



Plymouth SPD Assessment Report
Economic Appraisal of Planning Obligations and Affordable Housing
Prepared on behalf of Plymouth City Council

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1.0 Objective

- 1.1 This report has been prepared at the request of Plymouth City Council in February 2008. The objective is to assist the City Council in securing the optimum amount of community benefit through “planning gain”, within the constraints of national planning policy guidance and local planning policy in order to “capture” value associated with the implementation of planning permissions.

2.0 Background

- 2.1 It is not the purpose of this paper to rehearse in detail the philosophical and political arguments associated with planning gain, which successive governments have considered and implemented with partial success over the last 60 years. The arguments centre around the notion that planning permission is granted by democratically elected bodies who have the ability to confer enhanced value on land through the grant of planning permission. This “windfall gain” is enjoyed by the owners of that land, who can trade it with the benefit of planning permission or develop the holding to realise further development value. Successive labour administrations have attempted to capture by taxation, a proportion of that value whilst generally conservative administrations have repealed these arrangements allowing landowners to retain the value benefit from the grant of planning permission.
- 2.2 The last central government inspired attempt to seek to capture value from the planning system was the Treasury’s proposal for Planning Gain Supplement (PGS). This envisaged affordable housing contributions to be available to the local community from the grant of planning permission, but their would be a planning gain tax on the uplift in value from the existing use value expressed as a percentage, plus a scaled back site specific s106 agreements. The proposal included arrangements whereby 30% of the planning gain supplement would be retained by the Treasury and then used for planning and infrastructure related investment within the appropriate region, with the balance being returned to the local authority. These proposals were considered expensive to operate and would cause potential hardship to local authorities who were denied the top-sliced 30% of planning gain value. The proposals were eventually scrapped in 2007, following a period of deliberation that had spanned some 6 years, starting with a proposal that tariffs might offer a solution to the perception at that time that s106 agreements were inequitable and not sufficiently transparent.
- 2.3 Since 2001 when the problems with planning gain were being reconsidered by the current administration, local planning authorities have become more sophisticated and adept at using s106 agreements to “capture” development value and also in developing new procedures in assessing how appropriate value should be assessed. In particular a number of authorities began introducing planning

gain tariffs from 2003/4 as more transparent and equitable approaches to planning gain. These have a number of benefits:

- Developers and landowners have certainty over the contributions anticipated from specific developments:
- Standardised planning agreements can be used saving time and cost
- Value is captured from almost all planning permissions that are implemented, other than householder applications: and
- Value is captured on a more equitable basis.

2.4 However, in order to clarify central government's position, it re-issued previous advice to planning authorities on planning gain three years ago in Circular 05/2005. Importantly, the longstanding principles relating to planning gain were re-emphasised in Annex B, Broad Principles, that planning obligations should be:

2.5 A planning obligation must be:

- (i) relevant to planning;
- (ii) necessary to make the proposed development acceptable in planning terms;
- (iii) directly related to the proposed development;
- (iv) fairly and reasonably related in scale and kind to the proposed development; and
- (v) reasonable in all other respects.

2.6 Essentially this guidance reinforces the needs based approach to planning gain, whilst in frequently the approach being adopted through planning gain tariffs is more related to an impact fee approach to mitigate planning harm, taking on board paragraph 1.8, PPS1 which requires Planning Authorities to ensure that social inclusion, economic development, environmental protection and the prudent use of resources are at the forefront of policy making and implementation. Plymouth City Council has prepared a draft Planning Obligations and Affordable Housing SPD incorporating a tariff based approach to planning gain. By way of further background we have included a brief socio-economic summary of Plymouth in Appendix 1.

3.0 Draft Planning Obligations and Affordable Housing SPD

- 3.1 Plymouth City Council's draft Planning Obligations and Affordable Housing SPD was consulted on (in accordance with Local Development Regulation 17) over a six week period from 9 November 2007 until 21 December 2007. The objective of this SPD is to provide clarity to developers, planning officers, stakeholders and local residents regarding the basis on which planning obligations and affordable housing will be sought. It will assist in implementing local objectives in respect of the provision of sustainable development across the City by contributing towards the delivery of the Plymouth Adopted Core Strategy.
- 3.2 The SPD provides further, more detailed policy guidance to supplement the Plymouth Core Strategy, for all those involved in the submission and determination of those planning applications where planning obligations will be required. It also details the type of obligations that may be required, sets out formulae and thresholds where appropriate and indicates the relative importance that the Council might place on the varying types of obligation in different parts of Plymouth.

4.0 Report Purpose

- 4.1 Although tariff based proposals are normally considered to be more equitable compared with negotiated s106 agreements and using a standard tariff should make preparation of draft agreements easier and collection of planning gain more efficient, there are issues relating to the ability and willingness of developers and landowners to pay such contributions towards physical and social infrastructure. The purpose of this report is to consider the extent to which the draft SPD is likely to be successful and whether from a viability perspective any alterations might be prudent.
- 4.2 By way of further background, the shift towards more equitable bases for the levying and collection of planning gain has been a central government objective over at least the last 7 years. Indeed in the period from 1997 – 2007 there has been an unprecedented growth in the housing market and generally benign conditions across most property market sectors fuelled by cheap and plentiful finance. Land values for development during this period tended to rise at a faster rate than housing values due to the gearing affect that occurs during the development process. The incidence of planning gain taxes / contributions tend to fall on landowners rather than developers, since developers will only initiate development if they perceive an adequate return to compensate for their development risks. Furthermore during this period central government has encouraged local authorities to generate income through innovative local charges such as planning gain. This has been paralleled by the general increases in land values that have enabled, where planning gain is collected, for landowners to absorb generally increasing planning gain costs.

- 4.3 However there is a limit to how much planning gain can realistically be sought without land being withheld from the market. If the tariff is set too high landowners will tend to withhold potential development land from the market, on the basis that there may be political change in the future that might relax the planning gain expectations. If this were to occur, there is an acute risk that expected housing trajectories will not be met, housing supply will reduce, resulting in increasing scarcity and higher housing costs. Conversely if the tariff is set too low, the local authority may forego contributions that the landowners might be prepared to concede in order to secure planning permission for development.
- 4.4 A general concern in relation to any tariff based system will be at which point or points should tariffs be set to secure planning benefit for the local community, recognising that market conditions (expressed through costs and values) change over time.
- 4.5 Against this background our instructions from the City Council have been to consider the following matters which will then assist the City Council in testing the extent to which physical and social infrastructure for the City is likely to be provided through the operation of the planning system and the likely effectiveness of the City Council's draft SPD.

5.0 Instructions

- 5.1 The scope of our instructions were as follows:
1. Test the upper limits that would be reasonable for the total tariff in Plymouth, particularly in relation to the viability of larger sites where there is an affordable housing requirement
 - a. Market commentary - Market strengths, characteristics and drivers.
 - b. Indicative land, and built sales values in Plymouth for commercial and residential uses. Consider – city centre, suburban, and urban extension sites and high, mid and low value scheme at each type of location.
 - c. How Plymouth sits in region especially with regard to adjoining councils & planning obligations.
 - d. Consider other examples of tariffs and explore what they are charging and what is omitted. Evaluate how these are working in practice and the extent to which land supply for development has been effected. Does the tariff generate reduced risk and does it reduce or increase developers costs?

- e. Consider the timing of tariff payments and the likely effects on the City Council. Would the City Council need to gap fund infrastructure investment ahead of recovery from developers? If so should interest charges be included in the tariff to recover these costs?

2. Build market sensitivity into the tariff – internal briefing note

- f. On what measure do we judge market performance?
- g. Consider the need for annual changes to reflect market not accurate.
- h. How should the negotiated element reflect market performance effects.

3. Other aspects of SPD – the way its structured, presented, inclusion of “negotiated elements” etc – internal briefing note

- i. On line calculator
- j. Standard model for single phased development to put on website?

