

Housing and Affordable Housing Supplementary Planning Document

Adopted December 2018

Christchurch Borough Council
East Dorset District Council



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1 Introduction and background

1.1 This Supplementary Planning Document forms part of the Christchurch and East Dorset Local Plan. It expands upon the housing and affordable housing policies set out in the Core Strategy and replaces all previous Supplementary Planning Guidance including Affordable and Special Needs Housing and the Provision of Small Dwellings, implemented by East Dorset District Council in December 2005.

1.2 This document and its associated appendices address the detailed operational and technical aspects of implementing the Core Strategy Meeting Local Needs policies that contribute to Strategic Objective 5 of the Core Strategy:-

1.3 ***“To deliver a suitable, affordable and sustainable range of housing to provide for local needs”***

1.4 In particular, the document addresses the principles and processes that will ensure the delivery of appropriate market housing and affordable housing to meet local need and demand; and to ensure that future residential development contributes to mixed sustainable communities and a balanced housing market. Over the life of the Core Strategy, and as a result of Policy LN3, an affordable housing target has been set at 35%, reflecting the combined total of all net additional approved residential development and affordable housing resulting from financial contributions (i.e. brownfield sites providing up to 40% affordable housing, greenfield sites providing up to 50% affordable housing and sites that for different justified reasons deliver less than policy requirements).

1.5 To ensure that policy aspirations and objectives are balanced with the critical importance of bringing forward land and viable development, the document also sets out the Councils' approach to negotiation, to viability assessment and where appropriate, the calculation of offsite commuted-sum contributions.

1.6 Implementing plans that facilitate development and housing growth is a priority of the Core Strategy for both Councils. However Local Need policies have been adopted to ensure that future provision is sustainable, making a positive long-term contribution to the economic and social benefit of the area.

1.7 **It is essential that applicants discuss housing proposals and the issue of affordable housing with the Councils well in advance of an application being submitted to ensure that issues are properly addressed, that proposals are supported by evidence and that the most appropriate provision is being made.**

1.8 The Councils are in the process of updating their planning policies for housing and affordable housing through Local Plan Reviews in both Christchurch and East Dorset. This updated SPD still supports the existing adopted Core Strategy policies from 2014. Once the the Local Plan Reviews are adopted (estimated in 2020), this SPD may require further updating to support new policies at the time.

1.9 National Planning Policy Framework (July 2018)

1.10 The NPPF confirms that the planning system should contribute to sustainable development taking social, economic and environmental considerations into account - the social role will contribute to vibrant and healthy communities by providing the supply of housing required to meet the needs of present and future generations. The system should always seek to secure high quality design and a good standard of amenity for all existing and future occupants of land and buildings. The NPPF defines Affordable Housing as including the following types of housing:

- Affordable housing for rent
- Starter homes
- Discounted market sales housing
- Other affordable routes to home ownership such as shared ownership, equity loans, other low cost homes for sale and rent to buy.

1.11 The NPPF also requires local authorities:

- To determine the minimum number of homes needed through a local needs assessment (and this to follow the new standard methodology for emerging plans);
- To assess the size, type and tenure of housing needed for different groups in the community ;
- To specify the type of affordable housing required;
- To expect at least 10% of homes to be available for affordable home ownership, subject to certain exemptions;
- Support opportunities to bring forward rural exception sites to provide affordable housing that will meet identified local needs;

1.12 Offsite Affordable Housing Contributions (Peter Brett Associates 2012)

1.13 In 2012, independent consultants Peter Brett Associates were commissioned by the Christchurch and East Dorset Councils Partnership to advise the Councils on an appropriate mechanism to calculate off-site financial contributions in lieu of onsite affordable housing as part of CIL viability testing. The model would need to accord with NPPF guidance and using CIL principles, be calculated on a square metre basis of Gross Internal Floor Area (GIFA).

1.14 Following sensitivity testing against different development typographies and sub-market value areas, the Consultants confirmed that at baseline viability, a single offsite financial contribution rate should be levied across Christchurch and East Dorset of between £350 and £400 per square metre of total GIFA.

1.15 RICS Professional Guidance “Financial Viability in Planning”

1.16 In recent years the preparation and submission of economic viability appraisals as part of the planning process has become common place where evidence is presented by applicants to demonstrate that planning policy requirements cannot be met in full, including the provision of affordable housing.

1.17 Reflecting the importance of financial viability in the development process, and the central role played by property and land valuation professionals, the Best Practice guidance published by RICS (Financial Viability in Planning, RICS 2012) has been taken into consideration in preparing relevant elements of this SPD.

1.18 Connection to the Core Strategy

1.19 To meet household and population growth projections, the Core Strategy includes a housing target of 8,490 homes to be delivered over the period 2013 - 2028. In addition to sites coming forward within the existing built environment, newly allocated neighbourhoods and green-field developments will provide scope for 3,465 homes.

1.20 However the Core Strategy makes it clear that housing growth must be a carefully informed and managed process resulting in high quality new developments. Housing proposals must centre on meeting local need and demand, and contribute to the social and economic strengths of new and existing communities:-

1.21 The Core Strategy Vision

1.22 *“The unmet housing needs of the area will be reduced, with housing delivered of a type and tenure which meets the aspirations of those wishing to buy or rent. An element of this housing will be in the form of new, well-planned, sustainable residential areas in both Christchurch and East Dorset. These will be attractive new areas, including high quality and sustainable homes, areas of open space, new community facilities, and improved transport links to the surrounding area.*

1.23 *Housing will also continue to be delivered in our towns and villages, but developments will now better reflect the character and type of housing found in each local area, and will make appropriate contributions to infrastructure. Almost all new housing developments will contribute to the provision of affordable housing, creating a step change in delivery of affordable dwellings and a significant reduction in waiting lists”.*

1.24 The Councils housing aims are further developed and defined within Objective Five - one of the seven key Strategic Objectives underpinning the Core Strategy.

1.25 Objective 5

1.26 *“Sufficient housing will be provided in Christchurch and East Dorset to reduce local needs, whilst maintaining the character of local communities. This housing will include well-planned sustainable new communities in appropriate locations. The **size and type of dwellings** (both open market and affordable) will reflect current and projected local need through the Strategic Housing Market Assessment, **and will include housing capable of meeting people’s needs at all stages of life.** All residential development resulting in a net increase in dwellings will contribute towards **provision of affordable housing** at a rate of 35% of total units being developed. Development of 100% **affordable housing schemes may be considered exceptionally** in land adjoining rural and urban settlements. Criteria for the provision of **Gypsy and Traveller** sites will be established”.*

1.27 The Core Strategy Vision and Strategic Objectives highlight the positive contribution that housing will be expected to make to creating and sustaining mixed communities, New-build housing must make a positive contribution to achieving a balanced housing

market, creating opportunities for smaller and more affordable types of housing suitable for all: for down-sizing; for younger families; for newly forming households and for the growth of the private rented sector. Adequate provision must also be made for our older and vulnerable residents whose needs can best be met through new-build housing and accommodation schemes.

1.28 In accordance with the National Planning Policy Framework guidance, detailed housing proposals **for both affordable and market housing** will be expected to reflect findings from the Strategic Housing Market Assessment (SHMA) evidence base taking account of current and future demographic trends, market trends and the needs of different groups within the community

1.29 'Meeting Local Needs' Policies (LN1 to LN6) of the Christchurch and East Dorset Core Strategy define the principles and framework for implementing the housing and accommodation aims of the Core Strategy Vision and Strategic Objective Five.

1.30 This Supplementary Planning Document provides further guidance on Core Strategy Policies LN1, 3, 4 & 6.

- LN1: Size and Type of Dwellings
- LN3: Provision of affordable housing
- LN4: Affordable Housing Exception Sites
- LN6: Housing and Accommodation proposals for Vulnerable People

2 The Christchurch and East Dorset housing market

2.1 The Local Context

2.2 Adjoining Bournemouth and Poole, the housing markets of Christchurch and East Dorset have been extensively influenced by the growth of the conurbation, providing desirable suburbs for those who wish to live outside the main urban areas and an attractive destination for those seeking a retirement home in the most accessible parts of Dorset. Extensive building and development activity in both areas since the mid-1960s have inevitably optimised these attributes, contributing to a number of common housing and demographic characteristics, as well as significant levels of commuting and traffic congestion in and out of the urban centres.

