

LOCATION:	Princess Royal Barracks, Brunswick Road, Deepcut, Camberley, Surrey, GU16 6RN,
PROPOSAL:	Submission of details to comply with condition 9 (affordable housing) attached to planning permission 12/0546 dated 4 April 2014 (as amended by 18/0619 dated 19 July 2019 and 18/1002 dated 14 November 2019 in respect of residential parcels comprising Phases 4b, 4c, 4d, 4f, 4h, 6a, 6b, 6c and 6d
TYPE:	Details to comply
APPLICANT:	Secretary Of State For Defence
OFFICER:	Mrs Sarita Bishop

This application is being brought to the Planning Applications Committee as it seeks to reduce the level of affordable housing to be secured at Princess Royal Barracks (PRB) from a target of 35% to 15%.

RECOMMENDATION: AGREE DETAILS subject to LEGAL AGREEMENT to secure a minimum of 15% affordable housing provision and a mechanism to review the viability of the scheme

1.0 SUMMARY

- 1.1 This application, submitted by the Secretary of State for Defence, seeks approval of the level of affordable housing to be delivered in the remaining residential phases to be built at the Princess Royal Barracks site prior to the submission of the relevant reserved matters applications.
- 1.2 The applicant has submitted a Financial Viability Assessment which sets out the methodology for the assessment, the assumptions used in relation to income received and costs incurred by the Master Developer (comprising Defence Infrastructure Organisation for the Ministry of Defence and Skanska as their development partner) and in relation to the income received and costs incurred by the housebuilders in relation to individual serviced parcels. The assessment concludes that no further affordable housing should be provided.
- 1.3 Policy CP4 has a target affordable housing provision of 35%. The proposal is for an affordable housing provision of 15% as set out in applicant's Affordable Housing Strategy. The applicant's assessment has been tested by the Council's Financial Viability and Costs consultants. They are of the view that the development could secure an affordable housing provision of 15% subject to a review mechanism.

2.0 SITE DESCRIPTION

- 2.1 The Princess Royal Barracks site has an overall site area of some 114 hectares. This former military site has permission for a major residential development totalling 1,200 new dwellings, with associated public open space, community facilities, a primary school, retail and commercial uses and access and highway works.

- 2.2 The redevelopment is divided into 6 phases, three non residential (1, 3 and 5) and three delivering housing (2, 4 and 6). A copy of the approved phasing plan is attached as Annex A.
- 2.3 Phase 1 which includes the provision of the spine road (now Mindenhurst Road), the Village Green, pond and play areas, the Green Swathe, the Green Swale and the Central SANG are generally complete except for some outstanding remediation and landscaping works.
- 2.4 Phase 2 comprising Phases 2a and 2b and Phase 4a comprising 363 dwellings are currently under construction.
- 2.5 Phase 3a which comprises the primary school is complete and has been handed over to Surrey County Council. Phase 3c comprising the public house is under construction with a view to opening early Spring 2022.
- 2.6 The remainder of Phases 3 and 4 and all of Phases 5 and 6 have not yet been the subject of reserved matters applications.
- 2.7 This application specifically relates to the residential phases comprising Phases 4b. 4c. 4d. 4f, 4h, 6a, 6b, 6c and 6d.

3.0 RELEVANT HISTORY

- 3.1 12/0546 Hybrid planning application for a major residential led development totalling 1200 new dwellings with associated public open space, community facilities, a primary school, retail and commercial uses, access and highways works. Approved 6 April 2014. The Section 106 agreement for this application was signed on 17 April 2014.

As this was a hybrid application full planning permission was granted for the residential conversion of the Officers Mess building (now Phase 6e), the Sergeants Mess building (now Phase 4g) and the Headquarters of the Director or Logistics building (now Phase 4e) to provide a total of 81 flats. There is no requirement to provide affordable housing for these phases.

The outline element of the application included the approval of means of access and the following matters to be the subject of later reserved matters applications:

- 1,119 new build dwellings of which 35% would be affordable; (Officer note this would equate to an overall provision of 420 dwellings as it would also address the non provision on the converted buildings);
- A 2 form entry Primary School, together with a nursery facility;
- A foodstore;
- Local shops;
- Space for medical facilities to accommodate GPs/dentists;
- A library building with co-located police desk and village visitor centre;
- A public house
- Retention of the Garrison Church of St Barbara as a religious facility with a replacement church hall;
- Provision of 69.12 hectares of public open space comprising;
- 35 hectares of SANGs and 1.07 hectares of link between the Southern and Central SANGs;
- 19.85 hectares of semi natural open space (ANGST);
 - A 2 hectare Village Green;
 - 1.16 hectare Allotments;
 - 2.54 hectares of formal Parkland;
 - Areas of amenity green space within the residential areas;
 - Dedicated play spaces within the residential areas.