5.2 We consider these matters below:

1a: Market Commentary

Market Housing Comparables:

- i) In relation to market residential data, we obtained considerable information from our Residential Development Department, Exeter. The market, is currently saturated, with supply exceeding demand. As a consequence, values have dropped by between 5 % - 7% since the peak in 2007.
- ii) We also considered Knight Frank’s most recent sales in Plymouth. These were mostly flats, of different sizes. The examples below represent typical values as at Spring 2008.
 - 2 bedroom ground floor flat, Ebrington Street, Plymouth – 632 sqft, £145,000 – (£229/ sqft)
 - 1 bedroom 3rd floor flat, Ebrington Street, Plymouth – 454 sqft, £134,500 – (£296/ sqft)
 - 1 bedroom ground floor flat, Evolution Core, Plymouth – 549 sqft, £125,000 – (£228/ sqft)
 - 3 bedroom 3rd floor flat, Evolution Core, Plymouth – 1,334 sqft, £295,000 – (£221/ sqft)

- iii) We also examined sales in Azure, Plymouth (a top quality development scheme) from August 2007. The values ranged from £ 235 sq ft to £277 sq ft, however these figures are unlikely to be achieved in the present market due to the continuing market down-turn.
- iv) We also considered Valuation Office Agency (VOA) data. The VOA records all transactions, to track house prices of different types of units throughout the UK by postcode. From these data, averages for Plymouth were obtained, based on the postcodes of developments, and fed into our appraisals. We also deduced the overall sales averages for the different types of units, as a guideline for our own projections. Average sales values in Plymouth for 2007 were as follows:
 - Average Flat sales 2007 - £138,384
 - Average Semi-Detached sales 2007 - £181,551
 - Average Detached Sales 2007 - £310,398
 - Average Terraced Sales 2007 - £ 164,175
- v) We also looked to several property database websites (e.g. Zoopla.co.uk) to determine, in more detail, the range of values for homes according to their location and postcode (i.e. city centre PL1, sub urban PL3, urban extension PL6).

1. Plymouth City Centre

2. Peverell Suburbs

3. Leigham Suburbs



- vi) Although market values have dropped in the past few months, waterfront development can still demand high values. Waterfront developments are priced much higher than other developments with prices as high as £500 - £450 /sq ft. However, for our exercise, we assumed that the lower values found for waterfront development would provide a more realistic scenario. By sampling a number of waterfront flats, the average value was found to be about £389/ sq ft. We decided to round this down to £380 psf for the purpose of appraisal modelling.

Affordable Housing - Social Rents

- i) We spoke to representatives of the Housing Corporation who provided useful information via “Guide to Local Rents”, a spreadsheet with information on social rent values, both gross and net, which were divided according to region and council. The rents were also presented for different unit types, were widely ranged in price and were sourced from different Housing Associations operating in the area.
- ii) For our appraisal of different developments in Plymouth, the Social Rents were chosen from the “Guide to Local Rents” according to the type of development being appraised and the value it was likely to have.

Affordable Housing - Equity Share Value

- i) To determine the split of ownership to be applied to the shared equity units, we spoke to employees at the Housing Department at Plymouth Council. We were advised that the split varies from scheme to scheme as to promote affordability. We were advised that housing schemes usually have a 50/50 split (social rent / shared equity), with the exception of waterfront developments, which tend to provide 75% to be purchased.

Affordable Housing – Recent supply - Plymouth Council 2006/ 07

- i) The Policy Context for affordable housing in Plymouth states that the Council “requires at least 30% affordable housing” (Planning Obligations and Affordable Housing SPD, 2007).
- ii) The headline figures in the Annual Monitoring Report (AMR) for 2006/ 07 state that during this period a total of 252 new affordable homes delivered from a total of 1360 completions on identified sites and windfall sites. This reveals an actual “headline” achievement for affordable housing of 18%. The 2006/ 07 AMR also states that there were 928 total completions on

qualifying sites, of which only 86 affordable homes were delivered through the planning system (S106 agreements). Of these 19 units were wholly funded through developer contributions only and 67 through a mix of public subsidy and developer contributions.

- iii) An additional 166 affordable units (new build and refurbishment) were completed by RSL's. This gives a total of 252 of affordable units developed in 2006/ 07.
- iv) However, we understand that on sites comprising 455 completed units, (out of the 928 completions on qualifying sites), **no affordable housing was sought**. Developers of a further 271 units either agreed on a commuted sum, in lieu of affordable housing, or a lower amount negotiated. From the case study information below it will be seen that the amounts and values associated with the development of a number of sites in Plymouth shows variability and apparent inconsistency and a low delivery of affordable housing through the planning system.

Example Case Studies – Affordable Housing Delivery

Schemes 2006/ 07	Completions	Affordable Units	Affordable Units %	Commuted Sum
Lunar Rise/ Moon Street	99	0	0%	£450,000
Shepherds Wharf	56	0	0%	£109,000
Radford Quarry	12	0	0%	£376,000
Little Woodford	39	9	23%	£0
Coypool	46	14	30%	£0
Belliver	41	11	27%	£0
Recreation Road	99	19	19%	£0
Penrose Yard	42	33	78%	£0
Total	434	86	32%	£530,000
	(267 total units for schemes that delivered affordable housing through S106)			

- 1b Consider indicative land, and built sales values in Plymouth for commercial and residential uses. Evaluate – city centre, suburban, and urban extension sites and high, mid and low value schemes at each type of location.**

Methodology and analysis

- i) In order to evaluate and assess the likely residual land values as a consequence of the tariff, we looked at a number of residential typologies:

Residential typologies

Urban extension

City Centre Scheme - high value

City Centre scheme - mid value

City Centre scheme - low value

Suburban scheme - high value

Suburban scheme - low value

Waterfront Scheme - high value

- ii) In order for the analysis to be consistent, a one hectare site was assumed for each scenario above. For each of the residential types a considerable number of assumptions were made relating to each.
- iii) We then considered the effect of introducing the proposed tariff on residual land values without affordable housing, then affordable housing without the tariff, then the cumulative impact of both and then considered the land use planning consequences.

Residual Land value – No planning gain contributions

- i) The first approach was to ascertain the affect on residual land value without any form of planning gain contribution, against which subsequent analysis could be compared. The results are shown in Table 1 below:

Table 1 Unconstrained residual land value per hectare

<i>Residential typologies</i>	Residual Land Value per Ha
Urban extension	£2,506,341
City Centre Scheme - high value	£3,955,250
City Centre scheme - mid value	£3,405,413
City Centre scheme - low value	£2,305,741
Suburban scheme - high value	£3,268,882
Suburban scheme - low value	£1,703,588
Waterfront Scheme - high value	£8,457,119

- ii) The next stage was to consider the impact by imposing the proposed City Council tariff. Using the same assumptions in the model as the unconstrained model, but switching on the tariff, the results are shown in Table 2 below:

Table 2 Effect of the SPD tariff proposals on residual land value – per hectare

	Residual land value with tariff
<i>Residential typologies</i>	per Ha
Urban extension	£1,951,957
City Centre Scheme - high value	£3,095,126
City Centre scheme - mid value	£2,545,290
City Centre scheme - low value	£1,445,617
Suburban scheme - high value	£2,645,288
Suburban scheme - low value	£1,086,589
Waterfront Scheme - high value	£7,807,701

- iii) As will be seen from Table 3 below, the effect on residual land value of the SPD tariff payments per ha on each of these sites would be as follows:

Table 3 Reduction in land value per ha due to tariff

	Net reduction in land value with tariff
<i>Residential typologies</i>	per Ha
Urban extension	£554,384
City Centre Scheme - high value	£860,123
City Centre scheme - mid value	£860,123
City Centre scheme - low value	£860,123
Suburban scheme - high value	£623,594
Suburban scheme - low value	£616,998
Waterfront Scheme - high value	£649,418

- iv) As a percentage reduction in residual land value, on the unconstrained land value, the comparative figures can be seen in Table 4 below.

