For: Runnymede Borough Council

Runnymede
BOROUGH COUNCIL

Affordable Housing Financial Contributions Study Stage 2 Final Recommendations

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DSP24883

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1. Introduction

1.1 Introduction, Background and Purpose

1.1.1 This report follows on from our Draft Review Report into Affordable Housing Commuted Sums dated January 2025 and whilst this is intended to provide a stand-alone guide for RBC to use on the outcomes and recommendations, may be read in conjunction with that for context.

1.1.2 RBC intends to update the methodology for calculating off-site affordable housing contributions and introduce a simpler and more straightforward method which will allow for easier and faster calculation of the sum required in lieu of providing on-site the affordable homes required by policy.

1.1.3 Further information on the background is contained in the Draft Report, however in summary, the aims of this study are to:

- Inform a renewing of RBC's approach to calculating commuted sums and guiding on the level of those, also known as 'payments in lieu of affordable housing', or 'affordable housing financial contributions' (AHFCs)
- Simplify the approach to make it quicker and simpler to apply
- Set AHFCs at a level which represents a broadly equivalent level of value to the usual and retained key aim of on-site AH provision, seeking a balanced approach that would neither be overly onerous or at a level that does not mean this is a financially attractive route to planning applicants in comparison with the expected on-site AH provision; and also providing a level of contributions that will meaningfully contribute to providing affordable housing on an alternative site.

1.1.4 As the earlier Draft review report states, this study does not consider the viability of developments per se. The focus here is on comparison of schemes (using a high-level typologies based approach consistent with RBC's previous LP work) with and without affordable housing, with the relative position between these being the key focus. The study takes an overview approach, following on from work initially carried out by BPS surveyors in 2022.

1.1.5 It should also be noted that the context for the use of AHFCs is that they will be considered or accepted only in exceptional cases, in lieu of on-site affordable housing (AH) provision where this is proven necessary and justified as a suitable approach in particular circumstances – working closely with RBC. The recommended approach is (appropriately in our view), a broad brush one acknowledging that there will always be some variance between different types of dwellings, schemes/mixes, sites/locations - and at different value levels.

1.1.6 For consistency with BPS's work we have adopted many of the same development assumptions as in their study. We have not gone in to all the detail of the suitability of particular assumptions, noting that this is a comparative exercise intended to reach a clear and simple, standardised approach for AHFCs rather than providing site-specific assessment detail. What is being considered in this Stage 2 report is the relativity between the 'with affordable housing' position and the 'without affordable housing' position and therefore the precise level of certain assumptions make little difference (i.e. if an assumption were changed in one appraisal it would most likely also change in the other).

1.1.7 We have however applied updated broad sales values and development costs assumptions, including increased build costs to reflect inflation and current regulatory standards together with additional costs reflecting current policy.

1.1.8 Land value (benchmark land value (BLV)) is not considered further or specifically here, as the key for this purpose is comparing the residual land values (RLVs) generated by appraisals that include the on-site AH policy requirement with those that do not (AH compliant vs all market comparison). As noted above the intention or requirement here is not to assess the viability of schemes. Therefore we have not compared these against BLV(s). As per the Local Plan, and where the in lieu contribution route is accepted, it is assumed that any development will be proceeding with the policy requirements included and will be viable (i.e. the land value generated by the scheme will cover the site purchase).

1.2 Draft report of January 2025

1.2.1. Whilst necessarily not exhaustive, DSP's draft review report (January 2025) considered various potential methods of calculating Affordable Housing Financial Contributions (AHFCs). RBC decided to progress with 'Option C' that was included in that review, which as per the above principles in summary applies the Council's existing methodology[1] that compares the residual value of a 100% market housing scheme with the residual value of a AH policy compliant scheme. However, rather than continuing the current method of applying this on a site-specific basis, proposed Option C involves applying this to a series of scheme typologies, then using the results to set a flat rate per dwelling or per square metre of development, which can be directly applied to the unit mix/floor area of any scheme (or part of a scheme) where an AHFC needs to be calculated.

