

Eastbourne Borough Council

Affordable Housing Implementation Technical Note

Final Report

Adopted 1 April 2013

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1. Introduction

1.1 This Technical Note has been prepared to provide detailed explanation in support of the implementation of 'Policy D5: Housing' of the Eastbourne Core Strategy Local Plan (the 'Core Strategy'), adopted 20 February 2013. Entering into discussion with the Council, including its Planning and Housing Specialists, at a very early stage in planning for a residential development scheme is strongly advised, to clarify and establish the policy requirements for affordable housing on a particular site.

1.2 The Technical Note is intended to guide the Council, developers, agents and other stakeholders in relation to the:

- Policy requirement for the delivery of affordable housing on all residential development sites;
- Type and standard of affordable housing that is likely to be sought;
- Assessment of financial viability of the development;
- Calculation of any commuted sum payments;
- Delivery agencies for the affordable housing.

1.3 Policy D5: Housing of the Core Strategy (2006-2027) reads as follows:

Policy D5: Housing

Proposals for housing will be in accordance with the approach set out in Policy B1: Spatial Development, with a focus of delivering housing within the sustainable centres and sustainable neighbourhoods and must take account of the need identified in the most up-to-date strategic housing market assessment with particular regard to size, type and tenure of dwellings.

The Council will work with partner organisations to ensure that there is an appropriate supply of high quality affordable housing distributed throughout Eastbourne. This will be achieved by having regard to the up-to-date strategic housing market assessments.

All development will be required to contribute towards affordable housing where there is a resultant net gain of 1 or more residential units (C3 Use Class).

The Council recognises that market conditions vary across Eastbourne. In order to ensure that developments remain economically viable, the proportion of affordable housing sought will vary. In developments within Neighbourhoods in High Value Areas, 40% affordable housing will be sought on all sites. In developments within Neighbourhoods in Low Value Areas, 30% affordable housing will be sought on all sites.

Where the percentage (either 30 or 40%) does not result in a whole residential unit being required (i.e. 0.66 or 1.33), a commuted sum will be sought for the remaining requirement. Every whole affordable unit required should be delivered on site to ensure an appropriate mix of housing types and tenures throughout Eastbourne.

Tenure mix – 70:30 Rented to 'shared ownership' adjusted where necessary to balance housing need and makes schemes viable, subject to negotiation. 30% 'shared ownership' to include other forms of intermediate tenure include intermediate rented.

The affordable housing should be a mix of housing sizes and types in proportion to the housing being developed in each scheme and informed by evidence of housing need contained in the most up-to-date Housing Market Assessment. Affordable housing will be distributed across the whole site and will be indistinguishable from other forms of development on the site.

1.4 The Technical Note has been subject to targeted consultation with key stakeholders, including planning agents, developers, consultants and those with an interest in housing matters, from 20 February to 13 March 2013. Consultation responses and any necessary amendments were presented to planning committee on 26 March 2013. Planning Committee resolved to adopt the Technical Note on 1 April 2013.

2. Definition of Affordable Housing

2.1 Affordable housing is defined by the Government as "Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision Homes that do not meet the above definition of affordable housing, such as 'low cost market' housing, may not be considered as affordable housing for planning purposes."¹

2.2 Households defined as being in need of affordable housing are households lacking their own housing or living in housing which is inadequate or unsuitable, who are unlikely to be able to meet their needs in the housing market without some assistance. These include households who:

- Do not have access to the minimum deposit they require to purchase or rent a suitable home;
- By applying prevailing building society and banking sector income multipliers for lending purposes cannot afford to purchase and maintain open market housing suitable for their needs;
- By applying a rent threshold level of 25-30% of net income cannot afford to rent open market housing suitable for their needs.

2.3 The Council will use the following definitions for the various tenures and types of affordable housing stated in the policy:

Tenure Type	Definition
Rented Housing	shall include Social Rented, Target Rented and Affordable Rented Housing as follows:
Social and Target Rented Housing	Homes let by the Council or Registered Providers ² of social housing that are available for rent on a secure or assured periodic tenancy, or other tenancy offering directly equivalent

¹ Source: National Planning Policy Framework (CLG, March 2012)

² A Registered Provider is a housing provider usually operating on a not-for-profit basis, providing homes at below market rates for people who need an affordable, secure home and who have insufficient income to secure such accommodation in the private sector. This includes council and housing association landlords.

	levels of security of tenure, with an introductory tenancy being permitted for new tenants to social housing if the landlord's tenancy policy makes provision for such tenancies to be used. The rent should be set at a level equivalent to the Target Rent determined through the National Rent Regime ³
Affordable Rent	<ul style="list-style-type: none"> • Affordable Rent – homes let by the Council or registered providers of social housing to households who are eligible for social rented housing at a rent of no more than 80 per cent of the local market rent (inclusive of all service charges, where applicable). • The valuation of the Affordable Rent is to be built on the definitions of the basis of market rent contained within the Royal Institute of Chartered Surveyors (RICS) Red Book. In all cases, the market rent reference should be determined by reference to and in accordance with the approved valuation methods current at the time of submitting the planning application⁴. • All Affordable Rent properties must be let on a secure or assured periodic tenancy, or other tenancy offering directly equivalent levels of security of tenure, with an introductory tenancy being permitted if the landlord's tenancy policy makes provision for such tenancies to be used
Shared Ownership shall include: Shared Ownership Housing, Shared Equity Housing and Discounted Sale Housing, and other forms of intermediate tenure as defined below:	
Shared Ownership Housing	Housing in which the purchaser buys an initial share of the equity value in a home from the housing provider, who retains the remaining share for which they may charge a rent. The rent on the portion of the equity retained by the provider should not be above 2.75% of the value of that equity. The purchaser should have the right to buy additional shares in the property including up to 100% ownership of the property. EBC would expect the housing provider to use The Homes and Communities Agency model shared ownership lease ⁵
Shared Equity	<ul style="list-style-type: none"> • Housing in which the purchaser buys the property but shares the equity with another party such as the developer, local authority or private registered provider, in the form of an equity loan, or other equity sharing arrangement, at a price that is affordable to local households by reference to average in-work incomes for Eastbourne and normal lender loan-to-income ratios. The equity stake retained by the other party should be retained in perpetuity to ensure that the property remains affordable to future buyers; or • Housing in which the purchaser buys the accommodation but not the land, the land remaining in the ownership of the developer, local authority or private registered provider. The accommodation will be sold at a price that is affordable to local households by reference to average in-work incomes

³ National Rent Regime: the system under which the government sets out the levels of rents to be charged for social rented housing, adopted in April 2006.

