

Affordable Housing Economic Viability Study
For
Stafford Borough Council

Appendices

By Level Ltd

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APPENDIX ONE – INVITATION TO TENDER

**STAFFORD BOROUGH COUNCIL
AFFORDABLE HOUSING VIABILITY ASSESSMENT**

PROJECT BRIEF

Purpose

1. To provide a comprehensive assessment of affordable housing viability from a market perspective for the Stafford Borough area to inform production of an affordable housing policy for the [Local Development Framework](#).

Introduction

2. Stafford Borough Council is currently preparing its [evidence base](#) for the new Development Plan; the [Local Development Framework](#) (LDF). The Affordable Housing Viability Assessment will form part of this evidence base, which will be used to justify the affordable housing policy within the Core Strategy document, known as [The Plan for Stafford Borough](#). The methodology and approach used must assess existing and future property market capacity, identify new site thresholds and justify affordable housing targets for different parts of the Borough in the context of [Planning Policy Statement 3:Housing \(PPS3\)](#) and other relevant Government guidance.
3. The [Stafford Borough Local Plan 2001](#), adopted in October 1998, contains a number of affordable housing policies within [Chapter 3](#). The Stafford Borough Local Plan is currently in the process of being replaced by the Stafford Borough Local Development Framework and its Core Strategy document. In February 2009 the Council published '[Delivering the Plan for Stafford Borough – issues & options](#)' setting out location options for the scale of new development required through the Plan period to 2026 together with policy matters for consideration. The Council is currently out for consultation on [Draft Core Policies](#) including affordable housing and rural exception housing policies. This assessment will need to test the viability of the site sizes and thresholds identified as well as establish the type and size of new affordable housing for the Stafford Borough area.
4. In April 2008 the West Midlands North Housing Market Area published the [Strategic Housing Market Assessment](#). Evidence of local need in the Strategic Housing Market Assessment jointly commissioned for the West Midlands North Housing Market Area by East Staffordshire Borough, Newcastle-under-Lyme Borough, Stafford Borough, Staffordshire Moorlands District and Stoke-on-Trent City, shows a continuing shortfall of affordable housing, including in Stafford Borough. A variety of demographic and social factors, coupled with pressures generated by economic growth and in-migration, means that a substantial number of low income households are unable to find suitable housing to rent or buy in the private market.

5. Recent evidence from the [Strategic Housing Market Assessment](#) highlights that there is a significant need for affordable housing in Stafford Borough will continue for some time. The Strategic Housing Market Assessment identified the need for 293 new affordable homes per year of over the period from 2006-2026. During 2008/09 there were 100 affordable housing completions in Stafford Borough. As at 1st April 2009 there were approximately 2250 households on Stafford Borough's Housing Register, of which 175 were found to be statutorily homeless.
6. As part of regional planning work the West Midlands Regional Assembly acting as the Regional Planning Body has published information and evidence relating to the [Regional Spatial Strategy](#) and the [Regional Housing Strategy](#) concerning housing demand and supply as well as affordable housing which must be referred to as part of this assessment.
7. In December 2007 the Regional Planning Body submitted the [Regional Spatial Strategy \(RSS\) Phase Two Revision - Draft Preferred Option](#) for consultation, which has been the subject of an Examination in Public with the [Panel Report](#) published in September 2009 and Secretary of State [Proposed Changes](#) due imminently. The following regional policies concerning the scale of development and affordable housing matters were included in the submission RSS document with suggested amendments proposed through the Panel Report:

[Policy CF2 – Housing beyond Major Urban Areas](#)

[Policy CF3 – Level and Distribution of New Housing Development](#)

[Policy CF7 – Delivering affordable housing](#)

[Policy CF8 – Delivering mixed communities](#)

8. The [RSS Phase Two Revision - Draft Preferred Option](#) and subsequent Panel Report identifies 11,000 net new homes for Stafford Borough of which 8,000 net new homes including Ministry of Defence requirements to be at the County Town of Stafford during the Plan period. The market town of Stone is the second principal settlement to the north of Stafford Borough with implications for the North Staffordshire conurbations urban regeneration initiatives and the North Staffordshire Green Belt. In order to meet the requirements for the RSS submission it will be necessary to identify up to 7,000 new homes through the Stafford Borough Local Development Framework.
9. [Planning Policy Statement 3:Housing \(PPS3\)](#) was published in November 2006 and sets out national policies for affordable housing with paragraphs 9 & 10 identifying the Government's key housing objectives including for affordable housing. Paragraph 22 sets out the requirement for Local Planning Authorities when bringing forward Local Development Documents concerning the balance between market and affordable housing to be assessed and clarified for Stafford Borough through preparation of this Affordable Housing Viability Assessment.

10. Paragraphs 27 to 30 of PPS3 contain specific requirements for affordable housing. In particular paragraph 29 requires Councils to set an amount and target for affordable housing, tested for deliverability by means of the economic viability of land for housing within the area. Specific targets are to be set for social-rented and intermediate affordable housing as well as the range of circumstances where it will be required. All aspects of paragraph 29 must be addressed with recommendations by the Affordable Housing Viability Assessment.

Purpose of the Affordable Housing Viability Assessment

11. Within the context of national and regional policy including reference to the Regional Spatial Strategy – Phase Two Revision, the purpose of this Assessment is to:
 - Provide a credible, robust and sound evidence base in order to assess affordable housing viability for Stafford Borough, Stafford and Stone towns and maximise delivery on the basis of residual land values through new development on a full range of potential sites through requirements identified in the Regional Spatial Strategy Revision;
 - Prepare a minimum of ten financial appraisals for a representative range of site sizes in order to establish affordable housing targets including greenfield and brownfield sites across urban and rural areas;
 - Use modelling techniques to test viability by applying a range of variables, including development costs, to ensure a flexible affordable housing policy is delivered through the Core Strategy covering the Plan period to 2026 reflecting current and anticipated future affordable housing needs expressed as targets, tenures and thresholds;
 - Land must be analysed against a variety of constraints including availability, suitability and viability as well as local, regional and national policy implications;
 - Affordable housing target levels to be tested for viability at 0%, 15%, 30% and 40% as well as thresholds for sites in urban and rural areas at 5 homes, 10 homes and 15 homes with a 80% social rented and 20% intermediate (or alternative ratios);
 - Recommend an affordable housing policy for the Core Strategy based on a robust methodology ensuring flexibility to reflect changes in market conditions and to relate to the character of the market housing (e.g. size / number of bedrooms of individual properties);
 - Provide a methodology or formula for and the likely scale of appropriate payments in lieu of on-site provision for cases where this is appropriate;

- Improve certainty to the Local Planning Authority and its strategic partners regarding the delivery of affordable housing targets across Stafford Borough in urban and rural areas including Stafford and Stone;
- Evaluate the impact of affordable housing targets in terms of delivery in the context of existing planning commitments, the Strategic Housing Land Availability Assessment and the most up-to-date information of the Strategic Housing Market Assessment;
- Prepare a draft Supplementary Planning Document to include an implementation strategy for delivering affordable housing based on the methodology and a future-proof dynamic approach including reference to the costs of developing projects and options for how they could be financed; and
- The Council is progressing towards quality and diversity standards. In line with policy and performance recommendations, the Assessment must accord with the following six equality strands: - age, disability, gender, race, religion / belief and sexuality. An integral part of the Final Report must set out how these equality standards impact on Stafford Borough.

Project Outputs

12. The consultant will deliver:
 - A comprehensive assessment of affordable housing viability from a market perspective for the Stafford Borough area to inform production of an affordable housing policy for the Local Development Framework in order to deliver the purposes of the project and assist in future monitoring as required by national Planning Policy Statements.
13. The assessment will inform the Core Strategy Development Plan Document evidence base and identify the affordable housing targets and site thresholds for Stafford Borough's urban and rural areas including Stafford and Stone over the Plan period, as well as provide information for the consideration of more detailed sites through the Site-Specific Allocations and Policies Development Plan Document (DPD) to ensure that affordable housing is delivered in the context of [Planning Policy Statement 3:Housing \(PPS3\)](#).
14. The assessment should provide more detailed information for the Stafford Borough area, building upon the work prepared through the Stafford Borough Infrastructure Strategy – Appendix 9 published in July 2009 and, if appropriate, subsequent updates to this study.
15. The assessment will be presented in a variety of different medias from Word/PDF to Excel/Access databases, including MapInfo TAB in order for the affordable housing locations and sites to be identified on the

Council's GIS system. The work will be formatted to allow for easy updating through the review process. This should be established as a sound mechanism so that the assessment can be amended to meet any changes that may be experienced in the Local Development Framework process and be adaptable to change.

16. The assessment should be compatible and consistent with other strategies within Stafford Borough.
17. Following the letting of the contract Stafford Borough Council requires the Affordable Housing Viability Assessment to be completed within 12 weeks after the contract has been awarded and the commencement date agreed between the contractor and the Council.

Supporting Information

18. The following documentation will be made available by the Council and will be used to provide information for the consultant to undertake the Affordable Housing Viability Assessment, available through the following web page:

<http://www.staffordbc.gov.uk/live/cme6757.htm>

- [The Housing Monitor: Land for New Homes 2009 & past editions](#)
- [Strategic Housing Land Availability Assessment 2009 Review](#)
- [West Midlands North Housing Market Area – Strategic Housing Market Assessment 2007](#) (April 2008) and the Housing Market Analysis – North Housing Market Area 2009/10 (Draft: January 2010)
- [Stafford Borough Infrastructure Strategy – Stage 1 Report](#) (July 2009)
- [Stafford Borough Local Plan 2001](#) (Adopted October 1998)
- [Census 2001 information](#) for Stafford Borough
- Stafford Borough LDF [Annual Monitoring Reports](#)
- Homes & Communities Agency – [Economic Appraisal Tool](#) (July 2009)
- Relevant documentation from the West Midlands Regional Assembly related to the [Regional Spatial Strategy](#) and [Regional Housing Strategy](#)
- Relevant case law including the [Blyth Valley](#) & [Wakefield](#) cases

Current Position

19. Stafford Borough has significant current commitments for new housing development. The Council is mindful that as a result of increased levels of housing provision being proposed through the partial review of the Regional Spatial Strategy (RSS) and Growth Point status it is important for affordable housing provision within the Borough to be increased, in order to provide a sustainable community for the future.
20. Currently the Regional Spatial Strategy process identifies Stafford as a Settlement of Significant Development within the region with a housing requirement of 11,000 new homes for the Borough area of which 8,000

to be at Stafford town as well as additional provision for Ministry of Defence personnel and dependents. Therefore it is important to deliver a robust and fit for purpose Assessment that can respond to these circumstances.

Background to the Borough of Stafford

21. The Borough has a population of 120,670 people (2001 Census) and covers an area of some 230 square miles. It is located between the Birmingham and Stoke-on-Trent conurbations, where the suburbs of Clayton, Blythe Bridge, Trentham and Meir Heath fringe the most northern part of the Borough. The main settlements are the County town of Stafford (population approximately 60,000 people) and the market town of Stone (population approximately 14,500 people). In addition, the Borough contains more than 40 smaller towns and villages, of approximately 44,600 people, set in a predominantly rural landscape. These smaller settlements range in scale from the larger towns/villages such as Gnosall and Eccleshall that contain over 3,500 people, to hamlets such as Fradswell and Moreton that contain less than 100 people.
22. The Borough is experiencing considerable development pressure for housing development, within the existing built settlements because of its locational benefits through the strategic transport network. This includes development pressure on greenfield sites across the Borough Council area. The area is also physically attractive due to its predominantly rural character, including the fact that the most northern part of the Cannock Chase Area of Outstanding Natural Beauty (AONB) is also in the Borough. Due to this attractiveness, there is pressure from the urban areas both north and south of the Borough in terms of housing provision. Such issues have to be taken into account in this assessment.
23. Other issues include changes in demographics and levels of population within the Borough, which will have an impact on the level of future affordable housing need in the Borough.

Project Timescale

24. The following timescale is proposed:
 - Stafford Borough Council initiate project:
 - Send out project briefs by 12 March 2010 for return by 9 April 2010 (see tender arrangements)
 - Stafford Borough Council project group to meet week commencing 12 April 2010 to consider proposals.
 - Successful consultant notified by 21 April 2010

- Inception meeting with successful consultant week commencing 26 April 2010
 - Draft of report required by the end of June 2010
 - Final report required by the end of July 2010
25. The appointed Consultant will be responsible for producing their own detailed programme for carrying out the project and for completion of stages by key target dates. This programme should include a detailed step-by-step timed plan prescribing methodology, specific tasks, responsibilities and estimated time / resources to complete each step.

Project Management

26. The following arrangements will be established:

Project Manager: Alex Yendole, Stafford Borough Council

Core Project Group:

Stafford Borough Council – Alex Yendole, Paul Windmill,
Stephen Ward

27. Officers will be happy to answer any queries or discuss any issues during the project. It is anticipated that there will be a number of “working group” meetings between officers and the consultant at various key stages of the project.
28. The Consultant is required to nominate one senior person to be in overall charge of the project and with whom the Council shall liaise. The Consultant will be required to attend two internal working group meetings to discuss the work in progress at the end of May 2010 and the end of June 2010.

Funding and Contracting

29. Stafford Borough Council have set aside a financial commitment to support input from a specialist consultant to deliver the Affordable Housing Viability Assessment for the Local Development Framework process. It is expected that the consultant will provide a full breakdown of the costs involved on submission of the provision.

Tender Arrangements

Outputs

30. All information collected during the project will be required to use Geographical Information Systems, MapInfo (TAB files) and must be presented in a form that is compatible to the Council's IT software. This will make the project management process easier, particularly when establishing strategic locations / areas and existing site boundaries.
31. Each strategic location and boundary must have a location identifier (a map reference number) to allow ease of transfer and linkage between Access and GIS. It is essential that the GIS system used by the consultant is compatible with this Council's to allow easy transfer of the data and findings to this Council's system. In these circumstances MapInfo.TAB files would be the preferred transfer format given its compatibility with the Council's system, although ArcView .SHP file types or .dxf would be acceptable. When presented to the Council at the end of the project, the data on GIS should be linked to a database, preferably on Microsoft Access / Excel formats through the location identifier.
32. Final IT arrangements will be confirmed at the time of the inception meeting.
33. Ten colour copies of each final document (and an executive summary) should be produced, with a loose-leaf copy for photocopying. The documents should be capable of reproduction in black and white.
34. The following should also be provided electronically on CD (Word & PDF formats):
 - Executive, Non technical Summary
 - Full report and appendices
 - Access database of survey
 - Excel spreadsheet / Access database of calculations
 - Access database of location visits / quality reports
 - GIS mapping
35. Stafford Borough Council shall hold copyright of all presented material and retain the right to distribute the material in part or whole to any organisation or individual it determines, at no extra cost.
36. The work will conclude with a formal presentation to the Project Group and invitees of the Project Group and one formal presentation to Members (facilitated by the Consultant).