2.3 Past growth and the attributes of the present housing market also reflect the beautiful natural environment with its many protected areas of greenbelt, nature conservation and landscape designations, heath-land and flood zones. Factors that increase the desirability of living on the outer edge of the conurbation but equally impose severe constraints on the capacity for future growth. These dynamics have shaped housing development of the past 50 years, contributing to an unbalanced housing market, dominated by high value homes, an under-developed private rented sector and lack of affordable housing.

2.4 The housing stock and demographic profiles of Christchurch and East Dorset are now significantly out of kilter with English averages. Many communities, especially those in the rural areas of East Dorset, have been progressively undermined as younger people cannot

access or afford market housing. Major concerns have arisen for age related services and long-term economies, as the older population concentrates still further and the available work-force shrinks over the next twenty years.

2.5 Having been shaped by the demand for in-migration and suburban living, housing growth in both Christchurch and East Dorset has resulted in high proportions of detached houses and bungalows, and a shortage of lower value terraced housing. These factors contribute to making Christchurch and East Dorset two of the least affordable places to live outside London with a lower quartile house price to income ratio in 2016 of 12.6 in Christchurch and 12 in East Dorset (ONS Housing Affordability in England and Wales 1997 – 2016)

2.6 At national level, the tensions associated with funding future care for an ageing generation from a shrinking working age population are well known. This will particularly affect Christchurch and East Dorset with an above-average retired population. In the 2011 Census, Christchurch had a greater proportion of residents above 65 years of age (29.7%) than any other English or Welsh local authority area, and at 27.9% East Dorset ranked 6th. Over the next 20 years, as the proportion of over 75 year olds double, social care, health and housing agencies are anticipating major increases in demand.

2.7 Housing stock and new-build house completions

2.8 To provide a comprehensive picture of the housing market context for Christchurch and East Dorset it is necessary to consider the housing stock profile, the tenure profile and the rate of housing completions (both market and affordable) in recent years. More detailed information on the housing stock and housing market is available within the Eastern Dorset HMA 2015 Strategic Housing Market Assessment:

- www.dorsetforyou.gov.uk/article/404418/2015-Update-and-Review-of-the-Strategic-Housing-Market-Assessment

2.9 Housing Stock profile

2.10 Data from housing stock condition surveys in 2011 confirmed the very high proportion of detached houses and bungalows in East Dorset (64%) compared with the English average (28%) and the high proportion of bungalows and purpose built flats in Christchurch (48%) compared with the English average (22%). The same dataset also highlighted the under provision of lower value terrace housing and converted flats in East Dorset (13%) when compared with the English average (33.5%).

2.11 Housing tenure profile

2.12 The 2015 Strategic Housing Market Assessment (SHMA) confirmed that levels of owner-occupation in Christchurch (75%) and East Dorset (81%) were significantly above the national average (63%). Latest tenure data from the ONS (2016) confirms that the size of the social rented sector is also substantially below the national average (17%) with only 11% in Christchurch and 8% in East Dorset. The levels of privately rented housing are substantially lower than the national average (20%) at around 11% and 9.3% respectively,

2.13 Housing Delivery

2.14 Taken from Annual Monitoring Reports, the graph highlights the current position on housing delivery for Christchurch and East Dorset against local plan targets.



Figure 2.1 Christchurch and East Dorset housing trajectory

2.15 Average house prices and average house price/income ratios

2.16 Office for National Statistics (ONS) data illustrates that median house prices in Christchurch and East Dorset in 2017 were £320,000 and £339,000 respectively (ONS HPSSA Dataset 9). Average lower quartile house prices in 2017 were £245,000 in Christchurch and £267,000 in East Dorset (HPSSA Dataset 15). The affordability ratio of median incomes to lower quartile house prices in 2016 was 12.6 in Christchurch and 12 in East Dorset (ONS Housing Affordability in England and Wales: 1997 – 2016)

2.17 **The Strategic Housing Market Assessment Update (2015)**

2.18 In October 2015 GL Hearn produced a Strategic Housing Market Assessment (SHMA) for the six local authorities covering the Eastern Dorset Housing Market Area. This SHMA updated the previous 2012 SHMA.

2.19 In accordance with department for DCLG guidance, the SHMA was produced in consultation with stakeholders and provided data, analysis and policy recommendations. Individual reports were also published for each Local Authority area including Christchurch and East Dorset.

2.20 Future Housing Requirements

2.21 Taking expected economic growth, population and household growth projections into consideration, the 2015 SHMA concluded that there is an Objectively-Assessed Housing Need for Christchurch and East Dorset for the period 2013-33) of 241 homes per annum for Christchurch and 385 homes for East Dorset.

2.22 Objectively-Assessed Housing Need per annum 2013 - 33

	Christchurch	East Dorset	Eastern Dorset HMA
Base Demographic	231	298	2477
Supporting Economic Growth – Additional Housing	0	69	285
Improving Affordability – Additional Housing	10	18	121
Full OAN	241	385	2883

2.23 The need for affordable housing

2.24 Using methodology set out in Planning Practice Guidance, the 2015 SHMA provides estimates of the need for affordable housing based on a range of secondary data sources, including the 2011 Census, data on household incomes, modelling of population trends, lettings, re-lettings and the future supply of affordable housing. It should be noted that the SHMA provides an objective assessment of the future need for housing on a policy-off basis. The SHMA itself must not apply constraints to the overall assessment of need, for example environmental constraints or issues related to congestion and/or local infrastructure. These issues are considered, as appropriate, in the development of Local Plans, and the Christchurch and East Dorset Core Strategy 2014 sets out the Affordable Housing Requirements for new developments.

2.25 Table 5: Estimated level of Affordable Housing Need (per annum)

Area	Backlog Need	Newly forming households	Existing households falling into need	Total Need	Supply	Net Need
Christchurch	13	197	35	245	55	191
East Dorset	18	227	50	346	83	263
Eastern Dorset HMA	245	2428	663	3336	969	2367

2.26 (Sources: _ GL Hearn Eastern Dorset 2015 Strategic Market Assessment. Christchurch Borough Summary and East Dorset District Summary)

3 Policy LN1 Size and Type of New Dwellings

3.1 “Overall, the size and type of new market and affordable dwellings will reflect current and projected local housing needs identified in the latest SHMA and informed by future Annual Monitoring Reports to ensure that the proposed development contributes towards attaining a sustainable and balanced housing market”.

3.2 All residential development proposals will be expected to provide market housing and affordable housing that meets locally generated housing need and demand. Where appropriate and possible, development proposals will be expected to incorporate a range of housing types and sizes, thereby meeting a variety of needs and demands, whilst making a positive contribution to mixed and sustainable communities and a more balanced housing market.

3.3 Developments must be designed to mix and integrate affordable and market housing, meaning that affordable homes will be appropriately clustered in dispersed small groups; that external design will be ‘tenure blind’ – making it impossible to distinguish between tenures – and unless explicitly agreed to the contrary, the proportionate mix of houses and flats will be similar for both market and affordable housing.

3.4 “Individual Sites will be expected to reflect the needs of the Strategic Housing Market Assessment, subject to site specific circumstances and the character of the local area.”

3.5 The 2015 SHMA housing mix

Area/type		1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms +
Christchurch housing	Market	7.2%	42.6%	40.2%	10%
Christchurch Housing	Affordable	46.5%	29.8%	21.3%	2,4%
East Dorset Market Housing		8.3%	48.7%	43%	0%
East Dorset Affordable Housing		32.5%	42.3%	22.8%	2.4%

3.6 On housing type the SHMA 2015 concludes that in East Dorset around 45% of homes should be detached, 20% semi-detached, 15% terraced, and 20% flats. In Christchurch the analysis suggests a need for around 35% of homes to be detached, 25% semi-detached, 20% terraced, and 20% flats.

3.7 Residential development proposals will be expected to reflect prevailing SHMA guidance and the cumulative impacts of year-on-year delivery as recorded in Annual Monitoring Reports. Proposals will be required to demonstrate how schemes address local need and demand, and the extent to which development proposals will deliver mixed sustainable communities.

