LEVVEL
INNOVATION IN HOUSING & PLANNING

1

Affordable Housing Viability Study

For

Bromsgrove District Council

APPENDIX 1

AFFORDABLE HOUSING VIABILITY STUDY BRIEF

January 2011

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Bromsgrove District Council

Affordable Housing Viability Study

Consultants Quotation Brief

September 2010

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1. Aims of Study

1.1 Bromsgrove District Council wishes to appoint consultants to undertake research into affordable housing viability within Bromsgrove District and prepare an Affordable Housing Viability Study (AHVS). This will be used as part of the Evidence Base for the LDF.

1.2 The AHVS will be used by the Council to inform the development of Core Strategy housing policies, an integral element of the LDF. The study will also Contribute to other Local Development Documents (LDDs) under preparation. The AHVS must be undertaken in the context of Planning Policy Statement 3: Housing (PPS3).

2. Background

2.1 The District Council is continuing to develop it Local Development Framework. The policy document work programme associated with the LDF is set out in the Council's Local Development Scheme (LDS). Of most relevance is the Draft Core Strategy, with the latest version due out for consultation in November 2010. The previous version of the Core Strategy (October 2008) highlighted that affordable housing is a major issue in the District.

2.2 A high level of need for affordable housing has been identified through a Sub Regional Housing Market Assessment in 2007 and most recently a Bromsgrove District Housing Market Assessment in 2008. It considered that the level of need is so high that it is unlikely to met therefore it is crucial that the levels of affordable housing delivered on sites is maximised.

3. Introduction to the Study Area

3.1 The study area covers the District of Bromsgrove. The district is located outside the Major urban Area (MUA) of the West Midlands and 90% of the district is located within the designated Green Belt. These factors combined mean that there is significant pressure for development in the district.

3.2 The district covers approximately 21,714 hectares and has a population of 91,500. The main centre of population is Bromsgrove Town and this is where significant growth will be located. Beyond the town there a number of smaller settlements that have been removed from the Green Belt and would be expected to take some modest growth. These include Wythall, Hagley, Catshill, Barnt Green and Alvechurch. The remainder of the district is rural in nature and consists of a number of villages that are washed over by a Green Belt designation.

4. Scope of the Study

4.1 The outcomes of the study must support the outcomes identified in paragraph 29 of PPS3. That is:

'…*reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing,*

including public subsidy and the level of developer contribution that can reasonably be secured.'

4.2 The study must test through the application of a thorough methodology, the maximum levels of affordable housing that the Council can expect the residential property market to deliver.

4.3 The circumstances, to be tested, must include varying thresholds and differing proportions of affordable housing. The study should consider the following:

- A sliding scale of on-site provision. To study and review the likely development viability impact of a potential "sliding scale" approach to affordable housing thresholds and percentages on sites between 1 and 14 dwellings.
- The potential for financial contributions on small schemes (i.e. less than 5 units) if on-site provision is not viable
- The possibility of applying different thresholds and/or proportions in particular parts of the District
- The scope for other financial contributions in addition to affordable housing provision

4.4 The methodology must cater for variables such as the availability of public subsidy, build costs, variations in tenure mix and infrastructure requirements, all of which will influence the financial viability of the developments.

4.5 The study must take account of a range of sites that are likely to come forward within the District including the following:

- Site size
- Greenfield/brownfield
- Urban/rural

4.6 It is proposed that 3 strategic sites will be allocated within the Core Strategy and other potential housing sites are identified within the Council's SHLAA. The Council wishes to ensure that the assessment is applicable to both Bromsgrove Town and the wider rural areas.

4.7 The assessment is being commissioned in a period of economic downturn, which is having a significant effect on the housing market. However, the Core Strategy is looking ahead to 2026 in terms of housing provision. Whilst the length and extent of the current downturn is open to debate, the housing market is cyclical and an upturn is likely through the life of the DPD. It is therefore important that the AHVS is able to test a range of scenarios to ensure that an appropriate level of affordable housing is delivered as the market picks up.

4.8 The study will need to be sufficiently robust to support housing policies within the Core Strategy and other documents comprising the LDF.

5. Production of the Study

5.1 The study report should be prepared and presented in accordance with the following content, format, timetable and quality standards, and will involve:

i) an interim report setting out the findings, for approval by the client-side project manager;
ii) a final comprehensive technical report

These will be supplied as:

iv) an electronic version;

v) two printed hard copies, together with a copy on CD ROM, which should be Microsoft Word compatible.

5.2 Report Content

The outcome of the AHVS should be a detailed report that makes recommendations to the council on:

a) The appropriate thresholds and targets that are realistic and achievable across the District
b) The potential to secure a financial contribution in lieu of on site provision on small schemes (single dwellings) and how much this should be (subject to site specific viability)
c) The scope for other 'contributions' in addition to affordable housing requirements

In preparing the report consideration should be given to the various matters set out in section 4 above. The AHVS should have due regard to national planning policy and any emerging guidance and best practice on economic viability appraisals. In addition the Council would expect that appropriate links and/or references are made to other strategies and studies as appropriate.

5.3 Report Format

The format of the report should include:

i) an Executive Summary appropriate to a non-technical, decision-making audience.

ii) clear summaries of the key findings and conclusions at the start of each chapter, particularly for those chapters with substantive technical elements. Where assumptions have been made, a reasoned justification should be provided. Data sources should be referenced.

iii) detailed technical tables and analysis that may be collated in technical appendices.

iv) an explanation and critique of the methodology used for the purpose of the AHVS, highlighting strengths and, where weaknesses are evident, what steps have been undertaken so that these have been overcome.

5.4 Presentation of findings

The appointed consultant will be required to present the findings of the report to the Council. The appointed consultant will also be expected to defend the AHVS at the Examination in Public into the Bromsgrove Core Strategy if deemed necessary.

5.5 Standard of Quality

The consultant will be responsible to Bromsgrove District Council for ensuring that the study is undertaken and the report and all other presented material are prepared to the highest professional standards to be expected of experienced planning consultants and members of the Royal Town Planning Institute.

6. Information to be supplied

NB: If this is a joint submission please indicate the lead practice and project manager. Please provide a separate set of information for each practice.

6.1 The Consultancy

Include the Company Name, the registered office address of the Company and the name of the person submitting the proposal and position in the Company. Also include details of your firm's equal opportunity policy, your firm's commitment to quality management and whether or not you are ISO 9001 accredited, and details of your firm's professional indemnity insurance.

6.2 Project Management

Include the name of the proposed Project Manager (including CV), details of the Project Team (including CVs), and specify the number of hours or percentage time allocated to each team member.

6.3 Relevant Experience and Expertise

Indicate any similar projects your company/practice has been involved with, including dates, objectives and outcomes. Please give details of two former clients for whom you have undertaken relevant work in the past three years who would be willing to act as referees. The submission should specify whether any of the in-house project team members has any conflicting interests which may prejudice their involvement in the project. You should also include in this any external specialist consultants who may form part of your project team.

6.4 The Quotation

Please outline your approach to addressing the aims and tasks identified in Sections 4 of this brief. This should include the consultant's appreciation and understanding of the issues to be addressed, a description of the proposed methodology and how the aims and scope of the study will be met, and the modelling methods to be used and why these methods have been chosen.
N.B. Use only the Pricing Schedule shown at 12.1

6.5 Provide details of the resources your firm will be using, in terms of number of staff hours that you would put into the project. Include the expected extent and nature of liaison with the District Council and any other relevant resource information. The quote made must be inclusive of all expenses.

6.6 Confirm the services that your firm will provide in-house and details of any specialist external consultants who may form part of your project team.

6.7 Study Costs
The quotation submission should include a detailed budget breakdown of all elements necessary to meet the specifications of the brief.

6.8 The Council will not be liable for any costs incurred in the preparation of the quotation document and will not be bound to accept the lowest or any quotation.

7. Project Timetable

7.1 The intended timescales and key dates are:

- Invitation to submit quotation — 24th September 2010
- Deadline for receipt of quotation — 18th October 2010
- Interview of consultants (if required) — 1st November 2010
- Consultant appointed — 8th November 2010
- Project start date and inception meeting — 12th November 2010
- Interim report — 7th January 2011
- Final Report — 28th January 2011
- Presentation to Council — 4th February 2011

Notes:

i) selection of the chosen consultant will be based on the following criteria:-
   - evidence of a demonstrable appreciation and understanding of the project brief,
   - track record of the consultant,
   - robustness of the proposed methodology for undertaking the brief
   - value for money
   - experience and suitability of the project team

ii) consultants will be expected to set out their proposals for how they intend to undertake the project to meet the timescale.

iii) the inception meeting will confirm the methodology and agree an overall project plan, including a timetable for progress meetings and updates and set out a programme for providing regular update reports.

7.2 The project plan for the programme of work should be presented to the council, setting out in detail the key target dates, methodology, specific tasks, responsibilities and estimated time/resources to complete each task, with a clear communication plan to the client, wider contacts and stakeholders. The project plan will need to be endorsed in writing by the council in accordance with the project timetable.

8. Project Management

8.1 The client for the study shall be Bromsgrove District Council.

8.2 A number of meetings will be required between the consultant and the Bromsgrove District Council, including:

- an initial briefing to discuss and clarify the method to be used in the study;
- monthly (or more frequently as required) progress meetings to monitor progress and deal with any emerging issues;
- a meeting to present and discuss the draft findings prior to the presentation of the final report and the end of the study period.

8.3 The consultant's first point of contact for information concerning the study will be:

Andrew Fulford
Strategic Planning Department
Bromsgrove District Council
The Council House
Burcot Lane
Bromsgrove
Worcestershire B60 1AA

Email: a.fulford@bromsgrove.gov.uk - Tel: 01527 881323

Please note that quotation submission must not be submitted to the above contact. It should be submitted instead to the name and address given in Section 9 below.

9 Quotation Submission Requirements

9.1 The quotation shall be submitted in the plain envelope enclosed with this invitation. It should be sealed and marked with the following:

PRIVATE & CONFIDENTIAL
QUOTATION FOR AFFORDABLE HOUSING VIABILITY STUDY
BROMSGROVE DISTRICT COUNCIL

9.2 Two hard copies of the quotation should be submitted to arrive by **12pm on 18th October 2010** and should be sent to:

Mike Dunphy
Strategic Planning Manager
Bromsgrove District Council
The Council House
Burcot Lane
Bromsgrove
Worcestershire B60 1AA

Any submissions received after this date and time will not be considered

9.3 The quotation is invited on a fixed price basis (including all expenses and disbursements). Payment of fees will be made following the satisfactory

completion of the study. **N.B. Use only the Pricing Schedule shown at 12.1**

NB: Although the Council has allocated a sum of money for the project, the selection of the consultants will not be on the basis of the submission in a financial sense but on the evidence provided in the submission, and how the brief will be achieved.

10. Key Contacts

Bromsgrove District Council

Strategic Planning Team	Mike Dunphy, Strategic Planning Manager	Tel: 01527 881325 Email: m.dunphy@bromsgrove.gov.uk
Strategic Planning Team	Andrew Fulford, Planning Officer	Tel: 01527 881323 Email: a.fulford@bromsgrove.gov.uk

11. Materials, Equipment and Labour

11.1 The consultant will be responsible for the supply of all materials, equipment and labour necessary to carry out the commission.

12. Proposed Fees

12.1 Quotations are invited on a fixed price basis to include a breakdown of all staffing and travel costs. The following table must be used for detailing your proposed costs for completing the study.

Prices quoted must be exclusive of VAT

Description	**£**
Data collection	
Modelling	
Additional cost of attending relevant Examination In Public or Inquiry (if required)	
Publication/printing costs of 2 hard copies and an electronic copy of the final report	
Costs of attending progress meetings	
Travel & disbursements	
Any other costs (please specify below)	
Total	

13. Conditions of Contract

13.1 These will be Bromsgrove Districts Councils Standard Terms & Conditions for Consultancy (available on request).

LEVVEL

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Affordable Housing Viability Study

For

Bromsgrove District Council

REPORT ON POLICY CONTEXT

JANUARY 2011

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POLICY CONTEXT, CURRENT AND PROJECTED ECONOMIC CONDITIONS

INTRODUCTION

1.1 The policy context, national, regional, sub regional and local is explored with regard to the provision of affordable housing. The current economic conditions and the effect upon the housing market at a national level are also examined in Appendix 3 which focuses on the economic position as it relates to Bromsgrove. Historic market data is used to assess possible future scenarios for the various housing markets. This will then be used to future proof policy options within the overall context of the economic position.

NATIONAL POLICY

1.2 In 2003, the government set out their current vision for housing in the Communities Plan. This publication led to a period of significant change in planning systems across the UK and the current housing policy document which is Planning Policy Statement 3 and the companion document Delivering Affordable Housing.

1.3 The key objectives of the Communities Plan state that our communities should:

- Be economically prosperous;
- Have decent homes at affordable prices;
- Safeguard the countryside;
- Enjoy a well designed, accessible and pleasant living and working environment; and
- Be effectively and fairly governed with a strong sense of community.

1.4 PPS3 supplements these aims and specifically sets out the National Affordable Housing Policy. PPS3 identifies a number of specific requirements, but emphasises that policy should be applied flexibly, “The target should reflect the new definition of affordable housing in this PPS. It should also reflect an assessment of the likely economic viability of land for housing within the area, taking account of risks to delivery and drawing on informed assessments of the likely levels of finance

available for affordable housing including public subsidy and the level of developer contribution that can reasonably be secured".[1]

1.5 A companion document to PPS3, Delivering Affordable Housing expands upon these principles. "Effective use of planning obligations to deliver affordable housing requires good negotiation skills, ambitious but realistic affordable housing targets and thresholds given site viability, funding 'cascade' agreements in case grant is not provided, and use of an agreement that secures standards".[2]

1.6 The approach is therefore to identify the level of need and its nature, to consider the types of affordable housing that might best meet this need and then to consider the economics of delivery and how sources of uncertainty (such as the availability of public funds and economic changes over the life time of the development) can best be managed. This process will necessarily involve the assessment of the financial circumstances of development sites, a process that lies outside the scope of this statement.

1.7 The basis of affordable housing must also be considered in the light of economic viability and deliverability. It is important that policies must be grounded in the real world so that they do not hinder development and restrict sites coming forward for (residential) development.

1.8 PPS12 considers the deliverability and flexibility of Core Strategies in paragraphs 4.44 to 4.46. This is within the context of overall infrastructure requirements but it is clear that if the infrastructure is to be delivered then viability of policies, including affordable housing policies, are viable within this context.

1.9 Furthermore, the flexibility of core strategy requirements should also be assessed and PPS12 goes on (paragraph 4.46) to suggest a minimum 15 year consideration of the impact of policy to calculate how contingencies should be dealt with so that constraints and challenges to policy can be considered over the longer time frame.

1.10 PPS12 also gives specific guidance on the evidence base necessary to support core strategies. The evidence base should be based on two elements; participation and research/fact finding. Generally, the core strategies should be based on "thorough evidence".

1.11 Paragraph 29 of PPS3 also refers to viability being important for the setting of overall affordable housing targets. This involves looking at the risks to delivery and the likely level of finance available including public funding and developer subsidy.

1.12 Circular 05/05 also has a key role to play in the subject of viability as it provides guidance on the use of planning obligations under S106 of the Town and Country

[1] Paragraph 29, PPS3, CLG, June 2010

[2] Delivering Affordable Housing, DCLG November 2006. paragraph 10, page 3

Planning Act 1990. Paragraph B5 of the Circular requires that planning obligations are only sought where they meet all of the following tests:

- Relevant to planning;
- Necessary to make the proposed development acceptable in planning terms;
- Directly related to the proposed development;
- Fairly and reasonably related in scale and kind to the proposed development; and
- Reasonable in all other respects.

1.13 Paragraph B7 goes on to confirm that 'planning obligations should never be used purely as a means of securing for the local community a share in the profits of development, i.e. as a means of securing a "betterment levy"'.

1.14 The level of financial contributions required on individual sites can be critical in any assessment of financial viability. Circular 05/05 provides the basis upon which Local Authorities should incorporate sufficient information in to the plan-led system in order to enable developers to predict as accurately as possible the likely contributions they will be asked to make through planning obligations. On occasions formulae and standard charges may be appropriate, as part of the framework of negotiating and securing planning obligations. This may change in the near future as further work progresses on introducing the Community Infrastructure Levy (CIL). Regulations implementing CIL which came into force on 6th April 2010. However, Planning Obligations will remain after CIL is introduced and affordable housing is likely to continue to be secured through planning obligations rather than CIL.

1.15 The Decentralisation Minister Greg Clark announced on the 18th November 2010 that the Community Infrastructure Levy introduced by the last government in April 2010, would be continued because it provides a fairer system to fund new infrastructure. The levy will give Councils the option to raise funds from developers building new projects in their area, and provide a more certain and flexible system for house builders, cutting the costs of lengthy legal negotiations. However, the levy will be reformed to ensure neighbourhoods share the advantages of development by receiving a proportion of the funds councils raise from developers. These will be passed directly to the local neighbourhood so community groups can spend the money locally on the facilities they want, either by contributing to larger projects funded by the Council, or funding smaller projects like park improvements, playgrounds and cycle paths. The new system will be more transparent with levy rates set in consultation with local communities and developers, unlike planning obligations that are negotiated behind closed doors. Developers will know up front exactly how much they will be expected to pay. Decentralisation Minister Greg Clark said:

"Communities should reap the benefits of new development in their area and these reforms will put in place a fairer system for funding new infrastructure while also providing certainty for industry.

Too little of the benefits of development go to local communities, and our ambition is to correct that with a reformed levy under genuine local control. Neighbourhoods will now get a direct cut of the cash paid by developers to councils - to spend how they wish to benefit the community, from parks and schools to roads, playgrounds and cycle paths.

