

Test Valley Borough Council

Affordable Housing Supplementary Planning Document

June 2020



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Section 180 (5) (d) Planning Act (2008) removed the compulsory requirement for a Sustainability Appraisal for a Supplementary Planning Document (SPD). It is not considered that this SPD would have a significant social, environmental or economic effect, therefore this document has not been subject to assessment under the Strategic Environmental Assessment Directive 2001/42/EC and The Environmental Assessment of Plans and Programmes Regulations 2004.

1. Introduction

- 1.1** Test Valley is a predominantly rural borough covering 62,758 hectares on the western side of Hampshire. In 2019 there was an estimated 55,666 households within the Borough with an estimated increase of 5.4% to 59,201 households by 2023.¹
- 1.2** The Borough is planning for 10,584 new homes from 2011 – 2029 which is an annualised average of 588² homes a year to keep up with the increased prediction of new households. It is estimated that in each year up until 2029 that 206 of these additional homes should be affordable homes, assuming an average of 35% of total homes would be affordable.

- 1.3** The average property price in Test Valley was 8.5 times the average salary for the area in 2014³ and this has risen to an affordability ratio of 10.05 times in 2018⁴. A household is considered able to afford to buy a home if it costs 3.5 times the gross household income⁵. At a time when government funding for the delivery of affordable homes is being reduced, it is important that affordable housing continues to be delivered to provide opportunities for a good quality of life and mixed and sustainable communities in Test Valley.
- 1.4** The ability to access a home that is affordable is an important factor in reducing reliance on the expensive private rented sector and reducing potential recruitment challenges for employers in areas of high house prices, enabling businesses to grow.

Scope of this document

- 1.5** The purpose of this Supplementary Planning Document (SPD) is to provide advice on how the Council's affordable housing policy, as set out in Policy COM7: Affordable Housing of the Test Valley Borough Revised Local Plan DPD 2011 – 2029 (RLP), is to be implemented. It does not introduce new policy but supplements existing policies in the Council's adopted RLP.
- 1.6** A key aim of Policy COM7 is to increase the amount of affordable housing delivered through the planning system. This document provides advice for landowners, developers including affordable housing providers and other providers of affordable housing and planning agents. This SPD should be used to inform pre-application proposals and planning applications to ensure high quality and successful applications are made which deliver affordable housing reflecting local needs.
- 1.7** The SPD sets out the mechanism for securing affordable housing on residential development sites and financial contributions for affordable housing to be secured off-site where required. Guidance on the criteria for affordable housing, including thresholds and percentages applicable also forms part of this document. Policies

³ *Housing Strategy 2016 - 2019*

⁴ www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhousepricetoworkplacebasedearning-slowerquartileandmedian (Table 5c)

⁵ *Review of Housing Evidence Base and Assess Housing Need in Test Valley July 2016*

COM8 "Rural Exception Affordable Housing" and COM9 "Community Led Development" also relate to the delivery of affordable housing.

- 1.8** This document explains what the Council will expect from a viability assessment, so that the requirement for affordable housing is embedded into land values. It also sets out how public subsidy should be used to ensure affordable homes are delivered where there are viability issues.

The SPD also provides advice on Section 106 agreements (S106), which will be used to secure the provision of affordable housing on new residential development proposals.

Status and Use of this Document

- 1.9** This SPD has been prepared in accordance with relevant legislation⁶, and is a material consideration in the determination of planning applications. It should be taken into account during the preparation of proposals for residential and mixed use development from the inception stages and therefore when negotiating site acquisitions and undertaking development feasibility.

2. Legislative and Policy Context

- 2.1** Local authorities must comply with statutory duties to provide housing for households in local housing need and to prevent and relieve homelessness.

National Planning Policy Framework

- 2.2** The National Planning Policy Framework (NPPF) 2019 provides the overarching national planning policy, with which local planning documents must conform.

- 2.3** The NPPF defines the first part of affordable housing as:

"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"

- 2.4** The NPPF seeks to significantly boost the supply of housing⁷ and to achieve healthy, inclusive and safe places⁸. Specifically, paragraph 62 of the NPPF requires local planning authorities to identify where affordable housing is needed and set policies for meeting this need on site (unless off-site provision or a financial contribution can be robustly justified and leads to creating mixed and sustainable communities).

- 2.5** To encourage re-use of brownfield land, any affordable housing contribution may be off-set by the amount of existing gross floor space, provided that vacant buildings are being reused or redeveloped.

- 2.6** On major sites at least 10% of the homes planned on the site should be available for affordable home ownership as part of the overall quantity of affordable housing being sought, although there are some exceptions to this⁹.

⁶ The Town and Country Planning (Local Planning)(England) Regulations 2012

⁷ Paragraph 59, NPPF February 2019

⁸ Paragraph 91, NPPF February 2019

⁹ Paragraph 64, NPPF February 2019

Test Valley Borough Council Corporate Plan 2019-2023

2.7 Homes delivered to a decent standard lie at the core of a good quality of life. Through Test Valley Borough Council's Corporate Plan 2019 – 2023, the Council's priorities focus around using our investing approach in Test Valley to grow the potential of:

-  **Town Centres** to adapt and be attractive, vibrant and prosperous places
-  **Communities** to be empowered and able to build upon their strengths
-  **People** to be able to live well and fulfil their aspirations
-  **The Local Environment** for current and future generations



Test Valley Borough Revised Local Plan DPD 2011 - 2029

2.8 The Test Valley Borough Revised Local Plan DPD 2011 – 2029 (RLP) sets out a vision for the future development of the borough. The objectives of the RLP include :

- Provide for the future housing needs, types and tenures within the borough
- Promote the appropriate scale of development in settlements in keeping with their size, character and function
- Create sustainable communities, locating development where daily needs for employment, shopping, leisure, recreation, education, health and other community facilities are accessible by sustainable modes of transport

2.9 To enable these objectives to be met, the RLP includes three policies related to the delivery of affordable housing. They are:

- [Policy COM7: Affordable Housing](#)
- [Policy COM8: Rural Exception Affordable Housing](#)
- [Policy COM9: Community Led Development](#)

3. How Affordable Housing is Delivered in Test Valley

The following table sets out the roles of various partners involved in delivering affordable housing in Test Valley:

Delivery of new homes

Developers and House Builders	<ul style="list-style-type: none"> The majority of affordable homes are delivered by developers on private sites through S106 agreements. Private house builders therefore have a crucial role to play in ensuring affordable homes are delivered alongside market homes. In rural settlements, the development of market housing can cross-subsidise the delivery of affordable homes, without relying on public subsidy.
Affordable Housing Providers	<ul style="list-style-type: none"> Independent housing associations, charitable organisations and companies. Provide and manage affordable housing, particularly Affordable and Social Rent products and Shared Ownership.
Help to Buy Agent	<ul style="list-style-type: none"> Hold a register and process applications for people seeking to buy an affordable home through Help to Buy schemes, or rent an open market property Advertise available homes for rent or sale. Checks eligibility of housing applicants and assists them through the process of buying or renting.
Hampshire Home Choice	<ul style="list-style-type: none"> Administers the Housing Register and allocates affordable homes to rent.
Housing Services - Test Valley Borough Council	<ul style="list-style-type: none"> Provide affordable housing advice to housing applicants. Negotiate affordable housing level, tenure and type. Advise on the location of the affordable housing on the site to ensure the homes are integrated and pepper-potted throughout the site. Enabling role to bring forward delivery.
Planning Services – Test Valley Borough Council	<ul style="list-style-type: none"> Advise planning applicants of planning issues and obligations. Determine planning applications.
Elected Members – Test Valley Borough Council	<ul style="list-style-type: none"> Determine Council policy, and promote and encourage affordable housing delivery.

4. Housing Need in Test Valley

4.1 Government guidance on Strategic Housing Market Assessments sets out a model for assessing housing need (known as the Basic Needs Assessment Model). This model was used in the Test Valley Borough Council Strategic Housing Market Assessment (SHMA 2014). Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market.

4.2 There are around 2,250 households in Test Valley living in unsuitable housing (across all tenures). This figure is consistent with data from the Council's Housing Register which as of February 2020 showed 2,134 households on the register and in need.¹⁰ In addition there were 952 applicants on the Help to Buy Agent's register as of February 2020.



4.3 Up to 2031 it is anticipated that an estimated 557 households are expected to fall into housing need¹¹. These are households that are not able to afford to buy their own home or afford market rents and are living in unsuitable accommodation.

4.4 Local Housing Allowance (LHA) was introduced in 2008 to calculate the amount of housing benefit families and individuals living in private rented accommodation would be entitled to. There has been a reduction in Local Housing Allowance as a result of welfare reform measures that were introduced from 2011 (and with additional measures introduced in subsequent years). Reforms included a shift from assessing LHA levels at the 50th percentile of local market rents, removing the ability for claimants to achieve a £15 excess through their

LHA claims in certain circumstances, and freezing the index linkage of LHA to the Consumer Price Index such that inflationary increases ceased from April 2013. The LHA levels have been index linked once again from April 2020. Furthermore, a cap was introduced in 2011 limiting the amount of LHA claimants can receive, dependant on the number of bedrooms the property has. LHA is now limited to a maximum of 4, instead of the previous 5, bedrooms. Under the LHA rules, eligible individuals under the age of 35 can only receive the Shared Accommodation Rate (SAR). The SAR is the maximum amount of housing benefit an individual can receive when renting a room in a shared house from a private landlord. This type of accommodation does not constitute Affordable Housing. The benefits system may be subject to further change. This reflects the position with regard to LHA at the time of writing.

