

REPORT TO THE EXECUTIVE MEETING OF 23 April 2012

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**Meeting:** Executive  
**Date:** 23 April 2012  
**Subject:** Small housing sites and affordable housing contributions  
**Report of:** Stephen Pointer, Policy Manager,  
Housing, Planning and Infrastructure  
**Portfolio Holder:** Cllr Ackerley  
**Status:** Implementation

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1 Purpose of Report

- 1.1 The purpose of this report is to report to the Executive on a revised interim schedule of commuted sums from small scale housing schemes in order to meet Core Strategy policy CS3, pending development of a revised Supplementary Planning Document

2 Recommendation:

- 2.1 **That Members endorse the schedule of commuted sums for affordable housing at Appendix A as an interim position, pending preparation of a Supplementary Planning Document on Affordable Housing and Developer Contributions which will follow consideration of a Community Infrastructure Levy and review of viability considerations.**

3 Summary of Reasons for the Recommendations

- 3.1 The introduction of a contribution to affordable housing on all residential developments of one dwelling upwards came about as a result of the adoption of the Core Strategy. This took place at a Full Council meeting in November 2011. Policy CS3 seeks the delivery of affordable housing on all housing sites at proportions of 30 or 40% depending on the area concerned. This policy was justified based on evidence of development viability. Normally affordable housing is provided on site, by means of a developer transferring properties into the control of a social landlord to rent or part rent/part buy arrangements as defined by national planning policy. For developments of 1 or 2 units provision cannot be on site and contribution to affordable housing is by way of a commuted sum.
- 3.2 Adoption of the Strategy required guidance being provided by the Housing Enabling Officer in respect of what was considered to form an appropriate

contribution for smaller developments in order to assist in negotiations on development proposals.

- 3.3 An issue which has been raised by prospective applicants and builders is that the same level of contribution is being sought irrespective of dwelling size. It was always intended that the scale of expected contributions be proportional to the size of development. When considering individual or small developments this ought to be reflected in the size of the dwellings. There is no intention to unduly penalise modest development. Officers have therefore adjusted the schedule of expected commuted sums to introduce a 50% discount on the expected contributions for dwellings which fall below 135 sqm in size and then increasing to 80% for dwellings of 30-60 sqm. . This is based on Homes and Communities Agency size standards for smaller development with a 30% factor applied. Following further discussion with members of the Local Planning Task Panel it is also proposed to apply a single commuted sum across the District irrespective of housing market location to create a simplified system. The proposed schedule is attached in Appendix 1.

#### 4 Impact on Communities

- 4.1 There is an urgent need for more affordable housing in Harborough District – ie homes for those who cannot afford to purchase on the open market. There were only 388 such homes built between 2006-2011 compared with 1753 open market dwellings. There are 1344 households on the Councils housing register.

#### 5 Key Facts

- 5.1 The introduction of a contribution to affordable housing on all residential developments of one dwelling upwards came about as a result of the adoption of the Core Strategy. This took place at a Full Council meeting in November 2011. Policy CS3 deals with affordable housing and makes it clear that for developments of 1 or 2 units provision for affordable housing will be by way of a commuted sum.
- 5.2 Harborough is by no means unique with such a policy - Rutland County Council similarly seek commuted sums for affordable housing from individual housing developments and are currently consulting on an approach to commuted sums. Melton Borough Council is also intending to have such an approach in their emerging Core Strategy
- 5.3 The inclusion in the Core Strategy of a policy that all housing developments should contribute to meeting affordable housing needs was based on evidence from an Affordable Housing Viability Study. This concluded that matters of viability in general did not change for smaller developments and it was justified to apply our affordable housing policy to all housing developments. This was accepted by the Inspector who examined the soundness of the Strategy.

