Report to Lichfield District Council

The scope for Affordable Rented housing in Lichfield

FINAL REPORT

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Summary

S1 The purpose of this report is to examine the impact of Affordable Rent in Lichfield. The assessment is conducted both in terms of the numbers of households who might be affected and the levels of affordable target implied by the change. The base for analysis is the 2010 AHVS (Affordable Housing Viability Study) carried out by Fordham Research.

S2 Affordable Rent is a new social tenure. It is set at up to 80% of the private rent level for each property. In principle the target may be set at less than 80% of the market rent, but this is likely to be rare in practice: informal clarification from HCA now shows that this wording has little practical meaning: it means 80% and rarely less. The main purpose of Affordable Rent is to generate extra housing. The problem, in the HCA's eyes, with lowering the Affordable Rent below 80%: that it will reduce the ability of the Registered Provider to build more affordable units using the capitalised value of the future rents.

S3 Affordable Rent is designated as a social tenure, and in effect will replace social rent in the 4-year HCA spending round 2011-2014. It is a flexible tenure: tenancies are initially set at two years but capable of being renewed. It is the only practical alternative where HCA funding is involved. The source of Affordable Rented units may be from (grant-supported) newbuild, or from relets of social rented units.

S4 Analysis of local data shows that *a* significant fraction (16-17*%)* of renting households in Lichfield could access Affordable Rent. This suggests that there would be a considerable 'demand' for the tenure if it can be economically provided through the s106 route (i.e. by subsidy from landowners/house builders). The most frequently required size is 3-bed but there is also demand for 1- and 2-bed dwellings.

S5 We have assessed the viability of an affordable housing target based on Affordable Rent in the context of the 2009 AHVS. This was done for the benchmark site, Land S of Shortbutts Lane (Site 4). This site was considered to be broadly typical of likely new housing development in Lichfield.

S6 Affordable Rent is clearly a more viable product than social rent: it has a higher rent generation to pay towards its production cost. Our analysis suggests that the effect of switching from a target based mainly on social rent, to one based mainly on Affordable Rent is that, using the benchmark site at March 2009, an affordable housing target of 26% could be justified. The analysis assumes a considerable uplift in 'existing use' values, of some £65k. In practice lower 'cushion' values are quite common and so the above target is in those cases quite conservative.

S7 The 2009 AHVS also estimated an affordable target at the market peak, which was 40%. It is not really possible to estimate an accurate equivalent Affordable Rent target, as Affordable Rent did not exist before. However using the 2012 Affordable Rent prices would produce a 53% target for the peak. This should be treated as only broadly indicative.

Chapter Listing

1. Introduction

Scope of this report

1.1 Affordable Rent is a new tenure and there are a number of issues which have to be resolved in order for any council to establish what its policy should be.

1.2 The purpose of this report is to examine affordable targets in the context of comparing the new tenure of Affordable Rent with the traditional Social Rent. The Brief from Lichfield District was to carry out the work in the context of the previous Affordable Housing Viability study carried out by Fordham Research, the predecessor to the present firm of Richard Fordham and Company.

1.3 The two main tasks are:

(i) To assess how many households in need could access Affordable Rent at varying levels: 80% of market rent and below

(ii) To assess the impact of Affordable Rent on the Affordable Housing target set in the Fordham Research 2009 Viability study (then 20%)

1.4 This chapter reviews various definitions and published statements about Affordable and Social Rent and related topics. This forms a basis for the analysis of Lichfield data in Chapter 3. In Chapter 3 the concept and practice of Dynamic Viability is reviewed and in the last chapter the implications of Affordable Rent for targets is considered.

Ministerial Statement and definition of Affordable Rent

1.5 In '*2011-15 Affordable Homes Programme – Framework*' published by CLG/HCA in 2011, Grant Shapps, the Minister of State for Housing and Local Government said:

> *'[The] money must go further. So we are introducing new flexibilities for providers on using existing assets, and a new offer on rents. The objective of these flexibilities, including the new Affordable Rent product, is to enable providers to deliver up to 150,000 new affordable homes' (Ministerial Foreword).*

1.6 This statement is amplified in various ways in the Framework document. Key facts are as follows:

- Affordable Rents can be set at 'up to 80% of open market rental value'
- it is formally defined as a social tenure (paragraph 3.20)

- it is intended to be made available to those on the Housing Register
- the source for Affordable Rent can be newbuild or the recycling social relets: the latter being more efficient in that the dwelling already exists
- flexible tenancies must not be less than two years.

1.7 Paragraph 3.24 says that accommodation which becomes Affordable Rent must ‘be permanently available for letting’.

1.8 The most interesting point is the ‘up to 80%’ of OMV (Open Market Value). The conditions under which an Affordable Rent below 80% may be set are addressed in the following two paragraphs quoted from the Framework document.

> 3.10 While offers which include Affordable Rent for new supply and/or conversions at less than 80% of market rents will be considered, it is expected that providers utilise the flexibility to charge rents of up to 80% of market rents to maximise financial capacity. The HCA would need to understand how any proposal to charge lower rents would help to meet particular housing needs, deliver value for money for the taxpayer and generate the capacity required to deliver new supply aspirations.
>
> 3.11 There may be specific circumstances where it is appropriate to set rents at less than 80% of market rents. For example, providers may wish to charge a lower rent where a rent at 80% of market rent would exceed or be close to the relevant Local Housing Allowance (LHA) cap, or if the local rented market was considered to be particularly weak or fragile (for example on an existing estate where there may be few market rented properties). The HCA would wish to explore with providers the rationale for considering rents at less than 80% of market rents. In all cases, an Affordable Rent should be no lower than the rent calculated based on the current target rent regime. In cases where an Affordable Rent would otherwise be lower than the target rent for a property, the target rent will constitute a ‘floor’ for the rent to be charged.

1.9 In terms of letting Affordable Rent the Framework says that the same procedures should be used as with social rents:

> 3.20 Allocations and nominations processes for Affordable Rent homes are expected to mirror the existing frameworks for social rented housing. Providers will be under the same statutory and regulatory obligations when allocating Affordable Rent homes as they are when allocating properties for social rent.