Our decentralising changes will also benefit developers through a system that is flexible, predictable and transparent while also cutting the red tape and bureaucracy faced by councils.

Alongside the New Homes Bonus, this is another way to make sure communities benefit from development in their area. It will help change the debate about development from opposition to optimism."

1.16 In November 2010 the Department of Communities and Local Government published the consultation document “Local Decisions: a fairer future for affordable housing” and the proposed reforms to the affordable housing sector that it contains. The document also refers to the Comprehensive Spending Review, and the changes to housing finance set out therein.

1.17 In summary this consultation proposes fundamental reform of social housing and aims to:

- Make the system fairer, striking a proper balance between the needs of new and existing tenants
- Ensure that the support which social housing provides is focussed on those who need it most for as long as they need it; and
- Give local authorities and housing associations new powers so that they can make best use of their housing, in a way which best meets the needs of individual households and their local area.

1.18 The DCLG identify in this paper that the law will need to be changed to deliver many of these reforms and it is their intention to use the Localism Bill to do this.

1.19 The reforms will give Councils and Housing Associations the freedom to grant fixed term tenancies as well as lifetime tenancies. These fixed term tenancies will be at social rent levels and provide another option for landlords and tenants alongside the new fixed term Affordable Rent tenancies. Other areas of Reform include changes to Successions rights, and the introduction of a new ‘Affordable Rent’ tenancy to be available from April 2011.

1.20 Affordable Rent properties will offer shorter term tenancies at a rent higher than social rent, with landlords able to set rents anywhere between current social rent

levels and up to 80 % of local market rents. Local Authorities will continue to play a key role on nominations.

1.21 The reforms will also change the Allocations process and Councils will be able to set the rules which decide who qualifies to go on the housing waiting list whereas at the moment they have to keep an 'open' waiting list. However the rules that determine who should get priority for social housing will continue to be set by Central Government, to ensure that social housing continues to go to the most vulnerable in society and those who need it most.

1.22 In terms of Mobility the reforms will introduce a nationwide home swap scheme so that all council and housing association tenants wishing to move have the best chance of finding a suitable match.

1.23 Reforms to homelessness legislation too enabling Council's to bring the homelessness duty to an end with an offer of suitable private rented housing. At the moment this requires the persons agreement, so people under this main category of homelessness can insist on being offered social housing, whether they need it or not, taking around a fifth of new social lettings. This significantly restricts the number of social homes that could be made available to others in need on the waiting list.

1.24 The final area of reform proposed in this consultation paper is Council Housing Finance. The current arrangement for financing Council Housing – through the Housing Revenue Account subsidy system – is complex, leaves councils uncertain about future income and doesn't enable them to plan long-term. The Government plans to replace this with a new self financing arrangement that will enable Councils to keep all the rent money they raise and spend it locally on their services. It will also enable tenants and local taxpayers to hold their landlord to account for the cost and quality of their housing[3].

Regional Policy

Transitional arrangements for Regional Planning

1.25 The West Midlands Council (formerly the West Midlands Leader Board), was temporarily the regional decision making body for Local Government in the West Midlands following the abolition of the West Midlands Regional Assembly in March 2010. However with the new Government this changed again, and the Government Office network is currently in discussion with the Department for Communities and Local Government (DCLG) about transitional arrangements for the planning work carried out previously at the regional level. The West Midlands Councils news letter 'Keeping in Touch' released on the 17th November stated:

[3] Local Decisions: a fairer future for social housing – Summary DCLG November 2010

"The West Midlands Regional Spatial Strategy (RSS) has made an unlikely return from the grave following a ruling by the High Court. RSSs, which among other things set out the broad distribution of new housing development between local authority areas, were rescinded by government in favour of a more localised approach to deciding development needs.

Cala Homes won a challenge to the Secretary of State Eric Pickles' action on the basis of acting outside his powers in avoiding parliamentary scrutiny of a fundamental change to a statutory part of the land-use planning system.

However, with the Decentralisation and Localism Bill being introduced to Parliament shortly and slated to become law before the end of 2011 this is likely to be a short lived and severely incapacitated resurrection. The government on 27th May made its intention to abolish RSS clear; a position which will also be a material consideration in local planning decisions alongside the now temporarily revived RSS.

Until this happens, the RSS as it stood on 5th July will once again be part of the local authority development plans across the West Midlands. Early views from commentators suggest that this will provide a small window of opportunity for developers to progress a limited number of well advanced schemes before new legislation comes in."

Overview of the Current West Midlands RSS Revision.

1.26 The West Midlands Regional Spatial Strategy (WMRSS) was published in June 2004. The Secretary of State supported the principles of the strategy but suggested that several issues needed to be developed further. The revision process was planned in three phases.

1.27 Phase One of which has been completed and sets out a long terms strategy for the Black Country Area.

1.28 Phase Two is still in progress. It has focussed on housing development, employment land, town centres, transport and waste together with overarching policies relating to climate change and sustainable development. In March 2010, following detailed consideration of the WMRSS process to date the CLG had decided that further work was required before the Secretary of State could publish proposed changes. Proposed Changes were originally intended for publication by July 2010. To date they have not been released and it is unclear who would have the responsibility to release them during this transitional period before the Decentralisation and Localism Bill is approved.

1.29 Phase Three Revision topics are 'Rural Services', 'Gypsies and Travelling Show People', 'Culture, Sport and Tourism', 'Environment' and 'Minerals'. The Phase Three issues have been taken forward in one of two main ways:

(a) Interim Policy Statements which will provide a framework for the preparation of Local Development Frameworks.

(b) Policy Recommendations which will provide an important input into the preparation of the Regional Strategy.

1.30 From the 1st April 2010, the WMRSS will be merged with other principal strategies – particularly the Regional Economic Strategy (RES) – to form the Strategy for the West Midlands.

1.31 The WMRSS Phase Two Revision was formally submitted to the SoS on 21st December 2007. Consultation on the revised draft closed on 8th December 2008. The Examination in Public opened in April 2009 and closed on the 24 June 2009. The EiP Panel Report was prepared in September 2009. Proposed Changes are still awaited. Policy CF3 identifies the net dwelling provision and proposes average annual net additions to the dwelling stock of 19,895 between 2006 and 2026 for the West Midlands Region. Within that the allocation for Bromsgrove is 4,000 (200 pa). The following table outlines the net dwelling provision for Worcestershire including Bromsgrove in particular and then provides the total for the West Midlands Region.

Planning Area	Proposal Total (Net) 2006-2026	Indicative Annual Average 2006-2026	Comments (figures for SSDs within Districts are indicative)
Bromsgrove	4,000	200	Further Study should be undertaken in the context of the Core Strategy Review on the potential for sustainable provision of future 2,000-3,000 dwellings for the 2021-26 period.
Redditch	7,000	350	Around 4,000 within the Borough and around 3,000 in Bromsgrove District adjacent to the Redditch Boundary
Wyre Forest	4,000	200	
Worcester City	11,000	550	At least 3,500 will be within Worcester City, at least 3,500 within the Malvern Hills adjacent to the West boundary of the City and the remainder split between the City, Malvern Hills and Wychavon Districts adjacent to or in the vicinity of the City as determined in the Joint Core Strategy
Malvern Hills	5,000	250	
Wychavon	9,500	475	
Worcestershire	40,500	2,025	
West Midlands Region	397,900	19,895	

Source: Table 3.3 from the West Midlands RSS Phase Two Revision Report of the Panel: September 2009. Page 83.

1.32 Policy CF4 Phasing and Managing Land for Housing was revised in the Panel Report and identified that Local Planning authorities should aim to increase housing delivery as quickly as possible in order to reach annual levels of delivery required to deliver the housing provision set out in Policy CF3. The table below sets out a trajectory for achieving the regional total housing provision by 2026. Local Planning Authorities should set out a trajectory for their area having regard to the indicative annual rates below.

	2006-11	2011-16	2016-21	2021-26	2006-26
Worcestershire	1,185	1,785	2,445	2,685	2,175
West Midlands	11,615	17,445	23,875	26,245	19,795

Source – Extract from Policy CF4 in the West Midlands RSS Phase Two Revision Report of the Panel: September 2009. Page 108, as amended by the addendum to the Panel Report published in November 2009

1.33 The Panel Report Policy CF7 Delivering Affordable Housing identifies that the regional affordable housing target is that across the region as a whole 35% of the net housing increase should be affordable, equivalent to an average provision of 7,000 net additional affordable housing units per annum over 20 years. Indicative minimum targets (net annual) for each housing market area are:

South HMA		1,200
North HMA		700
West HMA		760
Central HMA	C1	2,100
	C2	700
	C3	1,540
Total		**7,000**

1.34 Bromsgrove falls within the South HMA region. Policy CF7 also identifies that LPA's should set an overall minimum target for their area, in light of local and sub regional assessments and subject to economic viability assessment. Only exceptionally will the proportion be either below 25% or above 40% of the total additional housing provision.

West Midlands Regional Housing Strategy June 2005

1.35 In July 2003 the West Midlands Regional Housing Board together with the West Midland Regional Assembly issued its first Regional Housing Strategy, 'Putting Our Housing in Order'. Following the development of a shared evidence base on housing markets and the profile of housing needs for affordable and social housing the 2005 RHS was developed. In summary the core aims of the 2005 RHS are:

- to create mixed, balanced and inclusive communities;
- to assist in the delivery of West Midlands Regional Spatial Strategy (WMRSS) policies of Urban and Rural renaissance;
- to influence the future development of new housing provision to facilitate and enhance the economic development of the Region;

- to address the variety of needs across a range of specific sectors of housing circumstances;
- to work towards the success of the two ODPM sponsored Housing Market Renewal Area Pathfinders in Birmingham / Sandwell and North Staffordshire / Stoke and the Regionally identified housing restructuring areas of East Birmingham / North Solihull and North Black Country / South Telford;
- to see that Government's Decent Homes standards are met in the municipal, social sectors, and for those in vulnerable circumstances in the private sector;
- to achieve social and other affordable housing; and
- to achieve sustainable access to minimise environmental resource consumption and traffic and improve the quality of the environment.

1.36 The RHS is a broad Strategy to 2021, which is then supplemented every two years by the Government Office for the West Midlands issuing a two year investment strategy know as the Regional Allocation Statement (RAS). It was Central Governments expectation that the West Midlands Regional Housing Allocation Strategy implements the RHS.

Ongoing Changes to the Role of Regional Policy

1.37 On the 25 May 2010 the **Queen's Speech announced the Decentralisation and Localism Bill** "A Bill will be introduced to devolve greater powers to councils and neighbourhoods and give local communities control over housing and planning decisions."

The purpose of the Bill:

The Bill would devolve greater powers to councils and neighbourhoods and give local communities control over housing and planning decisions.

The main benefits of the Bill are identified as being:

- Empowering local people;
- Freeing local government from central and regional control;
- Giving local communities a real share in local growth; and
- A more efficient and more local planning system.

The main elements of the Bill are:

- Abolish Regional Spatial Strategies;
- Return decision-making powers on housing and planning to local councils;

- Abolish the Infrastructure Planning Commission and replace it with an efficient and democratically accountable system that provides a fast-track process for major infrastructure projects;

- New powers to help save local facilities and services threatened with closure, and give communities the right to bid to take over local state-run services;

- Abolish the Standards Board regime;

- Give councils a general power of competence;

- Require public bodies to publish online the job titles of every member of staff and the salaries and expenses of senior officials;

- Give residents the power to instigate local referendums on any local issue and the power to veto excessive council tax increases;

- Greater financial autonomy to local government and community groups;

- Create Local Enterprise Partnerships (to replace Regional Development Agencies) – joint local authority-business bodies brought forward by local authorities to promote local economic development;

- Form plans to deliver a genuine and lasting Olympic legacy;

- Outright abolition of Home Improvement Packs;

- Create new trusts that would make it simpler for communities to provide homes for local people; and

- Review Housing Revenue Account.

1.38 On the 10th November the Secretary of State restated his position with the following statement:

> "On 6 July 2010, the Coalition Government revoked all regional strategies under section 79(6) of the Local Democracy, Economic Development and Construction Act 2009. This action was challenged in the High Court by developer Cala Homes, and the decision today concluded that Section 79 powers could not be used to revoke all Regional Strategies in their entirety.
>
> Whilst respecting the court's decision this ruling changes very little. Later this month, the Coalition Government will be introducing the Localism Bill to Parliament, which will sweep away the last Government's controversial regional strategies. It is clear that top-down targets do not build homes - they have just led to the lowest peacetime house building rates since 1924, and have fuelled resentment in the planning process that has slowed everything down.

On 27 May 2010, the Government wrote to local planning authorities and to the Planning Inspectorate informing them of the Coalition Government's intention to rapidly abolish regional strategies and setting out its expectation that the letter should be taken into account as a material planning consideration in any decisions they were currently taking. That advice still stands.

Today, the Government's Chief Planner has written to all local planning authorities and the Planning Inspectorate confirming that they should have regard to this material consideration in any decisions they are currently taking.

Moreover, to illustrate the clear policy direction of the Coalition Government, the proposed clause of the Localism Bill that will enact our commitment to abolish regional strategies is being placed in the Library. The Bill is expected to begin its passage through Parliament before Christmas.

We are determined to return decision-making powers in housing and planning to local authorities and the communities they serve, alongside powerful incentives so that people see the benefits of building. We will very shortly provide more details about one of the most important such incentives - the New Homes Bonus Scheme, which will come into effect from April. This means that new homes delivered now will be rewarded under the scheme.

The Coalition Government remains firmly resolved to scrap the last Government's imposition of confusing and bureaucratic red tape. This was a clear commitment made in the Coalition Agreement and in the general election manifestoes of both Coalition parties. We intend to deliver on it."

1.39 On the basis of the above this report will now include some discussion about the Saved Policies in the Structure Plan as this now forms part of the development plan again.

The Worcestershire County Structure Plan 1996-2011.

1.40 The Worcestershire County Structure plan was adopted in June 2001 and subsequently certain policies were then saved by the Secretary of State's Direction in September 2007.

1.41 The overarching saved policies that have some relevance to Affordable Housing Provision include the following:

- Policy D5 The Contribution of Previously Developed Land to Meeting the Housing Provision;
- Policy D6 Affordable Housing Needs; and

- Policy D8 Affordable Housing for Local Needs in Rural Areas.

1.42 Policies that were not saved as part of the SoS directive in September 2007 include the Site Size Threshold Policy D7, as this was overtaken by PPS3.

A Strategic Housing Market Assessment for the South Housing Market Area of the West Midlands Region Final Report April 2007 and Bromsgrove District Council: District Level Housing Market Assessment 2008

1.43 These studies were carried out using slightly different methodologies and as such the results differ slightly and are not directly comparable. However, both surveys do identify a significant need for affordable housing across the District.

1.44 The Strategic Housing Market Assessment (SHMA) for the South HMA was produced in April 2007, by Affordable Housing Consultant Rupert Scott on behalf of The South Housing Market Partnership. This included the 6 Districts of Worcestershire and 2 Districts of South Warwickshire (Stratford upon Avon and Warwick). Within this the Project Management Team then identified a framework of 10 Local Housing Markets. One of these areas was Bromsgrove town and immediate surroundings only, and excluded the northern and north eastern parts of Bromsgrove District which were thought to be more closely related to Dudley and Birmingham[4].

1.45 The 2007 SHMA for the South HMA identified a gross annual need for 597 affordable units. Taking into consideration annual supply from re-lets and annual new supply there was an annual shortfall of 286 units. This was significantly higher than other Worcestershire districts, with the exception of Worcester City.

1.46 The more recent District level Housing Market Assessment was completed in October 2008 by the Housing Vision Consultancy in partnership with the Centre for Comparative Housing Research, The Bridge Group and Kim Sanger Associates. This report also identified a significant need for affordable housing stating a minimum of 70 affordable units should be built each year based on a new supply of 105 units per annum. However, a recent update based on an annual supply of 200 units per year increases the annual need for affordable housing to 101 dwellings[5].

1.47 The Executive Summary to the 2008 HMA highlights that there are powerful drivers shaping both the choice of housing in Bromsgrove and the future profile of the population to the extent that the market is increasingly unable to meet the requirements of the resident population. The HMA analysis of the challenges facing the district in creating a more balanced housing market identifies the following priorities for intervention:

[4] Strategic Housing Market Assessment for the South Housing Market Area of the West Midlands Region Final Report April 2007 Page 5.

[5] Draft Affordable Housing SPG November 2009, Paragraph 4.4 page 7.

- To increase the supply of affordable and financially accessible housing across the tenure, from low-cost 'starter homes'; through shared ownership and shared equity options to sub-market and social rental properties. The HMA recommended developing an affordable housing strategy with key strategic partners to identify those products that best fit Bromsgrove's changing population, local incomes and housing market dynamics, and which identifies how a combination of capital receipts, subsidy and planning policy can improve the supply of affordable homes across all the housing stock;

- To increase the supply of one and two bed homes in all sectors;

- To stimulate the supply of private sector homes; and

- To encourage the development of good quality and aspirational homes for older people, especially in the market sector, providing mainly two bed properties, and including consideration of encouraging mixed tenure retirement communities and/or villages providing a full range of housing and care options. In the social sector the development of attractive options for older people has the additional advantage of increasing the supply of currently under-occupied family houses.

The Homes and Community Agency in the West Midlands Regional Housing Action Plan 2009 to 2011

1.48 This document was produced in late Jan 2009 to sit alongside the Investment Strategy with the aim of helping to sustain house building during the downturn and to retain skills and capacity in the region for recovery. It identifies the regional priorities for the next two years as:

- Responding to the Housing Market;

- Maintaining delivery on all existing commitments;

- Aligning resources regionally to achieve the maximum impact on national and local priorities; and

- Developing partnerships through the Single Conversation for long-term housing growth, renewal and sustainability.

