

WOLVERHAMPTON CITY COUNCIL

AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT (SPD)

INCLUDING:

- **SUSTAINABILITY APPRAISAL REPORT**
- **STRATEGIC ENVIRONMENTAL ASSESSMENT
SCREENING REPORT**

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1. Introduction

- 1.1 Government policy, set out in PPS12 (Development Plans), acknowledges the valuable role that Supplementary Planning Documents (SPD) can play in supplementing the policies and proposals of the Development Plan. Government advice also supports the use of SPD as a material consideration in the assessment of development proposals.
- 1.2 The Council is strongly committed to securing and encouraging the provision of affordable housing to meet housing needs in the City. The Wolverhampton Community Plan aims to provide a range of housing to meet local housing needs, including affordable housing. This aim is developed in both the Council's Housing Strategy (2004/5-2006/7) and the Council's new Unitary Development Plan, which will guide development in the City up to 2011.
- 1.3 In accordance with Government guidance, this Supplementary Planning Document (SPD) has been produced by Wolverhampton City Council to provide detailed guidance on the implementation of the affordable housing policies set out in the Adopted Wolverhampton Unitary Development Plan (June 2006).

2. Aims

- 2.1 The aim of this SPD is to help meet housing needs and create mixed, balanced and sustainable communities in the City by maximising opportunities to provide affordable housing. The SPD provides a mechanism for securing and delivering affordable housing in accordance with Government guidance and will help to reduce uncertainty, ensure a consistent approach and provide clear guidance for developers regarding the Council's approach towards affordable housing provision.
- 2.2 The Council carried out a Housing Needs Survey in 2002, the results of which informed the Wolverhampton Unitary Development Plan: First Deposit (April 2003). A partial Update of the Housing Needs Survey was undertaken in 2004 in preparation for the UDP Public Inquiry. This Update and recommendations in the Inspector's Report gave rise to changes to the UDP affordable housing policies and supporting text. The UDP was subsequently adopted in June 2006 and the relevant policies and supporting text are set out in Appendix 3.
- 2.3 The Council will make use of its powers to seek affordable housing to help satisfy its local housing needs. This will involve negotiating for an element of affordable housing on suitable development sites. The Council's negotiating position is set out within this SPD.

- 2.4 This SPD provides detailed information on how the Council intends to implement its affordable housing policy in practice and will enable developers to be aware of the Council's expectations at an early stage in the development process. The Council recognises that a reasonable and flexible approach is required, reflecting individual site characteristics. However the Council considers that it is important and helpful to be as clear as possible over its approach on all of the key issues.
- 2.5 The contents of this SPD will be taken into account as a material planning consideration in determining planning applications.

3. Consultation

- 3.1 The Council produced this draft SPD for consultation in accordance with Government guidance and the specifications set out in the Wolverhampton draft Statement of Community Involvement (available at www.wolverhampton.gov.uk/environment/planning/ldf/). Comments of key stakeholders, including Housing Associations and housing developers, were also sought during preparation of the draft SPD and resulted in some amendments to the text.
- 3.2 The draft SPD was published for comments for 6 weeks between 16th December 2005 and 3rd February 2006. A press notice was issued and the draft SPD was made available on the Council's website (at www.wolverhampton.gov.uk/environment/planning/) and at the Council offices and main libraries. The draft SPD was circulated to key stakeholders and other interested parties for comments. At the end of the consultation period, all comments and proposed changes were reported to Cabinet, together with any necessary changes to the Sustainability Appraisal (see below).
- 3.3 This SPD was adopted in September 2006 following Cabinet approval. The adoption process was advertised in the local press and all consultees and other respondents to the draft SPD were informed. The SPD is available on the Council's website and at the Council offices and main libraries.

4. Sustainability Appraisal and Strategic Environmental Assessment Screening Report

- 4.1 In accordance with Government guidance, a Sustainability Appraisal of the contents of this SPD is attached as Appendix 1. A Screening Report concluding that a Strategic Environmental Assessment is not required for this SPD is also attached as Appendix 2. These reports have been subject to consultation, including consultation with the appropriate statutory bodies.

5. Policy Framework

Planning Policy Guidance 3: Housing (March 2000)

- 5.1 In 2000, PPG3 was issued updating Government guidance relating to affordable housing. This states that a community's need for affordable housing is a material consideration, which should be taken into account in formulating development plan policies and in deciding planning applications involving housing.

Circular 6/98: Planning and Affordable Housing and Circular 5/05: Planning Obligations

- 5.2 PPG3 is supplemented by Circular 6/98, which sets out in more detail the Government's approach to affordable housing. It aims to provide a clear framework for preparing plan policies, and practical advice to local authorities on how they should encourage the supply of affordable housing in appropriate circumstances through negotiation with developers and others. Circular 5/05: Planning Obligations has recently been published, providing guidance on securing affordable housing through Section 106 agreements.

Regional Planning Guidance for the West Midlands (2004)

- 5.3 The Wolverhampton UDP affordable housing policies were prepared in the context of West Midlands Regional Planning Guidance (RPG) 11 (1998). This has now been superseded by RPG11 (2004). However, policies regarding affordable housing have remained essentially the same. RPG11 (2004) encourages the provision of a mix of house types and sizes from existing stock and new provision to cater for the needs of all sections of the community. Access to housing for those in greatest need is considered of particular importance.
- 5.4 Guidance states that there is a need for both subsidised housing and low cost market housing which is available to people who cannot afford to occupy housing on the open market.

Regional Housing Strategy for the West Midlands (2005)

- 5.5 The West Midlands Regional Housing Strategy (2005) has a number of core aims, including:
- to create mixed, balanced and inclusive communities;
 - to assist in the delivery of West Midlands Regional Spatial Strategy (WMRSS) policies of Urban and Rural renaissance;
 - to address the variety of needs across a range of specific sectors of housing circumstances;
 - to achieve social and other affordable housing.

- 5.6 Chapter 6: Affordable Housing of the RHS sets out a number of policies to promote the provision of affordable housing and encourages local authorities to use their full range of planning powers to facilitate an adequate supply of land for affordable housing and to implement current affordable housing policies more robustly.

Local Housing Needs Assessment (2000)

- 5.7 In July 2000 the Department of Transport, Local Government and the Regions (DTLR), now the Department for Communities and Local Government (DCLG) issued 'Local Housing Needs Assessment: A Guide to Good Practice'. This set out an 18 stage 'basic needs assessment model' for determining the overall surplus or shortage on affordable dwellings in a local area. The Council's Housing Needs Survey (2002) and subsequent update (2004), which underpin the Council's affordable housing policy, followed the methodology set out in this guide.

Wolverhampton City Housing Strategy (2004/5 – 2006/7)

- 5.8 The Wolverhampton Housing Strategy 2004–2007 sets out the vision and direction for housing in Wolverhampton in the public and private sectors.. It is a framework for housing activity and investment by the City Council and its partners. The Housing Strategy Vision is that by 2010, Wolverhampton will comprise of successful and sustainable communities and neighbourhoods, where people want to live. To deliver this four priorities have been identified for action:
- To make all neighbourhoods safe, popular and desirable;
 - To ensure that there is an adequate supply of housing which meets needs and aspirations;
 - To ensure that people with special needs or who are vulnerable have appropriate housing and support;
 - To ensure that all housing stock in Wolverhampton is in good condition.
- 5.9 The Council has established a Wolverhampton Strategic Housing Partnership. This is based around a multi-disciplinary approach to neighbourhood renewal and will address both development and environmental issues. The main objectives of the Partnership are to:
- Develop a detailed understanding of housing demand and supply (public and private sectors) in Wolverhampton;
 - Link development options into relevant community regeneration initiatives e.g. neighbourhood renewal, specific site briefs, master and action plans;
 - Examine and progress phased development and improvement options for failing housing markets and areas;
 - Develop best practices which can be used to create sustainable neighbourhoods reflecting both local, regional and sub-regional aspirations;
 - Produce prioritised investment plans for the selected areas.

Wolverhampton Unitary Development Plan Review (2001-2011)

- 5.10 The Wolverhampton UDP Review process has now concluded. Following a public inquiry and publication of the Inspector's Report, the Council proposed only minor modifications to the Revised Deposit UDP affordable housing policies. The UDP was adopted in June 2006. The adopted UDP affordable housing policies and supporting text set out in Appendix 3 reflect the results of the Wolverhampton Housing Needs Survey (2002), the Housing Needs Survey Update (2004) and the Council's Housing Strategy (2004/5-2006/7) and provide a full response to national and regional policy requirements. This SPD is based upon and provides supplementary information to these policies.
- 5.11 Policy H10: Affordable Housing requires the provision of at least 25% affordable housing on all housing sites of 25 units or more and sites larger than 1 ha. The exceptions to this general requirement are City Centre sites, where the affordable housing target will be 20%, and housing renewal sites, where the affordable housing target will be 30%. Policy H11: Special Needs Accommodation sets out the Council's intention to negotiate for the provision of appropriate special needs accommodation on suitable site where an identified need for such accommodation exists.