1.10 Paragraph 3.10 emphasises the need to maximise the amount of affordable housing created for each pound of money spent:

‘it is expected that providers utilise the flexibility to charge rents of up to 80% of market rents to maximise financial capacity’

1.11 Taken by itself, this would suggest that there is in fact very little flexibility: the HCA wants to see rents at 80% because that way there will be more money than if they are set below 80%. But paragraph 3.11 softens this message:

'There may be special circumstances where it is appropriate to set rents at less than 80% of market rents…..The HCA would wish to explore with providers the rationale for considering rents at less than 80% of market rents'

1.12 The tone of this statement is still directed to 80% as the default position, but does entertain the argument that there may be evidence to justify rents lower than 80%. The reasons for setting lower than 80% levels for Affordable Rent could include the ability of households to afford, as well as such administrative factors as LHA caps

1.13 The above statement by the HCA can be set beside many statements by Ministers to the effect that *'up to'* is a very important part of the message. For example the statement by Grant Shapps (below):

*'There's another couple of billion plus for the new Affordable Rent, which is the entirely new scheme of up to 80% - not at 80% , which has often been inferred, wrongly – of the market rent' [*Response to Q47 of Oral Evidence from Ministers to the Communities and Local Government Committee on the Comprehensive Spending Review 21st December 2010*]*

1.14 The Minister had been referring to the overall total of £4.5 billion for all forms of social housing (Affordable Rent is now defined to be social housing), but the £2 billion for Affordable Rent is the only 'new money'. There is about the same £2 billion+ left over from the previous spending round which will be spent on social rented housing. This statement by the Minister has, in effect, been falsified by the HCA's stance.

1.15 The HCA has suffered a considerable cut in the funding it had hoped for, and clearly wants to make sure as much as possible from the money that is available. Thus despite the well meant remarks by Ministers, the hard-line interpretation is the correct one.

National Planning Policy Framework (NPPF)

1.16 This consolidation of previous planning guidance from CLG was issued during the drafting of this report. It is mainly concerned with summarising the large body of previous PPS and other guidance.

1.17 In accordance with the new situation the NPPF defines Affordable Housing (Annex 2: Glossary) as including *'social rented, affordable rented and intermediate housing'*. Affordable Rent is defined in accordance with the existing guidance summarised above, as being for households eligible for social rented housing, and being subject to controls that ensure that its rent is not more than 80% of local market rent (gross of service charges, where applicable).

1.18 The NPPF also includes rural exceptions housing, as before (also in Annex 2) and requires that it be 'deliverable' in terms of viability (para 173).

1.19 There is no significant change in the new guidance as regards the provision of affordable housing, and in particular Affordable Rent. The NPPF does as it suggests, and consolidates the existing guidance in summary form.

Social rents

1.20 It is made clear in the Framework that existing social rented units can be relet as Affordable Rent when they become vacant. Indeed this will be a major source of additional Affordable Rent units.

> 1.3 Affordable Rent will form the principal element of the new supply offer. At the same time, new flexibilities will allow a proportion of social rent properties to be made available at re-let at an Affordable Rent, with the additional capacity generated from those re-lets applied to support delivery of new supply.

> i) the additional borrowing capacity that can be generated from the conversion of social rent properties to Affordable Rent (or other tenures) at re-let, as well as borrowing capacity generated by the net rental income stream of the new properties developed;

> 2.17: Providers are invited to consider offering conversion to Affordable Rent of existing committed social rent schemes begun under the 2008-11 National Affordable Housing Programme (NAHP) which will achieve practical completion in the new programme period.

1.21 The analysis in this report does not address the question of the level of conversion of relets of social rented units, since it is mainly focussed upon the financial implications of this tenure, and the degree to which it can assist in meeting housing need. The report is not devoted to the source of the Affordable Rented units.

Local Housing Allowance and Housing Benefit

1.22 Local Housing Allowance (LHA) was established as a replacement for Housing Benefit for those in the Private Rented Sector (PRS). It is designed to make up the shortfall in people's ability to pay for the housing they need. LHA may represent 100% or some lower percentage of the overall rent paid. A major difference between LHA and the former Housing Benefit is that it is paid directly to the tenant and not to the (private or public) landlord as is the case with Housing Benefit.

1.23 There is now a two-tier system where the private tenant can obtain LHA, while the social tenant who needs financial support still receives housing benefit. This report is concerned with the ability of households in Lichfield to afford particular types of affordable housing. In order to avoid writing ‘LHA/HB through the report we use ‘benefit’ as a general term for the subsidy involved.

1.24 LHA had previously been limited to the rent level at the 50% percentile: the halfway point in the local private rental market. The country is divided into housing market areas for the purpose of setting these levels (Broad Market Rental Areas: BRMAs). The new proposals, that came into effect in April 2011 are in summary:

- the overall cap is reduced from the value of the 50% to the 30th percentile. This is assessed locally.
- there are new caps for dwelling sizes:
  1 bed £250pw
  2 bed £290pw
  3 bed £340pw
  4+bed £400pw
- from 2012, there will be a universal credit cap of £18,200 for single person households and £26,000 for multi-person households

1.25 The new overall and bedroom size caps have a major effect in London, but not in most of the rest of England. The overall £26k cap can affect larger households generally.

1.26 There is an interaction between benefit availability and Affordable Rent: at the most basic level there is no point in setting an Affordable Rent when nobody could afford it either because they did not have the income or could not obtain sufficient LHA to pay the rent due to the new caps. The following extract from the Framework expands on that:

> 3.7 The TSA is therefore not proposing to restrict the maximum rent that Registered Providers can charge for Affordable Rent properties based on the Local Housing Allowance. However, landlords will wish to consider the local market context when setting rents, including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located. They should also take into account wider benefit policy such as the proposal, subject to the passage of the Welfare Reform Bill, to cap total household benefit payments so that workless families do not receive more in welfare than the median earned income after tax and National Insurance contribution earnings of working families. War widows and households with a member entitled to Disability Living Allowance, Constant Attendance Allowance or Working Tax Credit will be exempt from the cap.

1.27 Although therefore the Tenants Service Authority (TSA, shortly to become part of the HCA), will not restrict the Affordable Rent to the LHA, it expects Registered Providers (RPs) to take account of the wider situation in setting those rents.

Method for generating estimates of households affected by Affordable Rent

1.28 A recent partial draft Strategic Housing Market Assessment (SHMA) update has been conducted by Nathaniel Lichfield and Partners. The tabulations from this study were provided to us, together with the raw data from a primary survey by NEMS carried out in association with the SHMA.

1.29 We cleaned the income data and produced as much analysis was feasible given the wide income bands. We used a private sector rent survey also carried out in relation to the SHMA to provide evidence of levels of private rent.

Summary

1.30 The purpose of this report is to examine the impact of Affordable Rent in Lichfield District in the context of Dynamic Viability target setting: both in terms of the numbers of households who might be affected and the levels of affordable target that may be viable.

1.31 Affordable Rent is a new social tenure. It is to be set at up to 80% of the private rent level for each property. If there is evidence to show that it should be set at less than 80%, the case for doing this must be evidenced.

1.32 Informal clarification from HCA now shows that this wording has little practical meaning: it means 80% and rarely less. Its main purpose is to generate extra housing. The problem, in the HCA's eyes, with lowering the Affordable Rent below 80%: that it will reduce the ability of the Registered Provider to build more affordable units using the capitalised value of the future rents.