- A care home;
 - Improved footpaths, cycleways, public transport linkages and highway improvements; and
 - A Sustainable Urban Drainage system.
- 3.2 12/0546/1/NMA Realignment of the approved roundabout access at Deepcut Bridge Road, Blackdown Road and Newfoundland Road and the spine road (now Mindenhurst Road). Approved 1 September 2015. This has been implemented
- 3.3 12/0546/2/NMA Variation to conditions 2 (phasing) and 3 (design codes) attached to hybrid permission 12/0546 to add reference to the residential units and infrastructure except the spine road to allow for the implementation of the spine road. Approved 12 November 2015.
- 3.4 On 8 March 2016 the original section 106 agreement was varied to bring forward the delivery of the Central SANG to include the SANG hut before the Southern SANG due to unforeseen delays in the Ministry of Defence vacating the site (the first variation).
- 3.5 15/1062 Reserved matters for Phase I infrastructure comprising the Spine Road, the Central SANGs and Village Green. Approved 27 July 2016. This was implemented but has been superseded in parts by 17/0774 and 19/0735 as set out below.
- 3.6 12/0546/3/NMA Variation to condition 35 attached to the hybrid permission for all dwellings to achieve Code Level 4 for Sustainable Homes. Approved 8 July 2016.
- 3.7 On 9 February 2017 a submission was made pursuant to condition 9 (affordable housing) which proposed 35% affordable housing on Phases 2a and 2b. This matter was considered by the Planning Applications committee on 7 March 2019 who resolved to agree this level of affordable housing on these phases.
- 3.8 On 12 May 2017 a second deed of variation to the original section 106 agreement as subsequently amended was signed to amend various definitions including in relation to the Central SANGs, the combined NEAP/LEAP, the Southern SANGs, the Sports Hub, the Travel Plan Monitoring Fee, the Travel Plan and the Village Green. Various provisions relating to education, open space, highways, sustainable travel, community facilities and the public house were also agreed.
- 3.9 17/0774/MMA To permit changes to conditions 10 (exclude works in Southern SANG) and 17 (approved plans) attached to 15/1062 to agree principle of SUDs within Southern SANGs, amend size and shape of the Village Green, allow changes to alignment of the Spine Road, cycleways, footpaths and provide connection to future retail area, to permit a sub-station and provide a SUDs management plan. Approved 20 November 2017. This has been implemented but has been superseded In part by 19/0735/RRM
- 3.10 17/0871 Reserved matters for Phase 2b for the erection of 215 dwellings, of which 35% are to be affordable. Approved 1 March 2018. This has been implemented by Cala Homes but has been amended by 17/0871/1/NMA and 17/0871/2/NMA. This development is in the latter stages of construction. It is understood that about half the site is now occupied. This will deliver 75 affordable units with the following tenure:

Bedroom	Affordable rent	Intermediate
1	12 (30%)	14 (39%)
2	11 (30%)	19 (15%)
3	9 (24%)	4%
4	6 (16%)	0
Total	38 (100%)	37 (100%)

The report explains that whilst the section 106 and policy documents refer to social rented, the application proposed affordable rented. Affordable rented is housing let by a private registered landlord to persons eligible for social rented housing and is let at a rent of no more than 80% of the local market rent. It is acceptable provision for the purposes of the National Planning Policy Framework as set out below

- 3.11 17/1141 Reserved matters for the primary school and nursery. This has been implemented and is complete. The site was handed over to Surrey County Council in January this year.
- 3.12 17/0871/NMA To amend wording for condition 11 attached to 17/0871 to remove requirement for final certificates to be submitted in respect of Code for Sustainable Homes (CSH).
- 3.13 12/0546/4/NMA Variation to conditions 35 (CSH), 48 (provision of the library) and 50 (provision of church hall attached to the hybrid permission to remove the need for final certificates to be submitted in respect of CSH, to provide an either or scenario for the provision of the library building to tie in with the section 106 agreement and to double the size of the church hall. Approved 13 August 2018 but it is noted that condition 50 was deemed to be a material change and remained as originally drafted.
- 3.14 In January 2019 a submission was made pursuant to condition 9 (affordable housing) which proposed no affordable housing on Phase 4a. This was in advance of an application for reserved matters with this phase. This matter was considered by the Planning Applications committee on 7 March 2019 who resolved:
- I) The land parcel 4a deliver nil (0%) affordable housing but the decision letter be caveated to make clear this agreement relates solely to parcel 4a as identified on the attached plan, is limited to the delivery of up to 30 units from that parcel; and
 - II) Any future affordable housing submission proposing less than 35% from any parcel on the site must be supported by a detailed and robust viability statement and be subject to approval by the Planning Applications committee
- 3.15 18/0619 Section 73 application to vary condition 51 (public house) Phase 3c of the hybrid permission to allow for a larger public house with an increase in floor area from 220 square metres to 1000 square metre and in site area from 0.12 hectares to 0.4 hectares. Approved 19 July 2019. The section 106 legal agreement was amended to link this permission to the original obligations (the third variation). This permission is also linked to 19/0440 below.
- 3.16 18/1002 Section 73 application to vary condition 50 (church hall) Phase 3d of the hybrid permission to allow for a larger church hall with an increase in floor area from 125 square metres to 250 square metres. Approved 14 November 2019. The section 106 legal agreement was amended to link this permission to the original obligations (the fourth variation).