HCA West Midlands Investment Statement 2008 – 11 (April 2010)

1.49 The Homes and Communities Agency published an Investment Statement for the West Midlands for the period 2008 to 2011 in April 2010. The Investment Statement details the National Affordable Housing Programme (NAHP) Continuous Market Engagement allocations in the West Midlands for the fourth quarter of 2009-10 and the overall Regional allocation for 2008-11. The total allocation for 2008 to

2011 is £575.43 million and will provide at least 12,831 homes (7,787 for rent and 4.805 for Low Cost Home Ownership, 239 other6). The following tables look at the breakdown of this funding by sub region and tenure. Bromsgrove falls within the South Sub Region.

	RENT		LCHO	
	Value (£)	**Homes**	**Value (£)**	**Homes**
Central	305.52	5,385	96.26	3,536
North	54.60	934	11.14	446
South	47.77	861	15.55	572
West	30.27	607	7.47	251
TOTAL	438.16	7,787	130.42	4,805

Source – HCA Investment Statement 2008-2011 West Midlands Region April 2010 Table 4, page5

Overall Regional Allocation for 2008/11

	RENT	**LOW COST HOME OWNERSHIP (LCHO)**									
	RENT	HBYNB	Rent to Homebuy	INT RENT	OMHB	HBYDIR	MORT-GAGE	**HOLD**	Sub Total	Other	**Grand Total**
Value (£m)	**438.16**	34.59	10.64	20.65	16.75	35.93	10.60	**1.26**	568.58	6.90	**575.48**
Homes	**77,787**	1,493	373	520	669	1,578	134	**38**	12,592	2239	**12,831**

Source – HCA Investment Statement 2008-2011 West Midlands Region January 2010 Table 2, page 3

1.50 Historically the West Midlands have had a good response from partners to the continuous market engagement process (CME) and continue to do so. However, the HCA are now looking to work with Local Authorities through Single Conversation to develop a commissioning approach to delivery. It is believed that using both CME and commissioning will create a stronger position to deliver targets this year.

1.51 The HCA West Midlands Scheme Listing 2009/2010 released for Q3 and Q4 in 2009/10 identify the following allocations for Bromsgrove as summarised in the table below. It is noted that none of these schemes are identified as Section 106 Schemes. There were no allocations in Q1 and Q2 of 2009/10. However, in Q3 and Q4 of 2008/9 there were another 19 schemes delivering a total of 73 units for just over £2.7 million or an average grant per unit of £37,205. 16 of the 19 schemes were social rented, 2 delivered new build homebuy and one scheme delivered intermediate rented units.

[6] West Midlands Investment Statement 2008-11, April 2010, Table 2 page 4

Tenure	RSL Lead Partner	2009/10 Q	Number of Allocations (2008/11)	Number of Units	Total Funding	Funding Per Unit
Intermediate Rent	West Merci	Q4	4	19	630,743	33,197
RENT	West Mercia	Q4	10	84	5,788,524	68,911
LCHO Nebuild Homebuy	West Mercia	Q4	8	66	2,076,250	37,750
Rent	West Mercia	Q3	1	6	435,000	72,500
TOTAL			23	175	8,930,517	51,031

Bromsgrove District Local Plan 2004

1.52 The Bromsgrove District Local Plan was adopted on 13th January 2004 following two public inquiries. This is the current adopted development plan for Bromsgrove District. The Local Plan, as part of the Planning and Compulsory Purchase Act 2004 was saved in its entirety until 27th September 2007. Following the issue of a direction from the

1.53 Secretary of State dated 7th September 2007, most policies have been saved, and remain in operation beyond September 2007 until they are replaced by policies in the new Development Plan Documents. Policy S15 'Affordable Housing in Urban Areas' and Policy S16 'Affordable Housing in the Green Belt' have both been saved. These policies set a basic framework for the delivery of affordable housing in the District. In addition to these two policies there is also a Draft Affordable Housing Supplementary Planning Document which provides a greater level of detail.

Draft Affordable Housing Supplementary Planning Document November 2009

1.54 The draft version of the SPD was consulted upon between November 2009 and January 2010. It was hoped the SPD would be finalised in the spring of 2010 but this has been delayed due to the uncertainty surrounding the Phase Two revisions to the RSS. The SPD was prepared to build upon Bromsgrove District Local Plan Policies SP15 'Affordable Housing in Urban Areas' and SP16 'Affordable Housing in the Greenbelt, providing a much greater level of detail. The SPD will also be linked to the emerging Core Strategy until the Core Strategy reaches the adoption stage and superseded Policies S15 and S16 of the Local Plan.

1.55 The AH SPD definition of affordable housing reflects that in PPS3: Housing. Paragraph 3.3 confirms that the main types of units to be provided in Bromsgrove are:

Low Cost Rented Housing – Housing rented by a Registered Social Landlord as a price below the cost of renting privately; and

Intermediate Housing – There are 3 types of intermediate housing, including Shared Ownership, Intermediate Rent and Intermediate Rent to Purchase[7].

1.56 The AH SPD also confirms that the majority of affordable housing that comes forward through the plan period will be financed by the private sector through S106 agreements. In conjunction with the 2008 HMA, consultants carried out detailed financial modelling to calculate a level of affordable housing that would generally be viable for the private sector across a wide range of sites. The model took into consideration a variety of factors including construction costs, land values, rental costs, re-sale value whilst allowing for gross profits for the developers of 15%. The modelling work concluded that a realistic target of 40% affordable housing should be set for housing developments[8].

1.57 The AH SPD also provides information on how affordable housing is allocated across Worcestershire in a fair and transparent way ensuring that applicants in greatest need are treated as a top priority. This system is called Home Choice Plus and was developed by a number of Local Authorities and Registered Social Landlords working in partnership. The allocating process is based on a banding system from 'Priority', i.e. Homeless Households the Council have a duty to house under part VII of the Housing Act 1996, through to 'Gold Plus', 'Gold', 'Silver Plus', 'Silver', 'Bronze Plus' and finally 'Bronze' applicants who have no local connection and are not in any housing need.

1.58 Section 5 of the AH SPD – Delivering Affordable Housing contains the main policy detail including the following Affordable Housing Policies:

Policy AH1 – The Provision of Affordable Housing – This requires all schemes that propose a net increase in housing units to contribute towards affordable housing provision in the district. Its sets a minimum target of 40% to be achieved on sites delivering a net increase of 5 or more dwellings or all sites equal to 0.2hectares. In exceptional circumstances where an applicant can fully demonstrate that 40% cannot be achieved the District Council may negotiate a different provision. On schemes that fall below the threshold of 5 units or 0.2 hectares a financial contribution will be required in line with Policy AH2.

Policy AH2 – Financial Contributions – For those schemes delivering a net increase in housing but falling below the 5 unit or 0.2 ha threshold a financial contribution will be calculated based on the average land acquisition and build costs for affordable housing in the district. The contribution will be negotiated on a case by case basis to ensure that

[7] Draft Affordable Housing SPD, Para 3.3, page 5
[8] Ibid, Paragraph 4.5 Page 7.

schemes remain viable. Financial contributions will only be considered in exceptional circumstances where all other options have been explored including the possibility of off-site provision in accordance with Policy AH5.

Policy AH3 – Tenure – This requires 2/3 low cost rented and 1/3 intermediate housing as an optimum scenario but each case will be dealt with on its own merits, and there may be locations where a different breakdown would help to create more balanced and mixed communities.

Policy AH4 – Housing Types – Requires affordable housing developments to generally consist of 1/3 two bed properties suitable for the elderly; 1/3 two bedroom general needs properties and 1/3 three bedroom properties. Again this is the optimum scenario to best meet the current needs of the District, but each application will be dealt with on its individual merits.

Policy AH5 – **Design and Layout** – Affordable housing must be built to a high standard and should confirm to Design and Quality Standards set out by the Homes and Communities Agency or any future replacement document, obtain a minimum of Level 3 for the Code for Sustainable Homes and where possible achieve Building for Life Standards. Also to create mixed and balanced communities affordable housing should be pepper-potted throughout new developments; and not be visually distinguishable from market housing.

Policy AH6 – Off Site Provision – This policy reinforces the exceptional nature of off site provision confirming it will only be favourably considered where several tests are met including:

- The applicant and the Council agree at pre-application stage there is an exceptional and positive justification for the off site provision;
- Agreement has been reached at pre-application stage on the quantity, type and size of affordable housing which would otherwise have been provided on site;
- The alternative form of provision would be equal to or better in terms of the quality and quantity of the provision that would have been provided on site; and
- The council is satisfied at pre-application stage that there is a firm prospect of securing the alternative form of provision.

Policy AH7 – Rural Exception Schemes – This confirms that small scale 100% affordable housing schemes in rural settlements will be permitted where a housing need has been identified. This policy also requires compliance with Policy RH8 on Local Housing Needs Surveys and Policy RH9 on Site Location and Size.

Appendix A in the AH SPD also includes the Criteria and Allocations Policy for the letting and allocation of rural affordable housing developed under this policy.

Appendix B provides details of the Preferred RSL Partners, including Bromsgrove District Housing Trust (LSVT 2004), West Mercia Housing Group; Bromford Housing Group and Servite Houses.

1.59 This Draft Affordable Housing SPD has not yet been adopted and may require further revision in light of any revisions to the emerging Core Strategy or as a result to changes in policy at the Government level, including the current reforms of the Homes and Community Agency and the results of the most recent consultation document proposing changes to both legislation and policy 'Local Decisions: a fairer future for Social Housing'.

Local Development Scheme – Planning in Bromsgrove 2010-2013

1.60 The revised Local Development Scheme was brought into effect in July 2010 and replaces the previous 2007 version. The LDS will contain the following documents:

- Core Strategy DPD is intended to cover the 15 year period from adoption in 2013 and will provide a spatial strategy specific to the needs of Bromsgrove. It will contain a set of primary policies for delivering the overall strategy and identify strategic allocations for development through the production of a proposals map;

- Proposals Map DPD. The proposals map will illustrate on an Ordnance Survey base map all the policies contained in the development plan documents and saved policies. It will be revised as new development plan documents are prepared and adopted. It will show areas of protection, including Green Belt boundaries and Conservation Areas, and site specific policies and proposals;

- Town Centre Area Action DPD. This document will provide a comprehensive regeneration strategy for the Town Centre area. Over the years various attempts have been made to redevelop town centre sites, the Town Centre AAP will set out a strategy to guide the regeneration of the whole of the Town Centre and adjoining areas;

Bromsgrove District Council – Draft Core Strategy 2 - December 2010

1.61 The Council is formally consulting on the Draft Core Strategy 2 document from December 2010 until 23rd February 2011. This second draft Core Strategy differs from the first by taking on board emerging evidence and responding to consultation. The major change is that this version of the Core Strategy now contains a Site Allocations Policy CP4A) Bromsgrove Town Expansion Sites and B) Other Development Sites. It was considered unreasonable to include such major issues in a submission stage document so this further draft has been released;

1.62 Policy CP4 Bromsgrove Strategic Site Allocation and its supporting text highlights the Councils intention to deliver approximately 4,000 homes in the 15 years between 2006 and 2021. In the first 4 years of this period 642 homes have already been completed and a further 459 dwellings have outstanding planning consents. On this basis approximately a further 2,900 dwellings need to come forward by 2021. To achieve this aim allocation sites will be required. The allocations are to come forward in two separate forms. There are to be 3 Bromsgrove Town Expansion sites which all need to come forward if the target of 4,000 is to be achieved. Separate to this are Other Development Sites which are primarily the smaller sites located around the district which also have an important role to play in achieving the housing targets.

- Policy CP4A) proposes 3 Bromsgrove Town Expansion sites, the combined area of the strategic sites is approximately 111 hectares and will deliver a minimum of 1,850 dwellings, 5 hectares of employment, local centre(s), retail and community facilities;

- Policy CP4B) Proposes 6 Other Development Sites identified within the Strategic Housing Land Availability Assessment (SHLAA) providing scope for at least 936 additional homes and other employment/missed uses.

1.63 Policies CP4A) and B) contain a general requirement that all these housing sites will provide:

- residential development to reflect local need and should therefore contain a high proportion of 2 and 3 bedroom properties;

- Developments should contain 40% affordable housing (of which 25% is intermediate and 75% social housing);

- Housing should be designed to be suitable for the elderly and should for example be constructed to Lifetime Home Standards.

1.64 Chapter 2: No Place Like Home contains the following relevant draft policies:

- Policy CP6 Housing Mix requires the focus to be on delivering 2 and 3 bedroom homes, with a wider mix of dwellings on larger schemes. This policy also sets a minimum density of 30 dwellings per hectare across the District with higher densities in Bromsgrove Town Centre and other settlement centres where sites are readily accessible by public transport;

- Policy CP7 Affordable Housing will require all schemes that propose a net increase in housing units to contribute towards affordable housing provision in the district. Where there is a net increase of 5 or more dwellings or the site is equal or greater than 0.2 hectares a 40% affordable housing provision will be expected on site. Below this threshold a financial contribution will be negotiated with the applicant. In exceptional circumstances where an applicant can fully demonstrate that 40% cannot be achieved the Council may negotiate a lower provision.

- The Council will seek a tenure breakdown of 75% social rented and 25% intermediate provision;
- The affordable elements of a development should also consist of 1/3 two be properties suitable for the elderly, 1/3 two bed general needs properties and 1/3 three bedroom properties;
- Exceptionally affordable housing will be allowed on the edge of settlements in the Green belt where a proven local need has been established through a comprehensive and recent and where the site meets relevant planning criteria;
- To ensure that the housing meets locally driven need in the first instance a local lettings criteria will be applied to all schemes where affordable housing is delivered; and
- Further guidance on Affordable Housing will also be provided in SPD.

- Draft Policy CP24 Planning Obligations also highlights that development proposals will be required to provide or contribute to the provision of facilities, infrastructure and services and other forms of environmental and social requirements that are necessary to make a scheme acceptable in planning terms. All forms of development should aim to benefit the local community taking into account its needs and aspirations. The nature and scale of any planning requirements will be related to the type of development and its potential impact on the area.

Annual Monitoring Report (AMR) – December 2009

1.65 The Housing Chapter (6) in the AMR confirms that there has been an average of 371.63 net additional dwellings since 2001, which is a total of 2,973. For the emerging plan period (2006 to 2026) there has been an average of 190 net additional dwellings completed, which is a total of 570 dwellings. There have been 159 actual completions for the reporting year.

1.66 Chapter 6 of the AMR provides information on the Housing Core Output Indicators highlighting the potential increase in the total levels of housing required. The Regional Spatial Strategy provides 2 possible alternatives of a target of 4,000 over the 15 year period 2006 to 2021. This would require an annual target of 267 per annum. If the period were extended to 2026 (20 years) this would require a reduced annual target of 200. If the Redditch Expansion Area were included this would generate the need to provide for 7,000 units resulting in an increased annual target of 450. The tables on pages 22 to 24 of the AMR highlight the Net Additional Dwellings in future years across all three EIP scenarios, and the charts H2(d) highlight the Managed Delivery Targets or Housing Trajectory.

1.67 Chapter 6 of the AMR also acknowledges that the increased housing allocation of 4,000 dwellings proposed as part of the emerging RSS (Phase two Revision) will enable a greater amount of affordable housing to be completed over the plan period.

1.68 In relation to Policy S4 in the Local Plan, a moratorium was enforced in July 2003 due to the Council exceeding housing targets. The new allocation figures identified in the emerging RSS now means Bromsgrove District Council no longer is in a position of over supply and does not currently have a five year land supply as required by PPS3. The moratorium is effectively no longer in use.

1.69 In recent years the Council have carried out a Housing Needs Assessment and a Strategic Housing Market Assessment. They have identified an ever increasing demand for affordable housing. A target of 80 affordable units per annum was set but was only achieved during the 2008/09 year. In the past the moratorium further restricted the delivery of affordable housing, as there was an increased reliance on 100% affordable housing sites.

1.70 The AMR goes on to explain that although Policy S14, along with S15 and S16 promote a mixture of housing types, particularly affordable housing, it has become increasingly difficult to implement with the previous RSS allocation, but should be more achievable with the new figures.

1.71 The net additional dwellings completed in Bromsgrove between 2001 and 2009 are set out in the table below:

	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9	Total
Net Additional Dwellings completed	539	518	474	526	346	276	135	159	2,973

1.72 The number of affordable housing completions has increased significantly on the total achieved in last year's annual monitoring report (98 compared with 31 dwellings). This figure is considerably higher than the Bromsgrove District Council's target of 80 per annum which was proposed as part of the Council Plan in 2008.

Affordable Housing Completions (Gross) 2007/08						
Application	**Site**	**Parish**	**Area (ha)**	**Social Rented Dwellings**	**Intermediate dwellings**	**Total dwellings**
2007/0466	School Drive	Bromsgrove	0.72	22	29	51
2007/0215	Old Birmingham Road	Bromsgrove	0.06	5	0	5
2007/0837	102 Broad St	Bromsgrove	0.12	4	0	4

2007/0004	Acord Road	Catshill	0.4	14	12	26
2006/0703	Leach Heath Lane	Rubery	0.14	6*	0	6
2007/0835	166-168 New Road	Rubery	0.09	6	0	6
Total			1.53	57	41	98

*These figures do not match the gross completion figures for 2008/09 because some were completed in the previous collection year but were not included in those affordable housing figures.

1.73 The increased housing allocation of 4,000 dwellings proposed as part of the panel Report for the emerging Regional Spatial Strategy (Phase Two Revision) will enable a greater amount of affordable housing to be completed over the plan period.