1.33 Affordable Rent is designated as a social tenure, and in effect will replace social rent in the 4-year HCA spending round 2011-2014. It has flexible tenure: leases are initially set at 2 years but capable of being renewed. It is the only practical alternative where HCA funding is involved (other sources of subsidy do exist such as S106 contributions or use of publicly owned land). The source of Affordable Rented units may be from grant-supported newbuild, or from relets of social rented units. It is intended that Affordable Rent should help to reduce Housing Registers.

2. How many households can afford Affordable Rent?

Introduction

2.1 Affordable Rent is defined as a social tenure, and is intended to be the modern alternative to social renting. This chapter provides an assessment of the potential numbers of households who could access Affordable Rent housing at different rent levels, based on their ability to afford it out of their income, rather than being benefit dependent.

2.2 The database for the analysis is the NEMS primary household survey produced as part of the SHMA partial update, as cleaned and weighted by ourselves. It has been used in conjunction with other information provided by the SHMA and the survey of private rents also carried out as part of the SHMA.

Numbers of households by tenure and dwellings size

2.3 In round figures it can be seen from the first table that less than a fifth of all renting households in Lichfield can afford market housing, and about the same proportion could afford Affordable Rent. Two thirds of all renting households are unable to afford more than a social rent. The latter category includes many households unable to afford any kind of housing without subsidy.

Table 2.1 Affordability test – all households currently in rented accommodation

Product type	*Proportion of households*
Market housing	16.1%
Affordable Rent (80%)	17.7%
Social rent or require subsidy	66.1%
Total	100.0%

Note: the figures in this table are not cumulative: they refer solely to those able to afford the stated cost

Source: Scope for Affordable rent in Lichfield Richard Fordham and Company 2012

Table 2.2 Breakdown of size and tenure of home required by all rented households				
Product type	*One*	*Two*	*Three*	*Four*
Market housing	23.7%	0.0%	10.0%	0.0%
Affordable Rent (80%)	18.4%	20.0%	20.0%	0.0%
Social rent or require subsidy	57.9%	80.0%	70.0%	100.0%
Total	100.0%	100.0%	100.0%	100.0%

Note: the figures in this table are not cumulative: they refer solely to those able to afford the stated cost

Source: Scope for Affordable rent in Lichfield Richard Fordham and Company 2012

2.4 The second table shows that most local households who can afford market housing require only 1-bed. Those who can afford Affordable Rent are spread roughly equally across the 1- to 3- bed sizes. Those able to afford only social rent or requiring a subsidy beyond that are the majority of those in all four size categories.

Ability of households to afford Affordable Rent

2.5 The third table shows the ability to afford different tenures of all renters intending to move in the next 5 years. Since renters are normally the most mobile group in a housing market, this will cover a large proportion of all movers. It should also cover all those who might choose Affordable Rent.

2.6 As can be seen, about a fifth (16%) of all private renting movers would be able to afford Affordable Rent. It could be that some of those shown as able to afford market housing would prefer the newbuild Affordable Rent if they qualify by being on a Housing Register.

Table 2.3 Affordability test –households currently in rented accommodation intending to move in next 5 years	
Product type	*Proportion of households*
Market housing	42.1%
Affordable Rent (80%)	15.8%
Social rent or require subsidy	42.1%
Total	100.0%

Note: the figures in this table are not cumulative: they refer solely to those able to afford the stated cost

Source: Scope for Affordable rent in Lichfield Richard Fordham and Company 2012

2.7 In the same way, Table 2.4 shows the proportions of those who can afford Affordable Rent who require various sizes of dwelling. As can be seen, the most frequent size requirement for Affordable Rent is 3-bed though there is demand for both 1- and 2- bed.

Table 2.4 Breakdown of size and tenure of home required for households currently in rented accommodation intending to move in next 5 years				
Product type	*One*	*Two*	*Three*	*Four*
Market housing	66.7%	0.0%	0.0%	0.0%
Affordable Rent (80%)	8.3%	25.0%	50.0%	0.0%
Social rent or require subsidy	25.0%	75.0%	50.0%	100.0%
Total	100.0%	100.0%	100.0%	100.0%

Note: the figures in this table are not cumulative: they refer solely to those able to afford the stated cost

Source: Scope for Affordable rent in Lichfield Richard Fordham and Company 2012

Summary

2.8 Whether we look at all renters, or only those planning a move within 5 years about the same proportion could afford Affordable Rent: around 16-17%. The numbers involved would be significant and are likely to exceed the production of newbuild Affordable Rent produced on S106 sites. The most commonly required size is 3-bed.

3. Basis for target reconsideration: the 2009 viability study

Introduction

3.1 The Fordham Research Affordable Housing Viability Study for Lichfield was finalised in April 2010, based mainly upon 2009 data. It consisted of a 'standard' PPS3 viability study designed to show the general ability of development sites to support affordable housing targets. The NPPF (para 173) repeats the 'deliverability' test from PPS3. This study, like the preceding AHVA, meets that requirement. This family of viability studies had its origin in the Blyth Valley appeal case which established that councils have a duty to establish the broad brush viability of whatever affordable housing target they set.

2009 Viability analysis results

3.2 Appraisals were prepared for the fifteen sites spread across the district. They were based on a range of prices and build costs at a base date of April/May 2009, and on other technical assumptions. In addition the appraisals assumed that:

(i) Affordable housing would be provided as a mixture of 80% social rent and 20% intermediate housing; the latter was assumed to be shared ownership housing on a 25% share

(ii) Grant would be available at rates of on average £49k per dwelling for social rent, and £19k per dwelling for shared ownership

(iii) Developer contributions ('planning gain') would be made, in line with existing SPD guidance.

