

Test Valley Borough Council
Affordable Housing SPD draft 2019

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1. Introduction

1. Test Valley is a predominantly rural borough covering 62,758 hectares on the western side of Hampshire. In 2015 there was an estimated 51,263 households within the Borough with an estimated increase to 53,818 households by 2019. ¹
2. The Borough needs an additional 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.
3. The average property price in Test Valley is 8.5 times the average salary for the area (2014)³. A household is considered able to afford to buy a home if it costs 3.5 times the gross household income⁴. 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.
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.
5. Good quality homes lie at the core of a good quality of life. Through Test Valley Borough Council's Corporate Plan 2015 – 2019, the Council is committed to investing in Test Valley to ensure that the Borough remains a great place to:

Live where the supply of homes reflects local need
Work and do business
Enjoy the natural and built environment
Contribute to and be part of a strong community.
6. The Council is currently developing the next Corporate Plan for the period 2019 to 2023⁵. [To be updated]

Scope of this document

7. 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 –

¹ Test Valley Borough Council's Corporate Plan 2015- 2019

² Test Valley Borough Revised Local Plan DPD 2011 - 2029

³ Housing Strategy 2016 - 2019

⁴ Review of Housing Evidence Base and Assess Housing Need in Test Valley July 2016

⁵ 13 March 2019 Cabinet

2029 (RLP), is to be implemented. It should not introduce new policy but supplement existing policies in the Council's adopted RLP.

8. A key aim of this Policy COM7 is to increase the amount of affordable housing delivered through the planning system. This document provides advice for landowners, developers, including housing associations and other registered providers 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.
9. 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.
10. 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.
11. 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

12. In accordance with relevant legislation, this SPD will be subject to consultation, review of feedback received and then formally adopted by the Council. It will supplement Test Valley Borough Local Plan 2016 and, when adopted, will be 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

1. Local Authorities have a statutory duty to provide housing for households in local housing need and to seek to prevent homelessness and help to provide relief where homelessness does occur.

National Planning Policy Framework

2. The National Planning Policy Framework (NPPF) provides the overarching national requirements for planning policy, which local planning documents must be in conformity with. The NPPF provides a definition of affordable housing.
3. The National Planning Policy Framework (NPPF) 2018 defines 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) as defined in the NPPF Glossary.”
4. The NPPF seeks to significantly boost the supply of housing⁶ to achieve healthy, inclusive and safe places⁷. 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 that this leads to creating mixed and sustainable communities.
5. To encourage re-use of brownfield land, any affordable housing contribution due will be off-set by the amount of existing gross floor space, provided that the vacant building has not been abandoned.
6. On strategic sites at least 10% of the affordable homes planned for on the site should be available for affordable home ownership as part of the overall quantity of affordable housing being sought on the site, although there are some exceptions to this⁸.

Test Valley Borough Revised Local Plan DPD 2011 - 2029

7. 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 are to:
 - 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

⁶ Paragraph 59, NPPF

⁷ Paragraph 91, NPPF

⁸ Paragraph 64, NPPF

8. 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 diagram sets out how affordable housing is delivered in Test Valley and the roles of the various partners involved.

DELIVERY OF NEW HOMES



4. Housing need in Test Valley

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 2013 Test Valley Borough Council Strategic Housing Market Assessment (SHMA 2013). 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.
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 December 2018, there were 2,100 households on the register and in need.⁹
3. Up to 2031 it is anticipated that an estimated 557 households are expected to fall into housing need. 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. 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 with a cap introduced in 2011 on what claimants can receive, dependant on the number of bedrooms the property has. LHA has been reduced from 5 bedrooms and is now limited to a maximum of 4 bedrooms. Under the LHA rules, eligible individuals under the age of 35 can 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.
5. From 1 April 2013, if a housing association tenant is assessed as having more bedrooms than is necessary for the household, they will be considered as under-occupying the accommodation. When calculating Housing Benefit or Housing Costs as part of Universal Credit the eligible rent will be reduced by 14% for one spare bedroom and 25% for two or more spare bedrooms.
6. LHA applies irrespective of what type of support a claimant receives, whether it is housing benefit or universal credit. During Prime Minister's Questions on 25 October 2017,¹⁰ Theresa May announced that LHA rates would not be applied to supported housing, nor would they be applied to general needs social housing.

⁹ Hampshire Home Choice December 2018

¹⁰ Parliament Briefing Paper Number 07833 13 Nov 2017

5. What is affordable housing?

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.
2. The definitions of the types of affordable housing which will be secured through planning obligations are set out in the National Planning Policy Framework. At the time of writing, the NPPF (Feb 2018) defines a number of different types of affordable housing including affordable housing for rent, starter homes, discount market sales housing and other routes to home ownership such as shared ownership homes.

Affordable and Social Rented Homes

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 is housing let by registered providers to eligible households via the Council's Housing Register - Hampshire Home Choice.
4. The Council accepts both social rent and affordable rented homes owned and managed by registered providers as meeting this need.
5. Social rented housing is owned and managed by registered providers for which guideline target rents are determined through the national rent regime and should be made available in perpetuity.
6. The affordable rent 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 and should be made available in perpetuity.
7. The Valuation Office Agency (VOA) is responsible for calculating the LHA. They apply a list of rents that are paid for private sector tenancies across the broad rental market area for each property category.
8. The Council generally welcomes new registered providers working in the area. However, due to the need to achieve viable developments and reflecting the geographical position of Test Valley, the Council's preference is for one of the Test Valley Preferred Registered Partners to be appointed. Please refer to

Affordable Housing Advice Note 1 for the list of the Councils preferred Registered Partners.

9. Should a new registered provider wish to work in Test Valley, the Council will typically seek additional requirements for the delivery of rented housing as follows:-
- Be a registered provider with Homes England (or its successor)
 - Be eligible to bid for and receive housing subsidy
 - Have experience of managing the relevant or a similar tenure type
 - Where a registered provider does not have an existing local management presence, it can 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 Hampshire Home Choice register to ensure homes are provided for the benefit of the local community
10. For these reasons, the Council would expect to see planning obligations provide a right to approve a registered provider against the above criteria.

Starter Homes

11. Starter Homes are designed to meet the housing needs of young first time buyers by being offered to buyers at a minimum of 20% below their open market value and less than the price cap set for the Local Authority which for Test Valley is £250,000. The properties are expected to be offered to people who have not previously owned their own home and are between the ages of 23 and 40. Provisions regarding eligibility have been introduced through the Housing and Planning Act 2016 and secondary legislation is awaited regarding detailed eligibility criteria. This document will be updated accordingly when secondary legislation comes into force.

Discount Market Sales Homes

12. Discount markets sales housing is a route to affordable home ownership where the property is discounted by at least 20% below local market levels. It is essential to ensure that homes are genuinely affordable to local people, based on incomes and house prices.
13. To ensure the discount market 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.

