

Chorley Council

Affordable Housing Framework



Forward

Affordable housing has become an increasingly important issue in Chorley over the past few years. The increase in average house prices has not been matched in the increases seen in average incomes. This has meant that housing has become less affordable to many living in the borough.

The Council has recognised the importance of providing affordable housing in the borough and has therefore included a long-term outcome to ensure that there is a balanced housing market in its Corporate Strategy. Targets have also been included in the Sustainable Community Strategy and Corporate Strategy to ensure that more affordable housing is provided.

This affordable housing framework should support the provision of affordable housing in the borough, clearly defining affordability and the mechanisms by which the Council will secure more affordable housing units.

This affordable housing framework sets out why the provision of affordable housing is important to the borough of Chorley. It sets out the Council's definition of affordable housing and the policies that it has towards developers to encourage increased provision of affordable housing.

In addition, it states how the Council will allocate the affordable housing available to it and the process that prospective occupiers will have to go through to secure housing. While it contains the policy and application form, other literature will be made available to ensure that those in housing need will be able to easily access the service.

Cllr Peter Malpas

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1. Introduction

House prices in Chorley have risen dramatically in recent years. Affordability of housing is closely linked to the average household incomes in the Borough, which have risen at a much slower rate. The table below illustrates the increase in local house prices since 2000.

Property Type	Average Price in 2000	Average Price in 2004	% Difference since 2000	Average Price in 2007	% Difference since 2004
Apartment	£51,450	£96,428	+87%	£162,487	+25%
Terraced House	£45,089	£78,289	+74%	£123,515	+65%
Semi Detached	£55,748	£127,750	+129%	£144,491	+30%
Detached	£95,626	£186,213	+95%	£269,349	+33%

In 2000, the average household income in Chorley Borough was £24,651. Using the Council's definition of affordable housing at that time, accommodation of all types was affordable to a household on an average income. The average income in 2007 was £35,000. The gap between the average household income and average house price has increased dramatically, meaning that housing has become far less affordable.

This framework sets out the policies and procedures that the Council has established in relation to increasing the provision of affordable housing in the borough, and its allocation, in the following sections:

- **What is affordable housing?** sets out the Council's definition of affordable housing.
- **New Development Spreadsheet** outlines the currently anticipated provision of affordable housing in the next few years in the borough.
- **Affordable housing contribution procedure for developers** sets out the contribution sought from developers to make affordable housing provision, and the mechanisms for ensuring that policies are adhered to.
- **Affordable housing negotiation procedure** - a flowchart to illustrate the roles of the Council, Registered Social Landlords (RSL's, e.g. housing associations) and developers in affordable housing.
- **Eligibility criteria for affordable housing** sets out the criteria for applicants wanting to occupy affordable housing
- **Promotional literature** information that will be made available to publicise the role of the Council in affordable housing.

2. What is affordable housing?

Affordable Housing is defined as Rented, Shared Ownership and Discounted Open Market Value. Below is the full definition of each of these tenure types;

Rented

Social Rented Accommodation is subsidised by the government and the Council's housing allocations policy determines in what circumstances applicants attract a priority. The applicants deemed to have the greatest need to be re-housed are awarded the highest priority as and when vacancies arise. It will always be those with the highest priority for re-housing who will be selected first.

Shared Ownership

A Shared Ownership scheme allows a householder to purchase a share in a property, the remainder being retained by the local authority, Housing Association or private company.

Discounted Open Market Value

These homes are purchased on a 999-year lease at between 60% and 85% of their open market value. The discount established at point of purchase will remain the same for the term of the lease. When the house is sold, the owner retains any capital increase, but must sell on to a local qualifying person.

How much should affordable housing cost?

It is important to have a transparent definition of affordable housing for sale, to ensure that when units are marketed, they are in fact affordable to residents of Chorley. The definition will also be used when negotiating with developers for new proposed developments and guidance to Housing Associations of what the Council expects the properties to be marketed for.

Affordable Housing Definition

Median Household Income and a multiplier of 2.5

Borough Medium Income £29600 * 2.5 = £74,000

3. New Development Spreadsheet

This table shows the number of affordable housing units that are due to be provided within the borough in the next two years. There are a number of funding sources ranging from Section 106 negotiations to Housing Corporation funding awards.