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3

Affordable Housing Viability Study

For

Bromsgrove District Council

APPENDIX THREE

CURRENT AND PROJECTED ECONOMIC CONDITIONS

January 2011

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Contents

1.0 Market Trends

Introduction

1.1 Our analysis of viability is a dynamic one and takes into account past economic trends in order to assess how future residential markets might perform. While past history has its own specific characteristics which may be peculiar to the period in question, there are still fundamental principles that can be seen that will suggest how markets might perform in the future. This will not inform a single assessment of how the market will change but will give us the main parameters within which we can test possible scenarios.

1.2 It is important to note that our analysis is limited to the residential market. Where we discuss the general economy this is in the context of its action upon the housing market both nationally and locally. It is not our purpose, here, to predict general economic conditions either locally or nationally. However, we do look at the effects of the economy on the housing market both in terms of price trends and affordability.

1.3 Although local housing markets are contingent upon local conditions, they are also subject to both the economic conditions internationally and nationally. More specifically, they are subject to national regulation and constraints. In particular, the availability and cost, generally, of finance dictates the price that home owners are able to afford. The costs of finance for individuals will be influenced by financial institutions' lending practices and interest rates. These, in turn, are influenced by the national economy and, increasingly, the role of international markets is also important.

1.4 Looking at past market performance can only give trends and the interpretation of how markets act must be considered carefully. For instance, the housing market recession of the late 1980s and early 1990s has been considered to be due to the dramatic increase in base interest rates and the cost of finance. While this admittedly caused a number of home owners into financial difficulties, some commentators[1] have pointed to the possibility that the housing market had already been in decline and that the fall in values had already started to take place. In these terms, the housing market recession of the 1990s is likely to have happened in any case notwithstanding the effect of Black Wednesday in 1992. The housing market was beginning to recover just before that stage and the dramatic increases in the cost of borrowing immediately following Black Wednesday heralded a further period of house price stagnation. However it is still not clear whether this was part of the general cycle in house price inflation/deflation and, in particular, Fred Harrison points to an approximate 18 year boom and bust land and property cycle that has been evident over the long-

[1] See especially Fred Harrison "Boom Bust: House Prices, Banking and the Depression of 2010" Shepheard Walwyn 2005, Andrew Oswald "The Great 2003-2005 Crash in Britain's Housing Maket" November 2002, Cameron Muellbauer and Murphy "Was there a British House Price Bubble? Evidence form a Regional Panel" March 2006

term[2]. In other words, it may be possible that these property price fluctuations occur despite (not because of) general economic trends and, indeed, may be their very cause.

1.5 Another peculiar feature of the housing market is the positive price:transaction volume correlation[3]. When prices inflate, the number of transactions increase; trading is more frequent and volume is higher when prices go up and vice versa[4]. This means that we have to look at a more dynamic approach to the assessment of the performance of the housing market.

1.6 Rady and Ortalo-Magne[5] suggest a model to explain the underlying reasons for "boom-bust" housing market cycles. It assumes households will generally prefer home-ownership and that the incomes of young households play a critical role in the fluctuations in the market. The market is sensitive to income "shocks" amplified by credit constraints which affect the timing of household moves that explains the positive price:transaction volume correlation.

1.7 The actions, generally, of first-time buyers is to access the market at a level that can be afforded but with the prospect that they will increase housing consumption as their means allow. Thus, as their income increases, they are able to increase their ability to pay and as income increases for first-time buyers in turn then this will increase the capital for those wishing to make purchases further up the housing ladder. Liberalisation of the finance market has a similar effect to increasing income especially at the bottom of the market. Similarly, increases in the cost of finance have a similar effect to reducing income.

1.8 Credit liberalisation coincided with the high rate of property price inflation during the 1980s. Together with the increase in tax allowance in the 1983 budget for Mortgage Interest Tax Relief at Source (MIRAS) and the ability for couples to pool their resources, access to mortgages for young first time buyers helped many on to the housing ladder. Right to Buy social housing (following 1980) also encouraged many tenants to enter the housing market and thereby increased the potential market for subsequent homebuyers in the latter part of the 1980s. As Rady and Ortal-Magny have pointed out, all of this "prompted a major adjustment of the distribution of debt and housing across households, hence a period of exceptionally many transactions". They point to the rapid increase of

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[2] "Most stop-go problems that Britain has suffered in the last 50 years have been led or influenced by the more highly cyclical and often more volatile nature of our housing market" - Gordon Brown, Chancellor of the Exchequer, House of Commons, June 2003

[3] The effect of the ability to borrow and asset value is discussed by Lamont and Stein where "over some regions, a fall in asset prices can actually lead to reduced asset demands, because it impairs the ability of potential buyers to borrow against the assets". Owen Lamont (University of Chicago) and Jeremy C Stein (MIT Sloan School of Management) "Leverage and House-price dynamics in US Cities"

[4] See Wenlan Qian "Heterogenous Agents, Time-varying Macro Fundamental and Asset Market Dynamics." Haas School of Business University of Berkeley (2008)

[5] Rady and Ortalo-Magny "Housing Market Dynamics: On the Contribution of Income Shocks and Credit Constraints" Department of Economics, University of Munich (2001)

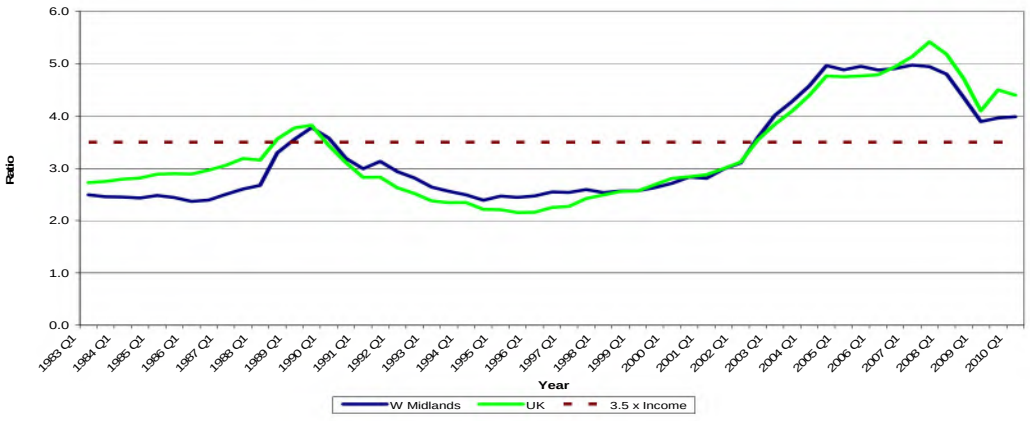
transactions in the 1980s to "repeat buyers bringing forward their moves up the property ladder".

1.9 House price growth, however, only remains sustainable in the long term while incomes are able to support values. As we have pointed out, the main driver of this is first time buyer (starter home) purchase, typically those households in the 24-35 age group. Pressure on these households is strong because, generally, these are the most highly geared (their loan to income ratio is the highest). Subsequent movers in the late 1980s – those that had bought in the early 1980s – were dependent upon the generation of high levels of equity in order to realise their progression in the housing market.

1.10 An examination of information form Halifax (see technical appendix 1) shows that the relationship between national incomes and house prices increased rapidly from 3.59 (average income to average house price) in 1983 to 4.59 in 2010[6]. In the West Midlands, the index is currently marginally above the national average for the same period and has increased from 3.51 to 4.88. While this is interesting and shows, generally, the relationship between incomes and prices the analysis tells us less about the affordability of housing for starter homes.

1.11 If we look at the 26 year period from 1983 to 2010 the analysis shows the relationship between starter home values and average incomes. Figure 1 shows the curve for the UK which shows that in the 1980s the ability of households on average incomes to access starter homes was mildly compromised. We have used a crude affordability test of 3.5 times average income as the threshold and clearly the phenomenon described above led to a rise of prices in the post credit liberalisation period. This was followed by a long period of apparent national housing affordability until well after the turn of the century. From 2001 the affordability ratio has increased dramatically until the collapse of prices at the end of 2007. At that time, using our average income to starter home value, the national average ratio was just over five times income nationally.

FIGURE 1: FIRST TIME BUYER LOAN TO VALUE RATIO 1983 TO 2010
(Source: Nationwide Building Society)

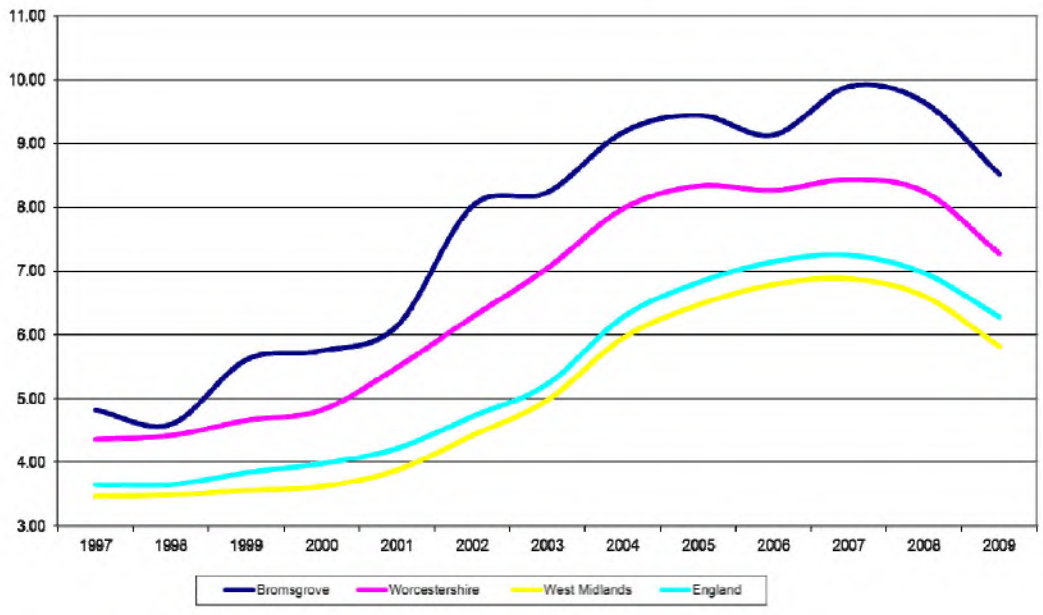


[6] See technical appendix 2, First Time Buyer Loan to Value Ratio published by Nationwide

1.12 Figure 1 shows, the curve for the West Midlands region compared to the overall UK situation according to information from Nationwide Building Society. This shows that the price to income ratio in the West Midlands region has reflected fairly closely the relationship that is found in the rest of the Country. Using this crude income to value test, we can see that there have been two distinct "boom" periods from 1983 to 1989 and 2001 to 2007. There has been one distinct "bust" period from 1989 to 2000 and then a further deterioration of Loan to Value ratios up to 2007. The fall in values appears to have been short-lived and since the beginning of 2009 property prices have recovered some or their loss.

1.13 Additionally, using the Nationwide index may be selective and so we have also looked at the Communities and Local Government Live tables on house price information which uses land registry information. Using lower quartile values against lower quartile earnings the ratio for the period 1997 to 2008 (the period for which data is available) has much of a similar profile in the West Midlands when compared to England as a whole. The ratio of lower quartile earning to lower quartile values in Bromsgrove (over 8.00 since 2002) is much higher. This information can be seen in Figure 2 below.

LOWER QUARTILE EARNINGS TO LOWER QUARTILE VALUES 1997-2009
(Source: CLG Live Tables)



1.14 However, looking solely at the relationship between prices and incomes in isolation does not explain the full picture. Many commentators[7] have pointed to other features of both the economy and the housing market itself.

Unresponsive Supply

1.15 The Council for Mortgage lenders (CML)[8] has remarked on the supply of housing being unresponsive to prices being for two main reasons. Firstly, the durability of housing being such that new housing becomes only a small proportion of the total stock and, secondly, that bringing new housing to the market is both lengthy and has significant barriers.

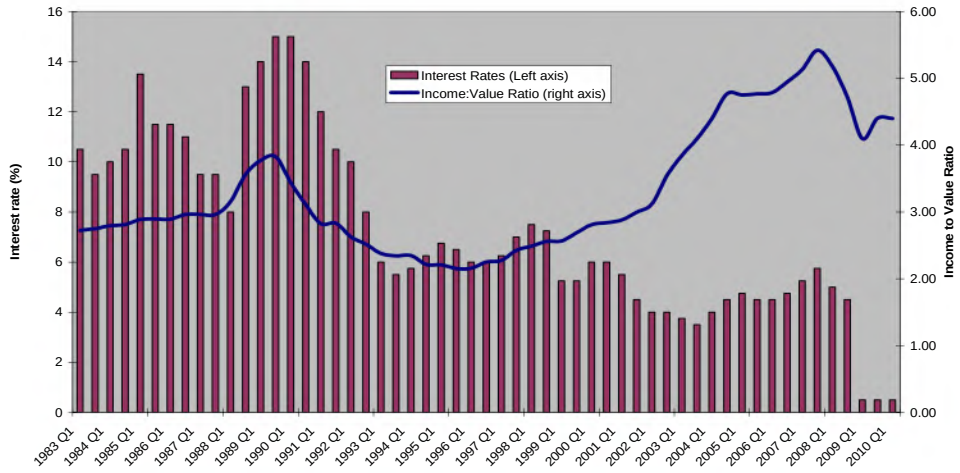
1.16 Taking these factors into consideration, the inelastic supply of housing leads to the "demand driven" increases in price. Any increase in demand due, say, to demographic changes locally or increases in incomes, will lead directly to high housing market inflation.

1.17 While certainly it is undeniable that constraints on supply, including the constraints imposed through the planning system, have an effect on the housing market, this will have different effects regionally and demand side influences would appear to be more easily modelled.

Macroeconomic Influences

1.18 We have already pointed to some of the features of the economy that have had an effect on the housing market including credit liberalisation. Interest rates directly affect the costs of housing. These rates have fluctuated widely during the last 25 years as the following graph shows.

Figure 3
Interest Rates to Values 1983 - 2010 (Q1)



[7] See especially Charles River Associates on behalf of the Council for Mortgage Lenders ("Managing the Housing Market", 2001)

[8] Ibid pp11 - 12

1.19 While this analysis is only general it is difficult to suggest that interest rates **on their own**, have a direct effect on house prices. It is clear that the high interest rates of the late 1980s and early 1990s were a contributing factor in the unaffordability of housing but it becomes more difficult to prove a direct causal link to house price inflation or deflation. Interest rates and the cost of money has become less during the period since 1997 when the government gave control of monetary policy to the Bank of England. While this period coincided with the house price inflation of the mid 2000s, the control of interest rates has failed both to control the rapid increase in prices (2000 to 2007) and the subsequent crash in prices. However, interest rates have remained at their lowest level (0.5%) since the beginning of 2009 and although the cost of mortgages for new buyers has still been difficult this has undoubtedly meant that pressures on the cost of housing has been alleviated. This can partly explain the rallying in values since that time.

1.20 Other economic factors, both internationally and nationally, have occurred which will have directly affected the housing market to some extent or another. These include the economic recession of 1979-1980; the abolition of exchange rate controls in 1979; the high unemployment rates and miners strike during the mid 1980s; the subsequent period of strong economic recovery and income growth; the abolition of dual income tax relief of mortgage interest in 1988 that caused a sudden stimulation to the market; the discontinuation of membership of the ERM in 1992 (Black Wednesday); the introduction of the minimum wage by the incoming Labour government; the Bank of England given the power to set interest rates by the incoming Labour government; and the recent worldwide recession ("Credit Crunch"). All of these factors have affected both supply side and demand side factors in the housing market. Curiously, interest rates have been at the lowest point ever since March 2009 and house prices have continued to increase in the past year albeit at a consistently falling annual rate. Nationwide reports that "the final quarter of 2010 saw house prices fall in ten out of 13 UK regions. For the UK as a whole, prices fell by 1.3% in the quarter, leading to a fall in the annual growth rate from 4.5% to 0.7%"[10].

The Housing Market and the Coalition Government

1.21 Following the general election 6 May 2010 a new coalition government was announced and an emergency budget held on 22 June. The new government has been at pains to point out the tough economic decisions that they have had to make bearing in mind the size of the country's budget deficit. A significant number of measures have been proposed including average 25% cuts in the public sector including a 2 year pay freeze for public sector workers earning over £21,000 per annum (pay rises for those earning less than £21,000 will be restricted to a maximum of £250 in both years). VAT also increased in January 2011 from 17.5% to 20%.

1.22 The coalition has also targeted bureaucracy and waste in the public sector and looking to promote the "Localism" agenda. As part of this drive the government has proposed the abolition of Regional Strategies as well as reducing the amount of monies available to support the affordable housing programme. All of this has

[10] Nationwide Quarterly Report, Q4 December 2010.

tended to create a hiatus in the residential development market. Prospects for unemployment as well as pressure on pay would appear may be causing uncertainty in the housing market but it is unclear how this will affect house prices in the short and medium term.

Conclusion

1.23 Our analysis would suggest that while there is a strong causal link between affordability and housing market prices, other market conditions, and particularly the cost and availability of finance (including interest rates), are also important factors in driving house price inflation. Other macro economic factors are important but it would appear that the volatility of house prices may be somewhat independent of economic factors. Some commentators were suggesting in the early and mid 2000s that the house price increases were sustainable and that the volatility of the past had been "due to a combination of unstable demand and unresponsive supply"[11].

1.24 The Council for Mortgage Lenders in 2001, in line with many commentators at the time, were suggesting that the housing market booms and busts were a thing of the past for the following reasons:

- There are less likely to be large swings in interest rates;
- Large swings in financial liberalisation are less likely;
- There is likely to be more macroeconomic stability;
- Greater financial products increase the flexibility of loan conditions.

1.25 Finally, the CML believed at that time that :

"The risk to consumers is now lower than during the last house price boom, but it seems more likely that borrowers – rather than lenders – are misperceiving the risks".

