



Parkwood
Consultancy Services

Rother District Council

Financial contributions for affordable housing from small sites in the High Weald AONB

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1 Introduction

- 1.1.1 The Council has commissioned EPD Parkwood and Three Dragons to advise on an appropriate methodology for calculating the financial contributions from small sites (6-10 dwellings) in the High Weald Area of Outstanding Natural Beauty (AONB) – the Rural Areas, in lieu of the provision of on-site affordable housing.
- 1.1.2 Rother already has a policy commitment to seek financial contributions towards affordable housing from small sites in rural areas in the adopted Local Plan Core Strategy (Policy LHN2(IV)). However, there is no structured methodology for calculating such contributions. Moreover, this policy has been impacted upon by the recent change to the Planning Practice Guidance (PPG), which seeks to set higher thresholds.
- 1.1.3 The report sets out:
- Approach to affordable housing contributions
 - Assumptions used in testing
 - Viability testing results
 - Options for sliding scale
 - Recommendations

1.2 Context

- 1.2.1 Rother District is largely rural in character and outside the main town of Bexhill the population is widely dispersed, with many small villages and hamlets. Over 80% of the district is within the attractive and desirable High Weald AONB. Hence, although local earnings are relatively low, the residential property market is still buoyant, with rural areas, notably those with good access northwards, having the strongest markets.

1.3 National planning context

- 1.3.1 The NPPF is clear about the importance of taking viability into account in developing policies for affordable housing (amongst other calls on development):

'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of

development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable'¹

- 1.3.2 Likewise, the PPG advises that 'Planning obligations must be fully justified and evidenced. Where affordable housing contributions are being sought, planning obligations should not prevent development from going forward'²
- 1.3.3 Further guidance has been published to assist practitioners in undertaking viability studies for policy making purposes – "Viability Testing Local Plans - Advice for planning practitioners"³. The Advice comments on how viability testing should deal with potential future changes in market conditions and other costs and values and states that:

'The most straightforward way to assess plan policies for the first five years is to work on the basis of current costs and values' (page 26)

- 1.3.4 In terms of seeking contributions towards affordable housing on small sites the PPG has recently been updated following the order of the Court of Appeal dated 13 May 2016, which gave effect to the policy set out in the Written Ministerial Statement of 28 November 2014. This sets a national approach whereby affordable housing or tariff-style contributions should not be sought from developments of 10-units or less (and have a maximum combined gross floorspace of no more than 1000sqm) but does allow local planning authorities to seek affordable housing contributions from developments of between 6 and 10 units in the form of cash payments in designated rural areas, which includes Areas of Outstanding Natural Beauty.

1.4 Local policy context

- 1.4.1 The Council's overarching Local Plan – the 'Core Strategy' – was adopted in September 2014. The key policy is LHN2 – Affordable Housing. While planning policies for affordable housing vary by spatial area, with discrete thresholds and percentages for Bexhill and the Hastings Fringes, Battle, Rye and the Rural Areas, it should be noted that it is only the Rural Areas (which have 40% affordable housing requirement for eligible sites – now those of 11+ dwellings for on-site affordable housing), that are intended to be subject to a financial contributions policy.

¹ Para 173 NPPF

² Paragraph: 004 Reference ID: 23b-004-20150326

³ Local Housing Delivery Group, Viability Testing Local Plans, Advice for Planning Practitioners, June 2012. The Local Housing Delivery Group was a cross-industry group, supported by the Local Government Association and the Home Builders Federation

