

Reading Borough Local Development Framework

Supplementary Planning Document

Affordable Housing Provision as part of Planning Obligations under Section 106 of the Town and Country Planning Act 1990

Core Strategy Policies: CS16 and CS13
Sites and Detailed Policy Document Policies: DM6 and DM7

DRAFT REVISED SPD (July 2013)

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1.0 Introduction

- 1.1 Affordable housing is defined (in the National Planning Policy Framework (NPPF)) as, "Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Where they have identified that affordable housing is needed, authorities have to set policies for meeting this need and contributing to the objective of creating mixed and balanced communities¹.
- 1.2 Reading Borough Council (RBC) adopted its Sites and Detailed Policies Document in October 2012. This contains Policy DM6, which seeks to achieve the provision of contributions of affordable housing on sites of between 1 and 14 dwellings. Guidance on how this policy will operate is provided in this SPD.
- 1.3 The Draft SPD was approved for consultation by the Council's Cabinet in November 2012. It was published for consultation in November 2012 and the consultation period ran for 6 weeks closing on 21st December 2012. Various representations were submitted and these have been carefully considered (in a separate Statement of Consultation) and revisions made to the Draft SPD.

Supplementary Planning Document (SPD)

- 1.5 This Supplementary Planning Document (SPD) is intended to provide users of the planning service in Reading with an appropriate framework for determining the size, type, form and content of affordable housing that will be sought in considering whether planning applications for development accord with various local planning policies that form part of the development plan for the Borough. It has been prepared in accordance with current government advice in the National Planning Policy Framework (NPPF). It also takes account of how affordable housing is defined, funded, provided and managed in accordance with government housing policies, much of which has changed in recent years.
- 1.6 The guidance will apply to all residential developments of 1 dwelling or more.

¹ DCLG, National Planning Policy Framework (NPPF) (2012). See Glossary - extract provided at Appendix 1.

2.0 Policy Background

The Development Plan

- 2.1 Applications must be determined in accordance with the development plan. In relation to affordable housing, applications to RBC for development containing residential accommodation will be determined in accordance with Core Strategy policy CS16² for sites providing 15 dwellings or above and policy DM6 in the Sites and Detailed Policies Document³ for sites of less than 15 dwellings.
- 2.2 Policy CS16 (Affordable Housing) requires the provision of 50% of the total number of dwellings on sites of 15 dwellings and above in the form of affordable housing to meet the needs of the area as defined in a housing needs assessment. Such housing should remain affordable.
- 2.3 Policy CS13 (Impact of Employment Development) indicates that employment development should provide mitigation measures in line with its impacts on the demand for housing (including affordable housing), labour and skills, and on the transport network. The tight labour market of Reading and the wider Thames Valley area means that additional employment development could result in still greater pressures on housing in the Borough. Pressure on housing can particularly affect those who cannot afford open market housing. New employment development is therefore expected to contribute to the provision of affordable housing.
- 2.4 Policy DM6 (Affordable Housing) relates to sites providing 1 - 14 dwellings and requires the provision of differing proportions of affordable housing depending on the size of the site with the amount decreasing from 30% to 10% as the total number of dwellings falls. This takes into account the differing viability of developing sites of different sizes. Policy DM7 relates to accommodation for vulnerable people which will often be provided as affordable housing.
- 2.5 The various relevant adopted policies are accompanied by supporting text that provides some guidance on the implementation of the policies.

The National Planning Policy Framework (NPPF)

- 2.6 The NPPF indicates that where a local authority has, *"identified that affordable housing is needed,"* it should, *"set policies for meeting*

² LDF Core Strategy, RBC, 2008 see: [Core Strategy, Adopted January 2008](#)

³ LDF Sites and Detailed Policies Document, RBC, 2012, see: [Sites and Detailed Policies Document, Adopted October 2012](#)

this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.”
(Paragraph 50)

- 2.7 The Glossary to the NPPF defines affordable housing (the relevant extract from the NPPF is copied at Appendix 1 to this document).
- 2.8 Paragraphs 173-174 refer to viability. The provision of affordable housing has an impact on the costs of development and thus viability. Viability has been taken into account in the preparation and examination of the development plan policies. Both policies CS16 and DM6, however, allow for viability considerations to be taken into account in the implementation of their requirements in relation to individual schemes. The SPD has been formulated to ensure that the guidance interprets the relevant development plan policies in the light of the guidance in the NPPF and the provisions in the CIL Regulations.

3.0 Housing Need in the Borough

- 3.1 Various assessments over the years have pointed to a very high level of need for affordable housing in the borough. The latest 2011/12 assessment⁴ shows a continuing very high level of existing and newly arising need⁵ that would easily take up all of the anticipated housing provision in the Borough up to 2026.
- 3.2 The Council maintains the Housing Register for the Borough and monitors and manages allocations. The Council will use this and other available evidence to advise on the strategic mix of dwelling sizes required on new housing developments to meet Housing Strategy objectives. In terms of allocations, there is a high need for social rented housing⁶ (or support through housing benefit). There is a particular need for housing for families (defined as households with children living in overcrowded conditions) who are generally the highest priority for housing.
- 3.3 New employment development can add to pressures on the housing market in the area, particularly on affordable housing. The lack of affordable housing has long been, and remains, a concern in economic development strategies covering the Reading area. It is seen as a significant constraint to new employment investment in the area. Increasing affordable housing provision is seen as critical to enable economic growth in the area.⁷

4.0 The Provision of Affordable Housing as Part of Development Proposals

Target figures for affordable housing provision

- 4.1 The Council's Housing Strategy (2009-2013) refers to achieving a target of 40% of all new homes in the town to be affordable housing. Core Strategy Policy CS16 seeks a target 50% provision on sites of 15 units and above to help to meet locally identified needs. Policy DM6 seeks lesser proportions of affordable housing provision on sites of less than 15 units related to an assessment of the viability of different sizes of development in the Borough, prepared as background evidence to the policy. The intention remains to achieve an overall target of 40% of all provision in the Borough as affordable housing.