Tenders

37. The commission is being led by Stafford Borough Council. The proposal will only be considered if it is received in a sealed plain envelope (enclosed) and only has the words “tender envelope” and the title of the contract written on it. The envelope must contain no mark, name, stamp or other way of identifying the body submitting the tender, otherwise the proposal will not be considered.
38. All proposals must be returned by **12 noon on Friday 9th April 2010**. No proposal can be accepted if it is received after this specified time. Two hard copies of the proposal should be sent, one as a bound copy and the other as an unbound copy.
39. In submitting an expression of interest in this project, the consultant will be required to:
 - Demonstrate that the work detailed in this Brief can be completed within the proposed timetable;
 - Provide details of how each stage of the assessment will be undertaken and provide details of any data sources / data collection methods which will be used;
 - Demonstrate that the work proposed can be completed within the timetable outlined in this Brief and provide a timetable of when the various stages will be completed;
 - Provide details of at least three previous similar projects from the last three years, with contacts for reference to be included;
 - Submit full details of the total cost net of VAT to Stafford Borough Council of the work at each stage including itemised breakdown of expenditure and itemised time spent, differentiating between senior and junior staff. The cost will include all professional fees, disbursements, travelling expenses, display and graphic material, all report material and any other associated costs; and
 - Include details of qualifications of the staff who will be working on the project together with their specialisms and the roles they will play in the work. The appointed consultants must nominate a member of staff to be a single and consistent point of contact.

Selection of Consultant

40. **The Consultant will be selected on the basis and evaluation of their tender using price at 60% and quality at 40% weighting. The quality weighting will be made up of value for money (8%), quality / capacity to deliver (10%), relevant experience (12%), and methodology and analysis (10%) in undertaking this form of consultancy and in this subject field. *Consultants should be prepared for an interview and / or to give a presentation of their submission***

41. The selection criteria to be applied in finalising the appointed consultant will include the following and will apply both to written submissions and shortlist interviews:

Value for Money (8%)

Tenders will be evaluated as to financial acceptability including:

- Approach to pricing for the Contract
- Approach to service credits
- Transparency and coherence of Pricing Schedule
- Proposals for dealing with changes in pricing assumptions
- Overall value for money
- Whole life costs

The following information is required from Tenderers:

- Submit full details of the total cost net of VAT to Stafford Borough Council of the work at each stage including itemised breakdown of expenditure and itemised time spent, differentiating between senior and junior staff. The cost will include all professional fees, disbursements, travelling expenses, display and graphic material, all report material and any other associated costs;

In providing your response above please detail any assumptions you have made and detail your proposals for variations to the fees in the event that any of these assumptions were to change.

Quality / Capacity to Deliver (10%)

Tenders will be evaluated as to the proposed approach to working closely with the Council and innovative thinking including:

- Proposed method for partnering and working together with the Council
- Demonstrations of commitment to understanding the Council's culture, style and approach
- Explain how the key outputs of the project will be achieved through the resources identified by the proposal

The following information will be required from Tenderers:

- Describe your proposed approach to partnering and working together with the Council over the Contract Period;

- Describe your proposals for developing an understanding of the various activities, culture and style of the Council;
- Details of any enhancements, at no extra cost, which it is believed will add value to the project;
- Ideas as to how the requirements could be evolved over the Contract Period to be more efficient and / or effective;
- Include details of qualifications of the staff who will be working on the project together with their specialisms and the roles they will play in the work. The appointed consultants must nominate a senior member of staff at Director or Partner level to be a single and consistent point of contact.

Relevant Experience (12%)

Tenders will be evaluated as to the quality of relevant experience for completing the Contract including:

- Demonstration of relevant experience and knowledge of affordable housing viability testing, appropriate methodologies in undertaking such work, the planning process, recent case law and legislation;
- Demonstration of a knowledge of local characteristics;

The following information will be required from Tenderers:

- Provide details of at least three previous similar projects from the last three years (with contacts for reference);
- Describe the local characteristics and key issues arising.

Methodology and Analysis (10%)

Tenders will be evaluated as to the proposed method for delivery of the Contract including:

- Overall approach proposed for providing the Contract including methods of working
- Proposed involvement of, and arrangement for managing working relationships
- Proposed method for monitoring of performance and quality assurance

The following information will be required from Tenderers:

- Provide details of how you intend to provide the requirements in accordance with the Contract including how each stage of the assessment will be undertaken and provide details of any data sources / data collection methods which will be used;
- Demonstrate that the work proposed can be completed within the timetable outlined in this Brief and provide a timetable of when the various stages will be completed;
- Details of the way in which you propose to manage performance monitoring of the Contract and managing effective working relationships.

42. When scoring Tenders against each individual evaluation criteria, the following scoring rationale and table will be used based on the graduated approach. Any tender scoring below 60% in any of the individual selection criteria at this stage will not be considered any further.

SCORE	CLASSIFICATION
100%	Exceptional
80%	Above expectations
60%	Meets expectations
40%	Below expectations
20%	Well below expectations
0%	Unacceptable

Conditions

43. The conditions attached to this project are as follows:
- The submission of a tender does not commit the Council to use the consultant’s services.
 - The Council may withdraw from using the services of the consultant at any time during the project if it is not satisfied with the standard or quality of work.
 - The Council will retain the right to publish the findings of the project and will remain the owner of data / information being produced on its behalf throughout and after the project. Permission will have to be obtained from the Council prior to any reproduction of the report or research data.
 - The Council reserves the right to request and view the research at any time during its progression.
 - Any work outside the specification of this Brief which is regarded as “additional” or “further” work must first be agreed (in terms of content and cost) by the Council and the consultant before it is undertaken.

- The consultant will be expected to represent the authority at the Core Strategy Examination process as an expert witness with regards to the evidence prepared as part of this project, if necessary.

Please also note that a copy of the Consultancy Agreement of the Council's General Conditions of Contract can be viewed at the following web-link:

<http://www.staffordbc.gov.uk/live/Documents/PolicyAndImprovement/ModelContractDocuments/Model-Contract-Document.pdf>

Payment

44. An initial payment of 40% of the total fee will be paid upon production of the approved Draft Report and 50% of the total fee upon receipt of the approved Final Report. The remaining 10% of the total fee will be retained for 30 days and paid to the supplier following complete satisfaction.

Contact Details

45. All enquiries with regard to this brief should be directed to:

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Appendix Two – Policy Context



NATIONAL POLICY

- 1.1 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.
- 1.2 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.
- 1.3 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
- 1.4 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
- 1.5 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.
- 1.6 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 Paragraph 29, PPS3, CLG, June 2010

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



- 1.7 **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.
- 1.8 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.
- 1.9 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 “through evidence”.
- 1.10 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.
- 1.11 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 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
- 1.12 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”’.
- 1.13 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 will come 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.
- 1.14 The Government argue that CIL will improve predictability and certainty for developers as to what they will be asked to contribute. It will increase fairness by broadening the range of developments asked to contribute and will allow the cumulative impact of



small developments to be better addressed. A key benefit of CIL is that it can more easily fund sub-regional infrastructure, typically larger elements that will benefit more than one Local Authority Area. The Government proposes that Local Authorities should have the freedom to work together to pool contributions from CIL within the context of delivering their development plan. It is also anticipated that public sector bodies such as the Regional Development Agency could forward fund infrastructure and be reimbursed from a CIL Income Stream.

REGIONAL POLICY

Developing a Regional Strategy Transitional Arrangements

- 1.15 The West Midlands Leaders Board (WMLB) is the new regional decision making body for Local Government in the West Midlands. The Leaders Board is also responsible for developing regional strategy following the abolition of the West Midlands Regional Assembly in March 2010. The WMLB has been established because of the government's changes to regional working contained within the Local Democracy, Economic Development and Construction Act 2009. From the 1st April 2010 the WMLB along with Advantage West Midlands, as the responsible Regional Authorities, will take forward the work on the new Strategy for the West Midlands. They have established the Joint Strategy and Investment Board (JS&IB) to take forward and work on the new Strategy for the West Midlands.

Overview of the Current West Midlands RSS Revision

- 1.16 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.
- 1.17 Phase One of which has been completed and sets out a long terms strategy for the Black Country Area.
- 1.18 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 has decided that further work is required before the Secretary of State can publish proposed changes. The CLG hope to be in a position to publish Proposed Changes by July 2010.
- 1.19 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.
- 1.20 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.



- 1.21 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. In March 2010 following detailed consideration of the WMRSS process to date, the CLG has decided that further work is required before the Secretary of State can publish Proposed Changes which are anticipated in July 2010. Policy CF3 identifies the net dwelling provision and proposes average annual net additions to the dwelling stock of 18,280 between 2006 and 2026 for the West Midlands Region. Within that the allocation for Stafford is 10,100 (505 pa), and of that figure Stafford Town is 7,000 (350)³.
- 1.22 The following table outlines the net dwelling provision for Staffordshire including Stafford in particular and then provides the total for the West Midlands.

Planning Area	Proposal Total (Net) 2006-2026	Indicative Annual Average 2006 – 2026
Cannock Chase	5,800	290
East Staffordshire (Of which Burton on Trent)	12,900 (11,000)	645 (545)
Lichfield	8,000	400
Newcastle-under-Lyme (Of which Newcastle Urban Area)	5,700 (4,800)	285 (240)
South Staffordshire	3,500	175
Stafford (Of which Stafford Town)	10,100 (7,000)	505 (350)
Staffordshire Moorlands	6,000	300
Tamworth	2,900	145
STAFFORDSHIRE	54,900	2,745
WEST MIDLANDS REGION	365,600	18,280

- 1.23 Actual land requirements for housing provision will vary with the level of demolitions and the replacement rates which can be achieved. The proposals in Table 1 above assume that there can be a 1:1 replacement. If the average ratio of new housing to demolitions is less than 1:1, the authority will need to identify further land as part of the LDD.
- 1.24 The government's policy on new housing development implies that within the West Midlands region the level of new housing development needs to increase to around 19,000 dwellings (net) by 2016. Policy CF4 indicates how this can be achieved in different parts of the region. The table below summarises the expectations for each of the four areas.

³ Dependent upon the outcome of further local studies, some of the Stafford town allocation could be made, adjacent to the settlement, in South Staffordshire District. WMRSS Phase two Submission Version 2007, page 74.



	2005/6 Actual Net Completions	Rising Trajectory of house building by 2016 to reach:	Remainder per annum 2016 - 2026
West Midlands Conurbation	6,900	8,000	7,800
North Staffordshire conurbation	1,000	900	800
Rest of Region	10,100	10,100	9,200
West Midlands Region	18,000	19,000	17,800

Source: Regional Housing Land Potential Study, 2007, WMRA

- 1.25 Policy CF5 confirms that priority should be given to the development of Brownfield land. The regional minimum target for development of previously developed land is 70% between 2006 and 2016. Minimum targets for the West Midlands Conurbation, the North Staffordshire conurbation and the rest of the Region are set out below:

Proportion of Development on Brownfield Land 2006 - 2016	
West Midlands Conurbation	85%
North Staffordshire conurbation	90%
Rest of Region	60%

- 1.26 Policy CF7 Delivering Affordable Housing and its supporting text sets out the region's approach to setting affordable housing policy. An adequate supply is considered essential for the Region's economic competitiveness and the quality of life for those that can't compete on the open market. Across the West Midlands there is a shortage of affordable housing in both urban and rural areas. A study for the period undertaken by Cambridge University estimated a need for around 6,200 social dwellings per annum arising from demographic need and the need to replace stock lost through the Right to Buy legislation. In addition, the study estimates that around 3,500 social houses are needed per annum to replace demolished stock. The table below shows the breakdown per HMA. Stafford falls within the North HMA. These figures have been translated into a minimum annual regional target of 6,000, of which 500 is the minimum target in the North HMA.

Sub Regional Housing Market Areas (from RHS2005)	Demography and replacing right to buy numbers of units p.a.	Re-housing from numbers of units demolished p.a.
North HMA	600	300
Central HMA	3,600	3,000
South HMA	1,400	100
West HMA	600	100
TOTAL	6,200	3,500



West Midlands Regional Housing Strategy June 2005

- 1.22 In July 2003 the West Midlands Regional Housing Board together with the West Midlands 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;
 - to achieve sustainable access to minimise environmental resource consumption and traffic and improve the quality of the environment.
- 1.23 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 known as the Regional Allocation Statement (RAS). It was Central Government's expectation that the West Midlands Regional Housing Allocation Strategy implements the RHS. Given the lead in time in the development process the full effect of the 2005 RHS on Regional Allocations was not anticipated to be fully felt until 2008/09 and 2009/10.

Recent Changes to the Role of Regional Policy

- 1.24 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 is to:

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.



- 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.
 - Review Housing Revenue Account.
- 1.25 All of the above is likely to have a significant impact on the future of planning and in particular the role of Regional Spatial Strategies. The Local position has been summarised on the Staffordshire County Councils Web site which identifies the following information in respect of the Regional and Strategic Policy position.
- 1.26 “Regional and strategic planning policies were contained within the Regional Spatial Strategy for the West Midlands (RSS) as of January 2008 (incorporating changes resulting from Phase One review of the Regional Spatial Strategy) and the Staffordshire and Stoke-on-Trent Structure Plan (1996-2011). However, under changes to the plan-making system introduced by the Planning and Compulsory Purchase Act 2004, Staffordshire County Council no longer prepares strategic policies found in a Structure Plan. Also with effect from 1 April 2010, the RSS together with the existing Regional Economic Strategy (RES) became part of the West Midlands



Regional Strategy. Any WMRSS Phase Two and Phase Three legacy work was to be taken forward as part of the development of the new Regional Strategy on behalf of the West Midlands Leaders Board and Advantage West Midlands by a Joint Strategy & Investment Board. **However the Coalition Government has announced its intention to abolish regional strategies - see latest news below.**

Currently the Regional Strategy together with the 'saved policies' in the Structure Plan, provide the context for the preparation of more detailed local plans produced by the County Council, Stoke-on-Trent City Council and the 8 Staffordshire District/Borough Councils, and form part of the "Development Plan" when planning applications are determined.

Latest news:

On 27 May 2010, in a letter sent to Council Leaders across England, Communities secretary Eric Pickles has asked local authorities to take into account the Government's plans to abolish regional strategies. The letter reads:

"I am writing to you today to highlight our commitment in the coalition agreements where we very clearly set out our intentions to rapidly abolish regional strategies and return decision making powers on housing and planning to local councils."

"Consequently decisions on housing supply (including the provision of travellers sites) will rest with Local Planning Authorities without the framework of regional numbers and plans."

"I will make a formal announcement on this matter soon. However, I expect Local Planning Authorities and the Planning Inspectorate to have regard to this letter as a material consideration in any decisions they are currently taking."

- 1.27 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.

Staffordshire and Stoke on Trent Structure Plan 1996-2011 Adopted May 2001 and Saved Policies Post 2007.

- 1.28 The Staffordshire and Stoke in Trent Structure plan was adopted in May 2001 and subsequently certain policies were then saved by the Secretary of State's Direction in September 2007. The diverse features of the plan area called for different approaches to address local problems, pressures, opportunities and characteristics. 3 Sub Areas were identified based on those initially identified in RPG11. They were:

- Stoke on Trent and North Staffordshire
- Southern Staffordshire (Central Crescent) and
- East Staffordshire

Stafford Borough Council Area was divided with Stone falling in the North Staffordshire Area and Stafford Town falling within Southern Staffordshire. The later Regional Guidance split the Region into 4 Sub Areas and Stafford is contained within the Northern Sub Area.