3.8 Within the spectrum of locally identified need and demand, developments must be designed to take available opportunities to incorporate a diversity of size (bedrooms) and type (form) of housing to meet the need as identified. It is recognised that certain sites, especially small or brown-field sites, may be highly constrained whilst others may lend themselves to particular types of development. Such factors may be taken into consideration as part of the appraisal process, although the primary tests of meeting local need and delivering mixed communities will remain in place.

3.9 As part of the planning application process, development proposals will be assessed in terms of their capacity to meet locally identified needs and to incorporate mixed types of housing; and how well such capacity has been optimised taking any mitigating evidence or design limitations into consideration (see chapter 7).

3.10 It is also recognised that certain sites, especially small or brown-field sites, may be highly constrained whilst others may lend themselves to particular types of development. Again such factors will be taken into consideration as part of the appraisal process, although the primary tests of meeting local need and delivering mixed communities will remain in place.

“All new housing will be required to be built to meet minimum living spaces standards for both internal and external areas. Further consideration will be given to bespoke standards in a Supplementary Planning Document, if justified by new evidence. In the meantime the Councils will apply the Homes and Communities Agency Housing Quality Indicators in relation to private open space, unit sizes, unit layout and accessibility within the unit (HQL sections 3.2.1 to 3.2.9 and 5.1).”

3.11 All new-build dwellings will be required to meet minimum internal space standards for the intended number of residents (defined by bed-spaces). Each dwelling will be individually assessed for compliance as part of the planning process requiring confirmation of the identified number of bed-spaces for the unit design, and the Gross Internal Floor Area measurement.

Number of bed-spaces	Minimum Square Metres (GIA)
1	30
2	45
3	57
4	67
5	82

3.12 Under exceptional circumstances, in the event that any individual dwelling fails to meet the minimum space standard, it will be necessary to provide supplementary detailed evidence demonstrating that the design of the unit, relative to the number of intended

residents, provides appropriate living and dining space and associated storage; adequate bedroom space to incorporate appropriately sized beds, and hanging and shelved storage space; adequate kitchen and bathroom space and facilities for the intended number of residents.

3.13 All affordable housing will be required to meet prevailing Homes & Communities Agency design, space and construction standards associated with Social Housing, Affordable Rented Housing and Intermediate Affordable Housing.

4 Policy LN3 Provision of Affordable Housing

4.1 *“To maximise affordable housing provision, whilst ensuring flexibility and sufficient margins to facilitate housing delivery, the Councils will require all residential developments to meet the following affordable housing requirements (LN3).”*

4.2 In line with NPPF guidance, Core Strategy housing priorities centre on meeting household growth requirements, providing appropriate market housing and maximising the provision of affordable housing. Future residential developments must meet locally generated housing need and demand and by doing so, will help to rebalance housing markets and contribute to the long-term economic and social sustainability of Christchurch and East Dorset.

4.3 Eligible development proposals that fail to maximise the requirements of Policy LN3 will need to be supported by detailed viability appraisal evidence and Residual Development Value justifications, in accordance with the Negotiation Procedure.

4.4 **Policy Percentage Requirements:**

4.5 *“All greenfield residential development which results in a net increase of housing is to provide up to 50% of the residential units as affordable housing in accordance with the Policy Delivery Requirements and Affordable Housing Requirements unless otherwise stated in strategic allocation policies” (LN3).*

4.6 *“All other residential development which results in a net increase of housing is to provide up to 40% of the residential units as affordable housing in accordance with the Policy delivery Requirements and Affordable Housing Requirements (LN3).”*

4.7 Any development proposals, including the conversion or sub-division of existing commercial, agricultural or residential buildings, that result in a net increase of residential dwellings will be subject to Policy LN3 requirements. However, following current Government guidance any planning application for residential development determined after the 20th May 2016 for 10 dwellings or less **and** which have a maximum combined floor space of no more than 1000sqm will not be required to provide an affordable housing contribution or on site provision. Where a development is of 10 units or less, but exceeds the floorspace threshold, Policy LN3 will continue to apply.

4.8 In our designated rural areas (AONBs etc) we can adopt a lower threshold of 5 units or less not requiring affordable housing or tariff-style contributions. Rural areas are described under *section 157(1) of the Housing Act 1985*, which includes National Parks and Areas of Outstanding Natural Beauty. The adoption of a lower rural area threshold will need to be

via a Development Plan Document. A policy to address a reduction in thresholds in the AONB will be considered as part of any future review of the Local Plan. (See the **Christchurch and East Dorset Practice Note**: - *“Changes to the way the Councils will be applying Policy LN3 ‘Provision of Affordable Housing’ in light of the Government guidance on affordable housing and tariff style contributions”*)

4.9 Where Greenfield residential development proposals (see definitions) result in a net increase of housing, up to 50% of the net increase in dwellings must be policy compliant affordable housing. This will be the maximum requirement for Greenfield residential development, although some developments (e.g. Housing Association proposals) may provide more than 50% affordable housing at their own discretion. If Greenfield development proposals include less than 50% affordable housing then the reduced level of provision will need to be evidenced and justified in accordance with the negotiation procedure (chapter 7).

4.10 Where residential development proposals on non-Greenfield land result in a net increase of housing, up to 40% of the net increase in dwellings must be policy compliant affordable housing. This is the maximum requirement for brownfield residential development, although some developments (e.g. Housing Association proposals) may provide more than 40% affordable housing at their own discretion. If non-Greenfield development proposals include less than 40% affordable housing then the reduced level of provision will need to be evidenced and justified in accordance with the negotiation procedure (chapter 7).

4.11 Affordable Housing will be required to meet the current NPPF definition – see Appendix 2.

4.12 Affordable housing required under the policy will normally be provided on-site and this is the default position. If it is not possible to provide affordable housing on-site or if the development will result in a net gain of less than 15 units, then alternative off-site options may apply with the Council’s agreement.

4.13 *“Any planning application which on financial viability grounds proposes a lower level of affordable housing provision than is required by the Policy Percentage Requirements must be accompanied by clear and robust evidence that will be subject to verification” (LN3).*

4.14 For such a case to be considered on viability grounds, development proposals must be supported by robust, detailed and clear financial evidence, capable of withstanding rigorous independent professional examination as set out in the negotiation procedure (See chapter 7).

4.15 **Affordable Housing Requirements:**

4.16 *“The mix of units will be subject to negotiation and agreement with the Council but in any event must reflect local housing needs identified in the latest Strategic Housing Market Assessment” (LN3).*

4.17 Findings from the latest SHMA Update (2012) provided key evidence for the Core Strategy including household growth estimates and the most appropriate sizes of accommodation, at given percentages of affordable housing. Subsequently the SHMA 2015 update has provided additional data on current housing market conditions and requirements (see page 13)

4.18 *“Tenure split should normally allow for 30% intermediate housing with the remainder being affordable rented or social rented” (LN3).*

4.19 To facilitate mixed tenure communities that address different socio-economic housing needs, developments will be sought that incorporate all types of affordable housing as defined in the NPPF. Due to average incomes and the affordability of local rents and homes to buy, the preference remains that the majority of housing will be affordable homes for rent.

4.20 **Developments must be designed to mix and integrate affordable and market housing, meaning that affordable homes will be appropriately clustered in dispersed small groups; that external design will be ‘tenure blind’ – making it impossible to distinguish between tenures – and unless explicitly agreed to the contrary, the proportionate mix of houses and flats will be similar for both market and affordable housing.**

4.21 **Securing Affordable Housing through legal agreements**

4.22 *“Conditions or legal obligations will be used to ensure that affordable housing is secured and retained for those in housing need and with a Local Connection” (LN3).*

4.23 All affordable housing requirements, resulting in on-site provision or financial contributions, along with formulas and associated triggers and delivery mechanisms, will be specified within planning conditions or a S106 planning obligations legal agreement.

4.24 Planning conditions or S106 agreements will also include nomination mechanisms and processes to ensure that affordable housing is retained and occupied by eligible households in housing need, with a local connection to the Borough of Christchurch or District of East Dorset, as appropriate.

4.25 Planning conditions or S106 agreements for developments within the settlements of Christchurch, Wimborne, Verwood, Ferndown and West Parley will give priority to households in housing need and with a local connection to the respective Borough or District. Planning conditions or S106 agreements for developments in all other settlements will incorporate local connection cascades aligned with the Councils’ housing allocation policy.

4.26 Planning conditions or S106 agreements will also include mechanisms to ensure that affordable housing is provided in the long-term, other than where primary legislative rights (for example statutory Rights to Acquire or to progress to outright ownership) prevent such certainty.

