Housing Market Assessment (SHMA) for future household types.

Housing Mix

Within the evidence of the Local Plan and the SHLAA⁴, it shows that the Council has had an intake of one beds in the past, and with the New Local Plan in place, it would require mainly two or three bedroom houses, to help with the current and impending housing need.

| Year | 1 bed | 2 bed | 3 bed | 4+ bed | Unknown | Total |
|--------------|--------------|--------------|------------|------------|------------|--------------|
| 2010 to 2011 | 166 | 46 | 34 | 10 | 0 | 256 |
| 2011 to 2012 | 213 | 136 | 72 | 133 | 0 | 554 |
| 2012 to 2013 | 143 | 141 | 32 | 59 | 5 | 380 |
| 2013 to 2014 | 81 | 36 | 33 | 10 | 3 | 163 |
| 2014 to 2015 | 202 | 127 | 47 | 19 | 30 | 425 |
| 2015 to 2016 | 278 | 235 | 71 | 53 | 1 | 638 |
| 2016 to 2017 | 569 | 181 | 67 | 73 | 1 | 891 |
| Total | 3,406 | 1,888 | 699 | 488 | 108 | 6,589 |

⁴ SHLAA Strategic Housing Land Availability Assessment

The SHMA (Strategic Housing Market Assessment)

The SHMA was commissioned by Opinion Research Services (ORS), who originally prepared a Strategic Housing Market Assessment (SHMA) for Luton and Bedfordshire in 2015.

Luton (and Central Bedfordshire) Councils subsequently commissioned a SHMA Refresh to establish the Objectively Assessed Need (OAN) for housing, based on the most up-to-date information available at that time (June 2014).

A study supports the view that Luton continues to form the core of a functional Housing Market Area (HMA) and that Luton and Central Bedfordshire area continue to provide a “best fit” for that area.

The SHMA Update adheres to the requirements of the National Planning Policy Framework (NPPF) published in 2012 and Planning Practice Guidance (PPG). The SHMA states that Luton’s affordable housing need indicates that 72% of affordable homes should be for rented accommodation and 28% should be for low cost home ownership.

Below is a table showing the housing need for Luton. Luton’s overall housing need as per the SHMA is 17,800, this figure is divided up into how much market, and affordable housing is required in the borough.

The SHMA⁵ emphasises the need for larger family homes rather than smaller flatted units.

| Luton | Market housing | Affordable housing |
|------------------------|-----------------------|---------------------------|
| Flat 1 bed | 160 (1.5%) | 260 (3.6%) |
| Flat 2 bed | 110 (1.0%) | 1,240 (17.2%) |
| Houses 2 beds | 1,390 (13.1%) | 1,140 (15.8%) |
| Houses 3 beds | 7,380 (69.6%) | 3,530 (49.0%) |
| Houses 4 beds + | 1,300 (12.3%) | 1,070 (14.9%) |
| Houses 5 beds + | 220 (2.1%) | 0 (0%) |
| Total | 10,600 | 7,200 |

The Luton Housing Strategy 2019 to 2022

Luton is a dynamic and diverse town which is growing and improving. Housing is essential to our wider vision for investment, economic development and wellbeing.

Our housing challenges include reducing homelessness and rough sleeping, getting more homes built to meet local needs, improving Luton as a place to live and ensuring that people with differing needs can live well.

The Housing Strategy sets out four main themes for Luton, Right Homes, More Homes, Reducing Homelessness, Good Quality Homes and Places and Supporting Wellbeing.

These strategic aims have significant targets that need to be achieved, including delivery of 3,500 homes including 700 affordable homes by 2022.

The strategy contains analysis of local prices and incomes – the Luton Housing Ladder –, which shows the need for genuinely affordable housing options. This data will be updated annually, in November of each year. The ladder shows that households needing three bedroom accommodations would need to be in the top 40% of incomes to afford the cheapest private rent and in the top 25% of incomes to afford to buy a lower quartile property on the open market. For many local families therefore, only affordable housing options provided through social landlords provide a realistic long-term home at a manageable price.

