



Rushcliffe Commuted Sum Guidance Note

July 2016

Affordable Housing Commuted Sum Guidance

Introduction

1. This guidance note explains Rushcliffe Borough Council's approach to the delivery of affordable housing where these homes cannot be delivered as part of a development on-site, or where the delivery of the affordable homes elsewhere is more sustainable than on-site. In these circumstances a monetary alternative is provided to fund this off-site provision as a commuted sum.
2. Proposers of residential developments which are required to provide affordable housing are encouraged to use this guidance note when developing their proposals during the pre-application stage. It is intended to reduce the time taken negotiating affordable housing delivery through Section 106 Agreements, the determination of applications and deliver affordable housing.

National Planning Policy and Guidance

3. The National Planning Policy Framework (NPPF) and National Planning Policy Guidance (NPPG) set the policy context for local planning policies and guidance.
4. Paragraph 50 of the NPPF states that local planning authorities set policies for meeting affordable housing needs on site, however off-site provision or a financial contribution of broadly equivalent value can be justified where the agreed approach contributes to the objective of creating mixed and balanced communities. Approaches should be sufficiently flexible to take account of changing market conditions over time.
5. The NPPG sets out the approach to viability and is therefore pertinent when determining affordable housing contributions and commuted sums. It states that where a planning obligation (such as a commuted sum) would cause the development to be unviable, the local planning authority should be flexible, particularly where affordable housing contributions are often the largest planning obligation financially.

Local Policy

6. Policy 8 within the adopted Core Strategy contains requirements for the delivery of affordable housing, including:
 - a) A development threshold which requires affordable housing within developments of 5 or more dwellings or proposals larger than 0.2 of a hectare
 - b) The percentage of affordable homes that should be delivered:
 - i. 30% on strategic sites, in West Bridgford, Rushcliffe Rural, Radcliffe, Gamston, Ruddington and Compton Acres
 - ii. 20% in 'Leake', Keyworth and Bingham
 - iii. 10% in Cotgrave
 - c) The mix of tenure (42% intermediate, 19% social rent and 39% affordable rent)
7. Since adoption of the Core Strategy, the Government has set a national threshold of 10 units and maximum combined floor space of 1,000 sqm, beyond which, contributions to affordable housing provisions can only be sought. This national threshold supersedes policy 8 and will be applied in Rushcliffe.

8. In accordance with the NPPF and NPPG, policy 8 states that these affordable housing requirements will be sought through negotiation. Part 5 states the overall proportion and mix will be determined according to evidence of need, existing tenure mix in the area and critically the ability to deliver affordable housing alongside other requirements, taking into account broad assessments of viability. Where findings of this assessment are disputed, a financial appraisal of the proposal will be expected.

Rushcliffe Approach

9. In order to deliver Core Strategy Policy 8 and meet Rushcliffe's affordable housing requirements the following approach will be expected from developments that are required to provide affordable homes.

On-site Delivery

10. To ensure delivery of affordable housing it is expected that they will be provided on site alongside the open market housing. Discussions regarding alternative off-site delivery on a 'donor site', or, as a last resort, commuted sums will take place in exceptional circumstances. These circumstances exist where:
 - a) An independent viability assessment confirms delivery on site is not viable;
 - b) No registered provider is willing to purchase the affordable unit(s); or
 - c) Delivery of off-site or a commuted sum would deliver more sustainable development and/or more affordable units.
11. Where compliance with the Local Plan's affordable housing requirements would result in an unviable scheme, in order to ensure on-site delivery, Rushcliffe Borough Council will, subject to viability assessments, negotiate amendments to the project. These amendments may include changes to the type and tenure of affordable units or a reduction in their number.
12. Rushcliffe Borough Council operate an 'open book' approach regarding financial viability, with the independent viability assessment paid for by the applicant. Rushcliffe Borough Council will offer three quotes from independent valuers to the applicant. The chosen valuer should not have any previous involvement with the development proposed.
13. Registered providers are not for profit organisations, regulated by the Homes and Communities Agency, which build, purchase and manage social, affordable and intermediate (shared ownership) housing. If an applicant is unaware of the registered providers which operate within the Borough or has been unable to secure the sale of the affordable unit(s), Rushcliffe Borough Council can provide a list of these registered providers.
14. If off-site provision is agreed for reasons other than viability (see paragraph 9 (c) above) the Council will seek to maintain the ratio between affordable and open market housing required by Policy 8 within the donor site or equivalent commuted payment.
15. If the delivery of affordable housing on-site is likely to raise viability issues, applicants are encouraged to contact Rushcliffe Borough Council and enter pre-application

discussions. Raising viability issues after an application has been submitted can significantly delay determination and may result in an unfavourable decision.