- 3.17 18/1027 Reserved matters for Phase 2a for the erection of 127 dwellings. This included a submission pursuant to condition 9 which proposed that 35% of the dwellings are to be affordable. Approved 4 June 2020. This has been implemented by Vistry Homes and is under construction. The first dwellings are due to be occupied this month. This will deliver 44 affordable units with the following tenure

:

Bedroom	Social rented	Shared ownership
1	6 (27% compared to S106 requirement of 30%)	12 (54% compared to S106 requirement of 40%)
2	10 (45% as compared to S106 requirement of 30%)	8 (37% compared to S106 requirement of 50%)
3	4 (18% as compared to S106 requirement of 25%)	2 (9% as compared to S106 requirement of 10%)
4	2 (9% as compared to S106 requirement of 15%)	-
Total	22	22

The committee report noted that the above mix was not compliant with the S106 agreement as it would deliver a higher percentage of smaller units. However in so far as the rented accommodation was concerned it was noted that this would deliver social rented as opposed to affordable rented. As the former is generally considered to be more affordable the Council's Housing Manager supported this mix and tenure.

- 3.18 17/0871/2/NMA Variation to condition 1 (plan numbers) to allow minor layout changes. Approved 22 July 2019. This has been implemented.
- 3.19 19/0411 Section 73 application to vary condition 1 (plan numbers) attached to 17/0871 to allow for layout and elevational changes. Approved 30 October 2019. This has been implemented.
- 3.20 19/0440 Reserved matters for Phase 3c in respect of the public house. Approved 15 January 2020. This has been implemented and is under construction. It will be operated by Hall and Woodhouse and is scheduled to open in March next year.
- 3.21 19/0735/RRM Revised reserved matters for Phase I to replace 15/1062 (as amended by 17/0774) in relation to the Central SANG, the Village Green, the Spine Road, landscaping, the Green Swathe and the Southern SUDs. In March 2021 the Planning Applications committee resolved to grant permission subject to the completion of a legal agreement relating to the surface water drainage system. This agreement is due to be completed shortly.
- 3.22 18/0619/1/NMA Variation of condition 3 (Design Codes) to remove the requirement for Design Codes to be submitted for the public house to be in accordance with the objectives of the Deepcut Supplementary Planning Document (SPD). Approved 19 May 2020. The development is being implemented on this basis.

- 3.23 19/2193/DTC Details to comply with Schedule 6 Part 1 Clause 2.9 pursuant to the section 106 agreement dated 17 April 2014 in respect of environmental improvements to Deepcut Bridge Road. This is under consideration.
- 3.24 20/0226/RRM Reserved matters for Phase 4a for the erection of 21 dwellings. Approved 21 October 2020. This has been implemented by Trivselhus and is in the latter stages of construction. No affordable housing was sought for this parcel in respect of condition 9 as set out above.
- 3.25 20/0383/NMA Variation to condition 3 (design codes) of the hybrid permission as amended by 18/1002 to remove the requirement for Design Codes to be submitted with all future parcels required to accord with the objectives of the Deepcut Supplementary Planning Document (SPD). Approved 12 June 2020. The development is being implemented on this basis.
- 3.26 21/0968/NMA. Variation to conditions 10 (care home, Phase 4i), 17 (village green Phase 1), 18 (allotments Phase 5e) and 19 (formal parks/gardens Phases 5g and 5h). This has been recently received and is out to consultation.

4.0 THE PROPOSAL

4.1 This application is made pursuant to condition 9 of the hybrid permission (12/0546) as amended in respect of the remaining residential phases namely 4b, 4c, 4d, 4f, 4h, 6a, 6b, 6c and 6d. This condition states:

“The first reserved matters application for each phase shall include an Affordable Housing Strategy for that phase which shall include:

- a) The number and percentage of affordable housing units to be provided in that phase;
- b) Details of the type and tenure of the affordable housing units;
- c) A plan identifying the location of the affordable units within the development and their tenure

Each phase of development shall thereafter be implemented in accordance with the approved strategy unless otherwise agreed in writing with the Local Planning Authority.

