



AN UPDATE ON THE EVA OF AFFORDABLE HOUSING AND CIL IN CANNOCK CHASE

**Report for the consideration of
Cannock Chase Council:**

This document does not constitute Council Policy

Updated Report

July 2014

The logo for Adams Integra, featuring the words "ADAMS" and "INTEGRA" stacked vertically in a white, bold, sans-serif font, set against a dark blue square background.

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INTRODUCTION

Background and Introduction

In the process of considering and developing its consultation on the Draft Charging Schedule, Cannock Chase Council have asked Adams Integra to:

1. Update our findings in the light of the somewhat improved economic climate since mid-2013
2. Comment on the Peter Brett Associates report which is recommending the Lichfield figures
3. Confirm the S106 figure per dwelling we took into account in recommending the residential CIL rate
4. Give our views on the proposed threshold of more than 10 units for seeking affordable housing contributions in the current DCLG consultation

1 Update our findings in the light of the somewhat improved economic climate since mid-2013

Maintaining the viability of residential development schemes is crucial to ensuring the release of sites and thus a continued supply of housing of all types. The study addressed the affordable housing that is required to be provided within market housing schemes and varying levels of CIL. This was done through applying different percentages of affordable housing and also different levels of CIL.

A plan-wide test will only ever provide evidence of policies being 'broadly viable'. The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level.

We have not undertaken any sensitivity testing based on future rises in house prices or build costs and believe that the 'here and now' appraisals based on today's costs and values are more reliable".

We have, however, due to the time elapsed since the original research, carried out a review of the cost and revenue assumptions.

The latest Land Registry House Price Index shows a national annual increase in sales prices of 6.7% to June 2014 with no monthly increase from May 2014.

For the West Midlands this figure reduces to 3.6%.

The Nationwide House Price Index shows annual average price rises to July 2014 of around 11% nationally

It says that *"Although UK house prices recorded their fifteenth successive monthly increase in July, the pace of growth slowed. The price of a typical home increased by just 0.1% over the month, while the annual rate of price growth moderated to 10.6% from 11.8% in June*

"Mortgage approvals declined by almost 20% between January and May, and there has also been some softening in forward looking indicators, such as new buyer enquiries"

"At least part of the slowdown in activity relates to the introduction of Mortgage Market Review measures."

The Halifax HPI shows annual average price rises to July 2014 of around 8% nationally but for the West Midlands a quarterly negative change of 4.1% and an annual change of 3%.

The Office for National Statistics also shows the annual rise to March 2014 as 8% but regionally, for the West Midlands, this drops to around 4%.

For all of these "National" figures the regional figure for the West Midlands is much reduced.

With regard to build costs these too have risen. BCIS show build costs increases of around 3 to 4% over the last year.

The BCIS Regional Tender Price Index for the West Midlands shows an increase of 3.8%

There is also the impact of greater levels of sustainability required in moving from Code Level 3 to 6 within the Code for Sustainable Homes although it is looking likely that this will now be scrapped and the measures incorporated into the updating of Building Regulations. This will require careful monitoring over time as this is likely to push build costs higher although builders are constantly finding new construction methods to reduce these costs

We have carried out a review in June and July 2014 and have found the value points to still be valid for the purposes of this report.

Based on the forecasts, we do not believe that sales values and build costs have changed significantly since mid-2013 and it is our opinion that a review should be carried out in 2016 of viability to ascertain whether the market has moved significantly (either up or down). Further reviews should be carried out in 2021 and 2026

The Government Guidance confirms that CIL should not be pushed to the limits of viability, but that a balance should be found.

We are confident that a CIL rate of £40 per m² and 20% affordable housing for residential schemes allows an adequate buffer for site-specific factors and recommend that the Council does not go beyond this level in considering its draft charging schedule.

2 Comment on the Peter Brett Associates report which is recommending the Lichfield figures

The Peter Brett report on Lichfield shows similar sales values but a much narrower band of values

Their assessment showed asking price values within a broad range between £1,717/m² and £2,807/m², although more commonly between £2,000 and £2,500/m².

Our report showed values from £2000/m² to £2,734/m² for value point 3, which was the most common range found and the basis of the report.

The Peter Brett report is "silent" on the values it has used for the 20% affordable housing in their calculations.

In our report we have been clear in the values we have attributed to the "social rent" and "shared ownership" units.