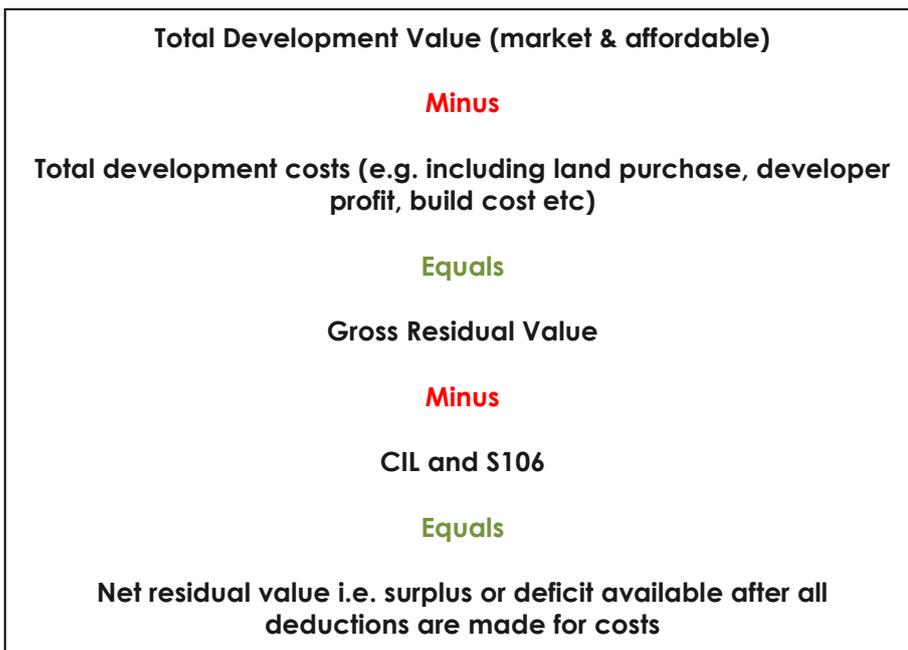
2 Approach

- 2.1.1 National planning policy and guidance does not recommend a standard approach for the viability assessment of commuted sums. In the brief for this work the Council have suggested that the starting point for calculating commuted sums should be an “equivalent value” approach, which means that the cost to a developer making a financial contribution, as opposed to providing affordable housing on site, would be the same as if they were providing affordable homes on site.
- 2.1.2 As there is no prescribed method it was considered appropriate to review the approach taken towards commuted sums and financial contributions by other local authorities. In particular, therefore we examined the approaches taken, especially but not exclusively, by authorities of a rural nature likely to require commuted sums on smaller development sites.
- 2.1.3 The research found that there were 5 main approaches to dealing with the calculation of commuted sums and these are summarised below, with a full review within Appendix A.
- Cost based
 - either as a straightforward correlation between the cost of developing the affordable units and the commuted sum payable, or
 - as development costs (including land) minus the projected Registered Provider contribution
 - Development area based – expressed as the affordable percentage of each market unit multiplied by the build cost
 - Residual value based – which is the residual value of a scheme with 100% market housing minus the residual value of scheme including affordable housing = commuted sum
 - GDV based - which operates either by ascertaining the Open Market Value of the equivalent affordable scheme minus value of affordable scheme as paid by the RP = commuted sum, or calculating the GDV of whole scheme and multiplying by the percentage of affordable dwellings minus RP price paid = commuted sum
 - Developer profit based - developer profit over a certain level will be the value of commuted sum, up to a ceiling of a percentage of GDV
- 2.1.4 In consultation with the council we opted to use a residual value approach as this is the only method that takes account of the full additional value that market sale units bring to a scheme when affordable housing is provided off-site, thus meeting the council's requirement for an equivalent value approach as set out in bullet three, paragraph 50 of the NPPF, which states:

“where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified”

2.1.5 Residual Value is the value of all the costs of development (in this case including the land purchase) as deducted from the gross value of development. The method is illustrated in Figure 2.1

Figure 2.1 Residual value approach⁴



2.1.6 For the purposes of this work the residual valuation is effectively undertaken twice for each development typology. The first test is with 100% market housing, the second test assumes 40% affordable housing on site and 60% market housing. The resulting residual values from the affordable scheme are taken off the residual values from the affordable housing scheme, with the remaining amount being the commuted sum. This is shown in Figure 2.2.

Figure 2.2 Commuted sum calculation



⁴ Diagram does not show an exhaustive list of costs – see also Appendix B.1.4

3 Assumptions

- 3.1.1 The council's brief is clear that the purpose of the commission is to calculate commuted sums based on existing policy and its supporting evidence. The commission does not require specific testing of the viability of the recommended financial contributions: the PPG thresholds are higher than those in the Core Strategy and the contributions required will be less or the same as would have been required under policy LHN2: Affordable Housing.
- 3.1.2 The research which underpins this viability assessment includes:
- An analysis of the PBA CIL viability study published in July 2014⁵
 - A refresh of assumptions used in this study using publicly available data, in particular Land Registry data to update selling prices and BCIS data to update build costs
 - Discussions with council officers from the planning and housing departments
 - A series of telephone interviews with the main developing Registered Providers operating in the area, including an assessment of appropriate values (derived from rents and transfer values) to attribute to affordable housing
 - Use of the Homes & Communities Agency Development Appraisal Toolkit⁶ (DAT) to analyse scheme viability for residential development on small sites
- 3.1.3 The assumptions are generally based on those used within the 2014 CIL viability study and updated in respect of values, build costs and the calculation of net rents for affordable housing. A full set of the assumptions used can be found at Appendix B.

⁵ <http://www.rother.gov.uk/article/11117/CIL-Examination>

⁶ Use of this publicly available toolkit allows for transparency and provides an accessible tool for the council to update in the future <https://www.gov.uk/government/collections/development-appraisal-tool>

4 Viability testing

4.1 Typologies and mix

- 4.1.1 The viability testing has used 6 typologies as the basis for the council to set out its commuted sums policy. Site typologies of 6 – 10 dwellings were tested as these correspond with thresholds for commuted sums on sites of 10 dwellings or less in AONB as per the PPG. A site size of 15 dwellings was added to the testing to judge whether similar results would be obtained on sites above the threshold and to provide the council with a basis for seeking commuted sums provision in circumstances when this is appropriate for sites above the threshold e.g. where a partial affordable unit is required to fully meet the policy requirement.
- 4.1.2 In order to undertake the testing, it was agreed that a static, i.e. set, mix of both affordable and market units should be used for each of the typologies. Each site size was considered and advice sought from the council as to the appropriate mix and tenure that they would typically seek. The Council were informed by historic permissions, housing need and the approach taken in the 2014 CIL study. The table below shows the proposed mix and tenure used for each of the typologies. Full details of the mix (including floorspace) can be found in Appendix B and C.
- 4.1.3 The mix is compliant with the 40% affordable housing requirement for the rural areas as at Core Strategy Policy LHN2 and also with Policy LHN1 which requires affordable housing to be split at 65% rented and 35% affordable intermediate tenure.