14. Eligible households for first and future purchasers of Discount Market sales homes must be registered and eligible on the Help to Buy South register, or any successor organisation, being the register of low costs home ownership need maintained by the Zone Agent.
15. The Council will also seek to ensure that Discount Market Homes are the only residence of the applicant and are not sub-let. Discount Market Homes are not available to assist buy-to-let investors or those who will own any property other than their Discount Market Home after completing their purchase. If the applicant is a home owner, they will need to have a sale in place before they can reserve on the Discount Market scheme and the home must be sold at the time of completion of their purchase. Discount percentages from open market will be set in S106s rather than a fixed price.
16. Developers are encouraged to consider the level of discount necessary to ensure affordability at an early stage in the development process and advice in this respect can be provided at pre-application stage by the Housing Development Team. The Housing Development Team will advise 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 those in housing need can afford.

Private Intermediate Rented Homes (Including Build to Rent and Rent Plus schemes)

17. Intermediate rented homes can be provided by private sector housing, including Build to Rent. Such homes should be made available in a form which is equivalent to Affordable Rented homes provided by registered providers in terms of affordability. The monthly rent is capped at 80% of market rents or the Local Housing Allowance, whichever is the lowest in perpetuity.
18. Build to Rent is purpose built housing that is typically 100% rented out. 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 homes provided by registered 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.

19. However, private sector providers, under the NPPF, are able to deliver affordable private rented homes. Schemes proposing private intermediate rent may be supported by the Council. Please refer to Affordable Housing Advice Note 1 for the Council's preferred approach to securing and managing private intermediate rented homes.

Shared Ownership

20. There are a number of shared equity products delivered by registered providers and private developers.
21. 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 upon the unsold equity and shall not exceed 2.5% of the value as specified by Homes England. This is so that parity is maintained between the value and the rent of the property. Purchasers are able to acquire additional shares up to 100% of the equity. However, in Designated Protected Area, this will be limited to 80% of the equity, unless the registered provider covenants to repurchase the home.
22. Nominations are via Help to Buy South or its successor as the Zone Agent.
23. 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.

Shared Equity

24. Shared equity enables the occupant to purchase an equity share in their home via a conventional mortgage. The registered 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.
25. Upon resale, if the purchaser has not staircased to 100% ownership, the equity loan is repaid to the registered provider in relation to the percentage share retained. For instance, if 75% share purchased and 25% Equity Charge to the registered provider, 25% of the resale value at the time of the sale, would be payable to the registered provider.

Older Persons and Specialist Housing

26. The Council is required to meet the needs of residents who require specialist forms of housing as well as general needs housing. For example, fully adapted accommodation for wheelchair users, housing for older people including extra care and supported housing for young people.

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

- Be individual self-contained units of accommodation
- Be 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.

28. The Council's Housing Strategy for meeting the needs of older people is to provide housing based solutions across all tenures. These are often the most cost effective solution to meet an individual's aspiration to remain in their own home. Specialist housing may be in the form of supported housing schemes where homes are provided together with additional communal space and facilities or self-contained general needs homes. And should be able to be 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.

Retirement dwellings

29. 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 C3 residential homes as set out below.

30. The Council reserves the right to seek on-site provision 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.

Extra-care Housing

31. To meet the growing needs of an older population and provide a choice of care for those with particular care requirements, extra care housing schemes may be the most appropriate way of meeting those requirements.
32. Extra care schemes will be subject to planning obligations under S106 depending on the specific characteristics of the relevant scheme. The obligation to make an affordable housing contribution will depend on which Use Class Order 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 with Policy COM7 in relation to affordable housing.
33. 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. Please refer to the Affordable Housing Advice Note 1 which identifies the factors that indicate the distinction between C2 and C3 Use.
34. The composition of the affordable housing will be the subject of negotiations and may be Extra Care housing or general needs housing or a mixture of both. The Council works closely with Hampshire County Council and will seek to ensure that demand for proposed Extra Care facilities can be demonstrated.
35. 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 in 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 in respect of Extra Care housing schemes.
36. 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 from good design relevant to older person's housing and include good light, ventilation, room to move around, storage etc. Importantly, the design principles focus on the property being able to adapt to the occupants changing needs over time.
37. Government recommend that developments that provide affordable housing incorporates the HAPPI principles where funding for extra care schemes is applied.

Self-build and custom-build housing

38. The *Self-Build and Custom Housebuilding (Time for Compliance and Fees) Regulations 2016* came into effect which places a duty upon local authorities to grant 'suitable development permission in respect of enough serviced plots of land to meet the demand for self-build and custom housebuilding in the authority's area'¹¹.
39. While the Council does not have specific policies in its Local Plan for self-build and custom-build housing, the Government encourages Local Planning Authorities to consider how they can support self-build and custom-build housebuilding in their area.¹²
40. The Council keeps a self-build and custom housebuilding register of individuals and associations of individuals who are looking for serviced plots of land in Test Valley. Eligibility for entry on the register is set out in the Planning Practice Guidance on self-build and custom build housing.
41. Government policy does not distinguish between self and custom build, however, the *Housing and Planning Act* states that:
- 'Self-build and custom housebuilding' means the building or completion by –
- individuals,
 - associations of individuals, or
 - persons working with or for individuals or associations of individuals, of houses to be occupied as homes by those individuals.'
42. Self-build housing involves the selection of a site and the commissioning of the building of a home by an individual. Much of the work may be done by the owners or may be arranged through an architect/contractor to manage the construction process. Self-build may be a route to more affordable home ownership for some families. Self-build plots will not be accepted in lieu of affordable housing, but in addition to the required amount of affordable dwellings.
43. Custom-build housing differs from self-build in that the individual may work with a developer to build their home. Custom-build is less involved than self-build as the developer usually finds the plot, offers one-off designs, manages the build through their own contractual processes and arranges development finance.
44. Applications for self-build housing schemes may be considered Affordable Housing provided that it can be demonstrated that local open market house prices and rents are unaffordable and that local housing needs cannot be

¹¹ Housing and Planning Act 2016

¹² Self-build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016)

reasonably met on other forthcoming schemes. Please refer to Affordable Housing Advice Note 1 for the Council's approach to securing self-build housing as Affordable Housing.

6. When is affordable housing required on-site?

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.

Policy COM7: Affordable Housing

The Council will negotiate provision on housing sites 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 0.3-0.49ha) for up to 30% of dwellings to be affordable;
- 5-9 dwellings (or sites of 0.2-0.29ha) for up to 20% of dwellings to be affordable or an equivalent off site provision made; and

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

in order to achieve an inclusive and mixed community.