1.2.2. To inform the ongoing review, the draft report included initial testing of two typologies (12 and 100 dwellings) applying assumptions from the Local Plan and BPS's testing for that.

1.2.3. Now that a preferred methodology has been selected, we have revisited those appraisals, as well as testing further typologies, again applying updated costs and values assumptions.

1.2.4. We have also applied RBC's proposed approach (due to be updated) of rounding up or down the number of affordable dwellings required from schemes, with rounding down only applying where the AH component as calculated produces an outcome that does not fall below the policy percentage (in this case 35%); otherwise rounding up will apply.

1.2.5. DSP was also asked to look at the variation in sales values throughout the borough to consider whether any financial contribution sum could or should be varied by location. In order to calculate suitable values to apply in our appraisals,

[1] Introduced in 2022 by BPS Chartered Surveyors and based on assumptions from their 2019 Local Plan Viability Work for RBC.

and to consider the range of values, we have carried out research into sales values for new build and resale properties (see 2.2, below).

2. Updated assumptions and typology testing, March 2025

2.1 Typologies

2.2.1. We have used the following housing scheme typologies to make the noted RLV comparisons, three of which include a mix of houses and flats.

Updated typologies - March 2025

12-unit typology

Number of units	Type	Floor area (m2)	Total floor area
2	2 bed houses	79	158
4	3 bed houses	100	400
1	4 bed houses	130	130
2	2 bed houses	79	158
2	3 bed houses	100	200
1	4 bed houses	130	130
12			**1176**

AH units	5
Market units	7
TOTAL	**12**
% AH	**42%**

30-unit typology

Number of units	Type	Floor area (m2)	Total floor area
2	1 bed flats	46	92
2	2 bed flats	64	128
2	2 bed houses	68	136
7	3 bed houses	100	700
3	4 bed houses	125	375
3	5 bed houses	145	435
2	1 bed flats	46	92
2	2 bed flats	64	128
4	2 bed houses	68	272
3	3 bed houses	100	300
30			**2658**

AH units	11
Market units	19
TOTAL	**30**
% AH	**37%**

60-unit typology

Number of units	Type	Floor area (m2)	Total floor area
2	1 bed flats	46	92
2	2 bed flats	64	128
7	2 bed houses	68	476
14	3 bed houses	100	1400
10	4 bed houses	125	1250
4	5 bed houses	145	580
2	1 bed flats	46	92
2	2 bed flats	64	128
5	2 bed houses	68	340
12	3 bed houses	100	1200
60			**5686**

AH units	21
Market units	39
TOTAL	**60**
% AH	**35%**

100-unit typology

Number of units	Type	Floor area (m2)	Total floor area
3	1 bed flats	46	138
2	2 bed flats	64	128
10	2 bed houses	68	680
30	3 bed houses	100	3000
15	4 bed houses	125	1875
5	5 bed houses	145	725
2	1 bed flats	46	92
3	2 bed flats	64	192
10	2 bed houses	68	680
20	3 bed houses	100	2000
100		**0**	**9510**

AH units	35
Market units	65
TOTAL	**100**
% AH	**35%**

2.2 Sales values

2.2.1. We have reviewed current sales values in the borough.

2.2.2. The BPS study did not provide full details of the different values tested for the Local Plan as far as we can see, but incorporated some appraisals including one for Egham, for example, which assumed market sales values of £5,830/m². Our updated research indicates that typical values for new build housing in the borough are currently 5 to 10% above that level.

2.2.3. Land Registry data indicates overall that house price inflation since March 2022 (the date of BPS's study) based on all sales and dwelling types (resale and new build) in Runnymede has been around +3.5%.

2.2.4. Again acknowledging the deliberate overview basis, appropriate for the nature of the exercise, the typical values for new build housing in the borough are broadly as follows:

NEW BUILD - typical values (£/m²)			
	LOW	MEDIUM	HIGH
Houses	£5,200	£6,000	£6,800
Flats	£5,400	£6,200	£7,000

2.2.5. The very highest values are found in some parts of Virginia Water and Englefield Green West, and these can go beyond the typical range noted here.

