



Report To:	Local Plan Development Committee
Date:	3RD JULY 2023
Heading:	LOCAL PLAN VIABILITY, AFFORDABLE HOUSING, AND INFRASTRUCTURE
Executive Lead Member:	NOT APPLICABLE
Ward/s:	ALL WARDS
Key Decision:	No
Subject to Call-In:	No

Purpose of Report

To consider the basis of the Affordable Housing Policy and the contributions towards infrastructure in the emerging Local Plan arising from the conclusions of the Whole Plan Viability Study.

Recommendation(s)

Cabinet be recommended to approve the conclusions of the Whole Plan Viability Assessment, March 2023, set out in the Report, to form the basis of the Local Plan policies for the provision of affordable housing and infrastructure contributions.

Reasons for Recommendation(s)

National planning policy and guidance identifies that planning contributions should be set out in policies in the local plan and should be informed by evidence of infrastructure and affordable housing need and a proportionate assessment of viability.

Alternative Options Considered

To take alternative combinations of affordable housing and infrastructure contributions forward as the basis of the Local Plan policies rather than those identified in the conclusions of the Whole Plan Viability Assessment, March 2023. This would require additional consideration of the viability implication of the revised options.

Detailed Information

Through Section 106 Agreements, the Council currently requires the provision of affordable housing and contributions towards infrastructure. Planning obligations assist in mitigating the impact of development to make it acceptable in planning terms by contributing towards infrastructure. However, planning obligations may only constitute a reason for granting planning permission if they meet the tests that they are necessary to make the development acceptable in planning terms.

Planning Practice Guidance on Viability sets out that policies for planning obligations should be set out in the Local Plans and will be subject to examination by the Inspector. Policies should be informed by evidence of infrastructure and affordable housing need and a proportionate assessment of viability.

Affordable Housing

For major development (10 or more dwellings or a site which has an area of 0.5 ha or more) affordable housing requirements in Ashfield are based on the provision of the Ashfield Local Plan Review 2002 (ALPR) and National Planning Practice Framework (NPPF). ALPR, Policy HG4 requires that 18.5% of dwellings in Hucknall on sites of 25 dwellings or more are affordable housing, with a figure of 6% of dwellings in the rest of the District. However, on the basis of the provisions in the NPPF, the Council identifies a requirement for affordable housing on any major housing development and a minimum requirement for the District, other than Hucknall, of 10% affordable housing.

The evidence base for the emerging Local Plan includes the Greater Nottingham and Ashfield Housing Needs Assessment, 2020, undertaken to support the preparation of local plans looking ahead to 2038 and to provide evidence to support housing market interventions and prospective future funding bids. It includes an assessment of affordable housing need, which responds to the widened definition of affordable housing set out in the NPPF 2019. This includes households who might be able to rent a home in the private sector without financial support but aspire to own a home and require support to do so. In summary, it identifies the following:

- A net need for rented affordable housing in Ashfield of 237 per annum.
- There was not a requirement for affordable home ownership (low-cost homes for sale).

The data indicates that there are many households across Greater Nottingham and Ashfield who are being excluded from the owner-occupied sector. The analysis identifies that a key issue in the study area is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the purchase price of mortgage repayments. The Study concludes that if the Council were to seek to provide housing as affordable home ownership, shared ownership would be the most appropriate option as it can provide a valuable first step into home ownership.

Affordable Housing is assessed within the context of the NPPF, paragraph 65, which identifies that planning policies and decisions should expect at least 10% of the total number of homes to be available for affordable home ownership (subject to exemptions). Planning Practice Guidance First Homes identifies that First Homes are the government's preferred form of affordable home ownership. They are a specific kind of discounted market sale housing which:

- a. must be discounted by a minimum of 30% against the market value;
- b. are sold to a person or persons meeting the First Homes eligibility criteria;

- c. on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,
- d. after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).

The PPG identifies that First Homes “*should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*” Therefore, if the Council adopts shared ownership rather than First Homes this would have to be justified to the Inspector at the Examination in Public of the Local Plan.

It should be noted that the Housing Need Study dates from 2020 and utilises data from the Census 2011. As information is increasingly available from the 2021 Census, the Study may be considered out of date by the Inspector on examination of the Plan. Consequently, in combination with the Greater Nottingham Authorities (excluding Erewash Borough Council) an update of the Study is being sought to determine that circumstances have not changed based on the latest data available.