Social rented homes are demonstrably more affordable and most Affordable Rent homes are within reach. New council homes are capped at LHA rates to retain affordability.

The strategy sets out the council’s approach to affordability as follows:

⁵ The SHMA Final – Summer 2015

We will deliver ourselves, and enable others to deliver, a range of affordable housing across the town to meet the significant need for stable, affordable accommodation, especially at larger house sizes.

Affordable rented homes are in greatest demand and should be capped at LHA levels to be truly affordable to lower income households. Affordable housing providers will be expected to demonstrate how their homes can meet this requirement.

There is a growing role for low cost home ownership, primarily shared ownership as this is the most accessible product for lower income households. However, the Council will continue to stipulate, in line with our SHMA, that shared ownership makes up no more than 28% of the 20% affordable housing requirement in planning agreements, or equivalent to 5% of a site, rather than the 10% recommended in the NPPF. This may be amended on certain sites depending on scale, property types and viability.

The housing strategy shows the needs for accessible affordable accommodation and sets out the Councils own commitment, for 10% of Cat 3 accessible homes.

Definitions of types of housing

Forms of rented accommodation

Social Housing for rent - normally housing which is managed by Registered Providers, where rent levels are determined by a Government rent formula, which takes account of the capital value of the property, size/type and average wages in the area.

Affordable rent housing - is let by local authorities or registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80 per cent of the local market rent (including service charges, where applicable). Many Councils aim to ensure that Affordable Rents do not exceed Local Housing Allowance levels to secure greater affordability for low income households.

Forms of home ownership

Shared Ownership - Is a part rent, part buy arrangement with a mortgage on the owned portion of the shared equity, which can range from 25% to 75% and rent payable on the unsold equity. Most shared owners have the right to “staircase” to full ownership of the property.

Low cost or discounted housing for sale – is at a price affordable to local people unable to obtain housing in the open market. Generally, a discount will be agreed on the market value of the property, which will be held in perpetuity through a covenant, which subsequent owners of the property will gain benefit from.

Shared Equity – The occupier owns a percentage of the property of “equity share” (typically around 70%) and the remainder is owned by a third party, (RP, developer, landowner, employer or their agent). No rent is charged on the outstanding equity.

Starter Homes – The Starter Homes scheme will help to meet the housing needs of young first time buyers, many of whom increasingly cannot afford to buy their own home, by allowing Starter Homes to be offered to them at below their open market value. An offer of Starter Homes to a first time buyer should be to a person under the age of 40 for a discount of at least 20% below the open market value of the property, and for there to be appropriate restrictions to ensure that Starter Homes are not resold or let at their open market value for 5 years following the initial sale.

When does the SPD apply?

The SPD will apply to planning applications, which deliver a net gain of 11 dwellings, and on sites of 10 dwellings or more which has a combined floor space of more than 1,000sqm. The Council will require the provision of a minimum of 20% affordable housing units.

What is required?

The site must provide 20% affordable housing in line with the Local Plan 2011-31.

It will be up to the council’s discretion whether the accommodation offered is suitable for the residents of Luton. The council would consider all offers but will prefer homes at two bedrooms 4 person and larger family ones, as these will better meet the local affordable housing need.

Development proposals will need to ensure that the size, type and tenure of affordable dwellings provided reflects the identified housing need requirements of the area (and in accordance with the Homes England space standards) in the Strategic Housing Market Assessment (SHMA) for future household types. The tenure mix should reflect the SHMA’s mix of 72% rented, 28% shared ownership/ low cost home ownership.

Rent levels should meet the requirements of the Regulator of Social Housing (RSH). Rents which fall within Local Housing Allowance levels are preferable.

Properties that are affordable housing should be tenure “blind”; this means that it should not be visually distinguishable from the market housing on the site in terms of build quality, materials, detailing, levels of amenity space and privacy.