2.2.6. It should be noted, however, that all wards / localities contain some properties in the 'low' end of the range and some in the medium to high part of the above range. Likewise, variation is seen by particular dwelling and scheme type. This makes it difficult to both justify and prepare an approach that differentiates reliably by sales value in terms of guiding on appropriate financial contributions for the purposes of this exercise. Notwithstanding this, we do not consider it necessary or appropriate to likely overcomplicate this exercise and its findings by seeking to reflect the multitude of potential variations. It is likely in our experience that "false accuracy" and a more involved process would result from seeking to follow the many variations rather than looking to overview them as part of a straightforward approach.

2.2.7. We note also that Runnymede has a range of CIL zones with significantly different charging rates, and the application of CIL is already adjusting for differences in sales values (with developments in the higher rated zones tending to support higher sales values).

2.2.8. Furthermore, the CIL has been set on the basis of the percentage of affordable housing required by policy remaining constant. Therefore it could be considered inappropriate to vary the fixed amount applied for AHFCs by location or other factors when on-site AH provision is not varied in such a way.

2.2.9. Lastly, on the point of potential differentiation of AHFCs by values/related location, it should be noted that housing in higher value areas may have a higher specification, with build costs tending to vary according to the value of development to some extent – therefore it would be incorrect to necessarily assume that sales values can be varied and higher values relied upon, without other appraisal assumptions also potentially moving.

2.2.10. For the purposes of our appraisal testing, we assume here the above noted 'medium' level sales value of £6,000/m² for houses and £6,200/m² for flats, alongside a CIL assumption of 'Zone B' (for the purposes of representing the effect of the varying CIL cost on the calculation when including or not including affordable housing – due to the AH being exempt from CIL).

2.2.11. This leads to the following assumptions used within the typologies appraised – without and with AH respectively:

12-unit typology

100% MARKET HOUSING

Number of units	Type	Floor area (m2)	Total floor area	£/m²	GDV (£)
3	2 bed houses	79	237	£6,000	£1,422,000
4	3 bed houses	100	400	£6,000	£2,400,000
1	4 bed houses	130	130	£6,000	£780,000
1	2 bed houses	79	79	£6,000	£474,000
2	3 bed houses	100	200	£6,000	£1,200,000
1	4 bed houses	130	130	£6,000	£780,000
12			**1176**		**£7,056,000**

CIL at Zone B rate £/m²	£352
Market housing floor area	1176
CIL AMOUNT	**£414,246**

AH units	0
Market units	12
TOTAL	**12**
% AH	**0%**

12-unit typology

With affordable housing

Number of units	Type	Floor area (m2)	Total floor area	£/m²	GDV (£)
2	2 bed houses	79	158	£6,000	£948,000
4	3 bed houses	100	400	£6,000	£2,400,000
1	4 bed houses	130	130	£6,000	£780,000
2	2 bed houses	79	158	£3,300	£521,400
2	3 bed houses	100	200	£3,300	£660,000
1	4 bed houses	130	130	£3,300	£429,000
12			**1176**		**£5,738,400**

CIL at Zone B rate £/m²	£352
Market housing floor area	688
CIL AMOUNT	**£242,348**
S106 cost per unit	£4,000
S106 cost total	£48,000

AH units	5
Market units	7
TOTAL	**12**
% AH	**42%**

AH GDV	£1,610,400
Market GDV	£4,128,000

30-unit typology — **100% MARKET HOUSING**

Number of units	Type	Floor area (m2)	Total floor area	£/m²	GDV (£)
2	1 bed flats	46	92	£6,200	£570,400
2	2 bed flats	64	128	£6,200	£793,600
3	2 bed houses	68	204	£6,000	£1,224,000
7	3 bed houses	100	700	£6,000	£4,200,000
3	4 bed houses	125	375	£6,000	£2,250,000
3	5 bed houses	145	435	£6,000	£2,610,000
2	1 bed flats	46	92	£6,200	£570,400
2	2 bed flats	64	128	£6,200	£793,600
3	2 bed houses	68	204	£6,000	£1,224,000
3	3 bed houses	100	300	£6,000	£1,800,000
30			**2658**		**£16,036,000**