6. Evidence of Housing Need in Wolverhampton

- 6.1 Data from sources such as the Land Registry, the Halifax quarterly price survey and estate agents in the City confirm that house prices have risen in recent years in relation to average incomes. Between 2002 and 2004 house price inflation in Wolverhampton was 60.4%, whereas average incomes rose by only 9% over the same period. Some areas, particularly in the West of the City, have a buoyant housing market in both the sale and rental sectors. Recent house price rises put accommodation in these areas out of the reach of many first-time buyers. Some areas of social and private housing suffer from problems of low demand and poor quality and the Council is working with its partners to progress neighbourhood and housing renewal. However, even in these areas, there is a need for new affordable housing, particularly to re-house the occupants of unpopular social housing due to be demolished in coming years.
- 6.2 All sections of the community experience demand pressures but these pressures are most keenly felt by those least able to compete financially in the housing market. There has been a significant increase in housing need in recent years, reflected in the rise in households entering the Council's Housing Register, from just over 3,000 in April 2001 to nearly 7,000 in April 2005. The Council has developed a picture of housing need based primarily on the 2002 Housing Needs Survey and 2004 Update. Information from

homelessness data records, the Housing Register and data from housing associations have been used to refine and complement the survey information.

- 6.3 The Council's definition of housing need follows the definition set out in 'Local Housing Needs Assessment' (2000): "households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance" (Appendix 2, p116).
- 6.4 The Council's Housing Needs Survey was completed in 2002. The survey was based on 1,000 household interviews and 3,262 postal questionnaire returns, representative by tenure and area. The 2004 Update reassessed the 2002 survey results in the light of up-to-date household and population figures and recent increases in house prices and incomes.
- 6.5 The 2004 Update revealed that, in 2004, 76% of concealed households could not afford to buy the cheapest one bedroom flat in the City. This proportion increased to 85% for a two bedroom terraced house. More concealed households could afford to rent, but 36% / 64% of concealed households could still not afford to rent the cheapest one bed flats / two bed terraces in the City. It is important to note that mortgage interest rates are currently at low levels, so those who cannot afford to enter the market now may never be able to do so, especially if house prices continue to rise in future years.
- 6.6 The housing need methodology applied by both the 2002 Survey and 2004 Update follows that set out by the Department of Transport, Local Government and the Regions (DTLR) in 2000. The calculations take into account backlog need, newly arising need and the anticipated supply of affordable dwellings through turnover and new provision. Many affordable dwellings are lost every year through right to buy and demolitions.
- 6.7 The 2004 Update identified the range of housing needs predicted to arise over the period 2004-2007, including a significant need for affordable housing for first time buyers, single people, the elderly and other low income households.
- 6.8 Taking into account the capacity of existing stock, the 2004 Update concluded that an additional 542 units of affordable housing should be provided every year to meet housing needs, an increase of 126 pa since 2002. The greatest identified need is for housing association rent (256 pa) and there is also a substantial need for special needs supported housing (200 pa). The need for housing association shared ownership and private sector subsidised housing is lower but still significant (86 pa). The findings and recommendations of the 2002 Housing Needs Survey and 2004 Update have been formally endorsed by the Council.

- 6.9 In addition to the need for affordable housing, the 2002 Survey identified the need for 30 unsubsidised small “starter” market units pa, to meet the needs of households with income levels just adequate to access the housing market. In practice, the market is delivering significant numbers of such units every year. However, the 2004 Update, in the light of recent house price increases, identifies an increase in the need for subsidised low cost market housing to meet the needs of this group, which has grown considerably in recent years.
- 6.10 Just over 40% of total completions and conversions over the period 1991-2002 were for affordable housing. The majority of these were provided by housing associations on sites purchased by or granted to them. However, given the dwindling supply of suitable sites and rising housing land values in Wolverhampton, it is reasonable to assume that this method of provision will decrease. Only 18% of completions between 2001 and 2005 were for affordable housing and there is little likelihood of meeting total projected affordable housing need over the remaining survey period (2005-2007).
- 6.11 However, it is possible to meet a significant proportion of this need, provided maximum affordable housing contributions are secured from all eligible private sector housing allocations and windfall sites. This position will need to be reviewed subject to monitoring and the completion of a new Housing Needs Survey in 2006/7.

7. Definition of Affordable Housing

- 7.1 Government guidance set out in PPG3 and Circular 6/98 defines affordable housing as that which is available to people who cannot afford to rent or buy houses generally available on the open market (Circular 6/98, Paragraph 4). In line with Circular 6/98, the Council has defined what it considers to be affordable within its Plan area (PPG3, Paragraph 12) having regard to local income levels and housing costs for dwellings of varying types.
- 7.2 The Council defines “affordable housing” as housing provided, with subsidy, for rent or sale at a price which is affordable to local people in housing need, and which meets their housing requirements. Local people in housing need are those who are unable to meet their housing requirements in the general housing market because of the relationship between local housing costs and incomes.
- 7.3 What constitutes affordability, for the purposes of the UDP Review and this SPD, was determined by the 2002 Wolverhampton Housing Needs Survey with regard to local income levels and housing costs for dwellings of varying types, and will be subject to review in the light of subsequent surveys. The affordability measures used in the Housing Needs Survey 2002 and the 2004 Update are: no more than 3 times

gross income for mortgage borrowing; and no more than 25% of net household income for rent.

Types of Housing which fall within the Definition of Affordable Housing

- 7.4 In the light of the definition of affordable housing provided above, the results of the Housing Needs Survey (2002 & 2004), and in accordance with the West Midlands regional definition of affordable housing, the Council recognises three categories of affordable housing:
1. Housing for rent provided by a social landlord (housing association or local authority) which is allocated on the basis of need. This includes both general purpose and special needs supported housing.
 2. Housing provided under low cost home ownership schemes, which is allocated on the basis of need:
 - Shared ownership housing (where a social landlord retains a continuing interest unless the occupant exercises their right to buy the property outright);
 - Shared equity housing, such as New Build HomeBuy (where land value is retained to provide housing for sale at below market levels, to current and subsequent purchasers, for as long as this is required).
 3. Discounted market rent housing, which is allocated on the basis of need (where subsidy is used by a landlord to provide housing at rent levels below market rents, for as long as this is required)
- 7.5 Housing allocated on the basis of need means housing allocated to those in housing priority need determined through the Council's allocation scheme or through a Housing Association's allocation scheme in certain cases.
- 7.6 Shared ownership housing is housing that is partly sold and partly rented, where a social landlord retains a continuing interest. In cases where the shared ownership purchaser exercises their right to increase their share of ownership to 100% the social landlord must use the proceeds to reinvest in further affordable housing within the Wolverhampton City boundary, so that the affordable housing is replaced and not lost to future people in need. This eventuality will be covered upfront, at the time planning permission is being granted, by the housing association, where possible, being co-signatory to the S106 Agreement, which will also be binding regarding the recycling of proceeds from subsequent affordable housing reinvestments. Social landlords are able to sell social rented housing to invest in delivering their asset management strategies. Social rented housing created after the date of this SPD will be subject to the same recycling of proceeds requirements as shared ownership housing. The period within which the proceeds from the sale of an affordable housing unit should be

spent will generally be two years from the sale date, unless otherwise agreed in writing by the Local Planning Authority. The Council must be informed by the social landlord in writing when an affordable housing property is sold and when the proceeds are reinvested. The Council will set up monitoring arrangements for this purpose.

- 7.7 The New Build Homebuy scheme recently introduced by the Government bears some resemblance to traditional shared ownership, but can involve the private sector. There are a number of variations. The buyer purchases a share (usually more than 50%) of a new build property and the operator of the scheme retains an interest through a charge secured against the property. The buyer pays no service charge or rent on this share. When the dwelling is sold on, the share recovered by the operator of the scheme will be recycled as set out for Shared Ownership.
- 7.8 The Council is committed to the fact that affordable housing must not mean substandard housing, in terms of location, space or standards. All affordable housing must conform with Housing Corporation Scheme Development Standards (see Section 12 - Design).

Types of Housing which do not fall within the Definition of Affordable Housing

- 7.9 Low cost open market dwellings, which can be sold at the lower end of the property market due to their size, location and design, play a valuable role in providing for balanced and mixed communities. This low cost market housing will usually be encouraged as part of any large development in order to meet the Council's objective of developing balanced communities and to meet higher density requirements. However, such dwellings do not fall within the Council's definition of affordable housing, as they are provided with no subsidy at market cost.
- 7.10 Housing provided at a discount by the developer to the first occupier only is also unlikely to constitute a suitable form of affordable housing. To be affordable, it would need to be demonstrated that the accommodation would be priced below the current average price paid by first time buyers in the City for properties of a corresponding size in similar areas. The Council considers that this form of provision also fails to retain affordable accommodation 'in perpetuity'.
- 7.11 In other parts of the country, particularly the south east, a need has been identified for Key Worker Housing, to allow people in specified jobs, e.g. nurses, to access the housing market more easily. The Wolverhampton Housing Needs 2002 Survey and 2004 Update have not revealed any need for Key Worker Housing in Wolverhampton. There is currently no evidence that housing affordability is a key factor deterring people from seeking employment in Wolverhampton. Therefore, the Council will not currently accept the provision of

subsidised housing for specific types of employee in lieu of affordable housing. However, the situation will be monitored and changes to this policy may be made if the circumstances justify it.

8. Site Suitability

8.1 Circular 6/98 defines the criteria that should be taken into account in assessing the suitability of sites to provide affordable housing:

- Site size / number of dwellings
- Existing provision of affordable housing and local housing need in the area
- The proximity of local services and facilities and access to public transport
- Particular costs that may threaten the viability of the site
- Whether the provision of affordable housing would prejudice the realisation of other planning objectives that need to be given priority in the development of the site
- The need to secure a range of house types and sizes in the locality to help achieve socially balanced and mixed communities, and
- The need to achieve a successful housing development

8.2 The size of the site and the number of dwellings to be provided will be the main determinant of site suitability. The other factors listed above may, in exceptional circumstances, affect the level or type of affordable housing that is sought (see Section 9) or whether the provision is located on-site or off-site (see Section 10).