4.27 Affordable housing resulting from this policy should include provisions to remain at an affordable price for future eligible householders. Where it is necessary to include provisions which could result in the loss of any designated affordable housing in the future, robust mechanisms will be imposed ensuring that any subsidy and accrued benefit arising from the policy will be recycled for alternative affordable housing provision.

4.28 Policy Delivery Requirements (Subject to the Practice Note on Thresholds)

4.29 *“On sites resulting in a net increase of 1 to 4 dwellings the Councils will accept onsite affordable housing provision in accordance with the Policy Percentage Requirements and Affordable Housing Requirements or a financial contribution in lieu of onsite affordable housing, calculated in accordance with the Commuted Sum Methodology. (LN3)”*

4.30 *“On sites resulting in a net increase of 5 to 14 dwellings...where [onsite affordable housing] is not possible or at the Councils discretion, a financial contribution [in lieu of onsite affordable housing] will be acceptable.... (LN3)”*

4.31 *“On sites resulting in a net increase of 15 or more dwellings....provision should be onsite, but where [onsite provision] is not possible, off-site provision on an alternative site may be acceptable. If an alternative site is not available, a financial contribution will be acceptable....” (LN3)*

4.32 Where developments result in a net increase of between 5 and 14 dwellings, affordable housing provision will normally be required onsite. Under exceptional circumstances, where it has been demonstrated to the Councils satisfaction (where appropriate providing supporting and independently verified evidence) that affordable housing cannot be incorporated or delivered onsite, a financial contribution in lieu of onsite affordable housing will be accepted, calculated in accordance with the Commuted Sum Methodology (chapter 9).

4.33 Alternatively, where developments result in a net increase of between 5 and 14 dwellings, the Councils may, at their discretion, choose to accept an offsite financial contribution in lieu of onsite affordable housing, calculated in accordance with the Commuted Sum Methodology (chapter 9).

4.34 Where developments result in a net increase of 15 or more dwellings, affordable housing provision will normally be required onsite. However under exceptional circumstances, where appropriate evidence has demonstrated to the Councils satisfaction that affordable housing cannot be incorporated or delivered onsite, off-site provision on an alternative site may be acceptable.

4.35 ‘Alternative’ site affordable housing proposals will be required to meet all of the standards associated with onsite provision, and to fulfill both the policy percentage arising from the originating site, and any policy requirements arising from the alternative site.

4.36 Confirmation of land-ownership, planning consent and any necessary delivery mechanisms will be required to ensure the certain delivery of affordable housing on the alternative site, concurrent with development and occupation of dwellings on the originating site.

4.37 Under exceptional circumstances, where it has been demonstrated to the Councils' satisfaction (where appropriate providing supporting and independently verified evidence) that affordable housing cannot be incorporated or delivered onsite, **and** certain and deliverable alternative offsite provision is not available, then a financial contribution in lieu of onsite affordable housing may be accepted, calculated in accordance with the Commuted Sum Methodology (chapter 9).

4.38 ***“Financial contributions should be of equivalent value to on-site provision calculated in accordance with the Commuted Sum Methodology” (LN3)***

4.39 Financial contributions in lieu of 'on-site' affordable housing will be calculated on an equivalence basis, i.e., the financial contribution will be the value of private subsidy the applicant, land-owner or developer would have been required to make, had the affordable housing been provided on site. It will be calculated in accordance with the Commuted Sum Methodology, as periodically updated (See chapter 9).

4.40 In the event that a financial contribution in lieu of 'onsite' affordable housing and calculated in accordance with the Commuted Sum Methodology would render an otherwise policy compliant development proposal economically unviable, evidence should be presented in accordance with the negotiation process (see chapter 7).

4.41 **Meeting needs for supported or specially adapted housing**

4.42 ***“Where developments are required to provide 10 or more affordable homes, 10% of the affordable housing element should be planned for households requiring specially adapted or supported housing” (LN3)***

4.43 Subsidised affordable housing is required to meet a range of needs and although many households simply require 'general need' accommodation, others require specialised housing, or support services to address specific needs.

4.44 In some cases minor adaptations to standard housing can be enough to appropriately meet need, and mobile support services can enable vulnerable households to live independently, dispersed within communities.

4.45 However, some vulnerable people require specifically designed housing or single storey accommodation, whilst others are best served through small or large residential schemes or "cluster flats" grouped together to achieve independent living with neighbourly support.

4.46 Given the priority associated with these clients groups, future developments providing 10 or more affordable homes, will be expected to incorporate a minimum of 10% for vulnerable households that require specially adapted or supported housing.

4.47 Where small scale developments result in limited numbers of special need affordable homes (1 to 3 homes), it may be appropriate to meet the requirement by incorporating Accessible and Adaptable Dwellings (Building Regulations 2010 M4(2) Category 2) that may be further adapted to the needs of particular households. Within larger developments and newly forming communities, the policy will ensure that openings to integrate housing and accommodation schemes for specific client groups are considered at design stage.

4.48 *“However, if a requirement for specialised affordable housing (or a viable delivery mechanism) cannot be demonstrated by the council at the point of submitting a planning application, the quota shall revert to 100% general need affordable housing” (LN3).*

4.49 *“Under no circumstances will the financial consequences of including 10% adapted or supported housing result in a greater cost to the development than would arise through an acceptable, viable and proportionate mix of general need affordable housing” (LN3).*

4.50 Where robust evidence demonstrates that incorporating an element of special need affordable housing would require greater private subsidy than ‘general need’ provision, adjustments will be made to ensure that the overall subsidy consequences of meeting policy requirements do not exceed the costs of providing an otherwise acceptable and viable form of ‘general need’ provision.

5 Policy LN4 Affordable Housing Exception Sites

5.1 Introduction

5.2 Affordable Housing Exception Sites are permitted in locations that would otherwise be unacceptable for market housing - permission is only granted because the development will specifically enable the meeting of locally identified housing need in perpetuity.

5.3 Robust long-term arrangements are required to manage and control exception sites through a S106 agreement between the Council and an appropriate “Approved Provider”, usually a Registered Provider or a formally constituted Community Land Trust.

5.4 *“Exceptionally land adjoining or very close to the defined rural and urban settlements which would otherwise be considered inappropriate for development may be developed to facilitate affordable housing...”*

5.5 This policy sets out the principles and mechanisms for establishing the exceptional circumstances that allow for the provision of small sites for affordable housing in perpetuity in rural areas where development would otherwise be contrary to policy.

5.6 Such sites should only be permissible where resultant development enables local community housing needs to be met for households who are either current residents or have an existing family or employment connection. Appropriate measures will be included within a S106 Agreement to restrict the occupation of affordable housing on exception sites.

5.7 Exception site proposals will only be supported where they are adjoining or very close to the listed settlements. Sites must be appropriate and selected as the preferred and deliverable option following an evidenced scoping exercise and sequential test of potential sites capable of meeting the locally identified need. Evidence of site investigations will form an expected part of the Planning justification process, usually carried out in partnership with parish councils, community bodies and local landowners.

5.8 A central enabling feature for exception-site development is the constrained land value that results from affordable housing usage, when open market land values would render subsidised housing undeliverable and financially unviable. Given the increasing difficulty in securing public subsidy for such schemes, the successful delivery of affordable housing is likely to depend upon very low land values - as close as possible to agricultural values.

5.9 *“...in perpetuity, provided that secure arrangements are included to ensure that its benefits will be enjoyed by successive as well as initial occupiers”*

5.10 Types and models of affordable housing will only be accepted in accordance with the Council’s Affordable Housing definitions or, exceptionally, if approved by the Council as part of the planning process. The details of tenure and operating mechanisms will need to be defined within the legal planning agreement. The affordable housing provision and occupation conditions will be required in perpetuity, benefiting the first and all subsequent occupiers, save only for any primary legislative rights or where Mortgagee in Possession risks have been mitigated either by the Homes and Communities Agency or through special arrangements with the Councils.

5.11 *“The proposed development would provide a mix of housing and type which meets demonstrated local housing needs”*

5.12 The type and tenure of affordable housing to be provided on exception sites must address demonstrated local community housing need identified through up to date parish need surveys or research using methodologies supported by the Local Planning Authority. Such research should normally be undertaken in partnership with the local community and the appropriate Parish Council or Parish Group.

