

Chapter 4: Affordable Housing

Introduction

- 4.1 Ensuring the delivery of affordable housing is long established as an integral part of Government and Local Plan policy and is essential in meeting the housing needs of, and providing housing choice to, people with different income levels and facilitating sustainable local communities.
- 4.2 This section of the SPD explains the Councils' approach to the delivery of affordable housing through s106 planning obligations. It is supplementary to and expands upon the Local Plan policies for affordable housing, which are set out in the Cambridge City Local Plan (Policy 45) and the South Cambridgeshire Local Plan (Policy H/10 and H/11). It explains how the policies will be applied and provides additional information on what will be expected when dealing with planning applications for development for which an element of affordable housing should be provided.

The need for affordable housing

- 4.3 [The Greater Cambridge Housing Strategy 2024 – 2029](#) and the associated Annexes, provide a summary of some of the key evidence and data sources which help to inform the Housing Strategy and Local Plan policies. It sets out:
- that average house prices across Greater Cambridge are well above the regional and national average.
 - that the median house price to income ratio is high: 9.2 in Cambridge and 8.3 in South Cambridgeshire.
 - there are approximately 4,270 applicants across Cambridge City and South Cambridgeshire's council housing registers for social/affordable rent homes.
 - there is a need across Greater Cambridge for c.750 additional social/affordable rent homes to be provided per annum up to 2040.
 - This represents c.44% of the total strategic housing need for Greater Cambridge, although the Housing Needs Assessment ([GL Hearn, Housing Needs of Specific Groups in Cambridgeshire and West Suffolk, 2021](#)) emphasises that the scale of need suggests that the local authorities should continue to seek as much affordable housing delivery as viability allows.
 - there is need for both social rent homes, and affordable rent homes, in accordance with Annex 4 of the Greater Cambridge Housing Strategy 2024-2029 - Affordable Rents Policy.

- that the clear need for additional rented housing would arguably mean that providing affordable home ownership would ‘prejudice the ability’ to meet the acute need for rented affordable housing.
- the evidence suggests a significant shortfall of affordable housing of all sizes of accommodation, most notably one- and two-bedroom homes. However, the greatest need, relative to supply, is for family affordable housing, which also reflects the inability of market housing to cater for lower income larger households.

4.4 Overall, the demand for affordable housing is projected to continue to increase due to shortages in overall housing supply; high and increasing house prices relative to incomes; the requirement for larger deposits to access home ownership; increasing housing costs; and the impacts of benefit caps.

Policy context

Cambridge

4.5 Cambridge Local Plan 2018 Policy 45: Affordable Housing and Dwelling Mix requires 25% of homes on sites of 10-14 dwellings to be affordable, and 40% on sites of 15 or more dwellings, or if the proposed residential units exceed 1,000 sqm.

South Cambridgeshire

4.6 South Cambridgeshire Local Plan 2018 Policy H/10: Affordable Housing requires 40% affordable homes on all sites of 10 or more dwellings or if the proposed residential units exceed 1,000 sqm.

4.7 The policies in both adopted Local Plans refer to sites of 11 or more dwellings, however in November 2018 the planning committees of both Councils agreed to require affordable housing on sites of 10 or more dwellings in line with the National Planning Policy Framework (NPPF).

4.8 The South Cambridgeshire Local Plan also includes the provision of affordable housing for local people through Rural Exception Sites (Policy H/11).

Greater Cambridge (Cambridge and South Cambridgeshire)

4.9 Following public consultation, both Councils adopted a new joint housing strategy: [Homes for Our Future Greater Cambridge Housing Strategy 2024 – 2029](#). This will be considered as a material planning consideration when

determining planning applications that include a component of residential development, including affordable housing and non-conventional housing.

Development types from which obligations will be sought

- 4.10 Affordable housing will be sought from residential developments, including mixed-use developments that trigger the above policy thresholds.
- 4.11 The best use must be made of development sites in accordance with planning policies on design and density, and the overall objectives for sustainable development. The Councils will look closely at proposals that fall short of the affordable housing thresholds to make sure the optimum use of land is achieved. This includes the situation where a planning application forms part of a larger site where development of the larger site would be within the above policy threshold.
- 4.12 Non-conventional types of housing – of the types listed below - are also expected to contribute to affordable housing. However, the form of provision will often need to be tailored to the specific type of non-conventional housing being proposed.