⁴ The Royal Institute of Chartered Surveyors (RICS) sets out its principles for valuations in the RICS Valuation Standards (known as the Red Book). Valuations of a market rent, for the purpose of the market rent forming the basis for an affordable rent, will thus adopt the definition of a market rent as settled by the International Valuation Standards Committee.

⁵ http://www.homesandcommunities.co.uk/cfg?page_id=6169&page=171

	<p>for Eastbourne and normal lender loan-to-income ratios. The land retained by the developer, local authority or private registered provider should be retained in perpetuity to ensure that the property remains affordable to future buyers.</p> <ul style="list-style-type: none"> • There will be no charge or rent on the unsold equity.
Discounted Sale Housing	<p>Housing sold with a discount for the purchaser on the market price for a comparable property. The discount is calculated by reference to the percentage reduction in the market price that will create a sale price that is affordable to local households by reference to average in-work incomes for Eastbourne and normal lender loan-to-income ratios. Any such properties will be sold with an appropriate legal covenant in place to make sure that the discount rate from the full market price for a comparable property, agreed at the time of the first sale, applies to all subsequent sales.</p>
Intermediate Rent	<p>For the purposes of this Technical Note Intermediate Rent shall mean 'Affordable Rent' as defined previously.</p>

3. On what types of Residential Development will the policy be applied?

3.1 The policy applies to all developments that would result in net additional residential units being provided within the C3 planning Use Class. This could be in the form of: redevelopment of a site, conversion of a property through subdivision into smaller units, new build on available free land, or change of use from non-residential to residential use.

3.2 The definition of C3 (dwelling houses) residential development includes:

- People living together as a single household as defined by the Housing Act 2004 ('a family');
- Those living as a single household and receiving care;
- Those living as a single household that does not fall within the definition of a House in Multiple Occupation (HMO);
- Extra Care developments⁶;
- Assisted Living housing⁷.

⁶ Extra Care developments comprise fully self-contained homes with design features and support services available to enable independent living. It is targeted at people whose disabilities, frailty or health needs make ordinary housing unsuitable but who do not need or want to move to long term care.

⁷ Definition of Assisted Living:

A form of self contained housing for older people equipped with full sanitary and food preparation facilities and including:

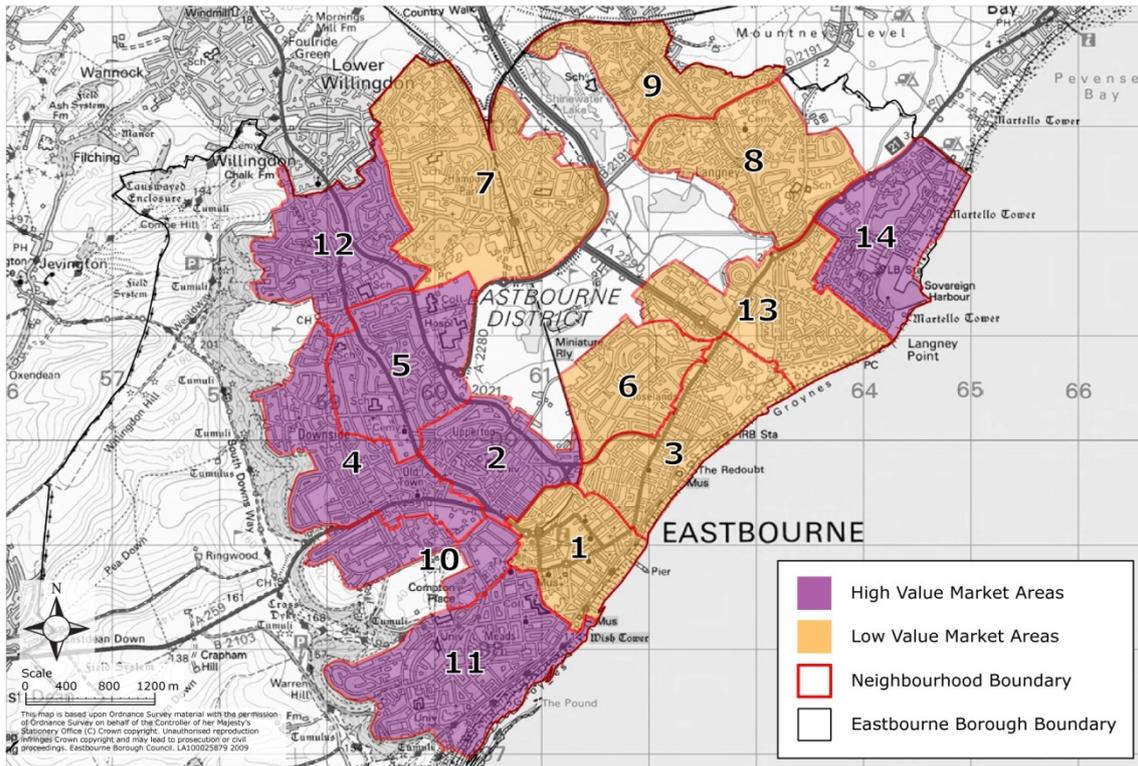
- Domestic assistance, care spot purchased by individuals by arrangement and delivered by an external domiciliary care agency. These schemes can include a restaurant, and a staff presence 24 hours but not to provide care or support; or
- Care and support available 24 hours a day but purchased according to individuals needs to help with the activities of daily living. These schemes include a restaurant providing the option of three meals a day.

