

Affordable Housing

Supplementary Planning Document



Planning & Regeneration Services inc Building Consultancy
Adopted November 2011

Striving for Excellence

Contact Details

All Local Development Framework (LDF) documents are available to view at the Borough's libraries and the Planning and Regeneration Services Reception, at the Civic Centre. Documents are also available to view at:

www.boroughofpoole.com

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1 Introduction

Aims and Objectives

1.1 This Affordable Housing Supplementary Planning Document (SPD) has been prepared following public consultation undertaken between 27 July 9 September 2011.

1.2 These responses have helped to inform the final version of the SPD, and a summary of the main issues and the Council's response is contained in Appendix D. Changes include further text on verification and updating policy background, further definitions have been included, details of a tariff approach for schemes of 6-10 dwellings, mention of alternative toolkits that will be accepted.

The SPDs main objective is to support adopted Core Strategy Policy PCS 6: Affordable Housing, shown below:

PCS 6

AFFORDABLE HOUSING

Affordable housing will be sought to meet local needs on all developments of 6+ dwellings subject to:

- a. its suitability for on-site provision;
- b. the economics of providing affordable housing;
- c. the extent to which the provision of affordable housing would prejudice other planning objectives to be met from the development of the site; and
- d. the mix of units necessary to meet local needs and achieve a successful development.

The capacity of a site to deliver a level of affordable housing that can be supported financially will be determined by individual site viability analysis. This analysis will take into consideration existing use values, recognising, in particular, the inherently more financially demanding position where existing residential use sites are being developed, as well as other site-specific factors. There is no upper limit to the potential affordable housing provision or contribution but a benchmark level of 40% will be sought as a starting point.

The housing provided under this policy should always be available to meet local needs. To ensure that this is so, where a registered social landlord is not involved the Council will either impose appropriate planning conditions or seek to negotiate a planning obligation.

1.3 This SPD seeks to provide greater certainty and clarity for all parties involved in the delivery of affordable housing through the planning system. The initial Sections explain the background to affordable housing and provide the evidence and policy context for affordable housing delivery within Poole.

Sections 3, 4 and 5 set out in more detail the mechanisms for delivery of affordable housing through the planning system, and what will be required as part of planning applications for housing.

Section 7 sets out the management arrangements for the affordable housing delivered, including nominations, rent reviews and service charges.

Status

1.4 With a Core Strategy adopted in February 2009, the Council is now able to adopt SPD's that supplement the policies contained within it. This SPD has been prepared in conformity with the legislative requirements of the Planning and Compulsory Purchase Act 2004, and follows a public consultation. A Statement of Consultation, setting out a summary of responses and a commentary of what changes have been made to the SPD as a result of these representations, is provided in Appendix D. This has informed the final wording of the SPD.

1.5 An initial Sustainability Appraisal was carried out at Core Strategy level in connection with PCS6 (as now numbered) on various policy options. Screening of the affordable housing SPD has led to the conclusion that the higher level sustainability appraisal covers the main themes adequately with no new issues arising. The wording contained in the SPD represents the most appropriate option, which the Council has been minded to adopt.

Now formally adopted the Affordable Housing SPD will replace the Council's Affordable Housing Supplementary Planning Guidance (SPG), February 2004.

2 Affordable Housing in Context

Background

2.1 Poole's Corporate Strategy 'Striving for Excellence' sets out the Council's Vision in which 'Poole is a vibrant town, with strong communities, where people enjoy healthy lifestyles, care about their environment and support each other.' As part of this Vision one of the Council's five priorities is to 'Improve Housing for Local People', which is also supported by the Council's Housing Strategy. The Council has set out in its 2009 Core Strategy the policy framework to meet this objective, and producing this Affordable Housing Supplementary Planning Document (SPD) to support this policy.

2.2 The provision of both social rented and intermediate affordable housing¹ will help to support those households on lower and middle incomes who are in housing need, offer greater quality and choice for those people who rent, and help people to make the step from social-rented and intermediate housing to home ownership.

It is important that in delivering mixed, sustainable and inclusive communities, affordable housing for people who are unable to access or afford market housing is secured.

This Affordable Housing SPD seeks to set out how the Council will deliver 'affordable housing'; that will be managed by a Registered Provider.

Funding the Delivery of Affordable Housing

2.3 As set out in the Corporate Strategy and the current and emerging Local Development Framework, one of the Council's main objectives is to meet the housing requirements of all communities in Poole, including those in need of affordable and special needs housing.

2.4 In meeting these identified housing requirements the Council is able to deliver new affordable housing (both intermediate and rented) through developer contributions or 'planning obligations' which seek to secure affordable housing, on-site, off-site or through a payment in lieu.

2.5 Section 106 of the Town and Country Planning Act 1990 introduced the concept of planning obligations. Such obligations may restrict development or the use of land; require operations or activities to be carried out; require the land to be used in any specified way; or require payments to be made to the authority either in a single sum or periodically. These planning obligations will be secured by the applicant/land-owner entering into a legal agreement with the Council prior to a planning application being granted consent. (NB: Community Infrastructure Levy is not intended to collect for affordable housing).

2.6 It is through planning obligations that the Council will deliver the majority of affordable housing within Poole. Under most circumstances Registered Providers (RPs) for social housing will purchase the affordable housing units. Where appropriate or necessary the Council may use funding through the Local Investment Plan (LIP) and discussions with

¹ Definitions on pages 6 and 7

Homes and Communities Agency (HCA) or its successors, or other public subsidy (such as funds collected as affordable housing financial contributions).

2.7 The level of public subsidy available will vary with time, the state of public finances, the location, the financial viability and the type of housing scheme proposed. While agreement will need to be made between the developer and a RP, the Council is able to advise applicants during the application process as to the Council's preferred RP partners. Additionally, the Council might be in a position to advise on any level of HCA Grant that could be available to cross subsidise the developer's own affordable housing contribution.

National Planning Policy

2.8 National Planning Policy as set out in 'Planning Policy Statement 3: Housing' (PPS3) 2006, 2010 and 2011 consultation, and the supporting document 'Delivering Affordable Housing', November 2006, set out the Government's current policy on the provision of housing, including affordable housing.

2.9 In planning terms 'affordable housing' refers to a particular type of housing tenure, which is delivered by a RP and secures affordable housing in perpetuity. The terms 'affordability' and 'affordable housing' have different meanings. 'Affordability' is a measure of whether housing may be afforded by certain groups of households, while 'affordable housing' refers specifically to housing provided outside of the main housing market (open market housing) typically by Housing Associations and other RPs.

2.10 PPS3 (2006 and 2010) provided definitions of 'affordable housing', 'social rented housing' and 'intermediate affordable housing'. These are revised in the February 2011 consultation version (PPS3: Planning for Housing Technical change to Annex B, Affordable Housing definition) as set out below:

Affordable housing is:

'Affordable housing includes social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.'

Social rented housing is:

'Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. The proposals set out in the Three Year Review of Rent Restructuring (July 2004) were implemented as policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the Local Authority or with the Homes and Community Agency (HCA) as a condition of grant.'

Affordable rented housing is:

Rented housing provided by Registered Providers of social housing, that has the same characteristics as social rented housing except that it is outside the national rent regime, but it is subject to other rent controls that require it to be offered to eligible households at a rent of up to 80% of local market rents.

Nb: The national rent regime is the regime under which the social rents of tenants of social housing are set, with particular reference to the Guide to Social Rent Reforms (March 2001) and the Rent Influencing Regime Guidance (October 2001).

Intermediate affordable housing is:

'Housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (e.g. Home Buy), other low cost homes for sale and intermediate rent but does not include affordable rented housing.'

PPS3: Housing, Appendix A 2011

2.11 In particular, national policy does not consider low cost market housing to be affordable housing, therefore if delivered on a development this will not count towards the affordable housing requirement.

Regional Planning Policy

2.12 The South West Regional Spatial Strategy (RSS) has now been abolished by the new Coalition Government. It had not been adopted at the time of the new administration, however, as part of the earlier adoption process an Examination in Public was held during the summer of 2007, an Inspector's Panel Report published in January 2008, and the Secretary of State's proposed changes were published for final consultation between 22nd July 2008 and 24th October 2008.

2.13 Policy H1 of the Secretary of State's proposed changes version of the RSS had recommended that of the 29,623 new dwellings required to be delivered in the region per annum, at least 10,000 should be affordable housing. To meet this target the regional plan would require at least 35% of new homes on qualifying and viable sites to be delivered as affordable housing.

2.14 Whilst these targets are now historic and won't form part of any (regional) development plan, they did help to inform the Poole Core Strategy that is in line with these figures (see Introduction on page 3).

3 What the Evidence Says. Housing Market Areas and Site Financial Viability

Evidence Base

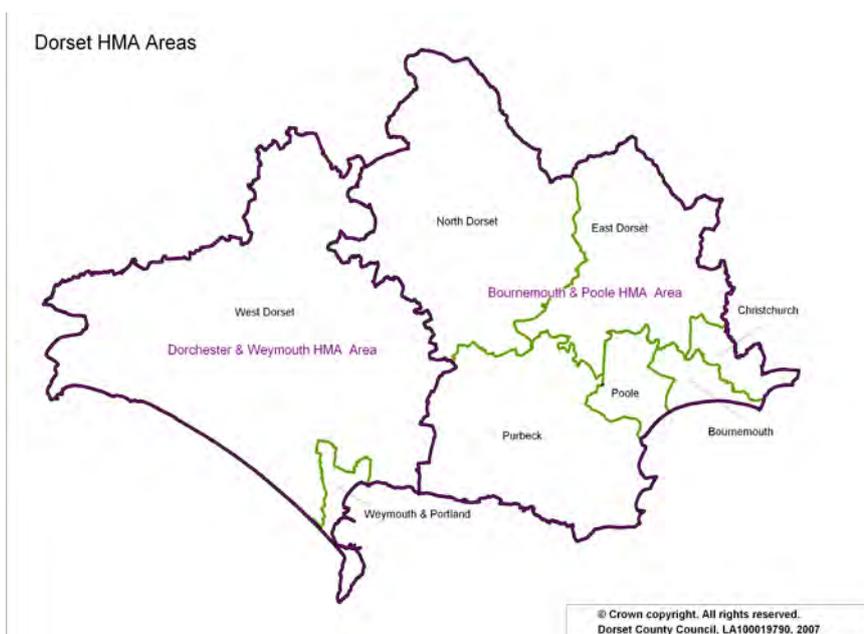
3.1 In order to build up a robust and credible evidence base to support the Council's Core Strategy and this SPD, the Council commissioned with its neighbouring local planning authorities in Dorset a Strategic Housing Market Assessment (SHMA) and jointly with Bournemouth Borough Council a study assessing the financial viability of different affordable housing policy options.