- 5.4 Adoption of the Strategy thus required a calculation to be made of an appropriate contribution for smaller developments in order to assist in negotiations on development proposals. A document was been assembled by officers as a guideline for negotiations between housing and planning officers and applicants.
- 5.5 It approaches the calculation for interim purposes using a method of commuted sum calculation in lieu of on site provision which is a standard based upon development size in terms of number of dwellings which is the same method that the Council applies to larger sites and has been in practice for several years.
- 5.6 When these principles are applied to smaller sites and the same level of contribution is being sought irrespective of dwelling size, then principles of proportionality are compromised and therefore officers have now re-examined the approach to contributions to apply a discounting element for developers of more modest market homes with a threshold below 135 sq metres. This level has been selected based on floorspace standards published by the Homes and Communities Agency as minimum for five person social housing but with a 30% additional factor applied to reflect what may reasonably be considered acceptable in terms of private market housing.
- 5.7 The schedule of expected commuted sums is in Appendix to this report and will have the status of interim guidance for the use of negotiation in development decisions. The Council is now commencing an assessment of viability for payment of a Community Infrastructure Levy in the District on all development. Specific levels of commuted sum contributions for affordable housing will need to be reviewed as part of the examination of appropriate levels of Community Infrastructure Levy. Until then, the schedule attached will be used to guide applicants and development control as to what is considered reasonable in terms of commuted sum payments for
- 5.8 The Executive should note that applicants may always submit statements relating to individual viability and indicate if there are abnormal development costs they believe justify consideration in negotiation of contributions. In terms of viability it is important to state that self builders building in their own garden plots do not bear land costs and thus gain a new individually designed property below "normal" cost. If they are moving into this property themselves then it is the longer term value of the property which needs examining. Only limited new individual private housing plots will come forward in future years in the District (especially in rural areas) and therefore a strong uplift in residential sales values relative to the rest of the housing market is likely for such property and viability assessments should factor expected future development values into account.
- 5.9 Executive should also note that other local planning authorities adjoining Harborough and with similar housing market conditions have practices of seeking affordable housing contributions from smaller sites. Melton Borough Council have a policy within their Core Strategy on which consultation is

underway which proposes threshold of 1 dwelling and therefore commuted sums will apply. The specific levels of commuted sums are unknown as yet. Rutland BC have issued a Supplementary Planning Document in draft form which proposes charges of £281 per square metre up to a maximum charge of £23,922 based on a “standard” dwelling of 85 square metre. They are operating this at present and will adopt it formally on 16 June.

- 5.10 Members should also note that in order to provide assistance to applicants for small sites, a draft legal agreement is prepared by the Authority and sent to the applicant to avoid the bearing of additional legal costs.

## 6 Legal Issues

- 6.1 Revisions to the payment schedules related to agreements prior to the introduction of the proposed discounting element for smaller dwellings may be necessary. No payments relating to this approach have yet been received

## 7 Resource Issues

- 7.1 Costs associated with preparation and monitoring of planning agreements are recovered. It is the policy of the Council that agreements also be subject to bonding arrangements to seek to insure against non payment of sums and the consequential cost of recovery.

## 8 Equality Impact Assessment Implications/Outcomes

- 8.1 Equality Impact Assessment was carried out on the Core Strategy and while policy CS3 does not impact on specific groups listed, it does have benefits to those in housing need across the District and vulnerable groups who are more often in need of affordable accommodation.

## 9 Impact on the Organisation

- 9.1 None

## 10 Community Safety Implications

- 10.1 None

## 11 Carbon Management Implications

- 11.1 None

## 12 Risk Management Implications

- 12.1 None

13 Consultation

13.1 Core Strategy policy CS3 was consulted on as part of the Submission Draft Core Strategy in October 2010 and subject to

14. Options Considered

14.1 Officers have considered whether to recommend to the Executive that the principle of seeking commuted sums be waived until adoption of a Supplementary Planning Document on Affordable Housing and Developer Contributions. However this would unduly delay the implementation of adopted planning policy and therefore it is considered that adoption of an interim guidance note is the most effective way of providing planning guidance.

14.2 Officers have also considered whether to revise the schedule of anticipated commuted sums in terms of a sum per square metre of floorspace. However This would have the effect of increasing significantly the requested sums for larger properties unless a cap was imposed which raises other issues. Pending the consideration of appropriate contributions in light of the potential introduction of a Community Infrastructure Levy it is considered more appropriate to apply a more simple approach with a substantial discount for commuted sums for proposals involving one or two smaller properties as an interim solution.

15. Background Papers

Core Strategy Adopted November 2011  
Affordable Housing Viability Study 2009

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**Previous report(s): None**

**Information Issued Under Sensitive Issue Procedure: N**

**Ward Members Notified: N**

## APPENDIX

### Harborough District Council

#### Affordable Housing and Commuted Sums - Revised Guidance Note

March 2011

Harborough District Core Strategy Policy CS3 sets out requirements for affordable housing. The policy splits the District into five sub market areas, subject to either 30% or 40% affordable housing requirement as outlined in paragraph 5.28 and Figure 2.