Specialist housing

- 4.13 The affordable housing policies apply to schemes for specialist housing (such as extra care, retirement homes, residential and/or nursing care, care suites, or smaller group homes) that trigger the affordable housing policy thresholds. However, where an applicant is proposing a scheme for specialist housing, the Councils strongly recommend that the Housing Strategy Team is contacted to confirm whether there is a need for affordable accommodation of the type proposed. If there is, the required amount of affordable specialist housing will be sought on site. If there is no identified need for such affordable housing, the developer will be required to provide either an element of general needs housing on site, through re-design exercises if necessary, or a payment in lieu of on-site provision.

Build to Rent

- 4.14 The affordable housing policies apply to Build to Rent schemes. [Annex 5 Section 4 of the Greater Cambridge Housing Strategy](#) – Build to Rent Policy-sets out how Build to Rent schemes will be considered. This includes that:

- The affordable housing contribution, as a long-term benefit in perpetuity, will normally be expected to be provided on-site where it is necessary to build or contribute to a mixed and balanced community, as Affordable Private Rent or through other affordable tenures where part of a wider multi-tenure development.
- A minimum of 20% homes in Build to Rent developments of 10 or more homes will be required to be provided as Affordable Private Rent. The Councils will seek to achieve a higher percentage than this wherever possible.
- On major multi-tenure developments or as part of larger development areas, viability should form part of the wider viability assessment covering the whole development area. As part of this, subject to viability, 40% of the homes across the whole development, will be expected to be provided as affordable housing (and/or – in exceptional circumstances – as any agreed commuted sum); with the Affordable Private Rent or other Build to Rent affordable housing contribution contributing towards the 40%.
- Affordable Private Rent homes must be provided at a minimum discount of 20% relevant to local market rents and be affordable and available to households on a range of incomes who would struggle to rent or buy locally on the open market. This is a minimum discount, and the Councils will seek to achieve a higher percentage discount wherever possible.
- The s106 Agreement will need to include a monitoring and review mechanism covering the option for post-occupation trade-off between the number of Affordable Private Rent units and the rental discount offered on them should future circumstances justify a higher level of discount.
- A monitoring fee will be agreed within the s106 Agreement to cover the Council's costs for monitoring the initial and future occupation and management of the affordable units within the Build to Rent scheme.
- A clear exit plan will need to be agreed with the Councils through the s106 Agreement in case some or all of the market and/or affordable homes are decommissioned in the future, with agreed clawback mechanisms in place.

Innovative affordable housing

- 4.15 The Councils may accept non-standard forms of affordable housing as part of the affordable housing mix where it is demonstrated that the proposed type of housing will contribute to meeting the high levels of housing need in Greater Cambridge. This could include, for example, affordable housing for local workers or employee housing.

- 4.16 Innovative forms of affordable housing will likely be subject to specific conditions that will need to be set out in a Local Lettings Plan and Management Plan secured through the s106 Agreement. This is to ensure the housing is provided to those on low incomes who are in need of housing assistance, and that it is secured in perpetuity and managed properly, including nominations, rent setting, and tenancy lengths.

Gypsies and Travellers and Travelling Showpeople accommodation

- 4.17 [Annex 1 of the Greater Cambridge Housing Strategy - Housing for Specific Groups](#) - sets out that affordable housing in the form of Gypsy and Traveller pitches can be provided in lieu of bricks and mortar where required to meet identified local need. One single pitch would be equivalent to one dwelling. The pitch(es) should be designed to accord with current national guidance ([Designing Gypsy and Traveller Sites, DCLG 2008](#)) and Local Plan policies including South Cambridgeshire Local Plan 2018 Policy H/23: Design of Gypsy and Traveller Sites, and Travelling Showpeople Sites, or Cambridge Local Plan 2018 Policy 49: Provision for Gypsies and Travellers, and must be provided on the same terms as an affordable housing unit.

Form in which obligations should be made

- 4.18 On-site provision is the Council's preference for how affordable housing will be provided by developers. Only where exceptional circumstances exist, and where the Council is satisfied that it would be appropriate, will off-site provision be accepted. Where exceptionally housing cannot be provided on or off-site, a commuted sum will be required in lieu of provision to secure delivery of affordable housing on sites elsewhere. The method for calculating the contribution in lieu of provision is set out at paragraphs 4.41 – 4.46 below.