1.29 The overarching Policies that have some relevance to Affordable Housing Provision include the following:

- Policy D8 Providing Infrastructure Services, Facilities and/or Mitigating Measures Associated with Development
- Policy H3 Mixed Use Developments
- Policy H4 Portfolio of Sites
- Policy H10 Affordable Housing in Rural Areas

Policies that were not saved as part of the SoS directive in September 2007 include the Affordable Housing Policy H8, and the Rural Settlements Policy H9 but the supporting text remains relevant.

West Midlands North Housing Market Area Strategic Housing Market Assessment 2007 Final Report April 2008

- 1.30 A Strategic Housing Market Assessment (SHMA) for the North HMA was produced in April 2008, by Consultants 'Outside' on behalf of East Staffordshire, Newcastle-under-Lyme, Staffordshire Moorlands, City of Stoke on Trent and Stafford Borough Council. The SHMA generally concluded that the levels of affordable housing need identified by the model are in most cases greater than the Districts' total completion targets for affordable housing and past performance on delivery of affordable housing, that there is a need to seek a considerably higher proportion of affordable housing than has been the target in the past.
- 1.31 The SHMA provides a detailed sub-regional market analysis of housing demand and housing need, identifying the key drivers in the North housing market area. In addition it provides a robust evidence base for current and future requirements in terms of market and affordable housing to inform local policies and strategies. The SHMA identifies that Stafford has a highly dispersed pattern of movement, which suggests that Stafford Town and Stone operate independently causing population to flow north, south and east, and to a lesser extent west. Stone is most likely drawing population in from Stoke-on-Trent, whilst Stafford town is linking south.
- 1.32 Stafford has the highest entry-level price (£120,000) followed by Staffordshire Moorlands (£110,000). Entry-level property prices are lowest in Stoke on Trent at £65,000 and in Newcastle-under-Lyme at £92,500. Entry-level property prices in both these areas fall below the regional and national averages. There is considerable variation in affordability as measured by the gross income required to purchase an entry level property amongst the different authorities. Entry-level properties are most affordable in Stoke –on-Trent where a single income household must be earning £18,571. In contrast single income households in Stafford need to be earning £34,285⁴.

⁴ SHMA Para 34



- 1.33 It is also interesting to note that generally private rents are much more affordable in the North Housing Market Area than owner occupation, and there is far less variation in private rents than in house prices. The income required for a 1 bed ranges from £15,049 to £17,630 and for a 2 bed property from £16,503 to £20,498. Access to private rental properties requires incomes 19% less in Stoke on Trent and 38.6% less in Stafford⁵.
- 1.34 The unconstrained number of households in the North Housing Market Area is predicted to grow between 2006 and 2029 generally and by 9,000 households or 17% in Stafford, in comparison to 27% in East Staffordshire, 13% in Staffordshire Moorlands, 11% in Newcastle-under-Lyme and only 6% in Stoke-on-Trent. The proposals for housing growth in the Regional Spatial Strategy differ from the unconstrained patterns of household change consequently Stafford is expected to grow by 10,100. These policy based figures will drive development to 2026⁶.
- 1.35 The SHMA looked at various factors to identify 10 housing markets sectors operating within the North Sub Regional Housing Market Area. Stafford Borough contains 3 of the 10 and they include:
- 1.36 **Stafford West** - in the rural North West of the Stafford Borough (Eccleshall) and shares common characteristics with Newcastle-under-Lyme as well as parts of Telford & Wrekin and North Shropshire. House prices are high here, likewise incomes are relatively high but affordability is as high as 1:8.28. Overall in terms of balance there is:
- A dominance of owner occupation over all other tenures.
 - A need for more affordable housing and social housing in particular
 - A significant oversupply of detached properties to the detriment of mid-sized units such as semi-detached and terraced dwellings in particular.
- 1.37 **Stone and Environs** – This is in the northern part of Stafford Borough and has links to the southern fringes of Stoke-on-Trent. This sector takes seven northern wards of Stafford Borough and 5 in Stoke-on-Trent. Stone itself has seen strong price growth and is outstripping Stafford. Overall in terms of balance it has the same key characteristics as Stafford West above and:
- Scope for growth in the private rented sector.
- 1.38 **Stafford Town** – is at the Southern end of the borough and is relatively self contained but displays strong links to the Central Housing Market Area, in particular Cannock Chase and South Staffordshire. Incomes in the town are mixed with some wards at the lower end of the mean income range (Highfields and Western Downs Manor) and one at the top end (Rowley). Affordability across the whole town is fairly similar with the ratio of mean house price to mean income ranging from 1:4 to 1:6. Overall in terms of balance there is:

⁵ SHMA Para 38

⁶ SHMA Para 43



- Reasonable balance of owner occupation, social housing and private rented housing.
- In terms of house type, Stafford has a well balanced supply of different forms of stock, although there may be a slight over supply of smaller terraces and apartments.
- Growth in one person households could put pressure on the smaller properties in the future.

1.39 The housing needs model ⁷ recommend for the North Housing Market Area implies a shortfall of affordable housing in all five districts.

Summary of Net Annual Housing Need					
	East Staffordshire	Newcastle-under-Lyme	Stafford	Staffordshire Moorlands	Stoke-on-Trent
Total Current Housing Need	2048	2044	1031	789	4072
Total Newly Arising Need	478	622	655	528	1571
Annual Supply of Affordable Housing	520	736	483	228	1074
Estimate of Net Annual Housing Need	293	269	295	429	527
Shortfall as % of total households	0.6%	0.5%	0.5%	1.1%	0.5%

1.40 In terms of developing affordable housing targets in local development document the SHMA can provide indications of suitable targets. The regional affordable housing targets and the level of housing provision required for each local authority area as set out in the Regional Spatial Strategy provided the framework at the time of the SHMA but this is subject to change later this year with the abolition of the RDA's which are to be replaced with Local Enterprise Partnerships (LEPs) which will "enable improved coordination of public and private investment in transport, housing, skills regeneration and other areas of economic development."⁸

1.41 Notwithstanding potential changes yet to be fully understood, the SHMA identified that Stafford was expected to build on average 505 units per annum to meet the requirements of the Preferred Option (and demand is expected at a rate of 415 households per annum). This would imply an affordable housing target of between 58% and 71%.⁹ The SHMA goes on to identify that most of this need will be best satisfied by social rented housing. For other forms of Intermediate tenures to address the needs identified in the economic climate at that time as only a home with an equity share of 30% would start to lift those on median incomes into the housing

⁷ SHMA Para 71 page 28

⁸ www.regen.net/bulletins/Economic-Development-Bulletin 22 June 2010 by Jamie Carpenter

⁹ SHMA Para 71 page 30



market in Stafford and three of the four remaining Districts. Only in Stoke-on-Trent would a 50% share help those on median incomes and a 30% share would benefit those on both median and lower quartile incomes.

- 1.42 In terms of the size of affordable housing units there is both a strong need for smaller units and a demonstrable need for two and three bedroom properties and 4 or more bed properties in Newcastle-under-Lyme. The actual breakdown per authority is detailed in the table below:

North Housing Market Area social housing demand (%) ¹⁰				
Local Authority	Bedrooms required			
	One	Two	Three	Four or more
East Staffordshire	51	35.8	10.7	2.3
Newcastle-under-Lyme	50.5	32.9	12	4.5
Stafford	45.5	33.5	18.6	2.5
Staffordshire Moorlands	52	35.1	12.3	0.6
Stoke-on-Trent	59.4	23.4	15.8	1.3

- 1.43 Section 13 of the SHMA recommends that the North Housing Market Partnership and the West Midlands Regional Assembly note the findings of the report and as far as Stafford Borough is concerned it identifies the following key points.
- 1.44 In Stafford West and Stone and environs there is a significant requirement for more affordable housing, particularly social housing, to counteract the disproportionate dominance of owner occupation. There is also a need for more mid-sized and smaller units to offset the predominance of detached properties. Stone and environs also display scope for growth in the private rented sector.
- 1.45 In Stafford town to maintain the tenure balance and type balance that currently exists and note the growth in one person households, which could put pressure on the smaller properties in the future.
- 1.46 To note the findings of the housing needs model and use the evidence to support the adoption of robust planning policies that maximize the delivery of affordable housing, and social rented in particular, in all areas where affordability pressures and supply shortages are shown to be acute. For the purposes of determining planning applications, as a minimum, affordable housing will be required on housing sites with 15 or more dwellings or greater than 0.5 ha.
- 1.47 As the figures suggested by the model are in most cases greater than the Districts total completion targets for affordable housing and past performance on delivery of affordable housing, there is clearly a need to look very carefully at the sites coming

¹⁰ Source Table 136 SHMA page 240



forward in the future and their suitability for mixed, sustainable developments as the Council's may need to seek a considerably higher proportion of affordable housing than has been the target in the past. In particular, in Stafford affordable housing targets should differentiate between urban and rural areas with lower targets for the former and targets of 50% in the rural areas with a lower site size threshold of three dwellings.

- 1.48 The SHMA also recommends that the evidence base is maintained with the key elements being updated annually: particularly the housing needs model and the key housing market indicators to see whether an increase in the delivery of affordable housing through firmer and higher targets than have been achieved previously has the desired effect of reducing shortfalls across the Housing Market Area.

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

- 1.49 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:

1. Responding to the Housing Market
2. Maintaining delivery on all existing commitments
3. Aligning resources regionally to achieve the maximum impact on national and local priorities
4. Developing partnerships through the Single Conversation for long-term housing growth, renewal and sustainability.

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

- 1.50 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 other¹¹). The following tables look at the breakdown of this funding by sub region and tenure.

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



	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

	RENT	LOW COST HOME OWNERSHIP (LCHO)						HOLD	Sub Total	Other	Grand Total
	RENT	HBYNB	Rent to Homebuy	INTRENT	OMHB	HBYDIR	MORT-GAGE				
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

- 1.51 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
- 1.52 The HCA West Midlands Scheme Listing 2009/2010 released for Q1, Q3 and Q4 in 2009/10 identify the following allocations for Stafford as summarised in the table below. It is noted that none of these schemes are identified as Section 106 Schemes. It should also be noted that the Q4 rental schemes detailed below are purchase and Repair or Acquisition and Works Schemes, and the LCHO Schemes in Q4 are Mortgage Rescue units. Stafford Borough Council generally are operating on the basis that no grant will be made available.

Tenure	RSL Lead Partner	2009/10 Q	Number of Allocations (2008/11)	Number of Units	Total Funding	Funding Per Unit
LCHO	Miller Homes	Q1	1	15	477,188	31,813
RENT	West Mercia	Q3	2	38	1,832,000	48,211
LCHO	West Mercia	Q3	2	6	180,000	30,000
Rent	West Mercia	Q4	5	5	325,000	65,000
LCHO	ORBIT	Q4	7	7	522,067	74,581
TOTAL			4	71	3,336,255	46,989



Stafford Borough Local Plan 2001

- 1.53 The Stafford Borough Local Plan 2001 was adopted in October 1998 following the Inspectors binding report issued in January 1997. . This is the current adopted development plan for Stafford Borough. The Local Plan, as part of the Planning and Compulsory Purchase Act 2004 was saved in its entirety until 27th September 2007. The Secretary of State has since made the decision on what policies should be saved beyond this date. Saved policies HOU17, HOU18 and HOU19 address the issue of affordable housing. Policy INT 1 addresses Developer Contributions and Planning Obligations.
- 1.54 The overall aim of the plan is to make provision for the levels of development established in the Staffordshire Structure Plan and to balance the need for development with the protection and enhancement of the environment.
- 1.55 Chapter 3 of the Plan provides information on Housing Provision. The aims and objectives are
- To make adequate provision for the Borough's housing needs during the plan period and in particular,
 - To encourage the maintenance and improvement of locations to meet changing housing needs and demands which makes appropriate use of urban sites, reducing the need for development of Greenfield sites and need to travel by private car,
 - To target some of that provision for Affordable Housing and Special Housing needs groups.
- Housing Polices are HOU17, HOU18 and HOU19.seek to ensure that housing is available to serve the needs of those groups within the community not met by providers operating solely according to market principles or available from existing housing stock for rent or purchase.
- 1.56 The provision of Affordable Housing is addressed in section 3.7. Policy HOU17 – Seeks the provision of an element of affordable housing where there is a demonstrable need, on housing developments of 25 or more dwellings or sites of 1 ha in settlements with a population of 3000 or less and elsewhere on schemes of 40 or more dwellings or sites over 1.5 ha. The Council will have regard to the extent and nature of need, the sites development viability and the economics of provision.
- 1.57 The Council seek to control occupancy by the involvement of a management agent such as a Registered Social Landlord, or a S106 agreement to ensure the housing built is occupied only by people falling within particular categories of need such as those set out in Policy HOU18 which relates to the provision of subsidised affordable housing and HOU19 for the provision of affordable housing on rural exception sites.
- 1.58 Policy HOU20 recognises that where the needs of the Elderly and Disabled can be clearly evidenced the Council will seek to negotiate adequate provision and that in all other cases the Building Regulations will apply.



Stafford Revised Local Development Scheme – 2008

- 1.59 The revised Local Development Scheme was brought into effect on the 6th January 2009, and replaces the previous 2007 version. The LDS will contain the following documents
- Core Strategy DPD (The Plan for Stafford Borough);
 - Development Management DPD
 - Allocations and Site Specific Policy DPD
 - Affordable Housing SPD
 - Extensions to Dwellings and Space about Dwellings SPD
 - Green Infrastructure SPD
 - Developer Contributions SPD
- 1.60 The Council published the Draft Core Policies Document in February 2010 and the consultation period closed on the 9th April this year. The Preferred Options will then be published in August 2010.

Delivering the Plan for Stafford – Draft Core Policies February 2010

- 1.61 The Council formally consulted on the Draft Core Policies document from February until the 9th April 2010. Section 3 Housing provides draft core policy on the following topic areas.
- Range of Dwelling Types, Density and Sizes
 - Affordable Housing
 - Rural Exception Housing
 - Lifetime Homes
 - Specialist Housing
 - Gypsies & Travellers
- 1.62 The Draft Policy on Affordable Housing sets a minimum target of 30% rising to 40% where economic viability permits. An independent economic viability assessment will be expected if a lower figure is ever advocated. The provision of affordable housing will be based on the following site size thresholds
- In larger settlements with population over 3,000 all sites over 0.4 hectares or capable of accommodating 15 dwellings or more;



- In settlements under 3,000 in population, all sites of greater than 0.2 hectares or capable of accommodating 8 or more dwellings;
- In settlements under 3,000 in population and in the rural area outside settlements, all sites of greater than 0.1 hectares, capable of accommodating 3 dwellings or more will be expected to provide a commuted sum payment.