Reason: To ensure that the level of affordable housing is appropriate and to meet the objectives of Policy CP4 of the Surrey Heath Core Strategy and Development Management Policies 2012 and the objectives of the Deepcut SPD”

4.2 The applicant is proposing a discharge of condition 9 in relation to part a) and part of part b), tenure only. The application is supported by an Affordable Housing Strategy and a Financial Viability Statement. The applicant has also provided an Affordable Housing Application Briefing Notice to explain the background to the application. This is provided as Annex B.

4.3 Policy CP4 has a target affordable housing provision of 35%. The proposal seeks to provide 15% affordable housing to be distributed across the remaining residential phases as set out below:

Phase	Phase size (ha)	Phase approx. number of dwellings	Affordable Housing Provision Percentage	Affordable Housing Provision Number of Dwellings

Phases 4b and 4c	3.42	123	16%	20
Phase 4d	0.77	15	0%	0
Phase 4e	0.50	15	None required	-
Phase 4f	1.07	20	0%	0
Phase 4g	0.80	33	None required	-
Phase 4h	1.49	37	15%	5
Phase 6a	3.13	120	16%	19
Phase 6b	2.20	57	16%	9
Phase 6c	3.84	147	18%	26
Phase 6d	6.71	237	15%	36
Phase 6e	0.40	33	None required	-
Total	24.33	837 (756 excluding conversions)	16% (number rounded up as whole numbers used but 15.21% is the minimum percentage)	115

Across these remaining residential phases, this calculates to approximately 756 dwellings in total with 115 affordable housing units equating to a percentage of 15.21%. It is also noted that this level of affordable housing when added to that secured on Phases 2a and 2b would result in a minimum affordable housing provision of 20% ie 234 dwellings.

- 4.4 The original proposal detailed one review clause after the sale of the last residential phase. In the event that the remaining phases could have accommodated more than 115 affordable housing dwellings as proposed, a financial contribution would be made towards the provision of off site affordable housing within the Borough.

4.5 Officers were not satisfied with this proposal as it was considered that at least two reviews should be undertaken and there should be also be an opportunity to secure additional provision of affordable housing on Phase 6d which was identified as being the last development phase to be released.

4.6 The applicant has subsequently amended the proposal as follows:

Review 1: Details of accepted offers per phase provided by 29 April 2022 in order to allow Review to be undertaken and Phase 6d marketing to commence by 31 May 2022;

Review 2: A financial review mechanism once all sales have completed. If the completed land value is higher than the accepted offer land value then an overage would be payable to the Council by the MoD. Any sum could be payable to an RP of the Council's choice for that RP to spend on affordable housing provision in SHBC, or an alternative as agreed with the Council.

It is noted that any review would be based on the report provided by the Council's Financial Viability and Costs Consultants.

4.7 With regard to part b) the Affordable Housing Strategy proposes that the tenure of the affordable housing be Affordable Rent and intermediate only on the remaining phases providing affordable housing.

4.8 It is proposed that the remainder of part b), type and all of part c) would be discharged by the residential developers of those phases as part of their reserved matters applications.

4.9 This application is also a submission to amend the existing section 106 agreement to tie the minimum level of provision of 15% affordable housing to the remaining residential phases of development and to add the review clauses as set in this report.

5.0 CONSULTATION RESPONSES

5.1 Viability and Cost Consultants (BPS and Geoffrey Barnett Associates) advises that, based on the submitted viability assessment an affordable housing provision of 15% is reasonable subject to a review mechanism being implemented. Further details of this response is set out at paragraph 7.6.1 below. The full response is attached under Annex C of this report.

5.2 Council's Housing Services Manager advises that there would be no objection to a proposed tenure mix of affordable rented and intermediate, whilst noting if social rented housing could be secured this would be welcome.

6.0 REPRESENTATION

6.1 A total of 207 individual letters were sent out on 16 September to the Deepcut Neighbourhood Forum, the Deepcut, Frimley Green and Mytchett Society, Cala Homes, Vistry Thames Valley and addresses in Alfriston Road, Brunswick Road, and Deepcut Bridge Road. At the time of the preparation of this report no representations have been received. An update will be given to the meeting if any representations are subsequently received.

7.0 PLANNING CONSIDERATION

7.1 The main determining issue to be considered is whether the submitted Affordable Housing Strategy is acceptable for the purposes of condition 9 a and b (in part) as set out above.

7.2 Background

7.2.1 There have been extensive discussions over the last 18 months concerning the level of affordable housing to be provided. Officers have been clear that having regard to the original planning submission, the Committee report that was considered by full Council and Policy CP4 being quoted for the reason for condition 9, as set out below the baseline position is for the provision of 35% affordable housing within the development.