Market housing floor area	2658
CIL AMOUNT	**£936,281**

AH units	0
Market units	30
TOTAL	**30**
% AH	**0%**

30-unit typology — **With affordable housing**

Number of units	Type	Floor area (m2)	Total floor area	£/m²	GDV (£)
2	1 bed flats	46	92	£6,200	£570,400
2	2 bed flats	64	128	£6,200	£793,600
2	2 bed houses	68	136	£6,000	£816,000
7	3 bed houses	100	700	£6,000	£4,200,000
3	4 bed houses	125	375	£6,000	£2,250,000
3	5 bed houses	145	435	£6,000	£2,610,000
2	1 bed flats	46	92	£3,410	£313,720
2	2 bed flats	64	128	£3,410	£436,480
4	2 bed houses	68	272	£3,300	£897,600
3	3 bed houses	100	300	£3,300	£990,000
30			**2658**		**£13,877,800**

Market housing floor area	1866
CIL AMOUNT	**£657,299**

AH units	11
Market units	19
TOTAL	**30**
% AH	**37%**

AH GDV	£2,637,800
Market GDV	£11,240,000

S106 cost per unit	£4,000
S106 cost total	£120,000

60-unit typology — **100% MARKET HOUSING**

Number of units	Type	Floor area (m2)	Total floor area	£/m²	GDV (£)
2	1 bed flats	46	92	£6,200	£570,400
2	2 bed flats	64	128	£6,200	£793,600
7	2 bed houses	68	476	£6,000	£2,856,000
14	3 bed houses	100	1400	£6,000	£8,400,000
10	4 bed houses	125	1250	£6,000	£7,500,000
4	5 bed houses	145	580	£6,000	£3,480,000
2	1 bed flats	46	92	£6,200	£570,400
2	2 bed flats	64	128	£6,200	£793,600
5	2 bed houses	68	340	£6,000	£2,040,000
12	3 bed houses	100	1200	£6,000	£7,200,000
60			**5686**		**£34,204,000**

Market housing floor area	5686
CIL AMOUNT	**£2,002,894**

AH units	0
Market units	60
TOTAL	**60**
% AH	**0%**

60-unit typology

With affordable housing

Number of units	Type	Floor area (m2)	Total floor area	£/m²	GDV (£)
2	1 bed flats	46	92	£6,200	£570,400
2	2 bed flats	64	128	£6,200	£793,600
7	2 bed houses	68	476	£6,000	£2,856,000
14	3 bed houses	100	1400	£6,000	£8,400,000
10	4 bed houses	125	1250	£6,000	£7,500,000
4	5 bed houses	145	580	£6,000	£3,480,000
2	1 bed flats	46	92	£3,410	£313,720
2	2 bed flats	64	128	£3,410	£436,480
5	2 bed houses	68	340	£3,300	£1,122,000
12	3 bed houses	100	1200	£3,300	£3,960,000
60			**5686**		**£29,432,200**

Market housing floor area	3926
CIL AMOUNT	**£1,382,934**

AH units	21
Market units	39
TOTAL	**60**
% AH	**35%**

AH GDV	£5,832,200
Market GDV	£23,600,000

100-unit typology

100% MARKET HOUSING

Number of units	Type	Floor area (m2)	Total floor area	£/m²	GDV (£)
3	1 bed flats	46	138	£6,200	£855,600
2	2 bed flats	64	128	£6,200	£793,600
10	2 bed houses	68	680	£6,000	£4,080,000
30	3 bed houses	100	3000	£6,000	£18,000,000
15	4 bed houses	125	1875	£6,000	£11,250,000
5	5 bed houses	145	725	£6,000	£4,350,000
2	1 bed flats	46	92	£6,200	£570,400
3	2 bed flats	64	192	£6,200	£1,190,400
10	2 bed houses	68	680	£6,000	£4,080,000
20	3 bed houses	100	2000	£6,000	£12,000,000
100		**0**	**9510**		**£57,170,000**