The emerging policy identifies that there will be a presumption that affordable housing will be provided on the development site, but that in exceptional circumstances the Council may accept an off-site contribution on another site. Where evidence can be provided demonstrating that neither on-site nor off-site provision of affordable housing is appropriate, a commuted sum, based on a calculation of the supportable deficit may be considered.

- 1.63 Paragraph 3.7 highlights that in PPS3: Housing that affordable housing includes both social rented and intermediate housing but not low cost market housing. The Draft Policy and supporting text does not seek to prescribe a specific tenure split at this stage.
- 1.64 Para 3.10 confirms the council has a longstanding commitment to providing everyone with the opportunity of a decent home and to the provision of affordable housing to meet demonstrated local needs. Evidence of local need is identified in the 2007 Strategic Housing Market Assessment commissioned for the West Midlands North Housing Market Area by East Staffordshire Borough, Newcastle-under-Lyme Borough, Stafford Borough, Staffordshire Moorlands District and Stoke-on-Trent City. This shows a continuing shortfall of affordable housing, including in Stafford Borough. The 2007 SHMA identified the need for 293 new affordable homes per year over the period 2006 to 2026. More than 200 households in the Borough are accepted as statutory homeless and in need of permanent housing each year. Based on the levels of need identified the Council will increase the affordable housing target to 40% to meet its affordable housing commitment over the duration of the current plan period. However as a result of a recent case heard by the Court of Appeal, involving affordable housing policies of Blyth Valley Borough Council in Northumberland, the Council has commissioned an economic viability assessment for the Strategic locations identified.
- 1.65 The Council will expect all new housing developments to adopt lifetime home standards unless it can be demonstrated that it is not technically feasible or will render the development unviable. Para 3.21 in the emerging Draft Core Policy document provides a table detailing the 16 key features of lifetime homes.
- 1.66 The Council will through the allocation of sites and/or granting of planning permission, meet the anticipated need to provide 703 net additional extra care bed units in Stafford Borough by 2025 over and above the current provision as at 2008.

Annual Monitoring Report (AMR) – December 2008/9

- 1.67 Housing completions in the Stafford Borough area has been higher than the level required by the current regional Spatial Strategy in the period 2008/9 with a high proportion on previously developed land. However, due to the 'credit crunch' and the



liquidity problems in the financial markets the number of housing completions has decreased from 581 to 516 house completions¹².

- 1.68 Section 10.2 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 required 5,602 in the 20 year period 2001 to 2021. The emerging Regional Spatial Strategy increases that requirement to 10,300 between 2006 and 2026.
- 1.69 The Housing Trajectory shows that dwelling completions for Stafford Borough between 2001 and 2009 have resulted in a significant over provision in comparison to the apportionment figures through the Regional Spatial Strategy (RSS). Future changes to the RSS currently set out in the draft RSS phase 2 Preferred Option Panel Report published in September 2009, suggest significantly higher numbers (550 per annum for Stafford Borough between 2006 and 2026). Should the 550 figure be implemented, Greenfield Development may be required to top up supply. Future changes such as progress on the West Midlands RSS will be reported in future Annual Monitoring Reports.
- 1.70 Para 10.6 of the AMR confirms that based on the annual average rates of housing provision established through the current RSS and the apportionment methodology using Ministerial letter dated June 2004 the following figures have been set out for the Stafford Borough Council area. The total figure from 2001 -2021 for the Stafford Borough Area is 5,602 broken down as follows:

Annual Average Rate of Housing Provision	Per Annum	Total
2001 – 2007	375	2,250
2007 – 2011	323	1,292
2011 – 2021	206	2,060
TOTAL 2001 – 2021	(280 Average)	5,602

- 1.71 The additional dwellings completed in Stafford since the start of the RSS 2004/05 to 2008/09 are set out in the table overleaf:

¹² AMR 2008/9 Executive Summary



	2004/05	2005/06	2006/07	2007/08	2008/09	TOTAL
Dwelling completions	321	442*	449	581	516	2,309
RSS Requirement	375	375	375	323	323	1,771
Shortfall	-54	+67	+74	+258	+193	+538
Stafford AMR 2008/9, Section 10, Page 52/53						

- Figures changed to take account updated figure found in Land for new Homes 2006. Despite the new figure being 57 units less than the originally quoted 499, the new figure easily meets the required number required by the current RSS, as both an annual requirement and overall requirement for the period 2001-2021.

1.72 Section 10.2 of the AMR confirms Stafford Borough Council has an identified deficit in the provision of social and affordable housing particularly in rural areas. The affordable housing need was analysed by the 2007 strategic housing market assessment. It estimated that to meet the affordable housing need, 293 dwellings would be required annually. In 2008/9 completion levels for affordable housing rose dramatically from 40 in 2007/8 to 100 in 2008/9 which equates to approximately 19% of the total completions in the borough. Of the 100 completed 20 dwellings were shared ownership and the remaining 80 were social rented. The following table shows the completed scheme details.

Housing Association	Development	Completions	Shared Ownership	Social Rented				
South Staffs	Fillybrooks	33	5	28				
Wrekin HT	The Crossings	22	2	20				
Housing 21	Summer Field Court	34	12	22				
South Staffs	Fillybrooks	1	1	0				
S&RH		10	0	10				
TOTAL		100	20	80				
Year	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9
Number	80	33	126	85*	10*	0*	42	100

*Figures obtained through NHBC returns.

- 1.73 At the time the AMR was prepared there were a further 32 affordable housing dwellings under construction, with 38 committed which will further increase the boroughs provision of affordable housing.
- 1.74 Appendix 2 in the AMR – Monitoring of Local Plan Policies highlights that the Affordable Housing Policies HOU17 and HOU18 need updating and that the Rural Exceptions Policy HOU19 is not much use.



Appendix Three – Current and Projected Economic Conditions



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1.0 Market Trends

Introduction

- 1.0 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.
- 1.1 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.
- 1.2 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.
- 1.3 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 commentators¹³ 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

¹³ See especially Fred Harrison "Boom Bust: House Prices, Banking and the Depression of 2010" Shephard Walwyn 2005, Andrew Oswald "The Great 2003-2005 Crash in Britain's Housing Market" November 2002, Cameron Muellbauer and Murphy "Was there a British House Price Bubble? Evidence from a Regional Panel" March 2006



cycle that has been evident over the long-term¹⁴. 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.

- 1.4 Another peculiar feature of the housing market is the positive price: transaction volume correlation¹⁵. When prices inflate, the number of transactions increase; trading is more frequent and volume is higher when prices go up and vice versa¹⁶. This means that we have to look at a more dynamic approach to the assessment of the performance of the housing market.
- 1.5 Rady and Ortalo-Magne¹⁷ 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 income 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.
- 1.6 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 has a similar effect to reducing income.
- 1.7 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 Ortalo-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

¹⁴ “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

¹⁵ 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”

¹⁶ See Wenlan Qian “Heterogenous Agents, Time-varying Macro Fundamental and Asset Market Dynamics.” Haas School of Business University of Berkeley (2008)

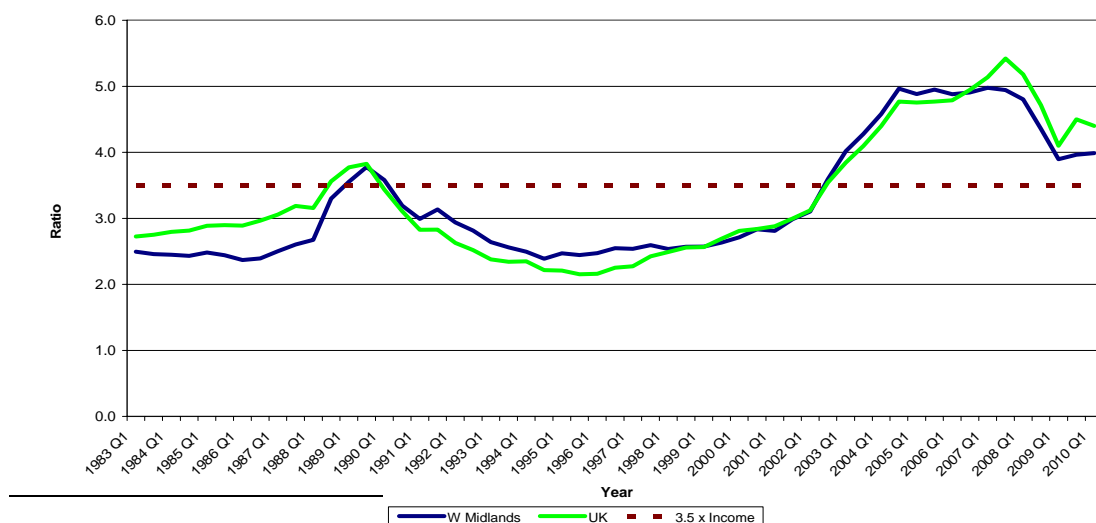
¹⁷ Rady and Ortalo-Magny “Housing Market Dynamics: On the Contribution of Income Shocks and Credit Constraints” Department of Economics, University of Munich (2001)



many transactions". They point to the rapid increase of transactions in the 1980s to "repeat buyers bringing forward their moves up the property ladder".

- 1.8 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.
- 1.9 An examination of information from Halifax shows that the relationship between incomes and house prices increased rapidly from 3.59 (average income to average house price) in 1983 to 4.76 in 2010¹⁸. In the West Midlands, the index has remained marginally above the national average for the same period and has increased from 3.51 to 5.07. 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.
- 1.10 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)

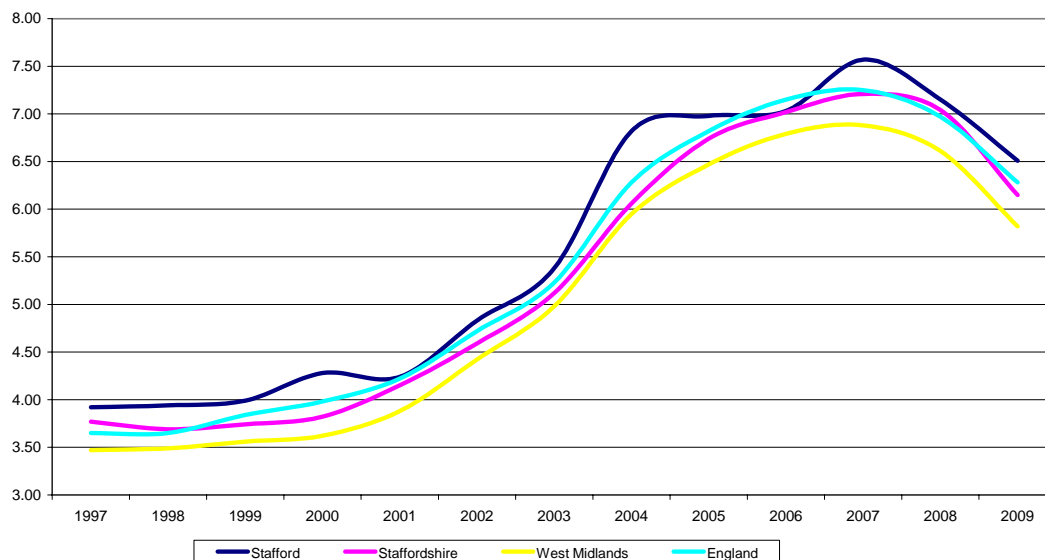


¹⁸ See appendix 1 Halifax Price Index Published by Lloyds Banking Group (House Price earnings Ratio)



- 1.11 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 and consequently, average loan to values have not fallen below 4 times in either the UK or in the West Midlands region.
- 1.12 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) much of a similar profile in the West Midlands to England as a whole. This information can be seen in Figure 2 below.

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





- 1.13 However, looking solely at the relationship between prices and incomes in isolation does not explain the full picture. Many commentators¹⁹ have pointed to other features of both the economy and the housing market itself.

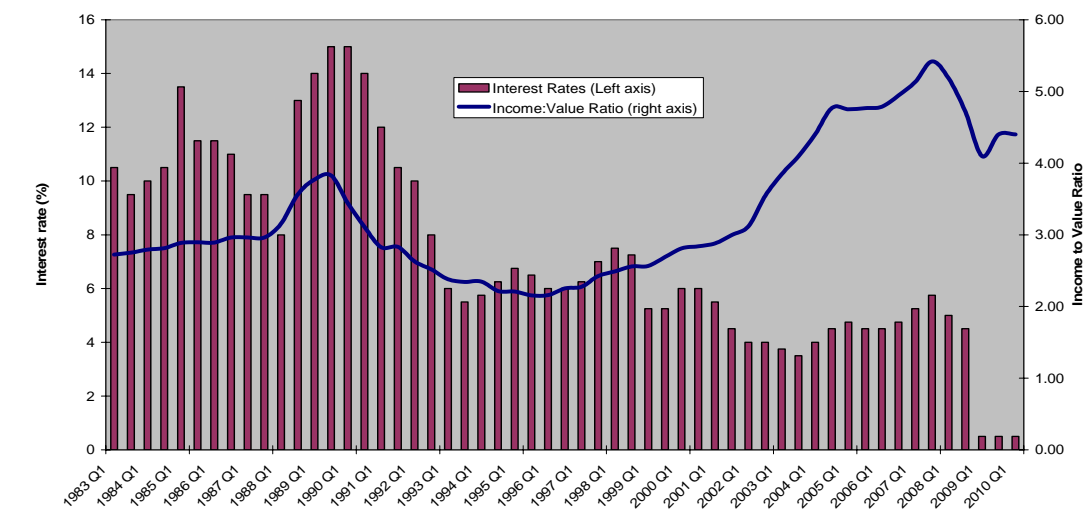
Unresponsive Supply

- 1.14 The Council for Mortgage lenders (CML)²⁰ 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.
- 1.15 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.
- 1.16 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

- 1.17 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 shows²¹.

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



¹⁹ See especially Charles River Associates on behalf of the Council for Mortgage Lenders (“Managing the Housing Market”, 2001)

²⁰ Ibid pp11 - 12

²¹ See Appendix 4



- 1.18 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.
- 1.19 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 report that the year on year house price inflation rate has declined from 9.8% in May 2010 to 8.7% in June. Monthly house prices throughout the country are continuing to rise and the 3 month on 3 month rate rose in June 2010 from 1.7% to 1.8%. Property values at the time of writing (July 2010) appear to be holding up despite a number of pressures from budgets cuts economic pressures from the Eurozone and other parts of the world.

The Housing Market and the Coalition Government

- 1.20 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). It is also proposed that VAT increases in January 2011 from 17.5% to 20%.



- 1.21 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 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

- 1.22 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”²².
- 1.23 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.

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”.

- 1.24 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%.

²² CML 2001 page 18



- 1.25 The affordability problem in the West Midlands and Stafford 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:
- 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.
- 1.26 While these factors are influential on the market, the government has (in the 2009 budget and with additional subsequent announcements), attempted to support the housebuilding industry through a number of measures. It is not yet clear how these measures will affect the property market either in the short or the long terms. On the other hand, it is likely that budget constraints following the March 2010 budget and the subsequent General Election in order to deal with the large deficit will have an effect on spending generally and the economy as a whole.
- 1.27 Therefore, 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 and local situation.



