

Boosting Housing Delivery – an Evidence Report

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Prepared by

**East Cambridgeshire District
Council**



in association with

Bespoke Property Consultants

Arundene Orchard, Loxwood Road,

Rudgwick, West Sussex RH12 3BT

Tel: 01403 823425



1 Background

- 1.1 East Cambridge District Council wishes to maximise its housing delivery, including affordable housing, to meet its requirements under the National Planning Policy Framework (NPPF) to boost significantly the supply of housing.¹ The Council is also committed to 'community-led development', especially in the form of Community Land Trusts (CLTs) based development schemes.
- 1.2 However, the Council is concerned that:
- (a) Housing is not being delivered as quickly as it would like, and has been less than the Local Plan annual requirement in recent years;
 - (b) Viability may be hindering the delivery of development;
 - (c) A recent planning Inspector has deemed that the Council cannot identify a 'five year land supply' for new homes, and wants to address this matter; and
 - (d) For CLTs to really contribute to delivering the much needed homes, including affordable homes, access to finance will be key.
- 1.3 In order to address some or all of the above concerns, ECDC has therefore prepared this report, working with Bespoke Property Consultants. The purpose of the report is to consider whether the above concerns would be helped to be addressed if some Affordable Housing, which is required by Local Plan policy to be provided by developers, is permitted to be delivered off-site (via a payment in lieu) rather than on site, yet at the same time staying within the framework of the adopted Local Plan (2015).

¹ Paragraph 47 of the National Planning Policy Framework https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf

2 National Policy Context

- 2.1 The National Planning Policy Framework (NPPF) confirms that Local Planning Authorities should ‘use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area, including identifying key sites which are critical to the delivery of the housing strategy over the plan period.’ More generally, the NPPF seeks to ‘boost’ significantly the supply of housing.
- 2.2 Additional, there is also a duty to identify and update annually a supply of specific deliverable sites sufficient to provide five years’ worth of housing against their housing requirements with an additional buffer of 5% (or 20%)² to ensure choice and competition in the market for land. This process is known as the Strategic Housing Land Availability Assessment (SHLAA).
- 2.3 Footnote 11 of Paragraph 47 confirms that ‘to be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans.’
- 2.4 Guidance on carrying out SHLAA’s is set out in the National Planning Practise Guidance³ . Paragraph 17 confirms that ‘development potential is a significant factor that affects economic viability of a site/broad location and its suitability for a particular use. Therefore, assessing achievability (including viability) and suitability can usefully be carried out in parallel with estimating the development potential’
- 2.5 Paragraph 31 confirms that ‘Deliverable’ sites for housing could include those that are allocated for housing in the development plan and sites with planning permission (outline or full that have not been implemented) unless there is clear evidence that schemes will not be implemented within five years.’
- 2.6 The same paragraph confirms that ‘planning permission or allocation in a development plan is not a prerequisite for a site being deliverable in terms of the five-year supply. Local planning authorities will need to provide robust, up to date evidence to support the deliverability of sites, ensuring that their judgements on deliverability are clearly and transparently set out. If there are no significant constraints (e.g. infrastructure) to overcome such as infrastructure sites not allocated within a development plan or without planning permission can be considered capable of being delivered within a five-year timeframe.’
- 3.7 Paragraph 33 confirms that ‘Local planning authorities should ensure that they carry out their annual assessment in a robust and timely fashion, based on up-to-date and sound evidence, taking into account the anticipated trajectory of housing delivery, and consideration of associated risks, and an assessment of the local delivery record. Such assessment, including the evidence used, should be realistic and made publicly available in an accessible format. Once published, such assessments should normally not need to be updated for a full twelve months unless significant new evidence comes to light or the local authority wishes to update its assessment earlier’
- 3.8 Therefore it is important for the Local Planning Authority to understand whether those sites within their 5 year land supply are ‘deliverable’ and if not introduce mechanisms for ensuring a steady release of land taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured.