The recommendations from these two assessments, plus evidence from the Council's own research and stakeholder consultation, informed the final Affordable Housing policy in the Core Strategy.

A) Balanced Housing Market and Housing Need

3.2 PPS3 sets out a policy approach by which local planning authorities and regional planning bodies are required to consider the often complex workings of housing markets when planning for housing. Strategic Housing Market Assessments (SHMA) are seen as key tools in the development of housing and planning policy, aiming to provide an understanding of how housing, planning and economic factors interplay in any area and to inform local authorities and their partners in decision making and resource allocation.

3.3 A partnership between Bournemouth and Poole Unitary Councils and Dorset County and District Councils undertook two SHMAs in 2006, based on the two regionally defined Housing Market Areas (HMAs); the Dorchester & Weymouth HMA in the west and the Bournemouth & Poole HMA in the east. A review is currently being undertaken.



(not to scale)

3.4 The SHMA provided primary evidence (from over 1,900 of Poole's households) which informed the Council's housing policy, particularly in terms of identifying housing need and in assessing what mix and size of housing (both affordable and market) is required across the whole HMA.

3.5 The assessment of housing need considered current (backlog) need and the available stock to offset this need as well as newly arising (future) need and future supply of affordable units. It was found that to address current (backlog) housing need of 140 units per annum and future need of 1,059 per annum over the next five years would require the delivery of 1,199 affordable housing units in Poole per annum (See Table 1).

Table 1:

Current/Backlog Need					Total Need	
Need			Supply	Remaining Need		
Unable to afford to move to meet housing need	1,632	=	935	= 698 (140pa – to meet backlog need in 5 years)	(140+1,059)	
Homeless need	1	1,633				
Newly Arising Need						1,199
Need			Supply	Remaining Need		
Newly forming households	464	=	504	1,059		
Existing households falling into need	1,099	1,563				

3.6 This evidence highlighted the exceptional housing needs for affordable housing within the Borough. To help meet this need the Council seeks to maximise the level of affordable housing delivered within the Borough, primarily through the planning system, where it is financially viable to do so. However, the Council accepts that in times of recession this becomes increasingly challenging to deliver.

Balancing Housing Markets – Housing Types

3.7 In terms of identifying what type of affordable, as well as market, housing is required to meet households' needs in Poole, a Balanced Housing Market (BHM) model was developed as part of the SHMA. The BHM model considers the needs of the whole local housing market, identifying the extent to which supply and demand are 'balanced' across tenure and property size, as set out in the table below.

The BHM is used to provide an indication of need in the 4 – 5 year term (from the date of the original report) and therefore requires updating over time.

Table 2: BHM model for Poole

Balancing Housing Markets results for Poole (per annum)					
Tenure	Size requirement				TOTAL
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
Owner-occupation	40	126	131	63	360
Private rented	87	149	-81	-9	145
Intermediate	104	193	38	30	364
Social rented	11	261	99	81	451
TOTAL	242	728	187	164	1,321

3.8 The model indicates that there is an ongoing requirement for owner-occupied and private rented accommodation but *an even larger requirement for affordable housing*. In terms of the size of property required to meet the need, the model identifies that the main shortfall is for 2 bedroom properties, followed by 1 bedroom properties. However, it also identifies an ongoing need for larger 3 and 4 bedroom properties, to meet the needs of family and multi-adult households.²

3.9 While the BHM model identifies an overall level of housing need (1,321) that is higher than the strategic housing target as set out in the Core Strategy, the key function of the BHM model is to inform the *proportion* of housing types that will need to be delivered within the Borough.

3.10 It should be noted that the delivery of the right type of housing will not only be met through the supply from new housing stock, but will also be met by the existing housing stock, through the movement of households into, within and out of the Borough.

3.11 The BHM model indicates that nearly 50% of affordable housing delivered in the Borough should be intermediate. However, the SHMA also identified that just 13% of people in housing need are able to afford intermediate rented accommodation. The Council has therefore set a target to achieve a split of 70:30 between social rented and intermediate affordable housing, to better reflect the 'ability to afford' affordable housing.

The Council will consider the recommendations of the BHM model in negotiating on all housing schemes.

B) Assessing Viability – Bournemouth and Poole Affordable Housing and Section 106 Viability Analysis

3.12 PPS3 requires local planning authorities to consider the likely economic viability of land for housing when setting affordable housing targets. It also requires councils to consider the affect on economic viability of lowering the site size threshold where affordable housing is required as part of an acceptable planning application.

² The BHM is used to provide an indication of need in the 4 -5 year term (from the date of the original report) and therefore requires updating over time.

3.13 In 2007 The Council commissioned a study to identify the financial viability implications of increasing the level of affordable housing, providing the evidence for the production of the Council's Core Strategy. The study focussed on the two main 'policy levers' affecting the level of affordable housing that can be delivered through the planning system: the size of site which triggers an affordable housing planning obligation (site size threshold) and the percentage of affordable housing sought on such qualifying sites.

3.14 The study identified that reducing the site size threshold would not inadvertently make housing schemes financially unviable, instead site specific factors, such as location, development type, exceptional costs, are more relevant in determining financial viability. (A further current factor of viability is the national recession that has had a significant impact upon site economics). The study identified that the Council could justify setting a benchmark of 40% affordable housing provision/contribution, which could be negotiated where viability analysis indicates that this is achievable.

Summary

3.15 By considering housing needs and the financial viability of development within the Borough, the Council developed its Affordable Housing policy of the Core Strategy. Policy PCS6: Affordable Housing (page 3) seeks to maximise affordable housing completions within the Borough to meet the exceptionally high need for affordable housing, while considering the financial viability of sites to deliver such affordable housing.

4 Delivering Affordable Housing in Poole

The Core Strategy

4.1 The evidence indicates that the need for affordable housing in the Borough remains high and that thresholds where affordable housing will be negotiated can be reduced.

Poole's Core Strategy sets a target to deliver 3,500 affordable homes up to 2026 – from a total delivery target of 10,000 dwellings. The target is not, however, considered as a ceiling and any delivery above this target will help to achieve additional affordable housing to meet current and future needs within Poole.

4.2 Additionally the Council will seek to negotiate affordable housing on developments of 6 units or more where there is a gross gain in housing. As set out in Policy PCS 6 of the Core Strategy the Council will seek to negotiate affordable housing provision on all qualifying sites, seeking a 40% contribution as a starting point in these negotiations. Where an assessment of financial viability indicates that this would unduly affect the deliverability of a scheme, the Council will seek to negotiate with the applicant a scheme that is financially viable.

In terms of determining planning applications, all housing schemes will be determined in accordance with the policies of the development plan (Poole's Local Development Framework) unless other material considerations indicate otherwise.

Delivery on Council owned land

4.3 The Council is committed to delivering 100 affordable homes over the next 4 years on Council land holdings. The Council's Corporate Strategy identifies the creation of additional affordable housing as a priority, yet in April 2011 there were no identified "new starts" for affordable housing in Poole for 2011/12.

4.4 The HCA (Homes and Communities Agency) has invited registered providers to submit a bid for delivering new affordable rent housing in response to the national pressure to provide more homes. The bids are contractually binding and if successful the HCA grant would be about £20k for each new home.

4.5 The Council is preparing to use its own land holdings for about 100 new affordable homes over a 4 year period, so that then the HCA would support a bid from registered providers for 175 homes in the Poole area. Of this number, 75 homes would be provided in the regeneration areas next to the Backwater Channel, in addition to any affordable housing that can be achieved through normal planning and viability negotiations. This would be a considerably improved position and gives Poole a priority status in the region. A full cost analysis will be undertaken for each site but it is envisaged that there will be little or no capital receipt so that the land needs to be considered as an investment in the Council's priority of providing more affordable homes.

Housing in the most Appropriate Locations

4.6 The spatial strategy for Poole, as set out in the Core Strategy, will play a central role in delivering the Council's vision. It seeks to concentrate flats and other higher density development to the most accessible locations in the Borough; the town centre and regeneration area, major local centres and other locations accessible to services, facilities and high frequency public transport services. In respect of this SPD, the Council will therefore need to have regard to the type and size of dwellings proposed (both market and affordable) in the Borough, to ensure Poole's spatial strategy is delivered.

4.7 Beyond these locations and within areas characterised by family housing, the Council will seek to protect existing family housing and deliver new family housing rather than higher density flat development, to meet identified needs and to ensure that the housing market within Poole remains balanced; with an adequate delivery of housing for families and multi-person households, couples and single people.