2.0 Regional and Borough Analysis

- 2.0 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 Stafford 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.
- 2.1 Reports from a number of sources suggest that the West Midlands economy has tended to continue to grow during the last year and this has continued to grow in July 2010 slowed and there are positive signs that the region will be able to recover from the recent recession.

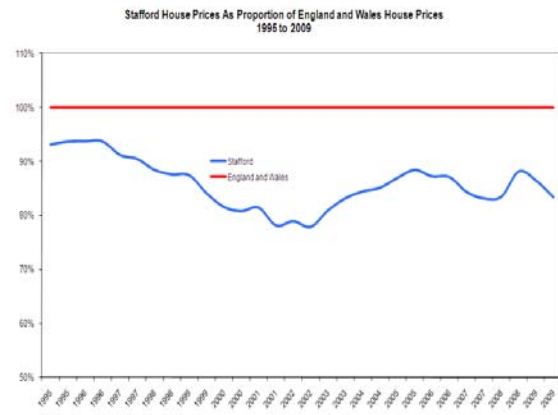
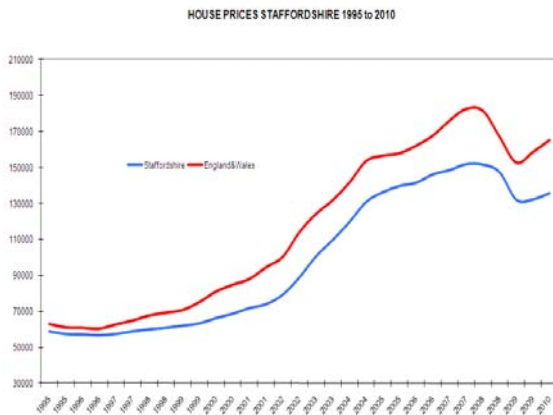
Employment and Income

- 2.2 The regions unemployment rate currently stands at 8.6%. AdvantageWM for the West Midlands region reports that in May 2010 there were 23,000 less people unemployed than in the previous quarter and 43,000 less than at the same period a year previously. Furthermore, the West Midlands PMI report suggests that in June 2010 private sector firms increased their employment levels for the fifth consecutive month. Stafford has benefitted from this also but in the region, the District only had the second lowest fall in unemployment claimant levels (-323 or -15%).
- 2.3 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 Stafford in 2009 were £21,726 compared to the UK figure of £21,320 and the West Midlands figure which is lower at £19,927. This level is for all earners resident in Stafford²³.

House Price Trends

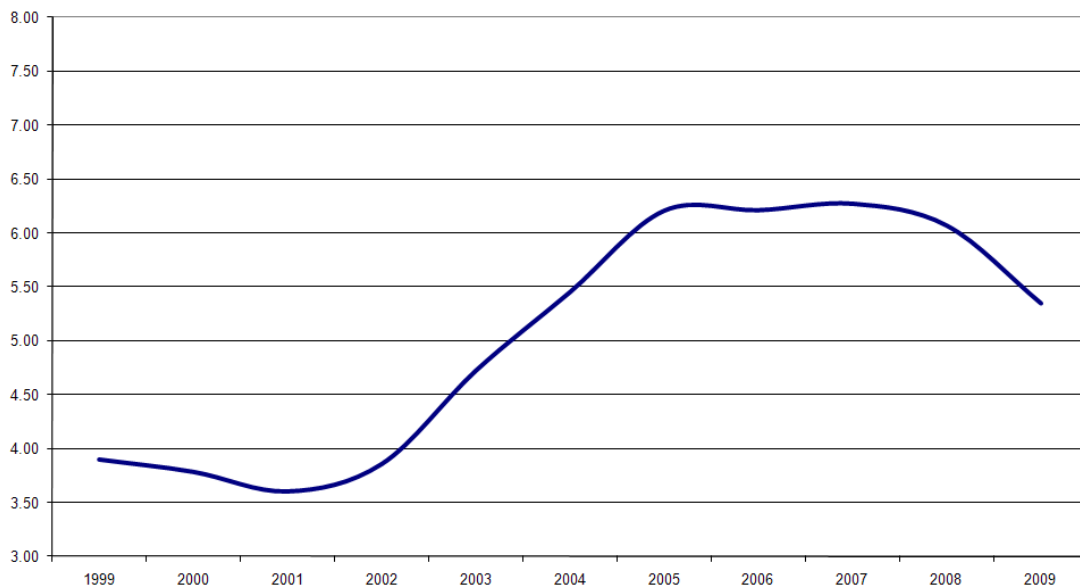
- 2.4 We have seen in Section 2 of this report that a simple analysis of national house prices may be misleading when looking at local constraints. Therefore, we have looked at historic property prices that relate as close as possible to the local situation. Using Land Registry data to assess the recent past and then using Stafford trends we have built up a picture of past performance in the housing market that is as reliably representative of the trend as possible.
- 2.5 We have looked at the average for Stafford since 1995 and this has shown that average prices for all properties were close to the national average. House price inflation has been less marked over the period since the late 1990s when house price inflation started to move upwards quite rapidly in the rest of the country. This can be seen in the following 2 figure which compare actual prices between Stafford and England and Wales (left hand graph) and the proportion of Stafford prices to England and Wales prices as a percentage (right hand graph).

²³ All income figures from ASHE (National Statistics 2010)



- 2.6 This shows that property values in Stafford have more or less mirrored the volatile market experienced in the rest of the country and that Staffordshire prices are between 80 and 90% of the country's average.
- 2.7 In order to assess the affordability of loan to value we have used ASHE information on local incomes since 1999. This shows that average house prices have exceeded incomes by an increasing margin suggesting that the national analysis that we undertook earlier in this report is even more marked locally.
- 2.8 Figure 4 shows the local loan to value since 1999 as follows²⁴:

Income to Value Ratio Stafford 1999 to 2009



²⁴ See Appendix 5



- 2.9 This shows that although housing affordability generally in the District is under pressure this is not as great as we have experienced in other parts of the country. Although the general affordability of average house prices is now becoming more acceptable, the 2009 average values for all houses exceeded income by almost 5 and a half times. We would suggest that this level may not be sustainable in the long term.
- 2.10 The implications of this are that house prices may have to fall by as much as a further 35% in order to achieve the long term average of 3.5 times income (90% mortgage). Indeed, past performance of house prices during previous “bust” periods would suggest that house price falls overshoot the long-term equilibrium position as the effects of unemployment and other adverse economic conditions make it more difficult, generally, for households to afford even the lower mortgage payments necessary to access the market.

Conclusion

- 2.11 Generally, evidence shows that there is high pressure on employment and salaries in the West Midlands in the next two years due to the aftermath of the economic recession. Therefore, while the pressures on affordability will be alleviated, the evidence would suggest that prices will still have to fall by approximately 35% before they reach an affordable position. This is taken into account in the 3 scenario positions for future house prices that we consider in the final section of this report. Our assessment takes into account that future Stafford price fluctuations are likely to follow their approximate historic rate.

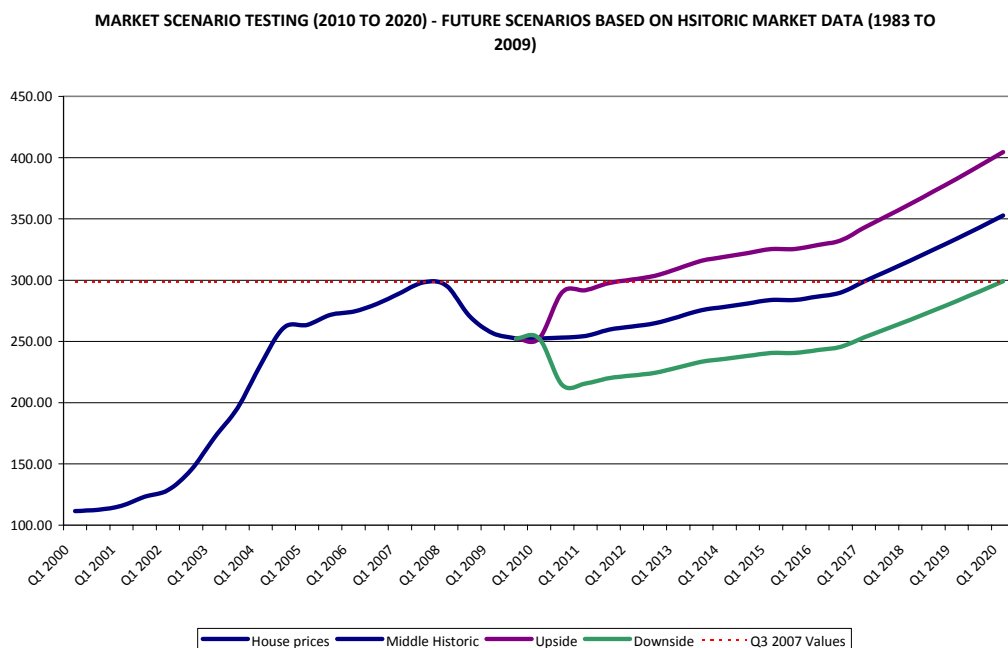
3.0 Scenario Testing

- 3.0 There is clearly pressure in Stafford 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.
- 3.1 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. Early information from housing market indicators in 2010 suggest that this period of stagnation may have already started although we should be wary of drawing conclusions from only one quarter’s data.
- 3.2 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 take²⁵.

²⁵ Appendix 6 sets out the percentage assumptions for the three scenarios including the assumptions for other cost and value indicators.



- 3.3 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).
- 3.4 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.
- 3.5 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.
- 3.6 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.
- 3.7 All three scenarios can be seen in the following diagram (index Q3 1997 = 100):



- 3.8 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.

- 3.9 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. Appendix 7 includes 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.
- 3.10 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 Core Strategy that will enable challenging but realistic targets for affordable housing to be set.



TECHNICAL APPENDICES



TECHNICAL APPENDIX 1

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



TECHNICAL APPENDIX 2 (Source Land Registry – England & Wales/Stafford)
England & Wales Stafford

	Index	Ave Value	Index	Ave Value
January 1995	100	62,398	100	59,167
February 1995	101.6	63,406	99.3	58,745
March 1995	101	63,022	99.2	58,713
April 1995	99.6	62,150	99.4	58,788
May 1995	99.8	62,268	99.1	58,620
June 1995	99.6	62,149	98.9	58,509
July 1995	97.8	61,050	98.6	58,328
August 1995	96.9	60,488	97.8	57,839
September 1995	97.9	61,059	96.7	57,218
October 1995	97.7	60,944	96.5	57,070
November 1995	97.6	60,892	96	56,805
December 1995	98.1	61,222	96.2	56,902
January 1996	96.1	59,959	96.4	57,053
February 1996	97.2	60,661	96.2	56,932
March 1996	97.4	60,804	96.4	57,022
April 1996	96.2	60,044	96.3	56,952
May 1996	96.4	60,153	96	56,787
June 1996	96.6	60,299	96.1	56,841
July 1996	95.4	59,547	95.7	56,597
August 1996	95.8	59,782	95.5	56,488
September 1996	96.8	60,382	95.6	56,592
October 1996	96.9	60,493	95.6	56,572



November 1996	97.9	61,109	96	56,799
December 1996	98.2	61,305	96.1	56,833
January 1997	98.5	61,467	96.4	57,008
February 1997	99.3	61,959	96.2	56,918
March 1997	100.6	62,757	96.8	57,253
April 1997	100.1	62,473	97.4	57,643
May 1997	101.3	63,228	97.9	57,909
June 1997	102.1	63,701	98.7	58,424
July 1997	102.4	63,885	98.5	58,292
August 1997	103.5	64,566	98.9	58,523
September 1997	104.1	64,936	99.3	58,749
October 1997	105.2	65,654	99.2	58,674
November 1997	105.9	66,092	99.8	59,072
December 1997	106.6	66,515	100.1	59,248
January 1998	107.1	66,829	100.4	59,407
February 1998	107.9	67,333	100.8	59,642
March 1998	108.5	67,704	101.2	59,877
April 1998	108.8	67,878	101.9	60,276
May 1998	109.6	68,368	102	60,329
June 1998	109.7	68,474	102.5	60,661
July 1998	110.2	68,755	102.6	60,702
August 1998	110.6	69,035	102.6	60,693
September 1998	111	69,279	102.6	60,696
October 1998	111.4	69,513	102.5	60,623



November 1998	111.4	69,485	102.7	60,758
December 1998	112.3	70,048	103	60,944
January 1999	112.5	70,200	103.6	61,278
February 1999	112.9	70,433	104	61,547
March 1999	113.4	70,774	104.6	61,880
April 1999	114.3	71,297	104.8	61,999
May 1999	115.1	71,794	105.2	62,244
June 1999	116	72,386	105.6	62,476
July 1999	117.4	73,242	105.9	62,643
August 1999	118.8	74,145	106.5	63,029
September 1999	120.4	75,141	106.8	63,184
October 1999	121.9	76,053	107.3	63,501
November 1999	123.7	77,198	108	63,908
December 1999	125.5	78,336	108.7	64,324
January 2000	127.1	79,339	109.7	64,888
February 2000	128.2	80,025	110.7	65,511
March 2000	129.9	81,059	111.7	66,107
April 2000	131.8	82,251	112.4	66,511
May 2000	133.1	83,022	112.6	66,639
June 2000	134.2	83,742	113.4	67,072
July 2000	135.3	84,417	113.9	67,398
August 2000	135.8	84,762	115	68,018
September 2000	135.9	84,806	115.8	68,512
October 2000	136.2	84,990	116.5	68,929



November 2000	136.9	85,448	117.7	69,626
December 2000	138.1	86,193	118.8	70,278
January 2001	139.6	87,123	119.5	70,680
February 2001	140.3	87,534	120.3	71,173
March 2001	141	88,008	121.1	71,667
April 2001	143.2	89,336	121.5	71,904
May 2001	144.7	90,301	123	72,747
June 2001	145.9	91,069	122.8	72,671
July 2001	147.9	92,293	123.5	73,045
August 2001	150.1	93,654	124.3	73,516
September 2001	151.5	94,522	124.8	73,832
October 2001	152.5	95,183	126.8	75,028
November 2001	153.4	95,694	128.3	75,935
December 2001	155.4	96,978	130	76,938
January 2002	157.2	98,068	130.9	77,454
February 2002	158.9	99,147	132.2	78,219
March 2002	160.8	100,348	133.8	79,184
April 2002	164	102,360	135.8	80,377
May 2002	167.3	104,394	138.3	81,805
June 2002	171.9	107,290	140.4	83,043
July 2002	175.9	109,734	143.5	84,879
August 2002	179.8	112,175	146.3	86,585
September 2002	182.7	114,031	150.1	88,784
October 2002	185.6	115,816	152.8	90,426