3.3 The basic viability results are shown in the following table:

Table 3.1 Appraisal outcomes: zero grant

No	Site	Value £k per acre					
		Alt use value	No affordable	20%	30%	40%	50%
1	Old Hall Farm	10/ 85	203 VIABLE	23 MARGINAL	-71 NOT VIAB	-166 NOT VIAB	-263 NOT VIAB
2	South Burntwood	10/ 85	191 VIABLE	6 NOT VIAB	-91 NOT VIAB	-190 NOT VIAB	-289 NOT VIAB
3	Bison Concrete	265/ 340	290 MARGINAL	71 NOT VIAB	-41 NOT VIAB	-157 NOT VIAB	-272 NOT VIAB
4	S Shortbutts Lane	10/ 85	344 VIABLE	138 VIABLE	33 MARGINAL	-75 NOT VIAB	-186 NOT VIAB
5	Park Lane Mile Oak	10/ 85	402 VIABLE	191 VIABLE	85 VIABLE	-25 NOT VIAB	-139 NOT VIAB
6	Lynn Lane Shenstone	275/ 350	521 VIABLE	269 NOT VIAB	144 NOT VIAB	14 NOT VIAB	-121 NOT VIAB
7	Abattoir Chase Terr	172/ 247	-196 NOT VIAB	-430 NOT VIAB	-548 NOT VIAB	-669 NOT VIAB	-789 NOT VIAB
8	Fazeley Saw Mill	201/ 276	240 MARGINAL	39 NOT VIAB	-65 NOT VIAB	-171 NOT VIAB	-278 NOT VIAB
9	Handsacre Serv Stn	90/ 165	105 MARGINAL	-230 NOT VIAB	-399 NOT VIAB	-571 NOT VIAB	-743 NOT VIAB
10	Whittington Gr Sch	187/ 262	521 VIABLE	246 MARGINAL	101 NOT VIAB	-45 NOT VIAB	-194 NOT VIAB
11	Orchard Farm	161/ 236	585 VIABLE	328 VIABLE	199 MARGINAL	64 NOT VIAB	-73 NOT VIAB
12	Central Garage	275/ 350	175 NOT VIAB	-253 NOT VIAB	-470 NOT VIAB	-687 NOT VIAB	-906 NOT VIAB
13	Mastrom Printers	179/ 254	1,378 VIABLE	895 VIABLE	643 VIABLE	397 VIABLE	136 NOT VIAB
14	Millbrook Drive	75/ 150	723 VIABLE	410 VIABLE	245 VIABLE	78 MARGINAL	-90 NOT VIAB
15	Pear Tree Cottage	100/ 175	421 VIABLE	199 VIABLE	85 NOT VIAB	-31 NOT VIAB	-147 NOT VIAB

Source: Lichfield Strategic Housing Viability Study, Fordham Research 2009. This map appears as Figure 6.3.

3.4 In considering this table, the following points should be borne in mind:

(i) The results are shown for a range of situations: no affordable housing and affordable targets of 20% to 50%. They are colour coded: green means viable, yellow is marginal and red is unviable

(ii) The 'Alt use value' column shows two figures for each site. The first on is the value in terms of residual land value in £'000 per acre of the (next best) alternative use, e.g. industrial. The second figure is the basic value plus £75k per acre. The latter is summarised as the 'cushion' and is the assumed extra profit margin that might be required by the land owner, over and above the basic alternative use value in order to induce a sale. Clearly in some cases the owner will be happy to sell at the alternative use value, and in others will require varying extra incentive to sell. The top left cell for 'no affordable' for Old Hall Farm shows a value of £203k which is well above the alternative use value plus cushion base of £85k.

(iii) The yellow 'marginal' cases do not necessarily imply un-viability: some owners would be prepared to sell, as they cannot do better by choosing the alternative use value, and they may need the money now. Thus Old Hall Farm shows viability at a 20% affordable housing target, but not enough to pay the cushion.

3.5 On the basis of these results we suggested that a target of 20% affordable housing was reasonable for the district as a whole. Clearly those putting forward planning applications could also put forward arguments about the specifics of their site, and thus negotiate variations in that broad target.

Use of Dynamic Viability Analysis

3.6 Due to the inflexibility of a single affordable housing target in the uncertain housing markets that have followed the 2007 crash, Fordham Research developed an approach called Dynamic Viability analysis. This was designed to allow an LDF Examination in Public to view an array of possible future targets driven by familiar price and cost indexes. This enables the Inspector to view the full range of possible targets over the plan period.

3.7 It also allows the local authority to reset the affordable housing target periodically by simply checking the current values of the key indexes. Thus the target is adjusted to changing market conditions without the need for any policy change. This is why Dynamic Viability targets can be validly approved by an LDF Inspector for the 20 year plan period. The target will always remain relevant to the market conditions; however they may vary over the period of the plan.

3.8 Dynamic Viability has been used in reports originally by Fordham Research and latterly by Richard Fordham and Company for over two years. During that period four of the studies have come before LDF Inspectors at inquiry (all during 2011):

- Royal Borough of Kensington and Westminster

- Kings Lynn and West Norfolk
- Shropshire
- LB Waltham Forest

3.9 All have been greeted favourably. The most detailed examination was at Shropshire, where a full range of stakeholders took part and the Inspector issued a ringing endorsement, saying that:

> *'its [Dynamic Viability's] evidential basis in terms of relating to the changing viability of development over time* ***seems to offer a sounder approach than that of a fixed and immutable target'***

Para 67 of the Report by the Inspector Stephen J Pratt. Issued by PINS 7th February 2011

3.10 Since the only alternative to Dynamic Viability is a single target (whether currently applicable or set at some uncertain point in the future) the Shropshire Inspectors' statement is pretty conclusive evidence that Dynamic Viability is the best solution to affordable housing target setting.

3.11 It must be borne in mind of course that all targets are just that: they are general indications and not site-specific determinants. Each site owner can put forward individual viability arguments related to their site, which may cause the local authority to agree to vary the general target in that specific case.

Details of approach

3.12 The Council adopted the results of the 2009 report and with it the updating approach built into the Dynamic Viability method.

3.13 The 2009 AHVS concluded that, at current market conditions, the highest target that could reasonably be applied was 20%. It went on to suggest that over time, as prices and costs changed, viability would alter, and it might become possible to set a higher target. A Dynamic Viability (DV) approach was proposed.

3.14 Under this approach, levels of viable target under different combinations of price, cost and land value movements were set out in a Matrix table. Movements in these three variables would then be monitored using nationally available indices. At periodic intervals, the latest index values would be used to establish an updated target from the Matrix, in a completely transparent procedure.

3.15 An enormously large and complex series of computations would be required to produce the Matrix if all 10 sites in the AHVS were used. Even if this were practicable, determining the viability 'tipping point' precisely in every single computation would introduce considerable subjectivity. Instead, from the 10 a single site was selected as most representative of all the sites. This was adjusted to create a notional 'benchmark site' which was just viable at the AHVS target of 20% and a mechanical calculation for this site was then used to generate all the combinations in the DV Matrix. The site selected as the basis for the benchmarking process was Site 4: Land S of Shortbutts Lane. This was seen as typical of likely future housing development in Lichfield.

