



Interim Affordable Housing Policy



September 2016

This 'Interim Affordable Housing Policy' has been adopted as Corporate Policy. It does not form part of the development plan for Southend-on-Sea, rather it compliments existing planning policy as set out in the adopted Core Strategy and Development Management Document and should be regarded as guidance, which will be a material consideration during the assessment of relevant planning applications

1. Introduction

- 1.1 For the avoidance of doubt, this **Interim Affordable Housing Policy** will supplement and not supersede the following existing adopted planning policies: - Core Strategy Policy CP8 and Development Management Development Plan Document (DPD) policy DM7.
- 1.2 This represents the Corporate Policy position as of September 2016, and sets out the approach the Council will take until further notice in respect of affordable housing policy and financial contribution calculations. The position set out in this document will apply until such time that any amendments are made to adopted planning policies as part of the Local Plan review, which will be informed by any updates that are made to the Strategic Housing Market Assessment (SHMA).
- 1.3 This Corporate Policy is intended to maximise opportunities for the Council to meet the Borough's local affordable housing need, whilst ensuring development remains viable and deliverable.
- 1.4 In accordance with National Planning Practice Guidance, contributions to affordable housing will not be sought from developments of 10-units or less, and which have a maximum combined gross floor space of no more than 1000sqm. Therefore, this Interim Affordable Housing Policy only applies to schemes above these thresholds.
- 1.5 This document should be read in conjunction with the "Example affordable housing in lieu payment calculation (calculator spread sheet) Sept 2016" attached at Appendix 3.

2. Planning Policy Background

- 2.1 Core Strategy Policy CP8 states that the Council will

"enter into negotiations with developers to ensure that a. all residential proposals of 10-49 dwellings or 0.3 hectares up to 1.99 hectares make an affordable housing or key worker provision of not less than 20% of the total number of units on site; and b. all residential proposals of 50 dwellings or 2 hectares or more make an affordable housing or key works provision of not less than 30% of the total number of units on the site". The policy goes on to state that "For sites where, exceptionally, the Borough Council is satisfied that on-site provision is not practical, they will negotiate with developers to obtain a financial contribution to fund off-site provision. The Council will ensure that any such sums are used to help address any shortfall in affordable housing."

- 2.2 Development Management Development Plan Document (DPD) policy DM7 sets out the dwelling mix, size and type of housing, both market and affordable, that is then required. This is based on the latest Strategic Housing Market Assessment (SHMA) information relating to housing need in the Borough, which was published at the time the DPD was adopted in July 2015 and may be subject to updates.

3. Application of policy CP8 and DM7

- 3.1 Unless it can be demonstrated that there are exceptional circumstances, policy CP8 and DM7 will be consistently applied, to ensure that an appropriate mix of dwellings are provided across the Borough. This will also ensure a fair and consistent affordable housing provision is required of all developers, avoiding any site being disadvantaged in comparison to any other due to the impact on sales values.
- 3.2 On-site affordable housing provision should include what is practical to comply with these policies. For example, it is clearly not possible to provide 0.4 of a dwelling; and it may also be impractical in some instances to provide large units on a site (although this would need to be justified). Therefore, in applying policy CP8 developers will be given the option of either rounding up the affordable housing number, and providing an additional affordable housing unit on site, or providing any proportion above a whole number (up to the 20/30% affordable housing requirement applicable) as an equivalent financial contribution. This approach is consistent with policy CP8, which states that a **minimum** of 20/30% affordable housing is required, and it is therefore inappropriate to round down if 0.49 or less. For example, if policy CP8 requires 6.4 units then 6 units could be provided on site (consisting of a mix to comply with policy DM7) plus 0.4% equivalent financial contribution; or 7 units could be provided (consisting of a mix to comply with policy DM7). And if, for example, it can clearly be demonstrated that units of a particular size are not practical to meet the requirements of policy DM7 (for reasons **not** including how the scheme has been designed or developer preference), then the units that cannot be provided could also be converted to a financial contribution.

4. Tenure Mix

- 4.1 The Council's current planning policy DM7 of the Development Management DPD states that a 60:40 tenure mix between social and/or affordable rented accommodation and intermediate housing respectively will be sought. This is based on the most recent SHMA evidence in respect of local affordable housing need, which may be subject to updates.
- 4.2 Due to changes in national housing policy and Government funding priorities developers and Housing Associations/Registered Providers consider it is no longer viable for them to provide rented accommodation and are only providing shared-ownership units. The Council is concerned that this will result in an over-provision of this tenure and a significant under-provision of affordable rented accommodation. There is no evidence at this point in time that there is greater than a policy compliant need for intermediate housing in the Borough, particularly if its supply threatens the Council's ability to meet the Borough's affordable rented housing need. Due to the

impact on sales values, there is also the potential to unfairly disadvantage some sites when compared with others if tenure is varied on an ad hoc basis.