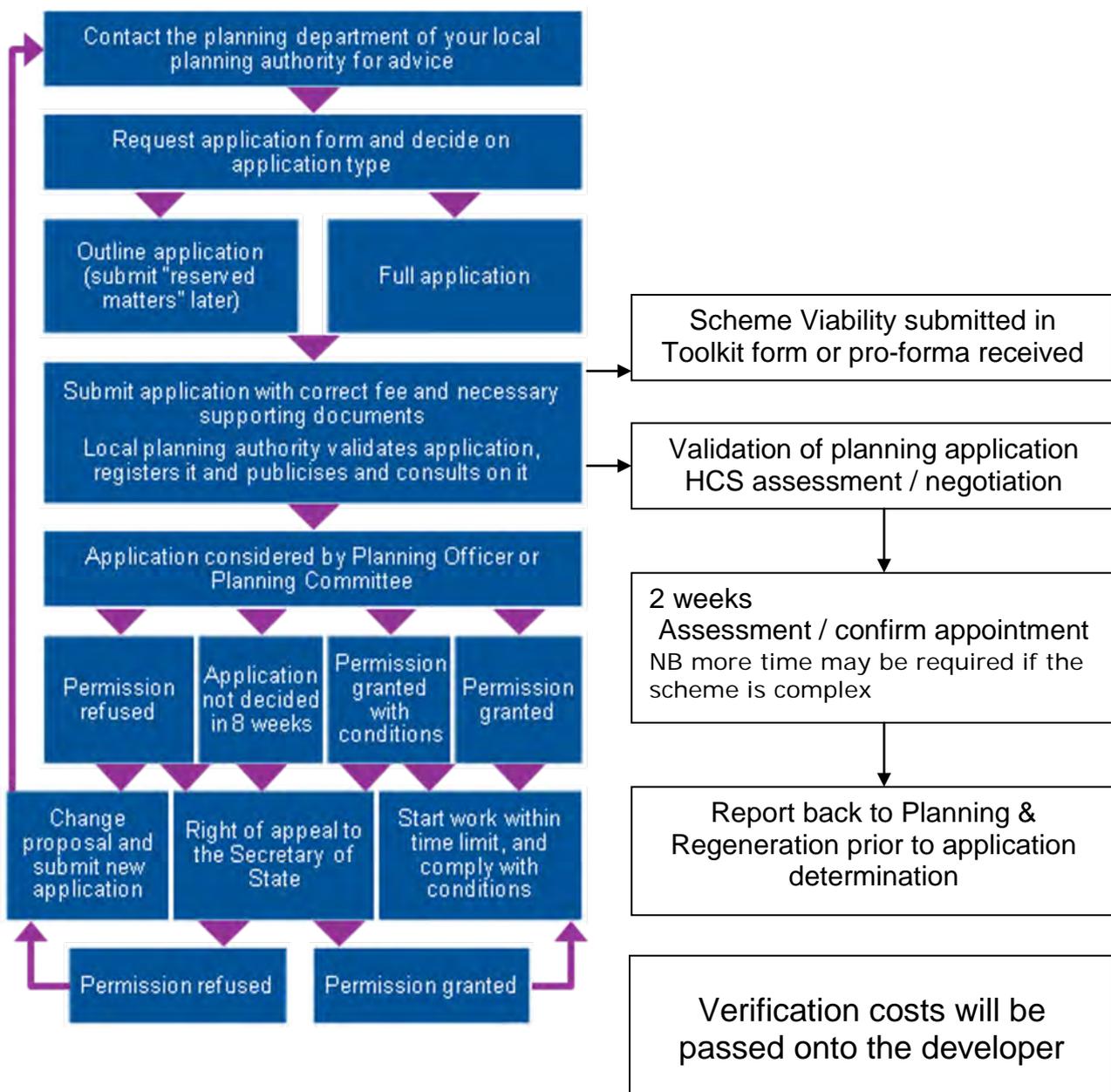
5 Preparing and Submitting a Planning Application

-Application scenarios-

Scenario	Action Required
100% residential	Toolkit or similar (plus verification in some cases)
Mixed Use Scheme	Verification / Professional Advice
Any dispute with the toolkit defaults	Verification / Professional Advice
Exceptional costs detailed within the scheme	Verification / Professional Advice

Planning and Regeneration Services Planning application process

Housing and Community Services Affordable Housing Viability



5.1 The flow diagram shows the process from planning application submission to its decision, within an 8 or 16 week timeline (depending on the complexity and size of the proposed development). Prior to this, however, is the important **pre-application stage** that enables both the developer/applicant and the Council to offer guidance and advice to each other thereby intending to cut down on timely work and costs further into the planning process (see page 18 for further explanation of this service). It is anticipated that pre-application discussions with the Council, and the use of the Affordable Housing Toolkit (see below), would give developers a clear steer on the level of affordable housing they would be expected to deliver on each residential scheme.

Current Viability Issues

5.2 Due to uncertainty in the financial market, compounded by an economic recession, the delivery of affordable housing has been significantly stifled in the last year or so, and therefore the Borough of Poole is introducing interim measures to try and kick-start the successful delivery of affordable housing.

5.3 In cases where affordable housing is considered to be “unviable” a formulaic approach is adopted that provides a more pro-growth and pro-development mechanism of calculation to introduce greater certainty and assistance from the Council in affordable housing delivery (see pages 19 and 20).

In other cases the Council's Development Appraisal Toolkit will still be available for use as detailed below.

Using the Council's Development Appraisal Toolkit

5.4 The Council has made available a “toolkit” to assist developers in submitting viability assessments of their proposed development schemes. However, developers are at liberty to submit their own assessments if they so wish as an alternative to the “3 Dragons” Toolkit.

5.5 The 3 Dragons Toolkit is a Microsoft Excel based computer model, which calculates the financial impact of different levels of affordable housing provision on land proposed for housing within the Borough. It uses a residual development methodology to calculate a net residual value – the difference between scheme revenues and scheme costs (which includes developer profit) and any planning obligations relating to the scheme.

5.6 Where found to be financially viable the Council will seek to negotiate a proportion of affordable housing on all schemes starting at the benchmark 40% level. Where the Toolkit demonstrates that a higher level of affordable housing could be secured, without affecting the financial viability of the proposed scheme, the Council will seek to increase the level of affordable housing contribution secured. Equally, where it is demonstrated that the financial viability of a proposed scheme is affected by such affordable housing contributions, a lower requirement will be agreed with the Council.

5.7 The Council's preferred approach is that applicants submit an electronic version of the Development Appraisal Toolkit when submitting their planning application, so that this can be considered early on in the planning process. Where a Toolkit is not submitted, the Council will require applicants to submit the ‘Development Appraisal pro-forma’ in order that

viability testing can still be undertaken; in these circumstances it is the assumptions used in the Toolkit that will be utilised.

5.8 The planning application details provided by the applicant become public information once an application is registered. Documentation and plans appear on the Borough of Poole web site whilst an application is under consideration and then when a Planning Decision has been made, which provides a clear audit trail of the decision making process.

5.9 In exceptional circumstances and where the supporting information for schemes includes commercially sensitive information, then it may be that such information is excluded from the website (after due consideration of all the circumstances including guidance under the Freedom of Information Act and an assessment of the public interest). The following links provide additional material on this issue –

www.boroughofpoole.com/freedomofinformation

www.boroughofpoole.com/downloads/assets/FOI_Guidance_For_Applicants.pdf

5.10 The Development Appraisal Toolkit is available to purchase from the Council for **£150 plus VAT**, and will be valid for 3 years from the date of purchase. In order to run the Toolkit, Microsoft Excel 2000 (or subsequent versions) must be installed. The Toolkit will be monitored and updated when appropriate, and the fee will be used by the Council to fund updates as well as future affordable housing research – for example, updating the Housing Needs and Demands Survey, which is undertaken every three to four years.

5.11 The toolkit is copyright to the Borough of Poole and Bournemouth Borough Council, and Three Dragons (the owner), and should not be copied or supplied in any other way to other individuals. The Council will maintain a register of the individuals and companies who have purchased the Toolkit.

5.12 The ‘Development Appraisal Toolkit Guidance Notes’, giving step-by-step guidance on using the Toolkit, are available from the Planning Policy and Implementation Team (PP&I) of the Planning and Regeneration Unit, and on the Borough of Pole web site.

5.13 Once purchased, applicants can use the Toolkit to test different options prior to entering into negotiations with landowners, or can test the viability once the land is secured. In this way the Toolkit can provide developers and landowners with a means of considering the financial effects of the Council’s planning obligation requirements in advance of submitting a planning application.

5.14 The Toolkit has been designed to be simple to use, whilst allowing the testing of more complex schemes, including those planned to be completed over a number of years and major mixed use schemes. The benefit of using this Toolkit is that negotiations with the Council will be more transparent, resulting in more certainty in the negotiation of affordable housing. Other toolkits exist (like the HCA model) that agents and developers may choose to use, but development and viability information will still be put into the Three Dragons Toolkit by the Council to consistently assess viability on residential proposals (see pages 16 and 17 below).

5.15 The main output of the Toolkit is the ‘net residual value’, which will identify if the site can contribute to delivering affordable housing. This value is based on the following inputs:

- Location of the site within the Borough
- Characteristics of the development, including dwelling type, size, form (no. of storeys), etc
- Likely selling values of market units
- Tenure Mix
- Rent values for the social and intermediate rent element of a scheme and the costs of associated affordable housing
- Build Costs (including exceptional build costs)
- Other planning obligations
- Income from other sources (e.g. contribution from Local Authority planning obligations fund)
- Whether HCA funding, or other public subsidy, is available
- Income from commercial elements
- Whether the scheme will take a number of years to complete

5.16 It is important to note that the ‘net residual value’ takes into account a margin for developer’s profit, and therefore this should not be taken off the net residual value at the end of the calculation.

5.17 The Toolkit also provides average default values for costs; including build costs, professional fees and marketing fees. These values are derived from the Building Cost Information Service (BCIS), which is part of the Royal Institution of Chartered Surveyors (RICS). (Default values can be adjusted where both parties agree it is necessary).