Site size and dwelling numbers

8.3 Government guidance has consistently reduced the threshold for the size of schemes where affordable housing may be sought. In the most recent Government Circular (6/98), this threshold is 25 or more dwellings or sites of 1 hectare or more, or 15 dwellings / 0.5 hectares where exceptional local constraints can be demonstrated.

8.4 In order to meet the substantial need for new affordable housing in Wolverhampton demonstrated by the 2002 Housing Needs Survey and 2004 Update, a threshold of 25 dwellings or 1 hectare has been adopted by the Council and taken forward in the Wolverhampton UDP Review (see Appendix 3). This threshold reflects the fact that there is a limited and declining supply of large housing sites available in Wolverhampton and therefore many of the housing sites coming forward over the UDP review period will be small in scale. Excluding smaller sites from affordable housing requirements would significantly reduce the level of affordable housing provision secured through the planning system.

- 8.5 Where a number of smaller developments are taking place in close proximity and it is considered that these form phases of a larger development, affordable housing contributions will also be sought.

Access to Public Transport and Proximity of Local Services and Facilities

- 8.6 Sites that are close to town or local centres and have good access to public transport are well suited to certain types of affordable housing, particularly where the provision is for non-car owning households and the elderly.
- 8.7 Therefore, proximity to services and facilities and access to good public transport will be taken into account when deciding upon the level and type of affordable housing required. As it is particularly important that affordable dwellings have good access to the public transport network and to local services, proposals in areas with poor access may be required to contribute towards access improvements.

Exception Sites

- 8.8 In order to ensure a consistent and transparent application of the affordable housing policy, the affordable housing requirement may be mitigated only in the following circumstances, where:
1. It can be proved that the requirement would genuinely threaten the overall viability of the development; or
 2. The Council considers that this may be desirable in very exceptional circumstances in order to meet major policy objectives which might otherwise not be met. This exception is at the absolute discretion of the Council.

Viability Considerations

- 8.9 In negotiating the provision of affordable housing, Local Planning Authorities need to consider whether to mitigate (reduce or altogether waive) the amount of affordable housing to be provided on a particular site where a developer has properly and fully demonstrated that the requirement would genuinely threaten the overall viability of the development proposals at that particular point in time i.e. when a planning application is being considered. However, the mitigation will not be permanent where the Council considers it appropriate to require a clawback obligation (see 8.16 below).
- 8.10 'Abnormal development costs' and 'adverse market conditions' are often cited by developers as affecting viability and as reasons why they should not provide affordable housing. 'Abnormal development costs' can include treating contaminated and unstable land; high land assembly costs; site clearance; retention and refurbishment of historic

buildings, etc. Market conditions change from time to time and the timing of the development is often an important factor in relation to viability.

- 8.11 Wolverhampton City Council expects that any ‘abnormal development costs’ and ‘unforeseen circumstances’ will have been fully taken into account by the developer in the land price they pay for the site, including provision for contingencies. If a developer has unwisely paid a high price for a site, which does not fully reflect any ‘abnormal development costs’ or a price which is above normal market value, this would not be a good reason for the Council to mitigate the provision of affordable housing. It should be borne in mind that practically all developable sites in Wolverhampton fall within the ‘brownfield’ category and are subject to ‘abnormal development costs’ to a greater or lesser extent. Therefore developers should be taking this factor fully into account in their calculations. Where the developer has owned the land for a long time before affordable housing policies, or any other policies or legislation, were introduced, this again is no good reason for the affordable housing requirement to be mitigated. Land values will have risen considerably and it is reasonable to expect that the provision of affordable housing (or any other legislative or policy requirement) will be reflected in the actual current market value of the development.
- 8.12 Clearly, if, for whatever reason, a particular development proposal is so unviable that mitigation of the affordable housing requirement would still not generate sufficient profit, the question becomes academic, as the development would not be built. In such cases, the developer might need to re-design the proposal, re-engineer the financial elements, or wait for market conditions to improve. The Local Planning Authority will therefore not agree to fetter itself by mitigating the affordable housing requirement in such circumstances, only to find a different solution under different market conditions can legitimately provide an affordable housing element.
- 8.13 Wolverhampton City Council has a positive, pro-active approach to regeneration and development and the potential benefits it can bring. Where a developer considers that there are major inhibiting factors which would so threaten the economic viability of their proposal, that only a mitigation of the affordable housing requirement can resolve, then they should submit to the Council a full and comprehensive Financial Viability Assessment (FVA) for the Council to appraise and come to a decision whether mitigation is justified. The Council will appoint its own assessors for this purpose to provide professional and impartial advice. The developer shall reimburse the Council its costs for the assessment, as this is carried out for the benefit of the developer and the cost should not be borne by the public purse. This requirement will form part of the S106 agreement for the development. Only one FVA will be considered by the Council for each development and the Council’s decision will be final. Should the developer not accept the Council’s decision and refuse to provide affordable housing

then the Council may refuse the planning application. In such cases the developer has a right to appeal to the Secretary of State / Planning Inspectorate.

- 8.14 FVA's by developers will not be acceptable where they relate to 'red line' outline planning applications or planning applications without sufficient detail to enable a proper assessment to be made and evaluated. FVA's will also not be acceptable at reserved matters stage as S106 agreements need to be signed at planning application stage. Therefore, 'full' or 'detailed outline' applications with sufficient information to assess the FVA will be required. Should affordable housing provision not be forthcoming through the signing of a S106 agreement it is likely that a recommendation for refusal of planning permission will be made.
- 8.15 Should the evidence in the FVA provided by the developer prove compelling (following appraisal by the Council's advisors), having fully considered any potential external funding or subsidies available e.g. from Regeneration Agencies or the Housing Corporation, the Local Planning Authority may mitigate the affordable housing requirement.
- 8.16 However, FVA's are by their very nature estimates. The actual viability of the development can only be properly and fully determined when the dwellings have been completed and sold. The nature of residual land valuation is such that they use currently achieved rentals and values in the vicinity and they do not take into account future growth in the value of the development when it is completed and has improved the environment where it is situated. Therefore, where the Local Planning Authority has agreed to mitigate the affordable housing requirement at FVA stage, a clawback obligation will be incorporated within the S106 agreement to ensure that, if the housing development proves to be viable and profitable when completed and sold, an appropriate proportion of these profits will then be secured for affordable housing provision. It is likely that this provision will be off-site, for practical reasons.
- 8.17 The requirements and procedures for Financial Viability Assessments (FVA's) and their appraisal are set out in detail in Appendix 6 of this SPD. The requirements and procedures for clawback obligations following a decision to mitigate the affordable housing requirement for a site are set out in detail in Appendix 7 of this SPD.

Policy Objectives

- 8.18 There are certain areas, for example Council housing estates, where the provision of further affordable housing on-site may run counter to planning or other policy objectives. Such objectives may include diversifying tenure or promoting regeneration. Where planning or other policy objectives make the provision of affordable housing undesirable

on a site, off-site provision or a financial contribution in lieu may be required instead (see Section 10).

9. Affordable Housing Requirement Details

- 9.1 Consistent with PPG3 (Paragraph 10) the Council is committed to creating mixed and inclusive communities offering a choice of housing, including affordable housing.

Percentage of Dwellings

- 9.2 The amount of affordable housing sought on eligible sites will be:
- 20% of units on sites within the UDP City Centre Inset area;
 - 25% of units on sites outside the UDP City Centre Inset area; and
 - 30% of units on housing renewal sites (low demand housing areas subject to demolition and redevelopment).
- 9.3 The Council's requirement for 25% affordable housing is set on a City wide rather than a site by site basis. This is partly to ensure fair and consistent treatment of applicants, but also reflects the fact that the Council has a City-wide responsibility to meet widespread housing needs. Housing needs cannot always be met exactly where they arise and so appropriate use has to be made of the opportunities that become available. In any case, the Housing Needs Survey has shown that there is a need for good quality affordable housing in all parts of the City, although this need varies in degree and type.
- 9.4 There are two variations on the 25% requirement. The requirement for affordable housing on sites in and around Wolverhampton City Centre will need to be carefully balanced against the importance of achieving key regeneration aims. However, it is important that all new urban village areas created over the UDP period seek to create a mixed community. Therefore the Council will ensure that at least 20% of all housing units provided in the City Centre over the UDP period are affordable.
- 9.5 In and around housing renewal areas, the need to re-house tenants decanted from clearance sites and to diversify the local mix of types and tenures of housing, may well be key factors influencing the location and type of affordable housing required. In general, in order to create sustainable communities, a mix of 70% market and 30% affordable housing will be sought on housing renewal sites.
- 9.6 The target general purpose and special needs supported affordable housing elements for each identified housing allocation site in the UDP Modifications are shown in Tables 13.2 and 13.3 of the Plan.

Tenure Type

- 9.7 The 2002 Housing Needs Survey and 2004 Update have determined how the total affordable housing requirement should be split between different tenure types on a City wide basis (see table below). The Council will adopt a flexible approach towards the tenure type of affordable housing required on each site, having regard to overall City wide targets but also taking into account local needs, the size and location of the site and the type of development. Special needs supported housing, in particular, will only be suitable on certain sites (see below). A diversity of tenure types will usually be appropriate on larger sites, but will not be required on all sites, as local needs may require a concentration of one form of tenure type. The flexible approach could, for example, look at the potential for increasing the amount of shared ownership housing in particular cases.

