



Christchurch and East Dorset Councils
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Christchurch And East Dorset Councils Housing and Affordable Housing Supplementary Planning Document



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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 has been produced to expand upon housing and affordable housing policies set out in the Core Strategy and it 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 process diagrams and 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:-

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

1.3 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 overall affordable housing target of 35% has been set to reflect the combined affordable housing delivery that will arise from all net additional residential development. As an overarching average figure, the target incorporates brownfield sites (providing up to 40% affordable housing), greenfield sites (providing up to 50% affordable housing) and those developments that for justified reasons deliver less than full policy requirements.

1.4 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.

1.5 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.

1.6 Whilst defining principles and detail, it is recognised that much of the guidance within this document remains subject to negotiation, where it can be demonstrated that meeting policy requirements in full would prevent land or development coming forward and where alternative proposals would still result in sustainable development that meets local need and demand. **It is therefore essential that applicants consider the requirements of this guidance at concept stage, thereafter discussing housing proposals and the issue of affordable housing with the Councils well in advance of an application being submitted. Doing so will ensure that issues are properly addressed, that proposals are supported by evidence and that the most appropriate provision is being made.**

1.7 This document and the processes within it, have been prepared taking national planning guidance, professional best practise and independent housing market research into account including the National Planning Policy Framework (NPPF); National Planning Policy Guidance (NPPG); Appendix 2 “Offsite Affordable Housing Section 106 contributions” (Community Infrastructure Levy Viability Testing, Peter Brett Associates, 2013) and RICS Professional Guidance “Financial Viability in Planning”.

National Planning Policy Framework (Full summary at Appendix 3)

1.8 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.

1.9 To fulfil their obligations, Local Planning Authorities should use their evidence base to ensure that Local Plans meet the full, objectively assessed needs for market and affordable housing in the housing market area. And they should ensure that a wide choice of high quality homes are delivered, widening opportunities for home ownership and creating sustainable, inclusive and mixed communities (NPPF paragraph 50). Explicitly, Local Planning Authorities should:-

- Plan for a mix of housing based on current and future demographic trends, markets trends and the needs of different groups in the community. (When plan-making LPAs should have a clear understanding of housing needs in their area and should prepare a Strategic Housing Market Assessment...identifying the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period).
- Identify the size, type, tenure and range of housing that is required in the particular locations, reflecting demand
- Where they have identified affordable housing is needed, set policies for meeting this need on site, unless offsite provision or financial contribution of broadly equivalent value can be robustly justified... and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible over time.
- Ensure viability, taking the costs of any locally applied development standards into consideration, such as affordable housing, infrastructure or other requirements. Having taken these and the normal costs of development and mitigation into account, proposals must still provide competitive returns to a willing landowner and developer, to enable the development to be deliverable.

1.10 In rural areas Local Planning Authorities should be responsive to local circumstances and plan housing development to reflect local needs, particularly for affordable housing, including rural exception sites where appropriate.

Offsite Affordable Housing Contributions (Peter Brett Associates 2013)

1.11 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).

1.12 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. (Report at Appendix 5). Further details on calculating financial contributions in practise can be found in chapter 9.

RICS Professional Guidance “Financial Viability in Planning”

1.13 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. However, given the introduction of CIL and that affordable housing thresholds have been removed across Christchurch and East Dorset, it is anticipated that the role played by financial viability appraisals could increase.

1.14 As the preparation of viability appraisals form a central part of risk management and financial planning for any development, their increased role is not viewed as introducing an onerous requirement but the content of such appraisals, the costs of verification, and the timely manner in which they are addressed by the Council, will be of significant interest and concern to applicants. Reflecting the importance of financial viability in the development process, and the central role played by property and land valuation professionals, new Best Practice guidance published by RICS (Financial Viability in Planning, RICS 2012) has been taken into consideration in preparing relevant elements of this SPD.

Connection to the Core Strategy

1.15 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.

1.16 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:-

The Core Strategy Vision

“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.

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”.

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

Objective 5

*“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”.*

1.18 The Core Strategy Vision and Strategic Objectives highlight the positive contribution that housing will be expected to make to creating and sustaining mixed communities where high quality affordable housing **and** appropriate market housing address the needs and demands of the local population. New-build housing must also 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.

1.19 Not only will these steps contribute to meeting today’s housing needs, but new developments that create more diverse and mixed communities will help to reduce the longer-term economic risks associated with an ageing population and maintaining a diverse and skilled work-force for the future. And in accordance with the National Planning Policy Framework guidance, detailed housing proposals 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 (NPPF paragraphs 50 & 159).

1.20 ‘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.

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

- LN1: Size and Type of Dwellings (Page 168 of Core Strategy)
- LN3: Provision of affordable housing (Page 170 of Core Strategy)
- LN4: Affordable Housing Exception Sites (Page 172 of Core Strategy)
- LN6: Housing and Accommodation proposals for Vulnerable People (Page 175 of Core Strategy)

2 Christchurch and East Dorset Housing Markets

The Local Context

2.1 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-1960's 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.

2.2 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. Inevitably these dynamics have also shaped the bulk of housing built over the past 50 years contributing to today's unbalanced housing market dominated by high value homes, an under-developed private rented sector and lack of affordable housing.

2.3 With development activity extensively geared towards retirement and in-migration markets, 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.

2.4 Having been shaped by the demand for in-migration and suburban living, housing growth in both Christchurch and East Dorset has resulted in exceptionally high levels of owner-occupation and a private rented sector that is substantially smaller than the size of the national average (Census 2011). As outlined in the adopted Housing Strategy 2013 (available from Christchurch and East Dorset Councils), East Dorset's exceptionally high proportions of detached houses and especially bungalows, is in direct contrast with a chronic shortage of terraced housing. Factors that contribute to making East Dorset one of the least affordable places to live outside London with an 11.77 lower quartile income to house price ratio in 2011 (Christchurch's ratio was 9.56)

2.5 In line with the national picture, the housing markets of Christchurch and East Dorset have been significantly affected by the prolonged market failure and recession. But whilst house prices have fallen and the numbers of sales have reduced proportionately, values have been more stable than those in the urban centres of Bournemouth and Poole. Evidence that supports the sustained popularity of Eastern Dorset for retirement, the very limited supply of new-build opportunities, and in-migration from higher value areas of England.

2.6 At national and international level, the tensions associated with funding future care for an ageing generation from a shrinking working age population are well known. Across Dorset County, with an above-average retired population, problems will be acute however the situation in Christchurch and East Dorset will be extreme. 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 in the same table. 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.

Housing stock and new-build house completions

2.7 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 adopted Christchurch and East Dorset Housing Strategy (2013 – 2016)

Housing Stock profile

2.8 Data from housing stock condition surveys in 2008 and 2011 confirms the very high proportions 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%).

Housing tenure profile

2.9 The latest census data (2011) confirms that levels of owner-occupation in Christchurch (75%) and East Dorset (81%) are significantly above the national average (63%). And at 11% and 9.3% respectively, the levels of privately rented housing are substantially lower than the national average (16.8%). The size of social rented sector is also substantially below the national average (18%) with only 13% in Christchurch and 8.3% in East Dorset.

Housing Completions (2000 to 2011)

2.10 Taken from Annual Monitoring Reports, the graph highlights the generally low levels of private house-building in Christchurch between 2000 and 2011, and the steady decline in East Dorset over the decade. Despite low rates of building Christchurch has achieved a reasonable level of affordable housing delivery (25%). But by contrast, East Dorset has achieved only 8% affordable housing - in later years a reflection of the significant number of smaller scale developments falling below the affordable housing threshold.

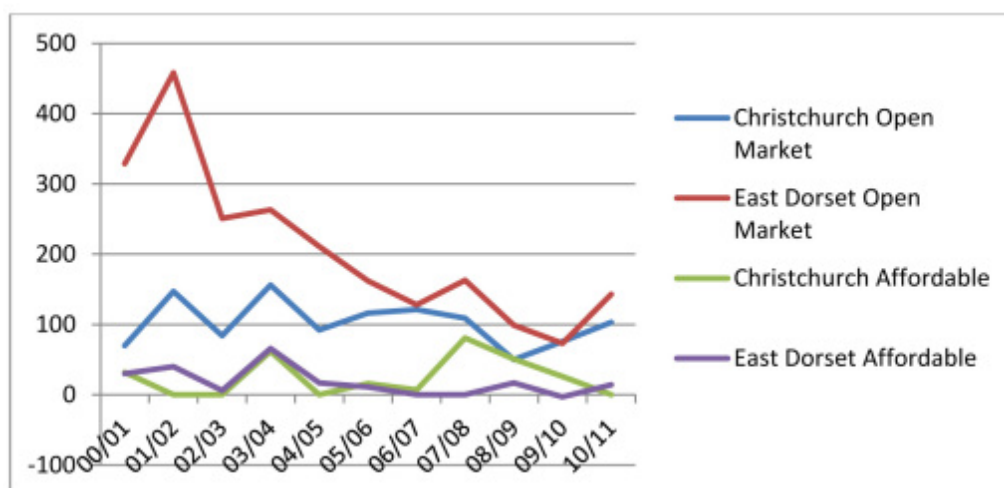


Figure 1 Christchurch and East Dorset new-build completions (2000 to 2011)

Average house prices and average house price/income ratios

2.11 Extracted from Department of Communities and Local Government (DCLG) Live tables (and based upon Land Registry data) the average median house price in East Dorset in 2011 was £255,000 and £246,250 in Christchurch. With an 11.22 average house price/income ratio in 2012, East Dorset ranked as the 9th least affordable English Local Authority outside London and with a 9.95 ratio, Christchurch ranked 19th (from a total of 294 English Local Authorities outside London).

The Strategic Housing Market Assessment Update (2012)

2.12 In May 2011 the eight Local Authorities of Dorset commissioned Justin Gardner Consulting to prepare an update to the 2007/8 Strategic Housing Market Assessment (undertaking new market research and using updated data from the 2008 Housing Need and Demand Survey).

2.13 In accordance with DCLG guidance, the SHMA Update was produced in consultation with stakeholders and provided data, analysis and policy recommendations. Master documents were produced encompassing the two primary Housing Market Areas (West Dorset/Weymouth & Bournemouth/Poole). Individual reports were also published for each Local Authority area including Christchurch and East Dorset.