Table 4 – Percentage of reduction in value compared with unconstrained land

	% reduction on unrestricted value due to tariff
<i>Residential typologies</i>	
Urban extension	22%
City Centre Scheme - high value	22%
City Centre scheme - mid value	25%
City Centre scheme - low value	37%
Suburban scheme - high value	19%
Suburban scheme - low value	36%
Waterfront Scheme - high value	8%

- v) In general, it will be seen that the high value sites are more readily able to absorb the tariff, whilst this will be more demanding for the low value sites, whether City Centre or suburban. The effect in land use planning terms will be for there to be a tendency for the low value areas to remain in their existing uses rather than to be brought forward for redevelopment as a consequence of the tariff as currently proposed.

Residential Development - Effect of draft SPD affordable housing policy on residual land value

- vi) The next step was to consider the effect of draft SPD affordable housing policy on potential development sites within the City. Again the theoretical 1 hectare site was considered in relation to the same development types assumed in the assessment of the draft tariff. The policy aspirational target, or expectation is for 30% affordable housing, with 60% social rented accommodation and 40% shared equity housing. It is a commonplace that local authorities are generally unaware of the financial burden that affordable housing places on developers and landowners and whilst the burden is to some extent ameliorated in rising property markets, in current conditions this is certainly not the case. We ran the model using the City Council’s policy expectation for affordable housing, but without the imposition of the tariff.

- vii) As Table 5 below illustrates, the residual values of land on this basis are significantly reduced. In lower value areas, it will be evident that residual values fall below £500,000 per hectare. We consider that this level is well below the level that landowners would be prepared to bring land forward to the market. It is only on the waterfront type development sites, with high density development is there a prospect of delivering this level of affordable housing, assuming no housing grant. To bring the likely effects of this policy into sharp focus, it will be seen in Tables 6 and 7 that the absolute and percentage reductions in land value due to the affordable housing policy targets would be extremely challenging. These tables show that in all but the waterfront development example, the reduction in residual land value due to the affordable housing policy expectation is over 50% of the unconstrained land value. It is unlikely that the market, represented by landowners would bring land forward to meet the City Council’s land supply expectations other than high value, high density waterfront locations. In any event such sites will be limited and would not make significant contributions to the overall increase in the City’s housing stock.

Table 5 – Residual land value with SPD policy based affordable housing (per hectare)

	Residual Land Value per Ha
<i>Residential typologies</i>	with Policy based affordable housing
Urban extension	£1,110,823
City Centre Scheme - high value	£1,797,454
City Centre scheme - mid value	£1,412,618
City Centre scheme - low value	£478,014
Suburban scheme - high value	£1,532,431
Suburban scheme - low value	£387,853
Waterfront Scheme - high value	£6,013,917

Table 6 – Reduction in value due to affordable housing compared with unconstrained land

	Reduction in value per ha due to
<i>Residential typologies</i>	affordable housing
Urban extension	£1,395,518
City Centre Scheme - high value	£2,157,795
City Centre scheme - mid value	£1,992,795
City Centre scheme - low value	£1,827,726
Suburban scheme - high value	£1,736,451
Suburban scheme - low value	£1,315,734
Waterfront Scheme - high value	£2,443,202

Table 7 – Percentage reduction in value due to affordable housing compared with unconstrained land

	% reduction on unrestricted value due to affordable housing
<i>Residential typologies</i>	
Urban extension	56%
City Centre Scheme - high value	55%
City Centre scheme - mid value	59%
City Centre scheme - low value	79%
Suburban scheme - high value	53%
Suburban scheme - low value	77%
Waterfront Scheme - high value	29%

- viii) To complete the analysis of the likely effects of the draft SPD, the next stage was to integrate both the proposed tariff and affordable housing expectations, to consider the cumulative effect of these planning gain measures. Not surprisingly, the results in Table 8 below demonstrate that the planning gain costs would be so great that residual land value would be reduced to a negative level in relation to the lower value land areas within the City and again with the exception of high value waterfront development land, there is really little prospect of these levels of planning gain being achieved. In all cases other than the waterfront example, residual land values are less than £1,000,000 per ha (£400,000 per acre). At these values we suspect landowners will tend to withdraw land from the market. Consequently housing supply would be severely reduced. This will tend to drive up house prices with further impacts on affordability.

Table 8 – Cumulative impact of tariff and affordable housing / per ha

	Cumulative impact tariff+ affordable housing / per ha
<i>Residential typologies</i>	
Urban extension	£556,439
City Centre Scheme - high value	£937,331
City Centre scheme - mid value	£552,495
City Centre scheme - low value	-£382,109
Suburban scheme - high value	£908,837
Suburban scheme - low value	-£229,145
Waterfront Scheme - high value	£5,364,499

- ix) The City Council's Core Strategy planning policy CS15 is set out below. This demonstrates the policy intention with respect to affordable housing.

Overall Housing Provision - CS15

At least 10,000 new dwellings will be built in the plan area by 2016 and at least 17,250 by 2021, of which at least 3,300 will be affordable being delivered through the planning system. They will include a mix of dwellings types, size and tenure, to meet the needs of Plymouth's current and future population. In relation to private sector developments on qualifying developments of 15 dwellings or more, at least 30% of the total number of dwellings should be affordable homes, to be provided onsite without public grant (subject to viability assessment).

In addition:

- 1. Affordable housing development will: be indistinguishable from other development on the site, reflect the type and size of the development as a whole, incorporate a mix of tenures including social rented accommodation.*
- 2. off site provision or commuted payments for affordable housing will be acceptable provided it is robustly justified and contributes to the creation of balanced, mixed and sustainable communities.*
- 3. Conversions of existing properties into flats or houses in multiple occupation will be permitted only where the gross floor area of the property is more than 115sq.m., where the accommodation provided is of a decent standard, and where it will not harm the character of the area having regard to the existing number of converted and non-family dwellings in the vicinity.*
- 4. 20% of all new dwellings will be built to "Lifetime Homes" standard.*

5. *All new dwellings must be of sufficient size to provide satisfactory levels of amenity for future occupiers and respect the privacy and amenity of existing occupiers.*
- x) It will be noted that the affordable housing policy will only apply to development with more than 15 dwellings. To that extent, development would only be expected to meet the tariff contributions where this scale of housing is provided. Thus the effect on land value would be much less severe in these cases and would be broadly as outlined in Tables 2, 3 and 4 above. In such cases we consider that the tariff would be accepted by landowners and that the tariff proposals would not impact severely on housing land supply. There is likely to be a marginal effect in lower value areas of the City, where the tariff may reduce the rate at which land is brought forward for redevelopment and regeneration. In such cases, the tariff may reduce the speed at which land use change and urban renewal takes place.
- xi) On the basis that the largest contributions to housing land supply are likely to be urban extensions in future years, and further that these sites are likely to be suppliers of significant amounts of affordable housing, that there is a clearer understanding of how the draft SPD is likely to operate in the context of the market. Firstly it will be noted that thus far on the basis of information and data in the Council's Annual Monitoring Report, the delivery of affordable housing, let alone through planning policy, is woefully short of the expectation in LDF Core Strategy Policy CS15. This is not a criticism, but merely the outcome of what has been achieved in the recent past through negotiations with landowners and developers. In order to secure delivery of at least 3,300 units from an expected increase of 10,000 dwellings will be demanding. As many sites will produce less than 15 dwellings and therefore will not be expected to provide affordable housing contributions through the planning system and that those developments above the threshold are expected to provide 30% affordable housing, this means that there will need to be significant developments where the affordable housing content is much greater than the policy base to compensate for the development below the threshold of 15 dwellings which is likely to make zero affordable housing contributions and also the policy lacuna, whereby in aggregate 33% affordable housing is expected in CS15, but also the target contribution is only 30%.
- xii) Given also that the affordable housing contribution will be a negotiated amount, it is important to ascertain how much affordable housing is likely to be generated by the planning system, given that our analysis above indicates that the aspirational target together with the tariff is unlikely to be met except on a small number of small high value waterfront sites. To establish the likely level of delivery, it is necessary to determine the land value that landowners will deliver land into the market, with the knowledge that land values will already be depleted due to

the impact of the non negotiable tariff. This will vary from landowner to landowner and expressed through the price elasticity of land supply. Given that the likely effect of the tariff on land values is likely to be about 19% - 22% on theoretical unconstrained land values and that currently analysis of comparables shows that serviced residential land has a value of about £2.4m per ha (£1m per acre) a judgement needs to be made at what level of land value will landowners generally will still bring land forward for development.