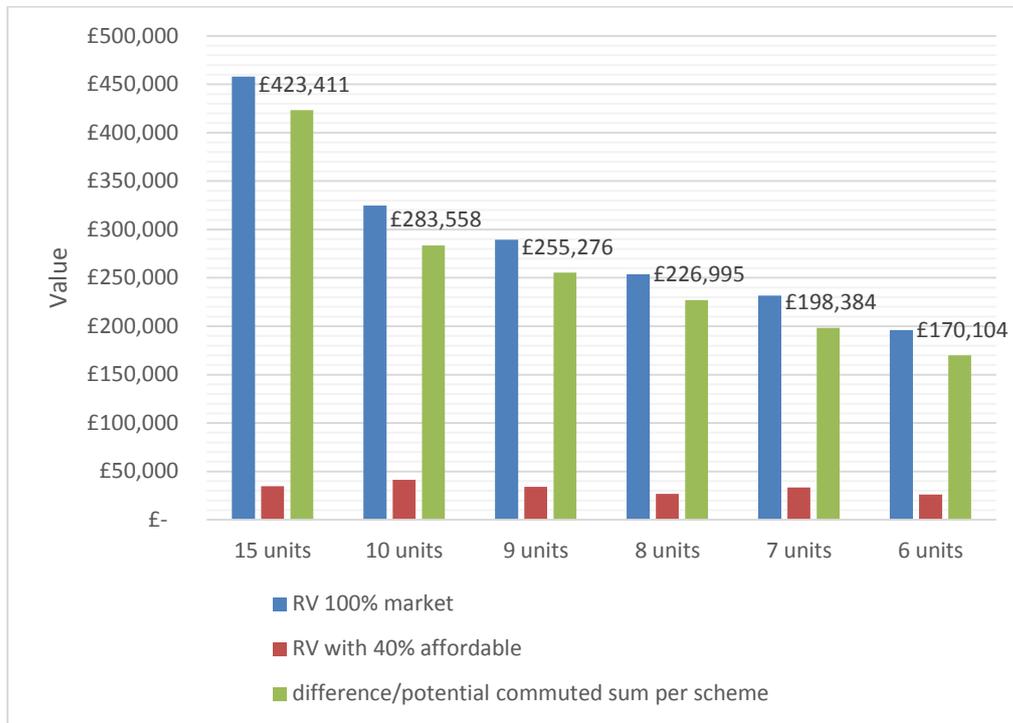
Table 4.1 Housing mix and tenure for each typology

Number Units	Market units (60%)	Affordable units (40%)	Affordable rented (65%)	Affordable Shared Ownership (35%)
15	9	6	3.9	2.1
10	6	4	2.6	1.4
9	5.4	3.6	2.34	1.26
8	4.8	3.2	2.08	1.12
7	4.2	2.8	1.82	0.98
6	3.6	2.4	1.56	0.84

4.2 Results

- 4.2.1 Figure 4.1 shows the absolute potential value of commuted sum for each scheme size, decreasing in line with the number of units.

Figure 4.1 Comparison of residual values per scheme showing potential commuted sum



4.2.2 In each case the green bar shows the difference between the residual value for a scheme which contains 100% market dwellings with one that contains 60% market and 40% affordable dwellings. This difference represents the “equivalence” value and would therefore be considered as the amount for the commuted sum. (The residual value in each case has already accounted for the cost of purchasing the land, as this was a known value; therefore the difference between the 2 residual values is available in entirety for a commuted sum contribution.)

4.2.3 The potential commuted sum can be expressed as an amount per affordable unit foregone. The table below demonstrates that on a per affordable unit basis the potential commuted sum is very similar whatever the scheme size, with only slight variations as a result of small difference in unit size as a proportion of the scheme

Table 4.2 Commuted sums per unit by typology

Total number units	40% affordable housing units	Potential commuted sum per scheme	Potential commuted sum per affordable unit
15	6	£ 423,411	£ 70,569
10	4	£ 283,558	£ 70,890
9	3.6	£ 255,276	£ 70,910
8	3.2	£ 226,995	£ 70,936
7	2.8	£ 198,384	£ 70,851
6	2.4	£ 170,104	£ 70,877

- 4.2.4 As commuted sums often deal with percentages of units and to account for different sizes of development that may come forward, it may be considered more useful to express the figures on the basis of square metres. The square meterage is calculated on a standard basis using the national space standards (as described in Appendix B) with the square meterage of the affordable housing being a fixed representation of dwellings the council would require on small sites in the High Weald AONB.