Future Housing Requirements

2.14 Taking population and household growth projections into consideration, the consultant's Housing Market Model estimated the anticipated housing growth requirements of Christchurch and East Dorset between 2011 and 2031. Applied over a 15 year period, these figures inform the Core Strategy housing target (8,490 homes).

2.15 Further modelling using demographic change projections resulted in guidance on the size requirement of market and affordable housing, assuming 30% and 40% affordable housing delivery.

Market Housing (per annum)					
	1 bed	2 bed	3 bed	4+ bed	Total
Christchurch	-2	68	71	16	153
East Dorset	6	96	112	21	235
Affordable Housing (per annum)					
Christchurch	18	27	15	5	65
East Dorset	22	35	34	9	100

Table 1 Estimated annual housing unit requirement to 2031 by size (30% Affordable Housing)

Market Housing (per annum)					
	1 bed	2 bed	3 bed	4+ bed	Total
Christchurch	-3	60	61	13	131
East Dorset	5	87	97	12	201
Affordable Housing (per annum)					
Christchurch	26	35	20	6	87
East Dorset	31	50	43	10	134

Table 2 Estimated annual housing unit requirement to 2031 by size (40% Affordable Housing)

2.16 In summary, at 40% affordable housing, the consultant's report concluded that around 56% of **market housing** in Christchurch and 54% in East Dorset should have 3 or more bedrooms. Around 71% of **affordable housing** in Christchurch and 60% in East Dorset should have 1 or 2 bedrooms.

The need for affordable housing

2.17 Using separate CLG approved methodology the consultant estimated that the absolute annual affordable housing shortfall stood at 758 homes per annum (332 Christchurch and 426 East Dorset).

2.18 Of the absolute shortfall, around 14% of housing need in Christchurch and 22% in East Dorset could be met through shared-ownership or intermediate products, with the remainder being best met through either social rented or Affordable Rented housing (at 80% of open market values). However given that the anticipated levels of annual affordable housing delivery are going to be substantially lower than the annual absolute need, a greater proportion of intermediate housing could be provided.

2.19 The consultant suggested that although the private rented sector would continue taking some of the strain, many households moving into that sector are spending very high levels of income on rent. And in Christchurch and East Dorset, problems are exacerbated due to the exceptionally small size of the private rented sector, creating additional demand and increased rents, whilst restricting opportunities still further for those in housing need.

Rural housing & settlement analysis

2.20 Further analysis of SHMA Update data provided information on the relative needs of six different areas across East Dorset (using DCLG methodology) and a breakdown of market and affordable housing proportions (based on the Consultant's Housing Market Model at 40% Affordable Housing).

	Wimborne Minster & Colehill	Corfe Mullen	Ferndown & West Parley	West Moors and St Leonards	Verwood and Alderholt	Rural	Total
Annual Need (CLG)	104	44	87	28	108	5	426
Annual Requirement (Housing Market Model)	48	21	105	69	68	2	336
Percentage of larger market homes	59%	63%	46%	55%	59%	7%	54%
Percentage of larger affordable	45%	55%	33%	19%	33%	6%	40%

Table 3 Affordable Housing Shortfall - Analysis of East Dorset sub-market areas

3 Policy LN1 Size and type of new dwellings

“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”.

3.1 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.

3.2 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.

“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.”

3.3 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 or a robust justification where such potential has not been optimised.

3.4 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. However it is also recognised that the scope to optimise mixed community outcomes may be limited by a range of factors including local design considerations, site constraints, economic viability or where schemes address specialised needs.

3.5 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).

3.6 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 (HQI sections 3.2.1 to 3.2.9 and 5.1).”

3.7 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

Table 4

3.8 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.

3.9 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

“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.”

4.1 In line with NPPF guidance, Core Strategy housing priorities centre on meeting household growth requirements, however the housing objectives of the Core Strategy are equally driven by the importance of 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 the social sustainability of Christchurch and East Dorset.

4.2 However policy constraints that affect the form, value and the deliverability of development must be applied with balance and flexibility. Whilst associated procedures and negotiation processes may seek to optimise policy objectives, they must be sufficiently flexible to **provide competitive returns to a willing land owner and willing developer to enable a development to be deliverable**. Given the attributes of local housing markets, such balances are likely to require expert assessment (see chapter 8).

4.3 All development proposals to provide planning use-class C3 residential dwellings will be subject to policy LN3 however, the overarching requirement (i.e. onsite affordable housing or a financial contribution in lieu of onsite affordable housing) will be subject to adjustment where robust and verifiable valuation evidence proves that meeting the full policy requirement would result in a Residual Development Value less than 140% of the Existing Use Value (see negotiation procedure at chapter 7 and process diagram at Appendix 2).

4.4 Eligible development proposals that fail to maximise the adjusted 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.

Policy Percentage Requirements:

“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”.

“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.”

4.5 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.

4.6 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).

4.7 Where ‘other’ 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).

4.8 To ensure absolute flexibility there is no minimum affordable housing percentage requirement, however, recent independent research (Peter Brett Associates, June 2013) has confirmed baseline viability minimums of 35% affordable housing provision across Christchurch and East Dorset (onsite provision or financial contributions on an equivalence basis). See chapter 8 and appendix 5.

4.9 Affordable Housing will be required to meet the Core Strategy definition (see Appendix 4).

4.10 Affordable housing required under the policy will normally be provided on-site and this is the default position for proposals including a net increase of 5 or more dwellings. If it is not possible to provide affordable housing onsite or if the development will result in a net gain of less than 15 units, then alternative offsite options may apply as detailed under Policy Delivery Requirements

4.11 Where onsite percentage calculations result in less than whole units of affordable housing, a proportionate financial contribution will be required for the part unit, calculated in accordance with the Commuted Sum Methodology (chapter 9.8).

“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”.

4.12 The Councils recognise that flexibility and a willingness to negotiate affordable housing provision is essential, where policy requirements would result in an otherwise acceptable development proposal, becoming financially unviable or that fails to provide competitive returns to a willing landowner and a willing developer.

4.13 For such a case to be considered, development proposals must be supported by robust, detailed and clear financial evidence, capable of withstanding rigorous professional examination as set out in the negotiation procedure (See chapters 7, 8 and appendix 2 Process diagram).

Affordable Housing Requirements:

“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”.

4.14 Over time affordable housing needs and priorities alter and as part of future Strategic Housing Market Assessments, it will be necessary to undertake new research into housing need and demand which may include the collection of primary data.

4.15 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.

4.16 Extracted from the SHMA Update (2012) and calculated from updated survey data, the following table sets out the suggested optimal proportions of affordable housing, on an annualised basis. Although it is recognised that development proposals may not always be capable of matching the identified mix, the percentage requirements will form the baseline expectation. Negotiations from the baseline should be carried out in accordance with the negotiation procedure (chapter 7).

	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	Total
Christchurch Borough Council	26	35	20	6	87
Percentage	30%	40%	23%	7%	100%
East Dorset District Council	31	50	43	10	134
Percentage	23%	37.5%	32%	7.5%	100%

Table 5 Summary of estimated housing requirements by tenure and size (per annum) - 40% affordable housing delivery

4.17 All Affordable housing will be required to meet prevailing HCA design, space and construction standards associated with Social Housing, Affordable Rented Housing and Intermediate Affordable Housing.

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

4.18 To facilitate mixed tenure communities that address different socio-economic housing needs, developments will be sought that incorporate both Intermediate Affordable Housing and Affordable Rented and Social Rented Housing (as defined in the Core Strategy).

4.19 Given that different affordable housing tenures may be more appropriate to some developments and not to others, or may be affected to a greater or lesser degree by market forces or affordability criteria, individual scheme guidance should be sought as set out in the negotiation procedure (see chapter 7 and process diagram at appendix 2). Under certain circumstances it is also recognised that it may be appropriate or necessary to vary the policy tenure split for site specific reasons or in connection with economic viability.

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.

“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”.

4.21 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.

4.22 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.

4.23 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 enabling alignment with emerging housing allocation policy, but in any event giving priority to households with Local Connections to their immediate communities.

4.24 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, or where special arrangements are necessary and explicitly agreed within legal agreements to enable the delivery of affordable housing.

4.25 Affordable housing resulting from this policy must 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.

Policy Delivery Requirements:

“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.”

“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....”

“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....”

4.26 Where onsite percentage calculations result in less than whole units of affordable housing, a proportionate financial contribution will also be required for the part unit, calculated in accordance with the Commuted Sum Methodology (see chapter 9).

4.27 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).

4.28 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).

4.29 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.

4.30 'Alternative' site affordable housing proposals will be required to meet all of the standards associated with onsite provision, and to fulfil the policy percentage arising from the originating site, and any policy requirements arising from the alternative site.

4.31 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.

4.32 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 will be accepted, calculated in accordance with the Commuted Sum Methodology (chapter 9).

"Financial contributions should be of equivalent value to on-site provision calculated in accordance with the Commuted Sum Methodology".

4.33 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).

4.34 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).

"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"

4.35 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.

4.36 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.

4.37 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.

4.38 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.

4.39 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 wheelchair accessible accommodation, or by prioritising general need housing for vulnerable groups (through allocation policies). 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.

“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”.

4.40 Although strategic need assessments and local demands confirm an underlying requirement for specialist and supported affordable housing, the costs of provision and the individualised nature of accommodation, mean that site specific proposals must be carefully planned, commissioned, and justified with operational evidence.

4.41 Therefore where eligible schemes have been advanced in accordance with the negotiating procedure, the opportunity to incorporate special need affordable housing will revert to 100% general need affordable housing, if the Council has not been able to demonstrate need or to facilitate deliverable special need provision at the point of submitting a planning application.

“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”.

4.42 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

Introduction

5.1 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.

5.2 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.

"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..."

5.3 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.

5.4 In accordance with the NPPF definition, 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.

5.5 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.

5.6 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.

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

5.7 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.

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

5.8 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.

5.9 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

5.10 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.

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

5.11 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.

5.12 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

Introduction

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 Given the long-term social and financial consequences of having two of the oldest aged populations in England, any further growth in the sector must be driven by meeting the needs of the existing population, rather than attracting older inward migration, and with it the risks of placing additional avoidable demands on existing social care and health services.

6.5 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.

Category C2 health and care related development proposals

“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”.

6.6 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).

6.7 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.