5.18 In certain circumstances a scheme in question may incur exceptional development costs, over and above typical build costs, which will impact on the financial viability of a scheme. Applicants should not, however, automatically assume that because a site is previously developed and site clearance/decontamination is required, that these are exceptional costs.

5.19 Whilst HCA (Homes and Communities Agency) grant has been available on schemes in Poole, the Council is unable to provide an indication, as to whether grant will be made available for schemes. Therefore, applicants should test the financial viability of their scheme with a nil grant contribution. Once the application is submitted, the Council may be able to advise the applicant whether any subsidy is available to maximise affordable housing delivery.

5.20 Where an applicant wishes to use different values than the Toolkit’s default values the Council will seek further detailed information before accepting these values and, where necessary, seek verification. This needs to be undertaken by a chartered surveyor at the applicant’s expense because the Council is unable to meet such costs through any of the other funding streams. Such verification could be undertaken by the District Valuation Service, or alternatively by an independent surveyor instructed by the Council with costs recharged to the developer/agent.

5.21 The Toolkit allows the acquisition costs of the site being tested to be entered into the model, with the residual land value taking this into consideration. Where the Council wishes to verify the acquisition costs submitted by the applicant it will seek a valuation to be

undertaken from a chartered surveyor or valuer. This will be used to justify the Council's decision in circumstances where there is disagreement.

5.22 The Toolkit can be used by developers prior to any land transactions being made, to make a reasoned judgement on the value of land in light of future planning obligations that the Council will require. The Council will normally expect developers to have taken the effects of the Council's planning requirements into account, prior to securing land for development, and therefore may not readily accept claims that a scheme is not financially viable due to the developer paying too much for the site.

Developer Profits

5.23 As a starting point for all affordable housing negotiations with the Council, the Council has worked on the basis of profit for developers of 15% of the gross development value. As the default value, the Development Appraisal Toolkit sets developer's profit at this 15% level. However, in periods of economic recession and with sufficient evidence this can be adjusted via negotiation.

5.24 Developers proposing to buy a site who wish to assess its economic viability prior to submitting a planning application and before making any land transactions may purchase a copy of the Development Appraisal Toolkit. With regular updates this has been designed to provide developers and landowners with greater certainty. A benchmark 15% profit margin is the figure on which to commence negotiations. The Council accepts that there may be a higher risk than normal to the developer in certain circumstances, in which case an acceptable profit margin can be negotiated with developers/applicants.

5.25 Risks to development profit, such as contaminated land or other ground works issues, should be identified and costed prior to the submission of a planning application, in order that negotiations can be made with this information already known. However, the Council also recognises that in some exceptional instances there is a higher risk to a developer than normal with potentially abnormal costs that could not have been reasonably anticipated in advance. In these instances the Council will discuss an acceptable level of profit with the applicant.

5.26 It is envisaged that the Toolkit will help speed up the negotiation and determination of residential planning applications by formalising the reasonable profits of developers. The Council is, however, aware that flexibility is required in such negotiations and that in certain circumstances the levels of profit may need to be revised.

Using Other Development Appraisal Toolkits

5.27 The Council does not preclude agents and developers using their own development appraisal toolkits/assumptions to test the financial viability of a scheme (as mentioned on page 16). Two examples of these include the HCA's Economic Appraisal Toolkit and English Heritage's 'Enabling Development and the Conservation of Significant Places'. The Council in determining applications will input the scheme into its Development Appraisal Toolkit, and as such has produced a Development Appraisal Pro Forma that will still allow the Council to undertake an assessment of site viability (Appendix B).

5.28 Where the full Development Appraisal Toolkit is not submitted as part of a planning application, the Council will require as a minimum the submission of a completed Development Appraisal Pro Forma, in order that the planning application can be formally registered.

Interim Tariff for minor applications of 6 – 10 units

5.29 A formulaic approach has been devised as a means of providing greater certainty to developers on the level of contributions for development in the range of 6 – 10 units. This unit range has been selected as the one that has been most frustrated in the delivery of affordable housing by the sometimes protracted verification of viability process, and variance of contribution level that is unknown to developers until the end of the planning process. (Nb: Core Strategy policy PCS 6 requires affordable housing contributions for schemes of six or more).

5.30 The formulaic tariff has been devised with regard to the recent viability study on the Community Infrastructure Levy May 2011 prepared for the Borough of Poole by BNP Paribas. The formula follows the sub areas used in this study, and the percentage increase/decrease upon an average rate of the property values (£50 per m²) in those areas, and including the number of bedrooms and the size of the proposed units.

5.31 The following table sets out the various base rate tariffs (per m²) to be levied across the 9 sub market areas. This is translated into a wider table in Appendix C that expresses the total sum to be paid for various development types/sizes in different sub market areas. The base rate of 50m² is derived from the CIL BNP viability work and has had regard to the HQI (Housing Quality Indicator) minimum sizes for housing. The base rate varies depending upon the sub market area it applies to, for instance it is £71 per m² for new residential development in Canford Cliffs and Sandbanks and £35 per m² in Branksome, Newtown and Alderney. Penn Hill and Parkstone are nearer the base rate average.

Proposed Affordable Housing Contribution (using BNP Paribas CIL Report submarket areas of Poole)	House £m²	Flat £m²
Poole Harbour (with views)	£71.00	£89.00
Poole Harbour (without views)	£71.00	£49.00
Poole Harbour	£51.00	£48.00
Central Poole (with views)	£41.00	£66.00
Central Poole (without views)	£41.00	£47.00
Poole Outer North West	£53.00	£47.00
Poole Outer North East	£45.00	£35.00
Poole Inner North West	£41.00	£36.00
Poole Inner North East	£35.00	£33.00

5.32 It would be administered in a similar way to the contributions that are currently collected for Heathlands and recreational contributions. Comparison with the viability table in the BNP Paribas Report reveals that it is generally schemes of over 7 units that present greatest viability with this tariff, and there is enhanced viability with schemes that are for non-residential land use to residential.

Pre-application Advice

5.33 Developers should enter into pre-application discussions with the Council prior to taking an option or purchasing land for residential development. In this way the developer will be able to negotiate land values with the landowner in the knowledge that there is likely to be a requirement for affordable housing provision.

5.34 Discussions with Council officers can also help to advise on the type of affordable housing that is needed in different areas, and different options that are available for providing it. They can also advise on partnerships with affordable housing providers, including Registered Partners.

5.35 Part of the pre-application process should also involve early and informal discussion with the local community, and could include local Ward Councillors and Community Groups, and any proposed delivery partners (eg Registered Partners).

The Council offers a formal pre-application advice service available to all applicants for which a fee is charged as set out in the link:

www.boroughofpoole.com/downloads/assets/Pre-app_2nd_Generation_form.pdf

The service provides written planning advice regarding the acceptability of proposed development. The minimum requirements that the Council requires to assess a proposal is set out at

www.boroughofpoole.com/go.php?structureID=U464063d13022f&ref=S478B8EF43E81B.

5.36 The written advice will include information on whether the proposal will require planning contributions to be paid, including for the provision of affordable housing. Following this written pre-application advice, the agent/developer can also meet with a Planning Officer to discuss the proposed scheme in person (a further fee is charged for this advice).

5.37 The Council would prefer developers/agents to have used the Development Appraisal Toolkit prior to any such pre-application meetings for housing schemes where an affordable housing planning obligation will be required. A Toolkit print-out should be made available at the meeting to allow initial discussion concerning the financial viability of the scheme.

5.38 The Council is aware that during the stages of preparing a planning application the applicant/agent may not be able to complete the Toolkit, due to uncertainties or issues that remain unresolved. However, in order to aid discussions concerning affordable housing, the Council would prefer applicants to provide information that can be used to initially assess the viability of the particular proposal.

Validation

5.39 Applicants will need to follow the usual procedures for planning application registration, see the Borough of Poole website or use the following link:

http://www.boroughofpoole.com/downloads/assets/Validation_Pack_A.pdf.

Regard must also be paid to the validation process for the economic viability of sites to deliver affordable housing, and this can be seen via the link below which sets out the information required:

http://boroughofpoole.com/downloads/assets/Viability_Note_030309.pdf

Non Disclosure of Financial Information

5.40 The information provided by the applicant at the pre-application and submission stages of a planning application will enable the Council's Housing team to assess the financial viability of the proposed scheme, resolve issues where they arise, and determine the appropriate level/mix/type of affordable housing required as part of an acceptable planning proposal. The Council will seek to have transparent and open discussions with applicants, however, where an applicant is unwilling to disclose financial information, the Council will be required to make its own judgements on the financial viability of a scheme, using its own in-house expertise and the default values as set out in the Development Appraisal Toolkit.

Determination of Applications

5.41 Planning applications will be considered in the normal way taking into account all planning considerations. The inclusion and securing of affordable housing as a result of negotiation between the applicant and the Council will be a material consideration in determining the application. As such, failure to secure affordable housing on a site that could financially support such development could justify the refusal of a planning application.

The following Section sets out what the Council will seek to negotiate on sites able to financially support the provision of affordable housing.

6 Provision of Affordable Housing

Delivery Hierarchy

6.1 Where the Development Appraisal Toolkit indicates that an affordable housing planning obligation could be negotiated without unduly affecting the financial viability of the scheme, the Council will seek to deliver affordable housing following the preferred hierarchy, as set out below:

- i. On-site provision
- ii. On-site/off-site provision
- iii. Off-site provision
- iv. On-site provision/financial contribution
- v. Off-site provision/financial contribution
- vi. Financial contribution

6.2 Where on or off-site provision will be required, the Council's preferred option will be for the developer to provide completed units to a registered provider at a price they can afford to pay for that particular affordable housing unit. Where the developer provides services land only, a further financial contribution will be negotiated to help achieve delivery. The toolkit can provide a guide to the value of an affordable housing unit which has been agreed with local registered providers and future updates will also be agreed in conjunction with those registered providers that the Council work with.