Infrastructure

Infrastructure comprises physical infrastructure, social infrastructure, and green infrastructure, which includes education, health, transport, flood and water management, green space, and digital infrastructure. In relation to infrastructure, it should be noted that:

- Biodiversity Net Gain (BNG) will be a requirement in the future set out at a national level with the emerging Local Plan policy anticipating a minimum of a 10% BNG. There is a cost associated with the provision of BNG.
- The NPPF in paragraph 95, requires that local planning authorities should give great weight to the need to create, expand or alter schools through the preparation of plans and decisions on planning applications.

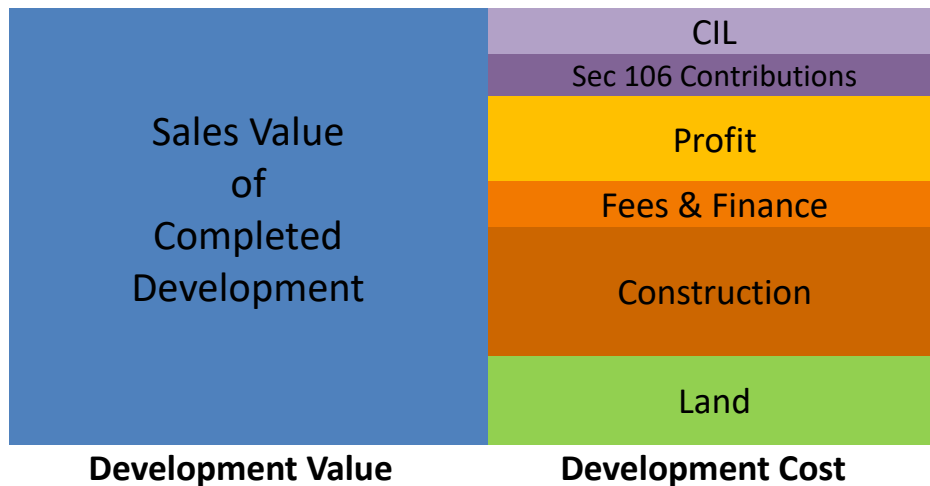
A significant amount of infrastructure is derived through Nottinghamshire County Council who have set out a [Developer Contributions Strategy](#), December 2021. The Strategy identifies the basis of potential contributions towards, education, transport, libraries, waste management, green space and minerals and waste development. A number of strategic transport projects, such as the Maid Marion Line are likely to require some funding contributions at a local level. Projects brought forward through the Towns Fund will require contributions from S106.

Whole Plan Viability

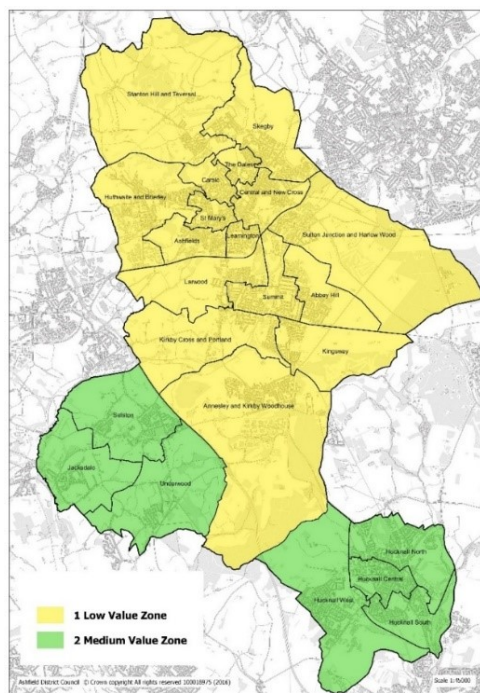
The Local Plan is required to set out the contributions expected from development. This includes setting out the levels and types of affordable housing provision required, along with other infrastructure. However, policy requirements in the Local Plan must be informed by evidence as to whether the affordable housing and infrastructure requirements are practical. Under the provisions of the NPPF and Planning Practice Guidance Viability, a viability assessment is undertaken to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the proposed development in the Plan.

A Whole Plan Viability Assessment 2023 has been undertaken based on a Valuation Report undertaken by HEB Surveyors, and a Construct Cost Study undertaken by Gleeds. The Assessment is available on the Council's Website - [Whole Plan Viability Assessment 2023](#).