- xiii) It will be seen from Table 9 below, that by comparing different levels of affordable housing, the residual land value will vary significantly, holding all other assumptions constant. Table 9 attempts to demonstrate the broad differences in residual land value that are likely to occur, assuming that a tariff on the lines of that proposed by the City Council is imposed, with a variable policy position on affordable housing, linked to viability.

- xiii) We consider that landowners will argue that they are not prepared to bring land to the market unless the price is sufficient to encourage them to do so. If the tariff is mandatory, then we would expect landowners to press for lower levels of affordable housing. We would anticipate that landowners will be seeking in the region of £1,500,000 per ha (£625,000 per acre) as a minimum position in relation to much of the land that might be brought forward, which would still be at a considerable discount to the values at which development land for comparable land is normally being traded. If this is a reasonable assumption, which we believe it is likely to be, then the overall expectation for the delivery of affordable housing, with the proposed tariff and assuming zero housing grant is likely to be generally in the range of about 10%-20% in the Plymouth sub region, where schemes exceed the 15 dwelling threshold for delivery of affordable housing.

- xv) The draft SPD is in our opinion acceptable and fit for purpose, in that it is recognised that the affordable housing component will be negotiable. On a small number of high value sites

Table 9 – Residual land values per ha, assuming draft tariff and headline levels of affordable housing at 70%, 80% and 90%, all assuming 60% social rent / 40% shared equity affordable housing

Schemes:	1 Ha urban extension	City Centre Scheme - high value	City Centre scheme - mid value	City Centre scheme - low value	Suburban scheme - high value	Suburban scheme - low value	Waterfront Scheme - high value
90%							
Residual Land Value per Ha	£1,500,000	£2,396,296	£1,899,897	£853,684	£2,082,915	£660,472	£7,016,439
80%							
Residual Land Value per Ha	£1,021,611	£1,656,596	£1,216,760	£227,133	£1,487,654	£209,433	£6,178,900
70%							
Residual Land Value per Ha	£556,439	£937,331	£552,495	-£382,109	£908,837	-£229,145	£5,364,499

A copy of the model is provided in Appendix 2.

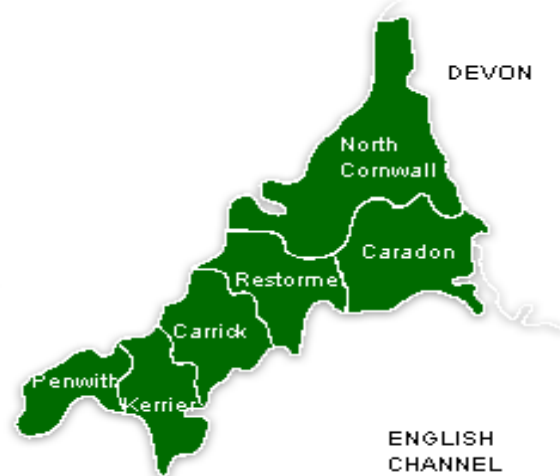
1c How Plymouth sits in region especially with regard to adjoining councils & planning obligations.

- i) In relation to other local authority areas, South Hams offers probably the greatest competition to Plymouth in relation to housing market analysis. The planning policy expectation is that 50% of new housing should be affordable but as the recent approval at Sherford indicates, this is an aspirational target not achieved normally through the planning process. There will inevitably be some intra regional competition between development sites in neighbouring administrative areas, but we suspect other constraints are likely to have a greater impact than planning policy considerations on larger scale development than differential tariffs as the latter will normally be subject to viability analysis under PPS3 (paragraph 29).

- ii) It will be noted however that there are no tariff arrangements in place through SPD. We have undertaken a review of the neighbouring local authorities in Devon and Cornwall with regard to tariff arrangements. It would appear that Plymouth City Council is more advanced than other authorities in this area with the possible exception of Torrington District Council who have prepared draft Planning Obligations SPD with a quasi tariff content.

Fig. 1 Devonshire Local Authorities Map

Fig. 2 Cornwall Local Authorities Map



Torrington District Council

- i) Within Devon, Torrington District Council has produced a draft s106 Planning Obligations SPD which is broadly tariff based (November 2007). This has a series of thresholds for which planning gain contributions will be expected operating as a tariff through the planning system with a location specific tourism contribution within a defined area of Westward Ho! The negotiable affordable housing contribution appears ambitious with 40% of new development above 15 dwellings (or 0.5 ha) being affordable taken together with a small unit housing policy to reflect need. The defined “soft rent” payments on retained equity, whilst favouring the occupiers, will also impact on residual land value considerably. Plainly this SPD is yet to come into effect, but it reinforces the approach to using the planning system on a more transparent basis for infrastructure contributions. The Torrington approach using scheme size thresholds for tariff contributions will operate in favour of smaller scale developments where need through the SPD is judged to be less than larger schemes. This may be questionable as a more egalitarian approach without threshold levels might be argued to meet the marginal burden of each additional housing unit more appropriately.

Table 10: Comparison table of Planning Gain Approaches in Devon and Cornwall and delivery of Affordable Housing

Local Authority	Tariff Used as of Feb 2008?	System Used at Present	Affordable Housing SPGs	AMR Information
<p>South Hams DC 01803 861 1234 (BC)</p>	<p>x</p>	<p>The responsibility for calculating s106 contributions is undertaken by different departments depending on the proposals. e.g. Ross Kelly (Landscape Dept) deals with developments affecting Open Space. Devon County Council calculates Education Contributions using a tariff based system and Affordable Housing schemes are dealt with by the Affordable Housing Dept. <i>E-mail Justine Gosling (deals with the conclusion of s106 deals) for more information.</i></p>	<p>Strategic Affordable Housing Target set at 50% although this varies (usually increasing %) on allocated sites of 15+ dwellings. On 6+ dwellings = 35%. Off site Payments taken on smaller schemes <i>CB Debbie Holloway</i></p>	<p>In 2006/7 a total 222 houses were built (2005/6 = 235). Of these 20 were affordable (+ further 85 under construction/ with PP). In 2005/6 133 of 235 were affordable.</p>
<p>West Devon BC 018228136 00</p>	<p>x</p>	<p>West Devon generally seek contributions for affordable housing, community, drainage, and education etc. This is predominantly calculated on a case-by-case basis. There are policies (e.g. Affordable Housing Code of Practice) that they currently use to inform developers and these will become SPGs in the LDF. <i>Speak to Catherine Burn (Borough Solicitor who generally drafts s106 agreements) for more info.</i></p>	<p>In larger settlements 35% affordable is required on sites capable of 15+ dwellings. Where there is need in smaller settlements the threshold is 5 dwellings or 0.2ha.</p>	<p>In 2006/7 a total 204 houses were built (2005/6 = 171). Of these 14 were affordable. On qualifying sites 36.5% AH was delivered. No. of AH in the Borough has risen from 58 in 2005/6 to 221 in 2006/7.</p>