Table 4.3 Commuted sums per sq m by typology

Total Number Units	Affordable Housing requirement for site (based on standard mix used in toolkit calculations as set out in Appendix C.1.1) – sq m	Total potential commuted sum per scheme (taken from figure 4.1)	Potential commuted sum per affordable sq m
15	412	£ 423,411	£ 1,028
10	275	£ 283,558	£ 1,031
9	247	£ 255,276	£ 1,034
8	220	£ 226,995	£ 1,032
7	192	£ 198,384	£ 1,033
6	165	£ 170,104	£ 1,031

- 4.2.5 As set out above, the potential commuted sum per square metre of affordable dwellings is very similar and can be rounded to a requirement for £1,030 per square metre.
- 4.2.6 If the council were to take this standard figure and apply to all their sites, the following table illustrates what the commuted sums could be for sites of 6 -10 dwellings, assuming the same mix and size of developments suggested for the typologies⁷.

Table 4.4 Commuted sum using a standard £ per sq m figure

Total number units	Affordable housing requirement by sq m	Commuted sum per sq m	Total commuted sum payable for scheme
10	275	£1,030	£283,250
9	247	£1,030	£254,410
8	220	£1,030	£226,600
7	192	£1,030	£197,760
6	165	£1,030	£169,950

⁷ It should be noted that Battle is included in the Land Registry Transactions (Appendix B.1.5) as it is located within the High Weald AONB. The Council's adopted Affordable Housing policy lists Battle separately, with a lower affordable housing percentage requirement (35%) compared to the Rural Areas (40%) and on-site percentage of 10 or more. The calculations indicate that financial contributions could be sought on sites of 6-10 dwellings in Battle line with the PPG provisions to seek affordable housing financial contributions in AONB's.

- 4.2.7 It should be noted that these sums have been calculated on current costs and values as at October 2016 – it is recommended that these are updated annually or following any unusual mid-year fluctuations⁸. The commuted sum should also be recalculated following any significant national or local policy changes.

⁸ I.e. notable fluctuations such as house price crash of 2007/08

5 Option for a sliding scale

- 5.1.1 The council has requested consideration of how a commuted sum could be applied according to the scale of development. This would be used to apply to sites of 6-10 dwellings, where a site of 6 dwellings would be expected to pay less per unit or floorspace of affordable housing than a development of 10 dwellings. It is anticipated that while this may not be on a consistent "full opportunity cost" basis, the council's favoured policy approach is that this is on a sliding scale, as the original Core Strategy policy⁹ stated. (As a precedent, a similar approach was taken in LB Richmond on Thames¹⁰.)
- 5.1.2 A key reason for this is to avoid having a large step-change or "cliff-edge" in planning requirements which could have the impact of deterring schemes of say 6 -8 dwellings to come forward because a scheme of 5 market homes with no contributions could generate more development value.
- 5.1.3 This ambition could be achieved in a variety of ways but to keep it simple for the council and prospective developers it is considered that a simple percentage approach would be the easiest to manage. Three alternative percentages are set out in Table 5.1 below:

Table 5.1 Approach to a sliding scale of contributions

Total number units	Affordable Housing Area Required - sqm	Commuted Sum – 100% (see table 4.4)	Option 1 Commuted Sum – 100% for 10 units, then decreasing by 10% per scheme	Option 2 Commuted Sum – 100% for 10 units, then decreasing by 15% per scheme	Option 3 Commuted Sum – 100% for 10 units, then decreasing by 20% per scheme
10	275	£283,250	£283,250	£283,250	£283,250
9	247	£254,410	£228,969 (90%)	£216,248 (85%)	£203,528 (80%)
8	220	£226,600	£181,280 (80%)	£158,620 (70%)	£135,960 (60%)
7	192	£197,760	£138,432 (70%)	£108,768 (55%)	£79,104 (40%)
6	165	£169,950	£101,970 (60%)	£67,980 (40%)	£33,990 (20%)

⁹ Policy LHN2 (iv)

¹⁰ Affordable Housing SPD 2014 LB Richmond on Thames http://www.richmond.gov.uk/affordable_housing_spd

- 5.1.4 In each case the commuted sum is levied at the full rate for 10 units. The percentage of commuted sum payable then decreases as the total number of units decreases. In option 1 for example, the percentage payable decreases by 10% each time so that 10 units makes 100% contribution; 9 units a 90% contribution and so on down to 6 units which makes a 60% contribution. In option 2 this sliding scale decreases at a rate of 15% per total unit fewer and option 3 by 20%.
- 5.1.5 It is for the council to decide whether to apply a sliding scale to commuted sums in this way. It will need to balance contributions lost against encouragement of development. Again, if a sliding scale is adopted, the council will need to decide on the level of decrease to apply. For illustrative purposes option 2, a 15% decreasing scale is shown in more detail in table 5.2 below. Under current housing market conditions, this option is unlikely to make it more financially attractive for developers to build 5 units on a site when the site area can accommodate 6.