November 2002	188.7	117,752	156.6	92,657
December 2002	192.5	120,128	160.5	94,984
January 2003	196.1	122,337	162.9	96,391
February 2003	198.2	123,695	166.7	98,628
March 2003	199.1	124,235	169.9	100,524
April 2003	201.4	125,658	173.5	102,649
May 2003	202.8	126,550	176.3	104,323
June 2003	205.3	128,079	178.1	105,357
July 2003	207.5	129,466	180.7	106,921
August 2003	209.7	130,851	182.9	108,214
September 2003	211.3	131,850	185.3	109,651
October 2003	214	133,538	188	111,238
November 2003	216.6	135,132	191	113,011
December 2003	219.4	136,927	194.4	114,997
January 2004	222.5	138,825	196.6	116,347
February 2004	225.3	140,582	199.8	118,205
March 2004	227	141,670	202.2	119,616
April 2004	231.6	144,504	204.2	120,835
May 2004	235.7	147,048	208	123,042
June 2004	238.5	148,799	211.5	125,115
July 2004	242.4	151,226	215.4	127,425
August 2004	244.8	152,741	218.9	129,519
September 2004	246.2	153,608	221	130,752
October 2004	248.6	155,148	223	131,928



November 2004	249.2	155,481	225.6	133,466
December 2004	249	155,354	227.4	134,556
January 2005	249	155,387	228.1	134,932
February 2005	250.2	156,123	229.8	135,962
March 2005	250.9	156,580	230.1	136,159
April 2005	252	157,267	232.5	137,564
May 2005	252.5	157,562	233.8	138,348
June 2005	252.4	157,479	234	138,470
July 2005	253.5	158,172	235.4	139,285
August 2005	252.8	157,731	235.3	139,214
September 2005	253.1	157,908	236	139,657
October 2005	254.3	158,685	236.5	139,938
November 2005	254.9	159,029	236.3	139,837
December 2005	255.5	159,420	235.7	139,445
January 2006	257	160,388	236.7	140,024
February 2006	258.4	161,246	238	140,826
March 2006	259.9	162,150	239.1	141,467
April 2006	261.8	163,380	242.5	143,498
May 2006	263	164,082	242.7	143,588
June 2006	263.8	164,617	244.7	144,753
July 2006	265.4	165,610	245.3	145,154
August 2006	266.4	166,206	246	145,573
September 2006	268.8	167,739	246.9	146,102
October 2006	270.8	168,988	246.4	145,759



November 2006	273.2	170,447	247.2	146,278
December 2006	275	171,587	247.5	146,436
January 2007	277.9	173,397	247.7	146,544
February 2007	280.2	174,847	248.6	147,068
March 2007	282.2	176,099	251	148,489
April 2007	284.6	177,568	252.5	149,395
May 2007	286.4	178,691	255.2	150,994
June 2007	287.5	179,399	256.1	151,519
July 2007	290.2	181,068	255.7	151,277
August 2007	291.8	182,051	256.6	151,841
September 2007	292.6	182,606	256.6	151,795
October 2007	293.6	183,203	257.7	152,479
November 2007	294.1	183,499	258.9	153,177
December 2007	293	182,829	257.9	152,594
January 2008	293.9	183,410	258	152,623
February 2008	293.9	183,375	257.6	152,403
March 2008	291	181,561	256.2	151,568
April 2008	290.6	181,350	257	152,034
May 2008	289.4	180,580	256.6	151,811
June 2008	283.8	177,100	254.7	150,670
July 2008	281.6	175,709	253.4	149,951
August 2008	274.7	171,423	252.6	149,470
September 2008	267.8	167,089	249	147,316
October 2008	264.1	164,779	245.3	145,148



November 2008	257.6	160,757	241.2	142,706
December 2008	251.7	157,055	233.3	138,047
January 2009	251	156,615	229.9	136,049
February 2009	246.4	153,749	226.1	133,757
March 2009	244.7	152,707	223.1	132,004
April 2009	244.5	152,582	222	131,351
May 2009	244.7	152,715	223	131,943
June 2009	245.5	153,171	222	131,353
July 2009	250.6	156,400	222.5	131,646
August 2009	251.6	156,964	223.7	132,382
September 2009	254.1	158,558	223.4	132,171
October 2009	256.8	160,254	225.9	133,679
November 2009	258.6	161,365	226.9	134,259
December 2009	259	161,593	227.6	134,663
January 2010	264.4	165,000	228.7	135,335
February 2010	265	165,360	228.3	135,095
March 2010	264.9	165,299	229.3	135,647
April 2010	265.4	165,586	230.6	136,455
May 2010	265.9	165,938	231.6	137,036
June 2010	266.1	166,072	232.8	137,769



TECHNICAL APPENDIX 3

Interest Rates Versus House Prices 1983 to 2009					
	1997Q1=100				
	Prices	Index	Int Rates	Index	LTV
1983 Q1	29,056	46	10.5	168	2.72
1983 Q3	30,122	48	9.5	152	2.75
1984 Q1	31,792	50	10	160	2.79
1984 Q3	33,417	53	10.5	168	2.81
1985 Q1	34,916	55	13.5	216	2.89
1985 Q3	36,348	57	11.5	184	2.90
1986 Q1	38,295	61	11.5	184	2.89
1986 Q3	40,928	65	11	176	2.96
1987 Q1	44,162	70	9.5	152	2.96
1987 Q3	46,590	74	9.5	152	2.96
1988 Q1	52,188	83	8	128	3.16
1988 Q3	61,344	97	13	208	3.56
1989 Q1	66,047	104	14	224	3.77
1989 Q3	65,125	103	15	240	3.83
1990 Q1	63,981	101	15	240	3.44
1990 Q3	61,907	98	14	224	3.11
1991 Q1	61,997	98	12	192	2.83
1991 Q3	60,443	96	10.5	168	2.83
1992 Q1	58,584	93	10	160	2.63
1992 Q3	55,906	88	8	128	2.52
1993 Q1	57,120	90	6	96	2.38
1993 Q3	56,958	90	5.5	88	2.34
1994 Q1	57,029	90	5.75	92	2.35
1994 Q3	57,248	91	6.25	100	2.21
1995 Q1	56,599	90	6.75	108	2.21
1995 Q3	56,237	89	6.5	104	2.15
1996 Q1	58,456	92	6	96	2.16
1996 Q3	60,632	96	6	96	2.25
1997 Q1	63,223	100	6.25	100	2.27
1997 Q3	65,744	104	7	112	2.42
1998 Q1	68,463	108	7.5	120	2.49
1998 Q3	69,799	110	7.25	116	2.56
1999 Q1	72,927	115	5.25	84	2.57
1999 Q3	78,116	124	5.25	84	2.69
2000 Q1	82,747	131	6	96	2.81
2000 Q3	83,862	133	6	96	2.84
2001 Q1	89,114	141	5.5	88	2.88
2001 Q3	94,435	149	4.5	72	3.00
2002 Q1	104,848	166	4	64	3.12
2002 Q3	118,539	187	4	64	3.54
2003 Q1	127,416	202	3.75	60	3.85
2003 Q3	137,295	217	3.5	56	4.10
2004 Q1	152,777	242	4	64	4.40
2004 Q3	157,103	248	4.5	72	4.77
2005 Q1	160,138	253	4.75	76	4.75
2005 Q3	163,715	259	4.5	72	4.77
2006 Q1	171,339	271	4.5	72	4.79
2006 Q3	179,657	284	4.75	76	4.95
2007 Q1	189,439	300	5.25	84	5.13
2007 Q3	190,375	301	5.75	92	5.42
2008 Q1	184,482	292	5	80	5.18
2008 Q3	168,648	267	4.5	72	4.71
2009 Q1	158,362	250	0.5	8	4.10
2009 Q3	161,846	256	0.5	8	4.45



TECHNICAL APPENDIX 4

STAFFORD INCOME TO VALUE RATIOS			
	Income	Value	Ratio
1999	15870	61880	3.90
2000	17468	66107	3.78
2001	19891	71667	3.60
2002	20533	79184	3.86
2003	19584	100524	4.72
2004	21287	119616	5.45
2005	21946	136159	6.20
2006	22784	141467	6.21
2007	23686	148489	6.27
2008	24986	151568	6.07
2009	24694	132004	5.35

Assumes ASHE Median Full time earnings for Stafford
1999-2001 Place of Work, 2001-2009 Mean
PoW/Place of Residence) and Land Registry Average
Values

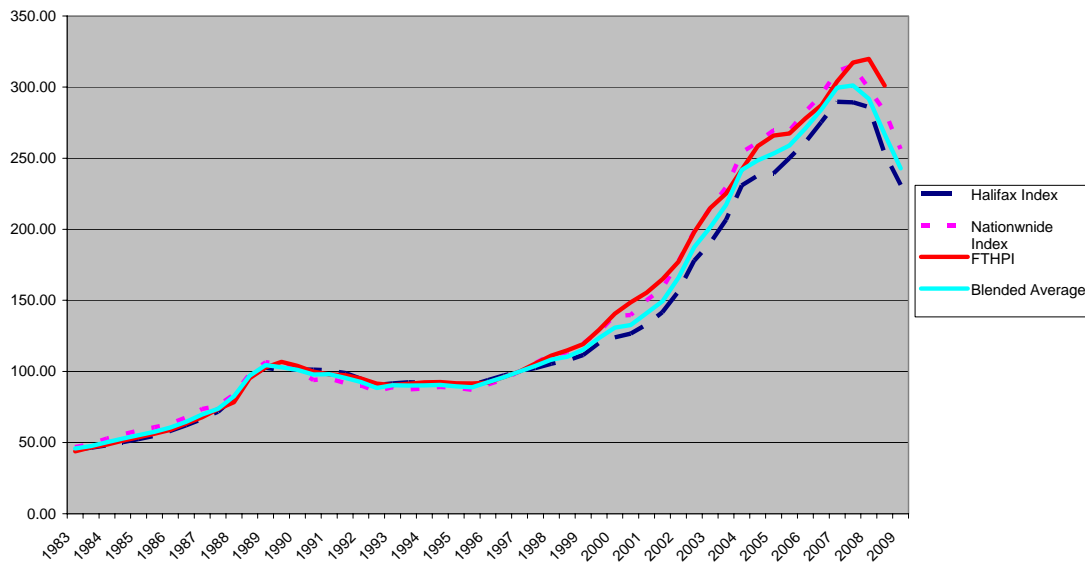


TECHNICAL APPENDIX 5

Housing Market Analysis Methodology

Past trends for the housing market have been based upon blended averages of both the Halifax and Nationwide House price indices checked for trends with the Financial Times House Price Index and Land Registry information. The information is available for national and regional averages. There is some differences between the actual average values in the indices. However, we have indexed the values against quarter 1 1997 values (Q1 1997 = 100) and the indices show similar trend patterns over our chosen 25 years as follows.

Appendix 6 (1)
Nationwide, Halifax & FT Indices 1983-2008
Q1 2007 = 100



Quarter 1 1997 has been chosen as this represented the height of the last house price boom period and can therefore be used as a useful benchmark.

The implications of this for the three scenarios are discussed in Appendix 6.



TECHNICAL APPENDIX 6

Scenario Testing Parameters

The analysis of past market trends gives us an indication of relative property market activity. We can therefore use this information to help set general scenarios over the following 25 years on the understanding that economic conditions have changed and past performance of the market is not necessarily an indicator of future activity. For this reason, we can use past performance as general guidance that will feed into possible housing market conditions. We have assumed two basic scenarios being, 1) the upside and, 2) the downside. The three scenarios are as follows:

1) Upside Scenario: This is an optimistic view of property market values. This assumes a rapid re-correction of values to 2007 levels and then a future performance trend similar to the previous period (1992 to 2003). Year on year house price inflation and indices will be as follows:

Upside Scenario			
Date	97 Index	10 Index	Y-O-Y
2010	243.95	100.00	
2011	293.21	120.19	20%
2012	296.15	121.40	1%
2013	302.10	123.84	2%
2014	311.23	127.58	3%
2015	317.49	130.15	2%
2016	330.32	135.40	4%
2017	350.43	143.65	6%
2018	368.17	150.92	5%
2019	383.05	157.02	4%
2020	394.62	161.76	3%
2021	394.62	161.76	0%
2022	398.58	163.39	1%
2023	418.76	171.66	5%
2024	457.29	187.45	9%
2025	485.14	198.87	6%
2026	504.74	206.90	4%



2) The Downside Scenario: This is a pessimistic view of property values and possibly a “worst-case” position. In this scenario it is assumed that initial values will continue to fall and that the market will continue to be at approximately 30% below the long term trend. The breakdown of the index for this scenario is as follows:

Downside Scenario			
Date	97 Index	10 Index	Y-O-Y
2010	243.95	100.00	
2011	206.97	84.84	-15%
2012	209.05	85.69	1%
2013	213.25	87.42	2%
2014	219.69	90.06	3%
2015	224.11	91.87	2%
2016	233.16	95.58	4%
2017	247.36	101.40	6%
2018	259.89	106.53	5%
2019	270.39	110.84	4%
2020	278.56	114.19	3%
2021	278.56	114.19	0%
2022	281.35	115.33	1%
2023	295.59	121.17	5%
2024	322.80	132.32	9%
2025	342.45	140.38	6%
2026	356.29	146.05	4%



3) The Middle Historic Scenario: This profile assumes a steady but undramatic fall in values over the short term with a recovery to 2007 values by about 2017. House prices in this scenario will be affordable for average incomes (assuming incomes maintain their historic rate of increase) until 2020. The index will be as follows:

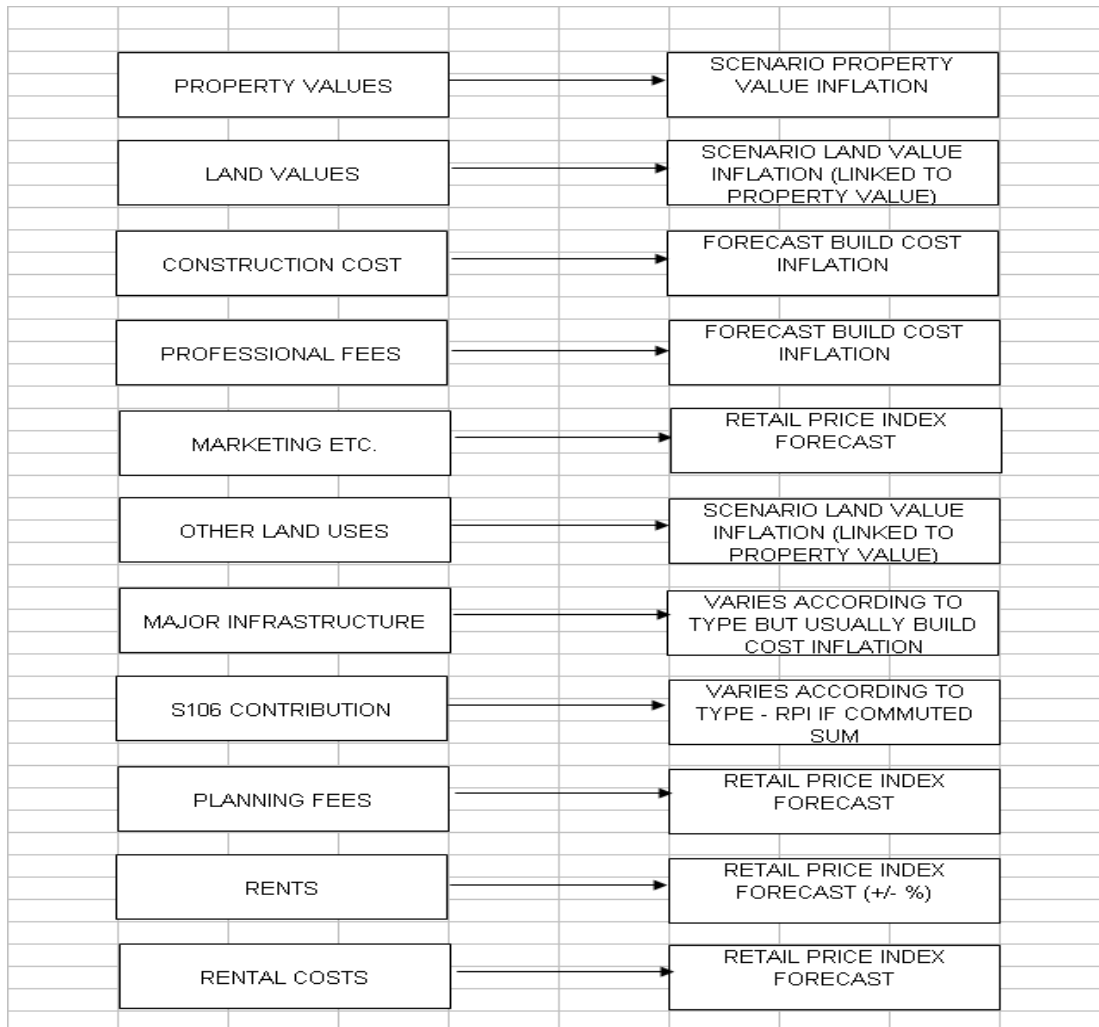
Middle Scenario			
Date	97 Index	10 Index	Y-O-Y
2010	243.95	100.00	
2011	246.40	101.00	1%
2012	248.87	102.02	1%
2013	253.87	104.07	2%
2014	261.54	107.21	3%
2015	266.80	109.37	2%
2016	277.58	113.78	4%
2017	294.48	120.71	6%
2018	309.39	126.82	5%
2019	321.89	131.95	4%
2020	331.62	135.94	3%
2021	331.62	135.94	0%
2022	334.94	137.30	1%
2023	351.90	144.25	5%
2024	384.28	157.52	9%
2025	407.68	167.12	6%
2026	424.15	173.87	4%

These indices will be used within our financial modelling. Our research will establish local values in Quarter 4 of 2009. Sales will be tested assuming the above inflation rates so that sales in a future quarter will be calculated back according to the following formula where x is the future value, y is the current value, z is the future quarter index and w is Q42009 (the base quarter) index:

$$x = (y / z) * w$$



For the purposes of the model 2009 values will be recalculated to index to 100 in order that the property prices can be assessed on the same basis as the indices for RPI, construction costs, land values and incomes. The modelling assumes that there will be variable rates of inflation for different elements of the development cashflow. Thus, certain elements will be linked to each of the four main cost/value inflation points in the following manner:





These forecast figures will feed into the financial modelling so that a complete 15 year projection of values and costs can be made. This will either be on a flat rate basis or on variable year on year rates according to the status of the information that is available at the time of the main assessments. The assumptions made will be clear in the final viability report to the Council. It is likely that early year on year assumptions on various inflation rates may be variable but medium to long term rates will be standard rates that do not vary year on year.



Appendix Four – Scheme Mixes



- 1.1 For each density, we have assumed a mix of unit sizes. The following percentages were used in order to generate the overall mix. The percentage of affordable housing was then deducted from the total on a pro-rata basis and split into social rented and affordable units.
- 1.2 The same mix has been used for the appraisal of sites in all areas but not all densities have been tested in all areas. For example, we have only tested the higher density schemes in the urban areas. This was in line with the view of stakeholders and in accord with emerging policy.

Density 20dph

Type	Value type	Bedrooms	Net m2	Proportion
House	Semi detached	2	77	16%
House	Detached	3	95	30%
House	Detached	4	108	34%
House	Detached	5	115	20%

Density 25dph

Type	Value type	Bedrooms	Net m2	Proportion
House	Semi detached	2	77	19%
House	Detached	3	95	32%
House	Detached	4	108	35%
House	Detached	5	115	14%

Density 30dph

Type	Value type	Bedrooms	Net m2	Proportion
House	Semi detached	2	77	24%
House	Semi detached	3	95	30%
House	Detached	4	108	30%
House	Detached	5	115	16%

Density 50dph

Type	Value type	Bedrooms	Net m2	Proportion
House	Terrace	2	77	40%
House	Semi detached	3	95	40%
House	Detached	4	108	20%

Density 70dph

Type	Value type	Bedrooms	Net m2	Proportion
Flat	Flat	1	50	20%
Flat	Flat	2	65	28%
House	Semi detached	3	95	24%
House	Detached	4	108	24%

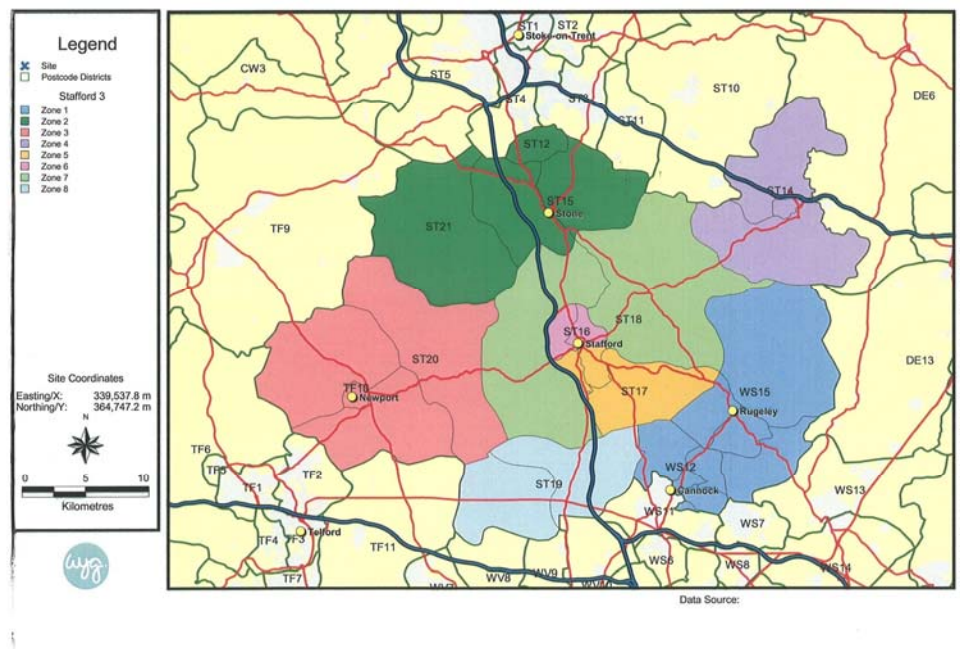


Appendix Five – Value Area Methodology



1.0 Value Area Methodology

- 1.1 In order to reflect the range of property values encountered across Stafford Borough, we have had to divide the Borough into areas. There are, of course a number of alternative means of doing this but we tend to use postcode areas. The reason for this is simple. Although not rigidly tied to specific settlements nor constrained to settlement or Local Authority boundaries, they do roughly reflect the pattern of settlement. Moreover, data on property transactions can be linked unambiguously to postcodes.
- 1.2 The following map shows all of the postcodes of which even a small part lies within Stafford Borough. However, there are two obvious issues with this map – first that some of these areas (WS15 for example) that fall almost entirely outside Stafford and, second that the ST18 postcode sector surrounds Stafford town almost completely.



- 1.3 To resolve these issues, we have excluded those postcodes which fall almost entirely outside Stafford Borough and have split the ST18 area into two parts (ST18 0 and ST18 9). This gives us seven distinct “value areas” as follows:

ST15	Stone
ST16	Stafford Town, (North)
ST17	Stafford Town (South) and land to the South of Stafford
ST18 9--	West of Stafford
ST18 0--	East of Stafford
ST20	Woodseaves
ST21	Eccleshall



1.4 This data was then used as the basis for a second round of discussions with agents in each particular value area in order to:

- understand that the data for detached, semi detached, terraced and flatted properties reflected current achieved sales values in each area;
- assess if the Value Areas identified were correct;
- understand the difference (if any) in sales values between new build and second hand properties;
- establish the range of sales values for each unit type, i.e. 1 bed flats, 2 bed flats and so on.

1.5 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 discussions with local agents 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

1.6 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:

Property type	Value Area 1	Value Area 2	Value Area 3	Value Area 4	Value Area 5	Value Area 6	Value Area 7
Flat	2291	2033	2145	2291	2005	2291	2052
Terrace	1909	1606	1821	2590	2523	2151	2427
Semi	2321	1588	1994	2144	2236	1833	2597
Detached	2697	1959	2458	2815	2168	2710	3048

Values per square metre by value area and property type



1.7 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.



Appendix Six – Stakeholder Engagement



- 1.8 Soon after being appointed to carry out the Affordable Housing Viability Assessment Levvel compiled an engagement plan in which 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 consultation event. The consultation event was held on the 29th June 2010 and stakeholders were invited. A copy of the agenda for the meeting is included at the end of this appendix.
- 1.9 The Council has compiled a database of representatives from the house building industry, agents, architects, developers, RSLs and others. These stakeholders have a recognised interest in the development of land for housing in the Local Authority area. This database forms the basis of this study's consultation.
- 1.10 The questionnaire sought to ascertain views on key assumptions that would be modelled to assess the impact upon development of a range of affordable housing policy options. This sought to ascertain a range of key development assumptions in order that development conditions within the Borough could be fairly reflected within the parameters of the study. A copy of this questionnaire can be found at the end of this Appendix.
- 1.11 A copy of the questionnaire and letter was sent to the relevant stakeholders identified by the Council. In total, 9 responses have been received. The number of responses by stakeholder type was as follows:
- Agents/ Consultants - 4
 - Developers – 2
 - RSL - 2
 - Architect – 1
- 1.12 Separate to the questionnaires Levvel also engaged with land and estate agents and this allowed us to gather information for a full range of property types (flats and apartments ranging from 1 - 4+ beds). The discussions with local agents helped to establish new build premiums, the profile of current stock, likely sales values for each dwelling type, variations across the sub-markets and the state of the current market. This information then feeds back into our modelling assumptions.
- 1.13 The discussions at the stakeholder meeting, and the questionnaire responses were of great assistance in informing the inputs into the financial appraisal and the direction of the Affordable Housing Viability Study. Discussion points included affordable housing policy development and the need to deliver homes across the district. Stakeholders also discussed the range of notional sites to be tested, densities, scheme mixes, floor areas, site sizes and thresholds. This information helped to inform viability testing. Stakeholders also gave their views about various measures of viability and the state of the current housing market including the challenges facing land owners and developers. This also included a discussion on land values and assumptions such as profit levels and build costs.



Q.1 - Scheme Types

- 1.14 Respondents were asked to select appropriate site types that reflect the land being allocated for development. The questionnaire presented five scheme types labelled A to E. Respondents were also asked to include any other scheme types that have not been considered. The Scheme Types included:
- **Scheme Type A – Flatted and Mixed Development:** Flats/ apartments and houses between 70 and 80 dwellings per hectare
 - **Scheme Type B - Mixed Development:** flats and houses up to 70 dph
 - **Scheme Type C – Estate Housing:** Town Houses, Semi-Detached and Detached dwellings of circa 50 dph
 - **Scheme Type D – Lower Density Estate Housing:** Semi-Detached and Detached dwellings of circa 40 dph
 - **Scheme Type E – Low Density Estate Housing:** Semi-Detached and Detached dwellings of circa 30 dph
- 1.15 One respondent was happy with the housing mix but believed that the densities may need to be altered. It was stated that in the urban areas of Stafford and Stone, with the exception of flatted development, it is unlikely that densities in excess of 40 dph will be achieved. It was also noted by the respondent that in rural settlements and urban suburbs, densities of lower than 30 dph are likely to be delivered. It was recommended that densities be reduced by 10 dph in each category.
- 1.16 Another respondent indicated that lower density of less than 30 dwellings per hectare should now be considered following recent government announcements. Some thought should also be given to three and four bed homes.
- 1.17 One stakeholder mentioned that the density assumptions could be optimistic as the new Coalition Government planning regime may see the abolition of the minimum figure of 30dph. Another stakeholder noted that housing development for the elderly should also be assessed.
- 1.18 The majority of respondents were happy with the scheme type categories presented. However, one respondent indicated that there may be instances where lower densities need to be achieved and suggested that a further category is included for “Very Low” densities.

Q.2 - Affordable Housing Percentages

- 1.19 Views were sought on the testing of a range of different of percentage targets. Level proposed to test 15%, 30% and 40% affordable housing.
- 1.20 One respondent stated that for the purposes of policy testing, it is considered useful to have a general indication of the level at which viability concerns are likely



to arise. It was suggested that proportions in the area of 20/25% should also be tested.

- 1.21 One respondent noted that 10% to 20% affordable housing should be tested and that 40% is too high from a social and economic view. Meanwhile, another stakeholder recommended the testing of targets from 15 to 40% in batches of 5%.
- 1.22 One RSL recommended that 50% affordable housing be tested in rural locations.

Q.3 - Thresholds

- 1.23 The number of dwellings above which affordable housing is required has been 15 dwellings. The Council is keen to explore the consequences of lowering the threshold and analyse the impact of 5 or 10 unit thresholds. Respondents were asked whether there are any thresholds that need to be considered as part of the Affordable Housing Viability Study.
- 1.24 One respondent noted that it is considered inappropriate to test thresholds below 5 units as this may stop some sites coming forward. Another stakeholder suggested that lowering the threshold below 15 dwellings to 5 or 10 units could jeopardise the economic viability of a development site.
- 1.25 Another respondent stated that the threshold should not be lowered below 15 units. It was stated that lowering the threshold from 15 will stop some development sites from coming forward due to high fixed cost. Private landowners may not want to spend the money and developers will focus on larger sites due to economies of scale.
- 1.26 Another stakeholder recommended that a degree of flexibility be built into the threshold levels to reflect the current economic climate and to encourage development.
- 1.27 One stakeholder indicated that a threshold of two units be tested in rural locations. A sliding scale of thresholds was also recommended for different locations. The study could also examine the number of homes that have not been delivered over the past few years due to the 15 unit threshold. It was suggested that it may be valuable to see how many affordable homes would be delivered at lower thresholds.

Q.4 – Tenure

- 1.28 The questionnaire indicated that the Council's preference is that affordable housing should be provided in the ratio 80:20 social rented to intermediate. Respondents were asked if there are any other tenure profiles that need to be considered.
- 1.29 One planning consultant noted that the use of a 80:20 tenure split may be considered too simplistic. It was suggested that the viability of a scheme is affected by the tenure split and a number of ratios including 50:50, 60:40 and 70:30 should also be tested. Another respondent noted that a 80:20 tenure split may not be viable in the current economic climate and noted that consultants in East Cheshire found that a 65:35 split is realistic.