SUMMARY OF AFFORDABLE HOUSING CONFIRMED DEVELOPMENTS (as at 25.03.08)

Scheme Name	Starr Lane	New Street	Pilling Lane	Rectory	Buckshaw	Gillibrand Parcel 8 & 9	243-289 Preston Road	605 Preston Rd	Railway Road	Fairview	Rephidim House
Developer	Horwch	Eccleston	Chorley		Additionality	Chorley	Clayton le Woods	Clayton le Woods	Brinscall	Adlington	Withnell
	Barratts	David Jones	Redrow/Barratt	N/K	Redrow/Barratt	Adactus	Wainhomes	Wainhomes	Twinline	PIP	Adactus
RSL	Places for People	Great Places	TBC	Adactus	New Progress Housing	Adactus	New Progress Housing	Great Places	TBC	Places for People	Adactus
No of Affordable Units	12	16	20	2	30	38	8	5	3	42	6
of which a) Rent	12	0	10	0	20	38	3	2	0	14	6
b) Shared Ownership/LCH	0	16	10	2	10	0	5	3	3	28	0
Funding Stream	RSL	RCG	CS	RSL	CS	HC	RSL	RSL	TBC	HC	HC
Planning Permission Granted	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Expected Completion Date	Mar-08	Mar-08	Mar-09	Mar-09	Mar-09	Mar-09	Mar-10	Mar-10	Mar-10	Mar-10	Mar-10

Number of Affordable Housing Units	2008/2009 106* This does not include Star Lane or New Street	2009/2010	TOTAL	Key:
		64	170	HC: Housing Corporation CS: Commuted Sum Funding Confirmed, Planning Permission Granted
Number of Social Rented	68	25	93	Green
Number of Shared Ownership/LCH	38	39	77	Yellow Funding Confirmed, Planning Permission not granted

In total 170 units of affordable housing are anticipated to be delivered within in the borough before March 2010.

Future planning policies for achieving affordable housing will be established in the Local Development Framework (LDF) – the new style local development plan. These policies will be based on evidence of housing need and market conditions gathered through close partnership working with a wide range of agencies including developers, housing associations, estate agents and mortgage lenders. The existing planning policy in the Chorley Borough Plan Review

is now out of date. It was prepared in 2003 when the ratio of house prices to incomes was much lower and also since then national planning guidance has changed giving greater scope

to apply development requirements to smaller sites. Until the LDF policies are in place an interim policy will apply. This is set out in section 4 below.

4. Affordable Housing Contribution Procedure for Developers

For developments of 10 units and above, there is a requirement that 30% of the units are affordable.

Where the percentage falls into a decimal of a unit, a commuted sum will be required for the 'part' unit. The commuted sum is a one-off payment made by a developer to the Council instead of providing the full complement of housing units.

To calculate the commuted sum for a part unit, the Council would calculate the difference between the open market value of the units in the development and the limited of affordable housing. This would give the commuted value for a whole unit. The developer would then pay the proportion due. The example below aims to explain this:

In a 31 unit development of 2 bed houses, there would be a requirement for 9.3 affordable units (30% of the total). Therefore, there should be an onsite provision of 9 units and a commuted sum for the remaining 0.3 unit. The following calculation would be used for the commuted sum

Property Type	Open Market Value	Limit (median income x 2.5)	Commuted Sum (based on 0.3)
2 bed house	£130,000	£75,000	£16,500

Calculation: (Open Market Value – Limit) x proportion of unit

Therefore: (130,000 – 75,000) x 0.3 = 16,500

In determining the open market values, the Council will refer to its agent, Liberata (Property Services Provider) who will provide advice. Developers will need to submit house types, size and specification of their proposed schemes that will match the affordable housing needs in that locality. Failure to do so could result in delay in the Council determining any figure due.