¹⁰ Hampshire Home Choice February 2020

¹¹ Test Valley Borough Council Strategic Housing Market Assessment, paragraph 7.57

5. What is Affordable Housing?

- 5.1** Affordable housing is formally defined in the NPPF to provide a number of different types of housing to meet the needs of those who cannot afford to buy on the open market or rent privately. At the time of writing, the NPPF (2019) defines a number of different types of affordable housing including Affordable Housing for Rent, Starter Homes, Discount Market Sales and other routes to home ownership such as Shared Ownership homes.
- 5.2** From time to time the government introduces new affordable home ownership initiatives and the products that can be considered at the time of application may differ from those specified in this document. Any new initiatives will be given due consideration subject to the existence of detailed planning guidance, and subject to the product being genuinely affordable to those with a local housing need.



Affordable Rented and Social Rented Homes

- 5.3** For those households on the lowest incomes and those to whom the Council owes a re-housing duty (including those on the Council's Housing Register), the Council requires an element of affordable housing to be provided as Social Rent and/or Affordable Rented housing. Affordable and Social Rented housing relates to housing let by Affordable Housing Providers to eligible households via the Council's Housing Register. In Test Valley, the Housing Register is often referred to as 'Hampshire Home Choice'.
- 5.4** The Council accepts both Social Rented and Affordable Rented homes owned and managed by Affordable Housing Providers as meeting local need, albeit rents under the Affordable Rent regime must be affordable for those on the Housing Register in order for them to meet need (see also subsequent paragraphs and particularly 5.7 below).
- 5.5** Social Rented housing is owned and managed by Affordable Housing Providers and is for eligible households whose needs are not met by the market, for which guideline target rents are determined through the national rent regime. Social Rented housing should be made available in perpetuity.
- 5.6** Affordable Rented housing is also owned and managed by Affordable Housing Providers and is for eligible households whose needs are not met by the market. Affordable Rents must not exceed 80% of the local market rent, inclusive of service charges and must

not exceed the Local Housing Allowance (LHA) for the relevant property type in the relevant location. This is to ensure that in high value areas the affordable homes can still be affordable to those on lower incomes and who may require financial assistance towards meeting the cost of their rent. Affordable Rented housing should be made available in perpetuity.

- 5.7** The affordability of larger homes in Test Valley (3+ beds) provided for Affordable Rent at 80% of market value is beyond the reach of many families on low incomes. We therefore require the larger homes to be delivered as Social Rented housing.
- 5.8** The Valuation Office Agency (VOA) is responsible for calculating the LHA levels for different property sizes in different areas of the borough. They apply a list of rents that are paid for private sector tenancies across the broad rental market area for each property category. There are four broad rental market areas (BRMAs) in Test Valley namely Basingstoke, Salisbury, Southampton and Winchester.

Build to Rent

- 5.9** Build to Rent is purpose built housing that is typically 100% rented. It can form part of a wider multi-tenure development comprising either flats or houses, but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control. Affordable Rented and Social Rented homes provided by Affordable Housing Providers remains the Council's preference for meeting the needs of households seeking rented housing as this provides long term assured tenancies and the administration and management arrangements are transparent and subject to national government regulations setting minimum standards.

Starter Homes

- 5.10** The principle of Starter Homes was introduced through the Housing and Planning Act 2016. Starter Homes have been included in the definition of Affordable Housing in the National Planning Policy Framework. Secondary legislation remains outstanding and the government no longer has a dedicated budget for the delivery of Starter Homes. This tenure is not, therefore, currently supported by the Council. It is neither a local nor national priority for delivery.

Discount Market Sales Homes

- 5.11** Discount Market Sales housing is a route to affordable home ownership where the property is discounted by at least 20% below local market levels. It provides homes for first time buyers but should be no more than 3 bedrooms having regard to affordability and local incomes. These homes must be genuinely affordable to local people, based on incomes and house prices. Proposed sales values will be assessed against similar properties in the local area.

- 5.12** To ensure Discount Market Sales homes are affordable and remain so, a restriction on the disposal price to an amount not exceeding a specified percentage of the market value will be imposed, together with an obligation requiring any subsequent purchaser to enter into a similar restriction. This is achieved through the S106 agreement which will effectively require subsequent purchasers to enter a deed of adherence to the terms of the S106 agreement. A note may also be registered on the title of the property at the Land Registry requiring a certificate from the Council that the relevant terms of the S106 agreement have been complied with, before a new owner's interest can be registered.
- 5.13** Eligible households for first and future purchasers of Discount Market Sales homes must be registered and eligible to be on the Help to Buy Agent's register, or any successor organisation, being the register of low cost home ownership need.
- 5.14** The Council will also seek to ensure that Discount Market Sales homes are the only residence of the applicant and are not purchased by buy-to-let investors, or sub-let at any future point.
- 5.15** Developers are encouraged to consider the level of discount necessary to ensure affordability at an early stage in

the development process. Advice can be provided at pre-application planning stage by the Housing Development Team. The Housing Development Team will advise the developer of the required maximum price of a property on a site by site basis. For avoidance of doubt, discounted market housing does not include properties merely because they are at the cheaper end of the market or because they are otherwise sold at less than market value, as generally they would still be more expensive than people in housing need could afford.

Rent to Buy

- 5.16** Subsidised rented homes can be provided by private sector housing or by Affordable Housing Providers, including Rent to Buy. Such homes should be made available in a form which is equivalent to Affordable Rented homes provided by Affordable Housing Providers in terms of affordability. The monthly rent is capped at 80% of market rents or the Local Housing Allowance, whichever is the lowest. Households must earn less than £80,000 a year and an affordability check will be carried out to ensure that the applicant can afford the rent from the start and can realistically purchase a share in the property in the future.

Shared Ownership

- 5.17** There are a number of Shared Ownership products delivered by Affordable Housing Providers and private developers.
- 5.18** Shared Ownership enables the occupant to purchase an equity share in their home, starting at 25% of the equity, via a conventional mortgage. Rent will then be charged on the unsold equity and shall not exceed 2.75% of the value as specified by Homes England. This is so that parity is maintained between the value and the rent of the property. Typically a maximum of 50% equity share is sought in the first instance. Purchasers are able to acquire additional shares up to 100% of the equity. In a Designated Protected Area, however, this may be limited to 80% of the equity, unless the Affordable Housing Provider covenants to repurchase the home.
- 5.19** All Shared Ownership homes shall be disposed of by the grant of a lease in the form of the Homes England Model Form of Shared Ownership Lease, or such other form agreed in writing by the Head of Housing and Environmental Health or other senior officer with relevant authority. Nominations are via the Help to Buy Agent or its successor.

5.20 Given the typical income levels of prospective purchasers in Test Valley and the high open market values for Shared Ownership properties, especially in rural areas, the Council will seek to establish the total monthly costs, including the rent element. Shared Ownership homes must be genuinely affordable based on local incomes. The mechanism for delivery will be secured through the S106 agreement.

Shared Equity

5.21 Shared Equity enables the occupant to purchase an equity share in their home via a conventional mortgage. The Affordable Housing Provider retains a mortgage or charge on the property for the remaining equity and there is no rent or interest charged on this share. Purchasers are able to staircase to 100% ownership, except in Designated Rural Areas where there may be a cap of 80%.

5.22 Upon resale, if the purchaser has not staircased to 100% ownership, the equity loan is paid to the new purchaser in relation to the percentage share retained. For instance, if 75% share purchased and 25% equity charge to the Affordable Housing Provider, 25% of the resale value at the time of the sale, would be payable to the Affordable Housing Provider to maintain the equity charge.

5.23 Nominations are via the Help to Buy Agent or its successor. Shared Equity should be affordable to those applicants on the Help to Buy Register with a joint income of no more than £80,000 per year. First sales would normally have an equity share of 50% to 75% of open market value.

Types of Affordable Housing for Specialist Groups

Older Persons and Specialist Housing

5.24 The Council's Housing Strategy for meeting the needs of older people is to ensure there are options to support people to remain in their own homes where it is appropriate for them to do so, whilst developing a range of alternative housing options to meet the aspirations and needs of older people who may need to move or who may be looking to downsize. This includes supported housing schemes where homes are provided together with additional communal space and facilities, and self-contained general needs homes. New housing for older people should be capable of being adapted to the changing needs of the occupants, including accommodating a wheelchair (consistent with Part M of the Building Regulations, or successor regulations). The form and level of

provision will vary through negotiation with the Housing Development Team.

5.25 Proposals for types of specialist and age-targeted housing, for example sheltered or Extra Care will generally (but not always) fall within Use Class C3 as set out below and will be subject to affordable housing requirements and should:

- Be individual self-contained units of accommodation
- Have individual occupancy rights as tenant or leaseholder
- Provide housing management services to all residents
- Provide communal facilities within the development
- Provide access to 24 hour care and support services available to meet the need of the individual resident
- Be based on housing needs and demographic data indicating an increasing requirement for housing suitable for older people, including those with physical disabilities.

5.26 The Council is also required to meet the needs of other customer groups who require specialist forms of housing, for example supported housing for young people and other vulnerable groups.