7.2.2 To date the applicant has provided a new primary school and nursery, new open space including the Village Green with a NEAP/LEAP and pond, the Central SANG including the SANG hut, the Green Swathe and the Green Swale and various highway works including a new Spine Road, a new roundabout at the junction of Deepcut Bridge Road, Newfoundland Road and Blackdown Road, a pedestrian/cycle route which runs between the new roundabout and Brunswick Road, improvements to access to the Basingstoke Canal and the cycleway across Frith Hill from Deepcut to Tomlinscote Way. It is noted that, amongst other matters, land contamination and the delay in the site being vacated by the Ministry of Defence have impacted finances and the delivery of the development.

7.2.3 The applicant has provided an Affordable Housing Application Briefing Note in support of the application. The following comments are considered to be of particular note for the current application:

2.1.6 As in 2014 when the hybrid permission was approved the MoD aspiration was to seek to comply with Policy CP5 target 35% affordable housing. In 2014 only an outline proposal was known with associated indicative costs. During the process of seeking Reserved Matters Approvals the scope of works has increased significantly in many areas compared to the indicative outline scheme granted in 2014, including enhanced grades of road infrastructure and electric vehicle charging requirements that were not factored into the original proposal. The MoD has sought to provide these and absorb the cost of the increased scope or works sought where possible.

2.17 In addition, the original Land Quality Assessment included some limited sampling of the site for the existence of contamination, the selection of sample location was based on the historical use of the land, the investigations concluded that a low contamination risk existed in 2014. On site work has uncovered that more work was necessary to enhance land quality either to sell to developers or to be adoptable by the Borough Council or County Council. This is necessary work to undertake or the development will be fail to be delivered as approved.

2.18 Additionally, there has been significant cost inflation as a result of the pandemic which means that any uplift in land/house prices in recent times does not prove of net benefit to the overarching development viability.”

7.2.4 The applicant has also advised that, on the basis that this application is agreed by the Council, the remaining land parcels will be marketed in batches by Spring 2022. The reason for this is that the planning permission expires in April 2024. This means that between Spring 2022 and April 2024 all land sales need to be completed and the developers need to design their schemes, progress pre-application consultation with the Council and Design Review Council and formally submit their Reserved Matters applications.

7.3 Policy Context

7.3.1 Paragraph (ii) of Policy CP4 of the Surrey Heath Core Strategy and Development Management Policies Document states:

(ii) a target of 35% of housing provision to be affordable. Housing mix shall reflect identified need in accordance with Policy CP6.

Policy CP5 of the above document also states that:

“.....In seeking affordable housing provision the Borough Council will assess scheme viability, including assessing the overall mix of affordable unit size and tenure, other development scheme costs and any Housing Corporation grant subsidy secured.

A financial contribution in lieu of provision for affordable housing on developments of 5 or more units (net) will only be acceptable where on site provision is not achievable and where equivalent provision cannot be readily be provided by the developer on an alternative site. The approach to seeking financial contributions in lieu of on site provision will be set out in an Affordable Housing SPD.....”

7.3.2 The Deepcut SPD states that:

“Affordable housing will be provided on site at a level of 35% of the total net new housing provision

Affordable sector	Bedroom size			
	1 bed	2 bed	3 bed	4 bed
Intermediate (50%)	20	40	40	-
Social rented (50%)	35	30	20	15

- Small clusters of affordable housing will be dispersed throughout the PRB site;
- The quality of affordable housing will be indistinguishable from general housing;
- Outdoor amenity space will be expected for all types of affordable homes and family accommodation will be supplied with adequate garden space for private play and recreation.

7.3.3 The current definition of affordable housing as set out in the National Planning Policy Framework 2021 is as follows:

Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

a) Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government’s rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

b) Starter homes: is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household’s eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

c) Discounted market sales housing: is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

d) Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

7.3.4 Paragraph 74 of the NPPF requires plan making authorities to identify and update annually a five year supply of deliverable housing sites. The most recent Five Year Housing Land Supply Paper 2019-2025 published in August 2020 clearly identifies Princess Royal Barracks as the single largest site for the delivery of new housing in the Borough. As the site has planning permission it is identified as the main contributor for housing supply within the Borough from existing commitments.

7.4 The hybrid planning permission (12/0546) and section 106 agreement (as varied)

7.4.1 The report that was considered by Full Council sitting as the Planning Applications committee in July 2013 stated the following on the amount of affordable housing and its tenure:

“9.9.1 The application includes the provision of 1,200 new residential units and Policy CP4 of the CSDMP requires the 35% of the proposed residential units shall be affordable. This equates to a requirement for 420 affordable units.

