

CLARIFICATION OF ISSUES ARISING FROM POLICIES AH-1 AND AH-2 OF THE ADOPTED FIRST ALTERATIONS TO THE NEW FOREST DISTRICT LOCAL PLAN AND THE ADOPTED SUPPLEMENTARY PLANNING DOCUMENT 'THE DELIVERY OF AFFORDABLE HOUSING (ON DEVELOPMENT SITES) THROUGH THE PLANNING PROCESS'

1. PURPOSE OF REPORT

1.1 In adopting the Supplementary Planning Document on affordable housing at the Cabinet Meeting on 2nd November 2005, it was requested that further information be provided on three matters. These were:

- (1) What methodology would be adopted for the calculation of off-site contributions to affordable housing, particularly on small sites developed under Policy AH-2?
- (2) How can this methodology be applied so as not to disadvantage people who are not acquiring land under normal commercial land purchase arrangements?

and (3) How would decisions be made in the Council on an appropriate level of financial contribution where special circumstances were being claimed?

1.2 This paper sets out an approach to dealing with each of these three matters.

2. THE CALCULATION OF OFF-SITE CONTRIBUTIONS

2.1 The methodology proposed to address this issue is different from the one used to date. It would be based on the cost of providing the affordable housing requirement on an alternative site. To achieve off-site provision suitable development sites will have to be acquired on the open market by an affordable housing provider. It is therefore appropriate that the level of contribution should relate to the cost of acquiring such sites.

2.2 The circumstances which are most likely to result in a financial contribution to affordable housing to be required, rather than actual on-site provision of the affordable housing, occur in the smaller villages where policy AH-2 applies.

2.3 For settlements where policy AH-2 applies it is proposed that a model formula for financial contributions, based on a set of plot values for standard affordable housing types in each of the AH-2 villages, be used. An example of how this would be set out is attached as Annex One. The financial contribution requirement per unit would be 35% of these plot values. For properties that are larger than 4 bedroom, the equivalent units may be sought e.g. a five bedroom house would have the combined contribution of a 2 & 3 bedroom house or 1 & 4 bedroom house, whichever was the lower.

- 2.4 This provides a transparent and accessible model to work from for both Council officers, and clarity of understanding for those making planning applications and the general public. The contribution requirements are known at the outset. This approach is not without disadvantages and like all other approaches to this issue, could be the subject of challenge.

In particular, it may require a higher payment compared with alternative approaches on smaller sites, and have the opposite effect on some large sites. However, on balance the transparency and certainty associated with this method of calculation makes it your officers' preferred option.

- 2.5 The model values will need to be regularly updated. It is recommended that this is undertaken on an annual basis in January each year. During the year these figures will be adjusted, using one of the published house price indices (i.e Nationwide). In situations where there are extreme variations caused by a volatile housing market, the re-assessment of local values may need to be undertaken more regularly than annually.
- 2.6 Circular 06/98 makes it clear that affordable housing contributions should always be derived from a **negotiation** on what is appropriate and viable for a particular site. It also makes it clear that 'the particular costs associated with the development of the site should be taken into consideration. To facilitate this the applicant will always be given the opportunity to put their case as to why (on viability grounds) they cannot pay the contribution indicated by the model formula for plot values. They can offer an alternative contribution based upon their viability arguments.
- 2.7 Any such viability negotiation will need to be based on information provided by the applicant covering the matters set out in Annex 2. This should normally take place as part of pre-application negotiations to ensure that the planning application stage does not become unreasonably protracted. The information will be considered by the Council's Chief Valuer who will advise other officers (and, where appropriate, the Planning Development Control Committee) whether he could support a reduced financial contribution on viability grounds and by how much the model formula for plot values could be reasonably reduced in any individual case.

3. AVOIDING UNREASONABLE DISADVANTAGE IN PARTICULAR CASES

- 3.1 It is recognised that in some circumstances the proposed methodology could disadvantage individuals and their families who, with their own resources, are attempting to solve their own housing problems. For example, where a family who currently own a property with a large garden in a village and decide to sub-divide the garden to build a new house for another family member who is currently living in the original family home. The need to make contribution to affordable housing at the time planning permission is granted may affect the viability of such a scheme.
- 3.2 The Council does not wish to discourage local families from seeking to address their housing needs in this way and therefore in certain circumstances considers it would be appropriate to accept a deferred payment of the financial contribution for affordable housing to enable a scheme to proceed.

- 3.3 It is proposed that in limited circumstances, where land has not been purchased under conventional commercial arrangement, the affordable housing contribution can be deferred until the new property is sold. This would be enforced by making the outstanding contribution a charge on the property by way of a Section 106 agreement. When the deferment ends, the agreed financial contribution will be paid, having been adjusted to take account of house price changes (from a published index) between the date of the legal agreement and the sale.
- 3.4 The above approach complies with affordable housing policies in the adopted Local Plan, but allows some flexibility for people who are genuinely trying to meet their own housing needs in circumstances where normal land purchase arrangements have not been made. This will normally relate to arrangements made within a family.
- 3.5 There may also be circumstances where people have purchased or contracted to purchase single house plots at a price agreed before the implications of Policy AH-2 were fully appreciated. In these circumstances the problems this may have created might also be recognised by a deferral or a partial deferral of the payment, as described above. This will not apply to any land where the purchase has been agreed since the adoption of the Supplementary Planning Document.