² Where there has been persistent under delivery of housing

³ <http://planningguidance.planningportal.gov.uk/blog/guidance/housing-and-economic-land-availability-assessment/>

4 Local Policy Context

Local Plan

- 4.1 The East Cambridgeshire Local Plan⁴ was adopted in April 2015 and includes housing allocations that were intended to provide sufficient land to ensure the delivery of housing in accordance with National Planning Policies, provide sufficient delivery of housing to meet the 5 year land supply requirement and offer a steady supply of land over the plan period.
- 4.2 However, on the 23 June 2015 a Planning Inspector in relation to a planning application on land North of Field Lane, Witchford found that the district did not have a 5 year land supply (appeal case APP/V0510/W/14/2224671). The Council is committed to addressing this issue.
- 4.3 The Council is also committed to boosting growth, both in the short term (in the context of the adopted April 2015 Local Plan) and the medium term (whereby it has commenced on a review of its Local Plan to consider whether additional land should be released for housing). It is both this short term and medium term that forms the context of this report.
- 4.4 Separately, the Council is also committed to community-led development, especially through a Community Land Trust (CLT) based scheme. Such development is seen as a key way in delivering affordable housing in the district. Community-led development is both a Local Plan commitment (Policy GROWTH 6) and a corporate commitment (Corporate Plan 2015-19).

Current Local Plan Policies

- 4.5 East Cambridgeshire Local Plan April 2015 sets the overall context for housing policy in the district. Policy HOU 1: Housing mix confirms that *'housing developments of 10 or more dwellings (or allocations where specified) should provide an appropriate mix of dwelling types and sizes that contribute to current and future housing needs as identified in the most recent available evidence relating to the locality.'*
- 4.6 The Council secures the majority of affordable housing that is built in the district by requiring developers to provide affordable dwellings as part of open market housing developments (through Section 106 agreements) in accordance with its Local Plan and its Supplementary Planning Document on Developer Contributions.
- 4.7 Local Plan Policy HOU 3 sets out the proportion of affordable housing that the Council will seek to secure on development schemes – 40% in the south of the district, and 30% in the north.
- 4.8 The Local Plan also recognises that in some cases there may be exceptional development costs, which need to be recognised, and that the policy is a starting point for negotiation. Applicants seeking to justify a lower proportion of affordable housing will be required to demonstrate why it is not economically viable to make the minimum level of provision in Policy HOU 3.
- 4.9 Policy HOU 3 states that affordable housing contributions will be sought on developments of more than 10 dwellings. Of particular importance is the requirement in the policy that *'affordable housing should normally be provided on-site, apart from in exceptional circumstances where agreed with the district Council. Applicants will be required to provide justification as part of the planning application setting out the need for off-site provision or financial contribution in lieu to be made.'* The policy is not prescriptive as to what might be deemed 'exceptional circumstances', though the supporting text at paragraph 4.4.9 of the Local Plan offers by way of example *'on smaller sites it may be more practical or desirable, particularly where there is an alternative scheme in the locality which could benefit'*. However, this is

⁴ <http://www.eastcamb.gov.uk/sites/default/files/Local%20Plan%20April%202015%20-%20front%20cover%20and%20inside%20front%20cover.pdf>

merely an example, and not policy, so the scope for what might be deemed as 'exceptional circumstances' remains quite wide.

Developer Contributions SPD

- 4.10 The Developer Contributions SPD was adopted in March 2013 and this confirms that in tandem with the Community Infrastructure Levy, there may be site specific requirements that the Local Planning Authority may identify as being required. Table 4.1 of the SPD confirms the starting point for negotiations on housing mix as follows:

Local Plan Housing Mix

House type	1 bed	2 bed	3 bed	4+ bed	TOTAL
Private housing	4%	18%	31%	47%	100%
Affordable housing	10%	45%	35%	10%	100%

- 4.11 Table 4.2 of the SPD confirms that overall starting mix for tenure split:

Local Plan Affordable Housing Split

Tenure mix	Private housing	Affordable housing	Total
North of district	70%	30%	100%
South of district	60%	40%	100%
<i>Affordable housing breakdown</i>			
All of district	-	70% social rented 30% intermediate	100%

- 4.12 However, the above was a 'preferred mix' at the time of preparing the SPD and there is allowance within the planning system, including taking account of the more recent 2015 Local Plan, to ensure viable delivery through, for example, an alternative mix of 50% rented and 50% intermediate housing.
- 4.13 The SPD confirms that if the Council agrees to accept a commuted sum in lieu of part/all of the provision required, the sum required will be of equivalent value to the contribution that would have been provided by on-site provision, i.e. the cost of delivering the Council's policy requirement on the application site and that commuted sums will be paid to the Council prior to the occupation of the first dwelling. Appendix 1 of this report contains the details.

Community Infrastructure Levy (CIL)

- 4.14 The Council's CIL Charging Schedule⁵ came into force on 1st February 2013 and enables the District Council to secure developer contributions towards the delivery of infrastructure and services in East Cambridgeshire. The Charging Schedule sets out the levy rates for different types and locations of development.

CIL rates per area

Development type	CIL rate (per square metre)
Residential Zone A – Littleport and Soham (C3)	£40
Residential Zone B – Ely (C3)	£70
Residential Zone C - Rest of the district (C3)	£90
Retail development ¹ (A1/A2/A3/A4/A5) and sui generis uses akin to retail (e.g. petrol filling stations and motor-sales units)	£120
All other uses (unless stated otherwise in this table)	£0

⁵ <http://www.eastcambs.gov.uk/sites/default/files/final%20charging%20schedule%2013dec12.pdf>

- 4.18 Developments involving affordable housing can apply for relief from CIL for the affordable housing part of the development. This is set out in Regulation 49 of the CIL Regulations (2010, as amended). To qualify for relief, dwellings must be let by a registered provider, local housing authority or non-registered provider or occupied in accordance with shared ownership arrangements.

Discussions with local agents

- 4.19 In carrying out the assessment, Bespoke Property Consultants discussed development activity in the East Cambridgeshire area with a range of organisations including Tucker Gardiner and Cheffins. There was general knowledge of the large allocation towards the north of Ely but less local knowledge about the scale and range of allocated sites in the Local Plan.
- 4.20 It was considered by the local agents that there were no specific constraints to the local area such as lack of labour supply (apart from the general shortage of builders) and there was no feeling that the release of other land in Cambridge and around Newmarket was having a constraint on land coming forward.
- 4.21 The agents confirmed that land deals were still being done but progress was slow due to a mix of all considerations such as expectation on land price and lack of builders to take on the large range of sites allocated within the local plan. It was considered that there were sufficient sites but that they would take a while to all proceed through the development cycle.

Discussions with local providers of affordable housing

- 4.22 In carrying out the assessment, Bespoke Property Consultants contacted five Registered Providers of Affordable Housing. This was undertaken in order to gain a picture of whether they were active in the local market, whether they had a smallest site size that they would want to proceed with, the local rents, sales values and yields that they were using in their appraisals and how they linked in with the local housing register Home-Link.
- 4.23 The providers who were contacted were mixed in their responses. One of the providers spoken to said that they had just reduced their bids for land by around 20% following the budget announcement by the government that they are expected to reduce their rents by 1% a year for four years from April 2016.
- 4.24 In reality the reduction in rent will have had the effect of reducing providers rental income by between 12% and 20% compared to current forecasts as their current business plans are based on a rent increase programme of CPI + 1%.
- 4.25 For almost all providers, however, this change will negatively impact on their development capacity. The Office for Budget Responsibility (OBR) suggests that the rent reduction will lead to around 14,000 fewer affordable homes being built over the four-year period.
- 4.26 However for some members, this change could profoundly affect their agreements with lenders, the terms surrounding existing debt and the ability of the sector to attract finance in the future.
- 4.27 There was still confidence from the local providers that deals could still be done, although responses were mixed from 'lower offers' to 'site by site basis' to 'still doing deals'. It should be noted that of the organisations 'still doing deals' they were the main recipients of funding under the National Affordable Housing programme (NAHP).
- 4.28 The use of NAHP funding seems to have the effect of propping up land values and making schemes come forward when the intention behind the NAHP programme was that nil grant should be provided to s106 schemes. In practice providers have been under pressure by the HCA to deliver a programme on time which has led to the use of NAHP funding on s106 schemes.