1.26 Other economic factors have been important recently. For example, it is clear that the sub-prime crisis in America which led to the worldwide recession has affected the UK economy generally and the affects affordability in the housing market. This may not have been foreseen but it is also clear that house prices generally and starter homes in particular, had reached an unsustainable level. This suggests that there may be some further falls in property prices in order to enable affordability to return to the market. If we are return to our suggested 3.5 times income analysis then prices in the UK will have to fall a further 14%.

1.27 The affordability problem in the West Midlands and Bromsgrove District appears to reflect the situation, on average, in England as a whole. Other factors, particularly the higher rate of unemployment, are also relevant here for a number of further reasons:

[11] CML 2001 page 18

- Unemployment is increasing and the recession is likely to continue;
- There is pressure on incomes generally;
- Finance is increasingly difficult to obtain, high loan-to-value (LTV) mortgages (especially for first-time buyers) are difficult to obtain and, despite low base interest rates, finance is expensive (particularly for those wishing to enter the market for the first time);
- Market confidence is low and households expect prices to fall further.

1.28 A number of factors have affected and will affect the housing market and the affordability of housing. These include macro-economic influences and the worldwide recession. However, there are also systemic pressures from within the workings of the housing market which affect the affordability of housing and, ultimately, how the market works. In the next section we look at the regional situation.

2.0 Regional and District Analysis

2.1 In our analysis of market trends in Part 1 of this section of the report, we highlighted some of the general characteristics of the housing market in the West Midlands and Bromsgrove with regard to affordability especially of first-time buyers. This is a general assessment based on average incomes and house prices. In order for us to assess the regional and local situation we need to have a more detailed picture of the economy and the housing market.

2.2 Reports from a number of sources suggest that the West Midlands economy has tended to continue to grow during the last year and there are positive signs that the region will be able to recover from the recent recession.

Employment and Income

2.3 The West Midlands Regional Observatory's December 2010 report indicates that there were 238,000 unemployed people in the West Midlands in the August-October 2010 quarter. This is 12,000 more unemployed people than in the previous quarter, but 33,000 fewer than the same quarter in 2009. The rise in unemployment could be an indication that public sector jobs cuts are starting to impact on the unemployment figures. The latest figures from the Office of National Statistics indicate that the region's unemployment rate stood at 8.7% in November 2010.

2.4 Turning now to specific income information we can obtain this from the Annual Survey of Hours and Earnings (ASHE). This gives various levels of information on a district, county and regional basis. Median gross annual earnings for Bromsgrove in 2010 were £18,226 compared to the UK figure of £21,221 and the West Midlands figure which is lower at £19,649. This level is for all earners resident in Bromsgrove[12].

3.0 Scenario Testing

3.1 There is clearly pressure in Bromsgrove on affordability due to the relationship between household incomes and local prices generally. While the employment position is generally more favourable than some regions of the country the level of income is currently, generally, insufficient to allow households on average incomes to access the market.

3.2 Our analysis of past trends, and taking into account the continuing pressures due to the recession, suggests that there may be a long period of stagnation in the property market despite the rises during the final quarter of 2009 and early 2010.

3.3 However, we want to test scenarios that assume both a more optimistic position as well as the downside. Therefore, using past trends as a guide, we suggest that there are 3 potential directions or scenarios that should be tested representing a range of potential directions the market might take.

[12] All income figures from ASHE (National Statistics 2010)

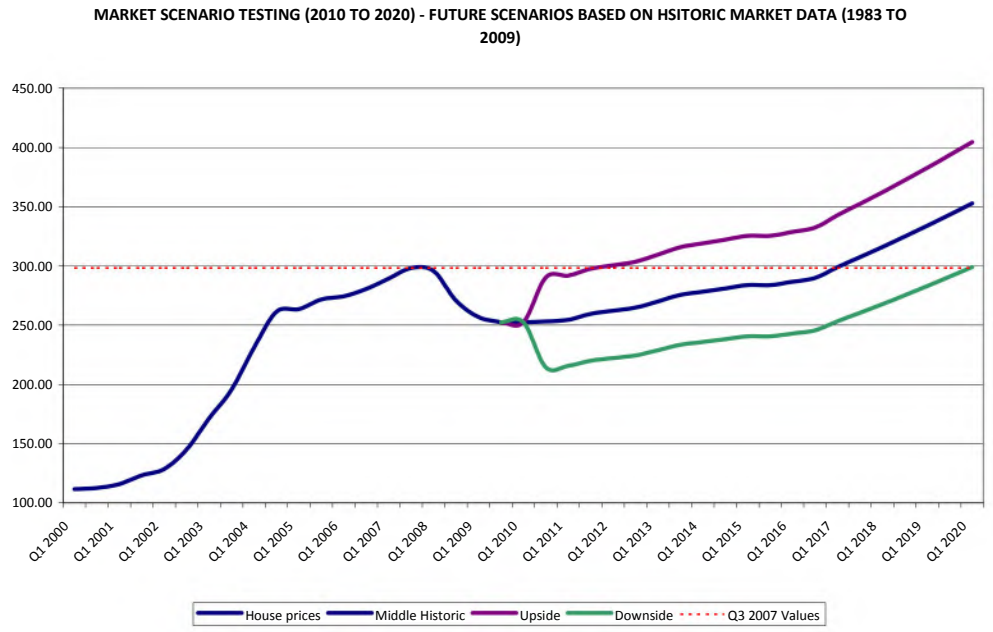
3.4 The first of these is an "upside" position where values show an increase in prices in the very short term. We have assumed an increase in values so that 2007 average values are achieved again fairly rapidly and the profile of increases follows the same pattern as in the previous period (1992 to 2003) from this high value base (20% above average).

3.5 This is an optimistic view of property prices with house prices assumed to be well above the long term average from the previous period. In this scenario, affordability is likely to be a significant and continuing issue.

3.6 The second scenario is our "middle historic" and assumes property values follow the trend seen between 1992 and 2003. The short term follows a continuing decrease in values with a slow recovery with affordability ratios remaining fairly benign until the later part of the period.

3.7 Finally, the "downside" scenario assumes a long term trend 15% below the historic (1992 to 2003) position. Affordability ratios are well below the 3.5 times threshold for much of the period to 2020.

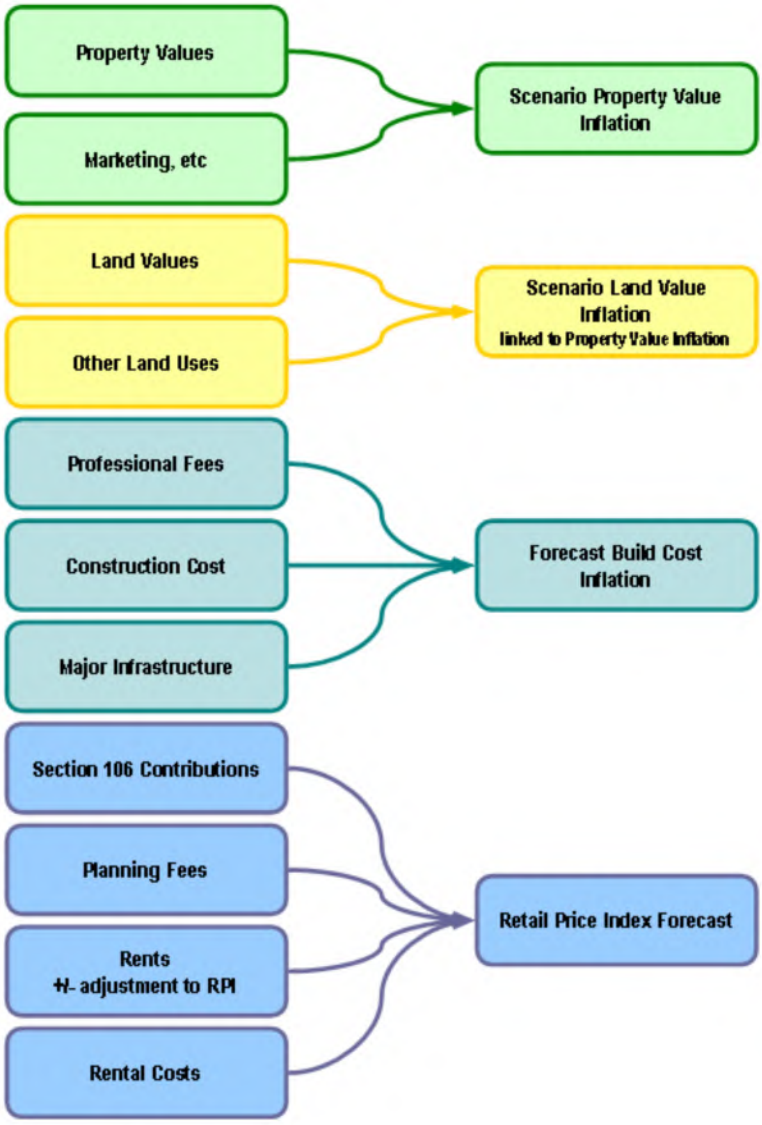
3.8 All three scenarios can be seen in the following diagram (index Q3 1997 = 100):



3.9 We propose a dynamic assessment of viability. To do this we will use the three scenarios to feed into our viability analysis by taking the house price indices that are generated. House price inflation is one component of our proposed future proofing methodology and we will combine projections for other elements of the inputs including Retail Prices Index, Construction Cost forecasts and land value forecasts. We will then use these forecast indices to inform the viability assessments over the length of the development periods as well as to assess variable development start dates. A matrix of costs will be used which uses the

property price values described above together with some assumptions on RPI and cost construction indices.

3.10 It is anticipated that these projections will remain constant between the different property value scenarios so that the relative effect of the upside, downside and middle projections for values can be assessed. The following diagram illustrates how different cost and value elements are linked to the various indices. For example, professional fees will be linked to construction cost inflation while planning fees may be linked to RPI.



3.11 Sites will be coming forward through the planning process over different timescales. Therefore, our dynamic approach will allow us to consider developments with completions up to 2026. Clearly, projections at later dates must be treated with caution but this will give a general indication about possible long-term viability. This may allow the council to look at a flexible approach to policy setting over the time of the DPD that will enable challenging but realistic targets for affordable housing to be set.

TECHNICAL APPENDICES

TECHNICAL APPENDIX 1: House Price to Earning Ratio

	House Price to Earning Ratio	
	WMids	UK
83Q3	3.51	3.59
84Q1	3.38	3.53
84Q3	3.35	3.54
85Q1	3.31	3.57
85Q3	3.22	3.54
86Q1	3.28	3.62
86Q3	3.33	3.71
87Q1	3.44	3.85
87Q3	3.54	3.92
88Q1	3.87	4.13
88Q3	5.01	4.66
89Q1	5.48	4.98
89Q3	5.15	4.85
90Q1	4.90	4.60
90Q3	4.67	4.39
91Q1	4.57	4.23
91Q3	4.39	4.02
92Q1	4.16	3.78
92Q3	3.96	3.58
93Q1	3.71	3.39
93Q3	3.62	3.38
94Q1	3.58	3.38
94Q3	3.51	3.30
95Q1	3.41	3.23
95Q3	3.34	3.10
96Q1	3.33	3.10
96Q3	3.32	3.12
97Q1	3.41	3.14
97Q3	3.38	3.14
98Q1	3.40	3.14
98Q3	3.36	3.14
99Q1	3.18	3.11
99Q3	3.38	3.24
00Q1	3.59	3.35
00Q3	3.50	3.29
01Q1	3.37	3.28
01Q3	3.50	3.45
02Q1	3.77	3.67
02Q3	4.16	4.03
03Q1	4.77	4.37
03Q3	5.19	4.61
04Q1	5.43	4.97
04Q3	5.78	5.30
05Q1	5.67	5.23
05Q3	5.60	5.23
06Q1	5.74	5.34
06Q3	5.86	5.44
07Q1	6.15	5.75
07Q3	6.02	5.85
08Q1	5.74	5.57
08Q3	5.27	4.87
09Q1	4.97	4.56
09Q3	4.86	4.54
10Q1	4.93	4.64
10Q3	4.88	4.59

Source: Halifax

TECHNICAL APPENDIX 2: First Time Buyer Gross House Price to Earnings Ratios

First Time Buyer Gross House Price to Earnings Ratios

	W Midlands	UK	Average
1983 Q1	2.5	2.7	3.5
1983 Q3	2.5	2.8	3.5
1984 Q1	2.4	2.8	3.5
1984 Q3	2.4	2.8	3.5
1985 Q1	2.5	2.9	3.5
1985 Q3	2.4	2.9	3.5
1986 Q1	2.4	2.9	3.5
1986 Q3	2.4	3.0	3.5
1987 Q1	2.5	3.1	3.5
1987 Q3	2.6	3.2	3.5
1988 Q1	2.7	3.2	3.5
1988 Q3	3.3	3.6	3.5
1989 Q1	3.6	3.8	3.5
1989 Q3	3.8	3.8	3.5
1990 Q1	3.6	3.4	3.5
1990 Q3	3.2	3.1	3.5
1991 Q1	3.0	2.8	3.5
1991 Q3	3.1	2.8	3.5
1992 Q1	2.9	2.6	3.5
1992 Q3	2.8	2.5	3.5
1993 Q1	2.6	2.4	3.5
1993 Q3	2.6	2.3	3.5
1994 Q1	2.5	2.3	3.5
1994 Q3	2.4	2.2	3.5
1995 Q1	2.5	2.2	3.5
1995 Q3	2.4	2.2	3.5
1996 Q1	2.5	2.2	3.5
1996 Q3	2.5	2.3	3.5
1997 Q1	2.5	2.3	3.5
1997 Q3	2.6	2.4	3.5
1998 Q1	2.5	2.5	3.5
1998 Q3	2.6	2.6	3.5
1999 Q1	2.6	2.6	3.5
1999 Q3	2.6	2.7	3.5
2000 Q1	2.7	2.8	3.5
2000 Q3	2.8	2.8	3.5
2001 Q1	2.8	2.9	3.5
2001 Q3	3.0	3.0	3.5
2002 Q1	3.1	3.1	3.5
2002 Q3	3.6	3.5	3.5
2003 Q1	4.0	3.8	3.5
2003 Q3	4.3	4.1	3.5
2004 Q1	4.6	4.4	3.5
2004 Q3	5.0	4.8	3.5
2005 Q1	4.9	4.8	3.5
2005 Q3	4.9	4.8	3.5
2006 Q1	4.9	4.8	3.5
2006 Q3	4.9	4.9	3.5
2007 Q1	5.0	5.1	3.5
2007 Q3	4.9	5.4	3.5
2008 Q1	4.8	5.2	3.5
2008 Q3	4.4	4.7	3.5
2009 Q1	3.9	4.1	3.5
2009 Q3	4.0	4.5	3.5
2010 Q1	4.0	4.4	3.5
Source: Nationwide			

LEVVEL
INNOVATION IN HOUSING & PLANNING

4

Affordable Housing Viability Study

For

Bromsgrove District Council

APPENDIX FOUR

STAKEHOLDER ENGAGEMENT AND METHODOLOGY

January 2011

www.levvel.co.uk

1.0 Stakeholder Engagement

Stakeholder Methodology

1.1 In consultation with the Council it was agreed that the most appropriate method of stakeholder engagement for this study would be the use of a postal questionnaire and a stakeholder event. A copy of the questionnaire can be found at the end of this section.

Stakeholder Questionnaire

1.2 The questionnaire sought to ascertain stakeholder's views on key assumptions that would be modelled to assess the impact upon development of a range of affordable housing policy options. Thus the questionnaire outlined a range of key assumptions in order that development conditions within the District could be fairly reflected within the parameters of the study.

1.3 The Council provided a comprehensive contact list of stakeholders within the District. These included, not exclusively, Registered Social Landlords (RSLs), private developers, house builders, planning and other development consultants and land owners.

1.4 A copy of the questionnaire and letter was sent to all stakeholders on the week beginning 15th November 2010 with a requested response date of 2nd December 2010. In total, 6 responses were received. The questionnaire responses were used to inform the modelling assumptions.

1.5 Levvel also organised a stakeholder meeting on 2nd December 2010 to discuss in more detail the feedback received and to allow stakeholders to have further input.

Response Rate

1.6 A total of 6 Questionnaires were returned and the response rate by type of organisation was as follows:

- Agents/ Consultants – 3
- Developers – 2
- RSLs – 1

Response to Specific Questions

Q.1 Scheme Types

Respondents were asked to select appropriate site types that reflect the land being brought forward for development. The questionnaire presented four scheme types labelled A to D. Respondents were also asked to include any other scheme types that have not been considered.

One stakeholder noted that conceivably large scale rural conversions need to be assessed.

Another respondent noted that the development types with the greatest need in Bromsgrove for local people are:

1. Extra Care Housing Schemes plus Retirement Villages (mix of 1 bed and 2 bed flats and bungalows); and

2. Bungalow schemes for the elderly with a focus on disability.

Q.2 Affordable Housing Percentages

Levvel reported that they will look to test an affordable housing target between 10% and 50%. Some respondents recommended the testing of other target including 60% affordable housing.

One stakeholder noted that the majority of National house builders are considering lower density schemes below 30 dwellings per hectare. This is due to the need to provide more family housing as viability for the higher density schemes continues to diminish, with particular regard to flatted developments.

Q.3 Thresholds

It was proposed that Levvel will test sites as low as 2 units. Stakeholders were asked for their comments on the range of thresholds to be tested.

One stakeholder noted that Bromsgrove has no circumstances which suggest a threshold of less than 0.5 ha or 10 dwellings for developer led housing. It was also stated that affordable housing is intended to secure a mix of housing on a site and it is not a tax to subsidise the supply of affordable housing. Advice on planning obligations states that only justifiable reason for an obligation is to remove some impediment to the grant of planning permission.