3.16 The updating process involves three well established and published index series:

Table 3.2 Indices for automatic updating of Dynamic Viability

Variable	*Proposed index*	*Starting Value*
House Price	Halifax House Price Index	Feb 2009 = 519.1
Source	Halifax House Price Index (free, monthly series seasonally adjusted) http://www.lloydsbankinggroup.com/media1/research/halifax_hpi.asp	
Build cost	BCIS General Building Cost Index	March 2009 = 286.3
Source	BCIS Review Online (subscription only, monthly) Produced by the Royal Institute of Chartered Surveyors http://www.bcis.co.uk/online	
Alternative use value	Property Market Report (VOA) Value of Agricultural Land (Equipped Arable) for Shropshire	July 2009 = figure is £7,393 per acre/£18,261 per ha for the old West Midlands. In January 2010 (published July 2010) the equivalent agricultural figure for Shropshire was £7,500 per acre
Source	Valuation Office Agency: Property Market Reports (free, six monthly) http://www.voa.gov.uk/publications/property_market_report/pmr-jan-2010/index.htm	

Source: Lichfield Strategic Housing Viability Study, Fordham Research 2009. This table appears as Table 8.1.

3.17 This table provides the links to the published indexes. The resultant range of targets was set in tables such as the following. As can be seen, the 20% target is outlined in its cell, which corresponds to zero for both cost and price indices. There is, behind this, an alternative use value matrix and this table represents the base position for that alternative use value matrix as well.

Figure 3.1 Superfine Matrix: base alternative use value

Cost Change BCIS Index		Price Change HPI								
	%	-4%	-2%	0%	2%	4%	6%	8%	10%	12%
%		498.3	508.7	519.1	529.5	539.9	550.2	560.6	571.0	581.4
-4%	274.8	20%	20%	25%	25%	30%	30%	30%	35%	35%
-2%	280.6	15%	20%	20%	25%	25%	25%	30%	30%	35%
0%	286.3	10%	15%	20%	20%	25%	25%	25%	30%	30%
2%	292.0	10%	10%	15%	15%	20%	20%	25%	25%	30%
4%	297.8	5%	10%	10%	15%	15%	20%	20%	25%	25%
6%	303.5	5%	5%	10%	10%	15%	15%	20%	20%	25%
8%	309.2	0%	5%	5%	10%	10%	15%	15%	20%	20%
10%	314.9	0%	0%	5%	5%	10%	10%	15%	15%	20%

Source: Lichfield Strategic Housing Viability Study, Fordham Research 2009. This table appears as Table 8.3.

3.18 A table of this kind can be seen to permit the target to vary as the indexes change over time. The approach has now been improved to the point where a single matrix has been developed to include all three indexes. This is done by having all the variations of each alternative use value within one cell. Thus the 20% in the above table would be represented by a larger cell including all 8 of the bands of the third dimension: the alternative use value.

Summary

3.19 Fordham Research carried out a detailed Affordable Housing Viability Study in 2009. This led to a Dynamic Viability analysis based on the Benchmark Site at Shortbutts Lane. This analysis permitted regular updating of the affordable target of 20% to ensure that it reflects future changes in housing market affordability. The technique of Dynamic Viability has been welcomed by the four Planning Inspectors who have so far assessed it at LDF hearings.

4. A target for Affordable Rented housing

Introduction

4.1 In principle there would be no need for an update report if there had not been a major change in the political scenery: the updating process summarised in the previous chapter could simply be applied. However there has been a major change: Affordable Rent.

4.2 As discussed in Chapter 1 the principles involved in Affordable Rent are:

(i) To make the available £2bln of public grant for the years 2011-2014 go further. The aim is to mobilise any credit that RPs may have as well as any other sources of funding, in addition to capitalising the future cash flow from the much more expensive Affordable Rent

(ii) To set the Affordable Rent at 80% of market rent, rarely less, and to use the capitalised annual flows of rent to pay for additional Affordable Rent housing. It is also hoped that social housing relets will be converted to Affordable Rent: this produces and additional flow of rent (or capitalised building costs) without the cost of building anything. From our limited experience about 50% of relets re being converted to Affordable Rent is a typical figure.

4.3 The conclusions of the earlier analysis (Chapter 2) are that about a fifth of renting households planning to move in the next 5 years could be assisted by Affordable Rent set at 80%.

4.4 Replacing social rented in part or wholly with Affordable Rent will clearly affect the viability of development as assessed in the 2009 AHVS. Other things equal, RPs will be able to pay more to developers for affordable rent units because the higher rent levels will make them more profitable.

4.5 Of course, any consequent improvement in viability would be offset if, at the same time, the level of grant were reduced. However, in Lichfield's case the 2009 study assumed that no grant would be provided in support of affordable housing provided by developers through s106.

Basis for assessing targets under Affordable Rent

4.6 A preliminary step was to assess the levels of private rental in the district and to estimate the prices at which Affordable Rented housing could be sold to RPs. The private rent survey done as part of the 2011 SHMA update was used to estimate private rented sector affordability.

4.7 In order to assess the price which might be paid by RPs to landowners/developers for Affordable Rented units we carried out a survey of RPs likely to be active in the district.

4.8 The following questionnaire was issued to the three RPs identified by Lichfield as possible providers of Affordable Rent in the district:

- Waterloo HA
- Bromford HA
- Midland Heart HA

4.9 The questionnaire is provided in Appendix 1. We are most grateful to the RPs involved. The results were obtained in confidence and so they are not tabulated in detail here as the number of organisations was small.

Comment [RCF1]:

4.10 The replies reflected limited experience of Affordable Rent in this part of the country to date, and so provided only a broad indication of what providers might be able to pay. However they enabled us to draw broad conclusions about the level of purchase price that providers could pay for Affordable Rent units. We concluded that they could pay on average around £95 per sq ft (£1022 per sq m) for flats and for houses.

4.11 These figures are higher than the figures they were assumed to pay in the AHVS for social rented units with no grant, which were around £70 per sq ft (£755 per sq m) for flats, and around £65 per sq ft (£700 per sq m) for houses.

Procedure followed

4.12 The move to Affordable Rent would, as we have seen, allow providers to pay significantly higher prices than they would have been able to do for social rented dwellings at the time of the 2009 Study. The role of shared ownership under the new regime is unclear, since Affordable Rent is now pitched much closer in affordability terms. In fact the purchase prices for shared ownership in the 2009 Study were just a little higher than the new Affordable Rent figures, at £108 per sq ft (£1,160 per sq m) for flats and £102 per sq ft (£1,100 per sq m) for houses. We assumed that these prices remained unchanged.

4.13 It was felt that the DV 'benchmark' site provided a simple and transparent way of establishing and quantifying the impact of the Affordable Rent regime upon the AHVS target. The benchmark appraisal, showing a 20% target to be just viable at base cost and price levels, could be run with the new RP purchase prices to show what target level of affordable housing could be achieved under the viability conditions in the 2009 study but with social rent replaced by Affordable Rent.

Results of the calculations

4.14 The benchmark appraisal was re-run with the Affordable prices as described above, and the affordable proportion adjusted until the site was just viable. The results of both the original and revised benchmark appraisals are set out in Appendix 2.