- 3.3 The criteria for determining whether the use of particular premises should be classified within the C3 use class include both the manner of the use and the physical condition of the premises. Premises can properly be regarded as being used as a single dwelling house where they are:
- A single, self contained unit of occupation which can be regarded as being a separate 'planning unit' distinct from any other part of the building containing them;
 - Designed or adapted for residential purposes-containing a kitchen area and defined spaces for eating and sleeping and bathroom facilities associated with use as a dwelling house. The household does not need to share any facilities with other households although this does not preclude the provision of additional shared facilities, such as a communal restaurant, which the households may or may not choose to use.
- 3.4 The policy applies to the development of sheltered, extra care and assisted living schemes in the same way as it does to general needs housing, as long as residential units have their own facilities, e.g. kitchen area and bathroom, and therefore are self-contained designated within the C3 Planning Use Class. Accommodation that shares all or some facilities with other residential units, is classified in the C4 or sui generis Use Class as an House in Multiple Occupation (HMO).

4. What will the affordable housing requirement for the development be?

- 4.1 Eastbourne is divided into 14 neighbourhoods in the Core Strategy. These neighbourhoods fall into one of two Market Value Areas, which reflect the disparity between dwelling prices across the Borough. This has a significant impact on residual site values and the financial viability of delivering affordable housing on the site. Developments located in neighbourhoods within High Value Market Areas are required to deliver 40% affordable housing and developments within Low Value Market Areas are required to deliver 30% affordable housing. These are summarised in the table and diagram below:

High Value Neighbourhoods (40% affordable housing requirement)	Low Value Neighbourhoods (30% affordable housing requirement)
Neighbourhood 2: Upperton	Neighbourhood 1: Town Centre
Neighbourhood 4: Old Town	Neighbourhood 3: Seaside
Neighbourhood 5: Ocklynge & Rodmill	Neighbourhood 6: Roselands & Bridgemere
Neighbourhood 10: Summerdown & Saffrons	Neighbourhood 7: Hampden Park
Neighbourhood 11: Meads	Neighbourhood 8: Langney
Neighbourhood 12: Ratton & Willingdon Village	Neighbourhood 9: Shinewater & North Langney
Neighbourhood 14: Sovereign Harbour	Neighbourhood 13: St Anthony's & Langney Point



Map of the Borough's 14 Neighbourhoods within the High and Low Value Market Areas

4.2 The percentage policy requirement (30 or 40%) will result in a figure for the amount of affordable housing development required (i.e. 0.3 units, 2 units or 3.6 units). The following table demonstrates what the requirement will be on all developments up to 10 net units within both Market Value Areas.

Net residential units	High Value Market Area (40% affordable housing requirement)		Low Value Market Area (30% affordable housing requirement)	
	Whole affordable unit required	Part of unit (commuted sum required*)	Whole affordable unit required	Part of unit (commuted sum required*)
1		0.4		0.3
2		0.8		0.6
3	1	0.2		0.9
4	1	0.6	1	0.2
5	2		1	0.5
6	2	0.4	1	0.8
7	2	0.8	2	0.1
8	3	0.2	2	0.4
9	3	0.6	2	0.7
10	4		3	

*Commuted sum requirements are discussed later in Section 7 of this Technical Note

5. Type of Affordable Housing Sought and Assessment of Financial Viability

- 5.1 The Council will principally require affordable housing to be provided on the application site and to be delivered without any form of public subsidy. Affordable housing should normally be provided on site, unless off-site provision, free serviced land⁸ or a financial contribution (commuted sum) in lieu of on-site provision can be robustly justified. The Council will work through a series of options outlined in paragraph 6.8 of this Technical Note, to ensure that the development remains viable.
- 5.2 In the following instances it will not be considered appropriate to deliver an affordable housing unit on-site and the Council will seek either a commuted sum, free serviced land or off-site provision:
- Where the policy requirement results in a percentage of less than one whole unit being provided. A commuted sum will be required for this percentage of a unit. Commuted sum payments will be calculated using the Payment Table which is explained later in this Technical Note. All commuted sums collected by the Council will be used to help deliver new and additional affordable housing;
 - Where the development is in the form of a flatted development, including new build and conversion or refurbishment of existing buildings, where it would not be possible on technical or architectural grounds to provide a separate entrance and access areas for the affordable housing separate from that provided for housing provided for access at full market rates;
 - Where the development is a high value flat or similar development with high service charges that would affect the overall affordability of housing by reference to the average in-work incomes of local people. In such cases, the Council will require off-site provision of homes, free serviced land or a commuted sum calculated from the payment table.

Tenure Mix

- 5.3 The Council's Housing Specialists will be directly involved in negotiating and agreeing tenure mix on all residential development schemes in Eastbourne. 'Policy D5: Housing' of the Core Strategy provides the starting point for the consideration of the tenure mix of the development scheme. The policy for affordable housing is for a ratio of 70% rented to 30% shared ownership on the scheme, with flexibility to amend the balance between rented and shared ownership within a development to take account of up-to-date intelligence about local housing needs. The Council may also consider adjusting the tenure mix of a scheme if that is proven necessary and agreed by the Council and the developer to secure the viability of the development.
- 5.4 The type and size of the affordable housing to be provided on the development site should fully reflect the distribution of property types and

⁸ Free serviced land is land with planning consent for unrestricted residential development (i.e. not restricted to purely affordable housing use, with no restrictive covenants, easements etc in place), free of land purchase cost excluding any incidental costs that may be incurred in procuring the land (i.e. legal and surveyor fees) with fully serviced road and pedestrian access, utility services provided on site and with no abnormal costs free from contamination.

sizes in the overall development taking into account the required space standards for affordable housing (Appendix B).