2. The wording of Policy COM7 is the wording that appears in the RLP 2016. However, as a result of the decision in the Court of Appeal, National Planning Practice Guidance (NPPG) was published on 19 May 2016 which conflicts with the Council's adopted policy in the Local Plan on seeking affordable housing contributions (Policy COM7). This new material consideration required the Council to review its position. A report was taken to Cabinet on 22 June 2016 and subsequently agreed at the Council meeting on 29 June 2016 agreeing the revisions to Policy COM7.
3. To reflect these changes in national guidance regarding circumstances where tariff style and affordable housing contributions should not be sought, the Council produced an Advice Note: Policy COM7, Affordable Housing Financial Contributions, setting out how Policy COM7 will be applied. The COM7 Advice Note will now be incorporated into this Affordable Housing SPD.

4. The NPPG sets out circumstances where tariff style and affordable housing contributions should not be sought. These circumstances are that:
 - Contributions should not be sought from developments of 10-units or less, and which have a maximum combined gross floorspace of no more than 1000sqm
 - In designated rural areas, local planning authorities may choose to apply a lower threshold of 5-units or less. No affordable housing or tariff-style contributions should then be sought from these developments. In addition, in a rural area where the lower 5-unit or less threshold is applied, affordable housing and tariff style contributions should be sought from developments of between 6 and 10-units in the form of cash payments which are commuted until after completion of units within the development. This applies to rural areas described under section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty
 - Affordable housing and tariff-style contributions should not be sought from any development consisting only of the construction of a residential annex or extension to an existing home
5. The Council considered a number of options¹³ with regard to implementing Policy COM7 as a result of the NPPG introduced on 19 May 2016. Options considered were to either a) continue to use policy COM7 as adopted; b)

¹³ Test Valley Borough Council, Cabinet, 22 June 2016

undertake a review of policy COM7; or c) revise policy COM7 so that it is consistent with national guidance and designate the rural areas.

6. The Council resolved to apply option c) and to revise policy COM7 so that it is consistent with national guidance. In effect, the Council will no longer apply Policy COM7 to schemes which fall below the thresholds contained in the NPPG. In designated rural areas the threshold for seeking financial contributions is between 6 – 10 dwellings.

In applying this approach the Council has the ability to apply a lower threshold to Designated Rural Areas. As defined by legislation¹⁴ the Council already has parts of the Borough designated as a rural area. 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 3 for a map of designated areas. The NPPG only allows for financial contributions to be sought from those schemes between 6 – 10 units in designated rural areas after completion of the development. Financial contributions will be sought from schemes between 6 – 10 units in designated rural areas.

7. The revised wording of Policy COM7 is as follows:

The Council will negotiate on housing sites:

- a) **In the Undesignated Area^{51A} with a combined gross floorspace greater than 1,000sqm and a net gain of:**
- **15 or more dwellings (or sites of 0.5ha or more) for up to 40% of dwellings to be affordable;**
 - **11-14 dwellings (or sites of 0.34-0.49ha) for up to 30% of dwellings to be affordable; and**
- b) **In the Designated Rural Area^{51B} 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;**
 - **11-14 dwellings (or site of 0.34-0.49ha) for up to 30% of dwellings to be affordable;**
 - **10 dwellings (or sites of 0.3-0.33ha) a financial contribution equivalent to up to 30% of dwellings to be affordable;**
 - **6-9 dwellings (or sites of 0.22-0.29ha) 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

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

housing and market housing, in order to achieve an inclusive and mixed community.

8. 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.
9. 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.
10. As stated in Policy COM7, the Council will seek to secure affordable housing, or a financial contribution for off-site provision, via a S106 Legal Agreement or a Unilateral Undertaking (UU).
13. The precise mix and tenure for provision on site will be specified in the S106 or UU. Where a financial contribution is secured for provision of affordable housing off-site, the value of the contribution will be specified in the S106, and index linked (RPI) at the point in time where payment is due. The Council will require contributions to be paid upon completion of the units or an earlier trigger to be agreed, the meaning of which will be defined in the legal agreement to trigger payment of the contribution. To ensure the delivery of Affordable Housing, the Council will require the developer to enter into a legal agreement which limits the opportunities for financial contributions to remain outstanding at the completion of the development.
14. 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. However, it will be applied flexibly and each site will be considered on its individual merits by negotiation.
15. 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 or social rented housing

16. 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.

17. The appropriate integration of market and affordable housing is important to achieve a mixed and inclusive community. Affordable housing should be delivered in small clusters of not more than 10 units, which is generally preferred by registered providers for the purposes of managing the dwellings.

Site Area Equivalent Thresholds

18. 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).

19. 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 appropriately be accommodated.

20. 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 taking account of 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, with the site area equivalent threshold intended to be taken as just that.

21. 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 a higher number of dwellings was reasonably achievable and the proposed development was deliberately being designed in order to result in a lower number of dwellings.

22. 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, tree, 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.

23. 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 or development acceptable in planning terms. The proposed scheme will be assessed on its own merits.

Sub-Division of Sites

24. 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. Proposals which seek to circumvent the affordable housing thresholds by developing at too low density or sub-dividing land are therefore not acceptable and to ensure the land is not being used inefficiently. The Council reserves the right to scrutinise site/ownership boundaries, density and unit mix..

25. 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. Rural Affordable Housing

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 Hampshire Home Choice (the Councils Housing Waiting List);
 - Encourage Parish Councils to consider an investigation of local housing need and the potential to develop Rural Housing Exception sites where appropriate.

Rural exception sites

2. 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) make a significant contribution towards overall delivery of affordable housing within the Borough.

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.

3. 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 are listed in a rural settlement gazetteer originally prepared by the Housing Corporation 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.

4. 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. Any shared ownership homes will be restricted to 80% ownership by the purchaser unless the registered provider has included the rural buy back clause in the lease. (Please refer to Designated Protected Areas below).

5. To deliver rural exception affordable housing sites, the Council works through Hampshire Alliance for Rural Affordable Housing (HARAH). This is a partnership between the rural Hampshire local authorities, Action Hampshire (the Hampshire Rural Community Council, who employ Rural Housing Enablers), Hampshire Village Homes (Registered Housing Provider), and Homes England. The Council and Rural Housing Enablers work with parish councils to assess local housing need and identify potential sites to meet such need.
6. In order to bring forward a RES, 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 RES 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. Please refer to the Affordable Housing Advice Note 1 for details regarding how a LHNS is undertaken.
7. The Council will consider through the HARAH partnership or through proposals by private developers the issue raised in NPPF paragraph 77 of the potential of rural affordable housing schemes including an element of private market housing in order to facilitate significant greater delivery of affordable provision.
8. 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. A proportion of market homes may be allowed on the site at the local authority's discretion, for example where essential to enable the delivery of affordable units without grant funding.
9. Policy COM9 may also provide a means for the provision of affordable housing to be considered. Please refer to the Affordable Housing Advice Note 1 for further details.

Entry Level Exception Sites

10. A site that provides entry level homes suitable for first time buyers (or equivalent, for those looking to rent), 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 otherwise housing would not be allowed.