Please note: the affordable housing provision (on-site or off-site) or the financial contribution should be calculated in relation to *gross* rather than *net* development i.e. it should be based on the total number of units proposed in the final development.

6.3 In the case of extant permissions for between 6 and 14 dwellings, these can to be implemented in their original form without affordable housing contribution only where there has been no change in circumstances and no re-submission occurs. When a fresh application is submitted then the new affordable housing contributions will be collected in accordance with PCS 6 of the Poole Core Strategy.

On-Site Provision

6.4 On-site provision is the Council's preferred option for the delivery of affordable housing. In seeking to deliver balanced and mixed communities the Council will promote the delivery of affordable housing on mixed tenure developments. This will help to alleviate potential land availability issues in finding suitable and available alternative land for off-site provision.

Off-Site Provision

6.5 There may, however, be circumstances where on-site provision would not be practical or desirable, or where an off-site provision would be more suitable. In such an event an off-site affordable housing provision – either partly or wholly – may be acceptable.

Where it is agreed that the affordable housing will be delivered off-site, the Council will seek to secure a level of affordable housing that is of 'broadly equivalent value' to that which

would have been delivered on-site. It will need to reflect the fact that the 'alternative' site may also have an affordable housing contribution in its own right.

6.6 This value would secure a proportion of affordable housing on the alternative site. In the same way as providing the affordable housing on-site, the developer would need to enter into an agreement with a RP's to deliver the affordable housing, maximising the level of delivery through the RP's payment price contribution and any HCA grant (where available). The Council will seek to ensure that off-site provision delivers, as a minimum, at least the same amount of affordable housing units as would have been delivered on-site.

6.7 In addition, to ensure that no less affordable housing is delivered on the two sites, than if the provision was wholly on-site, the alternative site will be assessed in its own right to identify whether it could deliver affordable housing. Where it is found that the alternative site is financially viable to deliver affordable housing, this level of affordable housing will be delivered on-site, in addition to that delivered from the off-site provision.

Contributions in Lieu

6.8 In terms of collecting financial contributions in lieu of on-site provision, PPS3 states that the contribution should be of 'broadly equivalent value' and should contribute to the creation of mixed communities in the local area (paragraph 29). The Council's Development Appraisal Toolkit will be used to identify the level of any financial contribution based on the equivalence approach, whereby applicants will need to pay a contribution at the same level as if they were providing affordable units on-site.

6.9 Through using such an equivalence approach, the applicant is no worse or better off financially if provision of affordable housing is made on-site or as a commuted sum. However, contributions for affordable housing will only be considered as a final option where there is agreement between the developer and the Council that this is the preferred option.

6.10 Financial contributions will not be accepted solely on the grounds of an applicant's preference; any applicant proposing to pay a financial contribution will need to demonstrate that there are valid reasons for this and gain the Council's agreement.

Further details of how the Council will manage financial contributions in lieu of on or off-site provision are set out in Section 8: Managing the Provision of Affordable Housing.

Dwelling Size, Tenure and Mix

6.11 To support the creation of sustainable, inclusive and mixed communities, the Council will seek to secure a mix of housing types and sizes for both the market and affordable elements of a scheme. In advising applicants and determining planning applications, the Council will have regard to the latest housing evidence, in particular the BHM model (see Table 2), and the level of current need as identified from the Council's Housing Needs Register.

6.12 Whilst the final tenure and mix will be agreed on a scheme-by-scheme basis, the Council will seek to secure a range of housing types to create balanced communities, as recommended by the SHMA. The following table summarises the recommended size of

both market and affordable dwellings and will be used as an indicative guide for determining the appropriate mix of dwellings on a site, in particular the mix of affordable housing.

Table 3:

	1 bed	2 bed	3 bed	4+ bed
Market (purchase and rented)	25%	54%	10%	11%
Intermediate	29%	53%	10%	8%
Social Rented	2%	58%	22%	18%

Source: Adapted from Dorset Survey of Housing Need and Demand. Local Authority Report: Borough of Poole. Table 11.1, p.81

6.13 Whilst it is unlikely that the Council will seek to translate exactly these recommendations on each development site, particularly on small windfall sites, it will still have regard to the overall recommendations of the SHMA (and any more recent housing needs evidence) when negotiating on such sites.

6.14 The Council's development strategy, as set out in Policy PCS 5 of the Core Strategy indicates that in areas characterised by family housing which are outside of the town centre, Poole's central regeneration area or within close proximity to a local centre and high frequency public transport stop, flat development will be resisted in order to retain such existing family housing. This policy approach will need to be considered in all planning applications, including those for affordable housing.

6.15 The Council will seek to secure 70% of the affordable housing contribution as rented units and 30% as intermediate housing in order to meet the identified need. However, negotiations on a site-by-site basis will be made, informed by housing need and the ability to afford intermediate housing and the financial viability of the site in question. Where the applicant wishes to deliver different tenure levels, they will be required to justify their decision and gain agreement with the RP that will manage the new units.

6.16 The viability of providing the preferred affordable housing type(s) on a site will be tested using the Development Appraisal Toolkit during the application process and may, where viability is affected, result in the Council agreeing different levels of affordable housing provision.

Affordable housing need

6.17 This includes social rented, affordable rented, and intermediate housing, provided to specified eligible households whose needs are not met by the market.

Affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices; and

- Include provisions for the home to be retained for future eligible households; or if these restrictions are lifted, for any subsidy to be recycled for alternative affordable housing provision.

6.18 The SHMA recommended that to be of most use to those in this type of need, intermediate housing should be priced around the mid point of the intermediate gap – i.e. between average market rented housing and open market housing.

Intermediate housing is at prices and rents above those of social rent but below market price rents, and which meet the criteria set out above. These can include shared equity (eg Home Buy schemes) and intermediate rent.

Intermediate Market Rent is a product available for RPs (ex-RSLs) to offer in those cases where RPs can demonstrate there is a need for rented housing for tenants who are able to afford more than social rents but who cannot afford to access Low Cost Home Ownership options (such as NewBuild HomeBuy or HomeBuy Direct) in the short term. To qualify as Intermediate Rented the rent level should not exceed 80% of the local market rent. The standard of property would be expected to meet all other affordable housing minimum designs and quality standards as set out by the HCA. Private Intermediate Rented may be considered in affordable housing negotiations, providing the Council can be certain of securing a sufficient design & quality standard and nomination rights.

New Build HomeBuy: housing that is sold as leasehold on shared ownership terms between the RP and the occupier. The minimum share that the occupier can purchase is 25%, and 75% is typically the maximum amount that can be purchased. The occupier needs to be able to raise a mortgage on the purchased share, and rent will be paid on the rented share. The rent calculated will be set at a level that is affordable for the occupier based on the RPs agreed rent levels. Occupiers can 'staircase' upwards by purchasing more of the share of the dwelling, up to 100%. Any capital received by the RP following staircasing will need to be recycled for alternative affordable housing provision within the Borough.

6.19 Any other forms of Intermediate Housing detailed within PPS3 such as discounted housing will not be considered as part of the preferred tenure mix defined above. However, the Council will not preclude other alternative tenure arrangements providing that they meet an identified and quantified housing need, and the benefit of the affordability can be maintained over time. Any such proposals would form part of any negotiations and should therefore not be included in any initial applications.

7 Design Principles and Standards

Integrating Affordable Housing

7.1 In delivering mixed communities, the affordable housing element of a scheme should be well integrated and indistinguishable from the market housing in terms of design, layout, landscaping, parking standards, size etc. There should be physical integration via dispersal throughout larger development sites, in ideally clusters of 15 affordable units. The Council will take into account the design quality and siting of the affordable housing in determining such planning applications.

7.2 The design of any affordable housing units required on or off-site will be a matter for discussion at the pre-application stage. It is recommended that where the affordable housing units will be transferred to a RP, the RP should be party to these discussions to ensure that the final design of the scheme is acceptable in meeting the RP's requirements.

Affordable Housing Standards

7.3 Affordable housing should contribute to the creation of sustainable and mixed communities through the provision of high quality housing that is indiscernible from open market housing.

7.4 Affordable housing will also have to comply with the HCA's *Design and Quality Standards April 2007* (or any subsequent guidance), which set out the requirements and recommendations for all new homes that receive Social Housing Grant.

Three Core Standards are:

- Internal Environment – size, layout, service provision (in accordance with Lifetime Homes and Core Strategy Policy PCS8)
- Sustainability – Code for Sustainable Homes
- External Environment – Buildings for Life, By Design, Buildings for Life.

7.5 The Council will also expect applicants to have regard to other national and local planning standards in the development of their schemes, which will be material considerations in the determination of such planning applications. Other standards that may be relevant to any particular scheme include *Secured by Design, Manual for Streets*, Local Space Standards as set out in the saved Leisure and Recreation policies of the adopted Local Plan, and emerging standards in the Green Infrastructure Strategy.

7.6 As such, all planning applications will be determined in accordance with the development plan unless material considerations indicate otherwise.

8 Legal Agreement

8.1 The legal agreement that a developer will have to enter into on a site where an affordable housing planning obligation is required, will cover the following:

- Calculation and payment of s106 when development is occupied, in order to rule out banking of sites until market values rise.
- Index Link contributions in order to calculate whether any additional affordable housing contribution is due, in lieu, due to uplift in market.

8.2 The overage (clawback) of value is when a developer secures consent and then waits for the market to rise before completing the site. S106 requirements would be calculated on market values of the site when completed – however on-site provision is unlikely to be upped (Affordable Housing standards are higher – e.g. Code for Sustainable Homes), so the difference, if any, would be a financial contribution.