<p>North Cornwall DC 01208 265 701</p>	<p>x</p>	<p>The Council attempt in general not to accrue too much in contributions, preferring to deliver on-site contributions. In cases where developers do contribute a standard £60,000 per unit is requested. See SPG document</p>	<p>35% affordable required of all new dwellings with a target of 135 dwellings per year.</p>	<p>In 2006/07 a net total of 505 dwellings of which 66 AH were completed (below target 2 yrs in a row but 162 = in construction).</p>
<p>Caradon 01579 341 000</p>		<p>There is not necessarily a standard way of calculating s106 contributions. They may be done on a case by case basis.</p>	<p>Generally 40% affordable housing on sites of 10+ dwellings in towns, or 3+ dwellings in villages, and no more than 6 per village except where supportable</p>	<p>In 2006/7 a net total of 249 houses were completed (2005/6 = 340) of which 11 were AH (2005/6 = 74, 2004/5 = 47).</p>
<p>North Devon 01271 327 711</p>	<p>x Looking to develop tariff in future.</p>	<p>Negotiated case-by-case. http://www.northdevon.gov.uk/best_practice_24_developer_obligations_s106_agreements_v1.6-2.pdf</p>	<p>In most areas (except where there's sufficient supply) the threshold is 1 dwelling. 35-50% on Greenfield and 25% on Brownfield. In villages = >50%.</p>	<p>100 AHs completed out of a net 482 in 2006/7 (up from 65 in previous year). Often find that thresholds remain too high to achieve sufficient AH.</p>
<p>Teignbridge 01626 215 743</p>	<p>x Looking to develop tariff in future</p>	<p>Currently most contributions (e.g. for downstream watercourse improvements and open space/leisure developments) calculated using a formula on a case-by-case basis, if they cannot be incorporated on site. The County Council calculates Education/Highways Contributions using a tariff (Tel: 0845 155 1004)</p>	<p>Council aims to secure "an element of AH" in most schemes although no explicit %s are expressed. Generally local need would be assessed and an overall borough target of 100pa set.</p>	<p>In 2006/7 a net 387 homes were built (80% of target) of which 35 were AH (less than 40% of AH target). 2005/6 delivery = 341 (12= AH) and previous years exceeded targets.</p>

Restormel 01726 223 377	x	Negotiated case-by-case using standard formulae. <i>See Saved SPDs & website. CB Michelle Glover (calculates s106) Or Nigel Doyle 01726 2234 97 (head of DevCon)</i>	Provide 150 AHs per annum over next 5 years.	In 2006/7 573 completions (2005/6 = 513) of which 111 AH (Target = 150 AHpa, 2005/6 = 114).
Torrige	x	Generally negotiated case-by-case and certain contributions calculated using standard formulae, but no tariff as such. <i>CB Liz Steele 0127428805 (Aff Housing) See Saved SPDs.</i>	40% of all new homes to be affordable in schemes of 15+ dwellings or 0.5+ha. In certain villages expect 100%.	In 2006/7 371 net completions (2005/6 = 363, annual target = 312) of which 18= AH (2006/7 = 70 AH)

- ii) Table 10 above demonstrates that there is a broadly ad hoc arrangement operating in Devon and Cornwall regarding s106 negotiations. Torrige and Restormel have formulae based approaches and Devon County Council uses a tariff for Education and Highways contributions. We consider that it is unlikely that were Plymouth to introduce a tariff based approach along the lines proposed that development would transfer to other “non tariff” planning authorities. The issue is probably more a question of the impact on affordable housing delivery as the variable component in the overall planning gain package.

1d Consider other examples of tariffs and explore what they are charging and what is omitted. Evaluate how these are working in practice and the extent to which land supply for development has been effected. Does the tariff generate reduced risk and does it reduce or increase developers costs?

Other examples of tariffs and how effective are they?

- i) Several Local Authorities which have adopted tariffs into their planning systems were contacted in order to review the success of these introductions. We considered Swindon, Milton Keynes, Cambridge and Southampton on the basis that these are large settlements that are also like Plymouth anticipated to take significant additional growth in the medium term. Cambridge and Southampton have well established tariff based structures that have been operating for some years. The following queries were asked of Planning Officers who have been managing the tariffs and summaries of the responses to these queries can be seen in the table below:

- 1) What they are charging for and what is omitted? (List the principal components and if possible view the charging structure online).
- 2) How is this working in practice?
- 3) When was the tariff adopted?
- 4) How frequently are the tariff rates re-assessed / altered?
- 5) How has the tariff affected the supply of land coming forward for housing development (and affordable housing)
- 6) What is the affect of the tariff on the value of land in the area?
- 7) Has there been landowner resistance?
- 8) Has there been developer resistance?
- 9) Has the tariff reduced negotiating time in preparing and executing planning gain agreements?
- 10) Has the tariff reduced negotiating costs in preparing and executing planning gain agreements?

Table 11 - Other examples of tariffs and how effective are they? A comparison between Swindon, Milton Keynes, Cambridge and Southampton

LA Query	Swindon	Milton Keynes	Cambridge	Southampton
1	<ul style="list-style-type: none"> • Affordable Housing • Open Space Provision • Education Facilities • Social Services • Community Safety • Culture and Leisure • Public Realm • Public Art • Community Forest • Local Health <p>Transport is omitted.</p>	<ul style="list-style-type: none"> • Affordable housing • Urban renaissance • Utilities – including strategic planning to minimize flood risk • Healthcare investment • School education • Further and higher education • Proportionate increases in other public services e.g. police and fire services. 	<ul style="list-style-type: none"> • Affordable housing • Transport • Recreation and open space • Education & life-long learning • Community development • Public realm • Nature conservation • Public art <p>Health is omitted</p>	<ul style="list-style-type: none"> • Affordable Housing • Transport • Leisure, Recreation, Open Space • Public Art • Community Safety • Recruitment and Training

2	<p>The process has become more successful following the first year when developers had not factored the new costs into developments. Otherwise the tariff has been achieving its aims of costs being carried and retained by the landowner.</p>	<p>So far seems to be successful/.Housing supply is expected to increase above previous years. Benefits include certainty of funding and development costs, forward planning and business planning.</p>	<p>The council have not experienced significant problems during the implementation of the tariff. They have found the system to be highly successful.</p>	
3	September 2006	March 2007	2002	2003 in Local Plan
4	Annually	Will be reviewed as necessary	Reassessed approximately every 18 months and currently under review again.	Last reassessed in November 2006
5	<p>No noticeable effect on the supply of land. Affordable housing (AH) schemes are exempt from the tariff for viability reasons. The standard 30% provision of AH has continued.</p>	<p>Not necessarily relevant to MK as it is a new town with access to the greatest supply of allocated Greenfield development land in the country. Land allocations exist covering up to 2016 and the tariff system has arisen in the first place with the release of greenfield land.</p>	<p>No noticeable effect, however, it may be that certain schemes for affordable housing would not have been proposed if there was not an affordable housing requirement in Cambridge Policy.</p>	<p>No noticeable effect since adoption. The number of planning applications has remained constant at around 2000pa.</p>