Tenure Type	% of affordable requirement
<i>General Purpose Housing</i>	
Housing for rent provided by a social landlord	47
Shared ownership housing provided by a social landlord	9
Shared equity or discounted market rent housing	7
<i>Special Needs Supported Housing</i>	
Sheltered housing for older people provided by a social landlord	25
Very sheltered housing for older people provided by a social landlord	4
Independent accommodation for other client groups with external support provided by a social landlord	8
TOTAL	100

- 9.8 In terms of general purpose affordable housing, the priority is to provide housing for rent provided by a Housing Association, and so this will be the Council's preferred tenure type. However, the Housing Needs Survey also reveals a less substantial need for shared ownership or shared equity housing, which may be more appropriate on smaller sites or sites where family housing is not appropriate. Discounted market rent housing may also be appropriate in limited circumstances, for example, in areas with high house prices where people on low incomes find it difficult to access the housing market.

Special Needs Supported Housing

- 9.9 It is important that new housing development should meet the needs of all sectors of the community, including those with special needs. There

is a growing need for independent accommodation which also provides intensive levels of care, due largely to the increase in numbers of elderly people. In many cases such housing is provided by a social landlord and therefore falls within the Council's definition of affordable housing.

- 9.10 The 2002 Housing Needs Survey and other studies have revealed a high level of demand for special needs supported housing throughout the City, particularly for older people. The Survey identifies a need arising from existing households for 954 units of supported housing for older people over the period 2002-2007, 768 units of which should be affordable. This target does not take into account the immediate need to replace accommodation at Council residential homes that have been closed in recent years. The Survey also suggests that a significant additional need for supported housing will arise as older people in-migrate to live near their families in Wolverhampton.
- 9.11 To meet these needs the Council is working with its partners to create a network of sheltered and very sheltered housing schemes. Sheltered housing is a group of flats, bedsits or bungalows set aside for letting to older people, providing a quiet and friendly environment with the reassurance of having an officer living nearby to offer security, help and advice.
- 9.12 Very sheltered housing offers individuals who have identified care needs a self-contained flat within a housing complex or scheme with access to on site domicillary care. There are currently eight very sheltered schemes in operation in Wolverhampton and a scheme on the former GKN site, Bowen Street, Parkfield has planning permission. Such schemes provide a quality alternative to traditional residential care homes.
- 9.13 The Housing Needs Survey also identifies a need for independent accommodation with external support e.g. for those with learning disabilities. The Council will oversee the delivery of special needs supported accommodation, through its role as a provider and enabler. Some of the special needs supported housing requirement will be addressed through flow of existing stock. However, it is likely that the potential to convert existing stock to meet today's standards will be limited.
- 9.14 Given the scale of the need, the Council may seek the provision of special needs supported housing as part of the affordable housing contribution made by larger housing developments. In view of the needs of the residents of such accommodation, such proposals should be located within easy reach of local facilities and good quality public transport and supported by appropriate professional services. In most cases, funding through Social Housing and Supporting People Grant will be available to assist in the provision of this type of affordable housing.

9.15 It is particularly difficult to assemble suitable sites of a sufficient size (approx. 0.8 – 1 ha) for very sheltered schemes in a built-up area like Wolverhampton. Therefore, very sheltered schemes are being sought on the following sites:

- Raglan Street (City Centre)
- Low Hill South

Such schemes may be sought on additional sites as further need is identified.

Size and Property Type

9.16 The size (no. of bedrooms) and property type (flat, house or bungalow) of affordable dwellings required by households in housing need varies greatly from area to area. The Council will refer to the results of the 2002 Housing Needs Survey and any more recent information and also consult local housing offices in order to determine the preferred mix of size / type of affordable dwellings on any site.

10. Location of Affordable Housing

On Site

10.1 In accordance with PPG3, the presumption is that the affordable housing requirement will be provided on the development site itself. On site provision can be achieved in one of two ways:

- (i) the developer builds the dwellings and transfers them to the housing association;
- (ii) the transfer of a fully serviced site, with full access rights, to a housing association.

Off Site

10.2 Although the Council's preference is for affordable provision on site, it is recognised that there may be exceptional circumstances where the affordable requirement can be better fulfilled on another site in the City. This will normally only be possible if either the applicant or the Council own such a suitable site.

10.3 These exceptional circumstances may occur where:

- a) The proposal site is not a suitable location for affordable housing e.g. because of poor public transport access or distance from a centre; or
- b) The Council considers that this is desirable in order to meet other major policy objectives.

Cash in Lieu (commuted sum)

- 10.4 Circular 6/98 recognises that it can be appropriate to negotiate a financial sum in place of the affordable housing requirement. The Council will only expect to agree cash in lieu terms in exceptional circumstances, where off-site provision is determined appropriate but immediate off-site provision is not possible. Such contributions will be secured through a S106 agreement.
- 10.5 All cash in lieu payments will be placed in a ring-fenced account. Allocations from the account will be made on the basis of the Council's housing priorities set out in the Housing Strategy, so long as these will result in the provision of affordable housing (whether via new build, substantial extensions e.g. to an existing sheltered housing scheme, or conversions), that would not otherwise be provided, in the Wolverhampton City area.
- 10.6 The principle behind the cash in lieu calculation will be to allow the provision of an equivalent level of affordable housing to that on the principal site. The developer contribution to affordable housing should match the current Social Housing Grant rate, with housing associations providing the remaining part through private finance and reserves.

11. Levels of Subsidy

- 11.1 The Council's definition of affordable housing specifies that some form of subsidy must be provided to ensure that the housing provided is priced below the level that the free market would dictate. The level of subsidy appropriate to individual units will, however, vary depending upon the type of affordable housing required.
- 11.2 The Council considers that the main purpose of Social Housing Grant (SHG) in Wolverhampton is to address development objectives identified at a Regional and Sub-Regional level, in particular:
- to enable the provision of special needs housing;
 - to allow Housing Associations to purchase and develop sites for 100% affordable housing;
 - To promote balanced housing markets, maximise residential pathways of choice and deliver flexible mixed tenure to meet local needs.
- 11.3 Therefore it is not appropriate that SHG should be used for the provision of general purpose affordable housing on private market housing sites. Where special needs supported housing or other specialised housing is to be built, or where there are exceptional development costs, SHG may be sought, subject to negotiation.
- 11.4 In the case of general purpose affordable housing, the Council will seek a contribution from landowners / developers equivalent to the gap

between the total scheme costs and the amount which the Housing Association can finance from proposed rents.

- 11.5 The provision of housing for rent, at rental levels equivalent to those approved by the Housing Corporation for housing association schemes, will typically require a subsidy of 50% or more of the total cost of the unit. Shared ownership units would require less subsidy than this because the subsidised rented component would normally represent only part of the overall price and the other part would be sold at market value.
- 11.6 In respect of shared ownership, the housing association involved will need to ensure, in agreement with the Council, that the resulting out-turn costs to the occupier are affordable and meet the objectives of the Council's affordable housing policy.
- 11.7 Any service charges levied on affordable units for the use of shared facilities, for example car parking or communal areas, should be reasonable and affordable, and may be controlled through the S106 agreement.
- 11.8 If developers choose to build and manage the affordable housing requirement without the involvement of a Housing Association, occupancy in perpetuity will be controlled through the S106 agreement. In this situation no SHG would be provided.

12. Design

- 12.1 All affordable housing provided on site should be fully integrated with open market housing and should be distributed throughout the site in order to achieve a mixed and balanced community, except where special needs housing requirements dictate otherwise e.g. very sheltered housing schemes. To enable efficient management of housing association rented housing, this should be grouped in clusters of around 10 dwellings. This is a guideline and the precise number will be subject to negotiation bearing in mind the particular site, layout, building design and other relevant factors. Shared ownership units may be "pepper potted" singly across the site.
- 12.2 The objective is to provide a balanced and mixed scheme with no noticeable difference in the location and quality of the residential environment between open market housing and affordable housing. The location of affordable housing units should form part of the S106 agreement for a full planning application or part of the reserved matters application, if the S106 has been completed at the outline stage.
- 12.3 All affordable housing should be designed to the highest standards and should be indistinguishable from neighbouring open market housing. Developers are advised to contact any of the housing associations

listed in Appendix 4 with regard to aspects such as space standards, energy efficiency and design standards. All Housing Associations will be expected to work to the latest edition of the Housing Corporation 'Scheme Development Standards'. The Council may consult the recommended Housing Association for a site as to the adequacy of detailed plans submitted for affordable housing on that site. The Council will expect any affordable housing provided without the involvement of a Housing Association to also comply with these standards.

- 12.4 As affordable housing is generally characterised by low levels of car ownership and the need for proximity to local services, it is particularly suited to building conversions. As set out in Policy AM12: Parking and Servicing Provision of the UDP, parking provided for affordable housing and housing for the elderly should reflect the lower car ownership rates expected among these social groups. Provision for sheltered housing should take account of any warden or staff parking requirements. However, each case will also be treated on its merits regarding the actual level of parking provision, bearing in mind the nature of the location, the patterns of development and other relevant factors.
- 12.5 Developers should consult the Development Control Team within the Planning & Highways Division at the earliest opportunity regarding the design of any residential scheme. Detailed guidance on housing layout and general design principles, recreational open space and external space standards, parking and highway standards, security, landscaping and other planning obligations is provided in Supplementary Planning Guidance and Supplementary Planning Documents, particularly SPG on Residential Development and SPG on Access & Facilities for People with Disabilities.