Designated Protected Areas

11. 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 full 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.
12. 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.
13. The 'Housing (Right to Enfranchisement (Designated Protected Areas) (England) Order 2009 (S.I. No 2009 – 2098) designates protected areas which includes the majority of the villages in Test Valley including Romsey Extra and Smannell.
14. Affordable Housing Providers are 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).
15. The Protected Areas and Leasehold Enfranchisement: Explanatory Notes December 2016, make it clear that DPA restrictions apply regardless of whether the property has received grant funding or otherwise.

Waivers

16. 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.
17. In response, the government regulator, Homes England is able to waive the grant conditions relating to DPA status under certain conditions. This would enable providers of affordable housing to develop grant funded shared ownership stock on these sites allowing buyers to staircase to 100% without an obligation on the provider to buy back the property if the leaseholder wishes to sell.
18. To consider the request for the waiver, Homes England requires the support of the local authority (LA). Many of the areas subject of DPA status are now part of large settlements and urban areas as the result of extension to existing

settlements making them part of the urban area. If the LA considers that a particular site to be developed no longer meet the criteria set out in the original classification criteria set out in the original DPA designation or has another reason(s) why they think that grant funded shared ownership stock does not need to be protected in perpetuity, 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 waivers¹⁵. Please see the Affordable Housing Advice Note 1 for procedures on how the Council considers requests for a waiver.

8. Community led development

1. It is recognised that some communities may seek to bring forward housing or employment opportunities and as such may, through a formal organisation such as a Community Land Trust, deliver open market and/or affordable housing, or employment uses. Proposals for various different uses may be considered under Policy COM9.

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.*

2. 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.
3. The intention of this policy is not to replicate the neighbourhood planning mechanisms contained within the Localism Act 2011, but to provide a further

¹⁵ TVBC Cabinet, 12.09.18, Item 11

framework to deliver development that is either led by the community or has community involvement and support, without the need to undertake a Neighbourhood Plan or Neighbourhood Development Order (NDO). The proposal may be for a single use or a combination of uses.

4. 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. 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.
5. 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 with Policy COM8.
6. 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 shape new development. Please refer to Affordable Housing Advice Note 1 on Community Support for Housing Led Proposals.

9. Tenure and mix of affordable housing

Tenure split

1. The estimated level of Housing Need (per annum) identified in the SHMA (2014) by type of affordable housing is shown in the table below.

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%

2. The analysis identifies a requirement for around a third of homes to be intermediate housing and two-thirds being social/affordable rented as identified in paragraph 5.108 of Policy COM7.
3. The tenure split of 30% intermediate and 70% social/affordable rent is a starting point in negotiating the precise scale, type and size of affordable housing. Local needs, which may include the requirement for provision of specialist or older persons accommodation, and market conditions may justify a departure from the split of 30% intermediate and 70% social/affordable rent.
4. There may be circumstances where the split will require modification, such as changes to income support allowance affecting demand and/or viability. In these instances, it is expected that developers and applicants contact the Council at the inception stages to assist in negotiating with RPs for appropriate provision of affordable housing.

Tenure types

5. The greatest need in Test Valley is for affordable homes to rent. The tenure target is that at least 70% of the affordable homes should be provided as affordable or social rented housing. The Council will seek affordable rent tenure for one and two bedroomed properties and will require that the rent levels do not exceed the Local Housing Allowance. Social rent will be sought for properties with three or more bedrooms.
6. The balance can be made up of intermediate housing which is homes for sale and rent provided at a cost above social rent, but below market levels, subject to the criteria in the NPPF affordable housing definition.
7. There are many different types of intermediate housing currently available, such as Shared Ownership and Rent to Buy. However, intermediate tenure types only qualify as affordable housing if they remain affordable in perpetuity for future eligible households. Type of intermediate tenures are likely to change over time, therefore it is important that applicants engage with the Housing Development Team and RPs early to ensure that appropriate tenures are secured to meet local needs.
8. The intermediate housing must satisfy the Council's price, nomination and management requirements.

Dwelling Mix

9. Where affordable housing are delivered on site a balance and appropriate mix in terms of dwelling styles, type and size must be achieved. Typically each site should provide affordable housing in the form of both flats and houses unless there is an overriding justification due to local housing need or site constraints.

10. Applicants are encouraged to work collaboratively with the Council's Housing Development Team to design the affordable housing mix and layout, particularly at pre-application stage. Developers are strongly encouraged to involve the Housing Development Team and/or (where relevant) a registered provider in the design of the proposed affordable housing before submitting a planning application to avoid the risk of a potentially costly re-design.

Dwelling Sizes

11. For rented homes, generally there is a high level of need for dwellings with one or two bedrooms. However, as the objective is to make homes as flexible as possible, the Council will generally seek homes with higher number of bed spaces per room, for example 1 bedroom, 2 person and 2 bedroom, 4 person.
12. On medium and large sites, a proportion of larger family homes for rent (3 and 4 bedroom +) will be sought, as there is typically a high demand for these homes.
13. 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, attached at Annex 2.
14. All Affordable Homes will be required to meet the space standards to be able to attract grant funding from Homes England. Please see section 15 for further information on design and space standards in line with Building Regulations and Homes England requirements.

Dwelling Types

15. The Council will seek no more than 40% of affordable homes on any individual site as flats, due to the high proportion of households with younger children and those with mobility problems.
16. Semi and linked detached houses should always be of the same tenure.
17. Coach houses (flats over garages) are only acceptable if the garage below is part of that property and allocated to the same household. This is so that any noise connected with the garage below does not cause problems for the occupants of the flat above.
18. At least 10% of affordable rented homes on developments of 10 or more affordable homes, will be expected to provide wheelchair adapted homes and homes that can be adapted to the changing needs of the occupants consistent with Part M of the Building Regulations, or successor regulations, due to the number of older applicants and those with limited mobility.

19. Discount market homes will normally only be considered on large development sites, that is developments with over 100 affordable homes.

10. Development viability

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.
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 Planning Practice Guidance, including standardised inputs¹⁶. Applicants should be prepared to make such viability assessments publicly available.
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 Planning Practice Guidance “the price paid for the land is not a relevant justification for failing to accord with relevant policies in the plan.”¹⁷

Why is viability an important consideration?

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.
5. The Council uses the Residual Land Value methodology, as below in Table 2, to determine the underlying land value. This is important as it forms the basis by 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.

¹⁶ Para. 57, NPPF Feb 2019

¹⁷ Draft Planning Practice Guidance 2018 – Viability

Table 2 - Residual Land Value

Gross Development Value (GDV) (value of completed scheme) ¹⁸
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)

6. 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 the Council encourages applicants to discuss viability issues at an early stage. This is recognised in the NPPF.

*"The more issues that can be resolved at pre-application stage, including the need to deliver improvements in infrastructure and affordable housing, the greater the benefits."*¹⁹

7. The Council works with Affordable Housing Providers and is best placed to advise on the Council's partner RP 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 and advise appropriately 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.

¹⁸ 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.

¹⁹ Para. 41, NPPF

When does the Council require a viability assessment?