Housing Standards

- 5.5 **Provider:** Affordable housing should be delivered by one of the Council's preferred Registered Providers, the choice of which should be agreed by the developer with the Council. A list of current providers can be obtained from the Council's Housing and Planning Specialists. The developer should dispose of any affordable housing to the Registered Provider either on a freehold basis or on a long lease, at a peppercorn rent, of at least 125 years.
- 5.6 **Environmental Standards:** All affordable housing will be required to be built to the minimum prevailing standard set out in the Code for Sustainable Homes⁹ At adoption of the Core Strategy, this will be Code Level 3. From April 2013, this will be Code Level 4, which matches Building Regulation requirements. The developer will be required to demonstrate how the development complies with the relevant standard.
- 5.7 **Design and Quality Standards: The Homes and Communities Agency's (HCA's) Design and Quality Standards¹⁰,** inherited from the Housing Corporation, are relevant. The standards relevant to the policy relate to unit size and unit layout including storage requirements¹¹. Specific actions for these standards are set out in the HCA's Housing Quality Indicators (HQIs)¹² which may change over time¹³. Affordable housing should be indistinguishable in its external appearance from general market housing. It should be 'pepper potted'¹⁴ throughout a development and not be segregated from market housing, with the exception of flatted developments.
- 5.8 **Materials and Construction Quality:** Any scheme should make use of good quality materials and be designed in such a way as to reduce ongoing management, maintenance and repair costs. This is to reduce the risk of the properties in the future no longer being kept in good condition, falling into disrepair or blighting the area. The use of low quality materials and designs which do not take heed of long term maintenance requirements, will not be acceptable to the Council.
- 5.9 **Lifetime Homes¹⁵:** All affordable housing should be built to the Joseph Rowntree Lifetime Homes standards, following the 16 set design criteria that

⁹ The Code for Sustainable Homes is an environmental impact rating system for housing in England, setting standards for energy efficiency and sustainability. The code awards new homes a star rating from 1 to 6, based on their performance against 9 sustainability criteria which are combined to assess the overall environmental impact.

¹⁰ Design and Quality Standards – April 2007 – Housing corporation

¹¹ Size and layout are performance measures stipulated for the *internal environment core performance standard* set out in the Design and Quality Standards

¹² Housing Quality Indicator (HQI) Form: Version 4, (For NAHP 08-11). Published May 2007 – Updated April 2008

¹³ Information on Housing Quality Indicators can be found at:

<http://www.homesandcommunities.co.uk/hqi>

¹⁴ Pepper Potted is the dispersal of affordable housing units throughout mixed tenure residential developments, resulting in no concentrations of any particular tenure in any particular place.

provide a model for building accessible and adaptable homes. Ten per cent of the affordable housing provision should be fully accessible for disabled and vulnerable people, subject to the suitability and topography of the site and making such provision being reasonable by reference to normal technical and architectural criteria. The interior design of such properties should include adequate provision and space in all such units to allow the use of motorised and non motorised wheelchairs. The developer will be required to demonstrate how the development complies with the relevant standard at planning submission stage.

- 5.10 **Space Standards:** The Council's minimum space standards for affordable housing are set out in Appendix B of this Technical Note.
- 5.11 **Timeline:** The Council expects delivery of affordable housing to be considered by the developer as a priority contribution, after the provision of essential development pre-requisites, including for example highways requirements and flood storage provision have been completed. On-site affordable rented housing units should, unless there are exceptional circumstances, be handed over to the agreed Registered Provider by the time 40% of the market units on the site have been sold or occupied.
- 5.12 **Secured by Design:** affordable housing should follow any relevant and appropriate recommendations laid down in the most current Secured by Design guidance, issued by the Association of Chief Police Officers (ACPO).

6. Planning Applications for Residential Development

- 6.1 This section discusses the key stages involved in processing the affordable housing requirement for residential development schemes. A process map outlining the key stages that are involved in processing an application in line with the affordable housing requirements of Policy D5: of the Core Strategy is provided in Appendix E of this Technical Note. This covers the expectations of applicants before a planning application is formally submitted to the Council (pre-application) and includes all the relevant stages involved in the case officer processing the application through to determination by the Council.

Step 1 – Pre-application Discussions

- 6.2 The Council encourages all applicants (whether developers, land agents or individuals) to undertake pre-application discussions with the Council's Planning and Housing Specialists to discuss any proposed residential schemes. It will be essential at an early stage to discuss the financial viability of the scheme to deliver the requirement of the housing policy of the Core Strategy. Appendix A provides a check list for applicants to use in their financial viability appraisals of development schemes for affordable housing.
- 6.3 The affordable housing policy will be applied in line with Policy D5 of the Core Strategy on a site by site basis taking into account other planning

¹⁵ Lifetime Homes are ordinary homes incorporating 16 Design Criteria that can be universally applied to new homes at minimal cost. Each design feature supports the changing needs of individuals and families at different stages of their lives.

considerations that may affect the financial viability of development of the site. Regard will be made to:

- The viability of development, considering the need and cost of supporting infrastructure on and off the site and any unavoidable and necessary site remediation to resolve environmental hazards;
- The location and character of the site;
- The tenure of affordable housing and type of dwelling unit required in relation to the housing needs and the viability of specific schemes;
- The current availability of affordable housing in the local area when measured against demand for such accommodation.