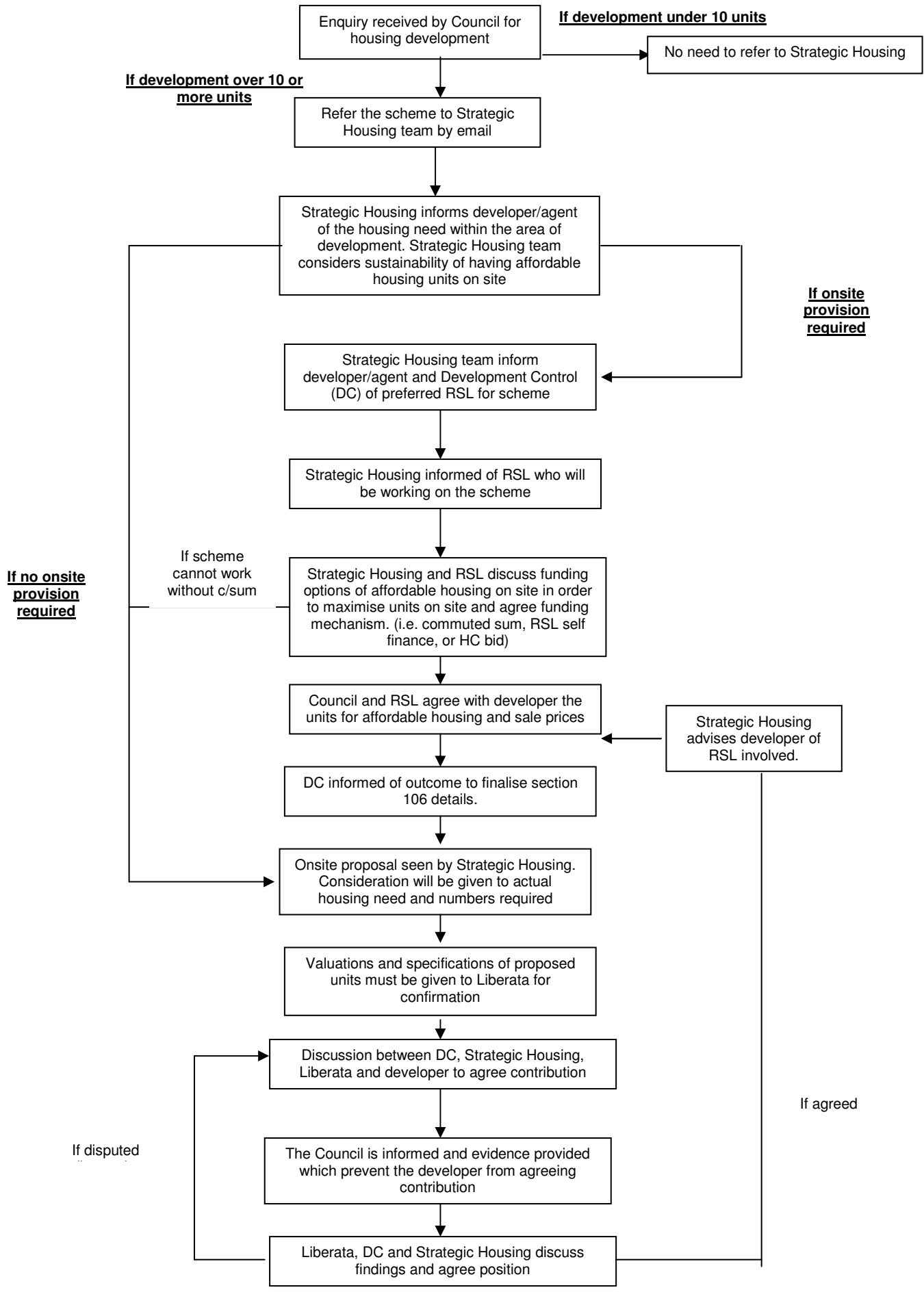
Affordable housing provision in new developments should be provided on site. However, in exceptional cases the Council may deem that on site provision is not appropriate. This decision is made at the discretion of the Council and will be for reasons such as lack of interest or available funding from an RSL or that the development is not in a sustainable location with good access to local facilities.

In such cases where the Council requires a Commuted Sum, based on the calculation above.

Affordable Housing Negotiation Procedure

To ensure that developments in the borough have the maximum amount of affordable housing provision, it is important to clearly identify the process by which the affordable housing is secured. The procedure on the next page sets out the roles and procedure for this.

Affordable Housing Negotiation Procedure



Allocation of the Commutable Sum Pot

Funding secured through commuted sum contributions for affordable housing will be put in a dedicated account and prioritised for use on affordable housing schemes, including the following:

- Expansion of discounted property purchase scheme (council purchases property and sells on at a discounted value)
- Expansion of First Steps Grant (council offers scheme to key workers to assist them getting onto property market)
- Introduction of a Loan Scheme (council makes funding available to households who cannot afford properties on the open market. Once property sold, the loan is repaid in full back to the council)
- RTB 'buy-back' budget. (To purchase properties which were sold under the Right to Buy legislation)
- Preferred partner purchasing property off the shelf/existing provision in local area
- Creation of a budget which can be used to contribute and attract additional funding to provide key council housing priorities (council owned land etc)

Decision Making

The decision about whether developers should make on site provision, or provide a commuted sum, should be made by the Corporate Director (Business) and the Development Control Committee.

