

NORTH LINCOLNSHIRE COUNCIL

**HOUSING AND STRATEGIC
PLANNING CABINET MEMBER**

AFFORDABLE HOUSING FINANCIAL VIABILITY ASSESSMENT

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To inform members that Adams Integra have been commissioned to undertake an affordable housing financial viability assessment.

2. BACKGROUND INFORMATION

2.1. Local Authorities are responsible for enabling the provision of affordable housing to meet identified local needs. There are two key mechanisms through which affordable housing can be secured:

- National, Regional and Local Planning policies place a requirement for the provision of affordable housing on private developments above a set threshold. This affordable housing is secured through Section 106 Planning Obligation contributions.
- The National Affordable Housing Programme (NAHP), currently administered by the Housing Corporation provide Housing Associations with grant funding to develop affordable housing to meet local housing needs.

2.2. The financial viability of providing affordable housing on private housing sites has recently become a more prominent issue in the housing market and therefore developers are less willing to provide the maximum level of affordable housing. PPS3 'Housing' requires local planning authorities (LPAs) to undertake an informed assessment of the economic viability of any thresholds and proportions of affordable housing proposed, including their likely impact upon overall levels of housing delivery and creating mixed communities.

2.3. The assessment will provide a key Evidence Base document to support the affordable housing policies set out in the Core Strategy as part of the Local Development Framework. This will provide the evidence to back up the policies for the provision of affordable housing on private development sites in North Lincolnshire. This will also support the level of affordable housing

required by the policies and the thresholds for the provision of affordable housing on private sites.

2.4. The assessment will test whether it is financially viable for a developer to provide affordable housing as part of a development site at the thresholds and target percentages proposed in the draft housing policies of the core strategy. The assessment will provide the evidence to support negotiations with developers regarding the provision of affordable housing.

2.5. Six tenders were received for the project, Adams Integra provided the best proposal against the assessment criteria of:

- The experience, skills, quality and credibility of all consultants proposed to be employed to carry out the study.
- The quality of the submission and any supporting information.
- The suitability of the timetable breakdown for the project and the value for money.
- The acceptability and suitability to North Lincolnshire Council of the approach and methodology for the study.
- A clear understanding on the part of the consultant of the relationship of the brief and the study to the strategies, policies, aims and ambitions of North Lincolnshire Council.
- Confidence in the consultants to carry out the works to the timetable and to an acceptable quality.

2.6. Adams Integra have been appointed as the chosen consultants to carry out the assessment as they offered the best value for money, providing the full requirements of the brief for a reasonable cost.

2.7. Adams Integra have a proven track record of carrying out similar assessments for various other Local Authorities. They have experience in investigating the impact of increasing affordable housing proportions and the potential of reducing affordable housing thresholds on development viability. Adams Integra have also represented several Local Authorities at Local Plan Inquiries and Local Development Framework examinations.

3. OPTIONS FOR CONSIDERATION

3.1. Option One

To continue with the Affordable Housing Financial Viability Assessment as planned.

3.2. Options Two

To halt the Affordable Housing Financial Viability Assessment.

4. ANALYSIS OF OPTIONS

4.1. We need to support the policy changes implemented through the Core Strategy with robust evidence, in our case this affordable housing financial

viability assessment would form part of the evidence base to support the affordable housing policy changes set out in the Core Strategy. This assessment will provide the evidence to support the new policies to ensure they are viable and deliverable.

- 4.2. The affordable housing financial viability assessment is a critical element of the evidence base to support the Core Strategy.
- 4.3. Recent case law has resulted in Blyth Valley Borough Council's Core Strategy affordable housing policy being the subject of legal challenge at the High Court on 20 May 2008 and a subsequent appeal on 9 July 2008, as they had not undertaken an Affordable Housing Financial Viability Assessment to justify their policy. The affordable housing policy was subsequently quashed. Government Office for Yorkshire and Humber (GOYH) recently highlighted this issue and have advised all LPAs to think seriously about commissioning these studies.
- 4.4. Adams Integra use a residual valuation model to assess the viability of providing affordable housing on developments. This assesses all likely implications on the cost of a development against the likely development value. This model also includes an assessment of developers gross profit. This is done through on the ground and web based research.
- 4.5. The study will provide a full and detailed report of the findings of the research along with recommendations and reasoning. This will include the setting out of the assumptions, tabling and graphing of the results and background data.
- 4.6. To halt the research would result in the evidence base for the Core Strategy being challenged and may result in the Inspector finding the Core Strategy unsound at examination and further work would have to be undertaken to ensure that the Core Strategy is found to be sound.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1. Financial

The procurement of Adams Integra was undertaken using the SCMS procurement system. This ensured value for money was achieved.

5.2. Staffing

Staffing to support the production of the assessment is to be provided through the existing Strategic Housing team, and a working group including officers from the Spatial Planning team.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

- 6.1. The provision of good quality additional affordable housing on new housing developments to meet the housing needs of the area can drastically improve

people's quality of life which in turn can reduce the likelihood of people taking part in criminal or antisocial behaviour.

7. OUTCOMES OF CONSULTATION

7.1. The Core Strategy policies will be subjected to further public consultation. An Affordable Housing Financial Viability Assessment will reduce the opportunity for objections on the grounds that the policies are unsound.

7.2. As a result of the consultation with Registered Social Landlord's and developers operating in the area the financial viability assessment will provide an accurate reflection of the viability of developments.

8. RECOMMENDATIONS

8.1. To note the appointment of Adams Integra.

8.2. That the findings of the assessment are brought in a further report when the assessment has been completed.

HEAD OF STRATEGIC REGENERATION, HOUSING AND DEVELOPMENT

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Date: 06/10/08

Background Papers used in the preparation of this report

Planning Policy Statement 3 'Housing' (PPS3)
North Lincolnshire LDF Core Strategy