Step 2 – Financial Viability Assessment of the Scheme

- 6.4 When assessing the financial viability of residential development the applicant should refer to all considerations stated in Appendix A of this note, unless there are any justified overriding factors¹⁶. The Council recommend using the District Valuation Office to assist in assessing the viability of the proposed development. Applicants may use their own viability assessment toolkit to assess financial viability, for which their figures should be independently verified by a qualified valuation officer or an organisation that is full member of the Royal Institute of Chartered Surveyors¹⁷ (RICS) prior to the submission of the application. Should any such viability assessment suggest that a scheme is unviable, the Council will, if necessary, commission the District Valuation Office to scrutinise any such assessment and the cost of any such assessment will be paid by the applicant.
- 6.5 If a developer considers that the mandatory requirements of the Council's policy in respect of affordable housing cannot be met on a particular site then any such representation must be justified in an evidenced and 'open-book' Viability Assessment and supporting statement, including all necessary information to demonstrate and justify residual values. These should be provided by the developer to the Council during the pre-application discussions. The Council will therefore need to receive all the required figures for the Viability Assessment, including a Residual Valuation prior to the application being validated for consideration. This will prevent unnecessary delays to applications being decided. If the application is submitted without a satisfactory Viability Assessment, then it is likely that the application will be recommended for refusal.

Step 3 – Open Book Approach with Eastbourne Borough Council

- 6.6 The 'open book' approach detailed above will allow any reduced or amended affordable housing contribution to be assessed and agreed prior to the submission of a formal planning application. In this way data which the applicant may regard as commercially sensitive will remain outside the public domain. This approach will also assist in the efficient consideration of the planning application.

¹⁶ Other financial contributions will need to be factored into Viability Appraisals including Section 106 contributions and the forthcoming Community Infrastructure Levy (April 2014).

¹⁷ RICS valuations need to be Red Book compliant so they can be relied upon by both the applicant and the local authority.

- 6.7 If the Council is required to seek an opinion from the District Valuation Office on viability then this cost will be borne by the applicant. A liability notice to pay the District Valuation Office fees (Appendix C) will be issued by the Council, from which there will be a four week period for the Council to receive payment from the applicant. If this is not received then the application cannot be progressed, nor approved. Indicative payments for the various size of developments are outlined in Appendix C. The District Valuation Office will consider the financial impact of the cost of the affordable housing on affecting the overall viability of the development. In making this assessment, the Valuation Officer will build in an assumed acceptable developer profit level. If the provision of affordable housing in line with the Council's policy is proven to affect the overall viability of the scheme, the District Valuation Office will calculate the total viability shortfall cost: the additional sum required to make the scheme viable for the developer with on-site affordable housing provided.

Step 4 - Next Steps if the site is assessed as unviable

- 6.8 If it is agreed that the requirements of the Council's policy on housing will render a site unviable the Council's Housing and Planning Specialists will work with the developer through the following options (these are not in sequential order) detailed below until overall delivery is rendered viable. This provides further elaboration of the options discussed in Core Strategy:
- An amended mix of affordable tenures to deliver in full the required quota of affordable homes on the application site;
 - Delivery in full of the required quota of affordable homes on an alternative site within the same neighbourhood or electoral ward as the application site, completion of such homes to be achieved within a similar time line to that established for the social housing originally proposed for the application site;
 - Delivery in full of the required quota of affordable homes on an alternative site elsewhere within Eastbourne, completion of such homes to be achieved within a similar time line to that established for the social housing originally proposed for the application site;
 - Free serviced land, to provide sufficient land to provide in full the required quota of affordable homes, with full and unfettered ownership of the land transferred to the Council;
 - A commuted sum equivalent in value to the cost to the developer of on-site provision. All commuted sums collected by the Council will be used to help deliver new and additional affordable housing. Commuted sums will need to be spent by the Council within 10 years of the granting of planning permission;
 - A reduction in the number of affordable homes to be delivered on the application site;
 - Support for an application to the HCA for grant funding to deliver in full the required quota of affordable homes on the application site. It should be noted that HCA policy is not to award grant funding to schemes subject to the provisions of a Section 106 agreement¹⁸, other

¹⁸ Section 106 of the Town and Country Planning Act 1990 allows a Local Planning Authority to enter into a legally binding agreement or planning obligation with a landowner in association with the grant of planning permission. The obligation is called a Section 106

than in the most exceptional of circumstances. The Council reserves the right to reject this option if to do so would adversely impact upon the time taken to determine the application;

- An application to the Council for grant funding to deliver in full of the required quota of affordable homes on the application site. It should be noted that the Council does not award grant funding to schemes subject to the provisions of a Section 106 agreement, other than in the most exceptional of circumstances. The Council reserves the right to reject this option if to do so would adversely impact upon the time taken to determine the application;
- To abandon the requirement for affordable housing to be provided or funded as a consequence of the development. This option will not normally be considered unless there is clear, justifiable and independently verified evidence that none of the options detailed above are viable.

6.9 Developers should note that alternatives to on-site provision can only proceed with the agreement of the Council. Any unilateral offers of alternative arrangements or provision will not automatically be accepted by the Council without working through the options in 6.8 above.

7.0 Commuted Sum Payments

7.1 Commuted sum payments will only be applicable to developments, where delivery on site is justified as unviable, or where a financial contribution in lieu of a percentage of a unit is required (i.e. less than 1 whole unit). The Council will use the 'Affordable Housing Payments Table' to calculate the financial contributions for commuted sum payments or part commuted sum payments. This method calculates the contributions required by assessing the average sales values of market and affordable housing and then deducting the development costs to show the residual land value which is then expressed as a commuted sum. Appendix D to this report provides a full methodology for the commuted sum payment table.

Commuted Sum Calculation

The basis for assessing the cost to the developer of on-site provision will be the Affordable Housing Payments Table which is broken down by housing type, size and Market Value Area. Where the policy results in a portion of unit to be provided, this portion or percentage can be calculated in monetary terms using the payments table.

In using the Payment table, the requirement will be calculated based on the footprint (in square metres) of development. This will be multiplied by the 'contribution per sq m' cell in the payment table, and then if necessary for a percentage of a unit, a proportion of this sum to be calculated.

7.2 The following payment table reflects the position of Policy D5: Housing of the Core Strategy which seeks a 70% social rented and 30% shared ownership tenure breakdown for the affordable housing element of the scheme.

Agreement.