8. There may be circumstances where the costs of developing a site may affect its value. 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. i.e. less than 40% on sites of 15 dwellings or more
 - Where the split in tenure departs from 30% intermediate²⁰ and 70% social/affordable rent (where this has not been agreed for other reasons)
 - Applications which propose affordable housing off-site or a financial contribution for off-site provision in lieu of delivering affordable housing on site.
9. It is expected that a viability assessment will be publicly available and be based on actual costs and values. A viability assessment should reflect the standardised inputs as set out in the 'Standardised inputs to viability assessment' section of the Planning Practice Guidance.
10. Where a development falls below the required affordable housing percentage thresholds, departs from the prescribed tenure split or is offering a financial contribution for off-site provision in lieu, a viability assessment will be used to assess the elements of the proposal that contribute to a lack of viability.
11. 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 by the Council 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.

What should a viability assessment contain?

12. 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. This method can work in two ways; either to determine the level of return on a scheme, where the costs of the site is known, or establish the estimated value of the land by assuming a predetermined level of profit.

²⁰ Intermediate products are considered to come under category (d) of the definition of Affordable Housing in the NPPF – *Other affordable routes to home ownership*

13. Where a viability appraisal is required, the Council expects the following information in addition to the standardised inputs as set out in the Planning Practice Guidance:

- Clearly explain the methodology used, either in an executive summary or non-technical summary
- Be based on current costs and values
- Include all of the assumptions and calculations used in the model
- Include unit size and split between proposed tenures
- Provide floor space figures as Gross Internal Area (GIA)
- Affordable housing values should reflect discussions with, and the offers made by RPs. Value should be evidenced through calculations of rental and capital receipts (including stair-casing receipts for shared ownership units). For Rent Plus or Rent to Buy products it should be assumed to be sold, on a shared ownership basis, after a period of 5 years to the occupying household as a first priority, or another eligible household, with the relevant subsidy recycled.
- The timings of payments by RPs should also be reflected in the appraisals as an RP will often pay for the units in instalments starting at commencement of construction which will reduce finance costs.
- A summary of the key findings and conclusions

14. These are important for the Council to test and interrogate the information to assess the conclusions made and understand where reasonable adjustments could be negotiated.

15. Where the guidance for a viability assessment as above is followed, the Council will work positively with applicants to negotiate the maximum level of affordable housing provision possible whilst ensuring the delivery of an economically viable good quality development. Please refer to Affordable Housing Advice Note 1 for additional information on the Council's preferred approach to the content of viability assessments.

The Council's Approach to negotiating proposals which are not viable

16. Where a scheme is demonstrated to be unviable with the policy 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 COM 7. 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 units 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 in an development;
- A reduced percentage of affordable housing – where there 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 has Affordable Housing Grant available to its preferred registered provider partners to assist with the viability of S106 sites.

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

- Accepting serviced plots in lieu of dwellings or
- Accepting off site affordable housing units or
- Accepting an off site financial contribution

18. Where a reduced percentage of affordable dwellings or a financial contribution below the full policy equivalent is 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 enable 'clawback' of additional revenues above those envisaged in the viability appraisal.

19. The review process will be set out in a S106 agreement. However, the Council will generally require a 2-stage review, although for large scale phased developments with a build-out programme of more than 5 – 6 years, a bespoke review timetable will be agreed with the developer.

20. An early review, in agreement with the applicant, will be undertaken preferably if the development does not commence within the first 2 years after receiving permission. If a Reserved Matters approval is required, an early review will apply if a Reserved Matters application is not received within 2 years from the date of commencement.
21. Where a surplus profit above the initial agreed profit level is identified, the Council will seek a 60/40 split in these profits between the developer and the Council respectively. The Council's proportion of the split in profit should be delivered as affordable housing on-site. This would require the developer to identify which market dwellings will become affordable in consultation with the preferred RP in order to ensure the most appropriate provision.
22. The above mechanisms are particularly applicable to outline applications and/or large scale developments which are likely to be built out over a long period of time. Please see Affordable Housing Advice Note 1 for further information on the Council's approach to considering viability at the outline stage of planning applications.
23. Viability assessments, in trying to justify a lower level of affordable housing contribution must be careful not to demonstrate that the proposed development is inherently unsustainable or undeliverable. Some viability evidence can indicate that a proposal has marginal viability, or even negative viability, even without making a satisfactory contribution to affordable housing. Such proposals are unlikely to be supported where the Council considers the objectives of sustainable development are the Local Plan are not being met; and/or that the proposal is not deliverable.
24. Negotiation is important in overcoming viability challenges and the Council will endeavour to seek resolution by negotiation when assessing viability appraisals. Nevertheless, the Council expects that costs and values should be taken into account when determining land value and that the applicant should work this into the offer on the land.

Cost Recovery

25. Financial viability appraisals will be reviewed by the Council or may be referred to appointed assessors for independent assessment. Applicants will be expected to meet the reasonable costs, as specified by the Council, associated with reviewing financial viability appraisals.

Viability and Confidentiality

26. Information relevant to plan-making and the planning application process is publicly available. This is consistent with the NPPF which places a requirement on local authorities to facilitate community involvement in planning decisions.²¹
27. The PPG states that viability assessments should be made available to the public²². There will only be very exceptional circumstances for keeping limited elements of viability information confidential.
28. The availability of information submitted as part of the planning process is important to ensure public participation, confidence in the planning system and the accountability of those undertaking the assessments. The Council's starting point is that information submitted as part of, and in support of, a viability assessment should be treated transparently and be available for wider scrutiny. In relation to affordable housing, viability appraisals should be submitted without redaction. In submitting information, applicants do so in the knowledge that this may be made publicly available alongside other application documents. Revised or updated appraisals will similarly be treated in accordance with the principles set out in this section with regard to publication.
29. In deciding whether there is any reason why the submitted viability information should not be published alongside other planning application documents, the council will draw on the principles of the Environmental Information Regulations (EIR)²³. The Council will depart from the starting point identified above only where there is a convincing case, in relation to specific elements of a viability assessment that one or more of the exceptions to disclose as contained in the EIR would apply so as to outweigh the public interest in disclosure of that information. Where an applicant requests that only a redacted version of the development viability appraisal be made public, robust and proper justification for confidentiality will be required and should be made prior to the submission of a planning application.
30. If an applicant wishes to make a case for an exceptional circumstance in relation to the withholding from publication of any part of their viability assessment, they will need to identify exactly what material they would wish to be withheld and provide full justification. This should take the form of a schedule or a table clearly identifying the relevant information, together with a marked up copy of the appraisal document. The Council will consider the specific circumstances of the case in the light of the principles of the EIR. The Council may decide not to accept the applicant's request that information should not be disclosed to the public.
31. Where a review of an applicant's financial viability appraisal is carried out on behalf of the local authority, requests for disclosure of that review will be considered by the Council as and when received and will be informed by the approach taken in relation to the submitted appraisal.