- 4.3 Taking into account the difficulties developers and Housing Associations/Registered Providers are encountering in delivering rented affordable housing, the Council's starting position is to invite developers to consider retaining the policy compliant 40% intermediate accommodation and offering a financial contribution in lieu of on-site provision of the rented element (60%). If this is not feasible then 100% financial contribution will be considered. If this still remains unfeasible for financial viability reasons, then a Viability Assessment will be required to support any application to depart from an affordable housing policy compliant position.

5. Approach to Financial Contribution Calculations

5.1 Approach for new schemes and new Section 106 (S106) agreements

5.1.1 Depending on the number of affordable housing units required there may be a combination of on-site provision and financial contribution sought to reflect the dwelling and tenure mix set out in Development Management DPD policy DM7.

5.1.2 If a financial contribution is considered appropriate in lieu of on-site affordable housing provision, the following evidence/information will be required in support of any such request (the Local Planning Authority will then calculate the amount payable):

- a table of open market sales values for each of the residential units in a scheme together with comparable market evidence to support these values;
- details of the size of each of the residential units in a scheme;
- evidence in the form of correspondence from Registered Providers to demonstrate that there is no interest in the on-site affordable housing units in question (this must include explanations as to why the lack of interest to ensure terms of offer are reasonable).

5.1.3 If a financial contribution is sought, the methodology/formula is summarised as follows:

- The open market value (OMV) of **each** (i.e. all units including market and affordable) residential unit in the development is determined (by reference to comparable evidence);
- The value per square metre is calculated by dividing the total value by the unit's floor area;
- The market value (rate per sq/m) of a market housing unit is applied to an equivalent sized affordable housing unit (based on National Technical Housing Standards March 2015). If for example, a three storey four bed unit is 173 square metres and an average three storey affordable 4 bed unit is 116.5 square metres (based on the National Technical Housing Standards), the market value on a per square metre basis would be applied to a 116.5 square metre unit;
- A 'residual value' or 'plot value' is determined by taking 30% of the 'market value' of an affordable-sized unit and adding 10% on-costs associated with the local authority delivering the affordable housing (e.g. for site acquisition costs).

30% is a broad 'rule of thumb' for land value as a percentage of Gross Development Value (GDV);

- The Council's Core Strategy policy CP8 requires 20% or 30% affordable housing depending on the size, so the payment in lieu is based on 20% or 30% of the resulting 'plot value' figure applied across the scheme.

5.1.4 See Appendix 1 for a working example showing how to apply the above formula.

5.2 Approach for previously approved schemes and existing S106 agreements

5.2.1 In most instances the above approach will be most suitable, particularly if on-site affordable housing is deemed unfeasible from the outset. However, **if affordable housing units are already specified** and detailed in a completed S106 and an applicant is seeking to renegotiate to secure a financial contribution in lieu of the on-site provision, **apply Steps 1-3 outlined above only to the units allocated as affordable housing properties**. If this approach is adopted, only the affordable housing units should be listed in the calculator spread sheet (i.e. not every unit in the scheme), and Column I in the spread sheet should be ignored with the total of Column H being used instead.

Appendix 1: Working example of formula

1 x 173m² (GIA) 4 bed house with reference to comparable evidence has a market value of £495,000

Guide size for a suitable 4 bed, 2 storey affordable home – 110.5 m² (GIA)

Step 1: Open market value (OMV) of a relevant or comparative property divided by the size of the property and multiplied by the appropriate affordable housing size that would have been required on site (based on National Technical Housing Standards as detailed in Appendix 2).

$$£495,000 / 173 \text{ m}^2 = £2,861 \text{ per m}^2$$

$$£2,861 \text{ per m}^2 \times 110.5\text{m}^2 = £316,140.50$$

Step 2: Multiply the OMV (completed sale value, or GDV) by the residual land value percentage (30%)

$$£316,140.50 \times 30\% = £94,842.15$$

Step 3: Add 10% to the step 2 result to reflect on-costs (this gives the per unit sum for that property type)

$$£94,842.15 \times 1.10 = £104,326.37$$

Step 4: Depending on whether affordable housing policy requirement is 20% or 30%, apply to each of the units within the scheme

e.g. $£104,326.37 \times 0.20 =$ Payment in Lieu of £20,865 in relation to this unit

Step 5:

Apply steps 1 to 4 to **each** unit in the scheme then add together for a total financial contribution in lieu of on-site provision of affordable housing (total of Column I in the calculator spread sheet).