Category C3 residential development proposals for older and vulnerable people

“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”.

6.8 Unless exceptional 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 but not limited to 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).

6.9 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

Introduction & general guidance

7.1 Due to the diverse nature of development opportunities, differences in local housing markets and housing need, and the individual nature of financial viability and land values, housing and affordable housing requirements must be negotiable to ensure that public policy interests are balanced with the importance of achieving housing delivery and growth.

7.2 However all negotiations must be carried out within a clearly defined framework ensuring that any influence and subsequent decision making is fair, consistent, transparent and justified.

7.3 Evidence that is used to support such negotiations must be objectively prepared and capable of withstanding independent expert scrutiny. When the Council seeks particular types, sizes or tenures of market and affordable housing, its demands must be informed by sound and robust sources of evidence and it must be capable of proving that its aspirations would result in optimised sustainable development.

7.4 Conversely proponents 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.

7.5 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.

7.6 To ensure that negotiations are carried out within a consistent framework and a timely manner, development proposals and subsequent planning applications should be prepared taking the following guidance and requirements into consideration (also see process diagrams at appendix 2):-

7.7 N.B. 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. (The relevant requirements of the Housing and Affordable Housing SPD will form part of the planning application validation checklist).

Concept stage

- 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.
- Robust information and data gathered as a result of market, viability and sensitivity testing to meet local housing need and demand should be retained providing evidence for subsequent negotiations should these prove necessary.

Outline Planning Application

- 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 extent to which headline affordable housing policies will be met
- 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.
- 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 (see below).

- 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, to accord with sustainable development principles (NPPF paragraph 50).

Full Planning Application

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

Housing Statement

7.8 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 supplementary 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.

7.9 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.

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

Housing Mix Schedule

7.11 A 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 and the discount on open market or rental costs (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 including Code for Sustainable Homes; homes that incorporate innovative construction and/or discretionary energy efficiency measures; homes achieving the Lifetime Home Standard or Wheelchair Accessible Housing

Housing and Accommodation Impact Appraisals

7.12 Having submitted a Housing Statement (and where required a Housing Mix Schedule), the Council will undertake a Housing and Accommodation Impact Appraisal for all Outline and Full planning applications including use class C2 and C3 accommodation and residential development.

7.13 The process will assess the evidence, 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 (see chapter 9).

7.14 Having regard for a wide range of development and need-related factors, the appraisal will evaluate how effectively the development proposal has met, and optimised the scope to meet, Core Strategy (Objective Five) and NPPF (paragraph 50) 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? (It may be necessary to seek independent verification of viability evidence, at the Applicant's cost)
- 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?

7.15 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.

7.16 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.

Primary Negotiation Principles:

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

7.17 To bring forward previously developed land for residential development, landowners must achieve an acceptable return over Existing Use Value (EUUV). 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 EUUV.

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 land-owner return of less than 140% of Existing Use Value.

7.19 Economic viability evidence supporting an adjustment in affordable housing policy will be required as part of the formal planning process, but may be submitted at pre-application stage for early consideration, subject to valuation advice remaining valid at the time of determining a relevant planning application.

7.20 In accordance with the adopted viability procedure, all costs for external valuation verification must be met in full by planning applicants.

Affordable Housing Negotiations: Quantity, type and tenure

7.21 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. Where possible and within policy, the Councils will give priority to onsite delivery when the type of affordable housing being sought (including form, size and tenure) will be informed by housing need evidence including the SHMA.

7.22 The Councils will also require affordable housing within developments to be designed and integrated in ways that encourage mixed communities, where it is impossible to distinguish tenure through external appearance. Unless design or site constraints dictate otherwise, the Councils will expect to see affordable housing dispersed throughout development proposals in small 'tenure blind' clusters.

7.23 Policy LN3 defines the amount of affordable housing that will be sought on greenfield and brownfield development proposals and the Councils will seek to achieve these targets, or to secure equivalent financial contributions, where policy permits.

7.24 Policy LN3 also confirms the target affordable housing tenure split and points to the SHMA to inform the optimum mix of affordable housing by bedroom requirements, across each Local Authority area.

7.25 However it is recognised that many 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.

7.26 The Councils are therefore willing to 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:-

- Variations due to financial viability constraints must be supported by development appraisals carried out in accordance with the verification process (see chapter 9).
- Sensitivity analysis within development appraisals must include modelling based on meeting core policy requirements (to prove why standard requirements cannot be met).

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

Introduction

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 of 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 As the principles of viability assessment lie at the heart of any market orientated development activity, the expectation that assessments be provided as an evidence base should not be seen as imposing an onerous additional requirement. Behind the scenes the process often forms a basis for land valuation; the decision-making tool for negotiating land acquisitions or options, to inform the business-case for development finance or for assessing the risks of commencing construction. It also forms a key tool for exploring design concepts and overall business planning from an early stage.

8.6 Recent Community Infrastructure Levy (CIL) research undertaken by Peter Brett Associates has confirmed that as a baseline, all green-field and brown-field development proposals in Christchurch and East Dorset resulting in a net increase of one or more dwellings will be viable whilst making a CIL contribution of £100 per square metre and providing a minimum of 35% policy compliant affordable housing, either onsite or through a commuted-sum contribution. However, given the very high priority attached to maximising affordable housing provision as part of housing growth, and the scope offered by high development values in the area, adopted housing policy is seeking up to 40% affordable housing on brown-field sites and up to 50% on green-field sites.

8.7 However given the Eligible Development Threshold criteria (chapter 7.17 onwards) it is anticipated that many smaller and marginal schemes may not face the full affordable housing policy requirements. Nonetheless viability assessments will still be necessary to demonstrate that Residual and Existing Use Values fall within defined bands.

8.8 Although viability assessment now forms an integral part of the planning process, concerns are frequently expressed that Local Planning Authorities do not have the knowledge, skills or capacity to understand or manage associated implications, resulting in development delays and uncertainty.

The following framework and principles therefore provide an insight into the primary elements of viability assessment, outline guidance on preparing submissions (and the need for expert advice) and how the Councils will respond to assessments submitted as evidence.

Principles and Process

8.9 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.

8.10 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.

8.11 Where required, and at the Councils discretion, independent qualified RICS surveyor/valuers with specialist skills will be appointed to investigate the whole, or selected elements of 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 contractual 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.

8.12 Prior to instructing an external expert, and to ensure value-for-money and the meeting of due diligence obligations, the Councils will:-

- Obtain a minimum of three cost limited estimates from appropriately qualified valuers/surveyors who are capable of acting in the matter without a conflict of interests and providing a timely response;
- Obtain a written contractual undertaking from the Applicant concerning the reimbursement of associated fees;
- Confirm the external expert with the applicant, prior to appointment.

8.13 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).

8.14 Financial viability evidence will usually be required to reflect current day values and costs however where proposals include phases of development that are expected to come forward over the medium to long-term, assessments will be required to take account of future changes in the value of development, or changes in costs. Appropriate mechanisms may be required within S106 agreements to address the consequences of such changes over time.

Key elements of a Development Viability Assessment

8.15 Based upon well-established development appraisal methodology, income and expenditure should include:-

Gross Development Value

- Open market sales values

- Affordable housing sales values
- Ground Rent (capitalised)
- Capital value of any non-residential development

Development Costs

- Open market and affordable housing build costs (BCIS)
- Building contingencies
- Building Cost Fees and other Acquisition costs
- Abnormal Development costs
- Section 106 costs
- Marketing costs
- Any non-residential development costs
- Finance and Acquisition costs
- Developers return for risk and profit (residential and non-residential)
- Empty Property Council Tax for newly built unoccupied dwellings, and CIL costs, once implemented.

8.16 Recently published guidance by the Royal Institution of Chartered Surveyors (Financial viability in planning, 2012) provides more detailed guidance on the current approaches to viability assessment in the planning context, the importance of an appraisal framework, appropriate methodologies and at Appendix C, a more detailed, albeit indicative outline, of what to include in a viability assessment.

9 Financial Contributions

9.1 Commuted sum payments in lieu of onsite affordable housing provision will be the default requirement for eligible residential development proposals (class-use C3) that meet one or more of the following criteria:-

- A net addition of 1 to 4 dwellings
- Where it can be demonstrated that design constraints or other justifiable factors make it impossible to provide deliverable affordable housing onsite.
- Where occupation is to be restricted to serve special need client groups in perpetuity.

9.2 In addition, the Councils may at their discretion and under exceptional circumstances, accept a financial contribution in place of onsite provision where developments result in a net increase of between 5 and 14 dwellings. Exceptional circumstances may arise when accepted design constraints, or planning guidance given by the Councils, make it difficult to achieve onsite affordable housing units, or where doing so would compromise other planning interests.

9.3 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.

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 broadly align with CIL principles, being calculated on a square metre basis of Gross Internal Floor Area ("GIFA" as defined by Royal Institute of Chartered Surveyors guidance to include internal communal corridors and means of access but excluding non-saleable rooms within special need proposals, e.g. Sheltered or extra-care schemes).

9.5 Applying the same tests and development typographies that informed the proposed CIL charging schedule, PBA confirmed that at baseline viability (equivalent to 30% affordable housing provision 'onsite'), 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 5).

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.

Calculating financial contributions

9.7 Gross financial contributions will be calculated at the rate of £350 per square metre of the total Gross Internal Floor Area of all net additional dwellings (either new-build or conversions) as set out at paragraph 9.4.

Example

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

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

Calculating partial financial contributions

9.8 A partial financial contribution **as well as** onsite affordable housing provision will be required in situations where onsite calculations result in less than a whole unit of affordable housing but more than 0.2 of a whole unit, e.g. where a proposal for 5 units is required to provide 50% affordable housing onsite (2.5 units) or a scheme of 7 units is required to provide 40% affordable housing onsite (2.8 units).

9.9 The calculation will require two stages:-

- **Stage 1: Calculating the eligible GIFA**
 - Eligible GIFA = Total GIFA x Policy Percentage of Affordable housing
- **Stage 2: Calculating the Affordable Housing GIFA shortfall**
 - GIFA Affordable Housing Shortfall = Eligible GIFA – Total GIFA onsite Affordable Housing
 - Financial Contribution for GIFA Affordable Housing Shortfall (if greater than zero) = GIFA Affordable Housing Shortfall x £350

Example

An eligible greenfield development comprises 5 x houses @ 85 square metres GIFA (total 425 square metres) of which 2 x affordable housing units @ 85 square metres will be provided onsite (total 170 square metres). Therefore a partial financial contribution of 0.5 of a whole unit is required.