Calculating Commuted Sum

16. In accordance with the NPPF this guidance is not prescriptive, rather it sets out principles which should be followed whilst undertaking viability assessments and determining an appropriate commuted sum. This provides flexibility when dealing with housing proposals that vary significantly in location, scale, type and tenure.
17. The calculation of the commuted sum should be based upon the gross development value of the proposal (based on local housing market evidence) compared against the combined cost of purchasing the land, construction, planning obligations and a competitive return for the developer.
18. The required sum will be determined according to the difference between the financial return (profit) for the developer of the proposal with the affordable units on-site and the proposal without them.
19. When calculating the commuted sum the gross development value should include any rental incomes, the sale of properties, and any subsidies and grants.
20. The cost of development should include construction costs, site costs (landscaping, roads and infrastructure), planning obligations (including affordable housing), professional fees, finance, sales and profit. Abnormal cost which are unique to the development should not be included within the cost of development as these costs should be reflected in the land value and absorbed by the landowner.
21. The calculation of the commuted sum will be informed by:
 - a) the particular circumstances of the site;
 - b) the residential scheme proposed;
 - c) current construction and finance costs;
 - d) current house prices and land values; and
 - e) current national and local policy requirements, including Community Infrastructure Levy (when adopted) and affordable housing requirements.

Unviable Proposals

22. Figure 1 below illustrates the calculation of the commuted sum where the combined costs of the development (including affordable housing) exceed the gross development value and therefore does not provide an acceptable competitive return and the scheme is therefore unviable. In the example below a reduction in the number of affordable units is not achievable or would still not provide a competitive return. It is therefore judged acceptable to forego on-site provision of affordable housing and accept a commuted sum which is less than the cost of providing the units on-site. Not doing so would prevent the development coming forward.