- 7.3 The payment table will be reviewed annually and updated if necessary, to reflect any changes in economic viability over the lifetime of the Core Strategy. This will ensure that the financial contributions remain viable for all development types, and that affordable housing contributions will not impede residential development coming forward.

Affordable Housing Commuted Sum Payment Table

Figures as of December 2012

Eastbourne - High Value Area - 40% Affordable (70% Social Rented and 30% Shared Ownership)

Commuted Sum Values	Studio Flat*	1 Bed Flat*	2 Bed Flat*	3+ Bed Flat*	2 Bed House	3 Bed House
Unit Size - m ²	40	46	67	84	68	90
MV completed unit	£ 90,000	£ 130,000	£ 175,000	£ 225,000	£ 215,000	£ 315,000
Serviced plot value per unit	£ 8,178	£ 9,405	£ 13,698	£ 17,174	£ 54,082	£ 93,303
40% Policy compliant contribution:	£ 3,273	£ 3,762	£ 5,479	£ 6,870	£ 21,633	£ 37,321
Contribution per sq m	£ 81.78	£ 81.78	£ 81.78	£ 81.78	£ 318.13	£ 414.68

* For the purposes of flatted development the contribution has been averaged across all unit sizes, to provide one contribution per sq m.

Commuted Sum Values	4 Bed House	5+ Bed House	1 Bed Bungalow	2 Bed Bungalow	3+ Bed Bungalow	
Unit Size - m ²	106	125	73	85	95	
MV completed unit	£ 410,000	£ 495,000	£ 175,000	£ 225,000	£ 275,000	
Serviced plot value per unit	£ 136,529	£ 169,501	£ 13,969	£ 31,109	£ 50,893	
40% Policy compliant contribution:	£ 54,611	£ 67,800	£ 5,588	£ 12,444	£ 20,357	
Contribution per sq m	£ 515.20	£ 542.40	£ 76.54	£ 146.40	£ 214.29	

Eastbourne - Low Value Area - 30% Affordable (70% Social Rented and 30% Shared Ownership)

Commuted Sum Values	Studio Flat	1 Bed Flat	2 Bed Flat	3+ Bed Flat	2 Bed House	3 Bed House
Unit Size - m ²	40	46	67	84	68	90
MV completed unit	£ 65,000	£ 90,000	£ 125,000	£ 160,000	£ 150,000	£ 200,000
Serviced plot value per unit	-£ 16,668	-£ 7,875	-£ 13,374	-£ 13,220	£ 15,814	£ 23,577
30% Policy compliant contribution:	£ 0	£ 0	£ 0	£ 0	£ 4,744	£ 7,073
Contribution per sq m	£ 0	£ 0	£ 0	£ 0	£ 69.77	£ 78.59

Commuted Sum Values	4 Bed House	5+ Bed House	1 Bed Bungalow	2 Bed Bungalow	3+ Bed Bungalow	
Unit size - m ²	106	125	73	85	95	
MV completed unit	£ 240,000	£ 300,000	£ 135,000	£ 190,000	£ 215,000	
Serviced plot value per unit	£ 31,735	£ 50,060	-£ 8,262	£ 13,878	£ 17,932	
30% Policy compliant contribution:	£ 9,521	£ 15,018	£ 0	£ 4,163	£ 5,380	
Contribution per sq m	£ 89.82	£ 120.14	£ 0	£ 48.98	£ 56.63	

- 7.4 The following worked examples demonstrate how to work out the financial contribution for the proposed development: if on site delivery of the affordable housing is justified as unviable; or where a financial contribution for part of a unit is required.

Worked Example for Portion of Affordable Unit on Housing Scheme

Development: Net gain of 5 3-bed houses within 30% Low Value Market Area, each with a footprint of 100 square metres.

Policy Requirement: 1.5 affordable units.

Delivery:

- (1) On site delivery of 1 affordable unit with 0.5 (50%) of a unit delivered as a commuted sum, calculated from the payment table (at £78.59 per square metre).

Financial contribution would be calculated as:
 $0.5 \times 78.59 \times 100 = \mathbf{£3,929.50}$

- (2) If justified as unviable to deliver affordable unit on site, use payment table to calculate commuted sum payment for full quota of 1.5 dwellings at £78.59 per square metre.

Financial contribution would be calculated as:
 $1.5 \times 78.59 \times 100 = \mathbf{£11,788.50}$

Worked Example for Commuted Sum Payment in lieu of delivery of affordable housing units on flatted development scheme

Development: Net delivery of 20 flats within the 40% High Value Market Area, each with a footprint of 50 square metres.

Policy Requirement: 8 affordable units.

Delivery:

- (1) On site delivery of 8 affordable units, appropriately arranged on the site; or
- (2) If justified as unviable to deliver 8 flats on site, use payment table to calculate commuted sum payment for full quota of 8 flats at £81.78 per square metre.

Financial contribution would be calculated as:
 $8 \times 81.78 \times 50 = \mathbf{£32,712.00}$

Flatted Schemes and 1 bedroom bungalows within the Low Value Market Area

- 7.5 In some instances within the Low Value Market Areas of the Borough, negative viability will be demonstrated for smaller residential units if the affordable housing policy is delivered in full on the development scheme. The commuted sum payment table calculations show a potential negative viability level within the Low Value Market Area for flatted schemes and 1 bedroom bungalows. This is based on an assessment of various sizes of developments in floor space and unit number terms. In these instances if the onsite delivery of affordable housing is justified as unviable, and commuted sums would be the only available option, then a financial contribution will not be sought for that development scheme.

Commuted Sum Calculation

- 7.6 If a commuted sum requirement, calculated from the payments table, equates to less than **£1,000** for the whole development scheme, then a financial contribution will not be sought for this development.

Payment of Commuted Sums

- 7.7 Commuted sums shall be paid to the Council on commencement of the development and this will be reflected in the Section 106 Agreement.