²¹ NPPF paragraphs 40

²² PPG Viability Paragraph 004

²³ The Environmental Information Regulations 2004 ('EIR')

32. Irrespective of whether viability material is published alongside other application documents, the material may be made available to Members of the council's Area Planning Committees, or to Members of the Council more generally, in accordance with the arrangements for disclosure of information as provided for in the council's constitution.
33. The Council may also need to make information available to a third party organisation where that body has a role in determining an application, has statutory consultee or other duties, is providing public subsidy or is fulfilling their own duties under the EIR and the Freedom of Information Legislation.
34. In the event a request from a third party is received for disclosure of viability information which has not been published online and which falls outside the scope of the above paragraph, for example where the request is made by a member of the public, the Council will have regard to the matters arising from the application of the above paragraphs when applying the EIR to the request.

11. Grant Funding

1. The Homes England Affordable Housing Programme provides grant funding to Registered Providers to develop affordable homes. The programme seeks to:
 - Increase the supply of new affordable housing – for Affordable 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
2. Guidance for the type of properties and criterion required are set out in the Homes England Capital Funding Guide.
3. 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

4. The Affordable Housing Grant is partly funded by ring fenced Right to Buy receipts and S106 Affordable Housing Contributions. Details of the programme are reported to the Council's Cabinet as part of the Capital Programme update.
5. The purpose of the grant is to provide funding subsidy to RPs to ensure delivery of affordable homes in Test Valley. This can be for:-
 - Additional provision of affordable/social rent

- To assist with viability on sites that have secured affordable housing through a S106 agreement where developers are requesting reduction in affordable housing due to, for example, exceptional site costs
 - To provide affordable housing on sites where affordable housing has not been secured through a S106 agreement.
6. All bids for Affordable Housing Grant must have regard to the Council's Homeless and Housing Strategy. The Housing Strategy, as part of the assessment of housing need takes into account those people who are vulnerable, have particular needs or live in the worst condition private housing sector stock. The Strategy refers to the Council's adopted corporate programmes and emphasises the importance of housing in addressing the wide ranging issues facing the Council. Housing has a significant impact on social well being, social inclusion and sustainability and community development
 7. The grant is only available to Test Valley Borough Council's Preferred Partnering Registered Providers, please refer to the Affordable Housing Capital Grant Funding Policy, Annex 2.

12. Vacant Building Credit (VBC)

1. The vacant building credit is intended to provide an incentive for brownfield development on brownfield sites containing vacant buildings.²⁴
2. 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.
3. 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, which the applicant must demonstrate.

²⁴ Written Ministerial Statement made 28 November 2014 and introduced to NPPG May 2016

4. 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.
5. 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)²⁵ Code of Measuring Practice 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.
6. 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 may be determined during Reserved Matters applications. The LPA will scrutinise planning applications to ensure that sites are not artificially subdivided to avoid the NPPG threshold.
7. If the VBC is applicable to the proposed site, the amount of vacant floor space will inform the level of affordable housing contributions.

13. Layout and Design

1. Development proposals that include affordable housing are expected to address the Council's policies on good quality development, particularly 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

2. Affordable housing should be fully integrated in clusters of no more than 10, spread evenly across a development such that it is indistinguishable from the market housing to achieve mixed and inclusive communities. The Council recognises that grouping together a number of affordable home is practical, from a construction and management perspective.
3. Where separate phases of the development adjoin each other, careful consideration should be given to the location of clusters in adjacent previously developed parcels to avoid creating an overall cluster of more than 10 dwellings.

²⁵ <https://www.rics.org/uk/> - 6th Edition or subsequent revision

4. Clear concentrations of affordable homes, particularly of the same tenure or size will not be supported.
5. 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. The Council will not support the phasing of a development which sees the affordable housing being delivered in the later stages of the sites development taking into account site specific viability. Please see Affordable Housing Advice Note 1 for more information.

Design and Space Standards

6. 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.
7. 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 registered provider. The developer must be able to demonstrate that the land is sufficient in size to accommodate the required unit mix.
8. All development will be required to provide high levels of accessibility and should be designed as such to be adapted 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 is over 3 floors.
9. Occupants of affordable housing may have particular accessibility requirements and will therefore need to have access to a home that complies to certain space standards, particularly for wheelchair users. Developers will need to allow for additional space when designing residential units which have the potential to be adapted for wheelchair users. Designs for wheelchair users should meet the requirements contained within Part M4(3)(1)(a) and (b) and Part M4 (3)(2)(b) of Schedule 1 of the Building Regulations 2010 or any successor regulations.
10. 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 4 M) of the

Building Regulations 2010 or any successor regulations, to demonstrate adequate space for internal manoeuvring for the occupants.

14. Mechanism for securing affordable housing

1. As stated in Policy COM7, the Council will seek to secure affordable housing, or a financial contribution for off-site provision, via a S106 Legal Agreement or a Unilateral Undertaking (UU).
2. Where a financial contribution is secured via a formula for provision of affordable housing off-site, the value of the contribution will be specified in the S106, and index linked (RPI) from 1st April in the year in which the contribution is agreed.
3. The Council will require contributions to be paid prior to occupation of a specified number of units as set out in each S106 agreement.
4. To ensure the delivery of Affordable Housing in a timely way, the Council will seek a financial contribution for off-site affordable housing early on in the build out of the development, taking into account site viability, to be secured through a S106 agreement. This is to ensure that all financial contributions are received before the completion of the development.
5. The Council appreciates that circumstances may change between the time that the S106 Agreement is signed and the point at which the development is implemented. Therefore, the Council seeks to ensure that S106 agreements allow changes to tenure or mix to be agreed in writing, where it is demonstrated necessary to do so.

15. Delivery and management

1. In accordance with the definitions in the NPPF, affordable housing should remain affordable in perpetuity and will be secured by a legal agreement. The Council will ensure that affordable homes, with the exception of Starter Homes,²⁶ remain at an affordable rent for future eligible households or that their resale value is recycled to provide other forms of affordable housing to meet local need.
2. Occupiers of affordable housing where there is a shared ownership arrangement in Designated Protected Areas²⁷ (DPA) are limited to owning more than 80% of the property.

²⁶ Starter Homes to remain discounted for a period of 5 years

²⁷ Section 300 – 302, Housing and Regeneration Act 2008

Management

3. Affordable housing will in many cases be transferred to a Registered Provider and managed as affordable housing in accordance with Homes England standards. This is the Council's preferred mechanism; however, it is recognised that there are emerging models of management that may be appropriate subject to appropriate safeguards as set out in Section 5 above.
4. In recent years, Registered Providers have provided the main source of new affordable housing. Developers will be required to enter into obligations securing the future appropriate management of schemes preferably in partnership with a Registered Provider. A list of preferred Registered Providers is included in the Affordable Housing Advice Note 1.