One agent noted that percentage targets should start from zero as there will be occasions where costs of development can make affordable housing unviable.

Another stakeholder noted that where the scheme is less than 10 units a discussion should be held as to whether it may be best for the developer to provide affordable housing in the form of a cash sum to be used by the Council on strategic schemes wherever identified. However, the respondent also noted that all developments should contribute to affordable housing in some form.

One stakeholder noted that when viability studies are undertaken in the current economic climate, there are many instances when affordable housing is deemed unviable. This is primarily due to the significant reduction in Gross Development Values currently being experienced through the credit crisis as well as upward pressure on construction costs and in particular, sustainability issues. The stakeholder suggested that targets and thresholds should reflect the need for flexibility with each development site being considered independently from each other with the affordable housing target commencing at 0%.

It was noted by one respondent that thresholds as low as 2 units may not be viable and would deter developers from promoting housing sites unless the sites are in high net worth areas. It was suggested that thresholds should remain as a minimum at their current levels of 0.5 hectares or 15 units or above.

Q.4 Tenure Mix

Respondents were asked whether there were any specific affordable housing tenure mixes that need to be considered. The proposed baseline assumption was a 75:25 split between social rent and intermediate. Levvel also indicated that they would take account of other tenure splits and housing products, including the new affordable rents announced in the Comprehensive Spending Review.

One stakeholder noted that government policy indicates that both social rented and affordable rented products are appropriate. The respondent also noted that if housing needs indicates a preference for one over the other pursuance of a preferred course would be sensible. However, if any necessary public funds are not available to secure one form of affordable housing in preference to the other then the alternative is equally acceptable in achieving the target mix.

Another respondent noted that a tenure mix in line with the HMA study finding should be tested and this would be a 67:33 social rented: intermediate tenure split.

One stakeholder suggested a more flexible approach to allow a greater proportion of intermediate affordable housing to be provided.

One agent suggested that affordable housing should be considerd alongside open market housing providing in essence a “tenure blind” model. The affordbale housing tenures that should be considered include:

- Social rent;
- Intermediate rent;
- Shared ownership;
- Low Cost Home Ownership; and
- New Affordable Rents.

Q.5 Values Required to Bring Land Forward for development

Stakeholders were asked what values can be assumed to be sufficient to bring land forward for development in the District.

One respondent noted that house building will deliver what the market will bear and all costs will be adjusted as far as inherent elasticity permits. If there are any inelastic costs, such as alternative or existing land use value this will not permit an adequate return on the capital invested and this may prevent schemes coming forward. It was also noted that for greenfield land without unusual costs one should assume that landowners will tolerate an effective nil value for the land for the affordable housing element, but unusual costs – e.g. high off site infrastructure cost or contamination treatment can enter to equation. If the government policy of 0.5 ha and 10 dwelling is adhered to as a benchmark for the lower development site threshold, and a maximum percentage of 40% (as per the RSS panel report and wholly justified by up to date need) then this should be capable of being accommodated.

Another stakeholder noted that there can be no generally applied assumption. This will depend on upon existing use value, personal and/or business tax position, financial circumstances and the nature of the holding. However, the respondent also noted that it is likely that once CIL/S106 deductions exceed 50% of land value, resistance is increasingly likely.

Another stakeholder noted that brownfield land can be difficult to value given too many variable (density, ground conditions, contamination, etc.) to give a meaningful range of values. Some brownfield/ industrial land will not have a positive value for development due to contamination and existing use value.

Greenfield/ Agricultural Land:

One agent noted that the land market is becoming increasingly polarised. Opportunities are available for taking longer term sites and converting them in to de-risked serviced products appealing to the new more cautious market. Greenfield land in the north is still -61% off its peak value. Greenfield land in the south is -35% off peak value.

Another respondent suggested greenfield land values of £300,000 to £500,000 per acre.

Brownfield Land:

One agent noted that urban land values in the north are -71% below peak. However, in the South East, urban land values have increased by almost 13% in 2010 bringing fall from peak to -46%.

Industrial Land:

One agent noted that location is key to industrial land values. Funding will only be forthcoming for the best sites where local housing demand will sustain a targeted new delivery. Difficult sites in lower value areas (predominantly industrial) requiring any kind of remediation will remain off the development radar for some time to come.

One stakeholder noted that registered providers can only develop with their own land or free land if no grant is available. S106s should be financially viable at the right price and mix/ tenure type (mix/ type to be determined by the Council/ RSL not the developer) as these developments are subsidised by the developer. It was also noted that a grant-subsidised development of 30 properties per hectare based on typical 2009 HCA grant levels would generate £800,000 per hectare depending on contamination, services, etc. However, the respondent noted that this is now irrelevant since HCA grant is unlikely in Bromsgrove over the next 4 years.

Q.6 Land Value Expressed as a Percentage of the Development Value

Stakeholders were asked their views as to the value of land expressed as a percentage of development value for different land uses.

One stakeholder noted that this is dependent upon the site specific abnormal infrastructure costs, the level of planning obligations sought and predicted sales revenues which are extremely difficult to predict. The respondent noted that while the rule of thumb (35% – 40% of GDV) are highly inaccurate when applied to specific sites they can influence landowners views as to what is reasonable by way of planning obligation demands.

Another respondent noted that this is dependent on mix, tenure, amount and grant.

One consultant noted that it is difficult to determine a land value as an expression of the development value. This is due to the extent of the variable associated with each individual parcel of land which may be subject to abnormal construction costs.

Another respondent suggests that brownfield land value is typically 15% to 20%, (As a percentage of the development value).

Q.7 Developer Profit

Respondents were asked to indicate a figure expressed as a percentage of Gross Development Value which may represent reasonable levels of gross profit given the likelihood that a range of market conditions will be experienced for the period of the Core Strategy.

One stakeholder suggested 20% – 25% depending on market conditions and an inclusion of an allowance of overhead contributions.

One consultant noted that in undertaking a viability appraisal and through direction from the HCA, the majority of development appraisals are now undertaken with a baseline assumption that developers will require a profit on GDV of between 20% and 30% dependent upon the risk profile. The respondent also stated that when the risk profile is considered high due to the site being situated in a secondary or tertiary location, then a profit on GDV closer to 30% is the norm. However, the prime locations for new low density housing could attract profit on GDV as low as 20%. Development appraisals are determined on the return rather than any other factor which in many circumstances is a pre-requisite of any development funding from financial institutions.

Q.8 Should we be assessing profit/return on a different basis?

One respondent noted that it is helpful to analyse the Internal Rate of Return (IRR) overall to assess the reasonableness of profit margins sought in addition to other investment options.

Another stakeholder noted than an allowance may need to be made for abnormals and overheads. It was also stated that higher build costs associated with public housing may be necessary to meet current design and space standards.

One respondent state that the key measure of development profit is Gross Margin, however other considerations are Return on Capital Employed, and Peak Funding. It was suggested that these key performance indicators will also figure in a developer's assessment of the quality of the development opportunity.

Another stakeholder noted that consideration has now been given towards internal rates of return (IRRs). This is due to the threat of protracted sales rates which will erode developer's profits, therefore, a true cash flow analysis should be undertaken to establish the 'risk profile' of each individual site rather than determining a set developers profit whether it be on a GDV or profit on cost basis.

Q.9 Build Costs

Stakeholders were asked for their views on an appropriate build cost per m2 on the basis of Gross Internal Floor Area. A variety of responses were received:

Development Type	**Build Cost**	
Flatted Development:	Public £1,290 to £1,500	Private £1,100 to £1,600
Terraced Housing/ Town Houses:	Public £1,075 to £1,250m2	Private £860 to £1,300
Semi- Detached:	Public: £680 to £1,300	Private £860 to £1,200
Detached:	Public £1,000 to £1,180	Private £860 to £1,100

Q.10 Dwelling Sizes

Stakeholders were asked what dwellings size should be assumed for the following flat and house types. Respondents suggested the following ranges for private and public dwellings in each category:

Unit Type	**Private Dwelling Size**	**Public Dwelling Size**
1 bed flat	40 to 50m2	23 to 55 m2
2 bed flat	55 to 65m2	57 to 75 m2
2 bed house	69 to 70m2	66 to 75 m2
3 Bed House (Terraced)	88 to 90 m2	76 to 82 m2
3 Bed House (Semi Detached)	80 to90 m2	75 to 82 m2
3 bed house (Detached)	85 to 90 m2	76 to 88m2
4 bed house (Semi)	97 to 110 m2	90 to 106m2
4 bed house (Detached)	110 to 120 m2	95 to 120m2
5 bed(House)	110 to 150m2	110 to 158m2

Q.11 Rent

Respondents gave their views on gross rents, management, maintenance, voids, the cost of major repairs and the capitalised value per unit for a number of dwelling types ranging from a 1 bed flat to a 4 bed house.

Unit Type	**Gross Rent**	**Management**	**Maintenance**	**Voids**	**Major REPAIRS + cyclical des** **Per annum**	**Capitalised value of unit without grant**
1 Bed Flat	69.53	250	400	4% of gross rent	1.8% of gross rent	
2 Bed Flat	77.40	250	400	4% of gross rent		
2 Bed House	89.72	250	400	4% of gross rent		
3 Bed House	99.10	250	400	4% of gross rent		
4 Bed House	109.48	250	400	4% of gross rent		

Q. 12 Affordable Rents

Views were sought on the effect of rents at the new affordable levels and whether any significant difference in the allowances for management, maintenance and voids was anticipated.

One respondent noted that should rents be taken to 80% on an increased number or all of new affordable properties it will increase benefit costs and potentially trap more people within the benefit dependency sector. An increase in rents will in potential create additional income, but could in respect of S106 agreements just result in an increase in the price paid to the developer and not meet local need. The respondent did not anticipate any significant differences in the allowances for management and maintenance although it was anticipated that shorter tenancy terms will increase void costs due to higher turnover of properties.

Q.13 Capitalisation of Rents

Respondents were asked whether a yield of 6% for the capital receipt from social/affordable rented properties was a reasonable assumption.

One respondent suggested a capital grant receipt yield of 5.5% to 6.5%.

Q. 14 (A) Public Subsidy

It was explained that the methodology would initially assume a nil public subsidy baseline before testing the effect of public subsidy. Stakeholders were asked for recommendations for an appropriate level of public subsidy. The following responses were received:

One respondent indicated that the increased rent created by 80% rents would increase revenue by the ratio of approximately £1m per 450 properties, which could facilitate and service circa £17m of additional borrowing, which is not capital subsidy in traditional terms.

The respondent also noted that this is revenue subsidy rather than traditional capital subsidy enjoyed historically by the RSL sector – as such this may be considered very high risk for RSLs since it requires a guarantee that rents will flow through for 30 year payback period at assumed levels in the development appraisal. In the current climate this may be seen as a big leap for RSLs since Government policy is creating great uncertainty as to what will happen with future rent levels (caps, formula etc) and changes to the benefit system. Additionally the view of lenders is also seen as crucial by the respondent.

Q.14 (B) Planning Obligations

Respondents were asked to give an idea of the level of payments they have been making under Section 106 agreements to items other than affordable housing. The following responses were received:

- Education Provision - £6,500 per market dwelling
- Public Open Space - £15,000 per market unit

- Transport - £4,000 per market dwelling

One respondent noted that affordable housing is proposed within the new Community Infrastructure Levy as having a mandatory exemption. This was viewed this as a positive step, as under the current arrangements housing subsidy is redirected into other areas of provision through indirect subsidy required by planning obligations.

Another respondent noted that planning obligations will vary from site to site and should be factored into the residual value at the outset of any development, just like any other cost. The respondent also indicated that if the sum of all possible costs is too much to produce a reasonable return, having regard to the state of the investment market overall, then development will not happen.

Further Comments

- The Council commissioned and completed a comprehensive Housing Market Assessment late in 2008. The outcomes of this work are valid in respect of the viability study; in particular in recognising and defining affordability; and in understanding/projecting housing need across all tenures.

- Whilst developer viability is critical in bringing forward new development, it is of equal importance that the product developed meets local need rather than encouraging external inward migration by high income households and internal outward migration by low income families, who are vital to a balanced local economy.

- Affordable housing delivered via private residential development should ensure for planning purposes, the delivery of mixed communities. It is neither a tax nor an alternative means of meeting costs which the public purse ought to meet. It was also noted that some developers may have flexible goal posts in order to get a scheme moving and that this should not amount in a carte blanche to move beyond the premise of affordable housing as set out in government policy.

- Any affordable housing policy needs to be flexible to respond to the changing national policy framework; a new, locally focused planning system, and; the current downturn in the housing market and the likely rate of recovery.

- Each Council will also need to test the 80% rent level against housing benefit to see if people on benefits can live in this tenure type. If not, then we are talking about households that are working, which is effectively already dealt with by the intermediate tenure range.

- Local Authorities and RSLs will need to assess local affordability to ensure that the number of homes proposed at 80% market rent levels will accommodate those in housing need. In effect, Councils will need to check how many households can afford this tenure. It is unlikely that Councils have means tested the households on waiting lists to see what they can afford. Until this is done and we get a clear picture from each Council as to

the proportion of households who can afford each tenure type, we are all guessing as to the mix between tenures that can be provided.

- In some prime market areas, the 80% rental level will be much higher than current social rented levels, however, in poor market areas the 80% rental level is not much higher than current intermediate rents and even social rents. It is possible that in Bromsgrove the 80% rents would be higher. As a result, the benefit the new tenure will have on development viability will depend on the site and its location.

- There needs to be clarity for Section 106 agreements. Is the new tenure a replacement for current affordable housing tenures or is this is addition? If it replaces the existing social rented and intermediate tenures then it will add values to schemes and help with viability. However, the rent levels appear to be based on market rents and not OMV and so the true percentage of OMV for a development site will need to be calculated on an individual basis.

AFFORDABLE HOUSING VIABILITY STUDY

STAKEHOLDER QUESTIONNAIRE

Levvel has been appointed to undertake an Affordable Housing Viability Study on behalf of Bromsgrove District Council.

The study will be undertaken in the context of Planning Policy Statement (PPS) 3: Housing (June 2010).

This questionnaire is part of a two stage process. We will be collecting information and comments initially through your responses to this questionnaire which will inform our viability assessment. We will then be supplementing this with a stakeholder meeting on **2ND December 2010 at 11.00am** to discuss in more detail the feedback received so far and to allow you to have further input into the final report. An invitation to this meeting is attached.

The overall aim of the study is to produce a sound and robust technical evidence base that will inform the Council's affordable housing and planning policies. The study will test the impact of affordable housing on development viability on a strategic basis, relevant to the local circumstances in Bromsgrove.

The study will look at a number of issues including (but not exclusively):

- The levels of affordable housing that could be sought by planning policy;
- Thresholds that could be justified;
- Optimum mix of affordable housing tenure type that can be justified;
- The level of affordable housing provision that could be viable with and without public subsidy.

The study will make recommendations as to the appropriate level, form and type of affordable housing that could be supported in new housing schemes in the local authority, and explore the potential for varied targets and thresholds in different sub-areas of the District.

Key Stakeholder Engagement

The advice and opinions of house builders, Registered Social Landlords, land agents and other relevant key stakeholders are crucial to make sure the study approach is appropriate and robust. Any assistance you can provide Levvel will be gratefully received. Should you have any questions or queries regarding this work, please do not hesitate to contact Levvel through the details provided at the end of the questionnaire.

The Council Officer with whom to liaise should you have any general queries is**:**

Andrew Fulford on either **a.fulford@bromsgrove.gov.uk** or 01527 881323

We would be very grateful if you could return this questionnaire by **2nd December 2010** to Levvel, 147 Leigh Road, Wimborne, BH21 2AD.

Telephone 01202 639444
george.venning@levvel.co.uk, ciaran.ryan@levvel.co.uk

SCHEME TYPOLOGY

As part of the study, we will choose a number of notional schemes on which to carry out development appraisals. These notional schemes will be based upon data within the Strategic Housing Land Availability Assessment [April 2010] to ensure they represent a range of typical development types that may come forward over the Core Strategy period. The effect of the imposition of affordable housing will then be assessed to ensure that future policy does not reduce land values to a level which will prevent land being brought forward for development.

Our aim is to assess a range of development types which are likely to come forward in Bromsgrove Town, local centres and rural settlements throughout the district. In this regard, your views are sought on the following;

Q1 Do the following development types adequately cover the range of schemes coming forward in the District?

A Higher Density Estate Housing – Low-rise Flats, Town Houses, Semi-Detached and Detached dwellings of circa 50 dwellings per hectare

B Medium Density Estate Housing –Town Houses, Semi-Detached and Detached dwellings of circa 40 dwellings per hectare

C Low Density Estate Housing - Semi Detached and Detached dwellings of circa 30 dwellings per hectare

D Specialist flatted accommodation such as sheltered housing for the elderly

YES ☐ NO ☐

If NO, please include details of scheme types we have not considered in terms of development mix and density. Are there specific types of development that might apply only in certain areas of the District?

These development types will each be assessed as if they were being developed on parcels of land throughout the district in order to account for geographical variations in the value of housing which have an effect on development viability.

POLICY TESTS - PERCENTAGE AND THRESHOLD

Initially, we will test a range of percentage targets and thresholds for affordable housing to include the following:

On all new development on sites in the town, other centres of population and rural areas we will test a range of affordable housing targets between 10% and 50% as well as looking at viability without affordable housing – by way of a check.

Q2 Are there any other specific affordable housing percentages we should consider?

YES ☐ NO ☐

We will test sites with a range of capacities, going as low as 2 units to see if they could contribute an element of affordable housing.

Q3 Are there any other thresholds you think we should consider?

YES ☐ NO ☐

Please provide any comments you may have on the range of thresholds and percentages we will be testing.