9.9.2 The applicant is proposing the following affordable housing mix

	1 bed	2 bed	3 bed	4 bed	Total
Social rented	63	63	52	32	210
Intermediate	22	104	84	-	210
Total	85	167	136	32	420

9.9.3 The Council’s Housing Service Manager has considered the tenure and the mix of units proposed by the application and advises that the development would be appropriate to meet the housing needs in the area. Accordingly it is considered that the number and range of affordable housing to be delivered meets the requirements of Policy CP4 of the CSDMP and the Deepcut SPD”

7.4.2 It is noted from the committee minutes that condition 9 was amended so that the percentage of affordable housing would be a reserved matter. This is reflected in the wording of the condition as set out in paragraph 4.1 above.

7.4.3 In the section 106 agreement dated 17 April 2014 the definition of affordable housing was stated as “Social Rented Housing Units, Affordable Rented Housing Units and Intermediate Housing Units.....” . *Whilst the definition of the Affordable Housing mix for social rented housing reflected the figures set out in paragraph 7.1.3 above, the intermediate housing mix stated that 40% were to be one bedroom (84 units based on 50/50 split between intermediate and social rented housing), 50% were to be two bedroom (105 units) and 10% were to be three bedroom (21 units). This definition also allowed for “any different mix as may be approved in writing by the Council pursuant to the Affordable Housing Strategy for the relevant Phase”.*

7.5 The applicant's submission

7.5.1 The application is supported by a Financial Viability Assessment prepared for the applicant by BNP Paribas Real Estate. This sets out the assumptions made in their appraisals and the results of said appraisals. The reasons for the changes in viability have been identified as relating to:

- changes in infrastructure costs;
- policy changes eg the requirement to provide electric charging points at an additional cost of some £3.6 million;
- increased costs due to the MoD legacy eg ground remediation including the removal of Japanese Knotweed and trees (just over £8 million when compared to just over £5 million as originally estimated);
- additional fees eg estate agency, legal and marketing fees (an increase of just over £200,000);
- design changes/scope creep estimated as an increase of over £1 million eg upgrading the DIO road to adoptable standards has risen by just over 13% with demolition costs increasing by 500% and delays in the military decant from PRB;
- Covid 19 delays estimated to be just over £1.5 million of just under £800,00 were costs incurred to comply with Covid 19 protocols;
-

7.5.2 The assessment makes the following conclusions:

“The DIO is bringing the site forward for development to generate receipts in facilities in alternative locations. If the receipts are insufficient to fund the site infrastructure costs and the Section 106 costs, there is a significant risk that the DIO will mothball the Development, resulting in no further housing being provided.

As outlined in our report, DIO and Skanska will operate in a “Master Developer” role involving securing planning permission, relocating services, investing in replacement facilities, and funding site infrastructure requirements. They will recoup their costs and secure a return from receipts arising from the sale of serviced plots to housebuilders. Initial phases have proceeded on the basis of 35% of residential units being provided as affordable housing. However if this level of affordable housing continues into future phases, the Proposed Development is forecast to incur a significant loss.

The results of our modelling indicate that the future phases will need to proceed on the basis of 100% private housing to generate a positive land value for the Master Developer.

The scheme already includes 119 units of affordable housing in parcels A and M (Cala and Vistry) which equates to 9.9% of the total, assuming no additional affordable housing is provided on any other phases.”

7.5.3 The applicant's viability assessment states that if future phases are required to provide any affordable housing the Land Trading Model generates a negative land value ranging from -£2.32 million to -£15 million at 5% and 35% affordable housing respectively.

7.6 The Council's response – Condition 9 part a

7.6.1 The Council's Viability and Cost Consultants have undertaken a number of reviews of financial viability and affordable housing including a detailed assessment of the scheme costs to date which are included in their consultation response which is attached as Annex C. In response to a request for information on the Applicant's anticipated return when compared to their current position the following details were provided.

7.6.2	2014	2020	Difference %
Land receipt	£135,370,000 (assuming 35% affordable housing)	£143,776,221 (assuming 10% affordable housing)	+6.2%
Costs	£55,640,000	£138,711,987	+149%
Land Cost	£8,573,370	£8,573,370	+/- 0%
Return	£71,156,360	-£3510,136	-105%
Simple return on cost	110.81%	-2.38%	-102%
Simple return on value	52.56%	-2.44%	-105%

7.6.3 The Council's Consultants did not agree that some of the identified costs should be offset against the provision of affordable housing at Deepcut. This includes Defence Infrastructure Organisation (DIO) costs before the submission of the hybrid planning application, costs which would be considered as normal developer risk and the use/misuse of the land by the Ministry of Defence. As a result of the removal of these costs, the Viability consultants are of the view that the scheme can support an affordable housing provision of 15%.