8.3 An example of an overage clause used in legal agreements is provided in Appendix E, though each agreement is likely to present some variation upon it. Important elements in the S106 Agreement in relation to overage will include the recognition of a “trigger point” for subsequent assessment, and an agreement of the proportion of any revised contribution that would be attributable to affordable housing.

8.4 Where an overage clause is intended to be used the key parts of the clause (Appendix E example) will form part of the affordable housing negotiation on a case by case basis.

Affordability Gap

8.4 The mismatch between earnings and house prices creates an affordability gap. A general formula for estimating what constitutes a price which is affordable to households with average earnings, or mortgage affordability, is as follows:

Average annual (joint income) earnings x 3 = Affordable price

8.5 In Poole the housing needs survey (June 2008) estimated the average gross household income as £29,723, so applying the above formula puts this average affordability price at £89,169. The lower quartile index of the Land Registry and Annual Survey of Hours and Earnings presents a figure of average *individual* earnings in 2009 of £18,561. The four quarters data taken from land registry lower quartile housing prices suggested the average property price in Poole was £162,250 in 2009 (compared to a median across all quartiles of about £199,233).

The various evidence clearly points to an affordability gap in Poole.

8.6 Therefore, a **discounted rate clause** can be included in legal agreements to ensure that affordable housing units are retained and used as such. In this way the agreement can stipulate a stepped approach to the selling of affordable housing, as follows:

An affordable housing unit is offered for sale to a RP.

If the RP confirms it does not wish to complete the purchase, or fails to exchange contracts within 3 months, then the owner can offer the affordable housing unit to three further RPs. If a sale fails again then the unit is offered to the Council.

8.7 If this sale fails and it is shown that the owner has used reasonable endeavours to do so then the owner may dispose of the Affordable Housing Unit to any nominated Council purchaser, tenant or occupier on the open market at the Discounted Rate subject to a restrictive covenant that no unit may be transferred other than at the discounted rate prevailing as at the date of any subsequent disposal. Prior to any Discounted Rate sale the Owner should submit to the Council a Market Valuation of that Unit undertaken by an independent valuer. Various sub clauses relating to discounted sale would also be part of any legal agreement.

8.8 The discount rate formula applied to any scheme is calculated by multiplying the average household earnings by 3, then divided by the average unit market value of that particular scheme and converted into a percentage for the discount rate.

On the basis of the figures above this can be shown as:

$\pounds 29,723 \times 3 = \pounds 89,169$ divided by $\pounds 162,250 \times 100 = 55\%$ discount rate.

This rate remains with the property to ensure that it is reflected in future sales.

9 Managing the Provision of Affordable Housing

Role of Registered Partners - RPs (ex- RSLs)

9.1 The Council will seek to ensure that affordable housing is occupied by those people who need it. The involvement of a RP such as a Housing Association or other housing provider, approved by the Council, will ensure a greater element of control over the continued occupancy of new affordable housing. For all types of affordable housing, the Council will ensure that through the legal agreement entered into, the affordable housing will remain available at rents (or prices) affordable to those in housing need, in perpetuity or that the value is recycled to provide other forms of affordable housing.

9.2 Through the legal agreement the Council may seek to secure the transfer of affordable housing to a RP on sites – particularly those less than 15 units in size – prior to the occupation of any of the market housing. On larger sites the Council is likely to require the transfer of affordable housing prior to the occupation of a certain number or percentage of market housing units.

9.3 Where a developer states their intention to manage the affordable housing without an RP, the Council will seek to ensure through the legal agreement that the affordable housing delivered will remain affordable in perpetuity.

Rent Reviews and Nominations

9.4 In order to ensure that the affordable housing secured remains available for local residents and remains financially affordable, the Council will continue to agree annual standard rent/intermediate rent levels with the RPs managing affordable housing within the Borough.

9.5 The Council will ensure that the affordable housing continues to be occupied by people in housing need, through providing all nominations for its occupancy both initially and in the future. The Council holds a Housing Register of people in housing need within the Borough and this Register will be used to nominate new tenants. The Council and RPs will also offer guidance and advice on reasonable service charges on new developments (typically flats) in order to ensure that these are not so high as to jeopardise the affordability, both to tenants of affordable housing and owner occupiers.

Perpetuity and Provisions for Recycling Public Subsidy

9.6 The Council will seek to maintain affordable housing in perpetuity, however, if affordable housing delivered with the aid of HCA grant, is lost to the affordable housing sector, either because a social rented tenant exercises a Right to Acquire, a shared owner staircases to full ownership, or the home is no longer needed for affordable housing, then any subsidy obtained by the RP upon sale will be required to be reinvested to meet current affordable housing needs.

9.7 Full details of the reinvestment of subsidy by grant funded RPs can be obtained from the HCA's Capital Funding Guide on their website. For other grant funded providers details will be set out in the grant agreement.

Use of Contributions in Lieu of On/Off-Site Provision

9.8 The Council has produced an implementation strategy³, which sets out how the Council will maximise the delivery of affordable housing through any contributions that are collected. Primarily money collected will be used to prioritise the delivery of new affordable housing through 'topping-up' Housing Association subsidy and deliver specific housing types to meet current needs (for example larger family homes, which are more costly to deliver). Other uses of collected money may include the development of intermediate market rented units or purchasing homes from the open market for affordable housing. (Community Infrastructure Levy is not expected to contribute to Affordable Housing).

9.9 Where a financial contribution has been agreed, an administration charge will be added to the contribution to cover the administration costs of collecting and handling the money, meeting auditing requirements including reporting to members and in managing the timely payment of money due, as follows:

- i. A one-off payment of £500 is paid once planning consent has been granted or at commencement of development
- ii. A further £500 at each and every stage of payment, where this has been agreed with the Council.

9.10 All such income from financial contributions will be recorded in the Authority's accounts and held until such time as the expenditure is incurred. Such balances that remain in the fund from one year to the next will automatically be carried forward so that there will be no requirement to match the receipt of the money and expenditure in a single financial year. Receipts not spent within a period of 5 years will be returned to the developer.

9.11 Part of the contributions collected will be used to recharge the costs of officer posts required to manage the securing of affordable housing within the Borough. These costs will be set out in the Council's annual budget.

³ Affordable Housing Policy – Implementation Strategy 2008

10 Final Guidance

10.1 The main principles in the provision of affordable housing are:

- An affordable housing planning obligation will be required on all residential (use class C3) developments of 6 or more units (there is no discount for existing units)
- The Council will seek to secure as a benchmark a 40% affordable housing provision or contribution on all qualifying sites, where financially viable
- The Development Appraisal Toolkit, or similar, will be used to inform the final affordable housing requirement, based on financial viability
- The Council will typically seek to secure no more than 30% of the affordable housing delivered as intermediate affordable housing
- Low cost market housing is not classed as affordable housing
- The preference is for the affordable housing to be delivered on-site
- The legal agreement may require a number of affordable homes to be transferred to the agreed RP prior to the market housing being occupied
- The Council will be able to advise developers and RPs as to whether HCA Grant will be available
- The Council will nominate who will occupy the affordable housing both initially and when re-let
- Housing need will be identified and met on a Borough-wide basis and not by ward
- Developers are advised to have regard to the policy requirements of the Core strategy and this SPD when negotiating on the purchase price of land

10.2 Applicants are advised to agree the Heads of Terms with the Council at the pre-application stage. This would normally cover the following issues:

- Terms of transfer from developer to the RP;
- Location of affordable units on the site;
- Timing of the provision of the affordable housing units;
- Number, tenure and size of the affordable housing units; and
- Standards which the affordable housing units are to meet, HCA 'Scheme Design Standards'.

11 Monitoring and Implementation

11.1 Delivery and monitoring of progress will be crucial to the success of the Affordable Housing SPD. The various policy strands, with joint working and the collection of financial contributions, will all pull together to help deliver affordable housing in Poole.

11.2 The tariff approach will apply until CIL comes into force, at which time it will be reviewed (April 2012). The SPD as a whole will be monitored in line with the milestones set out in the Core Strategy (Chapter 7). Figures on delivery will be collected to inform the Annual Monitoring Report which will aid monitoring of this SPD.

APPENDIX A

Glossary

AMR: Annual Monitoring Report

BHM: Balanced Housing Market

BCIS: Building Cost Information Service

CIL: Community Infrastructure Levy

DCLG: Department for Communities and Local Government

DPD: Development Plan Document

HCA: Homes and Community Agency

HCS: Housing and Community Services

HMA: Housing Market Area

LDF: Local Development Framework

LIP: Local Investment Plan

RICS: Royal Institute of Chartered Surveyors

RP: Registered Partner(s)

RSL: Registered Social Landlord

RSS: Regional Spatial Strategy

PCS 6: Poole Core strategy Policy 6

PPS: Planning Policy Statement

Preferred Partners: A small group of RSLs (or RPs) selected by the Local Authority to work in partnership to deliver affordable housing.

S106 Agreement: A legally binding agreement between a developer and Local Authority during the process of seeking planning permission.

SCI: Statement of Community Involvement

SHMA: Strategic Housing Market Assessment

SPD: Supplementary Planning Document

SA: Sustainability Appraisal

Definitions

Definitions of **affordable housing**, **social rented housing** and **intermediate affordable housing** are provided on pages 6 and 7.

Viability:

A scheme's feasibility, its practical ability to be implemented, especially from an economic standpoint.

Heads Of Terms:

The issues upon which a S106 Agreement is based.

Each of these terms will involve a specific contribution or undertaking. There must be an agreement on what the Heads of Terms are before their specifics are negotiated.

RP (Registered Provider)

Any Organisation registered with the Tenant Services Authority as a provider of social housing. This can include Housing Associations, Local Authorities and private companies.