13. Negotiations

- 13.1 The Council's affordable housing policy places an obligation on a landowner and/or developer, prior to the sale or acquisition of an eligible site, to consider how a scheme may provide an element of affordable housing and contribute to its provision through some form of subsidy. However, the Council is keen to maintain a flow of housing development, which is available to meet housing requirements and local needs for affordable housing as expediently and swiftly as possible.
- 13.2 Therefore, the Council will provide clear, consistent and transparent advice on affordable housing requirements for individual sites in accordance with the details set out in this SPD. Appendix 5 provides an example of the level of detail that will be provided by the Council to a developer about the affordable housing requirements for a particular site at an early stage in negotiations.

- 13.3 Negotiations on affordable housing should preferably take place prior to the submission of a planning application and will involve defining the appropriate provision including the appropriate number, tenure type, property type and location and, where relevant, sources of funding for social housing. Where a Housing Association will be required to deliver the affordable housing, a Housing Association partner should be selected and involved in the planning process as early as possible (see Section 15).
- 13.4 The initial approach should be made to the Planning and Highways Division where the Development Control Officer will co-ordinate the process leading towards the eventual approval of the planning application and the provision of the affordable housing element.
- 13.5 In implementing the affordable housing policy, the Council will seek to ensure that there is close consultation between planning officers, the neighbourhood renewal development team and other agencies concerned with the operation of this policy, such as Housing Associations and the Housing Corporation.
- 13.6 On larger sites, the Council will normally prepare a development brief, in consultation with the landowner or developer, relevant organisations and the wider community, incorporating guidance on the amount and type of affordable housing to be sought.

14. Planning Obligations

- 14.1 Where affordable housing is sought as part of a proposed development, the applicant will be expected to enter into a S106 or other appropriate legal agreement to secure the agreed provision and to ensure that the provision remains genuinely affordable for as long as is required. Developers will also be encouraged to enter into partnership arrangements with Housing Associations whose interest in the property will control initial and future ownership and occupation.
- 14.2 For each individual site the Council will prepare customised draft S106 clauses at an early stage in the planning process and submit these to the developer for comments. In order to be as specific as possible about the amount and type of affordable housing to be provided, the Council will encourage the submission of full rather than outline applications. For outline applications the requirement will usually be expressed as a percentage. For full and reserved matters applications, the applicant should submit a plan showing the location, type and tenure of each affordable housing unit within the site.
- 14.3 Depending on the level of detail within the planning application, the Section 106 Agreement will usually include clauses setting out:
- The housing tenure, type and number of affordable units
 - The location and distribution of affordable housing within the site

- The use of Housing Corporation Scheme Development Standards
- The timing of construction and occupation in relation to the whole site (*a development threshold to secure the affordable housing provision before a specified date or stage in the development - on phased housing developments there will be a requirement to include a reasonable proportion of affordable housing in each phase*)
- The mechanisms to ensure the initial and subsequent occupancy of the affordable housing benefits those in housing need
- The timing and conditions for the transfer of the land or affordable housing to a housing association

15. Working with Housing Associations

- 15.1 The Council considers that Housing Associations are the most effective suppliers of affordable housing, particularly those which have a track record of delivery in the City and which:
- Already have rented accommodation in the City;
 - Have recent local and regional development experience;
 - Have a local management presence.
- 15.2 The Council is now working with a number of preferred Housing Association providers, and the Council's preference is that any general purpose affordable housing should be provided through one of these partners. Contact details for these Housing Associations are provided at Appendix 4.
- 15.3 For each specific site, a preferred Housing Association (or a number of optional partners) will be recommended to the developer. This process will help to ensure that there is a balanced programme across the partnership as a whole and to maintain rational arrangements for managing the affordable housing.
- 15.4 Developers should seek to involve a partner Housing Association at the earliest opportunity, preferably at the pre-application stage. Wherever possible, the Council will seek to involve the Housing Association in the drafting of the S106 agreement and include the Housing Association as a party where appropriate. In cases where the potential developer of the site is unknown or the developer does not have a partner Housing Association, the S106 agreement will require the developer to offer the affordable housing to a Housing Association prior to the commencement of development.

16. Monitoring and Review

16.1 The Council will annually monitor the provision of affordable housing in accordance with UDP monitoring requirements and the Government’s expectations as outlined in Regional Planning Guidance.

16.2 This SPD will also be kept under review in the light of material information, such as a new Housing Needs Survey, and any new Government guidance.

17. Council Contacts

Name & Position	Phone Number / E-mail Address
Head of Planning Policy & Urban Design	01902 554007 planning.policy@wolverhampton.gov.uk
Head of Development, Neighbourhood Renewal	01902 554823
Head of Development Control	01902 555610 development.control@wolverhampton.gov.uk

Appendix 1 Sustainability Appraisal

1. Introduction

- 1.1 This Sustainability Appraisal has been published to accompany the Affordable Housing SPD. It was subject to consultation alongside the draft SPD.

2. Background and Methodology

- 2.1 Under the Planning and Compulsory Purchase Act 2004, a Sustainability Appraisal must be undertaken for each Local Development Document, including SPD's (PPS12 Para's 3.14 –3.18). The purpose of the SA is to promote sustainable development by examining how the policies and proposals of the SPD / LDD contribute to the aim of sustainable development. By identifying any issues at an early stage it is possible to amend the guidance to ensure that it is as sustainable as possible.

- 2.2 The sustainability appraisal methodology currently used by Wolverhampton City Council accords with advice contained in "Planning for Sustainable Development: Towards Better Practice"(1998) and the new Government documentation PPS 12 – Local Development Frameworks (2004). The procedure is based on the approach taken to Sustainability Appraisal of the adopted UDP. The three defined strategic criteria or "assets" are:

- Environment
- People and Society
- Economic Well Being

- 2.3 Within the UDP sustainability appraisal there are a total of 22 objectives: 12 under the environmental heading; 6 under the people and society heading; and 4 under the economic wellbeing heading. This list is based on the General Sustainability Objectives set out in the Regional Sustainable Development Framework (Jan 2005), adapted to reflect the Wolverhampton situation and embrace issues relating to equalities. The objectives have been used to create a matrix for purposes of the appraisal (see Table 1).

3 Options

- 3.1 This appraisal tests two options against the set of sustainability objectives, to determine whether the SPD will contribute positively to delivering sustainable development in Wolverhampton.

Option 1: The UDP Affordable Housing Policies provide the main basis for decisions on affordable housing in Wolverhampton

Option 2: An Affordable Housing SPD is adopted to add value to the UDP Affordable Housing Policies.

4 Results

Option 1

- 4.1 Option 1 relates to the UDP Policy H10: Affordable Housing, Policy H11: Special Needs Housing and supporting text. These two policies were subject to a sustainability appraisal through the UDP Review at First Deposit, Revised Deposit and Adoption stages. Table 1 is a sustainability appraisal matrix for the combined effect of both policies as set out in the UDP.
- 4.2 The benefits of policies on affordable housing are social and economic, rather than environmental. The principal benefits are likely to be in terms of meeting housing needs, social inclusion, health, equality and access on the basis that people on lower incomes will have more opportunity to occupy modern homes, which are likely to provide safer and healthier living environments in places that are conveniently located for where they work.
- 4.3 As the policies promote integration of affordable housing within all types of residential development in all locations and will help to reduce levels of deprivation amongst those in housing need, overall impact on crime is likely to be positive. Some benefits can be foreseen in terms of accessibility to jobs, e.g. allowing people on low incomes to be able to afford to live in town centres.

Option 2

- 4.4 The detailed proposals set out in this SPD have also been considered against each of the criteria listed in the matrix. This process was carried out by the Council's Planning Policy Team once the SPD text had been finalised.
- 4.5 The overall effects are the same as for Option 1. However, because of the added clarity and evidential support provided by the SPD, it should be possible to secure more affordable housing than would otherwise have been the case, and of a more appropriate type, tenure and design, tailored to local housing needs.

5 Conclusions

- 5.1 The Affordable Housing SPD will create no change in the overall effects on sustainability criteria produced by the UDP affordable housing policies. The effects of these policies were positive in all respects.