Nominations and local connections

5. The Council maintains comprehensive information on local households seeking affordable housing. Hampshire Home Choice is the Council's housing register where applicant can apply for rented housing owned and managed by registered providers.
6. In addition, households looking to buy an affordable home can make an application to Help to Buy South who advertise homes for sale on behalf of developers and registered providers.
7. Both registers, assess the eligibility of households and the affordability of homes being provided. Occupancy of affordable housing is restricted to eligible households in housing need and is allocated in accordance with Test Valley Borough Council's Scheme of Allocation and Hampshire Home Choice Sub-Regional Allocation Framework.
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
 - To support or be supported by member of family ordinarily resident in the village/parish
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.

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 to reflect the existing nominations agreement in place with Hampshire Home Choice requiring 100% nomination rights in perpetuity.

16. Negotiating affordable housing contributions

1. Affordable Housing is not subject to Regulation 123 of the Community Infrastructure Regulations 2010 (as amended) because it is not relevant infrastructure for that purpose. Specific projects are not identified as they will be informed by the changing and evolving evidence regarding housing need including the Housing Strategy. The current Housing Strategy is in place until the end of 2019. The Council will provide a new Housing Strategy for 2020 – 2025 which is currently in development.
2. The Strategic Housing Market Assessment (SHMA) identifies the total need for affordable housing up to 2031 across the Borough and subdivides this need into 5 sub-areas²⁸. How Contributions will be allocated to meet affordable housing need within the sub-area will be informed by the Housing Strategy and the SHMA.

17. Provision of serviced plots

1. The Council's preference is for the delivery of affordable housing as completed 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. To be transferred to an approved Registered Provider at nominal value and free from encumbrances.
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.
3. The applicant would be required to identify the plots or provide areas of land sufficient to accommodate the Council's preferred housing mix.
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

²⁸ Page 4, SHMA sub-areas of Test Valley

usually expect the plots to be clustered and the appropriateness of proposed locations for affordable housing will be determined by the Council (Housing Development Team) as part of the planning process.

5. Free serviced land is defined as freehold cleared, remediated²⁹ 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.
6. Serviced plots may be suitable to provide for self-builders, in accordance with Self Build and Custom Build Section above. Please also refer to the Affordable Housing Advice Note 1.

18. Off Site Delivery

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 at its absolute discretion is willing to accept an off-site contribution. Please refer to Affordable Housing Advice Note 1 for the circumstances in which the Council may consider accepting an off site contribution.
2. If the Council agrees that an off site provision is appropriate, this will require the provision of a site comprising of serviced remediated land made available at nil cost to the Council. The definition of free serviced land is set out in the section of Provision of Serviced Plots above.
3. The alternative site must be a sufficient size and suitability to provide the appropriate provision for on site affordable housing of the combined site capabilities, in a location related to the residential development site. 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.
4. 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

²⁹ 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.

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 charges;
 - 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 £500 (RPI) (subject to annual review) to cover the costs of collecting and handling the money and meeting auditing requirements.
5. The financial contribution will be secured via a S106 agreement and will be Index Linked.
 6. The Council will consider proposals where the developer purchases existing properties on the market for transfer to an Affordable Housing Provider. However, the purchases have to 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 Registered Providers requirements to ensure they can be let as affordable or sold as low cost home ownership.
 7. In order to ensure affordability of the housing, communal areas, where possible should be omitted, so as to incur no service charges. If this is not possible, a cap of £250 per annum will be applied to service charges which shall all be eligible for Housing Benefit and linked to RPI. For any ineligible Housing Benefit items, an opt in discount would be sought in the interests of creating inclusive communities. The Council and Registered Provider will require a detailed breakdown of what the service charges comprises.

19. Monitoring

How the Financial Contributions will be spent

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

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. The Authority's Monitoring Report (AMR) will identify key challenges to and opportunities for the provision of affordable housing and revisions to be made. Market conditions and levels of affordability will also be kept under review.
3. The Council will monitor the performance of its Registered Provider partners to ensure high standards of service delivery. In particular, the Council will require annually from the RPs or other affordable housing providers information relating to:-
 - Social and affordable rents
 - Rent increases
 - Staircasing and other sales receipts
 - Management standards
4. Developer's delivery partners, whether an RP or other provider/manager who are not regulated by Homes England, will be similarly monitored through obligations contained in the S106 Agreement.

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 Affordable Rented housing listed on Hampshire Home Choice and in relation to any intermediate housing, registered on the Help to Buy South Register.

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.

Staircasing: is the process which allows an occupant of a shared equity type of affordable housing to buy a greater proportion of their home.

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, registered providers, the MOD or NHS trust/foundation. Eligibility criteria for both the property and occupants apply.

Unilateral Undertaking (UU) –

Zone Agent –

Net Developable Area -

21. Annexes

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Annex 1 – Method for calculating contributions for off-site affordable housing

This section sets out how financial contributions for developments of 6 - 9 dwellings and 10 dwellings will be calculated. 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%).

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.

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.

The following table (Table 2) is a general explanation of how RLV is broadly arrived at:

Table 2 – Residual Land Value

Gross Development Value (GDV) (value of completed scheme) ³⁰
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)

The RLV of sites across Test Valley has been taken account of in the Affordable Housing Viability Update, 2012, Dixon Searle. This is a broad brush approach which has informed the structure of Policy COM7 to assess the viability of sites in general

³⁰ 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.

within the threshold bands. The RLV informs the Residual Land Value Percentage used in the methodology.

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)

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..

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 3 below:

Table 3: 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] % TBC (assumed 15%)
20%	Percentage affordable housing sought [E] (% in line with Policy COM7)

$$£200,000 \times 0.214 = £45,000 \quad (A \times B) [x 0.225 \text{ equates to } x 22.5\%]$$

$£45,000 \times 0.15 = £6,750$	$(C = [A \times B] \times 0.15)$ [0.15 equates to x 15%]
$£45,000 + £6,750 = £51,750$	$(A \times B) + C = D$
$£51,750 \times 0.2 = £10,350$	$D \times E = F$ [x 0.2 equates to x 20%]
Total financial contribution sought = £10,350 per dwelling	

The assumptions used in the above calculation are set out below in Table 4. These are the assumptions that will be used.

Table 4 - Assumptions

Gross Development Value (GDV) – see footnote 10	(A)
Residual Land Value Percentage³¹ – 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% ³²	(C)

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. A map of the residential CIL Charging Zones is attached in a separate Appendix.

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.

In terms of determining the Gross Development Value (GDV), the Council uses data from Rightmove.

³¹ Derived from the Calculation Methodology for Financial Contributions, 2016, Dixon Searle

³² Derived from the Affordable Housing Viability Update, 2012, Dixon Searle

Proposals for up to 10 dwellings (designated rural areas)

Policy COM7 does not require any on-site provision of affordable housing on sites where development of 10 or less dwellings is proposed; therefore a financial contribution in lieu is required. Where development proposes 10 dwellings, a financial contribution equivalent to up to 30% of dwellings to be affordable will be required.