4. DECISION MAKING ON THE MATTERS WITHIN THE COUNCIL

- 4.1 It is important that decision making on matters involving potentially large sums of money is seen to be fully transparent and based upon properly evaluated considerations.
- 4.2 For this reason it is proposed that an officer delegated planning decision should only be made in those cases where the full contribution is to be paid as defined by the model formula for financial contributions on the plot values in a particular settlement (as defined and updated by the Council's Valuer). In all other cases the planning application will be referred to the Planning Development Control Committee for a decision to be taken. They will consider advice from their officers (both valuation and planning) on whether a reasonable case has been made either on a viability argument for a lesser contribution or for a deferred payment to be agreed. In this forum they will also be able to hear (public participation) an applicant's case where they do not agree with the officer's assessment.
- 4.3 It will be important that the Planning Development Control Committee have very careful regard to the relevant considerations before they make a judgement. Decisions which do not take proper account of the relevant considerations (or introduce inappropriate ones) may be the subject of challenge from others who do not believe they have not received the same treatment.

5. FINANCIAL IMPLICATIONS

- 5.1 The financial contributions arising from Policies AH-1 and AH-2 will provide significant resources to help provide affordable housing to meet local needs. The value of these contributions will be reduced in the short term, particularly by deferred payments, but in the longer term, in most cases, the objective of the policy will be achieved.

6. ENVIRONMENT/CRIME AND DISORDER IMPLICATIONS

6.1 None arising directly as a result of this report.

7. PORTFOLIO HOLDER COMMENTS

7.1 Housing Portfolio Holder Comments:

“In the Planning Policy circumstances that we have to operate at present, I support the recommendations of this report as being the most practical way forward. Maximising the creation of new affordable housing remains a very high Council priority. At the same time it is important that the consequence is not to penalise individual local New Forest residents who are striving to meet their housing needs on their own or with the help of their families”

7.2 Economy and Planning Portfolio Holder comments:

I support the recommendations of this report; and in doing so concur with the views of the Housing Portfolio Holder and recognise that as a package this guidance seeks to steer a reasonable course by which to implement the Local Plan policy. The experience that we will gain from its operation, will form an important input to any policy review undertaken in the next few years as part of the new Local Development Framework.”

8. CONCLUSIONS

8.1 This is a complex topic and there is no perfect way of resolving all foreseeable issues in a way which complies with the policies and guidance which the Council has adopted. Challenges will always be possible from people who disagree with the policy or feel that they have been treated differently from others. Notwithstanding this, the method of calculations, the scope for negotiation, the approach to deferred payments and the decision making processes set out in this report are believed to be an appropriate and considered response to the issues which have been identified.

9. RECOMMENDATION

9.1 That this report be endorsed as the mechanism which the Council will follow to deal with issues arising from Policies AH-1 and AH-2 of the adopted Local Plan.

For further information please contact:

Anna Kear
Interim Housing Development and Strategy Manager
Tel.: 023 80 285122 or 07917 700496
E mail: annakear@adamsintegra.co.uk

Louise Evans
Project Leader Policy and Plans Team
Tel: 023 8028 5359
E mail: louise.evans@nfdc.gov.uk annakear@adamsintegra.co.uk

Unconstrained open market value of clean and serviced land for residential development*:

Settlement	1 bedroom flat (45sq.m)	2 bedroom flat (65sq.m)	1 bedroom house (51sq.m)	2 bedroom house (76sq.m)	3 bedroom house (86sq.)	4 bedroom house (101sq.m)
Ashurst	40,102	31,507	55,308	63,905	83,488	105,388
Bransgore	44,587	37,487	60,541	70,632	91,710	115,105
Brockenhurst	61,778	58,415	79,974	95,297	121,607	151,730
Everton	49,071	42,719	65,025	76,611	99,184	124,074
Fawley village	30,385	20,296	44,844	49,704	67,044	85,208
Lyndhurst	53,556	47,951	69,510	82,591	106,659	133,044
Sandleheath	40,102	31,507	55,308	63,905	83,488	105,388
Sway	53,556	47,951	69,510	82,591	106,659	133,044

Financial contribution per unit (based on 35% of plot value of off site provision):

Settlement	1 bedroom flat (45sq.m)	2 bedroom flat (65sq.m)	1 bedroom house (51sq.m)	2 bedroom house (76sq.m)	3 bedroom house (86sq.)	4 bedroom house (101sq.m)
Ashurst	14,036	11,028	19,358	22,367	29,221	36,886
Bransgore	15,605	13,120	21,189	24,721	32,098	40,287
Brockenhurst	21,622	20,445	27,991	33,354	42,563	53,105
Everton	17,175	14,952	22,759	26,814	34,714	43,426
Fawley village	10,635	7,104	15,759	17,396	23,466	29,823
Lyndhurst	18,745	16,783	24,328	28,907	37,331	46,565
Sandleheath	14,036	11,028	19,358	22,367	29,221	36,886
Sway	18,745	16,783	24,328	28,907	37,331	46,565

* The above assessments assume freehold sale for "typical" average property build to RSL standards at a cost of £1,200 based on the areas used for affordable housing in NFDC's planning policy and with the normal developers costs based on 20% profit.

Financial Viability Assessment

In order to ensure that the content of the viability analysis is acceptable, and yet allow for the variations of approach which are bound to exist, the following format sets out only the basis requirements. The Council will expect to see workings that lie behind these major components.

Site Details

Site Location
Existing/former Use
Number of market dwellings & bedroom sizes
Number of affordable dwellings & bedroom sizes

Sales

Market Housing by unit type - £
Affordable Housing by unit type - £

Construction costs

Build costs (excluding externals) - £
Contingency - £
Demolition/land remediation/other abnormals (please give details) - £
Road and site works - £
Other s106/planning infrastructure costs - £
Professional fees - £
Total - £

Purchase and disposal costs

Stamp duty - £
Acquisition agent and legal - £
Town planning and survey - £
Sales agent and legal - £
Total - £

Finance - £ & period
Developer's profit - £
Residual site value - £