Recommendations will be made to the Corporate Director and Development Control Committee through the Housing Market and Strategy group.

The purpose of the team will be able to assess any proposed development in terms of sustainability and RSL funding. This must be completed before an agreement is reached with the developer.

The Housing Market & Strategy Group (*A group made with representatives from housing, planning, legal and Liberata*) is responsible for determining where Section 106 funding is spent, with recommendations being made by the Strategic Housing team.

6. Affordable housing needs based plan

The housing needs of an area will determine what types of affordable housing should be provided in different parts of the Borough. To establish the housing needs of an area, the Council would normally use a Housing Needs Survey.

The latest Housing Needs Survey was completed in 2004. The survey identified a need for additional affordable 625 units over a 5-year period. The housing market has moved on since this survey and waiting list figures for housing association affordable housing have risen by approximately 100% in this time (current figures in 2008 are 6,500). This is another reflection of the large increase in market housing prices and the small rise in incomes over the past few years as set out in Section 1.

Therefore, until the next Housing Needs Survey is completed, it is appropriate for the Council to also take into account other information to properly establish the demand for social rented and shared ownership accommodation within a proposed area of development. The current waiting list figures for all types of accommodation in a relevant locality of the Borough will be examined. The most up-to-date information concerning average income levels and actual house sale prices should also be looked at.

In order to address the shortage of social rented accommodation throughout the borough and to meet demand, it is proposed that a minimum of 70% of all new affordable housing units should be social rented accommodation. The remainder of the units being shared ownership or discounted open market value properties.

Until the Council completes a preferred housing association partner selection process for new developments, the Strategic Housing team will determine the location of any new proposed development and its proximity to existing social housing and liaise with the Housing Association who manages stock closest to the proposed development.

7. Eligibility Criteria for New Affordable Housing

The eligibility criteria for affordable housing should take into account the needs of the intended occupiers, to ensure that affordable properties are suitable in all respects for those households. In addition to applying to the existing affordable housing stock, the following criteria should also be written into all new Section 106 agreements, to enable the Council to monitor the allocation of all new affordable housing effectively.

Eligibility Criteria for Affordable Housing Occupier Applicants

Shared Ownership / Low Cost Housing scheme

- Applicant(s) must have a connection with the area where they are enquiring to purchase*
- Applicant(s) must be deemed to be in need of assistance in purchasing property**
- Applicant(s) can demonstrate a housing need for the property type***

Definition of Local Connection

With regards to local connection, an applicant must be able to demonstrate one of the following:

- Applicant(s) must live or previously lived within the ward boundaries for the property in question **or**
- The Applicant(s) are employed within the ward boundary **or**
- The Applicant(s) have a family association within the ward boundary **or**
- The Applicant(s) can demonstrate any special circumstances with the Council should take into consideration.
- Evidence to support applications will be required and may include proof of address, proof of employment, evidence of family connection with their address and GP letter

In need of assistance

Using the definition of affordable housing, the Strategic Housing team will assess:

- Household income of the applicant(s) and using available information will check other similar types of properties available on the open market could be afforded in that area. This will assist the Council to determine if assistance is required onto the housing ladder.
- The Council will take into account personal debt and other commitments when considering the application.