RSL (Registered Social Landlord)

A Housing Association or a not-for-profit company formerly registered with the former regulatory arm of the Corporation (now the Tenant Services Authority) to provide social housing. RSLs registered with the TSA immediately prior to 01 April 2010 become Registered Providers (RPs).

Trigger Point

Agreed point in time when the scheme viability will be reviewed.

Development costs

The total amount of costs for a scheme as detailed in a viability appraisal.

GDV

Gross Development Value, that is, what a site or scheme is worth in its entirety before deductions, in this case in relation to a completed scheme.

Contributions

Usually financial, made in an agreement negotiated between the Local Planning Authority and persons with an interest in land, which is intended to make acceptable development which would otherwise be unacceptable in planning terms.

Overage Value

The residual value after the scheme has been re-appraised.

APPENDIX B

Development Appraisal – Basic Pro Forma

Please use a separate sheet for each dwelling type proposed on the scheme

Site address	
Post code	
Total size of site (ha)	
Total number of proposed dwellings (gross)	
A breakdown for each dwelling type, including: Number of proposed dwellings (by type) Flat or house Number of bedrooms Size of unit in m ² Underground, undercroft or surface level parking provision Total number of floors in block Predicted current market sales value	
Details of exceptional costs and written evidence supporting these costs	
Acquisition cost of land, or if already owned, current site value	

**APPENDIX C :Proposed Affordable Housing
Tariff Table**

	1 bed £	2 Bed £	3 bed £	4 Bed + £	Per Flat	Per House
SEDTCs	3,566.00	4,279.00	4,992.00	5,706.00		
Open Space & Recreation					£ 1,456.00	£ 2,260.00
Heathlands					£ 1,034.00	£ 1,724.00

Proposed Affordable Housing Contribution (using BNP Paribas CIL report submarket areas's of Poole)		Average market value per M2 floor area	£m2 (total floor area not footprint)	% increase / decrease in M2 value applied to £50m2		£m2	% increase / decrease in M2 value applied to £50m2
Sub Market	Settlements; key locations	House	House	House	Flats	Flats	Flats
Poole Harbour (with Views)	Canford Cliffs, Sandbanks, Branksome Pk	£4,190.00	£ 71.00	142	£ 5,741.00	£ 89.00	178
Poole Harbour (without Views)	Canford Cliffs, Sandbanks, Branksome Pk	£4,190.00	£ 71.00	142	£ 3,157.00	£ 49.00	98
Poole Harbour	Parkstone, Penn Hill	£3,057.00	£ 51.00	103	£ 3,057.00	£ 48.00	95
Central Poole (with Views)	Town Centre	£2,423.00	£ 41.00	82	£ 4,280.00	£ 66.00	133
Central Poole (without Views)	Town Centre	£2,423.00	£ 41.00	82	£ 3,043.00	£ 47.00	94
Poole Outer North West	Broadstone	£3,134.00	£ 53.00	106	£ 3,014.00	£ 47.00	94
Poole Outer North East	Merley & Bearwood	£2,668.00	£ 45.00	90	£ 2,260.00	£ 35.00	70
Poole Inner North West	Creekmoor; Canford heath East / West	£2,422.00	£ 41.00	82	£ 2,325.00	£ 36.00	72
Poole Inner North East	Branksome East / West, Newtown;Alderney	£2,079.00	£ 35.00	70	£ 2,119.00	£ 33.00	66
Total		£ 26,586.00	£ 38		£ 28,996.00		
Average		£ 2,954.00	£ 50.00		£ 3,221.78	£ 50.00	

Appendix D

**SUMMARY OF REPRESENTATIONS RECEIVED TO THE PUBLIC
CONSULTATION
AND RESPONSES AND PROPOSED CHANGES TO
AFFORDABLE HOUSING SUPPLEMENTARY PLANNING
DOCUMENT (July 2011)**

Introduction

The Affordable Housing Supplementary Planning Development (July 2011) was published for consultation between 27th July to 9 September 2011, a six week period. During this time the document was available in public libraries and on the BoP website.

15 responses were received. These are summarised below, together with a Council response to the views expressed, and any proposed changes to the SPD.

Responses

Savills on behalf of Talbot Village Trust

There is support for the flexible approach, so that both funding and viability are taken into account. The document needs to have regard to the NPPF, and as viability is a significant issue for both affordable housing and the current CIL work then these 2 documents should be more closely related.

Amendments are required to the document to reflect changes to PPS3, to recognise further the economic downturn and additional costs arising from CIL, and the current lack of grant support.

The SPD needs to clearly establish the basis for calculations within development models like the 3 Dragon's Toolkit, and could have regard to 2 recommended sources :- the HCA's Economic Appraisal Toolkit and English Heritage's "Enabling development and the conservation of Significant Places".

Council Response/Proposed changes

An update to the document by way of modifications to the policy text in relation to the RSS, PPS3 and emerging CIL, plus reference to the new affordable rent product and alternative toolkits are added.

The document already refers to the current economic downturn, no further commentary is to be added.

The Borough is flexible in its tenure requirements but it must carefully consider evidence, in order to demonstrate both need and that different tenures are still an affordable product. Registered providers are not permitted to deliver extra affordable rent products above the level they have already agreed with the HCA therefore the Council needs to take this into careful consideration when negotiating a variance on tenures.

The 40% AH is a benchmark level set in the Core Strategy policy PCS6. It can go up or down depending on the criteria and what this establishes. Until this is reviewed it remains non-negotiable as an adopted policy of the Council.

With regard to the toolkit parameters, these are given as a starting point and where agreement is not reached they become subject to professional advice.

Martin Heath of Ravine

The CIL Viability Study is unsound which in turn means the tariffs will not work. The tariff table does not take account of variations within the areas, or at boundaries, and land values are incorrect with no economies of scale.

There are differences in residential land value due to different tenure mixes in the viability tables and under-estimates of build costs, and this undermines the soundness of the tariff approach.

Council Response/Proposed Changes

The tariff approach has been in response to developer suggestions, to help alleviate the problems of delivering affordable housing in the 6-10 units bracket (in accordance with Policy PCS6). Scheme viability is still the principle basis for assessing affordable housing but the tariff approach is offered as an alternative to assist delivery.

Boundaries between sub-market areas may be where negotiations occur.

The proposed tariff is a short term measure that will be reviewed, but in the current economic climate it is unlikely that the tariffs would result in lower contributions to the Council.

Rippon Development Services for Inland Homes

There is support for independent viability assessments as purported in SPD. Paragraph numbering would be helpful it is suggested.

The Council should have *high* regard to the price paid for a site in calculating site viability. If a site is purchased after the SPD is adopted that Affordable housing costs are better known and this is not the case for historic land purchases (ref page 18).

The 15% profit margin is too low and does not reflect the new Governments drive for LPAs to facilitate and encourage development.

Objection is raised to the legal agreement contributions not necessarily being settled before development commences so that further uncertainty would ensue and the overage clause may have the effect of putting a brake on development (ref page 28).

The discounted rate clause is unfair on shared ownership occupiers wishing to “staircase” up to full ownership, and full value (not discounted), over time. (ref page 28).

Appendix E should be widened to include definitions of main terms (like trigger point GDV etc). The SPD should not be adopted before these definitions have been defined and re-consultation has occurred.

Council Response/Proposed Changes

The negotiation process is the means by which land value and profit margin are considered in the viability analysis, so that there is flexibility. Recent appeal cases have ruled that it is unreasonable to take into account the historical amounts paid for land - it is not considered that there is a need to change the text of the SPD on this point.

With regard to the discount rate the value will always be restricted unless property is repossessed.

Definitions for terms used in the overage clause will be added to the Glossary but it is not felt that anyone has been disadvantaged by not knowing these terms in Appendix E or in understanding the SPD. Council officers have been available to answer any queries, and there is no justifiable delay to further advertising the overage clause which has been in use already.

Tetlow King for the SW RP Planning Consortium

Affordable Rent within the Affordable Housing definition needs to be reflected throughout the document.

Evidence, such as SHMA and BHM needs updating.

Purchase of the toolkit needs to be lower, otherwise it prejudices those that only buy it once.

The new tariff, whilst principle is welcomed, based upon a m2 formula could lead to smaller units, so that a formula based upon the number of habitable rooms may work better.

Further interpretation is required regarding “a view” to avoid dispute at application/appeal stage.

Reference should be made to physical integration of affordable housing and market housing, and that clusters of up to 15 units can achieve such integration and mixed communities.

The HCA Design and Quality Standards are likely to be replaced so that reference should be made to any replacement standards.

A time limit should be applied to Agreements (for eg in relation to overage clauses) to encourage development to come forward rather than incurring delay.

Reference to “in perpetuity” is not reflected in the role of RPs subsection.

The Monitoring and Implementation section needs to be more precise, setting out further monitoring indicators and in line with the Core Strategy, plus how often a review will take place and how affordable housing delivery will be carried out.

Council Response/Proposed Changes

Affordable rent definition will be referred to in the SPD. In terms of the ‘local definition’ if this relates to the tenancy strategy then there isn’t one as yet so the PPS3 update is relied upon at this stage.

A refresh to the SHMA is currently underway so that new evidence is being produced and this can be referred to in the SPD.

The toolkit cannot be sold for less because it is consistent with the charge made by BBC.

The toolkit is an option not a pre-requisite so agents and developers still have a choice as to whether they buy it.

The tariff table has set the parameters at levels considered as the most logical and fairest. There will be discrepancies and in those cases a viability test can still be used. Otherwise it is expected, that in the interests of expediency there will be those developments that are better off using the tariff table.

The impact of uncertainty that an overage clause can have on a site is understood but it does appear to be a fair way to enable consent / development to continue where a scheme has not been able to meet or fulfil all of its planning obligations.