6	<p>The council is generally buffered from direct contact with land owners and have not heard that the new system has had a great effect on land values.</p>	<p>Not necessarily relevant to MK as the tariff only applies to landowners & developers who were already signed up to developing the land in the new growth areas. The tariff will now just secure the development (& associated infrastructure) as was already planned in outline.</p>	<p>No noticeable effect on land values.</p>	
7	<p>The council has in general been buffered from the land owners and have not heard any negative feedback from them.</p>	<p>Cooperative following extensive (3 year) consultation, after which all land owners involved signed up to the tariff legal agreement.</p>	<p>Few responses to the system have been voiced by land owners.</p>	
8	<p>No significant resistance as all main developers consulted with and supplied with information. Following the first year, developers have generally accepted the new system and factored it into plans for new developments.</p>	<p>Mostly cooperative. Developer profits may be lower (12-15% rather than 15-18%), but they appreciate the principle and the certainty of costs. All developers are subject to the same set of demands so the system is fairer. In MK costs are "covered" by funds from the Milton Keynes Partnership (part of EP) who cover costs for infrastructural construction while houses</p>	<p>There has been some resistance from developers as the new system demands more monies. However, in general they appreciate the clarity which the tariff system affords. They also appreciate the security of knowing in advance of submitting a planning application the main components of the costs of a scheme.</p>	<p>No significant issues have been raised by developers.</p>

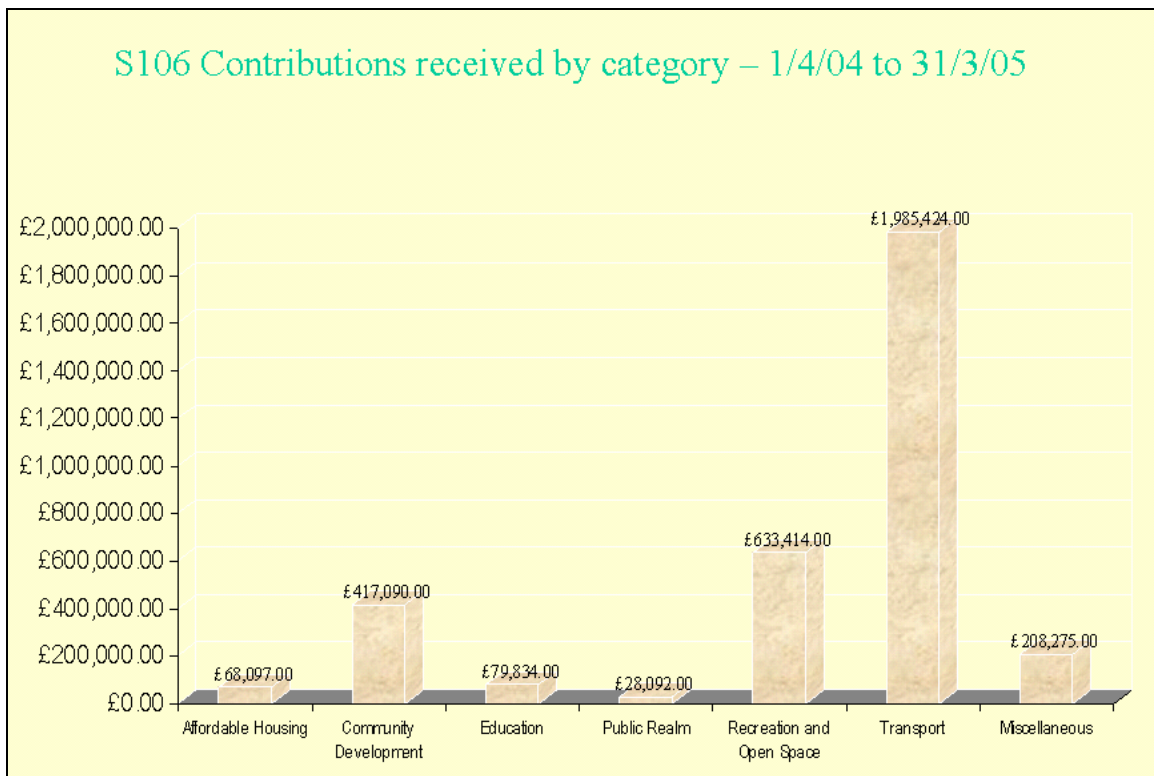
		are being built. Only once the whole scheme is built (and therefore sales can begin) must developers fill this remaining gap in contributions to the Council.		
9	Can be a slower process as information is collected from developers in pre-application discussions and unilateral agreements take time.	In practice the process has not reduced the timeframe from the process that was used before the adoption of the tariff. It has quickened the pace of completing development as services are delivered quicker.	The process has been somewhat streamlined although the timescale for agreeing planning applications is still extensive as legal agreements take time to prepare and applications cannot be allowed without agreeing to the s106 costs. The tariff cannot cover all aspects of a scheme and viability must be taken into account.	The process has been streamlined by the introduction of standard formulae.
10	Costs have not been reduced to date.	Developer profits may be lower (12-15% rather than 15-18%), but high quality developments are delivered. Payments are index linked and developers appreciate that the demands from s106 costs are equal for all developers – e.g. £18,500 per dwelling house.	Costs have not necessarily been reduced, but a definite benefit to the system for developers is the clear representation from early on in the process of which costs are expected to be met.	

- ii) Table 11 above details the comments received from the planning officers with whom we queried the operation and effectiveness of these tariffs. These comments are anecdotal. As such, they may not accurately represent the true position, but nonetheless the tariffs appear to

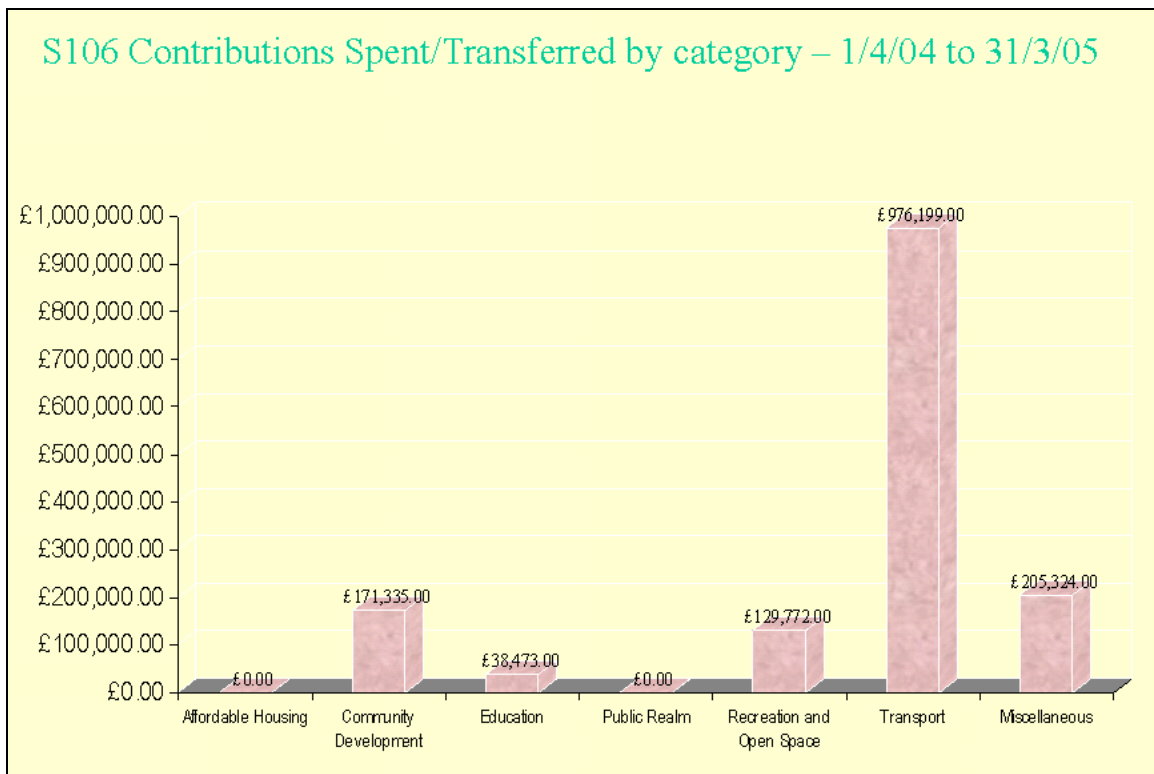
be operating satisfactorily despite some developer resistance. The comments from Cambridge may prove to be helpful as their system has been operating for a number of years. It will be noted that there is little confidence that the tariff reduces costs or reduces timescales for negotiation, although the system does provide greater clarity of planning gain expectations.