5.13 In the context of exception site policy, “local” refers to those households with a local connection to the parish or community, as defined by the Council and including:-

- Being permanently resident therein for at least four years immediately prior to such occupation
- Having currently resident close relatives (i.e. parents, children, brother or sister) who have lived therein for at least four years
- Having permanent employment and having been employed therein for at least 12 months prior to such occupation
- Other special circumstances which create a link to the given parish (not including resident in a hospital, armed forces accommodation, holiday let, or prison) such special circumstances having first been verified and approved by the Borough/District Council

5.14 However if there are no local households in housing need and with a local connection to the parish or community when an exceptions dwelling becomes available, a S106 cascade approach will be permitted, meaning that the geographical area of the search can be gradually widened over time to prevent prolonged voids, when proactive marketing activity has been demonstrated.

5.15 *“The development is small scale and reflects the setting, form and character of the settlement and the surrounding landscape.”*

5.16 For the purposes of this policy ‘small scale’ usually means a scheme of no more than 10 dwellings. Exception site proposals must relate to the local needs of the settlement and its hinterland. Where proposed sites form part of a parish group, housing need arising within all parishes within the group may be included and if a settlement bridges more than one parish, both may be included as part of the justification.

5.17 For all exception sites, construction, materials, and external finishes should be sympathetic to those in use locally. ‘Off the peg’ standard house types will not be acceptable, instead requiring design elements that reflect the sites unique context.

6 Policy LN6 Housing and Accommodation Proposals for Vulnerable People

6.1 In order to meet the current and future housing needs of Christchurch and East Dorset, specialised private and affordable developments are needed to serve and support people who are vulnerable as a result of physical or mental health conditions, or who will need such accommodation as they become older and frail.

6.2 Whether serving open market or affordable sectors, such developments can fall into one of two planning use class categories (although some schemes include elements of both): Category C2 schemes – usually designated care homes where residents do not live independently, or within general Category C3 dwellings where residents live independently although they may benefit from some support or warden services.

6.3 In recent years, local factors have contributed to significant growth in the private care home and sheltered housing sectors of both Christchurch and East Dorset:-

- the demographic make-up and the ageing population;
- the relative affluence of local households (as evidenced by exceptionally high levels of owner-occupation and average house-prices);
- the impact of heathland constraints that apply to C3 residential dwellings but do not apply to C2 Care Home schemes.

6.4 As this policy replaces existing requirements associated with ‘special need’ developments in Christchurch and East Dorset, attention is drawn to changes in approach for category C2 and C3 proposals, and where these are subject to affordable housing policy LN3.

6.5 Category C2 health and care related development proposals

6.6 *“New social, care or health related development proposals, or major extensions to existing developments, within the C2 use classification will not be subject to Policy LN3 however they will be required to demonstrate that any impacts upon, or risks to, the strategic aims and objectives of Dorset County Council and NHS Dorset health and social care services have been taken into account and mitigated against”.*

6.7 C2 category accommodation will be exempt from affordable housing contributions however it will be necessary to demonstrate that proposals meet demonstrable local need and demand (in accordance with General Policy LN1 requirements).

6.8 It will also be necessary to demonstrate that in preparing proposals, applicants have fully considered and mitigated any risks that new developments might impose upon statutory health and social care services, and that developments will not be in conflict with the strategic aims and objectives of Dorset County Council and NHS Dorset.

6.9 Category C3 residential development proposals for older and vulnerable people

6.10 *“All other residential development proposals for older and vulnerable people... must meet the requirements of policy LN3....through a commuted sum contribution...unless onsite provision and delivery mechanisms have the prior approval of the Council and Dorset County Council”.*

6.11 Unless arrangements have previously been agreed for onsite affordable housing provision, all category C3 specialist developments for older and vulnerable people where occupation is to be restricted (including sheltered housing, assisted-living and extra-care schemes) will be required to make a commuted-sum financial contribution towards affordable housing, in accordance with the requirements of policy LN3 and calculated in accordance with Commuted Sum Methodology, subject to economic viability (see chapter 9).

6.12 Where special need proposals come forward incorporating onsite affordable housing provision, proposals must have been designed and commissioned in partnership with the Council and Dorset County Council, the body with statutory primary responsibility for older and vulnerable people.

7 Negotiating

7.1 General guidance

7.2 Housing and affordable housing requirements will be negotiable to ensure that public policy interests are balanced with the importance of achieving housing delivery and growth. Applicants seeking to provide less than the policy compliant proportion and mix of affordable housing must expect to provide evidence demonstrating why it would not be possible to meet the Councils aspirations and how alternative proposals still optimise the scope to meet local need and demand, whilst achieving sustainable development.

7.3 Evidence that is used to support such negotiations must be objectively prepared and capable of withstanding independent expert scrutiny.

7.4 Primary negotiating issues are likely to include the type, size and mix of ‘appropriate’ market housing and the type, size and mix, as well as the quantity, of subsidised affordable housing and the degree to which market and affordable elements are integrated.

7.5 **It is essential that applicants discuss housing proposals and the issue of affordable housing with the Councils well in advance of an application being submitted to ensure that issues are properly addressed, that proposals are supported by evidence and that the most appropriate provision is being made.** (N.B. The relevant requirements of the Housing and Affordable Housing SPD will form part of the Planning Application validation checklist).

7.6 Concept stage

7.7 Design proposals and development options should be prepared to address local housing need and demand, taking the full impact of affordable housing policy and prevailing housing need evidence into account.

7.8 Outline Planning Application

7.9 At pre-application stage for outline planning proposals, applicants should expect to confirm how appropriate market housing requirements have been taken into account, and the how headline affordable housing policies will be met

7.10 Subsequent legal planning agreements for outline approval will require explicit commitments concerning the percentage and tenure of affordable housing, with detail to be agreed at reserved matters stage.

7.11 At planning application stage, submissions should include a Housing Statement confirming commitments regarding headline affordable housing provision (percentage, size, type and tenure mix); details of any previously agreed or negotiated principles; and any associated evidence supporting deviations from policy requirements).

7.12 The Housing Statement must also acknowledge that the final market housing mix and arrangements to integrate market and affordable housing will be subject to agreement at Reserved Matters.

7.13 Full Planning Application

7.14 At pre-application stage applicants should expect to confirm how an emerging proposal will address appropriate market housing requirements and how detailed affordable housing policy requirements will be met.

7.15 At planning application stage, proposals must include a Housing Statement confirming the extent to which the proposal meets local need and demand for market and affordable housing, any previously agreed or negotiated principles and any associated evidence supporting a deviation from policy requirements.

7.16 Full and reserved matters planning applications must also incorporate a detailed Housing Mix Schedule including the type and size (GIFA) of market housing and the type, size (GIFA), tenure and proposed delivery vehicle for affordable housing

7.17 Housing Statement

7.18 Every Planning Application for residential development use classes C2 and C3 will require a Housing Statement. The statement should:-

- Confirm how a development proposal has been designed taking Core Strategy Objective Five housing need and community principles into consideration.
- Incorporate any supplemental housing need and demand evidence,
- Include references to appended confidential economic viability reports
- Confirm any guidance that has been given by planning or housing officers

- Set out any associated negotiations and evidence concerning physical or financial factors that have constrained the ability to meet Objective Five aims
- Incorporate any other relevant information or expert advice that has shaped the housing and affordable housing elements proposal presently under consideration.

7.19 Housing Statements for outline planning applications must, as a minimum, confirm the agreed percentage proportion of affordable housing provision and the accepted tenure split between forms of Rented and Intermediate Housing for inclusion with the associated legal planning agreement. In addition the statement must also acknowledge that the final market and affordable housing mix and integration arrangements will remain a matter for negotiation and agreement at reserved matters stage.

7.20 Housing Statements for reserved matters and full planning applications will be expected to include a Housing Mix Schedule:-

7.21 Housing Mix Schedule

7.22 Housing Mix Schedule will set out the following information for each unit:-

- **Market and Affordable:**
 - Size and space standards including the number of bed-spaces, the number of bedrooms and the GIFA
 - Typography confirming the type of unit (House, Bungalow, Flat, Detached, Semi-Detached, Terrace, Ground Floor, 1/2/3rd floor).
- **Market housing:**
 - Whether occupation is to be restricted in any way to serve a specialised client group
- **Affordable housing:**
 - The proposed tenure for each affordable housing unit (including any units designated for supported housing/special need housing).
 - The proposed layout of the scheme identifying market and affordable plots, and showing integration and clustering.
 - Any other relevant technical design information for each dwelling e.g. homes that incorporate innovative construction and/or discretionary energy efficiency measures; homes achieving Building Regs 2010 Part M (2016) standards.

