

S106 Affordable Housing Calculation Note

The Council's Local Plan includes an overall target for 20% of new housing in the borough to be affordable. It also includes a split that 60% of this affordable housing should be social rented and 40% intermediate housing. In addition, the Local Plan outlines a priority order for the delivery of affordable housing as being on site, off site or through commuted sum payments. Where a commuted sum payment is used in lieu of on – or off-site provision, the following formula is applied to calculate the payment:

- For affordable rent the commuted sum required is 50% of the sales cost; and
- For shared ownership a 35% discount is sought.

This level of discount requirement would be dependent on open market sales values of properties agreed to be provided as affordable homes.

However, we are mindful that some of our urban sites are proposing to provide 3 and 4 bed larger family homes of higher value which could potentially range from £150,000 to in excess of £300,000. Firstly, we felt that the higher value properties would require a greater discount from developers and could potentially impact on scheme viability. Secondly, the higher value properties would indeed be more affordable if they were discounted but not necessarily be affordable to residents on average income.

As such we carried out an exercise to gauge affordability levels to determine an average price for affordable units which would be more realistic for residents and would be supportive of new developments. We considered a number of schemes across the borough and looked at price ranges alongside considering affordability for low wage earners as first time buyers and also those wishing to staircase upwards from their current home. To this extent we determined an average price of £150,000 (Open Market Value) for an affordable home which was also supported by developers who had been involved in masterplanning and S106 negotiations across the Borough.

For further clarity and to provide a level of certainty for developers on S106 requirements by the Council. It was decided that an average value for commuted sum payment of 42.5% ($50\% + 35\% = 85\% / 2 = 42.5\%$) of the agreed OMV should be taken. The formula for calculating the contribution per unit for affordable housing is therefore:

Total No. of dwellings x (42.5% of the agreed Open Market Value) x 20% (dwellings that would be affordable) / No. of dwellings

Example

$100 \times (42.5\% \text{ of } £150,000) \times 20\% = £1,275,000$
 $£8,925,000 / 100 = \mathbf{£12,750 \text{ per dwelling}}$.

Please be advised that we are supportive of new housing developments coming forward and will be willing to consider negotiating the final commuted sum requirement to support scheme viability. This would be subject to an open book appraisal of the final scheme costs.