4.15 The higher prices RPs could pay for Affordable Rent will improve viability, other things equal, and suggest that the 2009 Study's target of 20% could be increased, and in fact the results from applying the purchase prices to the 'benchmark' site confirm this. The benchmark site is now fully viable at:

26%.

4.16 Accordingly we would suggest that the target be increased to 26% but now applying to Affordable Rent and not to social rented housing.

4.17 As background to these findings, it should be noted that we have assumed a significant uplift in the existing use value: some £65,000 per acre (as shown in the first column of figures in Table 3.1). By no means all landowners require such a 'cushion'. The uplift required to produce a willingness to sell varies from site to site and use to use. In many cases it will not be as high as the £60,000 we have assumed: we have aimed to err on the safe side: our assumption is a conservative one.

Looking at the peak

4.18 The 2009 AHVS also investigated the level of target that would have been appropriate at the housing market peak in 2007. It found (para 6.45) that the target would have been 40%. We have repeated the exercise outlined above to show how the change to Affordable Rent would have impacted on this target figure of 40%.

4.19 If the 2012 Affordable Rent prices we have obtained were applied to the 2007 peak, the result would be a substantial increase in target. In fact it would have been possible to increase the target to 53%.

4.20 It is important to bear in mind that this exercise is notional. It uses 2012 Affordable Rent prices: there were none in 2007 and 2009 and so we are not quite comparing like with like. It is therefore not really possible to estimate a very accurate 'target with Affordable Rent' for 2007.

Summary

4.21 We have assessed the viability of an affordable housing target based on Affordable Rent. Affordable Rent is clearly a more viable product than social rent: it has a much higher rent generation to pay towards its production cost.

4.22 Our analysis suggests that, the effect of switching from a target based mainly on social rent, to one based mainly on Affordable Rent is that, using the benchmark site at March 2009, an affordable housing target of 26% could be justified.

Appendix 1: Questionnaire to Registered Providers

A1.1 The following questionnaire was issued to the six RPs identified by Lichfield as possible providers of Affordable Rent in the District:

Waterloo HA

Bromford HA

Midland Heart HA

A1.2 The questionnaire results were mainly based on hypothetical costs, as few RPs had direct experience of buying Affordable Rent; properties with S106 money. There was no evidence of any Affordable Rent house building in Lichfield. The programming of newbuild and the recent introduction of Affordable Rent means that it will be several years before it is a typical form of newbuild. Most current affordable house building is still using money from the previous funding round.

Affordable Rent in Lichfield: Questionnaire

This short questionnaire is designed to obtain price information from Registered Providers active or potentially active in Lichfield. Our contact at Lichfield is Lucy Robinson for whom we are working on the task of analysing the scope for Affordable Rent in the district.

Any information provided will be treated in strict confidence. From previous phone calls we know that many RPs have not yet done Affordable Rent schemes in Lichfield and so the following questions allow you to state the basis for the figures. The questions allow for a wide range of dwelling types, but please fill in any data you have for specified dwelling types. It is assumed that your RP has or may buy housing for Affordable Rent, normally using S106 money.

Q1 Does the information below relate to (please tick)

- A scheme in Lichfield? Y/N
- A scheme outside Lichfield that is in a comparable market? Y/N
- Hypothetical costs generated using your in-house approach? Y/N

Q2. Questions on price paid for Affordable Rent (in principle or in practice)			
Type of dwelling	Numbers if in a scheme	Size ft^2 or m^2 (please specify)	Price paid + any comment
Flats			
1 bed dw			
2 bed dw			
3 bed dw			
4 bed dw			

Q3 Any further comment

Thank you very much for your help

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Appendix 2 Financial appraisal summaries

A6.1 The development viability **summaries** in the following pages set out the assumptions and outputs for two versions of the Benchmark appraisal (nominally based on Site 4 Shortbutts Lane).

A6.2 The first shows the Benchmark appraisal as used in the 2009 Study, providing 20% affordable. The second shows that appraisal updated, replacing social rented housing with ‘Affordable Rent’ units. The proportion of affordable housing increases to 26%.

Benchmark Site Base Appraisal as 2009 Study

Input assumptions | **Scenario & option** | Benchmark Appraisal Affordable = 20%

Lichfield site viability study

Site details

Site		Lich 04	
Location		South of Shortbutts Lane Lichfield	
Area	ha	2.40	
	acres	5.930400	
No dwgs		100	
Density dw/ha		41.7	
			£k
Contingency			
	allowance	2.50%	196
Development costs			
	standard % build	16.00%	1,284
	plus abnormals	0.6%	45
Total		17%	
Design fees			
	on build costs	10.0%	803
on dev costs		0%	
Planning gain			
£ per dwg		7,300	
£ per HOUSE		550	
£ per MKT HOUSE		600	
Assumed flats %		12%	

Dwellings

Dwellings			ave floor space gross sq ft	net sq ft	build cost per sq ft	sales value per sq ft
Market housing	80.000	80.00%	938	919	83.50	185.05
					0.0%	
Affordable soc rent	16.0	16.00%	938	919	83.50	66.00
					0.0%	
Affordable sh oship	4.0	4.00%	938	919	83.50	103.00
					0.0%	
Aff other 1	0.0	0.00%	938	919	83.50	0.00
					0.0%	
Aff other 2	0.0	0.00%	0	0	83.50	0.00
Total	100.0	100.00%	93,800	91,900	£7,832,300	£14,953,968

Floorspace density = 15,496 net sq ft per acre

Other costs

Planning	422.5	£ per dwelling
Survey	500	£ per dwelling
Marketing	0	£ per dwelling

Interest

% per annum 7.50%

Notes

SITE 1A LAND COST & PHASING

Land					
		Iterate to achieve 20.0% profit		**Hectare**	
		Affordable	No affordable	Affordable	No affordable
Land purchase price	£	**504,100**	**1,662,267**		
RV per acre	£	**85,003**	**280,296**	**£210,042**	**£692,611**
Dev profit	£	**2,387,522**	**2,823,603**		
Total costs	£	**12,567,871**	**14,183,917**		
profit as % of costs		**19.00%**	**19.91%**		

Programme		Year 1 Q1	Q2	Q3	Q4	Year 2 Q1	Q2	Q3	Q4	Year 3 Q1	Q2	Q3	Q4	Year 4 Q1	Q2	Q3	Q4	Year 5 Q1	Q2	Q3	Q4	TOTALS
Units started	*Market housing*			3.2	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	0.0	0.0	0.0	0.0	0.0	80.0
	Affordable soc rent			0.6	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	0.0	0.0	0.0	0.0	0.0	16.0
	Affordable sh oship			0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	4.0
	Aff other 1			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Aff other 2			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL	0	0	4	8	8	8	8	8	8	8	8	8	8	8	8	0	0	0	0	0	100.0
Units 'built' +2Q	*Market housing*			0	0	3	6	6	6	6	6	6	6	6	6	6	6	6	0	0	0	80
	Affordable soc rent			0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	16
	Affordable sh oship			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4
	Aff other 1			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aff other 2			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Units completed +3Q	*Market housing*				0	0	3	6	6	6	6	6	6	6	6	6	6	6	6	0	0	80
	Affordable soc rent				0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	16
	Affordable sh oship				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4
	Aff other 1				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aff other 2				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Units purchased +4Q	*Market housing*					0	0	3	6	6	6	6	6	6	6	6	6	6	6	6	0	80
	Affordable soc rent					0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	0	16
	Affordable sh oship					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4
	Aff other 1					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aff other 2					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