Table 5.2 Approach to a sliding scale decreasing by 15% per unit (Option 2 in table 5.1 above)

Total number units	% of commuted sum payable	Adjusted commuted sum per sqm	Total affordable housing requirement sqm	Total adjusted commuted sum per scheme
10	100%	£1,030	275	£283,250
9	85%	£875.5	247	£216,248
8	70%	£721	220	£158,620
7	55%	£566.5	192	£108,768
6	40%	£412	165	£67,980

- 5.1.6 In this example, a developer planning to build a scheme of 10 new units would make an affordable housing commuted sum contribution of £283,250. This is 100% of the required contribution using the calculator shown in table 4.4 above and is based upon the figure £1,030 per square metre. The council would assume the affordable housing scheme foregone (i.e. not built) would have been 275 square metres. The figure arrived at is the calculation $£1,030 \times 275 = £283,250$.
- 5.1.7 However, if the developer was building out a scheme of 7 units the commuted sum would be payable at a rate of 55% of the full amount – i.e. 55% of £1,030 = £566.5. For a 7 unit scheme, the council would assume that the scheme foregone would comprise 192 square metres of affordable housing. The contribution would be calculated as $£566.5 \times 192 = £108,768$. (This is the same as calculating at 55% of the total commuted sum which would be $55\% \times £197,760 = £108,768$. However, in illustration, applying the percentage to the sum on a per square metre basis is consistent with the area based approach taken in the first part of this report.)

6 Recommendations

- 6.1.1 It is recommended that the council adopt the approach to calculating commuted sums set out within this report. Whilst there are a number of different approaches taken by local authorities across the country in respect of calculating a commuted sum in lieu of on-site provision of affordable housing, we consider that a residual valuation that assumes on a 100% market scheme minus a residual valuation that assumes on site provision is the most robust way to set a commuted sum.
- 6.1.2 For clarity and simplicity for both developers and the council it is recommended that a single base rate of commuted sum (advised at £1,030 per sq m) is applied, based on the amount of affordable housing (in square metres) that the council would expect from a scheme of whatever size is proposed. The expected schemes are illustrated in this report and represent the council's position at this time, with regard to need and past patterns of mix.
- 6.1.3 This commuted sum figure could also be used for sites above the normal commuted sums threshold where it is not possible to provide a whole unit or where the council accept for other reasons that a commuted sum payment would be acceptable. The testing has indicated that even on a larger scheme the commuted sum payment would be the same as the smaller sites.
- 6.1.4 If the council is minded to reduce the impact of the threshold approach to requiring affordable housing, whereby it could be more valuable for a developer to put forward less units, even when a site is large enough to accommodate more, then a sliding scale could be introduced.
- 6.1.5 It is recommended that this scale is kept simple so it is easy to both understand and apply, therefore a staged percentage reduction in the base payment should be used as set out in section 5.
- 6.1.6 As costs and values vary over time and government policy changes it is recommended that the commuted sum is reviewed on a yearly basis (sooner if there is a fundamental change in government policy). The review should update build costs using BCIS and sales values through utilising the Land Registry Index or similar. These can be inputted by the council into the model provided as part of this commission.

Appendix A Examples of local authority approaches to financial contributions

Local Authority	Document	Detail
Rutland DC	SPD: Developer Contributions to Off-Site Affordable Housing 2012 Affordable housing commuted sums in the context of CIL (HDH 2013)	Equivalent value principle is used. Calculation is based on 35% (the affordable housing requirement) of the average cost per sqm of a market home up a maximum of 85sqm. <i>“Developers will be charged per square metre based on the average size of market homes on the site, up to a maximum of 85m2. The use of a square metre rate up to 85m2 means that developments of modest market homes will not be penalised. The same size was used in the modelling for developers”</i> contributions for other services and is also within the Homes and Communities Agency's range for a 5 person home.” Reduced commuted sum contributions required following introduction of CIL – from £23,900 per unit to £18,000
South Cambridgeshire DC	Affordable Housing SPD 2010	Notional scheme that has been 'lost' must be agreed with Development Control Team and the Housing Strategy and Development Team. This lost scheme then shows how much free, serviced land would have been provided if it was onsite provision. Site then assessed by an independent valuer to determine the difference in land value between providing the affordable housing on site through the contribution of free serviced land and the value of the site with no affordable housing contribution on site. Costs of assessment to be met by developer. Commuted sum payable for the difference between site values (AH onsite vs AH offsite).
Stroud	Affordable Housing SPD	For each unit in a notional scheme: Open Mkt Value minus Affordable sale or rented value Worked example on p44 of the SPD. Use median joint incomes and a mortgage multiplier to reach Affordable Sale Value
East Devon	Website provision of commuted sum calculator which works by clicking on links at each stage It refers to NPPG thresholds but not to specific local policy	<i>“Commutated Sum = Residual Value Market Housing – Residual Value Affordable Housing The residual values of both market and affordable housing are a result of the revenue value minus the costs of delivery. The costs of delivery are calculated as being the basic costs of build, fees and interest in the case of the affordable housing with the costs of the developer return and marketing fees added in the case of market housing.”</i> Stage 1a – establish if scheme required to make contribution – this give table showing site sizes and wards Stage 1b – establish which of 6 value areas scheme is in Stage 1c – what % of affordable housing applies to the site (some areas are 25% AH and some 50%) Stage 2 – cost per unit – dependent upon market area