8.0 Planning Obligations - Section 106 Agreements

- 8.1 A planning obligation (Section 106 Agreement) will be drawn up by the Council, which forms the legal framework in order that the applicant/developer delivers affordable housing on site, off-site or contributes financially through commuted sum payments or free serviced land.
- 8.2 A planning obligation is a legally binding agreement between the Council and a developer. An obligation either requires the developer to provide a financial contribution, physical infrastructure or a management plan in relation to their development proposals, otherwise this restricts what can be done with land following the granting of planning permission. The agreements are made under Section 106 of the Town and Country Planning Act 1990 and allow development proposals to meet the needs of the community by securing contributions towards community infrastructure.
- 8.2 For all planning applications that involve affordable housing, applicants will be required to sign a Section 106 Agreement. The purpose of the agreement is to ensure that the affordable housing complies with the Council's housing and planning policies including making sure that affordable housing is offered to those local people most in need of it and that the rents and prices remain affordable. An example Section 106 agreement with template wording to be integrated into the agreement is presented at the following web-link:
www.eastbourne.gov.uk/corestrategy.

9. Delivery Agencies

- 9.1 The affordable housing element of a development should be delivered by a Registered Provider that is a partner of the HCA and has the support of the Council. The Council itself is a Registered Provider of social housing and so may also be considered as a potential partner for the provision of affordable housing.
- 9.2 The Council has a list of Registered Providers already providing and managing homes in Eastbourne. This list is available upon request from the Housing Specialists.
- 9.3 Support for a Registered Provider will be determined by the Council's Housing Specialists with reference to the Registered Providers approach to housing management and maintenance. Particular regard will be paid to the relationship between the provider and the Council in terms of support for the Council's corporate and housing priorities. This includes such activities as estate and neighbourhood management, housing opportunities for homeless and other vulnerable clients, quality of property maintenance and participation in economic development initiatives.
- 9.4 In all instances, the Council will expect to be granted nomination rights to all tenures of affordable housing, to help the Council support people registered on the Housing Register. An example of a Nomination Agreement is available on the Council's website at www.eastbourne.gov.uk/corestrategy. The Council will make use of such nomination rights in line with its prevailing Allocations Policy.

APPENDIX A

Check list for development financial viability appraisals

VIABILITY ASSESSMENT TEMPLATE

This template lists the variables that will be required by the applicant/developer to access in order to undertake a viability assessment of a residential scheme.

Revenue	
Schedule of units and areas (GIA's)	Schedule of accommodation with the gross internal areas (GIA) of all units to be built expressed in sq metres
Private Values with evidence	Market Value of all units with supporting evidence
Affordable Values with evidence	Affordable Values of all units with supporting evidence
Ground Rent Value if any	Most flats are sold on a long lease with a ground rent payable, the value of which should be included
Commercial Value with evidence if relevant	Market value of all commercial units with supporting evidence
Gross Development Value (GDV)	The total Value of all units to be built as part of the scheme
Development Costs	
Residual Land Value of the scheme: or	The value that the relevant scheme can afford to pay for the site or
Market Value of the site	The Market Value of the site with supporting evidence
Stamp Duty Land Tax and fees	All fees etc paid on site acquisition including Stamp Duty Land Tax, agent and legal fees
<i>Construction costs including:</i>	
Base Construction Costs	Build costs of all units assessed using BCIS rates, by a Quantity Surveyor or quotes received from a builder
Addition for Code3/Code 4	Additional costs to achieve Code for Sustainable Homes Level 3 or 4
Externals	All external costs including access roads, landscaping services to the property etc
Abnormals	Any additional cost including demolition, remediation, additional costs due to poor ground conditions etc
Other Costs	Any other relevant costs incurred
Contingency	A percentage uplift to cover any unforeseen build costs
Professional and planning Fees	All planning fees paid to the local authority, planning consultants and fees paid to architects engineers etc in respect of design etc
Section 106 Contributions/Community Infrastructure Levy (CIL)	Any section 106 or CIL financial contributions that are required for the scheme by the local authority
Marketing Fees	Fees paid for marketing the units including brochures, advertising, show homes etc
Sale Fees	Fees paid to agents and solicitors for the sale of the units
Finance Costs including arrangement fees	Finance costs charged by a bank etc for borrowing the money in order to undertake the development. The finance should be calculated by means of a cash flow but a scheme programme is to be included to show build and sales periods.
Profit on Private and Affordable Housing	The required profit expressed as a % of the Gross Development Value (GDV) of the scheme to reflect the risk

Reference should also be made to Appendix C of the RICS 'Viability in Planning' document which can be accessed from: <http://www.pas.gov.uk/pas/aio/2784163>

APPENDIX B

Space Standards for Affordable Housing Accommodation

The Council's minimum space standards for affordable housing are set out below. All units will need to be large enough to meet Lifetime Homes standards. The following figures are derived from the Homes and Community Agency (HCA) standards.¹⁹

Type of Residential Unit	Gross Internal Floor Area Range (m²)
Studio self contained flat	30/35 *
1 bed 2 person flat	45/50
2 bed 3 person flat	57/67
2 bed 4 person flat	67/75
3 bed 5 person flat	75/85*
2 bed 4 person two storey house	67/75
3 bed 5 person two storey house	82/85
4 bed 6 person two storey house	95/100
3 bed 5 person three storey house	85/95
4 bed 6 person three storey house	100/105
Wheelchair units will require a larger footprint to provide turning circles (1500 x 1500mm) and should meet the standards set out in the "Wheelchair Housing Design Guide, second edition" produced by Habinteg Housing Association. This guidance should be taken into account for all wheelchair units. Please note that Wheelchair Unit gross internal floor areas will exceed Lifetime Homes gross internal floor area requirements.	