Eligible GIFA = 212.5 (425 x 50%)

GIFA Affordable Housing Shortfall = 42.5 (212.5 – 170)

Financial contribution for GIFA Affordable Housing Shortfall = £14,875 (42.5 x £350)

Spending financial contributions

9.10 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.

9.11 The allocation and expenditure of commuted-sum payments will be agreed and authorised by an appropriate Council Committee. As part of the approval process, it must be demonstrated that:-

- Value for money will be achieved;

- That any proposed forms of spending will result in preserved subsidised affordable housing in the long-term or,
- Steps will be taken to ensure the recycling of capital subsidy and associated financial gain, should any of the subsidised affordable housing be lost to the open market.

Appendix 1 Core Strategy Local Need Policies (Extract)

Policy LN 1

The size and type of new dwellings

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

All new housing will be required to be built to meet minimum living space 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 Community Agency Housing Quality Indicators in relation to private open space, unit sizes, unit layout and accessibility within the unit (HQI sections 3.2.1 to 3.2.9 and 5.1).

Policy LN 3

Provision of affordable housing

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:-

Policy Percentage Requirements:

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. 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.

Any Planning Application which on financial viability grounds proposes a lower level of affordable housing than is required by the Policy Percentage Requirements must be accompanied by clear and robust evidence that will be subject to verification.

Affordable Housing Requirements

The mix of affordable housing 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 (see Policy LN1). Tenure split should normally allow for 30% intermediate housing, with the remainder being affordable rented or social rented.

Conditions or legal obligations will be used to ensure that affordable housing is secured for those in housing need and prioritised for those with a Local Connection.

Policy Delivery Requirements:

- On sites resulting in a net increase of 1 to 4 dwellings, the Councils will accept on site affordable housing provision in accordance with the Policy Percentage Requirements and Affordable Housing Requirements or a financial contribution in lieu of on site affordable housing, calculated in accordance with the Commuted Sum Methodology.
- On sites resulting in a net increase of 5 to 14 dwellings, the Councils will require on site affordable housing provision in accordance with the Policy Percentage Requirements and Affordable Housing Requirements, however, where this is not possible or at the Councils' discretion, a financial contribution in lieu of on site affordable housing will be acceptable, calculated in accordance with the Commuted Sum Methodology
- On sites resulting in a net increase of 15 or more dwellings, provision in accordance with the Policy Percentage Requirements and Affordable Housing Requirements should be on site but where it is not possible to provide affordable housing units on the site, off-site provision on an alternative site may be acceptable. If an alternative site is not available, a financial contribution in lieu of on site affordable housing will be acceptable, calculated in accordance with the Commuted Sum Methodology.

Financial contributions should be of equivalent value to on-site provision calculated in accordance with the Commuted Sum Methodology.

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. 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.

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.

Policy LN 4

Affordable housing exception sites

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, in perpetuity, provided that:

- Secure arrangements are included to ensure that affordable housing will be enjoyed by successive as well as initial occupiers.
- The proposed development would provide a mix of affordable housing size and type which meets demonstrated local housing needs.
- The development is small scale and reflects the setting, form and character of the settlement and the surrounding landscape.

This policy will apply to the following settlements:

East Dorset

- West Moors; St Leonards and St Ives; Colehill; Corfe Mullen; Three Legged Cross; Alderholt; Cranborne.
- Furzehill; Gaunts Common; Gussage St Michael; Gussage All Saints; Hinton Martell; Holt.
- Horton; Longham; Shapwick; Sixpenny Handley; Sturminster Marshall; Wimborne St Giles.
- Witchampton; Woodlands.

Christchurch

- Land Adjoining the built up area of Christchurch
- Burton; Winkton

Policy LN 6

Housing and Accommodation Proposals for Vulnerable People

Category C2 health and care related development proposals

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.

Non C2 residential development proposals for older and vulnerable people

All other residential development proposals for older and vulnerable people including sheltered housing, assisted-living and extra-care accommodation, must meet the requirements of policy LN3.

Subject to viability, open market development proposals to provide housing for older or vulnerable people will be required to meet policy LN3 through a commuted sum contribution, calculated in accordance with the approved methodology.

Specialist housing proposals for older or vulnerable people that seek to address the policy requirements of LN3 through on site affordable housing will be considered, however, the details of any such proposals and associated delivery mechanisms will require the prior approval of both the Council and Dorset County Council.

Appendix 2 Housing and affordable housing process and principles (Outline)

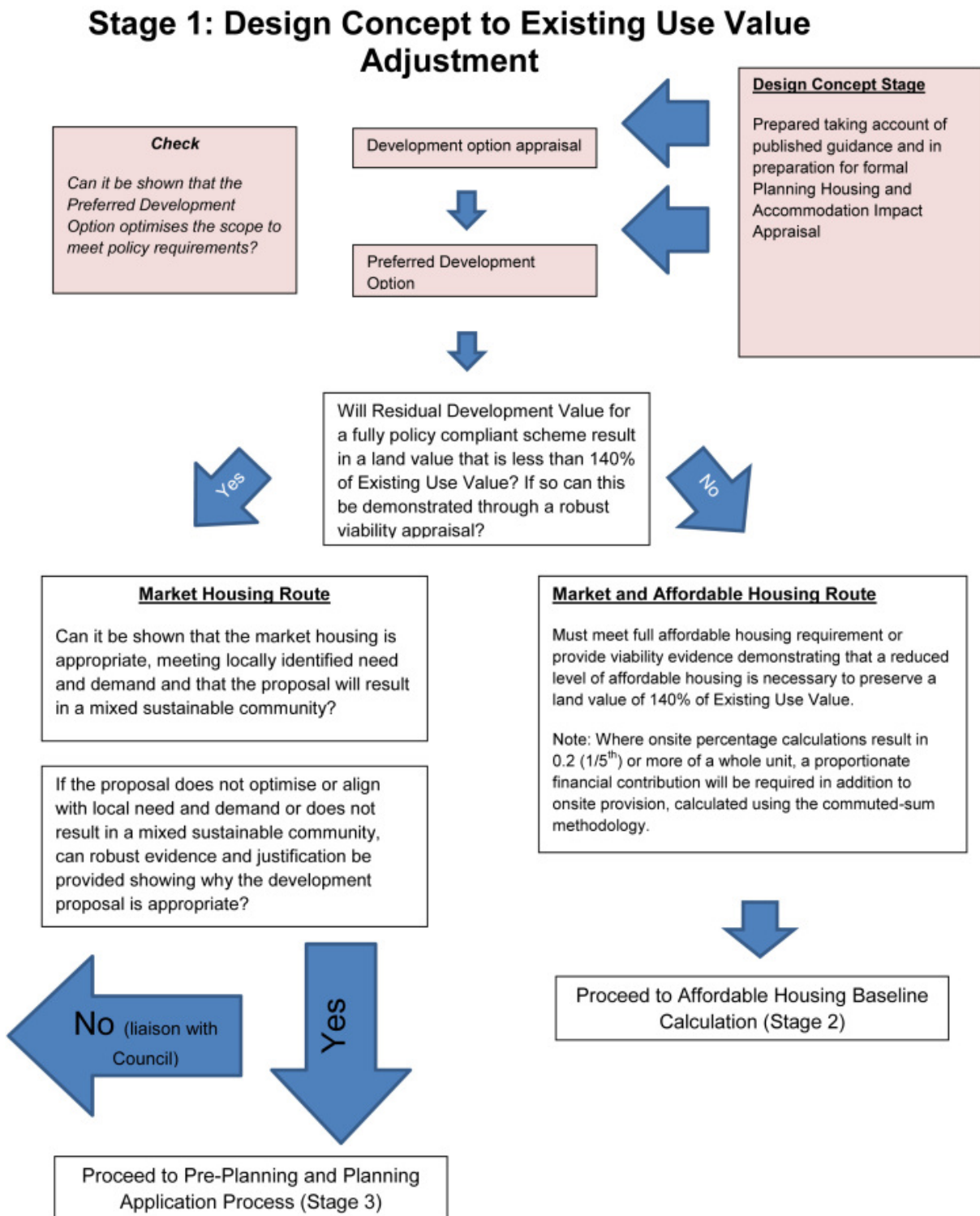
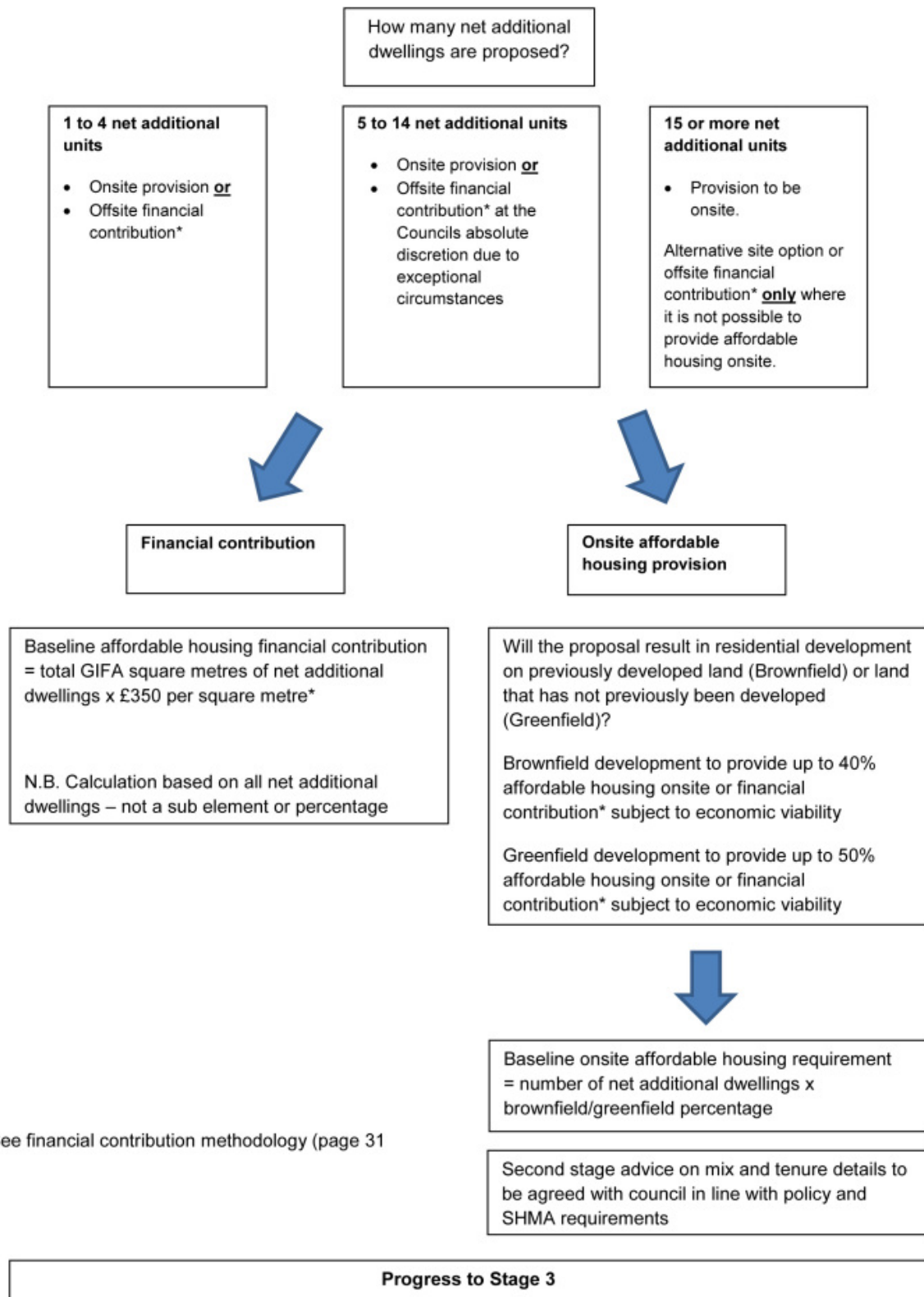