Perpetuity

- 4.19 The Councils require all social and affordable rent housing to be provided in perpetuity, through the use of a s106 Agreement. To ensure that affordable housing continues to be affordable to those in housing need, and managed to acceptable standards, the Councils require the legal interest and management of the affordable housing secured through s106 obligations (with the exception of certain types of non-conventional affordable housing) to be transferred to a Registered Provider (RP), the Council or equivalent. If the housing is transferred to an RP or the Council these requirements will be deemed to have been met. Social and affordable rent homes subsidised by grant funding are subject to the legal Right to Buy or Right to Acquire provisions.

4.20 Shared ownership or other forms of low-cost home ownership will remain affordable in perpetuity but may be subject to occupiers ‘stair-casing’ to full ownership by purchasing additional equity in the property.

Nominations

4.21 For rented affordable properties, the Council will require nomination rights for 100% of initial lettings and 75% of relets, all of which will be to applicants on the housing register in accordance with the choice-based lettings system. For shared ownership properties the Councils will retain the right to nominate 100% of sales and resales. The Councils’ nominations will be secured through a Nominations Agreement entered into by the RP or equivalent.

Tenure mix

4.22 The Local Plan policies for affordable housing do not set out an expected tenure split. [Annex 2 of The Greater Cambridge Housing Strategy 2024 – 2029](#) – Affordable Housing Requirements - states that the Councils are seeking to provide consistency in the tenure mix to be delivered through affordable housing obligations across Greater Cambridge. The aims of the housing policies are to ensure affordable housing provision best meets local housing needs having regard to the form of the housing development (i.e. flats or houses), its location, and any other site-specific considerations.

4.23 Taking account of development viability, the Councils’ will seek the following tenure split on new developments:

- 75% of the 40% affordable housing requirement to be Affordable/Social Rent. On s106 sites above 15 homes at least 10% (of the 75%) to be allocated for Social Rent.
- 25% of the 40% affordable housing requirement will typically be for shared ownership where it is sufficiently affordable to meet local needs, although other types of tenure may be considered on individual schemes on a case-by-case basis.

Worked example: break down on a 100-unit development

Overall units	Of which 40% affordable	25% of the affordable =shared ownership/other intermediate	75% of the affordable to be social/affordable rent	10% of the social/affordable rent to be social rent
100	40	10	30	3

- 4.24 The percentage of affordable housing and tenure split will be rounded up to the nearest whole number.

Affordable housing sizes

- 4.25 The Councils' expectations on the affordable housing mix by bedrooms, as a starting point, is set out in Tables 2 & 3 of [Annex 2 of the Greater Cambridge Housing Strategy 2024 – 2029](#) – Affordable Housing Requirements - for the City and South Cambridgeshire respectively.
- 4.26 In establishing the right mix of affordable housing sizes for a particular development, the Councils will consider matters such as the overall housing mix proposed for the scheme, the form of the development (flats or houses), changes to the profile of affordable housing applicants, and the turnover of existing affordable housing stock that becomes available. As such, applicants for new developments are strongly encouraged to engage the Housing Strategy Team early in the scheme design stage to understand the latest position with respect to the sizes of social/affordable rent, shared ownership homes, and other affordable tenures needed.
- 4.27 The mix for rural exception sites will be decided separately based on a specific local needs assessment for the village in which the development is located.

Phased development

- 4.28 Phased developments are often required to ensure that affordable housing delivery is maximised, while ensuring any required infrastructure is delivered concurrently. Due to the longer delivery time, likely changes in market conditions and associated costs will need to be forecast to ensure that a development is deliverable and maximises the amount of affordable housing that can be provided.
- 4.29 The Councils will generally accept phasing of schemes where it can be demonstrated that this approach would result in a policy compliant level of affordable homes being delivered within each phase or would secure the maximum provision of affordable housing across the scheme as a whole.
- 4.30 The Councils may require phased developments to submit a viability assessment if during any phase of the development, the amount of affordable housing being delivered during that phase decreases. The Councils will also expect a revised viability assessment to be submitted where any phase of the

scheme has unavoidably stalled for 12 months or more. For the avoidance of doubt, any reduction in the amount of housing being delivered would be subject to a Section 106A application (modifying planning obligations). If the Councils do not consider a s106A application appropriate, due to the loss of affordable housing, a s73 application to amend the parent planning permission may be required.

- 4.31 If the Councils are minded to grant planning permission for phased development that proposes to deliver below Local Plan policy compliant level of affordable housing, an obligation will be required to submit enhanced viability assessments at Early, Mid and Late stages. Applicants will need to justify any projected and abnormal development costs associated with the phasing in an Early-stage viability assessment. Any assumptions relating to projected changes in values and cost should be fully justified, based upon the local market conditions, and be reasonable and consistent with long-term new build trends, current market conditions and market expectations.