- iii) In Swindon, there were some start up difficulties, but there appears confidence that these issues are now resolved. In Milton Keynes, it is acknowledged that developers' profits have been reduced (as distinct from land value) through operation of the tariff. This we find interesting as normally the land value would be expected to be reduced as developers will normally show an inelastic attitude to profit erosion, with the incidence of planning gain reducing land value.
- iv) As to the matters covered by the tariffs, these seem to be increasing over time. The Swindon example includes tariff contributions for a community forest for example. In relation to review of the tariff rates, although there is a general recognition that this should be undertaken annually, this does not appear to be happening in relation to these authorities, with a certain amount of drift occurring in Cambridge and Southampton.
- v) The analysis of these authorities appears to suggest that planning risk from the developers' and local authorities' perspectives is reduced through tariffs, but cost for either party is not.
- vi) David Roberts of Cambridge City Council has provided further statistics in relation to the types and magnitude of monies collected from s106 agreements. Transport contributions are the main sources of financial contributions and far exceed other headings. We suspect that these figures mask affordable housing contributions which are normally taken as payment in kind, rather than a commuted payment. These comparisons appear below.

S106 Contributions received by category – 1/4/04 to 31/3/05



S106 Contributions Spent/Transferred by category – 1/4/04 to 31/3/05



- 1e Consider the timing of tariff payments and the likely effects on the City Council. Would the City Council need to gap fund infrastructure investment ahead of recovery from developers? If so should interest charges be included in the tariff to recover these costs?**

Timing of tariff payments

- i) The timing of the payment of tariffs is principally a concern for phased development where development is likely to take place over many years. With conventional s106 agreements, normally contributions for physical and social infrastructure take place in time to mitigate the harm caused by the proposal. For uncomplicated small scale proposals the trigger for payment is frequently the date of implementation of the development, whilst for longer term developments, for example in relation to education provision, a child yield analysis might indicate that a new primary school might be needed at a time well after commencement, but before the completion of the development. The planning agreement will then make provision for the payment to enable the completion of this facility before the occupation of the threshold level of development.
- ii) With a tariff arrangement, there will be a series of payments to the planning authority on a phased basis with the authority normally procuring the delivery of the infrastructure. These linear payments may not be sufficient in the early years of the operation of the tariff to meet the expected costs and the local authority may have to meet the costs of this infrastructure before the monies can be recouped from other developments. This begs the question as to whether planning gain contributions be expected to meet all of the infrastructure demands of a development and whether there should be an expectation that the resources needed should be provided by other means. To the extent that the local authority needs to borrow to meet the capital costs of investment ahead of investment, it would appear that this would be a reasonable element for the tariff to cover on an aggregate basis. It must be remembered however that to the extent that any development will be limited as to the level of contributions that can be made, if there is a deficit in relation to the total value of the planning gain delivery compared with the total policy expectation, under the Plymouth model (and others), the affordable housing element is the planning gain benefit that will be reduced as this is the variable amount. It will be noted in the Milton Keynes tariff (see table 11) In MK costs are “covered” by funds from the Milton Keynes Partnership (part of English Partnerships) who cover costs for infrastructure construction while houses are being built. Only once the whole scheme

is built must developers fill the remaining gap in contributions by making payments to the Council.

- iii) These issues need to be weighed against the likely benefits of the tariff system, one of the most important being that the tariff will secure contributions from all developments of more than single dwelling schemes and householder development, thus capturing contributions from many schemes that presently do not make contributions due to the cost and administrative friction of negotiating and preparing s106 agreements.

Building market sensitivity into the tariff

- i) A difficult issue with operating a tariff is how to accommodate changes in the property markets. The commercial and residential markets are unregulated. As such they are prone to changes brought about through changes in market perceptions and expectations as well as the availability and cost of finance. Thus the delivery of planning gain under a tariff system is dependent upon market behaviour. In bull markets a tariff will be more easily accommodated than in bear or declining markets. However tariffs cannot be altered and adjusted to parallel market alterations. In general this should not give rise to too much concern provided it is accepted that the variable part of the tariff will be subject to fluctuations over time reflecting the need for development to be viable at all points on the market cycle.
- ii) This is really no different in comparison to the state of play under a conventional s106 agreement, where again viability of the development will constrain the delivery of planning gain. However under such a conventional arrangement all contributions are likely to be subject to negotiation not just the variable affordable housing component.
- iii) A further complication is allowing for price inflation. In recent years cost inflation has been relatively benign. There are now market signals that this is changing, due to higher energy, raw materials and food costs, exacerbated by a significant fall in the value of sterling compared with the euro. Existing tariffs tend to be reviewed annually and adjusted to reflect construction price inflation. Put simply where cost inflation is less than land value inflation, then these cost increases can be readily absorbed. In a bear market the converse will be true. Due to the gearing effect, small increases / decreases in sales values (changes to the GDV), will create amplified increases / reductions in residual land value. Thus the effect will be considerable on the variable part of the tariff. It should be remembered that enhanced planning gain expectations have been facilitated through the boom period of the last decade which came to an end during the summer of 2007.

- iv) We would anticipate that the tariff arrangements would be subject to annual review and revision through supplementary planning advice.
- v) It will be evident that the effects of market cycles can in theory be mitigated and to some extent smoothed by the application of housing grant payable through central government although there is no guarantee that funding can be assumed, particularly in times of fiscal stress.
- vi) We would therefore caution against undue reliance of the planning system to deliver the expected policy levels of affordable housing plus the tariff as proposed.
- vii) In order to build market sensitivity into the tariff proposed for Plymouth we considered the likely impact using a version of the Knight Frank Planning Gain Model (the model), to identify the likely effects in various circumstances when applied to land in different parts of the city and sub region.


On what measure do we judge market performance?

- i) Market performance can be judged by various measures, but in crude terms, performance can be measured simply by the number of houses being delivered into the local economy each year, with the trend being analysed over time to establish whether actual performance meets anticipated or planned housing trajectories. Performance can also be measured by the delivery of affordable housing numbers delivered through the planning system without grant. In relation to the tariff, performance might be measured through the delivery per annum of a combination of :
 - Market housing/ Commercial development delivery
 - Affordable Housing Delivery through the Planning System
 - Aggregate tariff value
- ii) The reason for this threefold approach, is that the planning system is only capable of delivering a limited amount of “surplus” value. This can be taken into public or quasi public ownership through a planning agreement as either affordable housing and / or tariff contributions. If the affordable housing and tariff contributions are set too high, this will choke of supply and the total amount of development will be reduced. Thus market and social housing delivery will be reduced and tariff contributions will similarly fall.

- iii) The developer will judge market performance by reference to the profit he makes whilst the landowner will be interested in the land values derived on the sale of land to the developer for land with planning permission for development. Just as the developer will not be prepared to invest resources into a project unless the risk is adequately compensated, the landowner will similarly not bring land to the market unless his perceptions of value are realisable. Thus, if planning gain requirements which effectively tax development land are set too high, this will reduce the residual land value to be retained by the developer, assuming the developer will not accept profit erosion.

Other aspects of SPD – the way its structured, presented, inclusion of “negotiated elements”

- i) In relation to the operation of the SPD, we would recommend the preparation of an online calculator. Swindon Borough Council has developed such a tool for its tariff. This is a helpful guide for land owners and developers but there are limits to how this can be applied for large schemes where there are many phases.
- ii) Swindon Council uses a s106 Calculator to calculate Developer Costs. Below is a copy of a calculation made for a residential development of 25 units on 1ha.