Table 1
Sustainability Appraisal Matrix for Option 1: UDP Affordable Housing Policies and Option 2: Affordable Housing SPD

Sustainable Development Aim	Impact of Activity						Comments	Indicator used
	-	-	0	?	+	+		
1. Environment								
Make optimum use of land			✓				NA	NA
Enhance qualities of land and the natural environment			✓				NA	NA
Protect and enhance the quality of the built environment			✓				NA	NA
Protect and enhance the historic environment			✓				NA	NA
Protect and enhance air quality			✓				NA	NA
Protect and enhance water quality and maintain water resources			✓				NA	NA
Protect flood plains and water courses			✓				NA	NA
Protect and enhance biodiversity and geological features			✓				NA	NA
Maximise the efficient use of minerals			✓				NA	NA
Minimise the use of waste			✓				NA	NA
Maximise the efficient use and production of energy			✓				NA	NA
Reducing light pollution			✓				NA	NA
2. People and Society								
Enhance public health for all						✓	There are strong proven links between substandard housing and poor health. Those in housing need are most likely to live in substandard accommodation. The provision of new affordable housing will have a positive health impact on all future residents.	Monitoring of health conditions related to poor housing
Enhance education opportunities for all			✓				NA	NA
Enabling the provision of an adequate range of housing to meet local needs						✓	Significant contribution to the creation of mixed and sustainable communities throughout the City by securing an element of affordable housing on all medium - large private housing sites. Policy H10 and the Affordable Housing SPD will provide the most significant method of securing funding for new affordable housing in the City over the UDP period (up to 2011).	Number of affordable units secured through S106 agreements per annum
The ability to access (with the minimal need to travel)						✓	The majority of the larger / higher density housing sites which will give	Proportion of affordable

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a broad range of services, facilities and jobs to meet peoples basic needs.							rise to an affordable housing requirement are likely to be situated in accessible locations, such as the City Centre.	housing built in accessible locations as defined under Policy H9: Housing Density and Mix
Maintain and improve safety, perception of safety and community well being.					✓		The affordable housing policies aim to produce sustainable, mixed communities, which will minimise community safety problems.	Surveys of fear of crime
Provide for equality of opportunity and good race relations.					✓		The main purpose of the affordable housing policies is to create greater equality in the housing market by increasing access to good quality housing for those on low incomes and those with special housing needs.	Regular Housing Needs Survey to monitor levels of housing need for different sectors of society
Economic Wellbeing								
Supporting and growing local economy by fostering an advanced manufacturing sector with a competitive services sector			✓				NA	
Support a stable and growing regional economy and regeneration initiatives			✓				NA	
Encourage sustainable industries			✓				NA	
Enhance social inclusion and develop a more equitable balance of prosperity across the city					✓		The main purpose of the affordable housing policies is to create greater equality in the housing market by increasing access to good quality housing for those on low incomes and those with special housing needs.	Regular Housing Needs Survey to monitor levels of housing need for different sectors of society

Appendix 2 Strategic Environmental Assessment Screening Report

The Council is obliged to determine whether this SPD should be subject to a Strategic Environmental Assessment, under European SA / SEA Directive.

A Strategic Environmental Assessment (SEA) must be undertaken on any land use plan which sets the framework for future development consent of projects. There are exceptions to this requirement for plans that determine the use of a small area at local level and for minor modifications. However, the Council must have determined that the plan is unlikely to have significant environmental effects. This takes the form of a screening process based on a standard set of criteria.

A final decision on whether an SEA is required can only be taken following consultation with four designated statutory bodies; The Countryside Agency, English Heritage, English Nature and the Environment Agency. The process of consultation on the draft SPD will effectively fulfill this purpose.

Table 2 demonstrates how the SPD proposals relate to SEA directive criteria. The Council's conclusion is that this SPD should not be subject to a Strategic Environmental Assessment. The main reason for this is that the SPD does not set a new framework, but supplements existing policy in the adopted UDP. In addition, the affordable housing policies themselves will have minimal environmental effects, as highlighted in the Sustainability Appraisal.

Table 2: Affordable Housing Supplementary Planning Document: Screening for Strategic Environmental Assessment

SEA Directive Criteria	Response
The degree to which the plan or programme sets a framework for projects or other activities, either with regard to location, size and operating conditions or by allocating resources.	The SPD will not set a new framework, rather it will supplement existing affordable housing planning policies as set out currently in the Wolverhampton adopted UDP. These policies set the framework for affordable housing requirements in Wolverhampton.
The degree to which the plan or programme influences other plans or programmes including those in a hierarchy	Within the planning hierarchy, the SPD falls below the UDP and Regional Planning Guidance. The general principles set out in the SPD may be quoted in Site based SPD's, where affordable housing is to be sought.
The relevance of the plan or programme for the integration of environmental considerations in	PPS12 states that at the heart of sustainable development is the simple idea of ensuring a better

particular with a view to promoting sustainable development.	quality of life for everyone, now and for future generations. Quality, affordable housing is a fundamental quality of life requirement. However, there are no direct environmental considerations connected to its provision.
Environmental problems relevant to the plan or programme	No relevant environmental problems.
The relevance of the plan or programme for the implementation of community legislation on the environment. (e.g. plans and programmes linked to waste management or water protection)	No relevance.
The probability, duration, frequency and reversibility of the effects.	The anticipated effects on sustainable development will be positive, as shown in the Sustainability Appraisal report. There will be no negative environmental effects.
The cumulative nature of the effects.	NA
The secondary nature of the effects.	NA
The magnitude and spatial extent of the effects (geographical area and size of the population likely to be affected)	NA
The value and vulnerability of the area likely to be affected due to : <ul style="list-style-type: none"> - Special natural characteristics or cultural heritage - Exceeding environmental quality standards or limit values. - The effects on areas or landscapes which have a recognised National, Community or International protection status. 	NA

Appendix 3

Wolverhampton Unitary Development Plan: Affordable Housing Policies and Supporting Text

13.10 Affordable Housing

Policy H10: Affordable Housing

In order to meet affordable housing need, both City-wide and at a local level, and to ensure mixed communities, the Council will seek to negotiate the provision of an element of affordable housing on all suitable private sector housing developments larger than one hectare or comprising 25 dwellings or more.

The amount of affordable housing sought will be:

- 20% of units on sites within the City Centre Inset area;
- 25% of units on sites outside the City Centre Inset area; and
- 30% of units on housing renewal sites.

The type of affordable housing sought will depend upon a number of factors, including local housing needs and the location and characteristics of the site. The requirement will be secured via planning obligations or other legal agreements, as appropriate.

The amount sought may be reduced or waived, where:

1. It can be proved that the requirement would genuinely threaten the overall viability of the development; or
2. The Council considers that this is desirable in order to meet other major policy objectives.

Off-site provision of the affordable element may be considered appropriate in exceptional circumstances, where:

- c) The proposal site is not a suitable location for affordable housing e.g. because of poor public transport access or distance from a centre; or
- d) The Council considers that this is desirable in order to meet other major policy objectives.

13.10.1 The Council defines “affordable housing” as housing provided, with subsidy, for rent or sale at a price which is affordable to local people in housing need, and which meets their housing requirements. Local people in housing need are those who are unable to meet their housing requirements in the general housing market because of the relationship between local housing costs and incomes. What constitutes affordable housing for the purposes of this Plan, having regard to local income levels and housing costs for dwellings of varying types, has been determined by the 2002 Wolverhampton Housing Needs Survey and will be subject to review in the light of subsequent surveys. The affordable benchmark used in the 2002 survey is that a household should not spend more than 25% of its net income on rent or take out a mortgage for more than 3 times the main earner’s gross income.

13.10.2 The Council recognises three categories of affordable housing:

- 1) Housing for rent provided by a social landlord (housing association or local authority) which is allocated on the basis of need. This includes both general purpose and special needs supported housing.
- 2) Housing provided under low cost home ownership schemes:
 - Shared ownership housing (where a social landlord retains a continuing interest);
 - Shared equity housing (where land value is retained to provide housing for sale at below market levels, to current and subsequent purchasers, for as long as this is required).
- 3) Discounted market rent housing (where subsidy is used by a landlord to provide housing at rent levels below market rents, for as long as this is required)

13.10.3 The Wolverhampton 2002 Housing Needs Survey and the 2004 Update to the Housing Needs Survey have identified a range of housing needs predicted to arise over the period 2002-2007, including a significant need for affordable housing for first time buyers, single people, the elderly and other low income households. Taking into account the capacity of existing stock, the 2004 Update recommends that an additional 542 units of affordable housing should be provided every year to meet these needs. The total is broken down by type as follows:

General Purpose Housing

- 256 units of housing for rent provided by a social landlord;
- 48 units of shared ownership housing provided by a social landlord;
- 38 units of shared equity or discounted market rent housing.

Special Needs Supported Housing (see 13.11.4)

- 135 units of sheltered housing for older people provided by a social landlord;
- 20 units of very sheltered housing for older people provided by a social landlord;
- 45 units of independent accommodation with external support provided by a social landlord.

13.10.4 The Housing Needs Survey 2002 (updated 2004) also identifies the need for an additional 30 unsubsidised, small “starter” market units per annum, to meet the needs of households with income levels just adequate to access the housing market. These do not fall within the Council’s definition of affordable housing.

13.10.5 The majority of affordable housing provided in recent years has been on smaller sites purchased by housing associations or granted to them at a discounted rate. The Council will continue to encourage this type of provision. However, given the dwindling supply of suitable sites and rising housing land values, this source is likely to reduce substantially in the future.

13.10.6 A community’s need for a mix of housing types, including affordable housing, is a material planning consideration as specified in Circular 6/98: Planning and Affordable Housing and Circular 5/05: Planning Obligations. Therefore, in order to make progress towards meeting affordable housing

need, the Council will negotiate with developers to secure a significant proportion of affordable housing on all private housing sites of a suitable size and location, including windfall sites. This will also help to provide a mixed community on the site itself and within the local area. Where a number of smaller developments are taking place in close proximity and it is considered that these form phases of a larger development, affordable housing contributions may also be sought.