Extra-Care Housing

- 5.27** To meet the needs of an increasing proportion of older people within the local population, and to provide a choice of care for those with particular care requirements, Extra Care housing schemes can provide an appropriate way of meeting those requirements in schemes that meet a range of different levels of need.
- 5.28** As with any new development site that meets the threshold requirements for the provision of affordable housing, the affordable housing contribution within any proposed Extra Care scheme will be subject to negotiation, taking into account the prevailing needs in the borough. This may include the need for a mixed tenure Extra Care scheme, to include Extra Care homes for affordable/social rent, and/or for shared ownership. Alternatively it may require general needs affordable housing provided on the same site as the proposed Extra Care. The Council works closely with Hampshire County Council's Adult Social Care services to ensure there is evidenced need for further Extra Care, at any given time. Extra Care will not be supported on any new development site where there is no demonstrable need or requirement for its provision.

5.29 The Council encourages Extra Care proposals to adhere to HAPPI design principles (Housing Our Ageing Population: Panel for Innovation, June 2009). The HAPPI principles are based on 10 key design criteria. Many are recognised as good design relevant to older person's housing and include good light, ventilation, room to move around, storage et cetera. Importantly, the design principles focus on the property being able to adapt to the occupants' changing needs over time.

5.30 The government recommends that developments providing affordable housing incorporate the HAPPI principles where funding for Extra Care schemes is applied.

Self-Build / Custom Build Housing

5.31 Self-build housing is designed and built by an individual for their own occupation. Custom build housing involves an individual or a group of individuals commissioning a developer to provide serviced plots and build homes on their behalf. The level of involvement that the customer has on the specification and the build element will vary according to the type of scheme that is planned. On some sites a developer will provide serviced plots and design the basic layout of the homes, with the end user having

input into the detailed design. In other circumstances the developer may build the homes to a fairly advanced stage, with the end user having choice in the context of internal finishes in the property. Self or custom build housing may be delivered as affordable housing.

5.32 Where self-build plots are considered feasible for affordable housing, planning obligations in a Section 106 agreement will control occupancy, resale and maximum sale or rent prices that can be charged. Where self-build housing is not feasible for affordable housing, a commuted sum in lieu of on-site affordable housing will be secured in accordance with method outlined in Annex 1.

5.33 In all circumstances where a developer or affordable housing provider may be considering the delivery of a self-build or custom build scheme in Test Valley, it is recommended that they enter into early discussion with the borough council's Planning and Housing Development teams. Self-build is covered further in Section 6 below.

6. When is Affordable Housing Required On-site?

6.1 The aim of Policy COM7: Affordable Housing, is to provide a proportion of affordable housing on residential development sites to address the needs of Test Valley residents who cannot afford to buy their own home or afford private market rents. The percentage of affordable housing to be delivered on site differs according to the location and scale of the site. The smaller the site, the lower the percentage of affordable housing required.

6.2 In response to the changes in the NPPF published in February 2019, the revised wording of Policy COM7 (as it is now being applied) is as follows:-

The Council will negotiate on housing sites:

a) In the Undesignated Area¹² of a net gain of:

- **15 or more dwellings (or sites of 0.5ha or more) for up to 40% of dwellings to be affordable;**
- **10-14 dwellings (or sites of 0.34-0.49ha) for up to 30% of dwellings to be affordable; and**

b) In the Designated Rural Area¹³ of a net gain of:

- **15 or more dwellings (or sites of 0.5ha or more) for up to 40% of dwellings to be affordable;**
- **10-14 dwellings (or sites of 0.30 -0.49ha) for up to 30% of dwellings to be affordable;**
- **6-9 dwellings (or sites of 0.22-0.29 ha) a financial contribution equivalent to up to 20% of dwellings to be affordable;**

and which is secured via a legal agreement.

In assessing the suitability of such sites for the provision of affordable housing the Council will take into account the size, suitability and the economics of provision.

Development should provide for the appropriate integration of affordable housing and market housing, in order to achieve an inclusive and mixed community

¹² Comprising the parishes of: Andover, Charlton, Enham Alamein, Romsey, Romsey Extra, North Badsey, Nursling and Rownhams, Valley Park and Wellow (excluded from those defined as within a Designated Rural Area by SI 2004 No. 2681).

¹³ See Annex 2

- 6.3** As defined by legislation¹⁴ parts of the Borough are designated as rural areas. All parishes are designated except for the parishes of Andover, Charlton, Enham Alamein, Romsey and Romsey Extra, North Baddesley, Nursling & Rownhams, Valley Park and Wellow. These are classed as Undesignated Areas. Please see Annex 2 for a map of designated areas. In designated areas the Council will seek a financial contribution from sites of 6-9 dwellings.
- 6.4** Thresholds for the provision of affordable housing on site differ depending on whether the site is in a designated or undesignated rural area. Where the percentage of affordable housing to be delivered on site does not equate to a whole number, a financial contribution will be required for the remaining part dwelling to be provided off-site. The methodology for calculating contributions for off-site affordable housing provision is set out in Annex 1.
- 6.5** Policy COM7 applies to all types of residential development falling within Use Class C3 that are within the thresholds set out within Policy COM7, including the change of use to residential use, sheltered and Extra Care housing.
- 6.6** A proposal for self-build or custom build housing, whether on its own or as part of a larger traditional housing scheme, will be required to provide a proportion of affordable housing and to comply with Policy COM7 if it meets the policy triggers. Self-build or custom build housing may be considered as affordable housing if it is demonstrated that local open market house prices and rents are unaffordable.
- 6.7** As stated in Policy COM7, the Council will seek to secure affordable housing, or a financial contribution for off-site provision, via a S106 agreement or a Unilateral Undertaking (UU).
- 6.8** The Council will approach the negotiation of affordable housing in a positive and flexible way in order to facilitate sustainable development whilst at the same time maximising both the amount and quality of affordable housing. The Council's starting point is to seek:
- **Local Plan policy levels of affordable homes**
 - **On site provision**
 - **A tenure target of at least 70% Affordable Rented or Social Rented housing**
- 6.9** However, the Council will be mindful of the economic climate and the impact that affordable housing requirements can have on development viability. Section 10 details guidance on submitting viability information where applicants consider that policy levels of affordable housing cannot be provided without undermining the economic viability of the proposal.
- 6.10** The precise mix and tenure for provision on site will be specified in the S106 agreement or UU.
- 6.11** Schemes which provide self-contained accommodation for older people with an age restriction, for example retirement flats for over 50's, will be required to contribute towards affordable housing as are other forms of Use Class C3 residential homes.
- 6.12** The Council reserves the right to seek on-site provision within retirement schemes in the first instance. However, it is recognised that such developments may not be viable for on-site affordable homes due to factors such as high service charges, management arrangements and communal facilities. In these circumstances, the Council may at its discretion negotiate off site contributions from retirement schemes to put towards affordable housing provision elsewhere.

¹⁴ Housing (Right to Buy)(Designated Rural Areas and Designated Regions)(England)(No.2) Order 2004, SI 2004:2681 made under s157(1)(c), Housing Act 1985

- 6.13** Extra Care schemes will be subject to planning obligations under S106 agreements depending on the specific characteristics of the relevant scheme. The obligation to make an affordable housing contribution will depend on which Use Class the Council considers the scheme to be. A change of use application to C3 Use at a later date might become subject to the provisions within Policy COM7 in relation to affordable housing.
- 6.14** The Council will take all the characteristics of a scheme into account in determining the Use Class and will not consider any one factor as the defining criterion. Factors that differentiate Use Classes C2 and C3 are those relating to the predominant level of care provided and whether it is provided as a condition of residency, which is more likely to indicate C2 classification. However, receiving a care service does not in itself necessarily determine it as C2 accommodation if it is not a requirement. If the level of care provided is high or equivalent to the service normally associated with residential care homes, a C2 classification would be indicated.

Site Area Equivalent Thresholds

- 6.15** For each of the threshold steps in the sliding scale approach for the amount of affordable housing sought and negotiated, in addition to the number of dwellings, a site area is given in brackets i.e. 6-9 dwellings (or sites of 0.22-0.29ha).
- 6.16** This area of land is broadly equivalent to the size of site (excluding constraints) reasonably expected to deliver the number of dwellings in that step of the sliding scale, assuming an average density of development. The purpose of the equivalent site area threshold is to avoid an applicant being able to deliberately reduce the number of dwellings below a threshold purely in order to reduce the amount of affordable housing able to be sought, when in planning terms a higher number of dwellings could be appropriately accommodated.
- 6.17** Policy COM7 includes wording that 'in assessing the suitability of such sites for the provision of affordable housing the Council will take into account the size, suitability and the economics of provision'. The Council will therefore take a pragmatic approach to how the site area equivalent thresholds are interpreted and applied. Only the 'net developable area' (gross site area less taking account of planning constraints) of the application site will be considered as being eligible for consideration. To determine the level of affordable housing provision the starting point and key consideration will be the number of dwellings threshold.
- 6.18** Of primary relevance is the suitability of the proposed development assessed on its own merits. The site area equivalent threshold would only be a relevant consideration if it was considered that the site could reasonably accommodate a higher number of dwellings than the number being proposed.
- 6.19** A proposed development will therefore be assessed on its own merits to determine whether it is acceptable in all other planning respects and appropriately takes account of both site specific constraints and the characteristics of the area. Relevant factors would include for example: heritage, nature conservation, trees, landscape and flood risk designations and constraints, and the shape and topography of the site, together with more generally; its location and the character of the area and the nature and density of development in the locality.