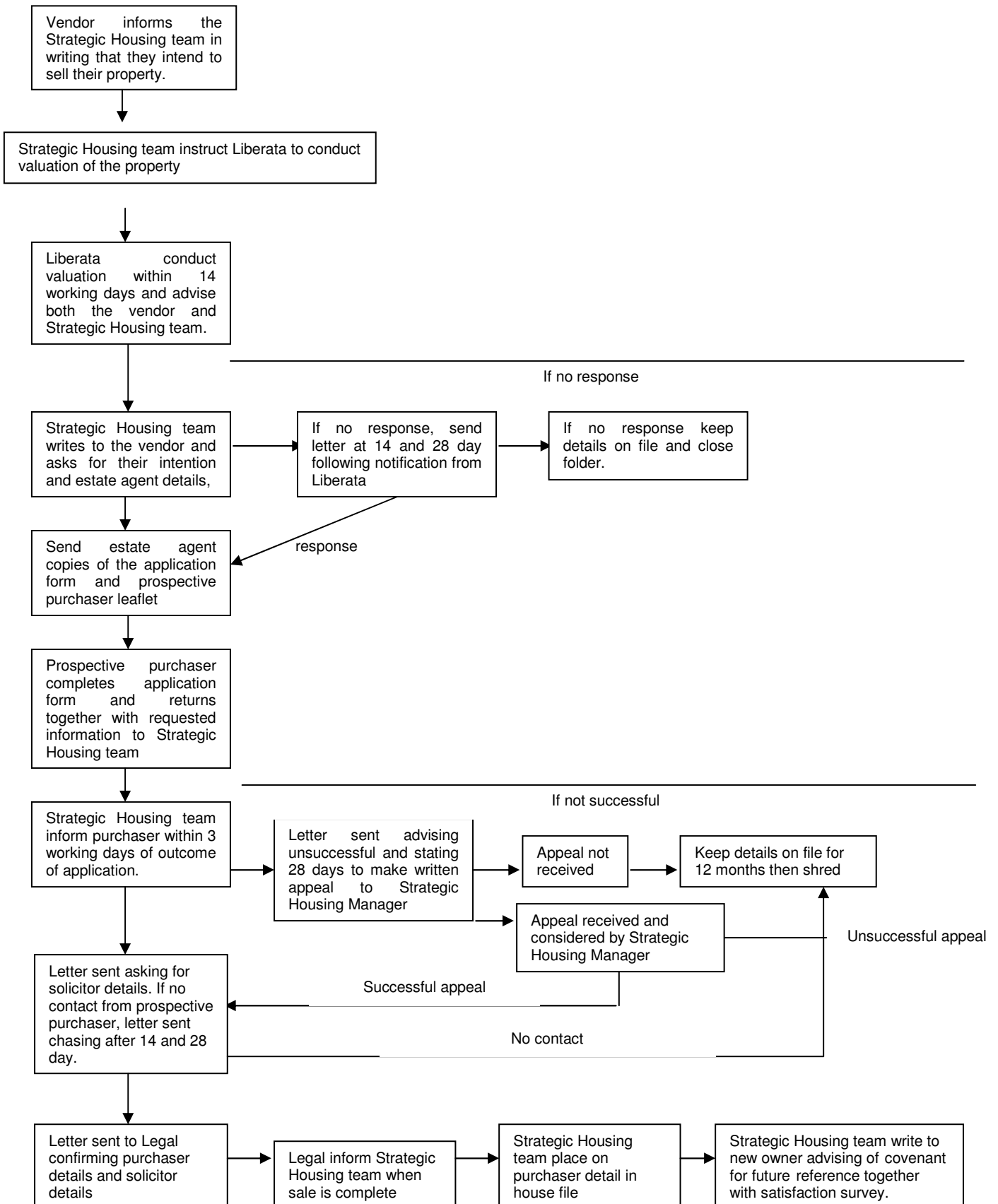
Housing Need

- Applicant(s) will be assessed on their current housing need in accordance with the Council's housing allocation policy. Applicant(s) will only be authorised to proceed with purchase after successfully passing the criteria;
- Applicant(s) will only be allowed to purchase properties with an excess of one bedroom for their current housing needs.

Low Cost Home Ownership Application Procedure

Low Cost Home Ownership Flowchart (Council owned property only)

This procedure will cover all new affordable housing provided on developments through Section 106's. Existing properties will differ slightly.



8. New Low Cost Home Ownership Application Form

In order to allow the Council to determine a household's actual housing need, applicants will be asked to complete an application form, which will include details of income and expenditure.

The form is attached as Appendix A

9. Low Cost Home Ownership Leaflet

It is important to have literature available to explain what affordable housing is and the differences in models of affordable housing). This is particularly important tool for advising residents on existing/new developments to remove myths and mis-informed opposition to the provision.

A leaflet will be developed to outline the Council's role in developing affordable housing and how these are allocated to future occupiers. This leaflet will be made available on the Council's website and in the most appropriate format to ensure that it is accessible to potential applicants.