- 4.29 Developers who have had dealings with the NAHP programme and have existing relationships with the providers of affordable housing are well versed in making contact when they have a site to promote. In practise the large amount of sites that have been allocated, together with their land owners, may have no practical experience in assembling land, dealing with planning applications and contacting providers who may have access to funds.
- 4.30 The other matter that was raised by some providers of affordable housing and developers was that there was a perception, due to the links through the Home-link register, that Sanctuary Housing were the only providers of affordable housing within the district. In practise they may be the providers with the largest stock in the local area and the largest allocation of NAHP funding but the lack of awareness of other providers means that 'if Sanctuary does not like the scheme' a deal cannot be done.
- 4.31 Furthermore in the process of compiling this report officers were asked to provide details of the land owners. Not all landowners details could be provided and as such this highlights the fact that the East Cambridgeshire District Council are going to continue to have problems with evidencing its 5 year land supply until details of all owners are known.
- 4.32 Analysis of bids made under other Homes and Communities Agency programmes such as the Get Britain Building Fund and the Builders Finance fund has indicated a low level of activity within the East Cambridgeshire area in applying for allocations under these programmes.

Mechanism for calculating off site contribution

- 4.33 The legal tests for when you can use a s106 agreement are set out in regulation 122 and 123 of the Community Infrastructure Levy Regulations 2010 as amended. Any obligation secured by a s106 agreement should be:
- necessary to make the development acceptable in planning terms;
 - directly related to the development;
 - fairly and reasonably related in scale and kind to the development.
- 4.34 Affordable housing contributions should be directly related to the development and should reflect on-site values. The council considers that by using an appropriate method it can demonstrate that contributions are fairly and reasonably related in scale and kind to the development for which planning permission is sought. The affordable housing contribution calculator (Appendix 1) aims to find out what reduction in gross development value a developer would be subject to if affordable housing was provided on site without any public subsidy being provided.

Conclusions to Chapter 4

- 4.35 In the context of the evidence set out in chapters 1-4, the proposal is to examine in the rest of this report whether it would be justified if, say, half of the affordable housing requirement is provided for as a payment in lieu (rather than entirely on-site), and that such justification amounts to (because of the positive benefits of doing so) a district-wide 'exceptional circumstance' scenario existing at the present time. If it does form such an 'exceptional circumstance', then such a mechanism can be introduced, yet remain policy compliant with the Local Plan.
- 4.36 The Council considers that such justification would be evident if it can be demonstrated that such a payment in lieu:
- Would make development on allocated sites more viable, and thus more likely to proceed, and thus boost the supply of homes delivered in the district (chapter 5); and

- Would demonstrably assist in the delivery of other sites, and especially community-led development sites, with such sites not normally coming forward on allocated sites, and would therefore provide an additional source of housing supply, including affordable housing (chapter 6).
- Would demonstrably assist in overcoming the current lack of a five year supply of housing, a fundamental national policy requirement (Chapter 7).