The detail of any overage clause will vary from case to case and will be subject to negotiation. This SPD is therefore not the place to try and set out the detail of any such overage clause as there would be too many scenarios. The basic principle has been set out and should be enough to advise applicants that an overage clause will be used to help satisfy the required policy obligations a development should make.

Expansion is made to the Monitoring and Implementation section to underline its conformity with the Core Strategy, and subsequent guidance is referred to in reference to the current HCA Design and Quality Standards.

The premium put on a development by reason of “a view” to some extent will be determined by estate agents, and their advice can be sought on this so that it could inform the viability analysis if necessary.

Savills for Gallagher Estates

It is considered that the 15% default profit is too low, and it needs to be flexible.

There is little justification for the overage clause approach, to ensure certainty this should form part of the policy (in the Core Strategy not the SPD).

In principle the SPD is welcomed but where it goes beyond the CS policy (eg overage and ongoing viability analysis) it is not supported.

Council's response/Proposed Changes

The 15% profit margin is negotiable and is based on the advice of the 3 Dragons consultants. Since it is not a hard and fast figure it is not proposed to amend the SPD. There is also flexibility with the tenure requirements but the Borough still needs to have regard to the evidence that demonstrates both a need and that different tenures are still within an affordable product. RPs are not permitted to deliver extra affordable rent products above the level already agreed with the HCA, which needs to be considered in any variance of terms.

(Council opinion on the overage clause point is made under the Tetlow King response above).

CYPS

It is essential that Council Units work closely together to ensure that affordable housing is provided where demand is. There are a rising number of primary school places so accommodation in these areas should reflect this.

Council Response/Proposed Changes

HCS has little control over where A H sites will come forward but the majority of it will come forward on the Regeneration sites and brownfield land.

Southern Planning

It is clear in the CIL charging schedule that if residential development meets the proposed CIL charging rates then it will not be possible to provide affordable housing at 40% if at all and this needs to be addressed in the SPD. Whilst it is open for individual proposals to be negotiated with reference to viability this is a lengthy process and may cause delay to development. The recognition in the CIL Charging schedule in relation to reduced rates of affordable housing should be explicitly addressed in the SPD.

Council Response/Proposed Changes

Both PCS6 and the SPD still follow the “subject to economic viability” guidance and therefore if a scheme meets its other planning obligation requirements by either current S106 or by CIL then an assessed scheme viability will demonstrate whether or not the affordable housing policy should be applied. If the scheme is not viable to be able to contribute then an overage clause will be applied. The SPD has already set out how this is dealt with.

Terence O’Rourke

It is considered that on the basis of the CIL charging schedule information the profit margin is too low, even if it is negotiated.

The SPD says that affordable housing will be negotiated on sites where it can be financially supported but this is at odds with the emerging Site Allocations DPD that suggests regeneration sites must provide it (irrespective of viability issues).

There is support for the SPD over the Allocations DPD on this point.

Council Response/Proposed Changes

The Allocations DPD has a strong theme for delivering development and therefore in policy terms a clear message rings out that sites in the Regen Area must make provision for affordable housing in their calculations. The SPD and PCS 6 provide the mechanistic approach to delivery. The SPD remains unchanged on this point.

Dorset Police

Commentary is largely in relation to private market housing, and layout design and planning application considerations, rather than the mechanism of delivery. Secured By Design award is upheld and adherence to Code for Sustainable Homes.

Council Response/Proposed Changes

Mention is already made in the document about design and therefore no changes to the SPD are proposed.

The Environment Agency

The EA would like to see consideration given within Section 6 of the SPD to reference to the SFRA and finished floor levels of development where it is within a flood risk area.

Council Response/Proposed Changes

This is a specific matter that would be part of the detailed planning application, so that reference to it at this stage is considered to be outside the remit of affordable housing and its relationship to PCS6 in as far as it related to delivery.

Highways Agency

As the SPD has no impact upon the Strategic Road Network no comments are given.

Council Response/Proposed Changes

None.

Theatres Trust

No comment offered on affordable housing.

Council Response/Proposed Changes

None.

APPENDIX E

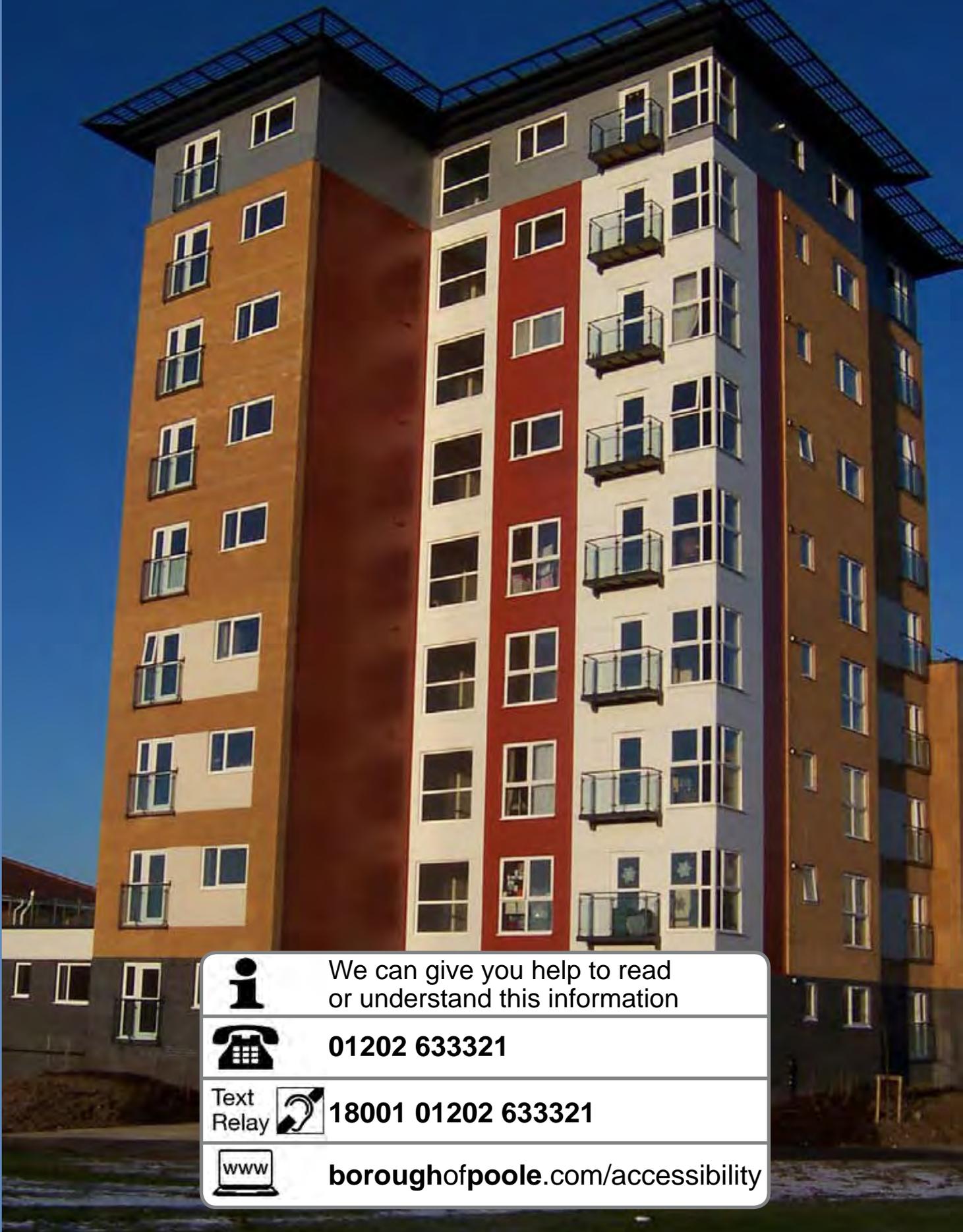
Housing Contribution shall be used towards provision of off- **FIRST SCHEDULE – CALCULATION OF OVERAGE VALUE**

- 1 The Owner shall not be obliged to provide Affordable Housing as part of the Development unless and until the Viability Appraisal to be carried out under paragraph 2 of this Schedule shows that the Overage Value (as defined in clause 1 and in this Schedule) achieves a positive sum
- 2 The Owner shall prepare a Viability Appraisal which shall provide a detailed valuation of the Development at the time of the Trigger Point and shall submit this for the written approval of the Council (acting reasonably) within one month of the Trigger Point
- 3 The Overage Value shall be calculated at the Trigger Point using the formula:

Overage Value = A - B - C - D
 - 3.1 The value of A is the Gross Development Value
 - 3.2 The value of B is the amount of the Contributions recalculated at the Trigger Point by applying the Consumer Prices Index from September 2009 to the date of the Trigger Point
 - 3.3 The value of C is the amount of the Development Costs
 - 3.4 The value of D is the Specified Owner's Return
- 4 In the event that the Viability Appraisal to be carried out under paragraph 2 of this Schedule shows that the Overage Value achieves a positive sum the Overage Value shall be apportioned in accordance with the Second Schedule of this Agreement and the Owner shall pay to the Council the Affordable Housing Contribution calculated in accordance with the Second Schedule.

SECOND SCHEDULE – AFFORDABLE HOUSING

- 1 Subject to the Viability Appraisal carried out pursuant to paragraph 2 of Schedule 1 showing that the Overage Value achieves a positive sum:
 - 1.1 75% of the Overage Value amount shall be apportioned to and retained by the Owner;
and
 - 1.2 25% of the Overage Value amount shall be apportioned to the Council and shall be paid to the Council (“the Affordable Housing Contribution”).
2. The Affordable Housing Contribution shall be paid to the Council in instalments as set out in the Third Schedule on the trigger dates set out therein.
3. The Affordable Housing Contribution shall be used towards provision of off-site Affordable Housing.



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