7.23 The Council will assess the Housing Statement and how well the proposal meets local housing need and demand, outcomes in terms of community benefit and sustainable development, and any mitigating evidence. If viability evidence associated with a reduced affordable housing offer has not previously been submitted and considered, appropriate expert advice will be sought if necessary.

7.24 The appraisal will evaluate how effectively the development proposal has met, and optimised the scope to meet, Core Strategy (Objective Five) and NPPF principles including:-

- How effectively have local needs and demands been met?
- Have opportunities to mix communities and integrate market and affordable housing been optimised?
- Have affordable housing policy requirements been met in full, and if not, have they been optimised?
- Where policy requirements have not been met in full, or alternative proposals have been submitted, have variations been supported by robust evidence and justifications?
- Do the sizes and types of dwellings (both open market and affordable) reflect current and projected local need through the Strategic Housing Market Assessment?
- Has the proposal optimised the scope to meet different needs within the community and people's needs at all stages of life?
- How effectively have opportunities been taken to deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities?
- To what extent the proposed development will reduce local needs whilst maintaining the character of the local community?

7.25 The appraisal process will take mitigating market and site/design specific factors into account and the impact that any imposed constraints on mix, layout or density might have on development value, viability, and acceptable returns for landowners and developers.

7.26 It will be necessary to demonstrate how proposals have evolved, and where they do not fully accord with Core Strategy Objective Five principles, to provide evidence of any guidance or negotiations with the Council prior to submitting the proposal.

7.27 Primary Negotiation Principles:

7.28 Affordable Housing Policy: Development Eligibility (Existing Use Value/Residual Land Value)

7.29 To bring forward previously developed land for residential development, landowners must achieve an acceptable return over Existing Use Value (EUV). Viability guidance commissioned by Christchurch and East Dorset Councils in 2017 confirms the principle that landowners will tend to seek an uplift above EUV to incentivise them to bring forward land for development (Valuation Office Agency, 2017 See Appendix 1).

7.30 Affordable housing requirements (onsite or financial contributions) may therefore be waived when verifiable economic viability evidence proves that Residual Development Value (RDV) for a policy compliant scheme (including affordable housing) would result in a land-owner return that does not provide sufficient incentive above Existing Use Value. The appropriate percentage uplift on EUV will be assessed by the Council's independent viability consultants taking into account market conditions at the time of the viability assessment.

7.31 Economic viability evidence supporting an adjustment in affordable housing policy will be required as part of the formal planning process. In accordance with the adopted viability procedure, all costs for external viability assessment to test the applicant's viability appraisal submission must be met in full by planning applicants.

7.32 Affordable Housing Negotiations: Quantity, type and tenure

7.33 The Councils affordable housing policy has been adopted to optimise the delivery of affordable homes through onsite provision or the use of financial contributions, to meet identified housing need.

7.34 It is recognised that some development proposals may not be able to incorporate standard policy requirements and that local needs can sometimes be appropriately met through alternative 'offers' that do not directly align with standard requirements. The Councils will negotiate over individual development proposals and recognise that flexibility is necessary, however, any departure from standard policy requirements must be justified through appropriate and robust sources of evidence:-

7.35 Variations due to financial viability constraints must be supported by development appraisals carried out in accordance with the verification process (see chapter 9).

7.36 Sensitivity analysis within development appraisals must include modelling based on meeting core policy requirements (to prove why standard requirements cannot be met).

7.37 Proposals to provide alternative types or tenures of affordable housing must be supported by the councils.

7.38 Proposals to provide alternative types or tenures of affordable housing due to design or site constraints must include evidence that alternative development concepts were either unviable or non-deliverable.

8 Viability

8.1 To ensure that development is sustainable Local Planning Authorities are permitted to define local standards, including affordable housing, in Local Plans. However, the cumulative impact of such standards should not be so onerous as to undermine delivery of the plan and put it at serious risk when added to national standards. In the formation of policies and the delivery of planning decisions, Local Planning Authorities must therefore take the cost impact of meeting local standards on financial viability into account.

8.2 In both plan-making and operational contexts, financial development viability is determined by deducting the costs of development from gross development value, whilst allowing a sufficient margin of return for a landowner and developer that will enable development to proceed. At policy-making level, viability testing is likely to involve broad cost indicators and valuation assumptions to safely cover a range of possible development scenarios. However when individual development proposals are being considered, viability assessments require the most accurately known site specific details on income and expenditure.

8.3 In simple terms when gross development value exceeds the costs of development, including a sufficient margin of return for a landowner and developer to enable a development to proceed, a scheme can be deemed economically viable.

8.4 Although founded upon a straight forward formula, the nature of development, and the diversity of values and construction variables involved, means that expert knowledge and skills are required to produce a robust viability assessment. Equally expert skills are needed to judge the reasonableness and accuracy of such assessments; where the vast number of elements and frequently high values means that relatively marginal misjudgements can result in substantial cumulative errors.

8.5 Principles and Process

8.6 Commercially sensitive information provided as part of viability assessments will be treated confidentially, however, to ensure that documents and data are exempt from Freedom of Information restrictions, applicants **MUST** identify all papers that are to be treated as confidential and actively advise the Council as such.

8.7 Viability assessments to be submitted as evidence in negotiations must be prepared to be capable of independent expert verification, carried out by a qualified (RICS) surveyor/valuer. Any abnormal or exceptional development costs should be supported with robust and costed specialist reports and technical data, capable of expert verification.

8.8 Where required, and at the Councils' discretion, independent qualified RICS surveyor/valuers with specialist skills will be appointed to investigate submitted viability assessments. Any expenditure incurred by the Councils in carrying out external verification of financial viability appraisals and assessing evidence must be reimbursed by the Applicant and a written cost under-taking will be required prior to instructions being issued. Information and reports subsequently provided as part of the external verification process will be shared with applicants.

8.9 To ensure value-for-money and the meeting of due diligence obligations, the Councils will procure viability assessment services from appropriately qualified consultants in accordance with the Councils' Procurement policy.

8.10 Where advice or reports result in conflicts of expert opinion, in turn necessitating additional professional fees, supplemental undertakings to reimburse the Council will be sought as necessary. Where there is a dispute between the Council and the applicant about the conclusions of an assessment, the matter will be referred to an independent arbitrator (in accordance with RICS guidance).

8.11 Where financial viability evidence concludes that it is not possible to meet the relevant affordable housing targets required under Policy LN3, the associated S106 Agreement may include provisions for a viability and affordable housing review, if development has not commenced or reached a specified stage within a specified time period.

8.12 On large scale phased developments S106 legal agreements will include provisions for further viability assessment to be carried out part way through the development and any change in financial viability to be reflected in revised affordable housing contributions either on-site or as financial contributions.

8.13 **Viability assessments will be expected to follow the RICS Guidance note Financial Viability in Planning (GN94/2012) or any subsequent RICS updates.** Developer submissions should employ well-established Development Appraisal Toolkits.

9 Financial Contributions

9.1 Commuted sum payments in lieu of onsite affordable housing provision may be accepted where it can be demonstrated that design constraints or other justifiable factors make it impossible to provide deliverable affordable housing onsite or where occupation is to be restricted to serve special need client groups in perpetuity.

9.2 Both onsite provision and offsite financial contributions are subject to economic viability testing in accordance with the adopted negotiation procedure (chapter 7). If it can be demonstrated that meeting a commuted-sum requirement in full would render a development unviable, negotiated adjustments and reductions will be permissible to ensure competitive returns to a willing land owner and willing developer to enable the development to be viable and deliverable.

9.3 Adopted methodology

9.4 As part of independent research into CIL viability testing in 2012/13, Peter Brett Associates (PBA) advised the Councils on an appropriate mechanism to calculate off-site financial contributions in lieu of onsite affordable housing. In accordance with NPPF guidance, the model would need to secure broadly equivalent financial contributions to the cost of providing onsite affordable housing and to align with CIL principles, be calculated on a square metre basis of Gross Internal Floor Area (GIFA).