		<p>and AH %</p> <p>Stage 3 – contact planning if vacant building credit applies or if contribution is unaffordable to the development and a viability assessment is needed – using underlying principle</p> <p><i>"There are two important principles underlying the use of the CSC:</i></p> <ul style="list-style-type: none"> <i>• First - the developer of a scheme should be no worse or better off financially, whether they provide the affordable housing on site or as a commuted sum.</i> <i>• Second - the scheme being considered is viable for the % of affordable housing being tested. If this is not the case, the % of affordable housing sought should be adjusted BEFORE calculating the commuted sum to be paid."</i>
South Northants Council	Interim Affordable Housing Policy 2013 Para 8.9	<p>RV 100% M = Residual value with 100% market housing</p> <p>RV AH = Residual value with X% affordable housing</p> <p>Equivalent commuted sum = RV 100% M minus RV AH.</p> <ul style="list-style-type: none"> - To be reviewed at each phase of development - Lists types of AH provision it may be spent on
Swale	Developer Contributions SPD adopted 2009	The council do not purchase properties or build affordable homes, so the council will not accept commuted payments in lieu of onsite AH provision (p19). They do go on to say in very exceptional circumstances off site provision could be made, with no further detail.
Epsom & Ewell	Excel calculator on website	5-14 dwellings (or 0.15-0.49ha) require 20% AH. >15 (or 0.5ha+) require 40% AH.
Waverley	Excel calculator on website	Based on values sqm of open market housing applied to appropriate size of AH / 38.1% (which equals RLV) + 15% for acquisition & servicing to arrive at a cost per unit for commuted sum.
Cornwall	SPD Adopted Updated 14-08-2009 on website – calculation in Appendix 9 of this doc	<p>Committed sums form a basis for negotiation, strong preference for onsite provision. Formulaic per unit: Open Market Value minus Affordable Sale Value/Affordable rented value</p> <p>e.g. notional 2 bed rented property OMV £120,000. Affordable rented value £45,000. Developer contribution therefore is £75,000 per unit of this type.</p>
Northumberland	Housing strategy 2013-2018	<p>Committed sum calculated as a subsidy the developer would have to provide to enable the affordable housing to be developed on site without any other public subsidy (such as HCA grant) being available.</p> <p>Equivalent to the cost of building the affordable dwellings and the value of the land to build them on at open market value, minus the value payable by an RP based on their ability to borrow against the rental stream they would receive from the properties.</p>
North Somerset	Affordable Housing SPD Appendix 9 –	Committed sums will be calculated as an equivalent value to the level of discount which would be available to the RP, based on Appendix 9 assuming an affordable

	transfer price	<p>housing and tenure mix the council considers appropriate for the site.</p> <p>“The commuted sum will be equivalent to the level of discount being made to the RSL, based on the housing and tenure mix that would have otherwise been developed on the site. The sum will be calculated against the units that would otherwise be provided as the on-site affordable housing, where the transfer price for that unit will be deducted from the total cost of developing that unit (including land, fees, build cost and all other associated costs).”</p> <p>Calculation of commuted sum for each affordable housing unit: Approved Total Scheme Cost - Transfer Price = Commuted Sum Value.</p>
South Bucks	Affordable Housing SPD July 2013	<p>>5 dwellings or 0.16ha require AH or commuted sum for 40%, at two-thirds affordable rent and one-third intermediate. The final sum will include an extra payment to cover the council's costs of calculation, negotiation and finding alternative sites.</p> <p>“If a commuted sum payment is acceptable in principle, the method of calculating the amount of the payment will be clearly set out. The basis for calculation is an approach which seeks to fund the intermediate housing contribution (£50,000 per unit for Your Choice Home Buy) plus the gap between the purchase of modest two and three bedroom properties for affordable rent and the maximum amount that a RP can offer.</p> <p>The commuted sum figures are an average (or 'blend') of the cost of providing one intermediate home and two homes for affordable rent, with the latter based on the rented housing funding gap.”</p> <p>2 tier approach for low/high value areas. Individual site consideration, but starting point for high value areas is £112,000 per unit and for low value areas, £85,300 per unit. Figures reviewed on annual basis, updated as necessary.</p>
Reading	Affordable housing SPD 2013	<p>“Any financial contribution should be broadly equivalent to the contribution that would have been made to provide the housing on-site. It should be of a size that will enable a registered provider or the council to provide a dwelling of an appropriate size at an appropriate rental level to meet the identified need. The level of financial payment that the Council considers appropriate will change over time in response to a range of factors.”</p> <p>“Where a combination of provision is necessary the Applicant will identify the required proportion for on-site affordable housing and calculate the remaining commuted sum based on 50% of the GDV of the remaining percentage required to meet the policy target.”</p> <p>20% AH requirement 5-9 units e.g. 1 On 9 units, 1.8 must be AH.</p>