Q4 Our baseline assumption in respect of tenure is that affordable housing will be delivered in a 75:25 split between social rent and intermediate. However, we will also take account of other tenure splits and housing products, including the new affordable rents announced in the Comprehensive Spending Review. Are there any specific mixes of affordable units to which we should have regard?

LAND VALUES

PPS3 requires that affordable housing policies have regard to the economics of development. This is generally interpreted as an acknowledgement that if the residual value of the land, including the affordable housing requirement is lower than its existing use value (plus the cost of assembly) or than its reasonable alternative use value (where appropriate), then it will not come forward.

It is therefore important for the study to ensure that it has as clear a view as possible of the land values which are necessary to bring land forward for development in the District. We will take independent advice and have regard to data from the Valuation Office Agency (VOA) as to the level of land values based on recent transactions locally. However we are also interested in the views of local practitioners. It would be helpful if respondents could state whether they are discussing the cost of serviced land with planning consent or of unserviced land.

Q5 What values can be assumed to be sufficient to bring land forward for development in the District? Please express this on a per hectare basis if possible.

Greenfield/Agricultural land Brownfield land Industrial land

Q6 Do you have a view as to the value of land expressed as a percentage of the development value?

Greenfield/Agricultural land Brownfield land Industrial land

DEVELOPER PROFIT

Profit levels can be affected by the level of risk attached to a particular development. Current housing market conditions mean development may be considered risky and therefore may require a higher profit to make it worthwhile for a developer to build. The policy that this study is to inform will endure for the life of the local authority's Core Strategy which, it is to be assumed, will also cover less risky housing market conditions.

Q7 Please indicate a figure (expressed as a percentage of Gross Development Value) or a range of figures which you feel represent acceptable levels of gross profit given the likelihood that a range of market conditions will be experienced for the Plan period.

Q8 Should we be assessing profit/return on a different basis?

YES ☐ NO ☐

If yes, please provide details below;

BUILD COSTS

We will assume basic build costs aligned to the appropriate measure from the Royal Institute of Chartered Surveyors Build Cost Information Service (BCIS) as a baseline build cost for Bromsgrove plus 15% as an allowance for external areas.

Q9 In order to compare this to "on the ground" costs, we would appreciate your views on a per m^2 build cost below (on the basis of Gross Internal Floor Area)

DEVELOPMENT TYPE	BUILD COST PER M2 GIFA (PRIVATE HOUSING)	BUILD COST PER M^2 GIFA (AFFORDABLE HOUSING)
FLATTED DEVELOPMENT		
TERRACED HOUSING/TOWN HOUSES		
SEMI-DETACHED		
DETACHED		

DWELLING SIZES

Q10 What dwelling sizes should we assume for the following flat and house types (ft^2 or m^2)?

TYPE	AFFORDABLE	MARKET
1 BED FLAT		
2 BED FLAT		
2 BED HOUSE		
3 BED (Terrace) HOUSE		
3 BED (Semi) HOUSE		
3 BED (Detached) HOUSE		
4 BED (Semi) HOUSE		
4 BED (Detached) HOUSE		
5 BED HOUSE		

RENT

In order to ensure we are properly assessing the value of the affordable housing to the developer it would be helpful if we had real values for assumed rents and costs of social rented housing.

Q11 This question is aimed mainly at RSLs – What rent levels should we allow for (we are currently using DATASPRING values but would like to ensure up-to-date information is used).

Can you also give an indication on management, maintenance, void levels and major repairs allowances (expressed as a percentage or as an amount) of the gross rent. We would also appreciate your views on the capitalised value of each unit type assuming nil grant.

TYPE	GROSS RENT	MANAGEMENT	MAINTENANCE	VOIDS	MAJOR REPAIRS	CAPITALISED VALUE OF UNIT WITHOUT GRANT
1 BED FLAT						
2 BED FLAT						
2 BED HOUSE						
3 BED HOUSE						
4 BED HOUSE						

The introduction of a new “affordable rent” tenure at rents of up to 80% of market levels introduces new challenges. Although policy is still emerging, it would be helpful to respondents’ views about the application of this policy in Bromsgrove.

Q12 Are you able to give us an indication of your view as to rents at the new affordable levels and whether you anticipate any significant differences in the allowances for management, maintenance, voids etc?

CAPITALISATION OF RENTS

Q13 We are currently assuming a yield of 6% for the capital receipt from social/affordable rented properties. Is this level reasonable?

YES ☐ NO ☐

If NO, please give some indication of an alternative;

PUBLIC SUBSIDY

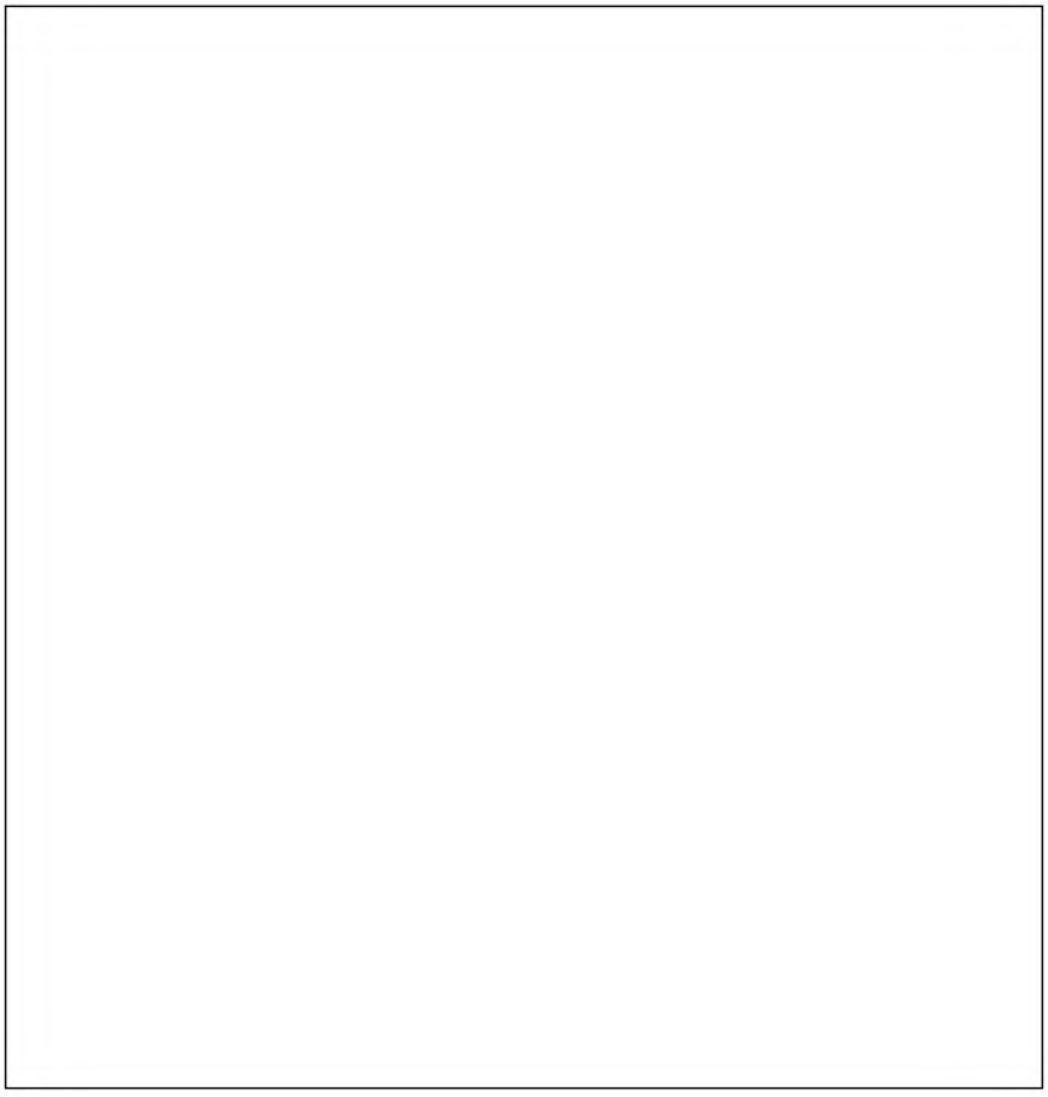
Q14 In view of the radical reduction in the levels of funding available through the National Affordable Housing Programme (and its cancellation after 2014/5), we will not be assuming the receipt of grant from this source. However, we will be working with the Council to identify the extent of any cross-subsidy that may derive from re-letting existing social rented homes in Bromsgrove at the new affordable rents. Do respondents have any comments on the level of subsidy that may be available from this, or any other source?

PLANNING OBLIGATIONS

Q14 Like affordable housing, planning obligations are a cost on development, although the means by which such obligations are sought is changing with the introduction of CIL. It would be helpful if respondents could give an idea of the level of payments they have been making under Section 106 agreements to items other than affordable housing

Finally, if you have any further comments about our assumptions, including any that we have not mentioned above, please feel free to include them here. The above questions do not cover every assumption we are making and we want to make sure that the parameters and principles that we are taking into account are clear and open and acceptable to local stakeholders in the residential development process. We want the process to be as inclusive as possible.

We would be especially keen to hear the views of those involved in the management and delivery of affordable housing as to the impact of the new affordable rent tenure. Central guidance has not been clear but views about the application of the policy changes insofar as they apply to Bromsgrove would be of particular interest.



We will not attribute your name to the views expressed within this questionnaire or provide them to any other party without your express permission.

We may wish to follow up this questionnaire with telephone discussions where we feel further clarification is necessary. Your help is very much appreciated.

Name _____

Position_____

Company_____

Address_____

_____POST CODE _____

Contact telephone _____

Email address _____@_____

May we contact you further? YES ☐ NO ☐

PLEASE RETURN THIS QUESTIONNAIRE BY 2nd DECEMBER 2010 TO:

Levvel, 147 Leigh Road, Wimborne BH21 2AD

Telephone 01202 639444

www.levvel.co.uk

george.venning@levvel.co.uk, ciaran.ryan@levvel.co.uk

MEETING NOTES - STAKEHOLDER WORKSHOP FOR BROMSGROVE DISTRICT COUNCIL - AFFORDABLE HOUSING VIABILITY ASSESSMENT

HELD ON THURSDAY 2ND DECEMBER 2010 AT THE COUNCIL HOUSE, BROMSGROVE

11.00 AM TO 1.30 PM

1.1 George Venning (GV) welcomed attendees and explained the purpose of the study and the workshop. Participants introduced themselves and indicated who they represented. The range of stakeholders covered:

- Small, medium and large builders;
- RSLs with an interest in the area;
- Planning agents / architects;
- Local Authority.

1.2 GV introduced Levvel and set the scene regarding the Affordable Housing Viability Study (AHVS). In particular, he pointed to the need to take on board as many inputs from local stakeholders as possible and this meeting was a very important part of that process. As part of the study Levvel we be looking at using assessments of possible future trends in the property market using an assessment of past market trends.

1.3 The purpose of the meeting was not only to discuss some of the principles but also to discuss some of the detailed inputs into the economic modelling process. These discussions are noted below.

THRESHOLDS

1.4 Small sites are seen as an important source of housing land in the district. GV noted that PPS3 provides guidance and that it allows lower thresholds to be implemented where it can be proven economically viable to do so. The affordable housing viability study provides an opportunity to test lower thresholds throughout the district. GV stated that variable thresholds may be tested.

1.5 Stakeholder comments received included:

- Some attendees indicated that the impact of a lower threshold on development viability must be considered;
- Other attendees noted that the impact of a lower threshold may have a greater affect on the economic viability on smaller sites;
- One attendee noted that management issues may need to be considered when delivering a small number of units (e.g. 1 unit scheme). However, depending on site location, onsite delivery may be suitable in some cases;
- Another stakeholder noted that it may not always be possible to deliver an affordable housing contribution on-site and that the study should test the impact of an off-site contribution;
- GV noted that there will be policy implications of lowering the threshold which the Council may need to take into account;

- BCIS allows for a specific build cost rate for small sites which in many cases are greater than the figure available for general development sites. Small development in many circumstances don't benefit from economies of scale;

- One stakeholder asked if the AHVS will take net increase in the number of units into account (e.g. where existing units are demolished and new units built). GV noted that this will not be assessed through the study and that this may be a matter to consider at the development control process.

TENURE MIX

1.6 The Affordable Housing Viability Study will examine a range of different tenures, including 66:33. GV noted that flexibility is important when looking at tenure mixes and the impact of varying tenures may be different across the sub - areas studied. The affordability of the new 'affordable rented' tenure will need to be considered by the AHVS.

- Attendees agreed that a number of different tenures should be allowed for;

- The new affordable rented tenure needs to be tested and factors such as capital subsidy, risks to delivery, the Housing Benefit Bill and the lack of grant funding needs to be taken into account;

- 'Affordable Rented' units will be tested at 80% of the Local Housing Allowance;

- Some stakeholders discussed the merits of testing different affordable housing tenures including a higher proportion of 'affordable rented' properties' and other mixes, including a 50:50 split;

- The new affordable rented tenure may have an impact on void percentages and 6% was recommended as a parameter to apply to the AHVS and management costs may also increase.

1.7 GV indicated that local input would be useful concerning void rates, management and maintenance costs, etc. These assumptions affect the net rent, capitalisation and the amount of money that an RSL may be able to provide to a developer for different types of affordable housing units.

SUB AREAS

1.8 Levvel recognise that there are wide variations in house prices across the district. As a result economic viability will be tested in a number of sub-markets.

1.9 GV explained that a key part of the study will involve the analysis of viability at a sub market level. Levvel has divided the District into a number of Value Areas in order to test the affect of affordable housing delivery across the local authority area.

FUTURE PROOFING

1.10 GV explained how Levvel's methodology allows for future assumptions taking into account inflation and scenario testing:

- Sensitivity analysis is used to test as many different scenarios as required enables us to consider the impact of changing costs to development on viability;
- This will be done in conjunction with work undertaken to determine a upside, middle and downside growth scenarios for the future housing market;
- Each assessment is tested against each of these future growth scenarios showing the effect of each potential housing market outcome on viability.

COMMUTED SUM FORMULA

1.11 GV suggested that the commuted sum formula should not look at a set sum and will instead be based on a methodology whereby off-site provision would be the equivalent to on-site provision.

1.12 The outcome of the survey will be used to assess what form the commuted sum should take and whether it is an appropriate way of providing affordable housing. The financial implication of the consideration of an in lieu site purchase for the affordable housing contribution will be considered as part of the testing.

BUILD COSTS

1.13 GV started the discussion on build costs, indicating that BCIS is an industry accepted norm and can be very useful for calculating build costs over the short term. However, build costs over the long term can be more difficult to project. The methodology behind the Affordable Housing Viability Study allows for sensitivities on build costs to be analysed meaning that varying levels can be assessed throughout time. BCIS does not allow for externals and GV confirmed that the modelling methodology does make an externals allowance. Contingency is also allowed for at a level of 5%. Code for Sustainable Homes costs are also allowed for within the study.

- One stakeholder asked if the study will take new build cost exclusively into account and queried the testing of conversion and renovation schemes. GV responded and stated that build costs will be based on new build units. However, it was noted that other build costs could be dealt with at the development control stage;
- Another stakeholder asked if Levvel's build cost assumptions allow site specific costs. GV replied by stating that Levvel will test notional sites and that it would not be possible to test site specific costs. If, for example, a developer had evidence that CSH build costs differ from the average costs applied to the Affordable Housing Viability Study this could be discussed with the Council through site negotiation;

- Another stakeholder asked about the application of policy and the link to parameters, including build cost assumptions. GV indicated that this could be a matter for a future Affordable Housing SPD;

- GV noted that abnormals and servicing costs are typically reflected in the land value and the RLV:GDV test;

Land Values

1.14 GV noted that Levvel will test residual land values against 4 hurdle rates, including:

Greenfield

Industrial (High)

Industrial (Low)

Previously Developed Residential Land

1.15 Levvel will engage a professional, independent valuer as we have done on previous studies of this nature. The role of the valuer will be to examine land transactions in Bromsgrove, both currently and in the past to determine values, along with information regarding the volume of land sales. The information gathered by the valuer will investigate and report on the relative values of a variety of land uses across the District.

- One stakeholder noted that VOA land values can also be referenced as a useful guide to land values. The latest VOA report for the East Midlands suggests that greenfield land values are in some cases as low as £5,000 per acre. GV replied by mentioning that landowners need an incentive to sell their land and an uplift in land value would be required;

- The issue of historic land values was raised as was the fact that although this information is useful it cannot be solely relied on because it may be based on previous planning policy;

- It is important to set realistic land values as benchmark against which to test site viability;

- One stakeholder noted that it would be useful if the final study could include definitions of each land use type studied;

- Overage clauses are being increasingly used in the development control process;

- Large strategic sites may be situated on greenfield sites which will require infrastructure provision, however there is limited data available as to how much this may cost;

- Existing and alternative use values of the sites will be assessed and will be used as a benchmark against which to compare the residual values calculated;

- We will also compare the residual land values generated with our test based on the proportion of GDV needed to bring forward each site. One respondent noted that from experience low RLV:GDV proportions have been achieved.

Density

1.16 The Stakeholder Questionnaire recommended four scheme types with densities ranging from 30dph to 50 dph.

- Respondents were asked whether they were happy with the proposed range of densities and it was noted that most development is coming forward at range of 30 to 50 dph;

- Flatted development will also come forward at high density and these need to be considered;

- The Affordable Housing Viability Assessment could also test specialist units such as sheltered accommodation.

- One stakeholder noted that the SHMA had outlined a need for 2 and 3 bed accommodation. GV noted that the findings of the SHMA had been discussed with the Council and that these units will be tested. However, it was also noted that the study will not look exclusively at these unit types and flatted units/ larger detached dwellings will also be tested.