6.20 Taking account of the constraints and characteristics of the area, the proposed development should be of an appropriate form of development for the site and make efficient use of its potential to deliver additional housing, notwithstanding that there may be alternatives regarding the number and the mix of size and type of dwelling. It is not therefore necessary that a development should be at the highest density, or for the smallest size of dwelling possible in order to maximise the number of dwellings, but that it results in a suitable form of development acceptable in planning terms. The proposed scheme will be assessed on its own merits.

Sub-Division of Sites

6.21 The NPPF states that planning policies and decisions should support development that makes efficient use of land and local planning authorities should refuse applications which they consider fail to make efficient use of land, taking into account policies in the NPPF. To ensure land is not being used inefficiently, proposals which seek to circumvent the affordable housing thresholds by developing at too low density or sub-dividing land are therefore not acceptable. The Council reserves the right to scrutinise site/ownership boundaries, density and unit mix.

6.22 Where an adjacent and related development forms part of a site that, in its entirety, would meet or is capable of meeting any defined threshold, the requirement for affordable housing in respect of the entire site will be applied.

7. When On Site Provision Cannot Be Achieved

7.1 Policy COM7 seeks on site provision of affordable housing except in exceptional circumstances where an equivalent off site contribution can be justified. In assessing suitability of such sites for the provision of affordable housing, the Council will take into account the size, suitability and the economics of provision. However, there may be circumstances in which the Council seeks off-site provision, or a broadly equivalent financial contribution in lieu of on-site provision.

7.2 Where the Council considers that on-site provision would not be the most appropriate or viable provision, a financial contribution in lieu will be sought. This will be calculated using the method outlined in Annex 1.

7.3 Where a financial contribution is sought, it is intended that these should be based upon residual land values (RLV). The thresholds and proportions for the amount of affordable housing sought have been set in order to be achievable for the vast majority of sites both greenfield and brownfield (Previously Developed Land - PDL) in normal market conditions. It will be applied flexibly, however, and each site will be considered on its individual merits by negotiation.

7.4 The value of the off-site financial contribution will be specified in the S106 agreement, and index linked (RPI) at the point in time where payment is due. The S106 agreement will also include a trigger for timing of the payment of the financial contribution. All contributions should be paid in a timely manner and in accordance with the agreed payment triggers.

8. Rural Affordable Housing

- 8.1** In order to deliver affordable housing in rural areas, the Council will:
- Promote partnership working with key stakeholders and, in particular, with local communities and their Parish Councils;
 - Provide strategic advice on affordable housing and numbers of local people on the Council's Housing Register;
 - Encourage Parish Councils to consider an investigation of local housing need and the potential to develop Rural Exception Sites where appropriate.

Rural Exception Sites

- 8.2** Rural exception sites are small sites used for affordable housing in perpetuity where sites would not normally be used for housing. These sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection.
- 8.3** Policy COM8: Rural Exception Affordable Housing seeks to provide a framework for the consideration of development proposals for rural affordable housing, provided on exception sites, as an exception to the general policy of restraint of residential development in the countryside (Policy COM2). Such housing should be kept as affordable in perpetuity. Rural Exception Sites (RES) can make a significant positive contribution towards overall delivery of affordable housing within the borough and to the sustainability of rural communities. The wording of the adopted policy is shown below:

Policy COM8: Rural Exception Affordable Housing

Development for rural affordable housing will be permitted provided that:

- a) the proposal is accompanied by evidence which demonstrates there is an unmet need within the parish for accommodation by households unable to afford open market housing where a member of each household has either:
 - i) been ordinarily resident in the parish or previously lived in the parish and has a strong family connection; or
 - ii) a demonstrable need by virtue of their employment to live in the village or its immediate surroundings; or
 - iii) a demonstrable need to live within the village either to support or be supported by a family member.
- b) it is restricted in perpetuity to occupation by households with a member in housing need; and
- c) the proposed mix of housing meets the identified need.

8.4 The purpose of this policy is to facilitate development in rural areas, either within settlements or outside of the settlement boundary, where there is evidence of need for affordable housing. The policy applies to settlements with a population of less than 3,000 people. These were identified and listed in a rural settlement gazetteer originally prepared by the Housing Corporation identifying areas where the right to buy, acquire and enfranchise (Shared Ownership) is restricted by legislation. These settlements are also eligible for Homes England funding for rural affordable housing, if available.

8.5 The list of rural areas has not been updated since it was published and some of those areas may have now exceeded the threshold of 3,000. See annex 2

8.6 To ensure the affordable homes remain in perpetuity the developer will be required to enter into a S106 agreement to ensure the Affordable Rented homes are retained and occupied via the Village Criteria (local connection) in perpetuity (see also section 17 which includes information on nominations and local connections). Some Shared Ownership homes may be restricted to 80% ownership by the purchaser (through a S106 agreement of other appropriate



means) unless the Affordable Housing Provider has included the rural buy back clause in the lease. (Please also refer to Designated Protected Areas below).

8.7 To deliver rural exception affordable housing sites, the Council works in partnership with other organisations and partnerships as appropriate.

8.8 In order to bring forward a rural exception site, evidence needs to be provided through a Local Housing Needs Survey (LHNS) or from the Council's Housing Register to justify the proposal. In allocating dwellings within a Rural Exception Site scheme, priority

is given to those in housing need with a local connection to the parish in which the housing is located and then to those with a connection to adjoining parishes. The local connection criteria will be secured via a S106 agreement.

8.9 Whilst not referred to in Policy COM8, the Council will consider the issue raised in the NPPF, paragraph 77, regarding the potential to consider an element of private market housing on a rural exception site where it can be demonstrated that it would help facilitate development. This is generally expected to be on the grounds of viability.

Community Led Development

8.10 Some communities may seek to bring forward housing or employment opportunities through working with landowners and developers and may, including through formal organisations such as a Community Land Trust¹⁵, deliver open market and/or affordable housing, or community and employment uses. Proposals for various different uses may be considered under Policy COM9. The wording of the adopted policy is set out below:

Policy COM9: Community Led Development

Community led development will be permitted if:

- a) the proposal is supported by evidence that there is a need for the development to maintain or enhance the sustainability of the settlement through the delivery of community benefit; and
- b) it is demonstrated that the community has been involved in the preparation of the proposal; and
- c) it is demonstrated that the community supports the proposal; and
- d) the proposal, if for residential development, helps meet the affordable housing need of the parish in accordance with the thresholds contained within policy COM7 and local evidence and restrictions contained within policy COM8.

8.11 Policy COM9 provides a vehicle to enable project promoters to engage with local residents to help with the preparation of the proposal and gain their support, which is a key criteria in the policy. The intention of COM9 is to support the aims of the Localism Act 2011 by providing a framework to deliver development that can demonstrate extensive involvement by the local community.

8.12 The intention of this policy is not to replicate the neighbourhood planning mechanisms contained within the Localism Act 2011, but to provide a further framework to deliver development that is either led by the community or has community involvement and support, without the need to undertake a Neighbourhood Development Plan or Neighbourhood Development Order (NDO). The proposal may be for a single use or a combination of uses.

8.13 In working up a community led development proposal, it is important that the views of the community are taken into account during the development of the scheme, and particularly at the pre-application stage. Any development proposals should be able to demonstrate that the local community and interested parties have been involved in the preparation of the proposal through engagement, consultation and liaison. It is also important that any proposal can demonstrate that it will help sustain or enhance the village.

8.14 The applicant must be able to demonstrate support for the proposal and overarching objective to provide affordable homes to meet local needs where the proposal is for residential development. The policy does not restrict the provision of private market housing, provided the requirement for affordable housing as set out in Policy COM7 is met in addition to meeting the criteria relating to local evidence and restrictions contained in Policy COM8.

¹⁵ A Community Land Trust is a non-profit community-based organisation run by volunteers that develop housing, workspaces, community facilities and other assets that meet the needs of the community.

8.15 The NPPF, paragraph 40, encourages applicants to work closely with those directly affected by their proposals and to take account of the views of the community, particularly at the pre-application stage. This enables concerns to be addressed and issues to be resolved and gives the community a role in genuinely shaping new development.

Entry Level Exception Sites

8.16 These are sites that provide entry level homes suitable for first time buyers or first time renters, in line with paragraph 71 of the NPPF. Entry Level Exception Sites could include tenures such as Build to Rent. As these sites are adjacent to settlements, they are likely to be rural sites where housing would not otherwise be allowed, and could be located in Designated Protected Areas (see below). Any such proposal should demonstrate that the affordable housing product is genuinely affordable to local households in housing need and satisfies relevant local plan policies.

Designated Protected Areas

- 8.17** The Leasehold Reform Act 1967, as amended by the Housing and Regeneration Act (2008) allows the Secretary of State to designate areas as Designated Protected Areas (DPAs) for the purpose of;
- **Removing the right of enfranchisement (buying the freehold) in respect of Shared Ownership properties so that staircasing to 100% ownership is restricted, and**
 - **Ensuring retention of Shared Ownership homes in areas where it would be hard to replace if lost to the affordable housing sector through 100% staircasing.**
- 8.18** The designation of such areas is aligned with those exempt from the Right to Acquire. In the main, these were rural settlements with a population of less than 3,000 at the time of designation.
- 8.19** The "Housing (Right to Enfranchise (Designated Protected Areas) (England) Order 2009"¹⁶ designates protected areas which includes the majority of the parishes in Test Valley including part of Romsey Extra and Smannell.