7.6.4 This report has been carefully considered and having regard to the above commentary and makes the following conclusions and recommendations were made:

"We conclude that the proposed amendment to reduce the affordable housing provision to 15% over the remaining sites as yet undeveloped, to be consistent with our assessment of scheme viability. The inclusion of a further late stage review to enable further potential on site affordable delivery ensures that the scheme would in light of these proposed changes deliver the maximum reasonable level of affordable housing consistent with the viability of the scheme as assessed in our attached reports."

Given the above commentary and conclusions it is considered that the case for an affordable housing provision of 15% on grounds of financial viability has been demonstrated.

7.6.5 It is noted that, as proposed, two of the smallest phases (4d (15 units) and 4f (20 units)) would not provide any affordable housing. At 15% provision this would result in 2 dwellings for Phase 4d and 3 dwellings for Phase 4f. In the consideration of the affordable housing on Phase 4a, there are management issues for Registered Providers when dealing in small numbers. Officers have made enquiries on this and have only been able to identify one provider that potentially could take small numbers of dwellings. Given this, and to provide certainty for the future developers of these phases, no objection is raised to the five units which would come forward within Phases 4d and 4f being provided across the larger phases. However it would be appropriate to specifically reference the table at paragraph 4.3 in any decision to ensure a minimum overall provision of 15% affordable housing is secured.

7.7 The review clause

7.7.1 On the basis that the affordable housing provision of 15% is acceptable, a robust review clause would be required.

7.7.2 It is the Council's view that the last parcel to be delivered should be Phase 6d which is identified as providing 237 dwellings. The applicant's current proposal is for two reviews of the financial viability of the development. If the first review were to support the provision of additional affordable housing, this would be provided within Phase 6d, up to a maximum of 35%. If the second review were to demonstrate that the scheme could have supported more affordable housing, a financial contribution would be payable to the Council towards the provision of affordable housing within the Borough.

7.7.3 In support of the proposed review clauses the applicant has advised:

By basing the Review on the accepted offer (which must be the maximum received from the market) the Council can be assured of highest figures for the Review and maximum prospects for increased affordable housing provision on Phase 6d. If Condition 9 is approved in October 2021 than marketing is due to commence in November 2021.

Review 2 will not come into play in reality as the offer accepted by the MoD will always be higher or at best the same as the completion price. All completion prices on site to date have been lower than accepted offer price. A developer will not raise an offer once accepted.

Review 2 is purely proposed to ensure that the Council's position is fully protected and that the MoD could not unduly profit in any way from the land sale process. The MoD would not seek to retrospectively capture the reduction between accepted offer price in Review 1 and completion price in Review 2, even if additional affordable housing was achieved on Phase 6d that would not have been applicable if the lower completion price was used. It is purely proposed as a one-way only protective review mechanism for the Council in order to support the use of accepted offer price for Review 1 to enable timely marketing of Phase 6d from May 2022.

Overall, I believe this provides the best prospect of achieving more affordable in Phase 6d by using the highest land sale figure possible. It would also ensure best prospects of Phase 6d selling and being delivered prior to expiry of the permission.

7.7.4 The proposed review clauses are considered to be sufficiently robust to give the Council oversight of the financial viability of the overall development. Subject to viability they would secure either the provision of additional affordable housing on Phase 6d at the first review or the payment of a financial contribution at the second review. It is also noted that in the event that a financial contribution were to be payable the repayment period would be 10 years post the completion of the development.

7.8 Condition 9 b (in part) – tenure

7.8.1 The tenures proposed by the applicant are affordable rented and intermediate. As noted below the applicant's viability assessment has been undertaken based on these tenures.

7.8.2 Whilst the Council's Housing Services Manager's preference is for social rented, he raises no objection to the tenure as proposed. It is also noted that the proposed tenure has previously been accepted for Phase 2b which is currently being built by Cala Homes. However the provision of social rented would be welcomed if Phase 6d were to be able to provide additional affordable housing as part of the review process.

7.8.3 The applicant has been advised of the preference for social rented housing. It has commented that viability assessment was based on Affordable Rent. If Social Rent were pursued this would further reduce the percentage of affordable housing provision down to 10% as Social Rent is a more expensive form of provision. However there would be the opportunity to secure Social Rent as part of the review mechanism.

7.8.4 In response to this, and having regard to the decision taken on Phase 2b, it is the Officer's view that affordable rent/intermediate with a minimum provision of 15% would be the most appropriate option in the first instance. On the basis that a minimum provision of 15% would be secured on Phase 6d, and having regard to the view of the Housing Services Manager, the potential option to secure social rented on this last phase of development should be pursued. Subject to appropriate controls being secured by way of a legal agreement the proposed tenure of affordable rent and intermediate is considered to be acceptable for the purposes of condition 9 b (in part).