As for the methodology used to calculate a contribution for proposals of 6 – 9 dwellings, the Council uses the assumptions from the Calculation Methodology for Financial Contributions, 2016, Dixon Searle and data from sites such as Rightmove, to calculate a financial contribution. The methodology for calculating a financial contribution for proposals of 10 dwellings is the same as that for proposals of 6 – 9 dwellings. However, the RLV% will vary depending on the location of the development across the Borough.

For sites that come forward with proposals of more than 10, 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 above.

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Annex 2 – Affordable Housing Capital Grants Policy – April 2018³³

Delegated authority has been given to the Head of Housing and Environmental Health to approve Local Authority Grant Funding for affordable housing schemes within the approved budget on the following basis:

1. Schemes must meet a strategic priority as set out in the Council's current Housing Strategy.
2. Schemes should comprise a mix of housing to meet the local housing need, including consideration of local affordability.
3. Value for money must be demonstrated by the submission of a detailed financial appraisal.
4. The applicant must ensure that all scheme costs are verified by an independent Chartered Surveyor.
5. Schemes may be funded solely by the Local Authority or joint funded.
6. Local authority capital funding will only be given to RP's with a Regulatory Judgement of their compliance with the requirements in the Governance and Financial Viability Standard issued by the Homes England of G1 and V1.
7. The Head of Housing and Environmental Health must be satisfied with the standard of housing management to be provided.
8. Except in extraordinary circumstances, funding will only be available to partner RP's.
9. Grant funding is paid in two tranches, Start on Site of scheme and Practical Completion of the scheme. In order to draw down Start on Site payment, schemes must have Planning Permission.
10. Start on Site and Completion claims must be drawn down within 3 months of SOS and Practical Completion. If this deadline is missed, a new grant application must be submitted.
11. Once the Panel have approved the grant funding, the matter will be subsequently reported to the Cabinet as part of the Capital Programme Monitoring report.
12. Very large grant applications (in excess of £1m) will be considered by Cabinet by way of a bespoke report.

³³ Or successor revisions

13. All grant claims to be completed as per the Grant Claims Procedure Guide.
14. Full nomination rights (100%) must be given to the Council on initial and all subsequent lettings for affordable/social rented homes (except in extraordinary circumstances agreed in writing between the RP and the Head of Housing and Environmental Health).

LA ESEP SCHEMES

Whilst Affordable Housing Developer Contributions (AHDCs) may only be used to support affordable housing delivery, opportunities will arise that can provide both new affordable housing and generate income for the Council. This income can be used to support the Council's delivery of other services as well as reinvesting in more affordable housing.

The Council has developed a new investment model for the delivery of shared equity housing in partnership with Merlion Housing Association (MHA) as set out below:-

- The Council will use AHDCs to fund MHA procurement of new, high quality shared equity housing most likely on S106 sites.
- This payment is likely to be in the range of 10-20% of the full open market value but the exact figure will depend upon the availability of funds within the Affordable Housing Capital Grant Programme or other Council funding sources and estimated sales values.
- Payment will usually be due at golden brick or on exchange of contracts, the timing of such payments may vary from site to site depending of the requirements of the developer.
- Prior to making any payments, the Council and MHA will follow the procedure for allocation AHDCs. Prior to making any payments the Council and MHA will enter into a suitable funding agreement bespoke to that development.
- Prior to making any payments MHA will supply the Council with a Royal Institute of Chartered Surveyors (RICS) backed valuation (mutual benefit) of the sales value for each dwelling to be funded using AHDCs.
- After payment of the AHDCs to MHA, the Council will levy an investment fee of 15% of the sum paid. This fee, due from MHA to be paid to the Council, will be invoiced by the Council after 2 weeks of release of the Council's funds.
- The Council's investment will enable MHA to improve the affordability of the homes. The homes will be offered for sale on a shared equity basis at a discount of open market value which is likely to be within the range of 20-40%. No rent will be charged by MHA and wherever possible, the purchaser will be able to acquire the freehold in the future.
- In addition to the investment fee, the Council will receive equity in each dwelling which will be secured by a Second Charge to rank above that of MHA.
- The equity will be enhanced by MHA by 25% so, if for example, the Council invests £500,000, it will be issued with equity worth £625,000.00.

- The Council's primary role under this mode is as a funder. MHA will perform all usual functions such as sales, marketing, contract negotiation and procurement of the dwellings and other administrative duties as required.
- When an occupier wishes to increase their equity share within the dwelling (stair casing) or wishes to sell and move up on the property ladder, MHA will be responsible for all aspects of administering this
- At the point of future sale or completion of stair casing, the Council will redeem its Charge over the dwelling, with the resultant funds returning to the AHDC budget for reinvestment in further affordable housing.
- Each party will be responsible for their own legal fees during each project and at the time of each future sale.
- Valuation costs will be shared equally between the Council and MHA.
- All purchasers of the LA ESEP must be registered on Help to Buy South and MHA will provide the Council with each applicant's reference number prior to exchange of contracts.
- Once the Grant Panel have approved the grant investment, the matter will be subsequently reported to Cabinet as part of the Capital Programme Monitoring report.

Test Valley Borough Council – Criteria for Capital Funding.

All schemes must meet the following minimum and maximum space standards :

1 bed 2 person	45 – 55 m ²
2 bed 3 person	60 – 70 m ²
2 bed 4 person	70 - 80 m ²
3 bed 5 person house	85 – 90 m ²
4 bed 6 person house	95 – 105 m ²

Schemes over 10 units may be required to provide 10% wheelchair standard properties. Wheelchair adapted housing will be built to the standards specified in the Affordable Housing SPD.

All schemes must meet identified needs for the area as defined by the Area Based Housing Needs Assessment.

TVBC (Housing and Planning) must be consulted on the design of schemes prior to a planning application being submitted.

No schemes will be supported above Local Housing Allowance.

RP's are required to have sufficient staff resources to devote to development work in the Borough as necessary.

RP's must participate in Hampshire Home Choice and to make a contribution towards the cost of running the Register, proportional to their stock within the Borough

RP's are required to consult with their tenants on management issues.

Test Valley Borough Council – Criteria for LA ESEP Funding.

All schemes must meet identified needs for the area as defined by the Area Based Housing Needs Assessment.

All bids must have regard to Test Valley's Homelessness Strategy and Housing Strategy.

TVBC (Housing and Planning) must be consulted on the design of schemes prior to a planning application being submitted.

MHA must provide details of project costs, other grant, borrowing and revenue (open book). The exact detail required will depend on the type and scale of the project. The Housing Development Manager will provide advice and guidance during this phase of the application.

All purchasers must be registered with Help to Buy South

All LA ESEP homes must be advertised on Help to Buy South

Revision History

20 July 2005 Revision 1

11 Oct 2006 Revision 2

18 Apr 2018 Revision

Annex 3 – Designated Rural Areas map