8.20 Affordable Housing Providers may be required to include in Shared Ownership leases the DPA conditions that either:

- **Restrict the leaseholders equity share to a maximum of 80% or**
- **Ensure once the leaseholder has acquired 100% share of the house, that when it becomes available for resale it is sold back to the housing association (or a designated alternative landlord).**

8.21 The Protected Areas and Leasehold Enfranchisement: Explanatory Notes December 2016¹⁷, make it clear that DPA restrictions apply regardless of whether the property has received grant funding or otherwise.

8.22 The Council may also include specific clauses in S106 agreements to reflect the DPA principles.

¹⁶ Published by the former Homes and Communities Agency: www.assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/582207/DPA_explanatory_note.pdf

¹⁷ www.legislation.gov.uk/uksi/2009/2098/contents/made

Waivers

8.23 Affordable Housing Providers developing Shared Ownership housing where staircasing is restricted can sometimes be affected by the limited availability of mortgages for purchasers. Also many providers have raised concern over their financial stability to guarantee they will buy back properties as required by the Shared Ownership lease if the leaseholder wishes to sell.

8.24 In response, the government regulator, Homes England has put in place a process through which consideration can be given to waiving the grant conditions relating to DPA status under certain conditions. Where a waiver is granted providers of affordable housing can develop grant funded Shared Ownership stock on sites in DPAs, allowing buyers to staircase to 100% without an obligation on the provider to buy back the property if the leaseholder wishes to sell.

8.25 The Homes England process begins when a local authority submits a request for a waiver. In all cases, Homes England requires the support of the local housing authority. As a result of growth since the DPA regulations were laid, some areas subject to DPA status are now part of large settlements and/or urban areas. If the local authority considers that a particular site



to be developed no longer meets the criteria in the original DPA designation, or has another reason why they think that grant funded Shared Ownership stock does not need to be protected in perpetuity in an area subject to DPA, they can approach Homes England to request that the conditions of the grant pertaining to DPA status be removed. The Council has agreed that it will consider requests for waivers¹⁸.

9. Vacant Building Credit

9.1 The Vacant Building Credit (VBC) is intended to provide an incentive for development on brownfield sites containing vacant buildings.¹⁹ There is limited national guidance on the application of VBC and its application will be considered on a site by site basis. Further information on VBC is contained within Annex 3.

18 TVBC Cabinet, 12.09.18, Item 11

19 Written Ministerial Statement made 28 November 2014, paragraphs 026-028 of the "Planning Obligations" Planning Policy Guidance and paragraph 63 of the National Planning Policy Framework.

10.Tenure and Mix of Affordable Housing

10.1 The estimated level of Housing Need (per annum) identified in the Strategic Housing Market Assessment (SHMA) (2014) by type of affordable housing is shown in the table below.²⁰ If this is superseded by a subsequent SHMA or other assessment of local housing need, the latest figures will be relevant.

Table 1 – Housing Need by Tenure

Area	Intermediate	Affordable Rent	Social Rent	Total
Andover	37.8%	13.3%	48.8%	100.0%
North – rural	29.1%	28.4%	42.5%	100.0%
Central – rural	30.5%	33.2%	36.3%	100.0%
Romsey	31.0%	21.9%	27.1%	100.0%
South – rural	33.2%	27.2%	39.6%	100.0%
Borough	33.6%	20.5%	45.8%	100.0%

10.2 The analysis identifies a requirement for around a third of homes to be Intermediate Housing and two-thirds being Social/Affordable Rented housing as identified in paragraph 5.108 of the adopted Local Plan.

10.3 The tenure split of 30% Intermediate Housing and 70% Social/Affordable Rent is a starting point in negotiating the precise scale, type and size of affordable housing. That tenure split should inform dwelling types and sizes in proposed layouts so that local housing needs are properly addressed, and the Housing Development Team should be contacted at pre-application stage to confirm the latest housing needs data. Within any planning consultation responses, the Council will have the discretion to deviate from the normal tenure split if there are specific needs to be addressed, which could include a requirement for provision of specialist or older persons' accommodation.

10.4 The following additional points relating to dwelling types and layout should be taken into account when formulating a proposal:

1. Properties to offer maximum occupancy levels:
 - 1 bed 2 person flat
 - 2 bed 4 person flat/house
 - 3 bed 6 person house
 - 4 bed 7/8 person house
2. Social/Affordable Rented housing requiring Test Valley Affordable Housing Capital Grant Funding will be required to meet the space standards contained in the Affordable Housing Capital Grant Funding Policy.
3. Semi and linked detached houses should always be of the same tenure.
4. A coach house (flat over a garage) is only acceptable if the garage is allocated to the same household as living in the flat above.

²⁰ Source: Figure 7.24, page 106, TVBC SHMA 2014

11.Prior Consultation

- 11.1** Any proposals for new residential development that may trigger the Council's affordable housing policies should be discussed with the Council's Housing Development Team as early as possible. Advice can be given at all stages of the planning process.
- 11.2** After initial consultation with the Housing Development Team on the affordable housing components, applicants should engage in formal pre-application advice which includes completing a form available from the planning web pages, and paying the appropriate fee. An applicant is encouraged to prepare and submit an Affordable Housing Statement to inform the pre-application discussion, having regard to the contents of this SPD. The key issues to address are:
1. Number of dwellings
 2. Dwelling types and sizes
 3. Tenure split – showing types and sizes
 4. Design standards
 5. Timing of affordable housing delivery
 6. Location and distribution

11.3 An Enabling Fee²¹ is payable by the Affordable Housing Provider for housing enabling work undertaken by officers where a Section 106 agreement is secured, which ensures there is an appropriate mix, distribution, type and tenure of the required affordable housing. The fee relates to each unit of affordable housing to be delivered and is payable from the date the Affordable Housing Provider enters a contract with the developer.

12.2 Affordable Housing Providers should ensure that their housing management team are able to comment on any scheme being promoted and that any concerns are resolved by practical design and appropriate lettings arrangements.

12.Layout and Design

- 12.1** Development proposals that include affordable housing are expected to address the Council's policies on good quality development, including Policy E1: High Quality Development in the borough. The design and materials used, and amenity provided within any affordable housing scheme on a site should be characteristic of the rest of the development in which it is included.

Clustering and Phasing

12.3 The Council recognises that grouping together a number of affordable homes is practical, from a construction and management perspective yet it is vital that affordable housing is dispersed throughout a development to a certain extent to ensure that new communities are both mixed and sustainable. Affordable housing should therefore be fully integrated into a development and provided in clusters of no more than 10 dwellings, unless otherwise agreed by the Council in writing, and having regard to the number of affordable homes, mix of dwelling types and layout of the proposal. The affordable homes should also be indistinguishable from the market housing.

²¹ Included in the Council's latest Schedule of Fees and Charges:
www.testvalley.gov.uk/business/licensingandregulation/licensing/adviceinformation/schedule-fees-charges/

12.4 Where separate phases of the development adjoin each other, careful consideration should be given to the location of clusters in adjacent permitted or developed parcels to avoid creating an overall cluster of more than 10 dwellings. For example, two clusters of affordable homes divided simply by an estate road would not be considered acceptable.

12.5 Clear concentrations of affordable homes, particularly of the same tenure or size will not be supported.

12.6 The delivery of the affordable housing must keep pace with that of market housing. On larger schemes, the Council will ensure that affordable housing is delivered in phases in parallel with the development of market housing, and will control phasing in the S106 agreement. The Council will not support the phasing of a development which sees the affordable housing being delivered in the later stages of the site's development taking into account site specific viability. A development agreement between the developer and Affordable Housing Provider should be confirmed prior to commencement of the development, and will be a standard clause in the Section 106 agreement. The preferred phasing should reflect the following triggers:

Table 2 – Preferred Phasing

Market Housing - Occupied	Affordable Housing - Completed and Transferred to AHP
<25%	25%
<50%	50%
<75%	100%

Design and Space Standards

12.7 The Council expects affordable housing to be built to a high standard of design with suitable levels of amenity. Where mixed tenure schemes are delivered, designs should not be different so as to distinguish between market and affordable housing. Affordable housing provided within a residential development should be of a similar size and quality to the open market housing.

12.8 Developers must be able to demonstrate that completed units meet any relevant design and amenity standards prevailing at the time, and any additional requirements of the partnering Affordable Housing Providers. The developer must be able to demonstrate that the land is sufficient in size to accommodate the required unit mix.

12.9 All development will be required to provide high levels of accessibility and should be designed as such to be adaptable to the changing needs of users. Where affordable housing has been designed to accommodate older persons as a flatted development, a lift should be provided if the building exceeds ground floor and first floor.

12.10 Occupants of affordable housing may have particular accessibility requirements and will therefore need to have access to a home that complies with the space standards set out in Building Regulations Part M Revised Edition 2015, which is particularly relevant for wheelchair users. Developers should allow for additional space when designing residential units which have the potential to be adapted for wheelchair users.