7.9 Proposed changes to the section 106 legal agreement

7.9.1 On the basis that the minimum provision of affordable housing at a level of 15% is agreed it will be necessary to tie this minimum level of provision to the remaining residential phases of development. In this regard it is appropriate to link this to the phasing of development as set out at table at paragraph 4.3 above. .

7.9.2 To ensure that any uplift in profit is captured on this site, a review clause will be required. The review will be based on the report prepared by the Council's Viability Consultant Phase 6d will be identified as the last phase of residential development to come forward. A review will take place following the sale of all the residential phases before Phase 6d and before the reserved matters application for Phase 6d is submitted. Phase 6d will provide a minimum affordable housing provision of 15% with tenures of affordable rent and intermediate. If the review demonstrates an improvement in the financial position, then further provision of affordable housing will be sought for social rent.

7.9.3 The definition of affordable housing in the legal agreement allows for both affordable rent and intermediate tenures. The precise mix will be the subject of a submission under condition 9 b (in part) and c. As such no amendment to the legal agreement is required in this regard.

8.0 POSITIVE/PROACTIVE WORKING AND PUBLIC SECTOR EQUALITY DUTY

8.1 In assessing this application, officers have worked with the applicant in a positive, creative and proactive manner consistent with the requirements of paragraphs 38-41 of the NPPF. This included the following:-

- a) Provided or made available pre application advice to seek to resolve problems before the application was submitted and to foster the delivery of sustainable development.
- b) Provided feedback through the validation process including information on the website, to correct identified problems to ensure that the application was correct and could be registered.
- c) Have suggested/accepted/negotiated amendments to the scheme to resolve identified problems with the proposal and to seek to foster sustainable development.
- d) Have proactively communicated with the applicant through the process to advise progress, timescale or recommendation.

8.2 Under the Equalities Act 2010, the Council must have due regard to the need to eliminate discrimination, harassment or victimisation of persons by reason of age, disability, pregnancy, race, religion, sex and sexual orientation. This planning application has been processed and assessed with due regard to the Public Sector Equality duty. The proposal is not considered to conflict with this Duty.

9.0 CONCLUSION

- 9.1 The provision of affordable housing at Deepcut is important to ensure that the housing needs of the local community are addressed and given that it is the Council's largest redevelopment site in the borough. The development has delivered various parts of the hybrid permission, whilst circumstances which had not been envisaged have caused delays to housing delivery. The application is supported by a Financial Viability Assessment which the Council's Financial Viability Consultant is satisfied that it demonstrates that the development can make an affordable housing provision at 15%. The use of review clauses will give the Council the opportunity to oversee the development with a view to securing additional affordable housing at the first review or the provision of a financial contribution towards the provision of affordable housing within the Borough at the second review. Whilst recognising that this proposal does not meet the policy objectives for the delivery of affordable housing at Deepcut, the proposal will provide affordable housing for the local village community.
- 9.2 The Council may determine to refuse the application or seek a higher percentage outside of the proposed review mechanism. However the applicant has indicated that such action is likely to prejudice the overall deliverability of the development. Princess Royal Barracks is critical to the Council's Five Year Housing Land supply. If housing delivery does not continue on this site then it places the Council at serious risk of not being able to demonstrate a Five Year Housing Land supply which in turn makes the Borough vulnerable to development being allowed on appeal in less acceptable locations.

10.0 RECOMMENDATION

APPROVE the details subject to condition 9 (a) and (b) (in part) subject to a legal agreement :

To agree a minimum of 15% affordable housing in accordance with the distribution of affordable housing as set out in table at paragraph 4.3 in this report

To secure the following review clauses:

Review clause 1: Details of accepted offers per phase provided by 29 April 2022 in order to allow Review to be undertaken and Phase 6d marketing to commence by 31 May 2022.

If the first review demonstrates that the scheme is able to deliver any additional affordable housing it is to be provided on Phase 6d and be for social rent to a maximum of 35% provision

Review clause 2: A financial review mechanism once all sales have completed. If the completed land value is higher than the accepted offer land value then an overage would be payable to the Council by the MoD. Any sum could be payable to the Council or an Registered Provider of the Council's choice to spend on affordable housing provision with Surrey Heath, or an alternative as agreed with the Council.

The repayment period for any contribution received to be 10 years from the date of the completion of the overall development

The review is to be based on the assessment by Council's Viability Consultant.

Subject to the provisions of review clause 1 in relation to Phase 6d, to agree the tenure of affordable rent and intermediate on the development phases as set out in the table at paragraph 4.3.