Viability is assessed using an industry standard Residual Model approach. The model subtracts the land value and the development costs from the development value to determine the viability or otherwise of the development (see the diagram below). A number of the inputs are set out in national planning practice guidance. This includes that a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium should reflect what a reasonable landowner would be willing to sell their land for development. A consequence is that there is a difference between existing use values on greenfield sites based on agricultural land values and brownfield sites based on industrial land values.



The HEB valuation study considered evidence of residential land and property values across Ashfield and concluded that there are two sub-market areas for residential development. The lower value areas are around Sutton in Ashfield and Kirkby-in-Ashfield with a higher value sub-market around Hucknall and the rural areas. (See plan below).



The Assessment considered a range of different types of housing sites reflected in the proposed site allocations in the draft Local Plan, see table below.

Urban Edge Large Scale (2, 3, 4 & 5 Bed Housing)	250 units
Urban Edge Medium Scale (2, 3, 4 & 5 Bed Housing)	150 Units
Suburban/Rural Large Scale (2, 3 & 4 Bed Housing)	50 Units
Suburban/Rural Medium Scale (2, 3 & 4 Bed Housing)	20 Units
Infill Housing (3 & 4 Bed Housing)	9 Units

The affordable housing tenure mix also impacts on viability and the Assessment identifies the following values for the different forms of tenure.

Low-Cost Ownership	70% of open market value
Affordable Rents	50% of open market value
Social Rents	40% of open market value

Officers from Forward Planning and Housing Strategy have worked with the consultant in considering affordable housing and infrastructure requirements. Based on information from infrastructure providers, it is anticipated that for a substantial part of the District contributions will be required towards primary school places or secondary school places. Health contributions will be required for expanding facilities, there will be a requirement for biodiversity net gain and contributions towards the bus infrastructure and strategic transport.

Effectively, there is a balance between what sums can be put forward for affordable housing and what can be contributed towards infrastructure. The greater the affordable housing requirements the more limited the sums that can be put towards infrastructure. The greater the infrastructure contributions, the lower the affordable housing percentage that can be required.

A series of policy combination tests were undertaken in the Assessment reflecting:

- a) Differing Affordable Housing delivery levels of 10%-30%.
- b) Alternative levels of S106 contribution from £6,000 - £10,000 per dwelling.

This entailed undertaking more than 480 appraisals considering the various scenarios. A positive figure identifies that the proposal is viable and a negative figure that they are unviable. The results are set out in Section 5 of the Whole Plan Viability Assessment March 2023, which identified the viability margins for the different residential typologies for greenfield and brownfield development based on differing Affordable Housing delivery targets and Section 106 Infrastructure/Net Biodiversity Gain Allowances. Appendix 1 sets out an example of the residual appraisal and illustrates the margins for each combination of Affordable Housing and S106 Infrastructure contribution.

From these results an optimum combination of policy-based contributions was recommended by the Assessment for the whole district as follows:

- Affordable housing, 10% on brownfield land and 25% on greenfield land based on a tenure breakdown of 25% Low-Cost Home Ownership, 25% Social Rent and 50% Affordable Rents.
- S106 contributions of £8,000 per dwelling.

Sensitivity analysis has been undertaken. The Assessment identifies that a 5% reduction in housing values would not prevent housing delivery based on the recommended policy targets in the higher

value Hucknall/Rural sub-market area. In the lower value Sutton/Kirkby sub-market area a reduction in housing values would make viability more marginal but not to such a negative level that delivery would not be possible.

Sheltered Housing was evaluated based on a reduced S106 contribution of £4,000 per dwelling (based on an assumption that education contributions would be unlikely). The results illustrate that Sheltered Apartments may not be capable of making affordable housing contributions but that mixed housing and apartment schemes may be able to make viable contributions on greenfield sites. It should be noted however that the build cost rate evidence for sheltered apartments was limited, and further scheme specific assessment may be required.

For employment development, the Assessment does identify that there is potential for contributions of £15.00 per square metre for distribution units on greenfield sites based on a unit of 6,000 sq. metres.

It is proposed that it is recommended to Cabinet to approve the conclusions of the Whole Plan Viability Assessment, March 2023, as set out in the Report, to form the basis of the Local Plan policies for the provision of affordable housing and infrastructure contributions.

Implications

Corporate Plan: Planning, and the Local Plan has a cross cutting role to play in helping to meet and deliver the six priorities identified in the Corporate Plan. In particular, the Local Plan has a key responsibility in delivering the outcomes around the supply of appropriate and affordable homes, improving town centres, facilitating economic growth especially around transport hubs, improving parks and green spaces.