12.11 On developments of 10 or more affordable homes the Council would aim to achieve at least 10% of Social/Affordable Rented homes to be delivered as adaptable homes that can meet the changing needs of occupants, built to Building Regulations Part M4 (Category 2) Revised Edition 2015 or successor regulations. Where Category 2 dwellings are to be provided the Council will review the housing needs and negotiate with the developer over the provision of level access showers where there is a demonstrable need

12.12 Where there is a demonstrable need for a wheelchair adapted home, the home should be constructed in accordance with Building Regulations Part M4 (Category 3) Revised Edition 2015 or successor regulations. Development of adaptable/adapted homes contributes to the aims of the Council's Housing Strategy and will be encouraged in light of up to date evidence of need on the Housing Register.

12.13 Parking for dwellings designed for wheelchair users should be conveniently located with clear access to the property entrance. Internal layout plans should include furniture to scale, to the standards set out in Appendix D (Part M4) of the Building Regulations Revised Edition 2015 or any successor regulations, to demonstrate adequate space for internal manoeuvring for the occupants.

13. Development Viability

13.1 Policy COM7 takes account of the economics of provision in both providing affordable housing on site and a financial contribution for off-site provision in lieu. Where circumstances arise, the Council will take into consideration financial viability in negotiating the tenure and mix of affordable housing, the percentage of affordable housing on site or a financial contribution for off-site provision.

13.2 Development that complies with the policies in the RLP by providing the required amount of affordable housing, should not require a viability assessment. However, where one is needed, it should reflect the recommended approach in National Planning Policy Guidance "Viability", including standardised inputs²².

13.3 Land negotiations should be conducted with full account being taken of the requirements for affordable housing as set out in Policy COM7 informing the value of the land being purchased. As set out in the "Viability" PPG "the price paid for the land is not a relevant justification for failing to accord with relevant policies in the plan."²³

Why is Viability an Important Consideration?

13.4 The Local Plan policy requirements to provide a proportion of affordable housing on residential development sites should be considered as part of development costs embedded into the land values. This will make the viability process more consistent and transparent and ensure deliverability of appropriate levels of affordable housing to meet local needs.

13.5 The Council uses the Residual Land Value methodology (see Annex 1) to determine the underlying land value. This is important as it forms the basis on which a developer should be able to agree a price for the land once the costs of the development, including the developer's profit, have been deducted from the gross development value.

22 Para. 57, NPPF Feb 2019

23 Planning Practice Guidance "Viability" - paragraph 002
Revised 09.05.2019

13.6 As noted earlier, applicants are strongly encouraged to seek pre-application advice using the Council's pre-application advice service, to obtain expert advice from the Housing Development Team regarding affordable housing mix, size and tenure. The Council acknowledges that some sites present viability challenges and actively encourages applicants to discuss viability issues at the earliest possible stage. This is recognised in the NPPF²⁴.

13.7 The Council works with Affordable Housing Providers and is best placed to provide advice on the Council's partner Affordable Housing Provider requirements to assist applicants with the layout and design of their site. Pre-application advice is confidential and Council officers are happy to discuss viability concerns at the pre-application stage with the aim of achieving a viable and policy compliant scheme, while acknowledging the expectations of the landowner and developer for a reasonable and competitive return.

When Does the Council Require a Viability Assessment?

- 13.8** There may be circumstances where the costs of developing a site may affect its value. Where this has not been agreed for other reasons, the Council expects a viability assessment to be submitted with a planning application in the following circumstances.
- **Where the percentage of affordable housing falls below the threshold required for the overall size of the development as set out in Policy COM7. For example, less than 40% on sites of 15 dwellings or more**
 - **Where the split in tenure departs from 30% Intermediate Housing and 70% Social/Affordable Rent unless there has been prior agreement by the Council due to the need to meet a specific requirement**
 - **Applications proposing affordable housing off-site or a financial contribution in lieu of delivering affordable housing on site.**

What Should a Viability Assessment Contain?

- 13.9** The Council will expect that the benchmark land value will be established on the basis of the Existing Use Value of the land plus a premium for the landowner as set out in the NPPG "Viability" and the key principles in understanding viability should be followed. This method can work in two ways; either to determine the level of return on a scheme, where the costs of the site are known, or to establish the estimated value of the land by assuming a predetermined level of profit.

- 13.10** As set out in the NPPF (paragraph 57), all viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available unless there is clear justification for it to remain confidential.

²⁴ Paragraph 41, NPPF

The Council's Approach to Negotiating Proposals Which are not Viable

13.11 Where a scheme is demonstrated to be unviable with the policy-compliant level of affordable housing, the Council will consider a range of alternative options in negotiation with the applicants to secure the maximum level of affordable housing, in accordance with COM7. These options will vary depending on site specific circumstances and constraints, but will include:

- **Value engineering / alteration of schemes in terms of the mix of dwelling sizes, types or layout – for example providing more smaller affordable units can reduce costs;**
- **Flexibility on the tenure ratio – for example increasing the proportion of Intermediate Housing can improve viability;**
- **Flexibility on the phasing of affordable housing provision – for example early delivery of some open market homes can improve cash flow early on;**
- **Reduced percentage of affordable housing – where this is considered the Council will seek to secure quality over quantity, for example although fewer units may be provided they should be well matched in size, type and tenure to local needs;**

- **The use of public subsidy – the Council may consider the deployment of Affordable Housing Grant to Affordable Housing Providers where a S106 agreement is securing the affordable housing.**

13.12 Where options for delivering completed dwellings have been exhausted, consideration will be given to:

- **Accepting serviced plots in lieu of dwellings (see Section 12); or**
- **Accepting off site affordable housing units (see Section 13); or**
- **Accepting an off-site financial contribution (see Annex 1)**

13.13 Where a reduced percentage of affordable dwellings or a financial contribution below the full policy equivalent may be accepted, the Council will consider implementing the following:

- **Mechanisms to reappraise viability at a later stage :**
 - **At Reserved Matters stage or at commencement (for each phase if applicable);**
 - **A range of percentages may be set, i.e. a minimum (the level demonstrated to be currently viable) and maximum (policy) level;**

- **Setting a time limit by which Reserved Matters need to be submitted, to ensure consents are not ‘banked’ until viability may improve;**
- **Provision for the Council or Affordable Housing Providers to purchase additional affordable units;**
- **Mechanisms to review viability at completion to enable ‘clawback’ of additional revenues above those envisaged in the viability appraisal.**

13.14 Where permission is granted for a scheme that departs from the policies in the RLP, a review will be applied to the scheme to ensure that any uplift in values are captured to enable the delivery of the maximum amount of affordable housing later in the development process. The review will assess the changes to the gross development value and build costs. If surplus profit is generated over and above the returns necessary for the scheme to be deemed viable, a review will apply.

14. Provision of Serviced Plots

- 14.1** The Council's preference is for completed affordable dwellings as part of the wider development of a site. However, in some circumstances, and at its discretion, the Council reserves the right to require the affordable housing obligation to be satisfied on-site through the transfer of a number of serviced plots of land. These are to be transferred to an approved Affordable Housing Provider at nominal value and free from encumbrances.
- 14.2** Where this option is proposed this may assist or resolve viability challenges on the site. This would need to be fully evidenced and negotiated in accordance with the Viability section of this SPD.
- 14.3** The applicant would be required to identify the plots or provide areas of land sufficient to accommodate the Council's preferred housing mix.



14.4 For full or reserved matters applications, developers will be expected to provide details of specific location of the serviced plots within the site. The Council will usually expect the plots to be clustered and the appropriateness of proposed locations for affordable housing will be determined by the Council as part of the planning process.

14.5 "Free serviced land" is defined as freehold cleared, remediated²⁵ land with all services and connecting media (e.g. gas, electric, telephone, broadband, sewerage, surface water drainage etc.) and infrastructure (e.g. roads to an adoptable standard, footpaths, boundary walls etc.) necessary for development right up to the boundary of the land. There must be no legal, physical or financial barriers to the servicing of the land by the developer constructing the affordable housing or ongoing commuted payments for the off-site maintenance of infrastructure.

²⁵ Remediated means any land contamination or pollution has been fully remediated and the plot is certified safe for residential development by an independent professional survey.

15. Off-Site Delivery

- 15.1** There will be a strong presumption in favour of the affordable homes being provided on site. There may however be some circumstances in which the Council is willing to accept an off-site contribution. This will require the provision of a site comprising serviced remediated land to be made available at no cost to the Council and should be of a sufficient size and suitability to provide 40% of total dwellings as affordable housing in a location related to the development site. The definition of "free serviced land" is set out in Section 14.5 above.
- 15.2** Appropriate financial contributions may also be sought for off-site provision where necessary to ensure that the dwellings provided can be made available to meet local needs.

- 15.3** Exceptionally, with the agreement of both the Local Planning Authority and the developer, financial contributions may be made to fund affordable housing off site. The scale of financial contribution for off site development will reflect the expected provision for on-site affordable housing at the current density requirements in terms of:
- **The current rate for residential land in that location;**
 - **Costs equivalent to serviced land and connection charges²⁶;**
 - **Contributions towards public open space, transport, education and other services as required.**
 - **Fees and charges for legal work associated with the purchase of an alternative site' and**
 - **An administration fee of £670 (RPI) (subject to annual review) to cover the costs of collecting and handling the money and meeting auditing requirements.**
- 15.4** The financial contribution will be secured via a S106 agreement and will be Index Linked.
- 15.5** The Council will consider proposals where the developer purchases existing properties on the market for transfer to an Affordable Housing Provider. However, the purchases should reflect:
- **the mix of units had they been provided on site;**
 - **that the properties are related to the location of the residential development; and**
 - **the properties are refurbished to the Affordable Housing Provider's requirements to ensure they can be let as affordable or sold as low cost home ownership.**
- 15.6** In order to ensure affordability of any housing provided as per 15.5 above, communal areas where possible should be omitted so as to incur no service charges. If this is not possible, applicants should ensure that service charges are capped at a level which shall be eligible for Housing Benefit, and linked to RPI. It is strongly recommended that the applicant discusses any potential service charges with the Affordable Housing Provider to ensure that the charges are considered appropriate and affordable.