Figure 2

Stage 2: Affordable Housing Baseline Calculation



* See financial contribution methodology (page 31)

Figure 3

Stage 3: Pre-planning and planning application process (in outline)

Pre-Planning Advice

As part of pre-application liaison, Applicant's should check that market and affordable housing proposals will meet local need and demand as demonstrated by approved sources of evidence.

At pre-planning stage, evidence and justifications should be presented, supporting any deviation from appropriate market or affordable housing policy requirements.

Obtain Council guidance and seek to secure 'in principle' support for market housing and affordable housing proposals, subject to detailed analysis and verification at formal planning application stage.

Planning Application (Applicant)

Prepare and submit a Housing Statement (chapter 7.8) for all Planning Applications including residential development (Outline, Full or Reserved Matters).

Prepare and submit a detailed Housing Schedule (chapter 7.11) for Full and Reserved Matters Planning Applications.

Planning Applications for proposals that do not meet or optimise appropriate market and affordable housing policy requirements must be supported by robust evidence and justifications, capable of withstanding rigorous independent expert analysis.

Planning Application (Council response)

As part of the formal planning application assessment process and to inform planning recommendations, the council will undertake a housing and accommodation impact appraisal of the proposal, taking the Housing Statement, Housing Schedule, previous relevant guidance and advice given by the Council, and any submitted supplementary evidence into consideration (chapter 7.12).

Where external guidance is necessary to evaluate submitted evidence (e.g. Residual Development Valuations for proposals that do not meet or optimise market and affordable housing requirements) advice will be obtained from appropriately qualified experts at the cost of the Applicant (chapter 8.11).

Contractual undertakings will be required from Applicants to reimburse Council expenditure in connection with obtaining external advice.

Prior to issuing instructions to external experts, the Council will take steps to ensure that advice is obtained within an agreed timeframe and on a value-for-money basis.

Appendix 3 Housing and the National Planning Policy Framework

The operating details and principles contained within this Supplementary Planning Document are justified by, and reflect the requirements of, the National Planning Policy Framework (2012) (NPPF).

Using section headings and paragraph references from the NPPF, the following summary identifies the relevant guidance that has informed and influenced the principles and processes set out in this document.

Achieving Sustainable Development

The purpose of the planning system is to contribute to the achievement of sustainable development. To achieve Sustainable Development the planning system should perform three roles: economic, social and environmental. The social role will contribute to strong vibrant and healthy communities by **providing the supply of housing required to meet the needs of present and future generations**; and **by creating a quality environment**, with accessible local services that reflect the community's needs and support its health, social and cultural well-being (7).

Pursuing sustainable development involves seeking positive improvements including.... **making it easier for jobs to be created in cities, towns and villages.....replacing poor design with better design....widening the choice of high quality homes** (9).

For plan-making, local planning authorities should positively seek opportunities to meet the development needs of their area and **Local Plans should meet objectively assessed needs, with sufficient flexibility to adapt to rapid change** (14).

Land-use core planning principle 3: Planning should underpin both plan-making and decision-taking, including **proactively driving and supporting sustainable economic development to deliver the homes.....and thriving local places that the country needs**. Every effort should be made objectively **to identify and then meet the housing, business and other development needs of an area....** Plans **should take account of market signals, such as land prices and housing affordability**, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities. (17)

Land-use core planning principle 4: **Planning should always seek to secure high quality design and a good standard of amenity for all existing and future occupants of land and buildings**. (17)

Delivering Sustainable Development

1: Building a strong, competitive economy

Investment in business should not be over-burdened by the combined requirements of planning policy expectations. Planning policies should recognise and **seek to address potential barriers to investment, including a poor environment or any lack of infrastructure, services or housing**. (21).

6: Delivering a wide choice of high quality homes

To boost the supply of housing, local planning authorities should **use their evidence base to ensure that their Local Plan meets the full, objectively assessed needs for market and affordable housing in the housing market area**, as far as is consistent with the policies set out in the Framework, including identifying key sites which are critical to the delivery of the housing strategy over the plan period. (47)

Set out their own approach to housing density to reflect local circumstances. (47).

(50). To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:

- Plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
- Identify the size, type, tenure and range of housing that is required in the particular locations, reflecting local demand, and;
- Where they have identified affordable housing is needed, set policies for meeting this need on site, unless off-site provision or financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.

In rural areas, exercising the duty to cooperate with neighbouring authorities, local planning authorities **should be responsive to local circumstances and plan housing development to reflect local needs, particularly for affordable housing, including rural exception sites where appropriate**. Local planning authorities should in particular consider whether allowing some market housing would facilitate the provision of significant additional affordable housing to meet local needs (54).

To promote sustainable development in rural areas, housing should be located where it will enhance or maintain the vitality of rural communities. For example, where there are groups of smaller settlements, development in one village may support services in a village nearby. Local planning authorities should avoid new isolated homes in the countryside unless there are special circumstances. (55).

7: Requiring good design

The Government attaches great importance to the design of the built environment. Good design is a key aspect of sustainable development, is indivisible from good planning, and should contribute positively to making places better for people. (56).

It is important to **plan positively for the achievement of high quality and inclusive design for all development.** (57).

Local and neighbourhood plans should develop robust and comprehensive policies that set out the quality of development that will be expected for the area....planning policies and decisions should aim to ensure that developments will....function well and add to the overall quality of the area, not just for the short term but over the lifetime of the development.....**will optimise the potential of the site to accommodate development....** create safe and accessible environments where crime and disorder, and the fear of crime, do not undermine quality of life or community cohesion.... (58).

8: Promoting healthy communities

(69). The planning system can play an important role in facilitating social interaction and creating healthy, inclusive communities. Planning policies and decisions, in turn, should aim to achieve places which promote:-

- **Opportunities for meetings between members of the community who might not otherwise come into contact with each other, including through mixed use developments**, strong neighbourhood centres and active street frontages which bring together those who work, live and play in the vicinity
- **Safe and accessible environments where crime and disorder, and the fear of crime, do not undermine the quality of life or community cohesion.**

9: Protecting Green Belt land

A local planning authority should regard the construction of new buildings as inappropriate in Green Belt. **Exceptions to this are....limited infilling in villages, and limited affordable housing for local community needs under policies set out in the Local Plan....**

Plan-making

A proportionate evidence base:-

Housing

Any additional development plan documents should only be used where clearly justified. **Supplementary Planning Documents should be used where they can help applicants make successful applications or aid infrastructure delivery, and should not be used to add unnecessarily to the financial burdens on development.** (153).

Each local planning authority should ensure that the Local Plan is based on adequate, up-to-date and relevant evidence about the economic, social and environmental characteristics and prospects of the area. (158).

(159) **Local planning authorities should have a clear understanding of housing needs in their area. They should:**

- **Prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market area cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to need over the plan period which:**
 - **Meets household and population projections, taking account of migration and demographic change;**
 - **Address the need for all types of housing, including affordable housing and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes), and**
 - **Caters for housing demand and the scale of housing supply necessary to meet this demand**

Health and Well-being

Local planning authorities should work with public health leads and health organisations to understand and take account of the health status and needs of the local population....including expected future changes, and any information about relevant barriers to improving health and well-being. (171).

Ensuring viability and deliverability

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 costs of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.** (173).

Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should **assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards.** (174).

Where practical, Community Infrastructure Levy charges should be worked up and tested alongside the Local Plan. (175).

Any affordable housing or local standards requirements that may be applied to development should be assessed at the plan-making stage, where possible, and kept under review. (177).

Decision-taking

Local planning authorities should work **proactively with applicants to secure developments that improve the economic, social and environmental conditions** of the area. (187).

Pre-application engagement and front loading

Good quality pre-application discussion enables better coordination between public and private resources and improved outcomes for the community. (188).

Local planning authorities... cannot require that a developer engages with them before submitting a planning application, but **they should encourage take-up of any pre-application services they do offer.** (189).

Local planning authorities **should publish a list of their information requirements for applications**, which should be proportionate to the nature and scale of development proposals and reviewed on a frequent basis. **Local planning authorities should only request supporting information that is relevant, necessary and material to the application in question.** (193).