Negotiation of affordable housing

- 4.32 The Councils will seek the maximum reasonable proportion of affordable housing on qualifying sites and will expect negotiations to be concluded with the Housing Strategy Team during the pre-application stage, in order to streamline the passage of the application through the planning process.
- 4.33 Planning Statements submitted with a planning application should provide all relevant information, including the tenure, type and size of all affordable housing units being provided, nomination rights and any other agreements. The Design and Access Statement should clarify the location of the affordable homes within the development and how this has been determined.
- 4.34 The Councils recognise that a number of factors can impact on the ability of a development to provide the expected proportion, tenure split and mix of affordable housing and comply with all other policy requirements. Where a deviation from the Councils' expected affordable housing requirements is proposed (e.g. an alternative tenure split), justification for why this is necessary should be set out in the Planning Statement accompanying the planning application. However, it should be noted that the Councils will not accept an inflated land value as justification for a departure from the requirements of this SPD and the Greater Cambridge Housing Strategy.
- 4.35 With respect to proposals for non-conventional and innovative housing models proposing non-policy compliant affordable housing offers, applicants will need

to explain how the proposed type of housing will contribute to meeting specific housing needs in Greater Cambridge.

- 4.36 Should the Council consider that the proportion of affordable housing or the proposed mix between social/affordable rent and shared ownership/ other housing tenures is not acceptable, permission for the development may be refused.
- 4.37 Applicants should not automatically assume that grant funding will be made available. Applicants will need to apply for grant funding following the Government's [guidance on applying for affordable housing grant funding](#). The Councils will support bids for grant where the amount and type of affordable housing is consistent with policy and/or demonstrates additionality, and where the bid is in support of meeting identified local housing needs.
- 4.38 The Councils have established good relationships with a number of Registered Providers (RPs) which operate effectively in partnership with the Councils to provide affordable housing that meets local housing needs. The Housing Strategy Team encourages developers to meet their affordable housing obligations by forming a partnership with an RP. Where possible, RPs who are to be involved in the delivery of affordable housing will be expected to be party to the s106 Agreement.

Mortgagee in possession clause

- 4.39 The Councils support the inclusion of a Mortgagee in Possession clause within the s106 Agreement that allows a Registered Provider to maximise their borrowing power against their assets, so that they can invest in new affordable housing provision. [Annex 2](#) of the Greater Cambridge Housing Strategy includes a standard Mortgagee in Possession clause.

Calculation of payments in lieu of on-site provision

- 4.40 Although the preference is to negotiate on-site affordable housing, there may be circumstances where the Councils agree that a cash in lieu of provision contribution may be acceptable and justified.
- 4.41 In order to avoid incentivising off- site provision, the s106 Agreement terms for payments in lieu will be financially neutral in respect of the benefit to the applicant relative to onsite provision requirements.
- 4.42 The commuted sum will be calculated based upon the difference in the residual value of the scheme as a 100% private housing scheme verses an

affordable housing policy compliant scheme. The viability model employed should make provision for calculating the existing use value of the site by capitalising rent, less rent-free period and purchaser's costs. A nominal premium is to be added to the existing use value to reflect the incentive required by landowners to release the site for development.

- 4.43 The two residual land values (with and without on-site affordable housing) are then compared to the existing use value benchmark. If the residual land value of the scheme with affordable housing equals or exceeds the existing use value, then a payment in lieu is calculated.
- 4.44 The calculation ensures that off-site contributions are financially neutral as well as being fair and reasonable as required by policy. The applicant should provide suitable evidence of the assumptions relied upon in any submission, having regard to the viability appraisal assumption requirements set out at Appendix B.
- 4.45 Commuted sums in lieu of on-site affordable housing provision received by the Councils will be ring-fenced to secure efficient delivery of new affordable housing within Greater Cambridge.
- 4.46 The approach to viability consideration is addressed in chapter 2 of this SPD, and would be applied where a scheme was demonstrated to be unviable.

Exemptions

- 4.47 Apart from the exemptions set out in the Local Plan policies, there are no exemptions from providing affordable housing on suitably sized schemes.

Further guidance

- 4.48 Further details about the overarching strategy for delivering affordable housing, the need for affordable housing, and the need to provide housing for specific groups can be found in the [Greater Cambridge's 2024- 2029 Housing Strategy and associated Annexes](#).