5 Would A Financial Payment In Lieu Make Development On Allocated Sites More Viable?

Viability Methodology

- 5.1 The purpose of the Viability Testing is to explore the development economics of housing provision. To do so, six allocated Local Plan sites were tested (each varying in size and context), in the following settlements: Little Green (Cheveley) and Fordham in the south of the district (and hence 40% affordable housing requirement); and Ely, Little Downham, Sutton and Soham in the north of the district (and hence 30% affordable housing requirement). For confidentiality reasons, the exact sites appraised, and the financial conclusions reached, are not disclosed in this public report, rather the general conclusions arising are reported.
- 5.2 The assessment looked at the implications of affordable housing policy on the viability of residential development on those sites, including a mixture of on-site delivery and a financial contribution.
- 5.3 Making use of the different policy options will affect the value and viability of these sites and therefore this study models the effect on land value (through residual valuation) of applying the varying affordable housing policies.
- 5.4 This study additionally considers the effect on residential land values (the prices developers will offer to landowners).
- 5.5 The appraisals have been prepared in accordance with accepted practice and established methodologies in viability assessments produced by various government and institution publications, such as the RICS Guidance on Viability in the Planning Process (August 2012) and the Harman Review on Viability Testing in LDF Plan making (2012).
- 5.6 The process of carrying out residual valuations is set out in East Cambridgeshire's Community Infrastructure Viability Assessment⁶ and it is not intended to re-publish this process within this document.

Land Values

- 5.7 Key to any assessment of residual land value is the assessment of a benchmark land value. To ensure consistency of approach the residual land value is normally compared to one of three benchmarks (whichever the higher) to undertake an assessment of whether all of the adopted policies of the LPA can be achieved whilst maintaining a viable and deliverable development. The three benchmarks that are normally used are:
- a) Existing Use Value + a premium (per NPPF para 173)
 - b) Alternative Use Value for an extant consent or other use not requiring planning permission
 - c) Market value in accordance with the RICS guidance (i.e. subject to local planning policies)
- 5.8 The level of land value sufficient to encourage the release of a site for development is a site specific matter. There are a range of factors including the requirements or circumstances of the landowner and the specific characteristics of each site.
- 5.9 Therefore indications of land values using sources such as the Valuation Office Agency (VOA) reporting, previous evidence held by the Council and any available sales, or other evidence and pointers on value, have been used for this purpose in making our assessment.

⁶ <http://www.eastcambs.gov.uk/sites/default/files/ECDC%20CIL%20Viability%20Assessment%20-%20Final%20Report%20December%202011.pdf>

- 5.10 Through our discussions with local land agents it has been reported that there is a continuance of the low level of activity on land deals and consequently there has been very little to go on in terms of examples; the range of reporting mentioned above has to be relied upon to inform our assumptions and judgments.
- 5.11 Therefore a judgement has been made in reaching a benchmark land value by comparing the figures used within the CIL viability assessment, a market assessment of Agricultural Land prices carried out by Savills in 2015⁷ and local information provided by East Cambridgeshire District Council.
- 5.12 The CIL viability assessment carried out by Dixon Searle in 2011/12 assessed the minimum land value likely to incentivise release for development £250,000/Hectare. Since that assessment was carried out the Agricultural Land price has increased but it is still likely to be in the range of £15,000 to £20,000 as set out in the Dixon Searle report. As such there is no reason to alter this benchmark land value within our assessments.
- 5.13 For schemes on brownfield land an assessment of the various alternative land values has been undertaken to reach a consensus on the benchmark land value.
- 5.14 For the purposes of this viability assessment a set of benchmark land values has therefore been used:

Consistency with CIL Viability Assessment

- 5.15 To support the Local Plan examination process the Council commissioned Dixon Searle LLP to carry out a whole plan viability assessment.⁸ The need for this assessment was to ensure that the levels of CIL to be taken forward did not compromise the delivery of development over the whole of the plan period.
- 5.16 Incorporated in these assessments were a series of assumptions. These assumptions have been broadly followed in conducting the appraisals in this report.

Viability outcomes - Policy Compliant Scheme

- 5.17 The Viability Assessments have been carried out using the Homes and Communities Agency Development Appraisal Toolkit 4.03⁹. The first stage of the assessment was to carry out the assessment on the basis of all of the six schemes complying with policy.
- 5.18 This process demonstrated mixed results, though generally speaking schemes were viable albeit marginal.