Planning conditions and obligations

(204). Planning obligations should only be sought where they meet all of the following tests:

- Necessary to make the development acceptable in planning terms
- Directly related to the development, and
- Fairly and reasonably related in scale and kind to the development

Appendix 4 Definitions and Glossary (NPPF or Local Policy)

Affordable Housing (As per NPPF glossary Annex 2)

Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Affordable rented housing (As per NPPF glossary Annex 2)

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Approved Provider

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,
- b. adopted policies and procedures, as appropriate, concerning
 - i. property management
 - ii. repairs maintenance and insurance
 - iii. tenant consultation and provision of information to tenants
 - iv. rent collection and management of rent arrears
 - v. resolution of disputes amongst tenants
 - vi. equalities and the avoidance of discrimination
 - vii. complaints procedure
 - 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.
- c. 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
- d. 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.

Eligible Household

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.

Eligible Local Household (General Policy)

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 as a result of specified and appropriate Local Connection criteria including long-term residency, permanent employment, the long-term residency of close family relatives or other special circumstances (not including residents within hospital, armed forces accommodation, holiday let or prison) such special circumstances having first been verified and approved by the Borough/District Council.

Greenfield Residential Development (not Previously Developed Land)

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.

Gross Internal Floor Area

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

Intermediate housing (As per NPPF glossary Annex 2)

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as 'low cost market' housing, may not be considered as affordable housing for planning purposes.

Other Residential Development (Brownfield/Previously Developed Land) (As per NPPF glossary Annex 2)

Other residential development is residential development taking place on 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.

People with disabilities (As per NPPF glossary Annex 2)

People have a disability if they have a physical or mental impairment, and that impairment has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities. These persons include, but are not limited to, people with ambulatory difficulties, blindness, learning difficulties, autism and mental health needs.

Social rented housing (As per NPPF glossary Annex 2)

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Rural Exception Sites (As per NPPF glossary Annex 2)

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. Small numbers of market homes may be allowed at the local authority's discretion, for example where essential to enable the delivery of affordable units where grant funding is unavailable or inadequate.

Appendix 5 Peter Brett Associates (CIL research 2013 Affordable Housing Appendices 2 and 5)



Christchurch and East Dorset Affordable Housing Offsite contributions

APPENDIX 2

Offsite affordable housing section 106 contributions



1 INTRODUCTION

- 1.1 East Dorset District Council and Christchurch Borough Councils have appointed Peter Brett Associates LLP (incorporating Roger Tym & Partners) to develop a mechanism to calculate off-site financial contributions in lieu of onsite affordable housing.
- 1.2 **This study must be read alongside the main body of the Community Infrastructure Levy (CIL) evidence base work. It shares a viability methodology and development appraisal assumptions. It is reliant on the same market evidence base. The reader should refer to this companion document for more detail in these areas.**

2 POLICY CONTEXT

Introduction

2.1 In this section, we put this advice on off-site contributions in context.

Emerging affordable housing policy in Christchurch and East Dorset

Required proportion of affordable housing

2.2 The Christchurch and East Dorset Consultation on the Schedule of Proposed Changes to the Core Strategy Pre-Submission document states that the Councils have set an overall target of 35% provision for all housing delivered over the plan period. Affordable housing policy requires up to 50% provision on new neighbourhood sites (excluding Roeshot Hill, Christchurch) and up to 40% elsewhere, subject to negotiation.

Criteria for contributions for off-site provision

2.3 Commuted sums are required for affordable housing contribution where on-site provision is not possible. The NPPF allows local authorities to determine policies which set out requirements for provision of on-site affordable housing and setting criteria based on locally agreed minimum thresholds for different sub area or settlements. No other guidance or criteria are included in the NPPF on how any threshold or commuted sum should be set. It is left to the local authority to come to a considered approach based on their local circumstances.

The changing policy context

The effects of policy changes on viability

2.4 There have been recent alterations to national affordable housing policy which have significant implications for the delivery of affordable housing. The principal alterations are as follows.

- Before recent changes, social rents were fixed by central Government. When affordable housing was provided through S106 agreements, the developer would transfer the ownership of units to a Registered Provider at a discount to the market value of the unit. Typically, this discount would reflect the availability of grant and capitalised rental values.
- Historically, much of the affordable housing programme benefited from grant assistance from the Housing Corporation and subsequently the Homes and Communities Agency.
- From April 2010, S106 schemes are no longer eligible for grant. To compensate in part for the removal of grant, the newly introduced Affordable Rent model does not use rents that are set centrally by Government. Instead, the Affordable Rent model sets rents at a percentage of local market rents. These rents are higher than those prevailing under the social rent policy. Because rents are higher, the units produced as part of new housing schemes are more valuable. When units are transferred from



the developer to the Registered Provider, transfer rates are raised, compared to a no-grant scenario.

- However in the absence of grant funding the financial burden of affordable housing subsidy on S106 schemes now falls almost entirely on the private sector (landowners and developers). And despite the benefits offered by the Affordable Rent product, the wider financial burden on the Registered Provider and the private sector has resulted in a general fall in financial transfer rates from the private to the public sector for such products and introduced significantly increased risks for RPs.

2.5 This policy change has significant implications to the development process, particularly in high value, high rent locations such as Christchurch and East Dorset. The policy shift from social rents to affordable rents is double edged.

- On the one hand, the policy shift improves the viability of developments. Developers receive a higher proportion of the open market value of their units compared to a social rent scenario. Their receipts are therefore higher (though perhaps not enough to offset the loss of grant). Compared to a social rent scenario, this means that developers of a given scheme will be able to produce more affordable units (because they receive higher receipts for the units produced); but
- On the other hand, occupiers will have to pay more rent for the housing they use. In areas with high market rents, the discount from market rents that tenants receive may create increased dependency upon Housing Benefit.

The effects of HCA design standards

2.6 The Homes and Communities Agency sets minimum design standards for schemes to qualify for grant funding and for approval as Affordable Rent units. These standards include a minimum gross internal floor area requirement depending on the number of persons (measured by reference to Housing Quality Indicators) and Code for Sustainable Homes standards.

2.7 The Councils will need to consider whether they wish to include a planning policy specifying that all S106 rented dwellings must comply with the HCA minimum standards thereby enabling the Registered Provider to charge affordable rents (despite there being no grant going into the dwellings). The Council may need to be mindful of the need to require HCA standards (particularly on any future large scale development) if a Registered Provider is to be able to offer affordable rented dwellings.

3 VIABILITY ANALYSIS APPROACH AND METHOD

Approach

- 3.1 The policy set out here attempts to streamline the calculation of financial contributions to off-site affordable housing.
- 3.2 We have adopted the general approach taken by the Community Infrastructure Levy policy, in that we suggest a contribution to off-site affordable housing based on the floorspace of private housing produced.
- 3.3 The approach taken here is intended to dovetail with the Community Infrastructure Levy financial viability calculations undertaken.
- 3.4 Our objectives are to:
 - Reduce the market distortion of land values which can result from a policy “cliff edge”. This can arise when certain developments pay no affordable housing contribution, whilst fractionally larger developments have a greater burden.
 - Remove the financial incentive to developers to provide fewer units on site. This can arise when developers try to keep the number of units on a site underneath an affordable housing policy threshold.
 - Ensure that Christchurch and East Dorset are able to obtain contributions towards affordable housing on all, rather than some, of their sites wherever viable.
 - Ensure that any affordable housing offsite contributions do not threaten the viability of the development described in the Local Plan. As explained in the main CIL viability report, we have attempted to ensure that development remains deliverable after affordable housing, CIL, and other policy costs have been taken into account.

Method

- 3.5 The method used in this study is very closely related to the method used in the main Community Infrastructure Levy (CIL) evidence base work. It shares a viability methodology and development appraisal assumptions, and is reliant on the same market evidence base. It is therefore not useful to reiterate this method here.
- 3.6 The reader should refer to main CIL evidence base work for more detail on methods used. Below, we have confined ourselves to discussing the most assumptions made.

Residential scenarios tested

- 3.7 To assess the capacity of different types of development to pay an affordable housing contribution in Christchurch and East Dorset, we have produced indicative development appraisals of hypothetical schemes. The hypothetical schemes used are set out below in Table 3.1 and Table 3.2.
- 3.8 This mix of development scenarios was selected in discussion with the client group, making use of their local knowledge, to create a representative but focused profile of residential likely to come forward in the area for the foreseeable future.



- 3.9 Note that we have provided more detail on a small site (in this case, a 4 unit scheme), because it is likely that small schemes will generate the greatest need for off-site financial contributions.
- 3.10 We have also looked at larger schemes for completeness.

Table 3.1 Viability testing scenarios (4 unit scenarios)

Development type	Number of units in each scenario	Size (per unit)
1 bed flat	4 units	47 sq m -NIA
2 bed flat	4 units	67 sq m -NIA
2 bed semi detached	4 units	72 sq m -GIA
3 bed semi detached	4 units	92 sq m -GIA
3 bed detached	4 units	100 sq m - GIA
4 bed detached	4 units	120 sq m -GIA

Table 3.2 Viability testing scenarios (volume residential development scenarios)

Development type	Number of units in each scenario	Size (per unit)
5 houses (volume residential development)	5	90 sq m - GIA
15 houses (volume residential development)	15	90 sq m - GIA
50 houses (volume residential development)	50	90 sq m - GIA
100 houses (volume residential development)	100	90 sq m - GIA
5 flats (volume residential development)	5	67 sq m - NIA
15 flats (volume residential development)	15	67 sq m - NIA
60 flats (volume residential development)	60	67 sq m - NIA

Affordable housing proportion assumed

- 3.11 The affordable housing analysis has been tested at a rate of 30% contribution. This is because:
- We wished to keep the off-site contribution consistent with the on-site affordable housing percentages assumed in the main body of the CIL evidence base.
 - This rate of affordable housing contribution was chosen because CIL testing demonstrated that higher rates of affordable housing requirements were only marginally viable in current market conditions. Certain sites may be able to pay for higher levels of affordable housing, but we remain concerned to look at the area as a whole, and ensure

that the plan is deliverable overall. We have focussed on average schemes rather than exceptions.

- 3.12 Market conditions constantly change. This report has been based on costs and values during the third quarter of 2012.

The cost of off-site affordable housing provision

- 3.13 The scale of the contribution that developers should make for off-site affordable housing is derived from the projected opportunity cost of affordable housing provision to the developer. The opportunity cost will equate to the cost of re-provision of affordable housing off-site.