		<p>1 onsite, 0.8 commuted sum (80% of 1 unit). 80% of one unit = 8.89% of total GDV of development. 50% of the latter sum is the resulting payment. e.g. 2 9 houses at £200,000. 20% AH = £360,000. Registered Social landlord purchase of 50% = £180,000. This is the commuted sum payable, reflects 10% GDV.</p>
York	Supplementary Planning Guidance (updated since May 2016 ruling) on website	<p>For rural sites 2-14 homes Average property price minus Fixed RP price multiplied by % target Average property price from Land Registry 2012 Table on website https://www.york.gov.uk/info/20049/planning_advice_and_guidance/1148/affordable_housing_planning_guidance_-_interim_targets</p>
Cotswolds	Affordable Housing SPD 2007 – 4.2	<p>Establish cost of acquiring land, then constructing appropriate mix of housing for the local market. Or, the cost of acquiring satisfactory existing dwellings using estimates provided by qualified advisors. Amount payable by RP deducted (as published in Councils Affordable Housing Pricing Policy).</p>
Warwick	Affordable Housing SPD Jan 2008	<p>"The contribution will be calculated on the basis that the site size, in terms of dwellings, is equal to the numbers of dwellings provided on the site plus 40%. This takes into account the increased number of market dwellings provided on the site (100% as opposed to 60%)." Onsite provision – 60mkt (60%), 40AH (40%) therefore total dwellings 100 (100%) Offsite provision – 100mkt (100%), 66AH (40%) therefore total dwellings 166 (100%)</p>
LB Richmond on Thames	Affordable Housing SPD 2014	<p>Requires a financial contribution 'commensurate with the scale of development'. A calculator is provided and the contribution is based on open market value minus RP contribution and assumptions relating to unit size are set on the website. Affordable housing percentages are applied on a sliding scale reducing in 5% tranches from 50% required for 10 units down to 5% required for 1 unit.</p>

Please note that some of these policies will have been adopted prior to the Court of Appeal ruling in May 2016 (see para 1.3.4) therefore the authorities concerned may not be able to collect commuted sums on small sites. The reference is intended for illustrative purposes only.

Appendix B Assumptions

B.1.1 Values (please see section B.1.5 for further details)

House prices = £3,321 per sqm

1 bed terrace	2 bed terrace	3 bed terrace	3 bed semi	4 bed semi	4 bed detached	5 bed detached
£192,618	£232,470	£278,964	£308,853	£352,026	£381,915	£425,088

Land value = £1.3m per hectare

B.1.2 Dwelling Mix and Size - Dwelling mix and unit sizes provided by council and based upon CIL study 2014

Open Market Housing						
No. People	3p	4p	5p	6p	7p	8p
Dwelling type	2 bed terrace	3 bed terrace	3bed semi	4 bed semi	4 bed detached	5 bed detached
Mix	30%	20%	15%	10%	15%	10%
Sqm per unit	70	84	93	106	115	128

Affordable Housing – 65% rented / 35% intermediate					
No. People	2p	3p	4p	5p	6p
Dwelling type	1bed terrace	2 bed terrace	3 bed terrace	3 bed semi	4 bed semi
Mix	15%	45%	15%	15%	10%
Sqm per unit	58	70	84	93	106

B.1.3 Affordable Housing input - Based on consultation undertaken with Registered Providers

Management & maintenance	£900
Voids/bad debts	3%
Repairs reserve	£500
Capitalisation	5%
Share size	35%
Rental share	2.75%
Service charges - flats	£15
Service charges - houses	£7

Rents based on 100% LHA rate – using East Sussex Broad Rental Market Area (BRMA)	
N.B. service charge needs to be deducted as above	
Property Size	Gross rent
1 bed	92

2 bed	120
3 bed	160
4 bed	196

B.1.4 Other costs

Cost Type	Cost	Notes
Build costs	£1,152 sqm 10% External 5% contingency	Median build costs, rebased for Rother at 1 st October 2016
Finance	7% debit 1% credit	These are carried forward from CIL study, but could be considered conservative as borrowing rates have generally lowered
Marketing	3% of GDV	As per CIL study
Professional Fees	12% of costs	This is carried forward from CIL study but could be substantially lower on these smaller sites and are therefore a conservative estimate
Return	20% GDV – Market 6% costs - affordable	As per CIL study
CIL	£200 sqm	Highest CIL rate applicable in rural areas (some areas within AONB will be less)
S106	1,000 per unit	Assumed as per CIL study
Agents / Legal	1.75%	On land purchase
Stamp Duty Land Tax	Current rates from HMRC	Details available at https://www.gov.uk/stamp-duty-land-tax/overview

B.1.5 Further details on values

The starting point for values to be used within the commuted sums calculated is the work that underpinned the Council's CIL Charging Schedule, which was Examined in the summer of 2015 and came into effect on the 4th April 2016.