The current Local Plan does not set out specific policy requirements for the Optional Category 2 or Category 3 standards. With the changing demographics and evidence from the PANSI⁶ figures, which are within the Luton Housing Strategy, there is a need for more Category 2 and Category 3 units, to meet the current and future needs for accessible and adaptable accommodation. The council will therefore welcome the delivery of new homes, in particular affordable homes, to meet accessibility standards.

To meet our local housing needs, we would seek to secure 10% affordable housing at Category 3 wheelchair accessible housing standards and the remainder to Category 2, which are considered to be in line with Lifetime Homes Standards.

Management of units

The Council's preferred solution is for the management of the units to be transferred to a Registered Provider, once it has been built. The units will then be managed in accordance to the Regulator of Social Housing (RSH) guidelines.

Shared ownership may be more appropriate on smaller schemes and may directly involve a Registered Provider. In other circumstances, developers may choose to retain ownership of the Affordable Housing and manage it themselves directly. In any case, the Council will want to ensure that appropriate management arrangements are in place.

Allocations

All rented homes that are developed as affordable housing should be made available to people on the Council's Housing Register that are able to acquire the accommodation through the Council's Allocation Policy. The council will generally require 100% of first lets and 75% of subsequent lets for nomination.

The Council will require that all affordable housing be occupied by households who would not otherwise be able to afford to rent or buy a dwelling of sufficient size for their needs on the open market.

Perpetuity

In accordance with the definition of Affordable Housing, the Council will ensure that all new affordable homes delivered will remain available at affordable rents in perpetuity, or their resale value is recycled to provide other forms of Affordable Housing to meet an identified local need.

All money received as a result of occupants either purchasing their property (e.g. through the 'right to acquire') or acquiring a further equity share (e.g. through 'stair casing') will, subject to any statutory restrictions, be used to provide Affordable Housing within the borough.

Any recovered Homes England grant must either be paid back to the agency or recycled to provide Affordable Housing, in accordance with the Homes England guidance on recycled capital grant funding.

Alternative to on site Provisions

In most cases, the Council requires affordable housing on site, however there are some rare circumstances that developers cannot provide on-site affordable housing. In these cases, the onus is upon the developers to demonstrate that they cannot provide affordable housing on the site.

Payment of a commuted sum in lieu of on-site development should be equivalent to the cost of an affordable home on site. We have a formula for calculating commuted sums, which is based on local land values per square metre.

⁶ Projecting Adult Needs & Service Information

Viability Assessment

The viability assessment is an important document outlining the costs to the development; it will contain elements for inclusion in a viability assessment which would include the:

- Development programme
- Pre-construction
- Construction period
- Marketing period
- Viability cash flow
- Income/value/capital receipt
- Costs
- Phasing costs in some cases

There is an appendix to illustrate the main elements of a viability report.

The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.

Developers are required to produce a viability assessment in the event that a scheme cannot support a full allocation of affordable housing on site or equivalent off-site commuted sum. This viability assessment will be produced at the developer's own cost, and will be reviewed by an independent assessor on behalf of the council. Developers will also be responsible for paying the fees of the council's independent assessor.

Reviewing viability mechanism

In order for the council to potentially claw back some of the lost affordable housing provision, a viability review mechanism will be incorporated within Section 106 Agreements and will be triggered and undertaken according to the circumstances in each case but based on the following principles:

- an advanced stage review will be carried out within a three month period prior to first occupation
- for all schemes requiring a review, where a scheme has not been implemented within 12 months of the relevant application decision date, a pre-implementation review will also be required

Commuted sums

In cases where affordable housing cannot be achieved on-site, or, in the opinion of the council, is not appropriate to deliver on-site, a commuted sum will be secured equivalent to the cost of providing on-site affordable homes. Exceptions to this may be where site specific circumstances can in some instances require and justify a more tailored approach to ensure delivery on sites with exceptionally poor viability.