Negotiation over tenure of affordable housing

- 5.19 As set out earlier, it is acceptable to provide a tenure split of 50/50 as opposed to the SPD starting point of 70/30 rent/intermediate split.
- 5.20 Therefore each viability assessment has been re-modelled to reflect this alternative split to examine whether this has the effect of improving viability.
- 5.21 The outcomes of this assessment demonstrated that by adopting a split of 50/50 rather than 70/30 there is more likelihood that sites will be viable.

Off site contributions

⁷ <http://pdf.euro.savills.co.uk/rural--other/alms-2015.pdf>

⁸ <http://www.eastcambs.gov.uk/sites/default/files/ECDC%20CIL%20Viability%20Assessment%20-%20Final%20Report%20December%202011.pdf>

⁹ <https://www.gov.uk/government/publications/development-appraisal-tool>

- 5.22 Next, the appraisal examined whether viability would improve if affordable housing requirements is provided, say, 50% on-site and 50% as a commuted sum (rather than wholly on site).
- 5.23 For the purposes of clarity this means that in the north of the district there would be a requirement for 15% on site affordable housing and a 15% commuted sum and in the south of the district there would be a requirement for 20% on site affordable housing and a 20% off site contribution.
- 5.24 The findings of this approach demonstrated an improvement in viability of sites, with residual land values improving by between 4-10%.

Conclusion

- 5.25 This chapter seeks to explore whether a negotiated tenure split and a financial payment in lieu would make development on allocated sites more viable.
- 5.26 The evidence arising from the appraisals concludes that it would do so and that such an improvement in viability could, in the Council's and Bespoke Property Consultant's view, be of such significance as to likely stimulate the delivery of homes in the short term, thus boosting the supply of homes in accordance with national and local policy.
- 5.27 It is also our opinion that such an approach reduces risks to developers following government policy changes on rental incomes for affordable housing. Thus the approach provides flexibility as promoted by the NPPF.

6 Would financial payments in lieu demonstrably assist in the delivery of other sites, and especially community-led development sites?

- 6.1 If payments in lieu were made, then the expectations would be that, sooner rather than later, the Council would use such proceeds to facilitate delivery of affordable housing elsewhere. The Council is committed to doing this.
- 6.2 It is difficult to quantify the scale of sums which would be received, should payments in lieu become an accepted practice. However, in principle, if finances become available through such payments, then this could stimulate the delivery of a site elsewhere, especially 'exception sites' and community-led developments.
- 6.3 Indeed, a common challenge for kick-starting a community-led scheme is the availability of finance to make the scheme stack up, especially as such schemes are normally 'affordable housing heavy' in terms of housing mix. It's also important to note that community-led development is normally expected to come forward on unallocated sites, with such sites thus providing an additional source of much needed homes.

Conclusion

- 6.4 If a pool of finance is available to community groups, provided by developers of allocated sites as a payment in lieu of on-site affordable housing provision, and that pool of finance is ring-fenced for affordable housing provision, then there is considerably more likelihood that a greater number of such community-led schemes will come forward, further boosting the supply of homes. To use payments in lieu effectively this will need to be supported by a positive and flexible approach to the planning of these sites.

7 Would payments in lieu demonstrably assist in overcoming the current lack of a five year supply of housing, a fundamental national policy requirement?

7.1 On the basis of the conclusions from the two previous chapters, there appears a considerable case that payments in lieu would have a significant positive effect on overcoming the Council's lack of a five year land supply. This is for two reasons.

7.2 First, payments in lieu, together with flexibility on tenure split, would improve development viability, and therefore would stimulate development coming forward on allocated sites. Over time, this should mean more sites were deemed available and deliverable, thus boosting our five year supply. It should also boost the quantity of dwellings which could come forward in the first five years on very large sites (i.e. the trajectory for house completions could be brought forward for such sites, with more homes forecast to be delivered in the first five years).