²⁶ As stated in the Affordable Housing Viability Update 2012 (Dixon Searle)

16. Grant Funding

- 16.1** The starting point for delivery of affordable housing should be on a nil subsidy basis. The Homes England Affordable Housing Programme can, however, provide grant funding to Affordable Housing Providers to develop affordable homes in certain circumstances. The programme seeks to:
- **Increase the supply of new affordable housing – for Affordable Rent, Social Rent, and affordable home ownership (Shared Ownership).**
 - **Maximise the number of new affordable homes delivered with the available grant funding, supplemented by bidders' own contributions.**
 - **Build homes that address the demographic challenges facing social housing, including the need for more one and two bedroom homes that match the needs of smaller households.**
 - **Maximise delivery within the programme period.**

16.2 Guidance for the type of properties and criterion required are set out in the Homes England Capital Funding Guide²⁷. Developers must have regard of the conditions in the Capital Funding Guide to ensure the affordable homes developed comply and are eligible for grant funding.

Test Valley Capital Grant Affordable Housing Programme

- 16.3** The Council's Affordable Housing Grant is partly funded by ring fenced Right to Buy receipts and S106 affordable housing contributions.
- 16.4** The purpose of the grant is to provide funding to Affordable Housing Providers to ensure delivery of affordable homes in Test Valley where nil subsidy delivery is not possible. This can be for:
- **Additional provision of Social/Affordable Rent**
 - **To assist with viability on sites that have secured affordable housing through a S106 agreement, for example, where developers may request a reduction in affordable housing due to abnormal or exceptional site costs**

- **To provide affordable housing on sites where affordable housing has not been secured through a S106 agreement.**

16.5 All bids for Test Valley's Capital Affordable Housing Grant must have regard to the Council's latest Housing Strategy and Preventing Homelessness & Rough Sleeping Strategy. As part of the assessment of housing need, the strategies take into account those people who are vulnerable, have particular needs or live in the worst condition private housing sector stock. The Council's adopted corporate programmes emphasise the importance of housing in addressing the wide ranging issues facing the Council and its communities. Housing has a significant impact on health, social wellbeing, social inclusion, sustainability, and community development.

27 www.gov.uk/guidance/capital-funding-guide

17. Delivery and Management

- 17.1** The Council generally welcomes new Affordable Housing Providers working in the area provided that they meet the Council's criteria as set out below, including signing up to any Partnership Agreement that may be operated by the Council at the time.
- 17.2** Should a new Affordable Housing Provider wish to work in Test Valley, the Council will expect them to fulfil the following requirements:-

- **Be an Affordable Housing Provider with Homes England (or its successor) and approved by the Regulator of Social Housing.**
- **Be eligible to bid for and receive housing subsidy**
- **Have experience and a good track record of managing the same or similar tenure type**
- **Where an Affordable Housing Provider does not have an existing local management presence, they should be able to demonstrate how an effective local housing management and maintenance service will be provided**

- **Be willing to enter into nomination arrangements or let their homes in accordance with the Council's Scheme of allocations and the Hampshire Home Choice Policy to ensure homes are provided for the benefit of the local community**
- **Be willing to enter into a Partnership Agreement with the Council, which may include the requirement to pay enabling fees.**

- 17.3** For these reasons, planning obligations will include a mechanism for the Council to approve an Affordable Housing Provider against the above criteria.

Nominations and Local Connections

- 17.4** The Council maintains the Housing Register for the borough, and receives applications for housing accommodation, processes and prioritises them, and nominates households from the Housing Register to rented housing association homes in the area. The Housing Register is administered in accordance with the Council's Scheme of Allocations and the published Hampshire Home Choice Policy. Hampshire Home Choice is a Choice Based Lettings partnership and comprises Eastleigh Borough Council, East Hampshire District Council, Havant Borough Council, Test Valley

Borough Council and Winchester City Council, along with various Affordable Housing Providers who hold stock in the Hampshire Home Choice area.

- 17.5** In addition to the Housing Register, households looking to access subsidised home ownership can make an application to the Help to Buy Agent who advertise Intermediate Affordable Housing products on behalf of developers and Affordable Housing Providers.

- 17.6** Both the Council and the Help to Buy Agent assess the eligibility of households and ensure that applications are from people who qualify to join the respective waiting lists.

- 17.7** Occupancy of affordable housing is restricted to eligible households in housing need and affordable/ social rented housing is allocated in accordance with Test Valley Borough Council's Scheme of Allocation and Hampshire Home Choice Sub-Regional Allocation Framework. Intermediate housing, such as shared ownership, shared equity and discount market schemes are allocated through the Help to Buy Agent in accordance with the eligibility criteria.

17.8 Affordable Housing in rural areas will be allocated to households with a relevant location connection to a village or parish, the terms of which will be secured in a S106 agreement. Local connection is defined as:

- **Being ordinarily residents in the village/parish;**
- **Previously ordinarily resident in the village/parish prior to the date of allocation and has family who ordinarily reside there;**
- **Employment – current or take up permanent employment in village/parish; or**
- **To support or be supported by member of family ordinarily resident in the village/parish.**

17.9 Where rural affordable housing cannot be taken up by those with local connections, a cascade mechanism will operate with homes being let or sold:

- **Initially to households with a parish connection;**
- **Then to households with a connection to adjoining parishes; and**
- **Then with the same connection to Test Valley.**

17.10 Not all Affordable Housing Providers are members of Hampshire Home Choice. In these cases, the Council will seek to append a nomination rights agreement to the S106 agreement to reflect the existing nominations agreement in place with Hampshire Home Choice requiring 100% nomination rights in perpetuity.

18.3 The Council will monitor the performance of its Affordable Housing Provider partners to ensure high standards of service delivery. In particular, the Council will require annually from the Affordable Housing Providers or other affordable housing providers information relating to:

- **Social and affordable rents**
- **Rent increases**
- **Staircasing and other sales receipts**
- **Management standards**

18.4 The developer's delivery partner(s), whether an Affordable Housing Provider or other provider/manager who are not regulated by the Regulator of Social Housing, will be similarly monitored through obligations contained in the S106 agreement.

18. Monitoring

How Financial Contributions Will Be Spent

18.1 Typically the financial contributions will be defined in the Section 106 agreements as being sought to assist in the delivery of affordable housing in Test Valley. The financial contributions are held in the Affordable Housing Capital Grant Programme.

18.2 The Council will actively monitor the provision and delivery of affordable housing to ensure that the procedures for implementing affordable housing are up to date and meeting the Council's targets. Market conditions and levels of affordability will also be kept under review.

19. Contacts

To discuss affordable housing policies and affordable housing development opportunities, please contact the Council's Housing Development Team:

- **Email:** HousingDevelopmentTeam@testvalley.gov.uk
- **Telephone:** 01264 368000

To discuss development proposals for specific sites, contact the Council's Development Management Team:

- **Email:** planning@testvalley.gov.uk
- **Telephone:** 01264 368000

To discuss planning policies and their influence on development proposals for specific sites, contact the Council's Planning Policy Team:

- **Email:** planningpolicy@testvalley.gov.uk
- **Telephone:** 01264 368000

20. Glossary

Eligible Household: a person in housing need being a person unable to buy or rent housing locally on the open market and in relation to any unit of Social/Affordable Rented housing listed on Hampshire Home Choice and in relation to any Intermediate Housing, registered on the Help to Buy South Register.

Hampshire Homes Hub: an organisation consisting of Rural Housing Enablers who facilitate the delivery of rural affordable housing by working closely with Parish Councils and local communities, facilitating housing needs surveys to determine local housing needs and other community interests.

Help to Buy Agent: the agency body responsible for administering low cost home ownership affordable tenures (including Shared Ownership, Equity Loan schemes, and Rent to Buy). Eligible households for the first and future purchasers of low cost home ownership must first be registered on the register maintained by the local Help to Buy Agent to access these tenures.

Homes England: the trading name of the Homes and Communities Agency established by Section 1 of the Housing and Regeneration Act 2008 or such other body

Intermediate Housing: "Housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing. As defined in the Strategic Housing Market Assessment 2014.

LA: Local Authority

Local Housing Needs Survey (LHNS): Survey that provides data on housing need at a local level including number of houses, size, types and tenure for different groups in the community using a standard method set out in the National Planning Practice Guidance.

Net Developable Area: the area of an application site which will be considered as eligible for consideration for seeking affordable housing, calculated as the gross site area, less the area affected by planning constraints.

Regulator of Social Housing: a non-departmental public body that regulates private registered providers of social housing to promote a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs.

Right to Acquire/Buy: An opportunity for tenants who have had a public sector landlord for at least 3 years to buy the property they live in at a significant discount. Public sector landlords include councils, Affordable Housing Providers, the Ministry Of Defence or NHS trust/foundation. Eligibility criteria for both the property and occupants apply.