Formula for calculating Commuted Sums

The formula is based on land prices for Luton and 20% affordable housing that is required as per the Local Plan 2011 to 2031.

Examples are given below:

In the event, that circumstances prevent on-site provision, a commuted sum payment will be negotiated. Our methodology for calculating commuted sums is based on the square metre of the homes, which would otherwise have been provided on site and sold to a registered provider.

The principle of the commuted sum approach is that it will be equivalent to the cost of on-site provision, and it would relate to the loss of income from completed units, which would have been for affordable housing rather than open market sale.

Based on discussion with local registered providers, and existing assumptions drawn from local planning work, there is an expectation that registered providers will pay 50% of open market value across all types of units (shared ownership or affordable rented). The loss on properties would therefore be 50% against market rates. Market values per square metre are collected from Hometrack data by postcode area and will be updated annually. We will also keep under review the assumptions about the proportion of market rate that registered providers will pay for new affordable homes. As at November 2019, the local open market property values for Luton were as follows:

Postcode LU1 - Dallow, Biscot, South and Farley - per sqm £2,780

Postcode LU2 – Round Green, Wigmore, Stopsley, Crawley, Barnfield and High Town – per sqm £3,045

Postcode LU3 – Leagrave, Sundon Park, Northwell, Bramingham, Icknield, Limbury, Saints – per sqm £2,882

Postcode LU4 – Lewsey, Challney per sqm £2810

To provide one Luton-wide price per square metre, the prices have been added together and divided by the postcodes in the area of Luton.

$£2,780 + £3,045 + £2,882 + £2,810 = £11,517 / 4 \text{ postcode areas} = £2,879$

$£2,879 \times 50\% = £1,439.50 \text{ per square metre Luton wide.}$

The value per square metre will be updated annually in November so the figures in this document will be superseded each year by an update which will be published by the council. The assumed percentage of open market value will also be reviewed with housing associations and amended if necessary as part of the annual update.

Please note:

These are the four commuted areas based on the cost per square metre (sqm) of each of the areas noted in their groups, based on postcodes.

Add the sums for the 4 postcode areas and divide by 4 for an average sum, and divide it by a further 50% to represent the loss from market sale assuming that registered providers would pay 50% of market value for the properties from a developer. This will be updated on a yearly basis every November as the information can be provided by Hometrack. These are November 2019 figures

In all planning applications, the plan and square metre of all properties is usually given, however the Council will use Nationally Described Space Standard (NDSS).

Example 1

Proposal: Planning application for 214 units in Luton.
214 flats X 20% (affordable housing requirement) = 43 units

Assumed affordable housing which could have been on-site: 30 one bed and 13 two beds.
To determine the square meterage of a one and two bed approached by developers, we will be using NDSS (National Described Space Standards)

One bed flat = 50sqm per one bed/2person = 30 x 50sqm = 1500sqm
Two bed flat = 61sqm per two bed/3person = 13 x 61sqm = 793sqm

Total approximate floor area of the scheme = 1500sqm + 793sqm = 2293sqm

Payment per sqm in = £ 1,439.50 (Luton wide)

Commutated payment required in lieu of on-site provision = 2293sqm x £1,439.50 = £3,300,773.50

Example 2

Proposal: Planning Application for 15 flats in Luton

15 flats x 20% (affordable housing requirement) = 3 units.

10 units are 1 bedroom flats = 10 units x 20% = 2 units

5 units are 2 bedroom flats = 5 units x 20% = 1 unit

3 units will have to be on site.

One bed flat = 50sqm per one bed/2person = 2 x 50sqm = 100 sqm

Two bed flat = 70sqm per two bed/4person = 1 x 70sqm = 70sqm

100 + 70 = 170sqm

170sqm x £1,439.50 = £244,715.00 as a commuted sum on the above site.

If the number of bedroom-sized units is not determined, the Council will calculate the number of the bedroom sized units, as 20% from the total number of 1,2,3,4 bedroom-sized units on the site and then use the number produced accordingly.