The threshold for contributions is now set at 1 dwelling district wide. The policy applies in all cases where the result is a net increase in dwellings, including changes of use and conversion of existing buildings. This policy aims to increase provision of affordable housing, particularly in rural areas, in order to meet the high need across the district as demonstrated in the Strategic Housing Market Assessment (SHMA).

Policy CS3 indicates that on development sites of 3 units and above the Council will expect **on site** delivery of affordable housing, to help create mixed communities. In exceptional circumstances, the Council may accept development of affordable housing on an alternative site.

The following table indicates the affordable housing requirement where sites of between three and ten dwellings are proposed.

**Table 1 – Affordable Units Matrix**

Sub Market	Total Units Affordable Units							
	3	4	5	6	7	8	9	10
Rural South West	1	2	2	2	3	3	4	4
Rural North & Central	1	2	2	2	3	3	4	4
Market Harborough	1	1	2	2	2	2	3	3
Lutterworth	1	1	2	2	2	2	3	3
Blaby Border Settlements	1	1	2	2	2	2	3	3

The number of affordable units required will be 30% or 40% of the total site size, dependant upon location of the site. Where the requirement does not equal 1 rounded unit to be provided, a figure of 0.49 and below will be rounded down, and a figure of 0.5 and above will be rounded up. For example; a development of 12 units in Market Harborough equals an affordable contribution of (12 X 30%) 3.6. This will be rounded to 4 affordable units to be provided. Table 1 above demonstrates affordable unit provision by site size up to 10 units. A range of house types will be required to be provided as set out in paragraph 5.20 of the Core Strategy and the units should be offered to a Registered Provider (Housing Association) of Affordable

Housing to make them available for affordable rent, social rent or intermediate tenures. The Council can offer assistance in advising on Providers.

### **Sites below three units**

Policy CS3 indicates that on proposed developments of 1 and 2 units, a commuted sum payment in lieu of the on site affordable housing requirement will be made in order to pool sums and assist development elsewhere in the area. Commuted sums will be based on the equivalent cost of on site provision and will be used to contribute to other local affordable housing provision.

The commuted sum payment has been calculated using accurate house price data (from Housing Intelligence East Midlands (Hi4em)) for the five sub markets and takes into account the average payment a Registered Provider would make to a developer in order to purchase the property, based on a range of tenure types. This average payment has been set at 50% of the open market value (OMV) of a property, based on discussions with Harborough District's Registered Provider (Housing Association) Partners.

The house price used to calculate commuted sums is taken from a mid point value between a semi-detached and terrace property from each sub market area. This requirement is based on the most needed house type across the district according to the SHMA.

Committed sums will therefore be calculated as follows:

### **Average property value X 50% of OMV (for sub market) X 30% or 40%**

In order to create simplicity and equity across the District an average **commuted sum value** across all 5 sub markets is to be applied, calculated from the data obtained for housing sub markets in Harborough District (as shown in Table 1)

In addition to avoid undue impact on small developments a series of % discounts is applied which reduce the commuted sums by between 50 and 80% for smaller sized housing development. The sums collected would be focussed towards funding provision of affordable housing within the sub market area from which it is collected but could be spent elsewhere if circumstances dictate.

The matrix below provides the revised commuted sum payments , and will be reviewed and adjusted annually thereafter in accordance with house price values.

### Commuted Sums Matrix (£) based on an average commuted sum value

<b>Average Commuted Sum value £28,885</b>	<b>30-60sqm</b>	<b>60-85sqm</b>	<b>85-110sqm</b>	<b>110-135sqm</b>	<b>135sqm+</b>
	<b>1 bed flat type</b>	<b>2 bed flat or 2 bed house type</b>	<b>3 bed house type</b>	<b>3-4 bed plus house type</b>	<b>4 plus bed house type</b>
<b>Discount Applied</b>	<b>80%</b>	<b>70%</b>	<b>60%</b>	<b>50%</b>	<b>Nil</b>
<b>Charge with the % discount applied</b>	<b>5777</b>	<b>8665</b>	<b>11554</b>	<b>14442</b>	<b>28885</b>

The commuted sum will be payable to HDC as follows: 25% upon commencement and 75% upon occupation.

Any agreement to provide commuted sums on sites of three dwellings and over will be based on the above formula with no discounting element.

This provides an interim technical note to demonstrate a calculation of commuted sums for the purpose of implementing Policy CS3 of the Core Strategy.

The information will subsequently be incorporated into a Supplementary Planning Document (SPD) on Developer Contributions and Affordable Housing which is planned to be issued in 2012.

For further information please contact:

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