

**PERTH AND KINROSS COUNCIL****Enterprise and Infrastructure Committee – 27 January 2010****DEVELOPER CONTRIBUTIONS AFFORDABLE HOUSING  
COMMUTED SUM REVIEW****Report by the Executive Director (Environment)**

This report recommends Committee approve the revised affordable housing commuted sum figures as provided in the research commissioned by the Council from the District Valuer and an independent valuer.

**RECOMMENDATIONS**

The Committee is asked to:

- i) Approve the revised commuted sum figures for the 5 Housing Market Areas (HMAs) within Perth & Kinross contained in paragraphs 8 – 10 of this report.
- ii) Agree these figures will be the basis for the developer contribution commuted sums which are received by the Council in lieu of land or built units for affordable housing, to take effect from the date of the Committee's approval. This will apply to all planning applications determined after the 27 January 2010.

**BACKGROUND**

- 1 A comprehensive affordable housing policy was approved by the Enterprise & Infrastructure Committee on 24 August 2005 (Art No.614). This was complemented by further guidance in the form of the Affordable Housing Guide, approved by the Enterprise & Infrastructure Committee on 29 August 2007 (Art No.522).
- 2 The policy allows for the payment of developer contributions as commuted sums in exceptional circumstances. In the circumstances that a commuted sum payment is appropriate and acceptable in lieu of the on-site or off-site provision of affordable housing that sum is paid into a fund which is administered by the Council to facilitate meeting the need for affordable housing. Following guidance in Planning Advice Note 74: Affordable Housing (PAN74) where possible, commuted sums are invested in the same Housing Market Area (HMA) as they were generated.
- 3 As agreed at the Enterprise & Infrastructure Committee on 17 January 2007 (Art No.49) the commuted sum is calculated as the difference between the value of an affordable house plot and the value of a plot for private housing i.e. it is the additional amount the Registered Social Landlord (RSL) will have to pay over and above the affordable land value to obtain the plot.

- 4 The 2007 commuted sums were determined on the basis of research commissioned from the District Valuer. These commuted sum figures were agreed by the Enterprise & Infrastructure Committee (29 August 2007) and are included in the Council's supplementary Affordable Housing Guide (August 2007).
- 5 The Affordable Housing Guide notes that the commuted sums will require to be updated annually; this has not been undertaken since the original report was commissioned from the District Valuer in 2007. The sums have not been updated since the Council has been awaiting updated advice from the Scottish Government concerning the methodology for affordable land valuations. Unfortunately, this has not been forthcoming and it is considered that a review should be undertaken now to bring the sums in line with the current market.
- 6 A draft consultant's brief was drawn up and issued to Homes for Scotland for consultation in November 2009, no comments were received from them.
- 7 The District Valuer and, after an appropriate tendering process, independent valuer were instructed in December 2009 to conduct the research to review and recalculate the commuted sum figures for each HMA as per the guidance in the Affordable Housing Guide (August 2007) and the brief.

## **PROPOSALS**

- 8 The reports from the District Valuer and DM Hall, the independent valuer, were received on the 18 December 2009; based on the information received and the best evidence from the two reports, the revised commuted sums in the table below are proposed.
- 9 It should be noted that the commuted sum figures proposed have decreased from those approved in 2007 due to the current economic recession and have been directly affected by the decrease in land values and in house prices.
- 10 The proposed commuted sums to be agreed are presented below with the current 2007 figures for comparison:

<b><u>Housing Market Area</u></b>	<b><u>Commuted Sum 2007</u></b>	<b><u>Commuted Sum 2009</u></b>
Eastern	£23,000	£11,500
Highland	£23,000	£19,000
Kinross	£40,000	£15,000
Strathearn	£32,000	£19,000
Perth (including city centre)	£40,000	£26,500

- 11 The Committee is asked to approve the revised 2009 commuted sum figures for each HMA as proposed in this report. The approved figures will then be updated in the Affordable Housing Guide as required and will be applied to all new planning applications determined after the date of this Committee.

- 12 A revised version of the Affordable Housing Guide with the updated commuted sum figures will be available on the Perth & Kinross website and on request from the Council so developers are aware of the revised sums at an early stage.
- 13 It is hoped that the Scottish Government through the review of PAN74: Affordable Housing will issue further advice and provide more clarity to Local Authorities and private developers on the methodology to calculate commuted sums and affordable land valuations later in 2010. This may come in conjunction with advice from the Royal Institution of Chartered Surveyors (RICS). It will be necessary to review the commuted sums on a regular annual basis from now on to keep the figures in line with land values. Further amendments will be brought to forthcoming Enterprise and Infrastructure Committees for approval.

### **CONSULTATION**

- 14 The Head of Legal Services, the Head of Finance, the Head of Democratic Services, and the Head of Housing & Community Care have been consulted in the preparation of this report.

### **RESOURCE IMPLICATIONS**

- 15 There are no resource implications arising directly from the recommendations in this report, any implications are contained within the planning revenue budget.

### **COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012**

- 16 The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. This report impacts on the following:
- (i) A Safe, Secure and Welcoming Environment
  - (ii) Healthy, Caring Communities
  - (iii) A Prosperous, Sustainable and Inclusive Economy

### **EQUALITIES ASSESSMENT**

- 17 The Council's Corporate Equalities Assessment Framework requires an assessment of functions, policies, procedures or strategies in relation to race, gender and disability and other relevant equality categories. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new policies to ensure there is no adverse impact on any community group or employees.
- 18 The function, policy, procedure or strategy presented in this report was considered under the Corporate Equalities Assessment Framework and the determination was made that the items summarised in this report do not

require further assessment as they do not have an impact on people's wellbeing.

## **STRATEGIC ENVIRONMENTAL ASSESSMENT**

- 19 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all qualifying plans, programmes and strategies, including policies (PPS).
- 20 The matters presented in this report were considered under the Environmental Assessment (Scotland) Act 2005 and no further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

## **CONCLUSION**

- 21 Due to changing market conditions, both the District Valuer and the DM Hall reports on the appropriate level of Commuter Sums for Affordable Housing have confirmed that the levels set in 2007 are no longer tenable. It is recommended that the Committee approve the revised figures as set out within this report to enable the continued support and provision of new affordable housing units through developer contributions.

J F IRONS  
EXECUTIVE DIRECTOR (ENVIRONMENT)

## **NOTE**

The following background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (and not containing confidential or exempt information) were relied on to a material extent in preparing the above Report; (list papers concerned)

Report to Enterprise & Infrastructure Committee 24 August 2005 – Affordable Housing Policy  
Report to Enterprise & Infrastructure Committee 17 January 2007 – Affordable Housing Developer Contributions  
Report to Enterprise & Infrastructure Committee 29 August 2007 – Affordable Housing Guide  
Scottish Government, Planning Advice Note 74: Affordable Housing, March 2005

**Contact Officer:** Nicola Mills, tel: 76405, nmills@pkc.gov.uk  
**Address of Service:** Pullar House, 35 Kinnoull Street, Perth, PH1 5GD  
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on  
01738 476558 or TESEqualities@pkc.gov.uk



**Council Text Phone Number 01738 442573**