9.5 Applying the same tests and development typographies that informed the proposed CIL charging schedule, PBA confirmed that at baseline viability a single 'per square metre' contribution rate should be levied across Christchurch and East Dorset of between £350 and £400 of total GIFA. (See PBA Affordable Housing Report at Appendix 2).

9.6 Therefore taking viability and present day market conditions into consideration, a rate of £350 per square metre has been adopted. However with direct connection to the CIL charging schedule and the CIL evidence base, the affordable housing financial contribution rate will remain subject to review.

9.7 Calculating financial contributions

9.8 Gross financial contributions will be calculated at the rate of £350 per square metre of the total Gross Internal Floor Area (as defined by Royal Institute of Chartered Surveyors guidance).

9.9 Example

9.10 An eligible development comprises 2 x market houses @ 100 square metres GIFA and 2 x market houses @ 85 square metres GIFA.

9.11 Total GIFA = 370 Square Metres x £350 = £129,500 financial contribution in lieu of onsite affordable housing.

9.12 Calculating Partial financial contributions

9.13 A partial financial contribution may be required where viability assessment has demonstrated that the scheme will deliver a surplus above the benchmark land value (i.e. EUV plus uplift at the % current in the market) but does not result in an amount equivalent to the above calculation. In such cases the amount above benchmark value will be the amount to be secured as financial contribution through a legal agreement.

9.14 Spending Financial Contributions

9.15 Offsite financial contributions for affordable housing will be 100% ring-fenced for housing capital expenditure that results in housing needs being met within the respective Borough or District in which the commuted sum payment was collected. This may include general needs or specialist affordable housing and temporary accommodation for homeless households.

9.16 The allocation and expenditure of commuted-sum payments will be agreed and authorised by an appropriate Council Committee who will take into account

- Value for money achieved;
- That where possible proposed forms of spending will result in preserved subsidised affordable housing in perpetuity or the recycling of capital subsidy and associated financial gain, should any of the subsidised affordable housing be lost to the open market.

1 Appendix 1 - Valuation Office Agency Report on EUV Uplift 2017

DVS Property Specialists
for the Public Sector

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Not For Publication

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Date : 17 October 2017

Dear Bryony

Review of Existing Use Values in respect of Housing and Affordable Housing SPD

I refer to your formal instructions to carry out a review and provide an advice note in respect of the use of Existing use Value uplifts in your Housing and Affordable Housing SPD. We have now completed our own research and would report as follows:

The principal objective of our Brief and the subject of this report are to provide advice to the Councils of Christchurch and East Dorset in respect of the use of Existing Use Value plus an uplift as a threshold in determining viability assessments of development sites.

Background:

Christchurch and East Dorset Councils Housing and Affordable Housing Supplementary Planning Document adopted in April 2014 was produced to expand upon housing and affordable housing policies set out in the Core Strategy and under section 7 'Negotiating' guidance and requirements was provided as follows:

7.17 – To bring forward previously developed land for residential development, landowners must achieve an acceptable return over Existing Use Value (EUV). Viability guidance provided to both Christchurch and East Dorset in 2010 (Three Dragons) indicated landowners were then seeking an uplift of 120% to 130% of EUV.

7.18 – Incorporating an additional 10% buffer, affordable housing requirements (onsite or financial contributions) will therefore be reduced or waived as appropriate when verifiable economic viability evidence proves that Residual Development Value (RDV) for a fully policy compliant scheme would result in a landowner return of less than 140% of Existing Use Value.

The uplift as proposed by Three Dragons in their 2010 reports was considered under their study methodology and was the landowner's expectation on brownfield sites of an uplift of 20% - 30% in value.

We are advised by the Council that by allowing up to 40% uplift on the EUV to bring a site forward for development is reducing their ability to demonstrate viability for affordable housing contributions on brownfield sites.

The basis of assessing viability is provided in a number of National guidance documents but in simplistic terms is:

Total Development Value

Less

Total Development Costs

Equals

Residual Land Value.

In order to determine the viability of any development site the residual land value (The amount that a specific scheme can afford to pay for the site) needs to be compared to a site value. The issue is: - What is the site value for a brown field site for assessment purposes.

The National Planning Policy Framework (NPPF) states in paragraph 173 that 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.

Viability Guidance:

There are various forms of national planning guidance that assist in viability and the determination of Land Value and the key ones are as follows-

- 1) Planning Practice Guidance (March 2014)
- 2) Financial Viability in Planning – RICS Professional Guidance note (August 2012)
- 3) Viability Testing Local Plans – Local Housing Delivery Group chaired by Sir John Harman (June 2012)

Planning Practice Guidance (PPG) is from the Department for Communities and Local Government and provides guidance in respect of NPPF and what it expects on viability in planning. PPG clearly states that there is no single approach for assessing viability.

However in respect of Land Value it states that:

Central to the consideration of viability is the assessment of land or site value. The most appropriate way to assess land or site value will vary but there are common principles which should be reflected. In all cases, estimated land or site value should:

- Reflect emerging policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;
- Provide a competitive return to willing developers and landowners (including equity resulting from those building their own homes); and
- Be informed by comparable, market based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.

In respect of a Competitive return to land owners it states that:

A competitive return for the landowner is the price at which a reasonable land owner would be willing to sell their site for development. **The price will need to provide an incentive for the landowner to sell in comparison with the other options available.** Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy.

Financial Viability in Planning (FVP) is an RICS Professional Guidance note and is recommended good practice for RICS members and financial viability for planning purposes is defined as follows:

An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project.

In addition it goes on to provide a definition of site value as follows:

Site Value either as an input into a scheme specific appraisal or as a benchmark is defined as follows – Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all material planning considerations and disregards that which is contrary to the development plan.

The assessment of Site Value with assumption is not straight forward but must, by definition, be at a level which makes a landowner willing to sell, as recognised by NPPF. Appropriate comparable evidence, even where this is limited, is important in establishing Site Value for scheme specific as well as area wide assessments.

FVP also comments on existing use value plus a premium. Used by some practitioners for establishing Site Value. The basis is as with EUV but then adds a premium (usually 10% to 40%) as an incentive for the landowner to sell. However, it does not reflect the market and is both arbitrary and inconsistent in practical application.

Viability Testing Local Plans (Harman Report) – This was provided as advice for planning practitioners in developing local plans. It also considers the Threshold Land Value which it suggests should represent the value at which a typical willing landowner is likely to release land for development. It advises that there are different approaches to Threshold Land Value including

- Current Use Value with or without a premium
- Apportioned percentages of uplift from current use value to residual value
- Proportion of development value
- Comparison with other similar sites (market value)

The Harman report recommends that the Threshold Land Value is based on a premium over current use values and credible alternative use values. The precise figure should be determined locally but it should represent a sufficient premium to persuade landowners to sell in line with NPPF.

Other Factors/Evidence to be taken into account:

In addition to papers on viability guidance there are various planning appeal decisions/local plan examination and other Council SPD's as follows:

There are a number of appeal decisions that take into account the EUV of a site and then add a premium of 15% to 30% with the average at approx 20% and have been used in a large number of viability assessments that we have been involved in including:

- Ref: APP/A5840/S/15/3121484 – Land at 2-2A Crystal Palace Road, East Dulwich, London – In this appeal the inspector took account of DCLG guidance of allowing for a competitive return to the landowner and agreed that a landowner's premium of 20% was reasonable.

- Ref: APP/P5870/W/16/3159137 – The Thatched House Hotel, 135-139 Cheam Road, 133 Cheam Road, Cheam, Sutton – In this appeal the parties agree the threshold land value of EUV plus 20% premium as an incentive for the land owner to sell for 133 Cheam Rd. The Inspector taking into account PPG, RICS guidance and the Mayor of London's Housing SPG is of the view that there has to be a premium above the EUV to provide a competitive return to incentivise the landowner and accepts EUV plus 20% for both landholdings.

This was taken further in the Shinfield Appeal decision in 2013 which determined that the threshold land value should be the uplift in value from planning permission for Alternative Use split 50/50 between the Landowner and the community.

In the case of Parkhurst Road Limited v London Borough of Islington April 2017 Ref: APP/V5570/W/16/3151698 the inspector agreed with the Councils approach of EUV plus a premium methodology.