- 3.14 The details are as follows:

- We begin with the open market sales value of a house/flat. The sales values we use here align with the sales values assumed in the main body of the CIL evidence base report.
- We then calculate the open market sales value of the development scenario considered.
- Using the open market sales value as a basis, we then calculate the Supportable Transfer Value (STV) of an affordable housing unit. This sum represents what a Housing Association (HA) or Registered Provider (RP), can be realistically expected to pay for such units if transferred from the development at the stated affordable housing proportion. On the current market evidence we have available, units are transferred from private developers to Registered Providers at 50-55% of open market values.
- This opportunity cost is expressed as a rate per square metre of the gross floorspace provided in the development.

Size and quality of affordable housing provision

- 3.15 In our viability appraisals, we have examined a broad range of schemes which could be provided by the private sector. We have assumed that the affordable housing produced will be of a similar size and standard to that produced for private sale.
- 3.16 Generally speaking, then, there is no need for developers to attempt to produce smaller or cheaper provision than that provided to the market generally in order to hit the 30% affordable housing proportion assumed here.

CIL rate assumed

- 3.17 We assumed a CIL rate of £100 sq m on chargeable floorspace.
- 3.18 This is in line with the assumptions made in the main body of the CIL evidence base report.



4 VIABILITY ANALYSIS FINDINGS

Presentation of findings

- 4.1 Table 4.1 summarises the residential development appraisals. Individual detailed appraisals are at Appendix 4 below.
- 4.2 Our objective in these summary tables is to investigate each notional development scenario. We are seeking to ensure that the cumulative policy costs of CIL, S106 and an offsite affordable housing contribution at a given rate retain development viability.
- 4.3 Given the uncertainties surrounding viability appraisal, it is of course an approximate number, surrounded by a wide margin of uncertainty. We take account of this uncertainty in our recommendations.
- 4.4 Reading the tables from left to right, successive columns are as follows:
- Number and type of units: self-explanatory.
 - Net site area (ha): self-explanatory.
 - Density: this is the density in dwellings per ha of the development as a whole. This includes both market and affordable housing.
 - Total and Chargeable floorspace: total floorspace shows the total private and affordable housing space created. Chargeable floorspace shows the floorspace within the scheme liable for a CIL charge (this is the private housing only; affordable housing is not liable for CIL).
 - Residual value before policy contributions - £ per hectare, and £ per sq m: The residual value is produced by an indicative appraisal before S106, affordable housing, CIL and all other policy costs have been taken into account. The method and assumptions used in this appraisal to arrive at this number are described in the report. Briefly, the residual site value is the difference between the value of the completed development and the cost of that development, and developer's profit.
 - Benchmark land value per ha and per sq m: the estimated minimum a developer would typically need to pay to secure a site of this kind, expressed in £ per ha or divided by its chargeable floorspace. *Note that the difference between e) and f) represents the amount of money which is available to pay for policy requirements.*
 - Cost of S106: this is the cost of the S106 requirements (excluding affordable housing) expressed as a rate per ha and per square metre. This sum is assumed to pay for small scale site-specific infrastructure requirements.
 - Cost of affordable housing: this is the cost of affordable housing per ha and per sq m, at the stated rate of affordable housing requirement.
 - CIL: this is the amount of money which the tested rate of CIL requires to be paid, per ha and per sq m.
 - Buffer: as we explain in the main CIL evidence base report, the lack of precision in all development appraisals, and individual site variances, mean that it is important not to

extract all theoretically conceivable development value from these indicative schemes to pay for policy costs. This point is reiterated in Government guidance. This column indicates the size of that 'buffer'. This column has a further valuable application, in that it would indicate when a site was unviable. In these instances, a minus number would be recorded.

Interpreting the summary table

- 4.5 Our calculations shown in Table 4.1 and Table 4.2 below show the cost of off-site provision of affordable housing at 30%, assuming CIL at £100 sq m and S106 payments for small-scale local infrastructure.
- 4.6 Using these assumptions, we can see from the table that all developments are viable, because each scheme has a 'buffer' sum which can be used by developers to cope with the margin of error, which is inevitably required in these types of calculations. This margin of error might be created by abnormal site conditions, adverse market movements, and unaccounted for contingencies.
- 4.7 Other baseline tests of higher affordable housing requirements (not shown here) either render sites straightforwardly unviable, or bring a number of viable development scenarios close to unviability.



Table 4.1 Christchurch and East Dorset financial summary volume housebuilding scenarios (assuming off-site contributions equivalent to 30% affordable housing and CIL at £100 sq m)

East Dorset	No of dwellings	Net site area ha	Density	Total Floor Space per sq.m		CIL Chargeable Floor Space per sq.m	Residual land value before policy contributions		Benchmark		Cost of S.106		Cost of Affordable		CIL		Buffer	
				Floor Space	sq.m		Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm
Houses	4	0.11	35	360	252	£3,484,406	£1,580	£1,580,000	£660	£35,000	£11	£1,181,250	£375	£220,500	£100	£547,656	£414	
Houses	5	0.14	35	450	315	£3,464,731	£1,571	£1,500,000	£680	£35,000	£11	£1,181,250	£375	£220,500	£100	£527,981	£405	
Houses	9	0.26	35	810	567	£3,416,183	£1,549	£1,500,000	£680	£35,000	£11	£1,181,250	£375	£220,500	£100	£479,433	£383	
Houses	15	0.43	35	1,350	945	£3,494,299	£1,585	£1,500,000	£680	£35,000	£11	£1,181,250	£375	£220,500	£100	£557,549	£418	
Houses	50	1.43	35	4,500	3,150	£3,406,582	£1,545	£1,500,000	£680	£35,000	£11	£1,181,250	£375	£220,500	£100	£469,832	£379	
Houses	100	2.86	35	9,000	6,300	£3,294,119	£1,494	£1,500,000	£680	£35,000	£11	£1,181,250	£375	£220,500	£100	£357,369	£328	
Flats -	5	0.08	65	336	235	£4,323,419	£1,415	£1,500,000	£491	£65,000	£15	£1,964,138	£450	£305,533	£100	£488,749	£359	
Flats -	15	0.23	65	1,007	705	£4,360,494	£1,427	£1,500,000	£491	£65,000	£15	£1,964,138	£450	£305,533	£100	£525,824	£371	
Flats -	60	0.92	65	4,029	2,820	£4,226,564	£1,383	£1,500,000	£491	£65,000	£15	£1,964,138	£450	£305,533	£100	£391,894	£328	
Christchurch																		
Houses	4	0.11	35	360	252	£3,484,406	£1,580	£1,650,000	£748	£35,000	£11	£1,181,250	£375	£220,500	£100	£397,656	£346	
Houses	5	0.14	35	450	315	£3,464,731	£1,571	£1,650,000	£748	£35,000	£11	£1,181,250	£375	£220,500	£100	£377,981	£337	
Houses	9	0.26	35	810	567	£3,416,183	£1,549	£1,650,000	£748	£35,000	£11	£1,181,250	£375	£220,500	£100	£329,433	£315	
Houses	15	0.43	35	1,350	945	£3,494,299	£1,585	£1,650,000	£748	£35,000	£11	£1,181,250	£375	£220,500	£100	£407,549	£350	
Houses	50	1.43	35	4,500	3,150	£3,406,582	£1,545	£1,650,000	£748	£35,000	£11	£1,181,250	£375	£220,500	£100	£319,832	£311	
Houses	100	2.86	35	9,000	6,300	£3,294,119	£1,494	£1,650,000	£748	£35,000	£11	£1,181,250	£375	£220,500	£100	£207,369	£260	
Flats -	5	0.08	65	336	235	£4,323,419	£1,415	£1,650,000	£540	£65,000	£15	£1,964,138	£450	£305,533	£100	£338,749	£310	
Flats -	15	0.23	65	1,007	705	£4,360,494	£1,427	£1,650,000	£540	£65,000	£15	£1,964,138	£450	£305,533	£100	£375,824	£322	
Flats -	60	0.92	65	4,029	2,820	£4,226,564	£1,383	£1,650,000	£540	£65,000	£15	£1,964,138	£450	£305,533	£100	£241,894	£278	

Source: RTP



Table 4.2 Christchurch and East Dorset financial summary smaller development housebuilding scenarios (assuming off-site contributions equivalent to 30% affordable housing and CIL at £100 sq m)

	No of dwellings		Net site area ha	Density	Gross Floor space sq.m		Chargeable Floor Space per sq.m	Total dev contrib - Policy Off		Benchmark		Cost of S.106		Cost of Affordable		CIL Coverage		Buffer		
					Floor space	Floor Space		Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha
East Dorset																				
2 bed semi	4	0.11	35	320	224			£3,214,412	£1,640	£1,500,000	£536	£35,000	£13	£1,050,000	£375	£196,000	£100	£433,412	£617	
3 bed semi	4	0.11	35	340	238			£3,418,432	£1,642	£1,500,000	£504	£35,000	£12	£1,115,625	£375	£208,250	£100	£559,557	£651	
3 bed detached	4	0.11	35	400	280			£4,030,491	£1,645	£1,500,000	£429	£35,000	£10	£1,312,500	£375	£245,000	£100	£937,991	£732	
4 bed detached	4	0.11	35	440	308			£4,438,530	£1,647	£1,500,000	£390	£35,000	£9	£1,443,750	£375	£269,500	£100	£1,190,280	£773	
1 bed flat	4	0.05	65	204	143			£3,961,105	£1,664	£1,500,000	£441	£66,667	£20	£1,530,000	£450	£238,000	£100	£626,439	£654	
2 bed flat	4	0.06	65	238	167			£4,692,889	£1,408	£1,500,000	£315	£80,000	£17	£2,142,000	£450	£333,200	£100	£637,689	£526	
Christchurch																				
2 bed semi	4	0.11	35	320	224			£3,076,366	£1,570	£1,650,000	£589	£35,000	£13	£1,050,000	£375	£196,000	£100	£145,366	£493	
3 bed semi	4	0.11	35	340	238			£3,280,386	£1,575	£1,650,000	£555	£35,000	£12	£1,115,625	£375	£208,250	£100	£271,511	£534	
3 bed detached	4	0.11	35	400	280			£3,892,445	£1,589	£1,650,000	£471	£35,000	£10	£1,312,500	£375	£245,000	£100	£649,945	£632	
4 bed detached	4	0.11	35	440	308			£4,300,485	£1,596	£1,650,000	£429	£35,000	£9	£1,443,750	£375	£269,500	£100	£902,235	£663	
1 bed flat	4	0.05	65	204	143			£3,961,105	£1,664	£1,650,000	£485	£66,667	£20	£1,530,000	£450	£238,000	£100	£476,439	£609	
2 bed flat	4	0.06	65	238	167			£4,692,889	£1,408	£1,650,000	£347	£80,000	£17	£2,142,000	£450	£333,200	£100	£487,689	£495	