FINANCE COSTS

1.17 GV started the discussion on finance costs and indicated that the modelling methodology takes finance charges into account. He also suggested that a 5% to 6% interest charge could be applied. Earned Interest is also assumed at 0.5% to 1%. The views of various stakeholders are as follows:

- One stakeholder noted the danger that interest charges of 6% to 7% may be applicable;

- Banks are tightening lending conditions so it is difficult for developers to get the finance required.

Sales Rates

1.18 GV explained that the affordable housing viability study will assume a monthly sales rate.

- Stakeholders shared their experience about sales rates. One stakeholder noted that a sales rate of 50 to 60 units per annum would have been a suitable figure when the market was at its peak. At the moment some developers are achieving sales rates of 0.5 per week;

- It was suggested that a sales rate of 40 to 50 units per annum be applied to the AHVA.

PROFESSIONAL AND OTHER FEES

1.19 GV stated that Professional fees may be applied at a level of 8-12% of construction costs and it is probable that a level of 10% will apply. Marketing costs of 3% to 4% were also considered.

S.106/ Infrastructure

1.20 GV explained that there is no prejudging involved in the modelling process and S.106 costs may need to be future proofed to allow for varying levels. S.106 costs need to be assessed on a per unit basis. Discussions are taking place with the Council to establish the likely level of S106 contributions and these will be used in the testing. Levvel propose to test s.106/ infrastructure costs of £5,000, £10,000 and £15,000 per unit.

1.21 Stakeholders noted that we need a system that doesn't hold back delivery. Affordable housing contributions may compete against s.106/ infrastructure costs and the AHVS will allow the Council to take a view on this issue.

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For

Bromsgrove District Council

APPENDIX FIVE

THORNES CHARTERED SURVEYORS LETTER

January 2011

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THORNES

CHARTERED SURVEYORS & ESTATE AGENTS

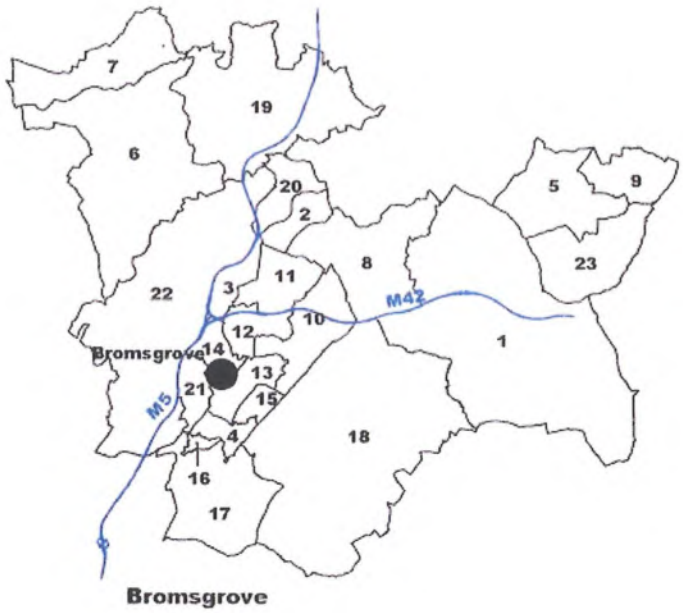
Land Appraisal

On behalf of:

Levvel

on

Bromsgrove District Council



DATE: 16th December 2010

Graham C Thorne FRICS FCIOB

22 Parkstone Road, Poole, Dorset, BH15 2PG t: 01202 684004 f: 01202 683462 e: info@thornes.org.uk

THORNES
CHARTERED SURVEYORS & ESTATE AGENTS

For the attention of Mr G Venning
Levvel,
147 Leigh Road
Wimborne
BH21 2AD

Our Ref: GCT/CAS/Bromsgrove

13th December 2010

Dear Mr Venning,

Re: Bromsgrove District Council - Affordable Housing Viability Assessment

Thank you for your letter of 30th November in connection with the above and following our various telephone conversations and our more recent meeting, I confirm that we are to undertake similar work to that recently completed in other local authority areas but specifically:

1. Provide information regarding land values across the Authority highlighting any differences based on location and/or current land use (Greenfield, Brownfield etc) including any information regarding volume of transactions/historic information on transactions.

2. Provide an opinion on the most appropriate RLV/GDV assumption in this area again highlighting any difference that may occur based on development type proposed/location/current land use.

Bromsgrove District Council deals with areas which encompass both more rural villages and the more urban area of Bromsgrove itself all are within easy distance and adjoin the Birmingham city boundary. The area has the advantage that easy access is obtainable to adjoining districts serviced by the M5 and M42 the motorways which divide the area generally but give access to the surrounding areas and the motorway generally. There are a number of individual and distinct areas which, at the present time are covered by existing planning legislation and in which there will never be large scale housing but only more individual or small developments say up to 5 units or exception sites on the edge of the villages for social housing purposes.

22, Parkstone Road, Poole, Dorset. BH15 2PG
t: 01202 684004 f: 01202 683462
e: info@thornes.org.uk w: www.thornes.org.uk

We have, therefore, endeavored to look at both historic and more recent data with regard to sales and, in some cases, taken a mean average. All the areas have been covered by the Spatial Strategy over the last 7 years and historic data will, therefore, be influenced by the this original Spatial Strategy which was adopted in 2004. Prior to the Spatial Strategy and its requirements with regard to social housing land values were influenced by purely financial matters and historically surveyors knew that overall land value/build cost/profit was split proportionately equally.

This crude method of estimation is no longer relevant and overall development values have reduced proportionately on all major development sites although on smaller sites proportionately the percentage has increased due to the shortage of individual family housing.

We have not, therefore, is this survey endeavored to progress further back than the date in 2004 with regard to assessing land values but we would mention that land values were affected by the implementation of the Spatial Strategy with its affect on Social Housing and this has been further exemplified since the withdrawal of the grant aid system. However, all land is within 14 miles of Birmingham City centre and within the motorway travel distances and therefore values have remained higher than in many other areas of the country due to the shortage of sites available.

As instructed, we have not detailed land sales up to 5 units as the data is very 'case sensitive' and percentage RLV:GDV is proportionally much higher but we would summarize the land into the following categories:-

1) Commercial/Industrial Land.

2) Green Field Land without Planning Permission

3) Land values where the density is to be in excess of 30 units per hectare

4) Land values where the density is to in excess of 50 units per hectare

5) Land Values - Previously used Brown Field land of a commercial nature

We take each of the above headings, in turn and express the value with regard to its percentage against GDV as follows:-

1) Commercial Land

Commercial Land varies throughout the area due to its rural nature outside the Bromsgrove town are but comprises rural commercial property as well as land. On all the industrial estates the value of the land will depend on the type of buildings which are presently erected on it. There is a figure below which the built value already existing will prevent it from being converted into high density housing even if the planning designations were to be relaxed.

We have taken an average of rural and more urban sites to obtain a mean value for bare undeveloped land and this would give a value in the region of £200,000 per acre or £500,000 per hectare. This value could increase in a range up to 3800,000 per hectare depending on the position and planning approval granted. The built or Brown Field value of land depends on the properties condition with unused or derelict buildings being discounted back to the land's value only. Fully developed commercial sites in good condition and in maximum use would, therefore, approximate to a figure in the region of £1,000,000 per acre or at least £2,000,000 per hectare.

2) Green Field Land without Planning Permission

At the present time with the planning system being uncertain as to how it is to progress due to the governments localism agenda Green Field Land adjoining built up areas is not achieving Hope Value as previously even earlier this year it is unlikely to recover its previous value until there is more clarity. This uncertainty is further increased by the legal case affecting the RSS. The Government is yet to decide on its localism agenda but an average agricultural land acre would value at figures between £8,000 - £12,000 per acre say up to £25,000 per hectare. Sales of this type of land for development purposes would now proceed with no or little premium and up to approximately 80% of the land's GDV should planning permission be gained.

4) Land Values where the Density is likely to be in excess of 30 Units per hectare

There are some sites with this density available at the present time which averages approximately 10 units up to 20 units per acre and where Social Housing has been historically pepperpotted throughout the site at a 35% social housing ratio, however some of the prices paid for the land are historic in terms of the evolving planning policies and taking into account the credit crisis of 2/3 years ago however an example would be:

A site in Alverchurch being the former Middle school in Tanyard Lane where development will shortly be commencing with a social housing content of 35 % being 27 units out of a total of 72. The 2 hectare site was acquired by Persimmon Homes with a price in the region of £3,500,000 or £1,750,000 per hectare approx £430,000 per acre. This site represents around 15 units per acre approximately 37 per hectare and is a middle price range in a good location and depending on the location we would consider that this represents a RLV:GDV in the region of 25%. However, as the density is increased the value of the land will fall until it marries with the land at 50 units per hectare.

5) Land Values where the density will be in excess of 50 units per hectare

At this density the sites will be within a built up area in the town centre or in designated development zones such as those attached to the Longbridge redevelopment, they could also include sheltered housing flats as well as including part commercial sites.

The value of these sites are difficult to access due to the lack of transactions in the recent past, however from our professional experience we would anticipate that the land value in such sites to include social housing at 35% of the residential content we would anticipate a land value to GDV in the region of 18% to take account of the Building and Servicing costs and depending on the difficulty of the site. If it is a total Brown Field site this could reduce down to 15% RLV:GDV.

6) Land Values on Commercially Used Brownfield Sites

The value of commercial land appears to indicate that on figures in the region of £600,000 per hectare or £250,000 per acre sites will not commercially convert to a residential use due to the Social Housing requirements and the fact that there is no Grant aid available to help the funding. Land will therefore have a greater value on a commercial basis than it would with a planning consent for a residential change. This will very much depend on the position of the land and its proximity to other residential property, however, such as 35/39 Dudley Road, just outside the district a site with a planning consent for 4 town houses opposite the industrial estate at Forge Lane figures in the region of £200,000 are sought but we would not anticipate this would be achieved even though it is only a small site.

Extrapolating from all the above information, and assuming that the Local Authorities target of 35% Social Housing is applied, as existing, land values would appear to be as follows:-

1) Commercial Industrial Land average figure in the region of £500,000 per hectare.
Up to £800,000 per hectare

2) Land without planning consent (Hope Value with cash sale only) to say £25,000 per hectare

3) Residential Land values over 30 units per hectare (between 10/20 units per acre) values up to £1.750000 per hectare at approximately 25% value to GDV.

4) Land values with a density in excess of 50 units per hectare figures in the region of £850,000 per hectare, this down to approximately 15% of the GDV for the housing element.

5) Brown Field Commercial Land at a figure in the region of £600,000 per hectare.

We trust the above information gives sufficient detail for the present time but if we can assist further please do not hesitate to contact us, in the meantime we refer to our normal valuation parameters at this time and attach herewith our account for attention in due course.

Yours faithfully,

Graham C Thorne FRICS FCIOB

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For

Bromsgrove District Council

APPENDIX 6

NOTIONAL SITE COMPOSITION

January 2011

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1.0 Notional Site Composition

1.1 The unit type, size profile and density of each notional development scheme can be found in the tables below.

2.0 100 Unit Schemes

100 Units at 30 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	87	5	3	12
House	92	6	3	20
House	100	6	3	20
House	101	6	4	20
House	105	7	4	20
House	115	7	5	8

100 Units at 40 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	77	4	2	20
House	82	4	3	20
House	92	6	3	40
House	100	6	3	12
House	101	6	4	8

100 Units at 50 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	77	4	2	36
House	82	4	3	36
House	92	6	3	8
House	100	6	3	12
House	101	6	4	8

3.0 50 Unit Schemes

50 Units at 30 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	92.00	6	3	10
House	100.00	6	3	10
House	101.00	6	4	10
House	105.00	7	4	10
House	115.00	7	5	10

50 Units at 40 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	77.00	4	2	10
House	82.00	4	3	10
House	92.00	6	3	20
House	100.00	6	3	6
House	101.00	6	4	4

50 Units at 50 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	77	4	2	18
House	82	4	3	18
House	92	6	3	4
House	100	6	3	6
House	101	6	4	4

4.0 25 Unit Schemes

25 Units at 30 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	87	5	3	3
House	92	6	3	5
House	100	6	3	5
House	101	6	4	5
House	105	7	4	5
House	115	7	5	2

25 Units at 40 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	77.00	4	2	5
House	82.00	4	3	5
House	92.00	6	3	10
House	100.00	6	3	3
House	101.00	6	4	2

25 Units at 50 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	77.00	4	2	9
House	82.00	4	3	9
House	92.00	6	3	2
House	100.00	6	3	3
House	101.00	6	4	2

5.0 10 Unit Schemes

10 Units at 30 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	92	6	3	2
House	100	6	3	2
House	101	6	4	2
House	105	7	4	2
House	115	7	5	2

10 Units at 40 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	77.00	4	2	2
House	82.00	4	3	2
House	92.00	6	3	4
House	100.00	6	3	2

10 Units at 50 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	77	4	2	3
House	82	4	3	4
House	92	6	3	1
House	100	6	3	1
House	101	6	4	1

6.0 5 Unit Schemes

5 Units at 30 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	92	6	3	1
House	100	6	3	1
House	101	6	4	1
House	105	7	4	1
House	115	7	5	1

5 Units at 40 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	77.00	4	2	1
House	82.00	4	3	1
House	92.00	6	3	2
House	100.00	6	3	1

5 Units at 50 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	77	4	2	2
House	82	4	3	2
House	100	6	3	1

7.0 1 Unit Schemes

1 Units at 30 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	87	5	3	1

1 Units at 40 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	101	6	4	1

1 Unit at 50 dph

Type	Net m² per unit	Persons per unit	Bedrooms per unit	Total Units
House	115	7	5	1

8.0 Strategic Sites

Brom 1: 270 Units at 35 dph

Type	Net m2	Bedrooms	Persons	Numbers
House	77	2	4	65
House	82	3	4	30
House	87	3	5	68
House	100	3	6	27
House	101	4	6	30
House	105	4	7	30
House	115	5	7	20
			Total	270

Brom 2: 1100 Units at 35 dph

Type	Net m2	Bedrooms	Persons	Value Type	Numbers
Sheltered	50	1	2	flat	100
Sheltered	62	2	3	flat	100
House	77	2	4	terrace	220
House	82	3	4	terrace	99
House	87	3	5	semi	220
House	100	3	6	semi	88
House	101	4	6	detached	98
House	105	4	7	detached	98
House	115	5	7	detached	77
				Total	1100

Brom 3: 470 Units at 35 dph

Type	Net m2	Bedrooms	Persons	Value Type	Numbers
House	77	2	4	terrace	112
House	82	3	4	terrace	52
House	87	3	5	semi	117
House	100	3	6	semi	47
House	101	4	6	detached	52
House	105	4	7	detached	52
House	115	5	7	detached	38
				Total	470

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For

Bromsgrove District Council

APPENDIX SEVEN

VALUE AREA INFORMATION

January 2011

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1.0 Value Area Information

1.1 It is reasonable to assume that within the local authority area there will be a range of 'value areas', that is locations where property values are likely to be lower or higher than the average for the district as a whole. In order to reflect these ranges analysis of achieved sales values in each Postcode Sector within the district (e.g. B61 0) was analysed. Postcode Sectors were then ranked according to value into six value areas.

1.2 Land Registry data on achieved sales values from 1 January to 31 December 2009 for each type of dwelling (detached, semi-detached, terraced and flats and maisonettes) at a Postcode Sector level for each value area was then assessed. These values were then indexed down using the Land Registry index for Bromsgrove as at December 2010 and averaged within each value area for each type of dwelling (detached, semi detached, terraced and flats and maisonettes). To this a7% uplift was applied to represent a new build premium. Average values per unit type at a Postcode Sector level were then assessed against information regarding asking prices and achieved sales values on a number of property websites including Rightmove, Find a Property and Mouseprice to establish if they accurately reflected properties on the market currently.

1.3 The Postcode Sectors which formed each value area are as follows:

Value Area 1	Value Area 2	Value Area 3	Value Area 4	Value Area 5	Value Area 6
DY9 9	B97 5	B62 8	B63 4	B97 4	B38 9
B60 4	DY10 4	B97 6	B38 8	B98 0	B32 4
B45 8	B60 2	DY10 3	B61 8	B38 0	B45 0
DY9 0	B47 6	B61 0	B60 3	B98 8	B31 4
B61 9	B47 5	B61 7	B31 2	B45 9	B31 3
B48 7	B62 0	B90 1	B98 9	B63 3	B31 1
B94 5	B60 1	B63 1		B30 3	B14 5
					B14 4
					B31 5

1.4 This analysis enabled us to finalise a value for each unit type, e.g. detached, for each Value Area. In order to obtain a value per square metre it was necessary to assume a unit size for each property type. These were arrived at based upon stakeholder engagement and our experience within the development industry. The unit sizes assumed were as follows:

Detached – 105 m2

Semi detached – 95 m2

Terraced – 77 m2

Flat - 55 m2

2.0 Conclusions

2.1 The average sales values for each area and unit type were then divided by these figures to provide a base value per square metre for each area and unit type. This can be seen in the following table:

Values per square metre by area and property type

Property Type	Value Area 1	Value Area 2	Value Area 3	Value Area 4	Value Area 5	Value Area 6
Flat	2772	2637	2509	1784	2015	1657
Terrace	2601	2343	2174	1886	1783	1621
Semi	2407	2038	1906	1811	1674	1458
Detached	4044	2828	2876	2469	2159	1682

2.2 The values shown in the previous table are those used in the viability modelling. The values are determined as follows:

Flatted units of all sizes – flatted values used relevant to development location;

Two bedroom houses – terraced values used relevant to development location;

Three bedroom houses – semi detached values used relevant to development location;

Four bedroom houses – detached values used relevant to development location;

Five bedroom houses – detached values used relevant to development location.