APPENDIX A

LOW COST HOME OWNERSHIP Application Form

FOR OFFICE USE ONLY

APPLICATION NO: _____

DATE RECEIVED: _____

Important

- Please answer all questions as fully as possible
- Completing this form enables us to assess your application;

1. About you and your household

	Applicant	Joint Applicant
Name		
Date of birth		
Nationality		
Ethnic Origin (optional)		
Address		
Postcode		
Daytime phone no.		

Please give details of all other members of your household

Surname	First Name	Relationship to Applicant	Sex	Age	Moving with you

2. About your present home

Please tick/indicate, which applies to you

	Applicant	Joint Applicant
Housing Association/ Local Authority tenant		
Private tenant		
Living with parents/relatives		
Owner-occupied		
Other – please specify		
How long have you lived at this address?		
If you have moved home in the last three years what was your last address?		
Do you own or have a part share in any property elsewhere? (including land/timeshare, in UK or abroad) ?		
Do you use your home for business? ?		
Are you a first time buyer? ?		
If no, have you a property to sell? ?		
What do you think your property value is? ? (if you have had your property valued in the last 12 months, please insert valuation figure)		
What is left to pay on the mortgage? ?		

3. Financial Details

	Applicant	Joint Applicant	Other Household Members if applicable
Occupation			
Employer – state if self-employed (Please ask your employer to complete the enclosed employment status form)			
Employer's Address			
Gross Income (monthly)			
Do you have a bank/building society account Please tell us about all your bank accounts even empty or overdrawn ones			
Name of bank		Name of Bank	
Account number		Account number	
Whose name is the account in?		Whose name is the account in?	
What is the current balance?		What is the current balance?	
IF MORE THAN TWO ACCOUNTS PLEASE STATE DETAILS HERE			
Do any other household members moving with you, including children, have any savings – please give details.			

Name of Bank			
Account number			
Who's name is the account in			
How much is in the account			
Do you have any other savings accounts e.g. Post Office accounts, premium bonds, National Savings Certificates stock and shares ISAs (please give details)			
Do you receive any other income that you have not already told us about on this form (e.g. income benefits, maintenance, pensions. 2 nd job)			

(Proof of income and savings will be required before an offer of assistance is made. This is normally 3 months bank/building society books or statements and your last 3 months wage slips (copies are not accepted)).

4. General questions about your application

Based on the above information, how much do you feel you can afford for the property? (You need to have detailed knowledge of what is available, where and at what price. We would suggest you do as much work as possible to understand the local housing market)

£

Have you approached a Bank or Building Society to see how much they will lend? (If yes, please provide proof i.e. 'Agreement in Principle' from your mortgage lender. We recommend that you investigate how much you can borrow and from what source as soon as possible. All bank and building societies will give you an estimate of what they will lend)

Yes **No** **How Much?** **£**

When purchasing the property you will have to find money to cover survey fees, legal fees etc. Are you able to cover these from savings? If not, how will you finance it please explain.

Have you a local connection with the area e.g. work, relatives, once lived there? If yes please give full details.

Yes **No**

5. Details of Accommodation Required?

What sort of property are you looking for?	
House	
Flat	
Bungalow	
Accommodation for older people	

What size?	
1 bedroom	
2 bedrooms	
3 bedrooms	
4 or more bedrooms	

What area(s) do you want to be rehoused in?

6. Other Information

Please explain why you have applied for Low Cost Housing and use this space to give any other information you feel is relevant or if there is anything else you wish to say in support of your application.

Please read this declaration carefully before you sign and date it.

The personal information that you are asked to give on this form will be used to assess your suitability for Low Cost Housing and will not be processed or disclosed for any reason incompatible with that purpose unless you, the Data Subject, give your explicit permission.

Under Part II of the Data Protection Act 1998 you have the right to be informed whether personal information of which you are the subject is being collected, stored and/or processed by, or on behalf of Chorley Council and if so to be provided with copies of that information.

I understand the following:

Chorley Council will use the information you have provided to process this application and will check some of the information with other sources as allowed by the law. Chorley Council may give some information to other organisations such as government departments, local authorities and private sector companies such as banks and organisations that may lend money, if the law allows this.

I understand that if I give information that is incorrect or incomplete this may jeopardise your application and action may be taken against you.

I am aware I must inform Chorley Council of any change of circumstance, which might affect my application.

Signed (all applicants)

_____ Date _____

_____ Date _____

Please return completed application form to: -

**Strategic Housing Officer
Strategic Housing
Chorley Council,
Civic Offices,
Union Street,
Chorley,
PR7 1AL.**