5 RECOMMENDING A CHARGE

- 5.1 We suggest that the Council adopts a charge of between £350 and £400 per sq m on the gross floorspace provided for offsite affordable housing contributions. Broadly speaking, this will create funding sufficient to 'buy' affordable housing at the stated rate. We cannot be *certain* that this will be the case, because much depends on factors such as affordable housing policy, transfer rates, sales values and land values.
- 5.2 Our recommendations do not precisely mirror the findings in the 'Cost of Affordable' column in table 4.1 and 4.2. This is because these rates are based on broad approximations of the cost of the re-provision of affordable housing, based on private market sales data and affordable housing transfer rates in mid-late 2012. Individual schemes will always have variations, and it is important to allow a margin of error that can cope with these market uncertainties. We have also allowed for a 'buffer' sum that also helps developers deal with these market uncertainties.
- 5.3 Our calculations suggest that a charge at the recommended rate will
- Support the provision of off-site affordable housing at a rate equivalent to that of 30% housing onsite;
 - Allow the payment of CIL and other policy costs;
 - Retain the overall deliverability and viability of development in the Christchurch and East Dorset area; and
 - Allow for sufficient 'buffer' to cope with short term adverse changes in housing markets, site specific circumstances, and unaccounted for contingencies.
- 5.4 The local authorities may choose to demand higher offsite contributions for affordable housing. Other things being equal, higher demands will tend to erode the 'buffer' value which is intended to cover the margin of error inherent in calculations of this type, and provide the security that the plan as a whole is deliverable. However, if market conditions recover, then this option is certainly available to the local authorities. Higher charges would be in line with emerging policy, which sets a 35% affordable housing target overall.
- 5.5 The introduction of a standard offsite contribution for affordable housing across both Christchurch and East Dorset will create a straightforward and transparent charge. This approach will complement the CIL charging schedule which is proposed to be adopted by April 2014 at the latest.
- 5.6 We note that all affordable housing contributions remain negotiable. However, we understand that the local authorities in Christchurch and East Dorset take their responsibility to obtain affordable housing seriously.



APPENDIX 5

Summary viability tables assuming affordable housing at 35%



- 14.5 The following text is an edited extract from a discussion paper written by PBA on the issue of affordable housing assumptions to be made in CIL viability testing.

Edited extract

- 14.6 'The Policy for Affordable Housing delivery in the submitted Christchurch and East Dorset Core Strategy is set out as follows:
- 14.7 The vision states: "Almost all new housing development will contribute to the provision of affordable housing, creating a step change in delivery of affordable dwellings and a significant reduction in waiting lists."
- 14.8 CS para 3.6 states: "The CS vision will be supported by seven Strategic Objectives. These aim to set the aspirations of the vision into a series of more practical long-term objectives, which are closely linked to the policies which will help achieve them". Strategic Objective 5, for housing, then states: "All residential development resulting in a net increase in dwellings will contribute towards provision of affordable housing, at a rate of 35% total units being developed." This has no viability caveat. Policy KS3 in the submitted Core Strategy covers both Christchurch and East Dorset and states that 'the Councils aim for a total of 35% of the new homes to be affordable'.⁴⁸
- 14.9 The linked policy is LN3. This covers site-by site delivery and requires up to 50% on greenfield sites, and up to 40% on all other sites (via on site delivery or cash). In both cases there is a viability caveat.
- 14.10 The effect of the above is that there is an overall target for 35% of all delivered residential units to be affordable across the life of the plan. Policy LN3 would appear to exist in order to achieve, over time, contributions to deliver that 35% target. The implication of this is that the contribution policy is designed so that its application can allow the level of AH delivery to vary over the economic cycle and still result in achievement of 35% affordable housing overall by the end of the plan period.
- 14.11 In view of the legislative and guidance requirements for CIL to support, or at worst to "avoid threat" to, Local Plan delivery, it is the 35% target that requires particular focus. Evidence from recent examinations, together with the increased focus of the revised 2012 guidance on plan delivery, suggests this will be the approach an examiner is likely to take. It was a failure to show evidence and supporting argument that the setting of their CIL rates would not put overall delivery of Affordable Housing elements of their Local Plans at risk, which drew the criticism of the examiner in the cases of Mid-Devon and Greater Norwich Development Partnership.
- 14.12 The key to minimising the risk of this happening in Christchurch and East Dorset will be to show that

⁴⁸ Schedule of proposed changes to the Core Strategy Pre-submission document Part 1
<http://www.dorsetforyou.com/media.jsp?mediaid=177569&filetype=pdf> (17)

- setting a CIL based on an assumed average 30% contribution rate in the short term (ie the likely life of this charging schedule and/or current low point in the economic cycle) will not threaten delivery of 35% overall over the life of the plan.
- given current market conditions it is likely that the case can be set in the context of the need to use the authorities' flexible AH contributions policy to enable adequate housing delivery within the key 5-year period of focus, while making a reasonable contribution to affordable housing delivery, which can then be expected to increase later in the life of the plan (and the economic cycle).

14.13 Such a case is likely to be most persuasive if

- it draws on evidence from the housing delivery trajectory drawn up to evidence the Local Plan.
- the case can be made in the context of showing the need, in order to enable plan delivery, to balance affordable housing an infrastructure delivery in the short term.
- it can be shown that a focus on maintaining 35% contribution in the short term (that may, in any case, not be essential to achieve overall AH target delivery) would hamper the delivery of essential infrastructure and therefore risk housing delivery that depends on it being in place.

14.14 The new requirement for examination is for authorities "to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support the development of their area". It is in this context that the case for the 30% assumption will need to be proactively made.'

Testing at 35% affordable housing

14.15 We have provided the summary table tested at 35% affordable housing below.

14.16 The 'safety margin' or 'buffer' available is affected by this change. We explain the importance of this concept in chapter 2.

14.17 Many scenarios retain a significant 'buffer' at this rate of affordable housing. The analysis shows that, in theory, a CIL charge of £100 is payable by all developments. However in some instances this safety margin is narrow.



Christchurch and East Dorset CIL Viability Assessment

Summary table showing theoretical surplus available for CIL (testing at 35% affordable housing)

	No of dwellings		Net site area ha	Density	Total Floor Space per sq.m		Chargeable Floor Space per sq.m	Residual land value before policy contributions		Benchmark		Cost of S.106		Cost of Affordable		CIL Surplus		
					Floor Space	Floor Space		Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha	Per Epsm	Per Ha
East Dorset																		
Houses -	1	0.03	35	90	360	59	£3,695,664	£1,173	£1,500,000	£476	£35,000	£11	£1,378,125	£438	£782,539	£382		
Houses -	4	0.11	35	360	1440	234	£3,557,692	£1,129	£1,500,000	£476	£35,000	£11	£1,378,125	£438	£644,567	£315		
Houses -	5	0.14	35	450	2250	293	£3,537,729	£1,123	£1,500,000	£476	£35,000	£11	£1,378,125	£438	£624,604	£305		
Houses -	9	0.26	35	810	7290	527	£3,488,473	£1,107	£1,500,000	£476	£35,000	£11	£1,378,125	£438	£575,348	£281		
Houses -	15	0.43	35	1,350	12150	878	£3,567,730	£1,133	£1,500,000	£476	£35,000	£11	£1,378,125	£438	£654,605	£320		
Houses -	50	1.43	35	4,500	40500	2,925	£3,478,732	£1,104	£1,500,000	£476	£35,000	£11	£1,378,125	£438	£565,607	£276		
Houses -	100	2.86	35	9,000	81000	5,850	£3,402,208	£1,080	£1,500,000	£476	£35,000	£11	£1,378,125	£438	£489,083	£239		
Flats -	5	0.08	65	336	1680	257	£4,448,463	£1,019	£1,500,000	£344	£65,000	£15	£2,291,494	£525	£591,969	£177		
Flats -	15	0.23	65	1,007	5035	770	£4,486,221	£1,028	£1,500,000	£344	£65,000	£15	£2,291,494	£525	£629,728	£189		
Flats -	60	0.92	65	4,029	20145	3,081	£4,349,826	£997	£1,500,000	£344	£65,000	£15	£2,291,494	£525	£493,332	£148		
Christchurch																		
Houses -	1	0.03	35	90	360	59	£3,695,664	£1,173	£1,650,000	£524	£35,000	£11	£1,378,125	£438	£632,539	£309		
Houses -	4	0.11	35	360	1440	234	£3,557,692	£1,129	£1,650,000	£524	£35,000	£11	£1,378,125	£438	£494,567	£242		
Houses -	5	0.14	35	450	2250	293	£3,537,729	£1,123	£1,650,000	£524	£35,000	£11	£1,378,125	£438	£474,604	£232		
Houses -	9	0.26	35	810	7290	527	£3,488,473	£1,107	£1,650,000	£524	£35,000	£11	£1,378,125	£438	£425,348	£208		
Houses -	15	0.43	35	1,350	12150	878	£3,567,730	£1,133	£1,650,000	£524	£35,000	£11	£1,378,125	£438	£504,605	£246		
Houses -	50	1.43	35	4,500	40500	2,925	£3,478,732	£1,104	£1,650,000	£524	£35,000	£11	£1,378,125	£438	£415,607	£203		
Houses -	100	2.86	35	9,000	81000	5,850	£3,402,208	£1,080	£1,650,000	£524	£35,000	£11	£1,378,125	£438	£339,083	£166		
Flats -	5	0.08	65	336	1680	257	£4,448,463	£1,019	£1,650,000	£378	£65,000	£15	£2,291,494	£525	£441,969	£132		
Flats -	15	0.23	65	1,007	5035	770	£4,486,221	£1,028	£1,650,000	£378	£65,000	£15	£2,291,494	£525	£479,728	£144		
Flats -	60	0.92	65	4,029	20145	3,081	£4,349,826	£997	£1,650,000	£378	£65,000	£15	£2,291,494	£525	£343,332	£103		