Developer Contributions Calculator © 2006 Swindon Borough Council - All Rights Reserved

Contributions Summary

Based on the information you have provided, contributions would be as follows:

Affordable housing (units)

Open Space On Site (square metres)

	Net Total - 95%	5% Admin. Fee	Gross Total
Open Space On Site (£)	17733.65	933.35	18667.00
Open Space Off Site (£)	0.00	0.00	0
Education (£)	57424.65	3022.35	60447.00
Community Safety (£)	17137.05	901.95	18039.00
Social Services Facilities (£)	18452.80	971.20	19424.00
Culture and Leisure Facilities (£)	12211.30	642.70	12854.00
Community Forest (£)	2743.60	144.40	2888.00
Local Health (£)	2347.45	123.55	2471.00
Public Art (£)	13419.70	706.30	14126.00
Central Area Public Realm (£)	48537.40	2554.60	51092.00

Total cost of contributions required:

Net Total (95%) (£)	<input style="width: 80px;" type="text" value="190007.60"/>
5% Administration Fee (£)	<input style="width: 80px;" type="text" value="10000.40"/>
Gross Total (£)	<input style="width: 80px;" type="text" value="200008.00"/>

These figures do not include any discount factors that may be applicable to the application.

Your application Case Officer in Development Management should be your first point of contact for detailed discussions relating to developer contributions.

- iii) We have used the Swindon model recently on behalf of a client in connection with the redevelopment of a town centre site for housing and hotel development. The expected planning gain from the online calculator was considerably greater than the development could provide even without affordable housing contributions. The Borough Council was keen to secure a planning gain settlement that provided some affordable housing plus some tariff contribution. The negotiated arrangement was determined by reference to viability modelling conducted by the applicant's agents and the agents for the Borough Council. The final agreement was a fair representation of planning gain value that could be delivered but bore little resemblance to the online tariff calculator and affordable housing expectations.
- iv) This experience would query whether the tariff was successful in that example since both the tariff and the negotiable affordable housing component were negotiated to reach a solution acceptable to the parties that was considered sufficient to overcome planning harm.

6.0 Conclusions

- 1) The levels of planning gain collected in Plymouth appear to be relatively modest and somewhat variable.
 - 2) The proposed draft Planning Obligations and Affordable Housing SPD should enable a more equitable collection of s106 contributions in the future.
 - 3) The tariff amounts that will be available to the Council are likely to remain modest as the strength of the property market is not strong in Plymouth to allow higher value contributions to be collected.
-
- 1) Whilst our modelling demonstrates that the level of tariff sought will generally be capable of being delivered, there will be difficulty in delivering the affordable housing policy expectations (without grant) in all but the higher value waterfront developments which are likely to be relatively few.
 - 2) The City Council's draft tariff arrangements are we consider about the maximum level before land will be with-held from the market. At this level of tariff, the affordable housing expected to be delivered through planning policy will not be achieved as anticipated.
 - 3) The tariff is unlikely to speed up negotiation and delivery of planning agreements, but should enable the City Council to increase the global annual value collected as schemes that are currently not subject to s106 agreements will be increasingly expected to contribute.
 - 4) Tariffs appear to be generally working satisfactorily in other administrative areas. There is no reason to expect that a tariff based system would be problematic in Plymouth.

Appendix 1

Plymouth - Socio Economic Background

Context

Plymouth located on the border of Devon and Cornwall is the largest urban centre in the south west, in terms of both employment and population. The city is relatively isolated from the national motorway network, although the A38 "Devon Expressway" provides a dual carriageway link to the M5 at Exeter, approximately an hour's drive to the north-east. Communication links within the Plymouth urban area are generally reasonable - there is a dual-carriageway ring road around the city centre, although this and a number of junctions do become very congested at peak times.

Catchment size and growth prospects

The total population within the Plymouth primary catchment area is 445,000. The estimated shopping population of Plymouth is 337,000. Plymouth is very dominant within its catchment area, which is not surprising given the distance to major competing centres. Plymouth is projected to see above average growth in population over the period 2007-12. Plymouth ranks 53 in terms of the volume of comparison retail spend available in the catchment area and is forecast to see around average percentage growth in the available pool of comparison spending over the forecast period, 2007-12. In addition, Plymouth is likely to attract occasional, high spending shopping trips from a wider, secondary catchment encompassing much of North Cornwall. Spending in Plymouth is further boosted by tourism, with tourist spend estimated at over £200m in 2003. In the same year an estimated 6 million people visited the city, with 7% of the City's employment supported by tourism.

Affluence and mobility

The Plymouth catchment population is not particularly affluent. In 2001 the Plymouth area contained a significantly above average proportion of adults of working age categorised within social group C2 (which includes those in skilled manual employment). In contrast, the most affluent AB social group (which includes those in managerial and professional occupations) is particularly under-represented within the Plymouth area.

The age profile of the Plymouth primary catchment population includes a relatively high proportion of the retired aged 65 and over; older working aged adults aged 45-64 are also over-represented. In contrast, adults aged 25-44 and children aged 0-14 are moderately under-represented within the Plymouth area. Between 1991 and 2001 there was a stronger than average increase in older working age adults and the retired than other comparable centres. Reflecting the age and social structure of the catchment population, per capita retail spending levels are significantly below average.

Housing market

Overall, the level of owner occupation increased modestly from 68% to 70% between 1991 and 2001. The level of owner occupation in Plymouth is around average. House prices in the area were below average in 2006/07; prices increased broadly in-line with the average in the period 2005/06 - 2006/07.

Local economy

Over the past decade total employment in Plymouth increased at a slower rate than average although growth in total employment to 2011 is forecast to be around average.

In 2005 the service sector accounted for 70% of total employment in Plymouth, Within this sector, 'financial & business services' accounts for 16% of total employment, slightly below average.

The largest sector of employment in Plymouth is 'education, health and public admin', reflecting the city's role as a service centre for the far south-west. The health sector in particular, is a major employer in Plymouth. The Derriford hospital has a workforce of 6,000 people, as well as having a major impact upon the economy as a purchaser of local services and supplies.

Plymouth was almost entirely rebuilt during the 1950s on a "grid-iron" pattern, having been bombed during the Second World War. Most of the city's main shopping streets are pedestrianised, including New George Street, Armada Way and part of Cornwall Street. Town centre retail floorspace in Plymouth is estimated at 1.55 million sq ft. This includes the recently completed redevelopment of Drake Circus, which increased the retail floorspace of the town by some 420,000 sq ft (gross).

The manufacturing sector in Plymouth accounts for 13% of total employment, slightly above average. Plymouth has a significant marine sector and ranges in scope from large organisations such as DML, who run the biggest ship repair facility

in Europe, to small firms offering boat cleaning or dinghy instruction. In February 2006 however, DML announced that it was planning to shed 900 of the 4,700 jobs at their Davenport dockyard.

The Dockyard port of Plymouth is home to the largest naval base in Western Europe which sits alongside a thriving commercial port. More than 2 million tonnes of cargo pass through the port each year. Marine services include finance, brokerage, law, insurance and consultancy. Via the Plymouth Marine Sciences Partnership, Plymouth also has one of the Europe's largest regional clusters of marine science and technology expertise.

Plymouth is home to the Mount Batten Centre, which is capable of hosting world class events, and the Royal Western Yacht Club has run some of the world's most prestigious races. Ship manufacture and repair are prominent. Princess Yachts International is one of Europe's largest luxury boat builders and in January 2006 they announced plans to expand their factory in Plymouth, creating up to 200 jobs.

The level of unemployment in the Plymouth area was above the national average until the late 1990s.

In December 2007, 1.9% of the workforce was unemployed, compared to the national unemployment rate at December 2007 of 2.1%.

Sources: PMA, Retail Locations Last update: 14/02/2008

Appendix 2
Planning Gain Model