Market housing floor area	9510
CIL AMOUNT	**£3,349,898**

AH units	0
Market units	100
TOTAL	**100**
% AH	**0%**

100-unit typology

With affordable housing

Number of units	Type	Floor area (m2)	Total floor area	£/m²	GDV (£)
3	1 bed flats	46	138	£6,200	£855,600
2	2 bed flats	64	128	£6,200	£793,600
10	2 bed houses	68	680	£6,000	£4,080,000
30	3 bed houses	100	3000	£6,000	£18,000,000
15	4 bed houses	125	1875	£6,000	£11,250,000
5	5 bed houses	145	725	£6,000	£4,350,000
2	1 bed flats	46	92	£3,410	£313,720
3	2 bed flats	64	192	£3,410	£654,720
10	2 bed houses	68	680	£3,300	£2,244,000
20	3 bed houses	100	2000	£3,300	£6,600,000
100		**0**	**9510**		**£49,141,640**

Market housing floor area	6546
CIL AMOUNT	**£2,305,829**

AH units	35
Market units	65
TOTAL	**100**
% AH	**35%**

AH GDV	£9,812,440
Market GDV	£39,329,200

2.3 Cost assumptions

2.3.1. The BPS appraisals assumed a flat rate build cost for market and affordable housing across the borough of £1,500/m².

2.3.2. Since the date of the BPS study (March 2022) the BCIS All-in Tender Price Index indicates an increase of 9.3% in build costs (national average).

2.3.3. For the purposes of this study we will apply a 10.0% increase from the figures assumed in BPS's study (therefore a base build cost (before contingencies, fees and all other allowances) of £1,650/m²).

2.3.4. Again, it should be noted that for the purposes of this exercise, two scenarios are being compared which (again following the LP/BPS methodology) assume the same build cost. Therefore, any differences in the assumed build cost would not make a material difference to the comparison of the RLV outcomes in any event.

2.3.5. As noted in 1.1, above, we have applied the basis of assumptions used by BPS in the 2022 LP study (whilst updating the assumed values and build costs in accordance with house price movements and inflation). We should acknowledge that whilst we might not necessarily expect to apply all of those earlier work assumptions, as they could be expected to vary according to specifics where viability assessment of particular proposals becomes necessary and appropriate, we note that for this comparative exercise the great majority are the same for both appraisals being compared. Therefore their precise level again makes little difference to the relative positions – i.e. does not materially affect the comparison of the with and without AH outcomes that is the focus of this exercise of broadly representing rather than re-testing the LP AH policy effect.

2.3.6. Having noted this, in our experience some of the earlier work assumptions reflect a greater influence on viability (a potential 'worst case scenario' or heading towards that) than may be necessary to accept if the on-site AH or AHFC cost is being queried on the separate matter of its viability. An example of this is the higher cost of allowing for an upper end PPG range rather than middle range profit level that may well be considered appropriate once application stage appraisals with viability submissions are being reviewed. Nevertheless, as above and consistent with the strategic approach put forward on AHFCs, in our view and experience the use of the assumptions as applied does also contribute to setting practical and generally workable contribution levels (rather than pushing those to potentially work in some scenarios, but not others).

2.3.7. Other assumptions updated from the BPS work in our appraisals, however, include:

- Finance at 7.5% interest (100% debt finance) – rate assumption increased from LP assumption of 6.75% to reflect present day costs
- S106 costs of £4,000/unit (based on recent examples from RBC; a high-level assumption to cover SAMM, SANG, Highways, Open Space, Education etc).
- CIL cost – assumed at £352.25/m² based on the latest indexed charging rate for Zone B (this is to reflect the impact of CIL within the appraisals representing on-site AH vs none, and was not included in BPS's calculations as far as we can see). In practice, CIL will vary by area as noted above and provides a degree of equalisation between varying viability influences different value areas.
- Affordable housing values at 55% of market value based on a blended tenure mix (therefore affordable houses at £3,300/m² and affordable flats at £3,410/m² given our updated broad market housing GDV assumptions, as above).