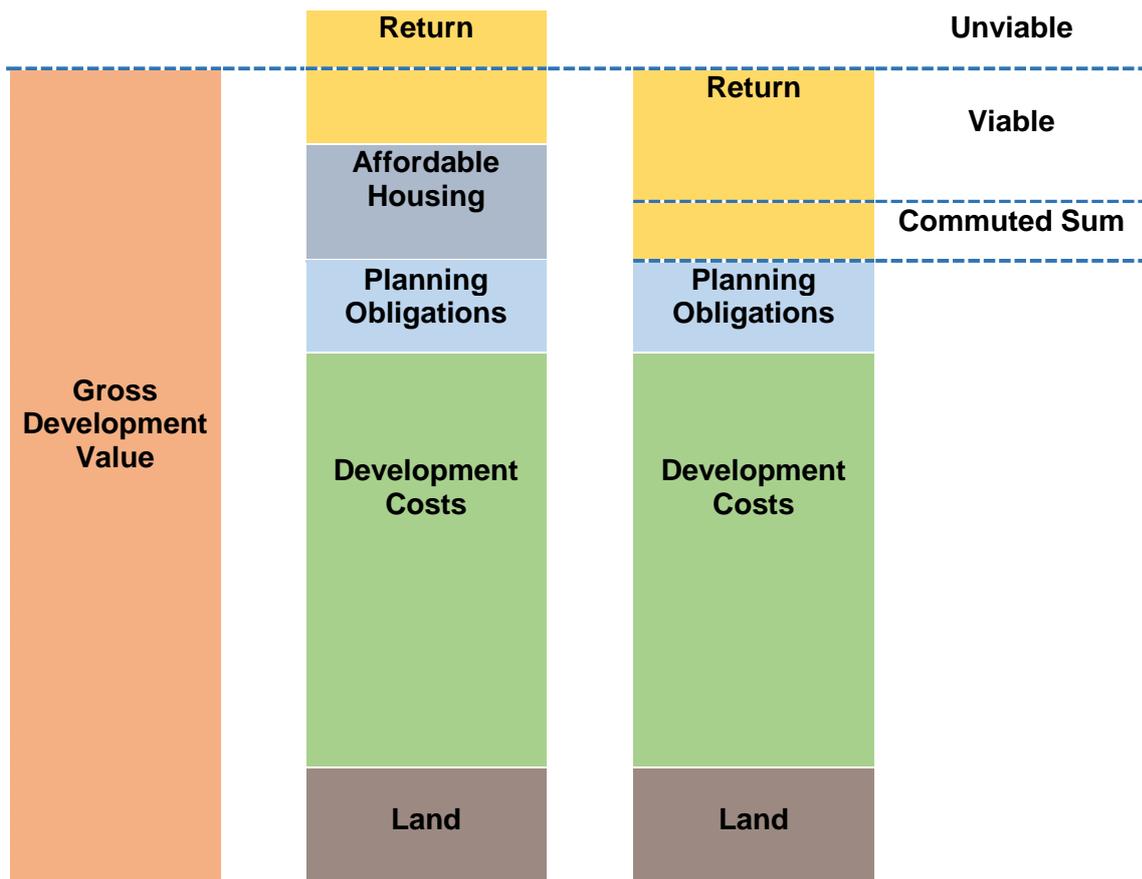


Figure 1: Calculation of commuted sums for unviable schemes

Viable Proposals

23. Figure 2 below simplifies the calculation of commuted sums where the delivery of affordable housing on site is viable but a registered housing provider is unwilling to purchase the properties, or where the provision of off-site affordable units would be more sustainable.
24. Where registered providers are unwilling, evidence that all local registered providers have been approached will be required before discussion regarding commuted sums occurs.

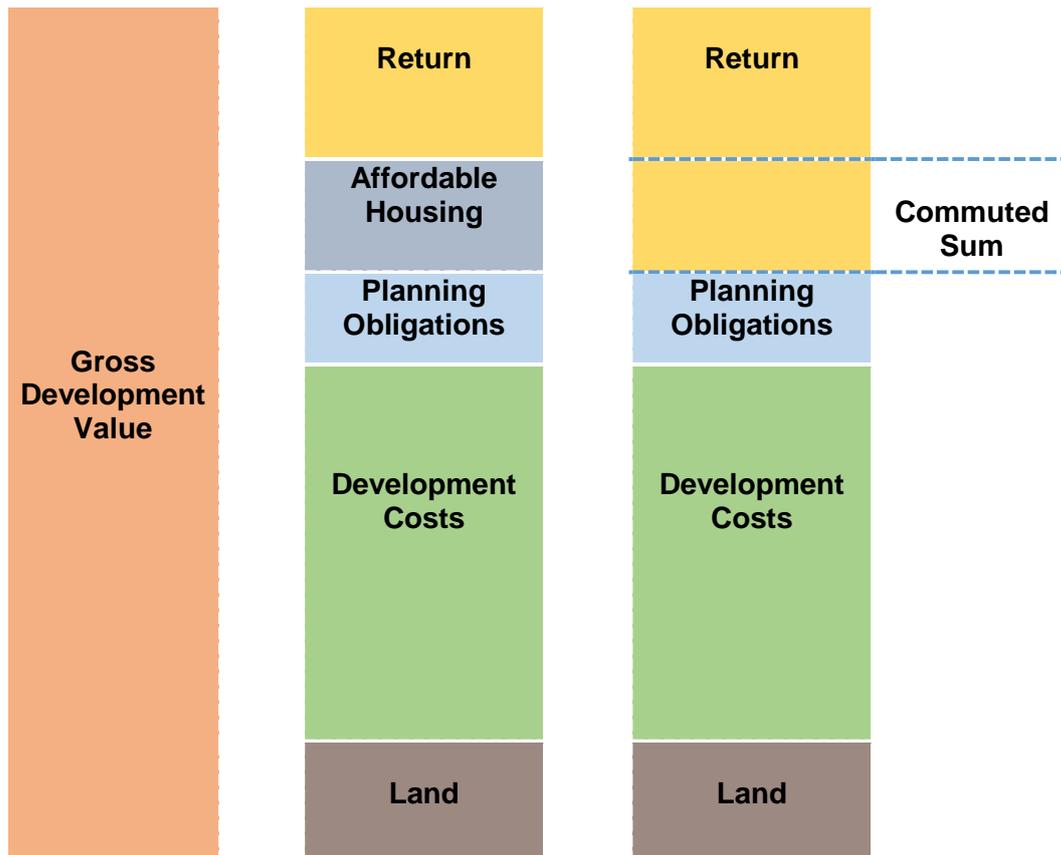


Figure 2: Calculating Commuted Sums

Contacts

25. If you need to discuss Rushcliffe Borough Council's approach to affordable housing and commuted sums please contact:

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