Self Build and Custom Build Housing: Housing built by an individual, a group of individuals, or persons working with or for them, to be occupied by that individual. Such housing can be either market or affordable housing. A legal definition, for the purpose of applying the Self-build and Custom Housebuilding Act 2015 (as amended), is contained in section 1(A1) and (A2) of that Act.

Staircasing: is the process which allows an occupant of a Shared Ownership or Shared Equity affordable home to buy a greater proportion of their home.

S106 Agreements (S106): a legal document made under Section 106 of the Town and Country Planning Act 1990. It provides that if planning permission is granted and implemented, then payment or provision must be made in the form of a planning contribution. This can include the provision of affordable housing on site or a financial contribution in lieu. The legal agreement is entered into by the applicant, the Council and anyone else who has an interest in the land forming the application site. A Section 106 agreement is normally a more complex type of planning agreement than a Unilateral Undertaking.

Unilateral Undertaking (UU): is a simplified version of a S106 agreement and is entered into by the landowner and any other party with a legal interest in the development site, but not the Council

21. Annex 1 – Method for Calculating Contributions for Off-site Affordable Housing

- 21.1** This section sets out how financial contributions will be calculated for developments of 6 - 9 dwellings and for any other commuted sum in lieu of on-site affordable housing, including sums required in lieu of a part unit. Applicants do not need to submit any data, information or viability appraisals, unless they wish to, as the methodology includes baseline assumptions for the Gross Development Value (GDV) and the Residual Land Value Percentage (RLV%).
- 21.2** For sites that come forward with proposals of 10 or more dwellings, the Council will seek the relevant proportion of affordable housing on site. However, in accordance with Policy COM7, where it is deemed appropriate to secure a financial contribution in lieu of affordable housing on site, the same methodology would apply as explained below.

- 21.3** The baseline assumptions are drawn from the Affordable Housing Viability Update, 2012, Dixon Searle. Where an applicant has submitted information regarding GDV, this will be checked against reliable sources of house price data, such as Rightmove, or with local estate agents.
- 21.4** Where affordable housing is sought by means of a financial contribution in lieu of off-site provision, this will be based upon the RLV. The RLV should result in a positive valuation for the site. If the resulting figure is negative, the site will not be financially viable.
- 21.5** The following table is a general explanation of how RLV is broadly arrived at:
- Table 1 – Residual Land Value**
- Gross Development Value (GDV)
(value of completed scheme)²⁸**
- Minus*
- Costs (cost of realising the GDV
including build costs, fees, finance,
profit)**
- Minus*
- Other Costs e.g. planning obligations
or CIL**
- Equals*
- Residual Land Value (RLV) (how much
the site is worth)**
- 21.6** The RLV of sites across Test Valley has been taken account of in the Affordable Housing Viability Update, 2012, Dixon Searle. This is a strategic approach which has informed the structure of Policy COM7 to assess the viability of sites in general within the threshold bands. The RLV informs the Residual Land Value Percentage used in the methodology.
- 21.7** The Residual Land Value methodology informs the appropriate land value for a site. RLV enables the value of a piece of land to be estimated after costs associated with developing, maintaining or reselling the land have been deducted from the Gross Development Value (GDV) which is the value of the completed scheme.

Proposals for 6 – 9 dwellings (designated rural areas)

- 21.8** For developments of 6 - 9 dwellings (or sites of 0.22 – 0.29Ha), Policy COM7 requires a financial contribution equivalent up to 20% of dwellings to be affordable.
- 21.9** In achieving the equivalent off-site provision the calculation also makes allowance for the Council's site acquisition costs to provide the affordable housing on an alternative site. See table 2 on the next page:

²⁸ GDV – value of completed scheme includes the total indicative revenues generated by development of the site. GDV will be checked against reliable data sources such as Rightmove, valuation from a qualified surveyor or estate agent, if supplied with a planning application

Table 2: Calculating the equivalent off-site financial contribution for proposals of 6 – 9 dwellings for Policy COM7: Affordable Housing

$$(A \times B) + C = D$$

$$D \times E = F$$

where:

A = Gross Development Value (Total value of development)

B = Residual Land Value Percentage (Percentage of House Price which is the Land Value)

C = Site acquisition and servicing costs (for equivalent off-site provision)

D = Sum per unit

E = Percentage affordable housing sought

F = Financial Contribution sought

Example calculation

£200,000 Gross Development Value [A]

22.5% Residual Land Percentage [B] % TBC
(assumed 22.5% for areas covered by CIL charging Zone 1)

15% Site acquisition and servicing costs [C] %

20% Percentage affordable housing sought [E]
(% in line with Policy COM7)

$\text{£200,000} \times 0.225 = \text{£45,000}$ (A x B) [x 0.225 equates to x 22.5%]

$\text{£45,000} \times 0.15 = \text{£6,750}$ (C = [A x B] x 0.15)
[0.15 equates to x 15%]

$\text{£45,000} + \text{£6,750} = \text{£51,750}$ (A x B) + C = D

$\text{£51,750} \times 0.2 = \text{£10,350}$ D x E = F [x 0.2 equates to x 20%]

Total financial contribution sought = £10,350

21.10 The assumptions used in the above calculation are set out below in Table 3.

Table 3 – Assumptions

Gross Development Value (GDV) – see footnote 32 (A)

Residual Land Value Percentage²⁹ – This is the amount that the land value comprises in the overall house price (B)

CIL Zone 1 - 22.5%

CIL Zone 2 – 17.2%

CIL Zone 3 – 15.3%

CIL Zone 4 – 7.8%

Site acquisition and servicing costs – TVBC has assumed 15%³⁰ (C)

21.11 The RLV % figures as above in Table 3 are derived from the Calculation Methodology for Financial Contributions, 2016, Dixon Searle. Property values that drive the gross development value in a Residual Land Value appraisal were reviewed across the Borough to test for any variations. The Council's preferred approach is to assign a specific RLV % to each of the Council's adopted Community Infrastructure Levy (CIL) residential charging zones.

²⁹ Derived from the Calculation Methodology for Financial Contributions, 2016, Dixon Searle

³⁰ Derived from the Affordable Housing Viability Update, 2012, Dixon Searle

21.12 These zones are based on viability evidence including making an appropriate allowance for affordable housing in each case and taking into account property market conditions. As CIL and affordable housing viability are inextricably linked, any variation in the calculation of financial contributions geographically across the Borough accords with the CIL residential charging zones.

21.13 In terms of determining the Gross Development Value (GDV), the Council uses data from Rightmove and other sources as appropriate.

22. Annex 2 – Designated Rural Areas Map



N

Affordable Housing - Rural Designations

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Date: December 2014 | Scale: NTS | Drawn by: PPT (hg)



23. Annex 3 – Vacant Buildings Credit

Application of Vacant Buildings Credit

23.1 A financial credit, equivalent to the existing gross floor space of any vacant buildings within the red line boundary of the application site brought back into any lawful use or demolished for re-development, should be deducted from the calculation of any affordable housing contributions sought from relevant development schemes. Where a vacant building has been abandoned, the credit will not apply.

23.2 In order to apply for the VBC seeking reduced affordable housing contribution, the following information will need to be provided by the applicant to demonstrate that the building is genuinely vacant:

- Evidence that any building within the red line application boundary is a 'vacant building'. It should be demonstrated that every reasonable attempt has been made to secure an occupier through marketing over a minimum continuous period of 6 months.
- The whole building must be vacant to apply for the VBC; and

- Evidence that any building within the red line application boundary is not an 'abandoned building' or artificially made vacant solely for the purpose of redevelopment.

23.3 To determine whether the building is truly vacant the Council will consider the condition of the building and its suitability for occupancy as well as the length of time the building has not been used. The Council will also take into account whether the building has been used for any other purposes.

23.4 Information on the existing Gross Internal Floor Area (GIFA) and the proposed GIFA need to be provided. GIFA is the area of a building measured to the internal face of the perimeter walls at each floor level. The Royal Institution of Chartered Surveyors (RICS) Code of Measuring Practice³¹ will be used for the purposes of assessing VBC. However floor space with headroom of less than 1.5m is excluded from the GIFA calculation.

23.5 The Council will determine on a case by case basis whether a building is vacant or abandoned. Outline planning applications may present challenges in quantifying whether the vacant building credit will be applicable as the actual number of dwelling or size of dwellings

³¹ www.rics.org/uk/ - 6th Edition or subsequent revision

may be determined during Reserved Matters applications. The council will scrutinise planning applications to ensure that sites are not artificially subdivided to avoid the site size thresholds in Policy COM7.

23.6 If the VBC is applicable to the proposed site, the amount of vacant floor space will inform the level of affordable housing contributions.

Worked Example

The Proposal

25 dwellings proposed @ 75m²

Total floorspace 1875m²

Existing building on site 200m²

Scheme should normally provide 40% affordable housing = 10 dwellings

VBC Calculation Using Floorspace

Proposed 1875m²

Existing - 200m²

Net increase 1675m²

x40% = 670m for affordable

housing = 8.93 dwellings (670/75)

VBC Calculation Using Dwelling Numbers

200m² existing

1875m² proposed x100 = 10.67% credit

25 dwellings proposed x 40% affordable housing requirement = 10 affordable

10 affordable - 10.67% credit

= 10 - 1.067

= 8.93 affordable dwellings