Land values in both our report and the Peter Brett report are very similar.

Their report uses a benchmark land figure of around £700,000 per hectare where our report uses a benchmark of £600,000 per hectare.

The build costs in the Peter Brett report are lower than our assumption. They have allowed £832 per m² as a base build cost and 10% for externals we have allowed £1,000 per m²

In the Peter Brett report the **maximum** CIL rate per m² for schemes assessed on margin on value (which is the methodology we adopt) shows CIL levels of between £41 and £85 per m² and suggests a CIL of £50 in the higher value zone and £30 in the lower value zone with **20%** affordable housing

We have looked back through our figures and believe that the £40 CIL alongside a 20% affordable housing requirement is robust and gives an adequate "buffer" especially as the guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change.

3 Confirm the figure per dwelling we took into account in recommending the residential CIL rate

A small residual allowance of £500 per dwelling has been made within our appraisals for any matters that will not be covered by the CIL and still need to go in to a S106 agreement along with affordable housing obligations (where applicable).

In each of the appraisals we also made an allowance of £2,000 per dwelling for site specific infrastructure works that again would not be covered by CIL

Any demonstrated abnormal costs or additional site-specific S106 costs will always need to be considered as part of scheme specifics on application of policy.

The Council have recently adopted an interim planning policy which would require all applications for residential development involving a net increase of one or more dwellings to include a planning obligation to support a programme of appropriate measures to mitigate the impact of additional visitor pressure/traffic arising from these developments on the Cannock Chase Special Area of Conservation (SAC).

Applications proposing a net increase in housing development of between 1 and 50 units will not need to include a site specific assessment of the impact of the proposed development on the SAC provided that they are accompanied by a Unilateral Undertaking proposing a financial contribution to mitigation of the impact of the development on the SAC of £450 per dwelling in the 0-8 kilometre zone

We are confident that the buffer built into the level of CIL proposed for Residential C3 is more than adequate to allow for this contribution.

The current system of seeking 'pooled' contributions via Section 106 Agreements to open space, sport and recreation for Cannock Chase Council and education for Staffordshire County Council will be superseded by CIL when the charging schedule is in place

The only additional burden will therefore be from developments of less than 10 units (in the case of open space etc) and less than 7 units (in the case of education contributions) which currently make no contribution via S106

4 **Give our views on the proposed threshold of more than 10 units for seeking affordable housing contributions in the DCLG consultation**

The consultation period has now ended and we, as well as many other consultants and Local Authorities, contributed to this consultation.

It is our opinion that if this threshold were to be introduced that it would have adverse unintended consequences.

The imposition of a threshold of 10 units could result in poorer planning applications and scope for greater abuse. Many developers would develop sites of 9 units or less in the same way as they developed sites of 14 units when there was a national threshold of 15 units.

If it can be demonstrated that smaller sites can contribute to affordable housing then they should do so – there is a huge shortage of affordable homes both locally and nationally.

If a particular site is unable to contribute to affordable housing then this would be dealt with in the same way as the larger sites in that a scheme specific financial viability appraisal of the site can be carried out.

Introducing a 10 unit threshold will not necessarily allow more sites to come forward. National policy now provides for more than sufficient flexibility to ensure that a lack of viability doesn't prevent small sites coming forward.

Changes in the affordable housing threshold has potential consequences for CIL. The two are clearly closely linked and good practice requires assessing the evidence for and setting affordable housing policy and the CIL charging schedule together as we have done

If a national threshold for affordable housing of 10 dwellings were to be brought in, we would expect the Council to seek to set a significantly higher CIL rate for dwellings proposed below this threshold.

If the threshold of 10 is to be introduced, we would push for a re-examination and re-consultation on whether CIL funds could be used for affordable housing.

We also objected to the frequent use of the word "burden" in association with affordable housing in that it is unhelpful and can contribute to an overall adversarial division between developers and the Local Planning Authority; who in seeking to deliver sustainable development which meets the housing needs of local people are frequently presented as a "burden" on development.

We are unaware of any policy which requires domestic extensions or annexes to contribute to affordable housing, only new dwellings so we did not object to this element.

We have re-examined the appraisals carried out on the smaller schemes below 10 units and can confirm that they are still viable with 20% and £40 per m² of CIL and that it is still reasonable to ask for the financial contribution.



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