2.3.8. In practice, the development assumptions will vary by scheme type, dwelling type, location etc., however this study takes a suitable overview with the aim of 'cutting through' and making a judgement based on the relativity between the on-site and no AH positions (allowing the equivalent effect to be reflected in the suggested AHFC in lieu levels).

3. Comparative Appraisals

3.1 Appraisal results

3.1.1 Using the typologies and inputs noted, the four sets of appraisals produce the results shown in the table on the following page.

3.1.2 This presents the results in terms of £/unit and £/m2 (both per gross number of units/floor area and per number of units/floor area of the affordable housing potentially being replaced by an AHFC in lieu).

Appraisal Results

Typology	Total Units in scheme	Number of AH units	GIA (whole scheme) (m2)	GIA of AH (m2)	RLV of 100% market housing scheme = (A)	RLV of scheme including AH = (B)	Difference = (A - B)	Difference - Per unit (gross units)	Difference Per unit of AH	Difference Per m^2 (gross)	Difference Per m^2 of AH
12 units (houses)	12	5	1176	488	£1,978,896	£1,435,764	£543,132	£45,261	£108,626	£462	£1,113
30 units (flats and houses)	30	11	2658	792	£4,521,586	£3,719,940	£801,646	£26,722	£72,877	£302	£1,012
60 units (flats and houses)	60	21	5686	1760	£9,777,183	£8,003,694	£1,773,489	£29,558	£84,452	£312	£1,008
100 units (flats and houses)	100	35	9510	2964	£16,457,431	£13,465,259	£2,992,172	£29,922	£85,491	£315	£1,010

3.1.3 The results indicate very similar amounts on a £/m2 basis when the findings are viewed across this picture and, as per the principles discussed, when making an overview as we consider to be appropriate. The first typology, being only houses and therefore with a larger average unit size, results in a slightly higher rate per unit.

3.1.4 It should be noted that the above results assume ‘Zone B’ for CIL, and application of a different CIL rate will affect the results. However the values are assumed at a fixed level and in practice it is likely that sales values will be lower in a lower CIL zone. Also as noted in 2.2, above, our research indicates that in practice a range of new build values may be found within each CIL zone. This study seeks to set contributions at a level which will work across all areas of the borough, without having to run a residual land value calculation for each site that comes forward (and therefore without having to assess/agree the inputs to that); also seeking to achieve a level of contributions that will support the provision of affordable housing elsewhere – which might not be within that same ward/CIL zone.

3.1.5 It is also important for the Council to set a rate which is not overly onerous, but which is not set at too low a rate that makes this AHFC route an attractive option financially compared to the Policy’s key thrust of securing affordable housing on site – i.e. is broadly equivalent to the financial effect of by providing on-site affordable housing (and noting also that there might be other less tangible benefits to developers from not including affordable housing within a site).

3.1.6 The Council could choose a flat rate per unit of affordable housing being replaced. In our view (given the above results) it would be more appropriate in the RBC area to apply a £/m² rate to any affordable housing which is being replaced by market sale. This will allow for differences in the housing mix of schemes to be reflected in the figures – for example a development of flats will have a lower floor area therefore will pay a lower amount towards off-site affordable housing.

3.1.7 It would also be possible for the Council to agree what a suitable affordable housing mix on a site would be and then apply a £/m² rate to the relevant floor area, however in our view this would be reintroducing a level of complexity/uncertainty to the process.

3.1.8 RBC's current policy is to require 35% affordable housing on all developments of 10 or more dwellings. In most cases it is likely that either all the affordable housing required by policy will be provided on site, or the whole provision will be agreed as an off-site contribution (if for example it is agreed that it is not appropriate to provide the required affordable housing on site).