- 13.10.7 In determining the amount and type of affordable accommodation required on any site, the Council will have regard to the findings and recommendations of the most recent Housing Needs Survey, and the aims of its Housing Strategy and other relevant strategies. To assist developers, a Supplementary Planning Document on Affordable Housing will be prepared, setting out detailed affordable housing requirements.
- 13.10.8 The target general purpose and special needs supported affordable housing elements for each housing allocation are shown in Table 13.2. No affordable housing target has been set for H5: Former Bilston Girls School, Windsor Street because the Council was required to adopt a view on the issue before the results of the Housing Needs Survey were available.
- 13.10.9 The requirement for affordable housing on sites in and around the City Centre will need to be carefully balanced against the importance of achieving key regeneration aims. However, it is important that all new urban village areas created over the Plan period seek to create a mixed community. Therefore the Council will ensure that at least 20% of all housing units provided in the City Centre over the Plan period are affordable.
- 13.10.10 In and around housing renewal areas, the need to re-house tenants decanted from clearance sites and to diversify the local mix of types and tenures of housing, may well be key factors influencing the location and type of affordable housing required. In general, in order to create sustainable communities, a mix of 70% market and 30% affordable housing will be sought on housing renewal sites. The target general purpose and special needs supported affordable housing elements for each identified housing renewal site are shown in Table 13.3.
- 13.10.11 The Council is now working with a number of preferred Housing Association providers, and the Council's preference is that any general purpose housing should be provided through one of these partners. Affordable housing provided under Policy H10 must be made available at a price level which can be sustained by local people in housing need. Developers will be expected to enter into appropriate legal agreements to secure the affordability of accommodation for as long as is required, and will be encouraged to enter into partnership arrangements with Housing Associations whose interest in the property will control initial and future ownership and occupation.
- 13.10.12 There will be a presumption in favour of the provision of affordable housing on-site. All such accommodation should be fully integrated with open market housing and should be distributed throughout the site, except where special needs housing requirements dictate otherwise e.g. very sheltered housing schemes. In phased housing developments, a reasonable proportion of affordable housing should be included in each phase. It is particularly

important that affordable dwellings have good access to the public transport network and to local services. Proposals in areas with poor access may not be considered acceptable unless they involve the improvement of such access.

13.10.13 In exceptional circumstances, the Council may consider provision of the affordable housing element off-site, subject to an equivalent level of housing need being met. This may be either by way of the developer directly providing affordable units on the alternative site, or by making a financial contribution to enable the provision. Only where it is important to bring the site forward for housing use and there is a real danger that the affordable housing requirement will prevent this e.g. because of high land reclamation or building restoration costs, or where there is an overriding major policy objective, will the affordable housing requirement be reduced or waived.

13.11 Special Needs Accommodation

Policy H11: Special Needs Accommodation

Residential schemes designed for people with special needs will be encouraged subject to the following criteria:

1. The suitability of the site or building;
2. The character of the surrounding area;
3. Compatibility with adjacent land uses;
4. Proximity to public transport and other local facilities;
5. The provision of satisfactory vehicular access and car parking.

Where an identified need for special needs accommodation exists, including housing accessible to disabled people, the Council will seek to negotiate the provision of appropriate accommodation on suitable sites.

13.11.1 Housing development should meet the needs of all sectors of the community, including those groups with special needs. Such groups will include the elderly, people with physical and sensory disabilities, people with mental health problems, people with learning difficulties, people who misuse drugs or alcohol, and women and children subject to domestic violence. Given the projected increase in the proportion of elderly people in the population, in line with national trends, it is particularly important to address the special needs of the elderly. The Wolverhampton Housing Strategy sets out how the Council and its partners intend to address the housing requirements of those with special needs.

13.11.2 A growing proportion of the community requires intensive levels of care due to age or other significant health problems. To meet these special needs the Council is working with its partners to create a network of sheltered and very sheltered housing schemes. Sheltered housing is a group of flats, bedsits or bungalows set aside for letting to older people, providing a quiet and friendly environment with the reassurance of having an officer living nearby to offer security, help and advice. The Council currently provides 840 sheltered properties for rent in 23 schemes across the City.

13.11.3 Very sheltered housing offers individuals who have identified care needs a self-contained flat within a housing complex or scheme with access to on site domiciliary care. There are currently eight very sheltered schemes in

operation in Wolverhampton and a scheme on the former GKN site, Bowen Street, Parkfield has planning permission. Such schemes provide a quality alternative to traditional residential care homes. In order to create a Caring City, the Wolverhampton Community Plan aims to:

- Increase by 40% very sheltered housing schemes for older people by 2007;
- Reduce by 25% the number of permanent admissions of older people to residential and nursing care by 2010.

13.11.4 The 2002 Housing Needs Survey (updated 2004) and other studies have revealed a high level of demand for special needs housing throughout the City, particularly for older people. The 2002 Housing Needs Survey identifies a need arising from existing households for 954 units of supported housing for older people over the period 2002-2007, 768 units of which should be affordable (see table 13.5). This constitutes the special needs supported affordable housing target set out in 13.10.3. This target does not take into account the immediate need to replace places at Council residential homes that have been closed in recent years.

13.11.5 The 2002 Housing Needs Survey (updated 2004) also suggests that a significant need for supported housing will arise as older people in-migrate to live near their families in Wolverhampton. This extra need has not been included in the affordable housing need target but may need to be taken into account in future years, subject to monitoring of actual in-migration.

Table 13.5: Demand for Supported Housing for Older People (2002-2007)

	<i>Private Market Sheltered</i>	<i>Affordable Sheltered</i>	<i>Affordable Very Sheltered</i>	All Sectors
<i>Existing Households</i>	186	685	83	954
<i>In-migrant Households</i>	412	503	106	1,021
Total	598	1,188	189	1,975

Source: *Wolverhampton Housing Needs Survey 2002 (David Couttie Associates)*

13.11.6 The Council will oversee the delivery of special needs accommodation, through its role as a provider and enabler. Some of the special needs housing requirement will be addressed through flow of existing stock. However, it is likely that the potential to convert existing stock to meet today's standards will be limited. Further studies into the condition of existing stock will be commissioned, which will inform strategies to guide future provision.

13.11.7 Given the scale of the need, it will be appropriate to seek the provision of special needs supported housing as part of the affordable housing contribution made by larger housing developments (see Policy H10). In view of the needs of the residents of such accommodation, such proposals should be located within easy reach of local facilities and good quality public transport and supported by appropriate professional services. The specific design and open space requirements of special needs housing will be detailed in a Supplementary Planning Document.

13.11.8 It is particularly difficult to assemble suitable sites of a sufficient size (approx. 0.8 – 1 ha) for very sheltered schemes in a built-up area like Wolverhampton. Therefore, within the next 5 years, very sheltered schemes will be sought on the following housing sites:

- Raglan Street (City Centre)
- Low Hill South

Such schemes may be sought on additional sites, during the remainder of the Plan period, as further need is identified.

Appendix 4

Wolverhampton City Council Preferred Partners

HOUSING ASSOCIATION	CONTACT
Accord Housing Association	Alison Meredith Tel: 0121 500 2300
Bromford Housing Group	Steve Swann Tel: 01902 378652
Midland Heart / Focus Futures	Simon Vick Tel: 0121 242 7908
Heantun Housing Association	Steve Rayner / Nick Crombie Tel: 01902 571177 / 571175
Mercian Housing Association / Zenith	Eileen Russell Tel: 0121 377 8899

Note: Housing associations are listed alphabetically, the order does not indicate any preference.

Appendix 5 Affordable Housing Brief

The following is an example of the level of detail that will be provided to a developer about a particular site by the local authority, setting out the authority's expectations at an early stage in negotiations.

Site Name:

Relevant Policy Background:

Justification of Housing Need:

Affordable Housing Requirement: % of affordable housing; on site / off-site / cash in lieu

Preferred Property Type(s): Size (no. bedrooms) and property type (town house, flat, bungalow, etc.)

Preferred Tenure type(s): Whether the preference is for general purpose housing for rent or for shared ownership / shared equity and whether there is a requirement for special needs supported housing

Other Requirements:

Affordable Housing Provider: One (or more) of the Council's preferred partner Housing Associations

Delivery: Whether Social Housing Grant will be provided and, if so, at what rate

Appendix 6

Financial Viability Assessment Guidance Notes

1 INTRODUCTION

- 1.1 The overall objective of the Financial Viability Assessment (FVA) is the identification of residual development profit with the basis of claw-back, specifically defined having regard to the level of profit a competent developer should achieve. The FVA should identify a profit threshold over which affordable housing is enforceable. These notes are intended for guidance purposes only and, in each instance, set out the minimum target terms of reference.
- 1.2 Where the applicant claims that the provision of affordable housing would make the development unviable, the Council will call for a full and comprehensive Financial Viability Assessment (FVA) in order to assess whether mitigation of Wolverhampton City Council's affordable housing requirements is justified.
- 1.3 In each instance the Council would prefer any FVA to be in either Circle Developer, Prodev or Excel spreadsheet format unless otherwise agreed. In the event that the FVA follows a different format interested parties should carefully consider the matters set out in section 1.8. Please note, however, that the Council reserve the right to commission a third party to recast any FVA into one of these formats at the applicants cost.
- 1.4 Wolverhampton City Council reserves the right to appoint its own assessors for the purposes of providing professional and impartial advice with regards to both the FVA and any supporting information that might be required / appended thereto. In each instance the developer shall reimburse to the Council its reasonable costs incurred in undertaking the detailed assessment.
- 1.5 Only one FVA will be considered by the Council for each individual application/development. Applicants are encouraged to submit as full and as detailed a package of information in support of any individual FVA as they are able in order to ensure that the Council has a full understanding of the background to any mitigation claim. The FVA must relate to the whole development falling within the remit of the relevant planning application i.e. on mixed use sites, not just the residential element but the wider scheme.