- 1.30 One property consultant noted that house builders make a loss on every social rented property built and that intermediate properties roughly break even. It was also suggested that a 80:20 split will have a major impact on viability. Another respondent noted that 80% social rented may be unviable and income is lower than cost, especially on a nil grant basis. It was also indicated that the HCA are introducing other tenures into the market place and that there needs to be a variety of tenures to meet demand.
- 1.31 Another stakeholder believed that the Council should move away from the 80:20 split on rural exception sites as the demand will have been detailed through a housing needs study.

Q.5 - Values Required to Bring Land Forward for development

- 1.32 One respondent indicated that the same approach to development values can be applied to all land regardless of land use. Each parcel of land will have a specific value based on its specific circumstances. However, it was suggested that 'clean' residential development land in the area can be expected to generally be valued between £1.5 million and £2.0 million per hectare.
- 1.33 One stakeholder noted that brownfield and industrial land should be assessed on the same basis. A land value of £1,000,000 per hectare was recommended based on clean serviced land.
- 1.34 One stakeholder noted that there is confusion in relation to the way that developers value sites. It was stated that developers will value sites with planning permission only and including all abnormal costs. If the residual value is acceptable to the landowner and fits the developer/landowner contractual agreement and if the HCA grant provision is included then the affordable element could be delivered. However, without HCA grant, the residual value will be unacceptable to landowners as the open market units will be effectively cross subsidising the affordable housing to some degree.
- 1.35 Another respondent noted that the methodology of the viability study should not rely on current/previous land values paid by developers as these may not fully take into consideration the affordable housing policy.
- 1.36 The following land values were recommended by respondents:
- Greenfield/ Agricultural land: £75,000 to £250,000
 - Brownfield land: £100,000 to £1,000,000
 - Industrial land: £1,000,000

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

- 1.37 Most respondents did not answer this question. For each land use type, the following ranges were suggested:
- Greenfield/ Agricultural land: 25 to 30%
 - Brownfield land: 20% to 30%



- Industrial land: 20% to 30%

1.38 One stakeholder noted that historically land values as a percentage of development have been much too high. 50% of development value may make affordable housing delivery prohibitive. It was suggested that Greenfield land at 25% to 30% may be possible for affordable housing delivery. However, brownfield and industrial land are very difficult to assess. Some brownfield sites are easily cleaned and could be 20% of value, others clean up costs could be a lot higher and as such will not be viable.

Q.7 - Profit

- 1.39 Stakeholders were asked whether 19% Gross Profit was an acceptable profit level. One stakeholder noted that 19% gross profit is inappropriate and that a gross profit of at least 20% should be applied for small development sites and 25% for large development sites. The justification given was that higher levels of gross profit are required to address future increases in development finance costs (when the market improves), increased risks, infrastructure provision, lower home sales rates and government spending cuts. The respondent also noted that the tight financial controls over public sector expenditure mean that developments are and will be expected to make greater financial contributions to fund a wider range of physical and social infrastructure to support development.
- 1.40 Another stakeholder noted that lenders are looking for 20-25% return in the current market. It was also stated that it cannot be automatically be assumed that less risky conditions will prevail in the future. It was suggested that profit levels will need continual monitoring and the affordable product adjusted accordingly on a site by site basis.
- 1.41 One stakeholder noted that market forces would suggest a more realistic profit level of 25 to 30%. It was noted that this depends on many other factors such as inflation, replacement costs and rental levels, etc. It was also noted that 20% would be fine if all other factors were constant.
- 1.42 Another stakeholder believed that viability should be tested at differing levels of profitability and a view taken about which should be adopted. It was also stated that 19% appears high as a standard figure and although HCA guidance last year indicated that profit levels in economic viability assessments should be viewed between 17.5% and 20% the "norm" before this was 15%.
- 1.43 One property consultant noted that 19% gross profit is a reasonable level assuming that it is based on turnover and not on cost.
- 1.44 It was also stated by another stakeholder that if the 19% profit is based on Gross Development Value then it may be far too low in the current market place and also low based on profit on cost. Some developers are adopting 25% on GDV and 20% minimum on cost. Another respondent noted that a fixed based profit level at 19% may be difficult to achieve on certain sites.



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

- 1.45 The majority of respondents did not answer this question. One respondent noted that the assessment in the current climate should not be limited to one form of profit analysis.
- 1.46 Another respondent noted that the key financial factor of determining the ability of sites to provide affordable housing is the relationship of the net site value (the price which will be paid to the landowner) compared to the landowners expectations. It was recommended that a residual model could include 20% gross profit as an assumption to be deducted from the gross development value of a site.

Q.9 Build Costs

- 1.47 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:
- a. Flatted Development: Suggested build costs of £800 to 1,000 per m2 for private and 750 to 1,100 per m2 for public.
 - b. Terraced Housing/ Town Housing: Respondents noted that private dwellings may have build costs in the range of 900 to 980 per m2 and public build costs may range from 850 to 1,000 per m2.
 - c. Semi- Detached: Suggested ranges included: private - 1000 to 1100 m2 and public- 950 to 1100m2
 - d. Detached: Suggested ranges included: private 1100 per m2 and public: 1000 to 1200 per m2.
 - e. One stakeholder noted that a two bed and three bed affordable homes built to Code 4 (Code for Sustainable Homes Standard) would cost £1,206 per m2 to build.



Q.10 Dwelling Sizes

1.48 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:

- f. 1 bed flat: Private 36 to 58 m² Public 42 to 57m²
- g. 2 bed flat: Private 46 to 70 m² Public 46 to 70 m²
- h. 2 bed house: Private 57 to 115 m² Public: 60 to 80m²
- i. 3 Bed House (Semi Detached): Private 70 to 120m² Public 65 to 100 m²
- j. 3 bed house (Detached): Private 84 to 130 m² Public 80 to 93m²
- k. 4 bed house (Detached): Private 102 to 165m² Public 95 to 116m²

Q.11 Rent

1.49 Respondents gave their views on gross rents, management, maintenance, voids and the cost of major repairs for a number of dwelling types ranging from a 1 bed flat to a 4 bed house. Only two respondents completed this section of the questionnaire and their suggested figures are included in the following table:

Type	Gross Rent	Management	Maintenance	Voids	Major Repairs
1 Bed Flat	57.29 to 58.07	n/a	n/a	2.5%	n/a
2 Bed Flat	65.19 to 65.28	n/a	n/a	2.5%	n/a
2 Bed House	64.2 to 67.55	n/a	n/a	2.5%	n/a
3 Bed House	69.16 to 74.76	n/a	n/a	2.5%	n/a
4 Bed House	73.61 to 80.84	n/a	n/a	2.5%	n/a



Q. 12 Capitalisation of Rents

- 1.50 Views were sought on whether the proposed assumption of 6% for the capital receipt from social rented properties is correct.
- 1.51 The majority of respondents did not complete this section of the questionnaire. One stakeholder did not agree with the proposed level and noted that a figure of 10% for capital receipt may be more reasonable.

Q.13 Public Subsidy

- 1.52 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.
- 1.53 One stakeholder noted that there should be no public subsidy given the current market and that many developers may have to finance their own developments. Another stakeholder noted that public subsidy should be tested at a level of up to 50% of the property value. It was also noted that the levels of public subsidy should be £57,000 per social rented and £49,000 per intermediate affordable housing unit.
- 1.54 One RSL noted that it is difficult to determine the levels of subsidy required at any particular time as they will vary dependant on the criteria of the HCA. However, everything is pointing towards lower grant rates. In 2009/10 the respondent received £65,000 per unit for affordable rented 2 bed houses and £40,000 on an expensive s.106 site (2 and 3 bed rented houses). With regard to rural schemes the respondent would expect £65,000 per unit for family houses and £30,000 for shared ownership. It is expected that grant rates will fall substantially from these levels.

Q.14 Planning Obligations

- 1.55 Stakeholders 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.
- 1.56 One respondent noted that contributions vary on a site by site basis. However, it was noted that contributions in the order of £10,000 per dwelling are not uncommon and that one of the principal components which affects the level paid is education contributions.
- 1.57 One stakeholder noted that planning obligations vary considerably from site to site. Even modestly sized sites can run well into six figure S106 payments. It was stated that education, highway improvements and open space payments are the most frequent and heaviest financial contributions.
- 1.58 Another stakeholder noted that if the Council want developers to finance affordable housing then costs have to be kept to a minimum, e.g. planning obligations. One RSL noted that a scheme for 13 two bed houses which is currently being developed in Stafford required £7,000 (SUTAMS), £14,431 (POS) and £33,093 (Education) contributions.



Further Comments

- 1.59 Stakeholders were given the opportunity to comment on issues not covered by the questionnaire. Respondents raised the following points:
- The level at which Code for Sustainable Homes is set in the context of Government policy towards zero carbon emissions needs to be accounted for.
 - The costs of abnormal ground conditions etc., particularly on brownfield sites needs to be assessed.
 - The study should consider Housing Market Areas and not just market areas as well as the rate of dwelling sales on housing sites.
 - One stakeholder noted that there may be problems in relation to the delivery of affordable housing and noted that some developers may have to either build smaller properties or the costs of major costs would have to be reduced to ensure delivery.
 - One respondent noted that although the Affordable Housing Viability Study is useful for policy setting it needs to be highlighted that viability assessments may be required on certain development at the planning application stage. It will never be sufficient to apply a fixed percentage of affordable housing to all sites because of unique circumstances such as remediation and contamination costs.
 - One stakeholder recommended that the Study should look at the issue of “overage” in cases where economic viability has increased from the time of the agreement to the time of practical completion.



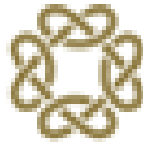
Agenda for Stakeholder Workshop - Stafford Borough Council

Affordable Housing Viability Assessment

To be held on Tuesday 29th June 2010 at 2 pm

At the Craddock Room, Stafford Borough Council

1. Welcome and Introductions followed by an outline of this workshop
2. Purpose of the study
3. Level – a brief summary of who we are and what we do
4. Study methodology
5. Study key assumptions
6. Next steps
7. End of workshop



Stafford
BOROUGH COUNCIL

LEVEL
INNOVATION IN HOUSING & PLANNING

**STAFFORD BOROUGH – AFFORDABLE HOUSING VIABILITY
ASSESSMENT**

STAKEHOLDER QUESTIONNAIRE



Level has been appointed to undertake an affordable housing viability assessment in the Stafford Borough Council area. The study will be undertaken in the context of Planning Policy Statement (PPS) 3: Housing (November 2006).



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 follow this up with a meeting on 29th June to discuss preliminary outputs and for you to have further input into the final report.

The overall aim of the study is to produce a sound, robust technical evidence base that will support the Council's Core Strategy and specifically inform affordable housing policy and contribute to other objectives identified by the local authority including the effects of the current economic climate with regard to sites coming forward for residential development. The study will test the impact of affordable housing on development viability on a strategic basis, relevant to the local circumstances in the local authority area. It 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, perhaps with different targets and thresholds in different housing market areas.

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 Alex Yendole (Principal Planning Officer – Forward Planning)

We would be very grateful if you could return this questionnaire by 24th June 2010 if possible.



SCHEME TYPOLOGY

As part of the study, we will choose a number of notional schemes on which to carry out development appraisals. 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 developments which reflect the likely range of development types in different parts of the Borough. In this regard, your views are sought on the following;

- A Flatted and mixed Development – flats/apartments and houses between 70 and 80 dwellings per hectare
- B Mixed Development – flats and houses up to 70 dwellings per hectare
- C Estate Housing – Town Houses, Semi-Detached and Detached dwellings of circa 50 dwellings per hectare
- D Lower Density Estate Housing – Semi Detached and Detached dwellings of circa 40 dwellings per hectare
- E Low Density Estate Housing - Semi Detached and Detached dwellings of circa 30 dwellings per hectare

Most of these development types will each be assessed as if they were being developed on parcels of land throughout each housing market area in order to account for geographical variations in the value of housing. At present, we propose to test the higher density schemes which incorporate an element of flatted accommodation only in the larger settlements of Stafford and Stone.

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

YES

NO

If NO, please include details of scheme types we have not considered in terms of development mix and density;



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 towns and other centres of population we will test a range of targets: 15%, 30% and 40% affordable housing.

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

YES

NO

The number of dwellings above which affordable housing is required has been 15 dwellings. The Council is keen to explore the consequences of lowering this threshold and has asked us to analyse the impact of 5 or 10 unit thresholds.

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

YES

NO

Although different proportions may be appropriate on specific sites, the Council's preference is that affordable housing should be provided in the ratio 80:20 social rented to intermediate

Q4 Are there any other tenure profiles you think we should consider?

YES

NO

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



LAND VALUES

Planning policy affects land value. In particular, the introduction of a requirement to provide affordable housing has a significant impact on land value. The purpose of this study is to quantify the impact that Stafford Borough Council's proposed policy on affordable housing will have on land values in the area. .

PPS3 requires that affordable housing policies are drafted having 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 Stafford. In answering this question, it would be helpful if respondents could be as clear as possible 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 Borough? 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. However, the policy that this study is to inform will endure for the life of each local authority's Core Strategy which, it is to be assumed, will also cover less risky housing market conditions.

We will test viability at the following base profit level;

19% Gross Profit

Q7 Are we assessing an acceptable profit level?

YES

NO

If no, please provide justification and an alternative acceptable profit rate.



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 the local authority area 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 m² 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 (public 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 (ft² or m²)?

TYPE	AFFORDABLE	MARKET
1 BED FLAT		
2 BED FLAT		
2 BED HOUSE		
3 BED (Semi) HOUSE		
3 BED (Detached) HOUSE		
4 BED (Detached) 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 from gross rent (expressed as a percentage or as an amount).

TYPE	GROSS RENT	MANAGEMENT	MAINTENANCE	VOIDS	MAJOR REPAIRS
1 BED FLAT					
2 BED FLAT					
2 BED HOUSE					
3 BED HOUSE					
4 BED HOUSE					



CAPITALISATION OF RENTS

Q12 We are currently assuming a yield of 6% for the capital receipt from social rented properties. Is this level reasonable?

YES

NO

If NO, please give some indication of an alternative;

PUBLIC SUBSIDY

Q13 Our methodology will assume a nil public subsidy baseline in the first instance and will then test the effect of applying public subsidy to the affordable housing units. In your experience what levels of public subsidy (on a per unit basis) should we be assessing (if appropriate, indicate for the local authority);

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.



You may choose to remain anonymous although, even if you give us your details, 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 would like to follow up this questionnaire with telephone discussions where we feel further clarification is necessary. Your help is very much appreciated.

I wish to remain NO anonymous YES

Name _____

Position _____

Company _____

Address _____

_____ POST CODE _____

Contact telephone _____

Email address _____ @ _____

May we contact you further? YES NO

PLEASE RETURN THIS QUESTIONNAIRE BY 24 JUNE 2010 TO:

Levvel, 147 Leigh Road, Wimborne BH21 2AD

Telephone 01202 639444

www.levvel.co.uk

gail.percival@levvel.co.uk, george.venning@levvel.co.uk