**It is not the Council's preferred option to increase the stock of studio or 3 bed flats for affordable housing at the time of publishing this AHITN, but housing needs can change from time to time and consideration will be taken of the identified need for such housing at the time of the application.*

¹⁹ Homes and Communities Agency Space Standards for the Home (August 2010)

APPENDIX C

Liability Notice to pay District Valuation Office Fees

Eastbourne Borough Council
Affordable Housing Viability

Liability Notice To pay DVS Viability Assessment Fees

Eastbourne Borough Council
Planning Services
1 Grove Road
Eastbourne
BN21 4TW

[Insert date]

[Liability Notice Reference]

District Valuation Service – Viability Assessment Fees

In relation to: [Planning application address and reference number]

This notifies you that you will be liable to pay **[insert amount]** to Eastbourne Borough Council in order for the District Valuation Office to undertake an Affordable Housing Viability Assessment for the development scheme proposed under planning application **[insert planning application reference]**. Payment is due to the Council within 4 weeks of the date indicated on this letter.

Indicative Costs for DVS Viability Assessment

Number of Gross Residential Units:

Less than 5 units: £500 plus vat
5 - 10 units: £750 plus vat
11 - 15 units: £1250 plus vat
Over 15 units: Quote required

APPENDIX D

Methodology for Commuted Sum Payments

District Valuation Service (DVS), December 2012

There are a number of methods to calculate the contributions required for part or whole units to be provided off site.

The three often used are:

- 1) Land Value provision – Assessment of the developers contribution expressed as land value after undertaking residual appraisals taking account of value less costs.
- 2) Revenue Gap – The Market value less the affordable housing revenue from the registered provider
- 3) Build costs – Physical cost of provision

Whilst other methods are used these are the three most common and after discussions with the Council we are of the opinion that the Land Value method is the most applicable in the circumstances.

This assessment calculates the contributions required by assessing the average sales values of market and affordable housing and then deducting the development costs to show the residual land value required which is then expressed as a commuted sum at either 40% or 30%. The contribution is expressed per unit and per sq m.

Unit Types:

This Assessment has assumed the following unit types and areas:

Unit Type	Size – Sq m
Studio Flat	40
1 Bedroom Flat	46
2 Bedroom Flat	67
3 + Bedroom Flat	84
2 Bedroom House	68
3 Bedroom House	90
4 Bedroom House	106
5 + Bedroom House	125
1 Bedroom Bungalow	73
2 Bedroom Bungalow	85
3 Bedroom Bungalow	95

Market Sales Values:

We have undertaken detailed market sales research into the sales values achieved across all regions in the Borough and property types and then averaged for the high and low value areas as defined. In addition we have average across the house types of terraced, semi detached, town houses and detached.

The key sources for our research are our own internal data base of property sales and other data available on the internet and from local knowledge.

DVS research has indicated the following average market values:

Property Type	Size (m ²)	High Value Area (£)	Low Value Area (£)
Studio flat	40	90,000	65,000
1 bedroom flat	46	130,000	90,000
2 bedroom flat	67	175,000	125,000
3+ bedroom flat	84	225,000	160,000
2 bedroom house	68	215,000	150,000
3 bedroom house	90	315,000	200,000
4 bedroom house	106	410,000	240,000
5+ bedroom house	125	495,000	300,000
1 bedroom bungalow	73	175,000	135,000
2 bedroom bungalow	85	225,000	190,000
3 bedroom bungalow	95	275,000	215,000

Affordable Tenure:

We have assessed all affordable housing on the following tenure basis:

- 1) Social Rented
- 2) Affordable Rented (assuming 80% of market rental value inclusive of service charge)
- 3) Shared Ownership
- 4) Shared Equity
- 5) Discounted Market Sales (assuming a sale at no more than 80% of market value)

Affordable Sales Values:

We have assessed the value of the affordable housing for each tenure type and unit type taking account of rentals payable in the area, market values for part equity sales and retained rental income.

We have undertaken our own assessment as to the affordable values, based on our own experience of offers received on other developments in the region expressed as an average percentage of the market value across each tenure type as follows:

Tenure Type	% of Market Value
Social Rented	45%
Affordable Rented	55%
Shared Ownership	65%
Shared Equity	65%
Discounted Market Sales	80%

Development Costs:

We have assessed the average development costs per unit type taking account our own experience and similar studies carried out in the region as follows:

- 1) **Build Costs** – BCIS median rates adjusted for location
 - a) Flats - £988 per sq m
 - b) Houses - £851 per sq m
 - c) Bungalows - £924 per sq m
 - d) Site and Infrastructure Costs – 15%
 - e) External Works – 5%
 - f) Code For Sustainable Homes Level 4 – 7%

- g) Contingencies and Insurances – 4.5%
 - h) Planning Fees - £385 per unit
 - i) Survey Costs - £500 per unit
- 2) **Professional Fees** – 8.00 %
 - 3) **Marketing and Sales Costs** – 1.5% of sales value plus £600 per unit for legals
 - 4) **Finance Costs** – 7% including arrangement fees
 - 5) **Land Costs** – 5.75% fees etc plus holding cost of land for the development programme at 7%
 - 6) **Developers Profit** – 17.5% on private and 6% on affordable

Contribution Table:

Having completed our detailed research we have prepared a table showing the commuted sum as a residual land value per type of unit including a 15% uplift expressed as either 30% or 40% of the residual land value depending on the location. If the result is a negative land value the commuted sum is shown as Zero. The sum is also expressed as both a total amount and per sq metre.

Summary:

DVS have determined to use the Land Value provision in determining the contributions required in lieu of a part of a unit on site or a contribution for a total off site provision if agreed. The two value areas for the Borough have been predetermined as High Value Areas and Low Value Areas which we have adopted and the property types have been agreed. DVS have assessed the average market sales value for each property type for the two value areas and also the affordable value for each property type under each affordable tenure. DVS have also assessed all applicable development costs. The result is a residual land value for each property type taken at either 30% or 40% depending on the value area and then expressed as both a lump sum and rate per sq metre.

APPENDIX E

Process Map for Planning Applications

To be attached separately