2 FINANCIAL VIABILITY ASSESSMENT REQUIREMENTS

- 2.1 It is appreciated that FVAs can take different formats and that individual organisations may have bespoke software or particular styles of approach to FVAs which are peculiar to themselves. It will however be understood that FVAs submitted in support of individual planning

applications must adhere to a pre-determined format in order that there may be a common approach to their assessment.

STANDARDS

2.2 As an absolute requirement FVAs must comply with the following standards:

1. Notwithstanding that FVAs may rely upon calculations and documents prepared by third parties or other professional teams each FVA must nevertheless stand in its own right and be capable of being read and understood as a single document without direct reference to any additional material.

2. Development appraisals should be written in English with all financial information expressed in sterling. All areas will be expressed either as imperial and metric or metric only. Areas should be measured in accordance with the RICS Code of Measuring Practice 5th Edition.

3. In every instance there must be a clear statement with regards the assumptions behind the appraisal as follows:

i. **Timescale (to be expressed in months) and as a minimum to include:**

- Proposed start date
- Pre-construction period
- Construction period
- Sales and Marketing period
- Project length
- Details of phasing

ii. **Construction**

a. Basis upon which construction costs are incurred:

E.g. Land Remediation
Off site costs
Service Provision
Construction Costs, etc.

b. Basis upon which individual professional fees have been calculated.

c. Contingency as a % of total construction costs.

iii. **Disposal**

a. Basis upon which purchaser's costs are calculated

- b. Basis upon which sales fees have been calculated

iv. Interest

- a. A clear statement with regards to the debit and credit rates of interest and the basis upon which interest rates have been adopted for all payments/receipts.
- b. The basis upon which interest is compounded within the appraisal (e.g. quarterly and charged monthly, etc).
- c. Precise period over which interest rates have accrued.

v. Inflation / growth

- a. All assumptions in relation to building cost inflation and rates.
- b. All assumptions in relation to capital / rental growth and rates.

vi. Cash flow

Each FVA should be accompanied by an appropriate cash flow summary.

vii. Land Cost

A clear statement regarding the Land Cost and associated fees

FORMAT

- 2.3 Applicants are required to submit their FVAs in the following format. Please note that these headings should be treated as the minimum base requirement and the Council reserve the right to call for any additional information as they reasonably see fit.

1. Appraisal Summary

Each FVA should be presented in the format of a Residual Development Appraisal and provide a front page summarising the FVA as follows:

- Revenue
- Investment valuation/sale price
- Gross development value
- Total purchaser's costs
- Net development value
- Net realisation

2. Outlay

Acquisition costs to include:

- Acquisition price/stamp duty
- Acquisition agent's fees
- Acquisition legal fees
- Town planning fees
- Survey fees etc
- All other acquisition costs
- Construction costs expressed as follows:
 - Total square metreage / footage
 - Rate per square metre / foot
 - Additional costs e.g. site works, preliminaries, acoustic works, etc.

3. Contingency (expressed as percentage of construction cost)

4. Professional fees

- a. Architect
- b. Quantity surveyor
- c. Structural engineer
- d. Mechanical/electrical engineer
- e. Project manager
- f. Etc.

5. Marketing

- a. Full marketing costs / period
- b. Professional fees
- c. Letting agent's fees (where applicable)
- d. Sale agent's fees (where applicable)
- e. Any other disposal costs
- f. Additional / extraordinary costs e.g.
 - Section 106 costs
 - Contribution to public art
 - Contribution to off site works, etc.

6. Finance

- a. Pre-construction period (expressed as months with a commencement date)
- b. Construction (expressed as months with a commencement date)
- c. Income flow period (where applicable and expressed in months with a commencement date.)

7. Profitability

Performance measures and confirmation of which measure is being utilised to establish the target return as follows:

- a. Profit on cost
- b. Profit on GDV
- c. Development yield (where applicable)
- d. Equivalent yield (true)
- e. Rental cover (where appropriate)
- f. Profit erosion

SUPPORTING DOCUMENTATION

- 2.4 The Council reserves the right to request any supporting information that it feels is relevant to an understanding of the FVA including, but not necessarily limited to construction cost plans, architects drawings, valuation reports, etc.

Appendix 7

Clawback Arrangements Following a Decision to Mitigate the Affordable Housing Requirement for a Site

1 INTRODUCTION

- 1.1 Wolverhampton City Council accepts that by their very nature residual land development assumptions can contain elements such as projected increases in values / rentals, etc. or "hope value" which may not be reflected in the FVA.
- 1.2 Consequently, where the Council has agreed to mitigate the affordable housing requirement at FVA stage a clawback obligation will be incorporated within the Section 106 agreement to ensure that, if the subsequent development benefits from changes in market conditions so that profits exceed projected levels at the date of the FVA an agreed share of that additional profitability / windfall will be paid towards the provision of affordable housing.
- 1.3 Any clawback arrangements will be negotiated on an individual basis in accordance with the circumstances of each case.
- 1.4 The purpose of the clawback obligation is to ensure that, in those circumstances where profits exceed original projected levels and the Council has previously agreed to mitigate the affordable housing requirement, a set formula exists to calculate the appropriate percentage of affordable housing based upon the revised financial viability assessment.
- 1.5 In the majority of instances it is envisaged that the affordable housing will then be provided off site. In such cases the clawback figure will be placed into a separate account and spent by the Council within a specified period of time to secure the provision of new affordable housing on a site or sites in Wolverhampton, in line with current affordable housing needs.
- 1.6 Whilst each case will be considered on an individual basis, for guidance purposes only, the affordable housing clawback obligations will broadly accord with the following basic terms:
 - i. Open book / Sales Receipt Information: any clawback obligation will be subject to an agreement whereby the applicants agree that the Council will either have access to the continuing financial viability assessments and all relevant supporting material on an open book basis or will provide sales receipt information on an agreed basis.
 - ii. All costs in relation to the clawback obligation and the Council's expenses in monitoring the clawback obligation during the

development process up until the point that compliance has been fully achieved in respect of the clawback obligation on either an open book appraisal or on the basis of sales receipt information will accrue to the applicant and this for the avoidance of doubt will include those costs of appointing the clawback obligation co-ordinator.

- iii. The Council will appoint an individual to act as the clawback obligation co-ordinator whose responsibilities will be to monitor the clawback obligation during the relevant period.

- 1.7 Whilst the Council wishes to make it clear that it reserves the right to treat each case entirely independently, clawback obligations will broadly follow two potential bases as follows:

Clawback Obligation 1 – Open Book

- 1.8 The financial viability assessment will be agreed and total profitability and returns monitored during the development period by the clawback obligation co-ordinator. The monitoring will be undertaken on an open book basis and upon practical completion of the development or disposal of the final element of the scheme (whichever date falls earlier) an open book appraisal will be undertaken.

- a) In the event that total returns exceed the previously agreed TRF (target return figure) the owner will pay to the Council any agreed sums of money within 28 days of a formal demand by the clawback obligation co-ordinator.
- b) In the event that any element of the development has not been disposed of by the owner within 24 months of completion of the development the clawback obligation co-ordinator will at their discretion call for an independent valuation of any elements which remain unsold.
- c) The independent valuer will be agreed between the parties or if no such agreement can be reached within 28 days following formal written notice by the clawback obligation co-ordinator by application to the President of the Royal Institution of Chartered Surveyors to nominate an appropriate surveyor to undertake valuations of the unsold elements.
- d) The valuation(s) of the independent valuer will be final and binding on the parties.

Clawback Obligation 2 – Sales Receipt Information

- 1.9 The clawback payments will be calculated against a formula as follows:

- a) “Clawback Trigger Figure” means an agreed sum per sq m / sq ft based upon a target receipt for each dwelling.
 - b) “Agreed Percentage” means the percentage of profit over and above the Clawback Trigger Figure that will accrue to the Council.
 - c) “Total sq m / sq ft” means the total square metreage / footage of all units.
 - d) “Total Receipts” means the total receipts for all units sold by reference to actual sale price for each unit or, where applicable, independent valuation.
 - e) “Average Receipt” means the Total Receipts divided by Total sq m / sq ft.
 - f) Clawback Formula: $\text{Agreed Percentage} \times \text{Total sq m / sq ft} \times (\text{Average receipt} - \text{Clawback Trigger Figure})$
 - g) Longstop Date: the date at which all parts of the development which remain in the ownership of the owner will be independently valued, if the Council considers a Longstop Date is appropriate.
 - h) Contingency – only allowed at initial appraisal calculation. For calculation at end of development the contingency would either have been spent and included therefore as a development cost, or excess will have gone to be included in scheme profit.
- 1.10 Timescale: on the anniversary of every six months from the date of the clawback formula agreement, or earlier if deemed appropriate, the clawback obligation co-ordinator will review Total Receipts during the preceding six months' period and if it is calculated that the Clawback Trigger Figure has been exceeded by the Average Receipt then the owner will within 28 days pay to the Council the relevant clawback figure.
- 1.11 If at the Longstop Date any part of the scheme has not been sold or disposed of the clawback obligation co-ordinator will arrange for an independent market valuation of any element which remains unsold upon the same terms as set out above.
- 1.12 If following completion of the independent valuation it is calculated that the Clawback Trigger Figure has been exceeded by the Average Receipt then the owner shall within 28 days pay to the Council the clawback figure.