SITE 1A CASH FLOW AFFORDABLE

			Year 1				Year 2				Year 3				Year 4				Year 5				
		rate	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	TOTALS
INCOME																							
Housing sales	*Market housing*		0	0	0	0	0	0	544	1,088	1,088	1,088	1,088	1,088	1,088	1,088	1,088	1,088	1,088	1,088	1,088	0	13,605
	Affordable soc rent		0	0	0	0	0	0	39	78	78	78	78	78	78	78	78	78	78	78	78	0	970
	Affordable sh oship		0	0	0	0	0	0	15	30	30	30	30	30	30	30	30	30	30	30	30	0	379
	Aff other 1		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aff other 2		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sales fees		0	0	0	0	0	0	-19	-39	-39	-39	-39	-39	-39	-39	-39	-39	-39	-39	-39	0	-487
Total income			**0**	**0**	**0**	**0**	**0**	**0**	**598**	**1,196**	**1,196**	**1,196**	**1,196**	**1,196**	**1,196**	**1,196**	**1,196**	**1,196**	**1,196**	**1,196**	**1,196**	**0**	**14,954**
COSTS																							
Land	*Land acquisition*		504																				504
	Stamp duty		20																				20
	Purchase fees		14																				14
	Total																						**538**
Build costs	*Market housing*		0	0	0	0	251	501	501	501	501	501	501	501	501	501	501	501	501	0	0	0	6,266
	Affordable soc rent		0	0	0	0	50	100	100	100	100	100	100	100	100	100	100	100	100	0	0	0	1,253
	Affordable sh oship		0	0	0	0	13	25	25	25	25	25	25	25	25	25	25	25	25	0	0	0	313
	Aff other 1		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aff other 2		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Build contingency	*2.5%*	0	0	0	0	8	16	16	16	16	16	16	16	16	16	16	16	16	0	0	0	196
	Total																						**8,028**
Dev costs	*Upfront*	*8.0%*	161	161	161	161																	642.25
	Build related	*8.0%*	0	0	26	51	51	51	51	51	51	51	51	51	51	51	51	0	0	0	0	0	642.25
	Abnormals	*1%*	22	22																			44.96
	Total																						**1,329**
Fees	*Fees on build costs*	*10.0%*	0	0	0	0	32	64	64	64	64	64	64	64	64	64	64	64	64	0	0	0	802.811
	Fees on dev costs	*0.0%*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
	Total																						**803**
PG	*Planning gain*				33	66	66	66	66	66	66	66	66	66	66	66	66	0	0	0	0	0	820.640
	Total																						**821**
Other	*Planning*	*£423*	14	14	14																		42.25
	Survey	*£500*	50																				50.00
	Marketing	*£0*			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00
	Total																						**92**
Sales fees	*b/forward from above*		0	0	0	0	0	0	19	39	39	39	39	39	39	39	39	39	39	39	39	0	**487**
Total costs			**785**	**197**	**233**	**278**	**470**	**824**	**843**	**862**	**862**	**862**	**862**	**862**	**862**	**862**	**862**	**745**	**745**	**39**	**39**	**0**	**12,098**
Net profit/loss from quarter			**-785**	**-197**	**-233**	**-278**	**-470**	**-824**	**-245**	**334**	**334**	**334**	**334**	**334**	**334**	**334**	**334**	**451**	**451**	**1,157**	**1,157**	**0**	**2,856**
Profit/loss bf from last quarter			0	-800	-1,016	-1,272	-1,579	-2,087	-2,965	-3,270	-2,991	-2,707	-2,418	-2,123	-1,823	-1,516	-1,205	-887	-444	7	1,186	2,388	
Cumulative profit/loss			-785	-997	-1,249	-1,550	-2,049	-2,911	-3,210	-2,936	-2,657	-2,373	-2,084	-1,789	-1,489	-1,183	-871	-436	7	1,164	2,344	2,388	
Interest	*Charged at*	*7.50%*	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	0.00%	
	Total		-15	-19	-23	-29	-38	-55	-60	-55	-50	-45	-39	-34	-28	-22	-16	-8	0	22	44	0	**-469.78**
Cumulative developer profit carried forward to RV calc			**-800**	**-1,016**	**-1,272**	**-1,579**	**-2,087**	**-2,965**	**-3,270**	**-2,991**	**-2,707**	**-2,418**	**-2,123**	**-1,823**	**-1,516**	**-1,205**	**-887**	**-444**	**7**	**1,186**	**2,388**	**2,388**	**2,386**

Benchmark Site Base Appraisal updated for Affordable Rent

Input assumptions

Scenario & option: Benchmark Appraisal Updated for 'Affordable Rent'

Lichfield site viability study

Site details

Site		Lich 04	
Location		South of Shortbutts Lane Lichfield	
Area	ha	2.40	
	acres	5.930400	
No dwgs		100	
Density dw/ha		41.7	
			£k
Contingency			
	allowance	2.50%	196
Development costs			
	standard % build	16.00%	1,284
	plus abnormals	0.6%	45
Total		17%	
Design fees			
	on build costs	10.0%	803
on dev costs		0%	
Planning gain			
£ per dwg		7,300	
£ per HOUSE		550	
£ per MKT HOUSE		600	
Assumed flats %		12%	

Dwellings

Dwellings		26%	ave floor space gross sq ft	net sq ft	build cost per sq ft	sales value per sq ft
Market housing	74.000	74.00%	938	919	83.50	185.05
					0.0%	
"Affordable rent"	20.8	20.80%	938	919	83.50	95.00
					0.0%	
Affordable sh oship	5.2	5.20%	938	919	83.50	103.00
					0.0%	
Aff other 1	0.0	0.00%	938	919	83.50	0.00
					0.0%	
Aff other 2	0.0	0.00%	0	0	83.50	0.00
Total	100.0	100.00%	93,800	91,900	£7,832,300	£14,892,671

Floorspace density = 15,496 net sq ft per acre

Other costs

Planning	422.5	£ per dwelling
Survey	500	£ per dwelling
Marketing	0	£ per dwelling