Pooling of Financial Contributions

When financial contributions are received and spent on the provision of Affordable Housing through a range of mechanisms, including:

- the Council's own programme for building affordable homes
- any development company that may be formed by the Council
- acquisition of land for Affordable Housing
- purchase of second hand units for use as Affordable Housing
- grant aid to RPs to help them provide Affordable Housing in the Borough

However, this is not an exhaustive list.

Enquiries relating to this document

Enquiries should be made to Development & Enabling Section, Housing Strategy & Development Team.

E-mail address: - DevelopmentEnabling@luton.gov.uk

Table 1 – Minimum gross internal floor areas and storage (m2)

These figures are used to determine the meterage of each unit added.

| Number of bedrooms(b) | Number of bed spaces (persons) | 1 storey dwellings | 2 storey dwellings | 3 storey dwellings | Built-in storage |
|-------------------------------|---------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| 1b | 1p | 39 (37) * | | | 1.0 |
| | 2p | 50 | 58 | | 1.5 |
| 2b | 3p | 61 | 70 | | 2.0 |
| | 4p | 70 | 79 | | |
| 3b | 4p | 74 | 84 | 90 | 2.5 |
| | 5p | 86 | 93 | 99 | |
| | 6p | 95 | 102 | 108 | |
| 4b | 5p | 90 | 97 | 103 | 3.0 |
| | 6p | 99 | 106 | 112 | |
| | 7p | 108 | 115 | 121 | |
| | 8p | 117 | 124 | 130 | |
| 5b | 6p | 103 | 110 | 116 | 3.5 |
| | 7p | 112 | 119 | 125 | |
| | 8p | 121 | 128 | 134 | |
| 6b | 7p | 116 | 123 | 129 | 4.0 |
| | 8p | 125 | 132 | 138 | |

Appendix 1

Viability Assessments

Elements for inclusion in a viability assessment

Proposed scheme details

Floor areas:

- Commercial: gross internal area (GIA) and net internal area (NIA)
- Residential: GIA and net sales area (NSA)

Residential unit numbers, including the split between private and affordable tenures. Gross development value

Any existing income that will continue to be received over the development period.

Anticipated residential sales values and ground rents (and supporting evidence including deductions for incentives).

Anticipated rental values and supporting evidence.

Yields for the commercial elements of the scheme and supporting evidence.

Details of likely incentives, rent-free periods, voids.

Anticipated value of affordable units (with supporting evidence/explanation of how these have been valued and assumptions)

Anticipated grant funding for additional affordable housing.

Deductions from commercial GDV to reach NDV (Stamp Duty Land Tax [SDLT], agent legal + VAT).
Development programme

Pre-construction.

Construction period.

Marketing period.

Viability cash flow.

Income/value/capital receipt.

Costs:

- Phasing (where appropriate) costs
- Expected build cost, including a full QS report showing how costs have been estimated.
- Demolition costs.
- Reasonable and appropriate historic costs.
- Site preparation costs.
- Vacant possession costs.
- Planning costs
- Any anticipated abnormal costs (including contamination).
- Rights of light payments/party walls/overselling rights.

Details of expected finance rates.

Professional fees, including:

- Architect
- Planning consultant
- Quantity surveyor
- Structural engineer
- Project manager
- Letting agent fee
- Letting legal fee

Site Value.

Community Infrastructure Levy (CIL).

Planning obligations.

Other costs. Additional details for future phases Expected sales growth.

Expected rental growth

Expected cost inflation

Credit rate. Benchmark viability proxies

Profit on cost

Profit on value.

Development yield.

Internal rate of return (IRR). The inputs used in the residual appraisal should be reasonable and appropriate to the scheme.

The outputs of the residual appraisal should include a cash flow and a sensitivity analysis

The residual appraisal should be accompanied by a report setting out the adopted assumptions. Further guidance regarding the content of the report is set out in the RICS Guidance Note.