Legal: The Community Infrastructure Levy Regulations 2010, as amended, Regulation 122 sets out that “A planning obligation may only constitute a reason for granting planning permission for the development if the obligation is -

- a. necessary to make the development acceptable in planning terms;
- b. directly related to the development; and
- c. fairly and reasonably related in scale and kind to the development.

From a policy aspect, the NPPF in paragraph 34 set out that “Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.” [RLD 15/06/2023]

Finance: There are no direct financial implications arising as a result of this report. However, the report forms the basis on which S106 planning obligations can be identified through the Local Plan in relation to future provision of affordable housing and infrastructure contributions. [CWH 15/06/23].

Budget Area	Implication
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General Fund – Revenue Budget	None
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	None
Housing Revenue Account – Capital Programme	None

Risk:

Risk	Mitigation
Viability can change relatively quickly over time.	Sensitivity analysis has been included within the assessment to consider the implications of a fall in residential values.

Human Resources: There are no direct HR implications contained within this report.

Environmental/Sustainability: Sustainability is at the heart of the planning system and the Plan has been prepared with the aim of delivering sustainable development in the District in accordance with the requirements of paragraphs 7 and 8 of the National Planning Policy Framework (NPPF), 2021. The Plan has been prepared in accordance with the Planning & Compulsory Purchase Act 2004, as amended, which requires the Council to conduct an appraisal of the sustainability of the proposals in Local Plan and prepare a report of the findings of the appraisal.

Equalities: An Equality Impact Assessment will be undertaken as part of the consideration of the Local Plan Publication.

Other Implications: None

Reason(s) for Urgency: Not applicable

Reason(s) for Exemption: Not applicable

Background Papers

Ashfield Whole Plan Viability Assessment, March 2023, which is available on the Council’s website.

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Appendix 1 - Local Plan Viability, Affordable Housing and Infrastructure

An example of the residual appraisals undertaken, which built up to form the conclusions, is illustrated below.

		Residential Viability Appraisal			
DEVELOPMENT SCENARIO	Urban Edge Medium Scale			Apartments	0
BASE LAND VALUE SCENARIO	Greenfield			2 bed houses	45
DEVELOPMENT LOCATION (ZONE)	Hucknall & Rural Zone 10% Aff Hsg			3 Bed houses	68
DEVELOPMENT DETAILS	150 Total Units			4 bed houses	22
Affordable Proportion	10%	15 Affordable Units		5 bed house	15
Affordable Mix	25%	Low Cost Ow	25%	Social Rent	50%
Development Floorspace	12947	Sqm Market Housing	1,155	Affordable Rent	
				Sqm Affordable Housing	
Development Value					
Market Houses					
0	Apartments	65 sqm	2138	£ per sqm	£0
41	2 bed houses	75 sqm	2850	£ per sqm	£8,656,875
61	3 Bed houses	90 sqm	2755	£ per sqm	£15,174,540
20	4 bed houses	120 sqm	2755	£ per sqm	£6,545,880
14	5 bed house	150 sqm	2660	£ per sqm	£5,386,500
Low Cost Own					
		70%	Open Market Value		
1	Apartments	65 sqm	1496.6	£ per sqm	£72,959
2	2 Bed house	75 sqm	1995	£ per sqm	£224,438
2	3 Bed House	90 sqm	1928.5	£ per sqm	£260,348
Social Rent					
		40%	Open Market Value		
1	Apartments	65 sqm	855.2	£ per sqm	£41,691
2	2 Bed house	75 sqm	1140	£ per sqm	£192,375
1	3 Bed House	90 sqm	1102	£ per sqm	£74,385
Affordable Rent					
		50%	Open Market Value		
2	Apartments	65 sqm	1069	£ per sqm	£156,341
3	2 Bed house	75 sqm	1425	£ per sqm	£320,625
2	3 Bed House	90 sqm	1377.5	£ per sqm	£278,944
150	Total Units				
Development Value					£37,385,900
Development Costs					
Land					
	Apartments	0 Plots	10917	£ per plot	£0
	2 Bed House	41 Plots	27293	£ per plot	£1,105,348
	3 Bed House	61 Plots	31191	£ per plot	£1,908,919
	4 Bed House	20 Plots	43668	£ per plot	£864,628
	5 Bed House	14 Plots	54585	£ per plot	£736,899
				Total Land	£4,615,793
Stamp Duty Land Tax					£184,632
Construction					
	Apartments	2021.7	£ per sqm	Market Housing Construction Cost	£15,509,907
	2 bed houses	1198	£ per sqm		
	3 Bed houses	1198	£ per sqm	Affordable Housing Construction Cost	£1,524,746
	4 bed houses	1198	£ per sqm		
	5 bed house	1198	£ per sqm		
Additional Affordable Housing Land Cost					
			8.0%	Build Cost	£365,525
			0.5%	GDV	£1,362,772
			1.1%	Build Cost	£186,930
			2.0%	Market Units Value	£187,381
			5.0%	Build Cost	£715,276
			8000	Build Cost	£870,009
				£ per Market Unit	£1,200,000
	Interest	6.0%	12	Month Build	6
	Arrangement Fee	0.0%	Cost	Mth Sale Voic	£1,480,480
					£0
	Development Profit	Market Hsg	20.0%	of GDV	Aff Hsg
					6.0%
				of Cost	£7,244,244
Total Cost					£35,447,695
VIABILITY MARGIN					£1,938,205
POTENTIAL CIL RATE PER SQ METRE OF MARKET HOUSING (IF APPLICABLE)					£150