Interest

% per annum 7.50%

Notes

SITE 2A LAND COST & PHASING

Land

Affordable =	26.0%		Iterate to achieve 20.0% profit			
					Hectare	
Build cost =	83.5		Affordable	No affordable	Affordable	No affordable
Price =	185.05					
	Land purchase price	£	510,007	1,653,989		
	RV per acre	£	85,999	278,900	£212,503	£689,162
	Dev profit	£	2,346,612	2,836,181		
	Total costs	£	12,547,484	14,171,339		
	profit as % of costs		18.70%	20.01%		

Programme		Year 1 Q1	Q2	Q3	Q4	Year 2 Q1	Q2	Q3	Q4	Year 3 Q1	Q2	Q3	Q4	Year 4 Q1	Q2	Q3	Q4	Year 5 Q1	Q2	Q3	Q4	TOTALS
Units started	*Market housing*			3.0	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	5.9	0.0	0.0	0.0	0.0	0.0	74.0
	Affordable soc rent			0.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	0.0	0.0	0.0	0.0	0.0	20.8
	Affordable sh oship			0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	5.2
	Aff other 1			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Aff other 2			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	TOTAL	0	0	4	8	8	8	8	8	8	8	8	8	8	8	8	0	0	0	0	0	100.0
Units 'built'	*Market housing*			0	0	3	6	6	6	6	6	6	6	6	6	6	6	6	0	0	0	74
+2Q	*Affordable soc rent*			0	0	1	2	2	2	2	2	2	2	2	2	2	2	2	0	0	0	21
	Affordable sh oship			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
	Aff other 1			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aff other 2			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Units completed	*Market housing*				0	0	3	6	6	6	6	6	6	6	6	6	6	6	6	0	0	74
+3Q	*Affordable soc rent*				0	0	1	2	2	2	2	2	2	2	2	2	2	2	2	0	0	21
	Affordable sh oship				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
	Aff other 1				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aff other 2				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Units purchased	*Market housing*					0	0	3	6	6	6	6	6	6	6	6	6	6	6	6	0	74
+4Q	*Affordable soc rent*					0	0	1	2	2	2	2	2	2	2	2	2	2	2	2	0	21
	Affordable sh oship					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
	Aff other 1					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aff other 2					0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

SITE 2A CASH FLOW AFFORDABLE

		rate	Year 1 Q1	Q2	Q3	Q4	Year 2 Q1	Q2	Q3	Q4	Year 3 Q1	Q2	Q3	Q4	Year 4 Q1	Q2	Q3	Q4	Year 5 Q1	Q2	Q3	Q4	TOTALS
INCOME																							
Housing sales	*Market housing*		0	0	0	0	0	0	503	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	1,007	0	12,585
	Affordable soc rent		0	0	0	0	0	0	73	145	145	145	145	145	145	145	145	145	145	145	145	0	1,816
	Affordable sh oship		0	0	0	0	0	0	20	39	39	39	39	39	39	39	39	39	39	39	39	0	492
	Aff other 1		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aff other 2		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sales fees		0	0	0	0	0	0	-18	-37	-37	-37	-37	-37	-37	-37	-37	-37	-37	-37	-37	0	-457
Total income			**0**	**0**	**0**	**0**	**0**	**0**	**596**	**1,191**	**1,191**	**1,191**	**1,191**	**1,191**	**1,191**	**1,191**	**1,191**	**1,191**	**1,191**	**1,191**	**1,191**	**0**	**14,893**
COSTS																							
Land	*Land acquisition*		510																				510
	Stamp duty		20																				20
	Purchase fees		14																				14
	Total																						**544**
Build costs	*Market housing*		0	0	0	0	232	464	464	464	464	464	464	464	464	464	464	464	464	0	0	0	5,796
	Affordable soc rent		0	0	0	0	65	130	130	130	130	130	130	130	130	130	130	130	130	0	0	0	1,629
	Affordable sh oship		0	0	0	0	16	33	33	33	33	33	33	33	33	33	33	33	33	0	0	0	407
	Aff other 1		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Aff other 2		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Build contingency	*2.5%*	0	0	0	0	8	16	16	16	16	16	16	16	16	16	16	16	16	0	0	0	196
	Total																						**8,028**
Dev costs	*Upfront*	*8.0%*	161	161	161	161																	642.25
	Build related	*8.0%*	0	0	26	51	51	51	51	51	51	51	51	51	51	51	51	0	0	0	0	0	642.25
	Abnormals	*1%*	22	22																			44.96
	Total																						**1,329**
Fees	*Fees on build costs*	*10.0%*	0	0	0	0	32	64	64	64	64	64	64	64	64	64	64	64	64	0	0	0	802.811
	Fees on dev costs	*0.0%*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.0000
	Total																						**803**
PG	*Planning gain*				33	65	65	65	65	65	65	65	65	65	65	65	65	0	0	0	0	0	817.472
	Total																						**817**
Other	*Planning*	*£423*	14	14	14																		42.25
	Survey	*£500*	50																				50.00
	Marketing	*£0*			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00
	Total																						**92**
Sales fees	*b/forward from above*		0	0	0	0	0	0	18	37	37	37	37	37	37	37	37	37	37	37	37	0	**457**
Total costs			**792**	**197**	**233**	**277**	**470**	**823**	**842**	**860**	**860**	**860**	**860**	**860**	**860**	**860**	**860**	**743**	**743**	**37**	**37**	**0**	**12,071**
Net profit/loss from quarter			**-792**	**-197**	**-233**	**-277**	**-470**	**-823**	**-246**	**332**	**332**	**332**	**332**	**332**	**332**	**332**	**332**	**448**	**448**	**1,155**	**1,155**	**0**	**2,821**
Profit/loss bf from last quarter			0	-806	-1,022	-1,279	-1,585	-2,094	-2,971	-3,278	-3,001	-2,719	-2,433	-2,140	-1,842	-1,539	-1,230	-915	-476	-28	1,148	2,347	
Cumulative profit/loss			-792	-1,003	-1,255	-1,556	-2,055	-2,917	-3,217	-2,946	-2,669	-2,388	-2,101	-1,809	-1,511	-1,208	-898	-467	-27	1,127	2,303	2,347	
Interest	*Charged at*	*7.50%*	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	0.00%	
	Total		-15	-19	-24	-29	-39	-55	-60	-55	-50	-45	-39	-34	-28	-23	-17	-9	-1	21	43	0	**-476.04**
Cumulative developer profit carried forward to RV calc			**-806**	**-1,022**	**-1,279**	**-1,585**	**-2,094**	**-2,971**	**-3,278**	**-3,001**	**-2,719**	**-2,433**	**-2,140**	**-1,842**	**-1,539**	**-1,230**	**-915**	**-476**	**-28**	**1,148**	**2,347**	**2,347**	**2,345**