3.1.9 The Affordable Housing Supplementary Planning Document (SPD) adopted in April 2022 provides further guidance on how the requirements of Policy SL20 will be delivered. The SPD sets out, amongst other things, that where the affordable housing requirement is not a whole number it will be rounded up or down to the nearest whole number. If the split of dwellings results in 0.5 of rented and 0.5 of another tenure type, the rented accommodation will be rounded up.

3.1.10 However, the SPD is currently being updated to take into account this Affordable Housing Financial Contribution approach and also to take account of the changes introduced by the revised National Planning Policy Framework (December 2024). This update to the SPD will include changing the rounding up mechanism to ensure that where the affordable housing requirement is not a whole number it will only be rounded down where it continues to meet the affordable housing requirement/or could say here that the part house will be taken as a commuted sum payment.

4. Summary and recommendations

4.1 Methodology

4.1.1 DSP reviewed various potential methods of calculating AH financial contributions in our Stage 1 (Draft) report. The potential options (approaches) have been considered closely with and by RBC. The Council has decided to proceed with 'Option C' which is based on carrying out typology testing comparing the residual value of schemes with a policy compliant affordable housing provision with the residual value of the same schemes as 100% market housing. This is then used to set a fixed rate for the AHFCs that can be applied borough-wide.

4.1.2 A key benefit of this method is that it can readily be applied to application proposals and provides clarity for planning officers and planning applicants, without the need for lengthy discussions or verification of appraisal input assumptions and the supporting information that would need to be behind those.

4.1.3 We have considered whether the contribution rates could/should be varied for different parts of the borough, to capture changes in sales values, however in our view there is not sufficient justification for a 'differential' approach. Any differentiation will by its nature mean that there are fairly arbitrary boundaries or 'cut-offs', for example at a ward or other locational boundary or similar, which may not reflect the actual scheme characteristics, and our research shows that whilst some higher value areas can be identified, there may still be a wider range of scheme types and values supported within those areas. We have also noted that such an approach (i.e. introducing differentials) would not be consistent with the general approach to affordable housing within the Local Plan, which does not differentiate by location or value areas.

4.2 Recommendation

4.2.1. Overall, we recommend applying a £/m² rate based on the GIA of the proposed scheme (total – all dwellings) and based on the above results at this time we suggest a rate of £300/m² (broadly representing equivalence to a 35% AH contribution).

4.2.2. The following examples illustrate how this would work:

Example 1
Development of 25 dwellings (mix of flats and houses)
Gross Internal Area of all proposed dwellings of 2,070 m²
Policy requirement for 9 affordable homes on site
Payment in lieu of those 9 = £300 x 2,070 = £621,000
(This equates to £69,000 per AH unit not being provided on site)

Example 2
Development of 10 dwellings (all houses)
Gross Internal Area of all proposed dwellings of 990 m²
Policy requirement for 4 affordable homes on site
Payment in lieu of those 4 = £300 x 990 = £297,000
(This equates to £74,250 per AH unit not being provided on site)

4.3 Contribution for a single dwelling/specific number of dwellings

4.3.1. If for example a contribution in lieu of a specific number of units were to be required rather than the full policy requirement, the equivalent per AH unit rate above could be applied.

4.3.2. To illustrate this using Example 2 above, if it were agreed that 1 affordable home was to be provided on site but a payment in lieu should be provided for the remaining 3 units, then a contribution rate of 3 x £74,250 = £222,750 would apply.

4.4 Updating/indexing

4.4.1. The Council may also wish to consider a mechanism by which the calculated AHFC levels could be updated, to ensure that contributions do not fall behind in the broad equivalence of providing affordable homes. For future updating, reflecting market movements, the suggested £300/m² rate could be indexed; for example to the Land Registry HPI (house price index), or aligning with CIL indexing which updates according to the BCIS Tender Price Inflation index related to scheme costs – with the indexing rate now published annually here: https://bcis.co.uk/insight/cil_index/

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