Appendix 2: Affordable Housing National Technical Housing Standards March 2015 (NTHS)

Size averages are to be used when entering NTHS figures in the calculator spread sheet e.g. 1 bed 1 storey = $(39+50)/2 = 44.5\text{sqm}$; 2 bed 1 storey = 65.5sqm ; 3 bed 1 storey = 85sqm ; 1 bed 2 storey = 58sqm ; 2 bed 2 storey = 74.5sqm ; 3 bed 2 storey = 93sqm

Affordable Housing National Technical Housing Standards					
		1 storey dwelling	2 storey dwelling	3 storey dwelling	Built-in storage
Number of Bedrooms	Number of bed spaces (persons)	NTHS	NTHS	NTHS	NTHS
1 bedroom	1	39			1
	2	50	58		1.5
2 bedroom	3	61	70		2
	4	70	79		
3 bedroom	4	74	84	90	2.5
	5	86	93	99	
	6	95	102	108	
4 bedroom	5	90	97	103	3
	6	99	106	112	
	7	108	115	121	
	8	117	124	130	

Please note the NTHS columns are in sqm.

Appendix 3 Example affordable housing in lieu payment calculation (calculator spread sheet) Sept 2016

Column E comment – unless Strategic Housing have specified the no. of bed spaces for each of the affordable units, enter average sizes (see accompanying guidance for figures)

Column I comment – formula needs changing depending on % to be applied whether this be 30% for larger schemes in accordance with CP8 or a lower % to take into account what cannot be provided on-site up to the required proportion of 20/30%

A	B	C	D	E	F	G	H	I
[SITE ADDRESS]								
Plot No:	Floor	Bedroom	m2	AH Min (based on National Technical Housing Standards)	Sq ft	Open Market Value (OMV)	Residual land value percentage 30%	Payment in lieu (based on 20% AH)
1		2	68.00503	65.5	732	£150,000.00	£47,676.62	£9,535.32
2		2	69.95599	65.5	753	£159,000.00	£49,127.82	£9,825.56
3		1	48.9599	44.5	527	£125,000.00	£37,492.42	£7,498.48
4		2	68.00503	65.5	732	£152,500.00	£48,471.23	£9,694.25
5		2	68.00503	65.5	732	£152,500.00	£48,471.23	£9,694.25
6		2	52.0257	65.5	560	£142,500.00	£59,204.15	£11,840.83
7		2	57.04247	65.5	614	£150,000.00	£56,839.23	£11,367.85
8		2	68.00503	65.5	732	£153,000.00	£48,630.16	£9,726.03
9		2	69.95599	65.5	753	£160,000.00	£49,436.80	£9,887.36
10		1	48.9599	44.5	527	£123,500.00	£37,042.51	£7,408.50
11		2	68.00503	65.5	732	£162,000.00	£51,490.75	£10,298.15
12		2	68.00503	65.5	732	£162,000.00	£51,490.75	£10,298.15
13		2	52.0257	65.5	560	£144,000.00	£59,827.35	£11,965.47
14		2	57.04247	65.5	614	£152,000.00	£57,597.09	£11,519.42
15		2	68.00503	65.5	732	£152,000.00	£48,312.31	£9,662.46
16		2	69.95599	65.5	753	£162,000.00	£50,054.76	£10,010.95
17		1	48.9599	44.5	527	£128,000.00	£38,392.23	£7,678.45
18		2	68.00503	65.5	732	£162,500.00	£51,649.68	£10,329.94
19		2	68.00503	65.5	732	£162,500.00	£51,649.68	£10,329.94
20		2	52.0257	65.5	560	£146,500.00	£60,866.02	£12,173.20
21		2	57.04247	65.5	614	£153,500.00	£58,165.48	£11,633.10
22		2	58.99343	65.5	635	£160,000.00	£58,623.48	£11,724.70
23		2	65.03213	65.5	700	£165,000.00	£54,841.74	£10,968.35
24		1	44.96507	44.5	484	£129,000.00	£42,129.70	£8,425.94
25		2	57.04247	65.5	614	£167,000.00	£63,281.01	£12,656.20
26		1	45.987	44.5	495	£129,500.00	£41,353.15	£8,270.63
27		2	52.95473	65.5	570	£152,250.00	£62,145.22	£12,429.04
		Totals	1620.972		17448	£4,057,750.00	£1,384,262.57	£276,852.51

