

## Report of the Portfolio Holder for Economic Development and Asset Management

### Affordable Housing Unit Charge

#### 1. Purpose of Report

To update Members and seek approval for changes to the amount that the Council asks developers for in affordable housing payments.

#### 2. Recommendation

**Cabinet is asked to RESOLVE that the new affordable housing amount of £85,000 per unit be approved.**

#### 3. Detail

There is a high housing need for affordable housing in all areas of the Borough. It is therefore important that the Council increases the number of affordable units built to help meet this demand. For housing developments over 10 units, there is a requirement to provide a proportion of affordable housing. This proportional requirement varies across the Borough, based on housing market areas, but in-line with planning policy developers must provide affordable housing, either on site or as an off-site payment.

When an off-site payment is sought and agreed, the cost per unit is currently £45,000. This has been the case for approximately ten years and is no longer fit for purpose. The off-site contributions are used to fund additional affordable housing units on alternative sites. The provision of on-site affordable housing and an off-site contribution should be comparable in cost to the developer. Currently if a developer makes an off-site contribution this is a significantly cheaper option than providing on-site provision. It is therefore proposed that this amount be increased to £85,000. The increased cost will support the Council to deliver the developments identified in the Council's Housing Delivery Plan.

This proposal has been reached following various assumptions and methodology and has been supported by HEB Surveyors. When residential developers are undertaking financial appraisals to calculate affordable housing contributions on any particular scheme, their first consideration will be to consider the market value of the completed dwellings and to then apply a discount from the full market value.

The discount applied to arrive at an affordable housing value will be between 40% and 60% of market value depending on the specific tenure requirements of the particular planning authority, i.e. social rent, affordable rent etc, but as an

average a developer will generally apply 50% discount in their financial appraisal.

In terms of the methodology in calculating a standard commuted sum figure for the Borough, if one was to consider that most affordable housing can be categorised as two/three bed terraced housing, it is possible to look at the UK Government House Price Index for Broxtowe and reference the average value of a standard terraced house value and then apply the discount that developers would also apply when undertaking their own site development appraisal.

In this case, a standard terrace house has an average value in Broxtowe of £186,298 as at August 2024. This figure is derived from the sale of all properties, so includes both new builds and second hand properties. To adjust to the figure to take into account the mixed nature of the data there has been the application of a 10% increase in value, which increases the average value to £204,928.

Applying the 50% discount to assess the value of an affordable dwelling produces a figure of £102,464. Some deduction is allowable from this reduced value to account for any significant abnormal costs a site may derive. This results in a figure of £85,000, which is proposed as the figure to be used as the per unit cost from now onwards.

#### 4. Key Decision

This report is a key decision as it affects more than two wards and could in some cases result in significant amounts of money.

#### 5. Financial Implications

The comments from the Head of Finance Services were as follows:

The proposal to increase the offsite affordable housing contributions from developers from £45,000 to £85,000 per unit is supported. The increased contributions from developers will support the Council in providing valuable capital resources to meet the new house build developments within its Housing Delivery Plan.

#### 6. Legal Implications

The comments from the Monitoring Officer / Head of Legal Services were as follows:

The Council has a general power of competence under section 1 of the Localism Act 2011 this is the power to do anything an individual can do provided it is not prohibited by other legislation. The Council has the power under section 111 of the Local Government Act 1972 to do anything which is calculated to facilitate or is conducive or incidental to the discharge of its functions.

7. Human Resources Implications

Not applicable.

8. Data Protection Compliance Implications

This report does not contain any OFFICIAL(SENSITIVE) information and there are no Data Protection issues in relation to this report.

9. Equality Impact Assessment

Not Applicable.

10. Background Papers

Nil.