7.3 Second, the pool of cash which is created by payments in lieu, which is ringfenced for early spend elsewhere, especially community-led development on unallocated sites, would boost both the number of sites available for development as well as the total number of homes forecast to come forward in the short term, both of which would help to improve our five year land supply. However, it is noted again that to use payments in lieu effectively this will need to be supported by a positive and flexible approach to the planning of these sites.

Conclusion

7.4 Thus, it appears quite evident that a process of permitting payments in lieu would demonstrably assist in overcoming the lack of a five year land supply.

8 Conclusions and Recommendations

- 8.1 This purpose of this report is demonstrate whether exceptional circumstances exist to justify the provision, in part (50%), of financial payments in lieu of affordable housing being provided on site.
- 8.2 As part of the context, it is a statement of fact that:
- There is currently very low housing delivery in the district, compared with Local Plan and housing need requirements;
 - The Council is currently unable to demonstrate a five year land supply of available housing;
- 8.3 In addition, evidence as gathered in the preparation of this report suggests that allowing payments in lieu of on-site affordable housing provision, together with negotiations on tenure split of affordable housing provision, would demonstrable improve viability, and in turn improve the supply of housing on those sites as well as on other, largely unallocated, community-led sites elsewhere.
- 8.4 Thus, it is concluded that, at the present time, an 'exceptional circumstance' exists across the district whereby permitting a proportion of affordable housing to be provided off-site (as a payment in lieu), together with a negotiated position on tenure split of affordable housing which remains to be provided on-site, would be appropriate, yet at the same time remain compliant with Local Plan policy.
- 8.5 It is therefore concluded that the Council confirms that, for the period whilst a five year land supply cannot be demonstrated, it is likely that the Council will accept a proportion, of around 50%, of the affordable housing requirement to be provided as a payment in lieu and that it will also be prepared to negotiate the tenure split of the remaining affordable homes which are to provided on site. Applicants wishing to take advantage of this option would not need to provide detailed site specific evidence; rather it could simply point to this report. (Note: for the avoidance of doubt, if an applicant seeks to provide less than 30% / 40% affordable housing overall (when on-site, off-site and payments in lieu are added together), then the applicant will still have to demonstrate on a site-by-site basis the justification for doing so).
- 8.6 Once a five year land supply is re-established, it is deemed that such exceptional circumstances would no longer exist, at a district level, and at that point, any requests for payment in lieu would be considered on a case-by-case basis, with evidence having to be provided by the applicant to justify any request.

Appendix 1 – Commuted sum calculator

- a) The requirements for social/affordable rented housing and intermediate housing will be automatically calculated on the basis of policy requirements.
- b) The exact number of open market units and their bedroom numbers should be entered into the spreadsheet.
- c) The size of units within each mix of affordable housing should reflect that of the application site and this will be automatically populated by the calculator.
- d) The Open Market Value (OMV) of each unit should be input into the spreadsheet and should be the anticipated net achievable price, i.e. net of any discounts or marketing incentives.
- e) The profit level is set at 20% within the spreadsheet and this is considered by the council to be the normal gross profit inclusive of marketing costs as these would not apply to affordable housing.
- f) Affordable Rents – the rent level per week should be the Local Housing Allowance Rent applicable for each unit type at the date of the assessment. Details of the local housing allowance can be found on www.gov.uk.
- g) The management charges relating to each tenure of affordable housing have been set at 25% for affordable rent and 6% for shared ownership respectively. Any deviation from these figures will need to be supported with evidence from a local Registered Provider (RP).
- h) The yield to capitalise the net rent has a default value of 6%. Any deviation from this figure will need to be supported with evidence from a local Registered Provider (RP).
- i) The 'equity rent' on the unsold portion of a shared ownership unit should not exceed 2.75% being the maximum allowed by the HCA. 2.75% will be treated as the default value.
- j) The 'initial tranche' sale for shared ownership is set at 50% to reflect local market conditions. Any deviation from this figure will need to be supported with evidence from a local Registered Provider (RP).
- k) The calculator will calculate the affordable housing commuted sum taking into account all of the above inputs.