The commuted sums assessment will be used to calculate commuted sums for affordable housing within the AONB, which falls within Rother. The majority of this area is rural but does contain a number of settlements which were considered separately in terms of their values within the CIL work. However to keep the process simple and easily updated it is considered that the appropriate figure on which to base values for the purposes of this assessment is the 'Rural' area as described in the CIL Economic Viability Assessment July 2014. This is a conservative approach for the values as a number of the settlements within the AONB do have higher per square metre values than the 'rural' figure.

The 'rural' figure used at this time was £3,200 per sqm for houses. We are not proposing to include flats within any of the mixes as this form of development is very limited within the AONB and has not been included within any of the mixes used for testing. The figure was

based on both Land Registry data and Rightmove data up to January 2014. To bring this figure up to date we have reviewed Land Registry Data for new homes sold since this time and those currently on the market advertised on sites such as Rightmove, within the AONB in Rother. These show the following figures (the data supporting these figures is contained in the tables that follow):

- Land Registry (January 2014 – September 2016) - £3,321 per sqm
- Rightmove advertised price (September 2016) - £3,344 per sqm

This represents a 3.7% and 4.5% rise in price per square metre new build prices respectively. As more data is available for Land Registry and these are actual transactions as opposed to advertised prices, which may be subject to reductions or incentives, it is considered to take a more cautious approach and use the Land Registry figure.

New Build Land Registry Transactions (2014-2016)

Price paid £ per SQM	Location
£ 3,000	Burwash Common
£ 3,108	Burwash Common
£ 3,468	Burwash Common
£ 2,980	Sedlescombe
£ 3,670	Northiam
£ 3,883	Northiam
£ 2,483	Whatlington
£ 3,576	Battle
£ 3,167	Ticehurst
£ 3,193	Etchingam
£ 3,193	Etchingam
£ 3,245	Ticehurst
£ 3,490	Ticehurst
£ 2,918	Hurst Green
£ 3,119	Hurst Green
£ 2,802	Etchingam
£ 3,009	Etchingam
£ 3,037	Etchingam
£ 3,119	Etchingam
£ 3,221	Etchingam
£ 3,221	Etchingam
£ 3,237	Etchingam
£ 3,509	Etchingam
£ 3,526	Etchingam
£ 3,556	Etchingam
£ 3,581	Etchingam
£ 3,613	Etchingam
£ 3,653	Etchingam
£ 3,713	Etchingam
£ 3,721	Etchingam
£ 3,731	Etchingam
£ 3,858	Etchingam
£ 2,348	Beckley
£ 3,506	Northiam

£	3,144	Battle
£	3,500	Winchelsea
£	3,604	Winchelsea
£	2,137	Winchelsea Beach
£	2,946	Sedlescombe
£	3,133	Sedlescombe
£	2,507	Bodiam
£	2,692	Catsfield

Rightmove Advertised Price (September 2016)

Price paid £ per SQM	Location
£ 3,523	Robertsbridge
£ 3,822	Robertsbridge
£ 2,655	Burwash
£ 3,556	Burwash
£ 3,180	Burwash
£ 3,180	Burwash
£ 3,879	Etchingham
£ 3,631	Ticehurst
£ 3,467	Ticehurst
£ 3,533	Sedlescombe
£ 2,839	Peasmarsh
£ 2,872	Peasmarsh

Appendix C Results

C.1.1 Results for commuted sums viability – Rother High Weald AONB

Number Units	Affordable total	Affordable sqm	Market sqm (on 100% open market site)	Affordable rented (65%)	Affordable Shared Ownership (35%)	RV with on-site 40% affordable provision	RV all Open Market	RV Open Market - RV with Affordable = potential commuted sum	commuted sum per affordable sqm
15	6	412	1386	3.9	2.1	£34,581	£457,992	£423,411	£1,028
10	4	275	924	2.6	1.4	£ 41,308	£324,866	£283,558	£1,031
9	3.6	247	831.6	2.34	1.26	£34,082	£289,358	£255,276	£1,034
8	3.2	220	739.2	2.08	1.12	£26,836	£253,831	£226,995	£1,032
7	2.8	192	646.8	1.82	0.98	£33,415	£231,799	£198,384	£1,033
6	2.4	165	554.4	1.56	0.84	£26,104	£196,208	£170,104	£1,031