This is supported by the Mayor of London's Housing SPG March 2016 which expressed a concern that using a market value approach risks importing individual features and circumstances from other sites that may have a greater number of constraints etc.

It states that on balance the Mayor has found that the 'Existing Use Value plus' approach is generally most appropriate for planning purposes, not least because of the way it can be used to address the need to ensure that development is sustainable in terms of NPPF and Local Plan requirements. The 'plus' element will vary on a case by case basis based on the circumstances of the site and policy requirements.

A 'Market Value' approach is only acceptable where, in line with the NPPG the value reflects all policy requirements and planning obligations and any CIL charges. If an 'Alternative Use Value' approach is used it must reflect policy requirements.

In addition various reports on viability for local plans testing have considered between 15% to 30% uplift in EUV as the threshold land value.

Evidence of Uplift in EUV for Brown Field development sites:

In addition to the various viability guidance, appeal decisions and other Council SPD's we have also undertaken research as to whether there is evidence of uplifts from EUV for development of brown field sites in the local area.

However there is limited comparable information in Dorset but that which exists shows that the current policy is excessive and the actual uplifts equate to no more than 20% and the average is lower.

General Comments and Recommendations:

We have undertaken research as to general land values for brown field development sites in the region and on the various methods of calculation of the threshold/benchmark land value (BLV) as detailed above.

In essence the two methods are Market Value (having regard to planning policies) or Existing Use Value plus.

In considering the later it's quite clear that the plus element will depend on the site circumstances but as a minimum should reflect any additional costs of sale and relocation costs with a minimum uplift of in the region of 10%. I believe that 40% uplift as suggested by your housing SPD is excessive and taking account of various appeals decisions etc and our land value research in the region it would suggest an average of 20%.

If you go down this route it may be better to adopt the London Borough of Islington's and the Mayor of London's approach which is 'Existing Use Value plus' with the plus element not specified but dependent on the sites circumstances etc.

Whichever route you take it is important to allow for flexibility since each site is different and there is not one option fits all situation.

Taking account of the planning guidance, appeal decisions and other SPD's it may be best to just state that any viability assessment of a site should be judged against its **Threshold Land Value** but not state how this is calculated. However you could refer to the various approaches within the relevant guidance ie

- RICS – Market Value having regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan
- Existing Use Value Plus.

I trust that this report covers the issues that you need considering but please contact me to discuss further with any queries etc.

General Information:

Status of Valuer

It is confirmed that the assessment has been carried out by Tony Williams BSc MRICS a RICS Registered Valuer, acting in the capacity of external valuer, who has the appropriate knowledge and skills and understanding necessary to undertake the assessment competently, and is in a position to provide an objective and unbiased assessment.

Conflict of Interest

Prior to undertaking this viability assessment, conflict of interest checks were carried out in accordance with the requirements of the RICS standards. I can confirm that we have not had any previous involvement with this site and that I am not aware of any conflicts of interest that affect my ability to provide impartial viability advice to the Council.

Restrictions on Disclosure and Publication

This report is provided for the use of the Council and their professional advisers only in connection with planning issues surrounding the above development proposal. It is not to be used or relied upon by any third party for any purposes whatsoever. The client will neither make available to any third party or reproduce the whole or any part of the report, nor make reference to it, in any publication without our prior written approval of the form and context in which such disclosure may be made. No liability whatsoever to any third party is accepted.

This report is considered Exempt Information within the terms of paragraph 9 of Schedule 12A to the Local Government Act 1972 (section 1 and Part 1 of Schedule 1 to the Local Government (Access to Information Act 1985) as amended by the Local Government (access to Information) (Variation) Order 2006 and your council is expected to treat it accordingly.

Validity

This report remains valid for 3 (three) months from its date unless market circumstances change or further or better information comes to light, which would cause me to revise my opinion.

Following the referendum held on 23 June 2016 concerning the UK's membership of the EU, the impact to date on the many factors that historically have acted as drivers of the property investment and letting markets has generally been muted in most sectors and localities. The outlook nevertheless remains cautious for market activity over the coming months as work proceeds on negotiating detailed arrangements for EU exit and sudden fluctuations in value remaining possible. We would therefore recommend that any valuation is kept under regular review.

Yours sincerely

Tony Williams MRICS
Head of Viability (Technical)
DVS

Appendices

Appendix 1 - Appeal Ref: APP/A5840/S/15/3121484
Appendix 2 – Appeal Ref: APP/P58070/W/16/3159137
Appendix 3 – Appeal Ref: APPV5570/16/31581698

2 Appendix 2 - Definitions and Glossary

2.1 Appendix 2: Definitions and Glossary

2.2 Affordable Housing (NPPF 2018)

2.3 housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

2.4 a) Affordable housing for rent: meets all of the following conditions:

- (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable);
- (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and
- (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

2.5 b) Starter homes: is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

2.6 c) Discounted market sales housing: is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

2.7 d) Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

2.8 Approved Provider (local)

2.9 Approved Provider means a Registered Provider of social rented housing or affordable rented housing (pursuant to Part 2 of the Housing and Regeneration Act 2008); or a provider of affordable housing (other than a Registered Provider, e.g. a Community Land Trust) approved by the Council for the purposes of owning, maintaining and managing affordable homes, having satisfactorily demonstrated that it has:-

a. sufficient financial resources to show a reasonable prospect of being able to purchase the affordable homes and where appropriate maintain their fabric, and manage their occupancy, in the long term, and,

a. adopted policies and procedures, as appropriate, concerning

2.10 (i)property management

2.11 (ii)repairs maintenance and insurance

2.12 (iii)tenant consultation and provision of information to tenants

2.13 (iv)rent collection and management of rent arrears

2.14 (v)resolution of disputes amongst tenants

2.15 (vi)equalities and the avoidance of discrimination

2.16 (vii)complaints procedure

2.17 (viii)membership of the Independent Housing Ombudsman scheme and action on the Ombudsman's decisions comparable to those which Registered Providers are required or expected to have in place in accordance with "A Regulatory Framework for social housing in England from April 2012" published by the Social Housing Regulator.

a. has entered into a formal agreement with a Registered Provider for the management of affordable homes to the same standard as the Registered Provider's own properties on terms previously approved by the Council in writing

a. robust formal and certain mechanisms to ensure that affordable housing remains affordable for future eligible households, or for subsidy – and any uplifted benefit arising from such subsidy – to be recycled for alternative affordable housing provision.

2.18 Eligible Household (Local)

2.19 A household currently occupying accommodation that is substandard or unsuitable for its requirements and which has an income that is too low to reasonably afford to buy or rent accommodation appropriate to their circumstances on the open market.

2.20 Eligible Local Household (Local)

2.21 Means an Eligible Household nominated by the Council or approved in writing by the Council (together with immediate family and dependents) who have a local connection to the Borough, District or Parish (as appropriate).

2.22 Greenfield Residential Development (not Previously Developed Land)

2.23 Greenfield residential development is development taking place on land that has never been built on or where the remains of any structure or activity have blended into the landscape over time. The definition includes private gardens.

2.24 Gross Internal Floor Area

2.25 For the purposes of this document GIFA should be calculated using the adopted RICS guidance, however, in general terms it is the area measured to the internal face of the perimeter wall for each floor level. It includes areas occupied by internal walls and partitions, columns, piers and other internal projections, internal balconies, stairwells, toilets, lift lobbies, fire corridors, atria measured at base level only, and covered plant rooms. It excludes the perimeter wall thickness and external projections, external balconies and external fire escapes.

2.26 Previously Developed Land (NPPF 2018)

2.27 Land which is or was occupied by a permanent structure, including the curtilage of the developed land (although it should not be assumed that the whole of the curtilage should be developed) and any fixed surface infrastructure. This excludes: land that is or was last occupied by agriculture or forestry buildings; land that has been developed for minerals extraction or waste disposal by landfill, where provision for restoration has been made through development management procedures; land in built-up areas such as residential gardens, parks, recreation grounds and allotments; and land that was previously developed but where the remains of the permanent structure or fixed structure have blended into the landscape.

2.28 Rural Exception Sites (NPPF 2018)

2.29 Small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. A proportion of market homes may be allowed at the local authority's discretion, for example where essential to enable the delivery of affordable units without grant funding.