

PLACES SCRUTINY PANEL

14 March 2013

AFFORDABLE HOUSING COMMUTED SUMS REVIEW

Report of the Operational Director of Places

STRATEGIC AIM:	Building our infrastructure Creating a sustained environment
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1. PURPOSE OF THE REPORT

- 1.1 To consider a revised commuted sum for developer contributions to off-site affordable housing following a new viability study of this matter, prior to consideration by Cabinet.

2. RECOMMENDATIONS

- 2.1 **That the revised commuted sums for affordable housing are considered by the Places Scrutiny Panel and any comments be reported to Cabinet as appropriate.**

3. THE CALCULATION OF COMMUTED SUMS FOR AFFORDABLE HOUSING

- 3.1 The Council adopted its Core Strategy in July 2011. One of the provisions of Policy CS11 is that, where a proposed development is for five dwellings or fewer, the affordable housing requirement does not have to be provided on site. "The Developer Contributions to Off-site Affordable Housing Supplementary Planning Document" June 2012 (the SPD) provides a clear structure and guidance for implementing this. The level of off-site financial contributions has been based on the Council's Affordable Housing Viability Study 2010 and is currently set at a maximum of £23,922 per unit. The SPD specifically provides for the updating of the Council's viability evidence base and the revision of the commuted sum, without the need for the SPD itself to be amended.
- 3.2 An appropriate balance is needed between the proposed rate of the Community Infrastructure Levy (CIL) for new residential development and the commuted sum requirement for off-site Affordable Housing on small sites. A new viability report was commissioned by the Council to ensure that the calculation of commuted sums was up-to-date and reflected the proposed implementation of CIL. A separate report (no. 65/2013) on CIL is being considered by the Places Scrutiny Panel.
- 3.3 This work further helps evidence setting CIL at £100/m² as set out in report 65/2013, by introducing a revised rate of commuted sum for small sites of £189/m² to be applied to the gross internal area of all new homes. (This would, for instance, raise £16,065 for off-site affordable housing from the 'standard' 85m² market dwelling.) This would be capped at £20,223 from a 107m² market dwelling. The 107m² cap size has been chosen because it

achieves the £20,180 which would be needed to provide 35% of a standard affordable home of 85m². Further information on the calculation of the proposed revised rate and cap is attached at Appendix A.

- 3.4 This compares with the current rate of £281/m², capped at £23,922 from an 85m² market dwelling. It is proposed that the revised commuted sum is implemented immediately following Cabinet approval for new and undetermined applications. The commuted sum will be subject to indexation over time.
- 3.5 The Constitution Review Working Group will be making recommendations to Full Council regarding amendments to the Scheme of Delegation concerning the delegated authority for negotiating and spending developer contributions. This will reflect the Scrutiny Panels previous comment in this regard for a 20% limit to negotiation from appropriate policy rates. This does not affect the reassessment of the scale of the commuted sum payment which is the subject of this report.
- 3.6 Consultation on a policy revision is to be recommended to Cabinet in relation to phased and deferred payments for affordable housing commuted sums in certain circumstances, for example where development of a new dwelling is within the curtilage of the existing family home and is to be occupied for up to ten years by a direct family member. This revision to the Developer Contributions to Off-Site Affordable Housing SPD will be proposed for consultation at the meeting of Cabinet on 19 March. A view from the Scrutiny Panel on this proposal would be welcomed at the meeting.

4. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Medium	It is desirable for these changes to be introduced as soon as approved by Cabinet, to provide a clearer picture for developers of the likely situation and to assist with viability.
Viability	Low	Introducing the revised approach will increase flexibility and should be straightforward. It does not amend the adopted Council policy guidance.
Finance	Low	The revised approach will involve requesting a lower level of affordable housing commuted sum, but it may increase income over the medium term as more development is likely to take place.
Profile	Medium	The Council's approach to commuted sums has attracted attention in the media and with developers and applicants, but it is of more limited interest to the public unless they are directly involved in the development and planning process.
Equality and Diversity	Low	An equality impact assessment is not required as the existing SPD is not being changed.

Background Papers

“Rutland County Council: Affordable housing commuted sums in the context of CIL”, HDH Planning & Development, January 2013

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A Large Print or Braille Version of this Report is available upon request – Contact 01572 722577.

REVISED APPROACH TO AFFORDABLE HOUSING COMMUTED SUMS

The Council commissioned the report, 'Affordable housing commuted sums in the context of CIL' from HDH Planning and Development consultants, to look at the viability of affordable housing commuted sums in the light of potentially viable rates of CIL. The aim has been to revise the commuted sum figure in the June 2012 SPD in the light of this report, without fundamentally altering the principles used. The SPD is clear that this is allowed and that a revised viability assessment can be used without needing to revise the SPD itself.

The maximum figure of £23,922 per market home in the SPD reflects the cost of providing 35% of an affordable home off-site, based on an 85m² affordable home. Following implementation of CIL, it can be calculated that the equivalent cost of providing 35% of an affordable home will reduce to £20,180, because affordable housing is usually exempt from CIL:

Affordable housing commuted sum required per affordable home...		Amount needed to provide 35% of an affordable home, per square metre of affordable housing gross internal area	Amount needed to provide 35% of an 85m ² affordable home
...in square feet (From Affordable Housing Viability Study 2010 Table 10.2; row showing £12k CIL, no grant, Code for Sustainable Homes Level 3) ¹	...converted to per square metre		
£63.10	£678.31	£237.41	£20,180

If we accept £20,180 is the maximum amount we would realistically wish to collect, we can then look again at viability and the size of market property which should contribute this maximum. The calculation in the June 2012 SPD had assumed that each square metre of market property below the cap would subsidise 35% of a square metre of an affordable home, but should the rate per square metre be reduced to improve viability? This would still mean that £20,180 would be the maximum collected, but this would build up more slowly until the £20,180 was achieved at a higher cap size than the current 85m².

The HDH viability report looked at 7 sample sites. It is recommended by Officers that £289/m² (CIL and affordable housing combined) should be the total contribution, at which level five out of seven sample sites are viable and one is marginal.

REVISED AFFORDABLE HOUSING CONTRIBUTION

Assuming that CIL is set at £100/m², this would leave a viable affordable housing contribution of **£189/m²**. (This compares with the current affordable housing contribution of £281/m².) **It is recommended that this would be charged on a pro-rata basis for all sites covered by the SPD for net new homes of 0m² to 107m², at which point a maximum contribution of £20,223 would be reached.** The 107m² cap has been chosen because it achieves the £20,180 needed to provide a 'standard' affordable home of 85m².

¹ As currently with the June 2012 SPD, the lower 'urban' figure from the table is used for all sites which improves market viability and compensates for rural values.