In order to evaluate the impact of Affordable Housing provision, residential viability tests were undertaken on the assumption that schemes would deliver 10-30% Affordable Housing and between £6,000 and £10,000 per dwelling towards infrastructure/biodiversity net gain. Each category of development produces a greenfield and brownfield result.

Any positive figures confirm that the category of development evaluated is economically viable in the context of Whole Plan viability and the impact of planning policies. A negative figure identifies that it is unviable.

The minimum margins for each combination of Affordable Housing and S106 Infrastructure contribution are summarised below.

Sutton & Kirkby Sub-Market Area

10% Affordable Housing Delivery

Residential Viability Margin (Sutton & Kirkby)		
	Greenfield	Brownfield
@£6000 per dwelling S106	£188sqm	£42sqm
@£8000 per dwelling S106	£162sqm	£16sqm
@£10000 per dwelling S106	£137sqm	-£9sqm

15% Affordable Housing Delivery

Residential Viability Margin (Sutton & Kirkby)		
	Greenfield	Brownfield
@£6000 per dwelling S106	£149sqm	-£3sqm
@£8000 per dwelling S106	£122sqm	-£30sqm
@£10000 per dwelling S106	£96sqm	-£57sqm

20% Affordable Housing Delivery

Residential Viability Margin (Sutton & Kirkby)		
	Greenfield	Brownfield
@£6000 per dwelling S106	£106sqm	-£53sqm
@£8000 per dwelling S106	£78sqm	-£82qm
@£10000 per dwelling S106	£49sqm	-£111sqm

25% Affordable Housing Delivery

Residential Viability Margin (Sutton & Kirkby)		
	Greenfield	Brownfield
@£6000 per dwelling S106	£57sqm	-£111sqm
@£8000 per dwelling S106	£27sqm	-£141sqm
@£10000 per dwelling S106	-£4sqm	-£172qm

Hucknall & Rural Sub-Market Area

10% Affordable Housing Delivery

Residential Viability Margin (Hucknall & Rural)		
	Greenfield	Brownfield
@£6000 per dwelling S106	£223sqm	£77sqm
@£8000 per dwelling S106	£198sqm	£52sqm
@£10000 per dwelling S106	£172sqm	£26sqm

20% Affordable Housing Delivery

Residential Viability Margin (Hucknall & Rural)		
	Greenfield	Brownfield
@£6000 per dwelling S106	£144sqm	-£16sqm
@£8000 per dwelling S106	£115sqm	-£44sqm
@£10000 per dwelling S106	£87sqm	-£73sqm

25% Affordable Housing Delivery

Residential Viability Margin (Hucknall & Rural)		
	Greenfield	Brownfield
@£6000 per dwelling S106	£96sqm	-£72sqm
@£8000 per dwelling S106	£66sqm	-£102sqm
@£10000 per dwelling S106	£35sqm	-£133sqm

30% Affordable Housing Delivery

Residential Viability Margin (Hucknall & Rural)		
	Greenfield	Brownfield
@£6000 per dwelling S106	£42sqm	-£135sqm
@£8000 per dwelling S106	£9sqm	-£168sqm
@£10000 per dwelling S106	-£23sqm	-£201sqm