⁴ DTZ; Housing Need Assessment and Affordable Rent Review, Five Berkshire Authorities, 2012.

⁵ Defined in the glossary to the NPPF as: "eligible households whose needs are not met by the market." See Appendix 1 to this document.

⁶ Social rented housing is defined in the glossary to the NPPF. See Appendix 1 to this document.

⁷ See Core Strategy Employment Background Paper,

http://www.reading.gov.uk/documents/servingyou/planning/local_development_framework/20363/Submission-Employment-Background-Paper.pdf

4.2 All parts of the Borough are suitable for accommodating affordable housing. The policy therefore applies to all developments providing residential dwellings. The policy relates to the total gross number of dwellings provided on the site. There is no allowance for the replacement of existing dwelling units on a site. However, the existing use value will form part of any consideration of viability of the development in the negotiation of affordable housing and other planning obligations. Existing dwellings retained as single dwelling units as part of any scheme will not count against the affordable housing requirement. The policy will not be applied to student accommodation unless this is being developed on an allocated housing site or a site where residential development would have been anticipated. Similarly, an affordable housing requirement will not be applied to apart-hotel developments unless:

- they are being developed on an allocated housing site or a site where residential development and affordable housing provision would have been anticipated; and
- arrangements for accommodation within an apart hotel allow tenancies of more than 3 months.

4.3 Under policy CS13 of the Core Strategy, contributions towards affordable housing provision will be sought as part of major commercial proposals involving significant net additional employment. For B1 (a) office development this would be developments of greater than 2,500m² net additional floorspace; for other forms of employment development (i.e. other B use classes) this will involve higher levels of floorspace applying relevant employment densities.⁸ The affordable housing contribution will be calculated on the basis of an appropriate proportion of the additional housing need arising from the anticipated level of employment, sufficient to mitigate impacts on the need for affordable housing arising from the development. More details on the calculation of the contribution to be made by employment development are provided in Appendix 2.

Form of provision

4.4 The policies seek on-site provision of the affordable housing but do allow for varying forms of provision. Under Policy CS16, on site provision (either serviced land or completed units) will be the normal expectation. However, in exceptional circumstances, the Council will consider provision on a surrogate site or sites (again, either serviced land or completed units). A financial contribution/commuted sums may, exceptionally, be acceptable. Guidance on how to calculate any

⁸ See HCA, Employment Densities Guide, 2010 (2nd Edition);

financial contribution can be found at paragraphs 4.27 and 4.28 below.

- 4.5 Under policy DM6, the local planning authority's preference will always be for on-site provision, and this will remain the expectation for sites of more than 5 dwellings. However, for sites of 5 dwellings or less, or for sites of 5-9 dwellings where there are good reasons, the local planning authority will be flexible about the provision of affordable housing on a surrogate site or via a contribution/commuted sum that will enable the required provision to be funded elsewhere. The calculation of any financial contribution is discussed at paragraphs 4.27 and 4.28 and Appendix 4 below.
- 4.6 In the case of commercial-only sites, where relevant, affordable housing contributions will generally be taken in the form of commuted sums.

Application of Affordable Housing Policies to types of residential development that do not involve new build housing.

- 4.7 Policies CS16 and DM6 refer to, "All developments..." and "On development sites of less than 15 dwellings,....," respectively. The policies are, therefore, relevant to all forms of residential development including developments that do not involve new build residential units. Building conversions therefore fall to be considered under these policies, particularly Policy DM6. This covers proposals to convert houses to flats, or the conversion of commercial and other non-residential floorspace to residential use, where additional self-contained residential units are being provided. The policies will not apply to the change of use of a single dwelling house to a house in multiple occupation, where unrelated residents live communally and share common facilities within the single residential property.

The definition of affordable housing

- 4.8 The Glossary to the NPPF defines affordable housing as including the following types of housing tenure:
- Social rented;
 - Affordable rented; and
 - Intermediate housing.

The definition specifically excludes low cost market housing⁹. The NPPF definition goes on to state that, "Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision."

⁹ See Appendix 1 to this document for an extract from the Glossary to the NPPF.

- 4.9 Affordable Housing is defined in the adopted Core Strategy as subsidised housing that enables the asking price or rent to be substantially lower than the prevailing market prices or rents in the locality, and which is subject to mechanisms that will ensure that the housing remains affordable for those who cannot afford market housing.
- 4.10 The above definitions will include provision for those on low incomes, those, such as defined key workers whose earnings are insufficient to enable them to afford market price housing, and households with special/supported housing needs such as those in need of NHS Care or other forms of community care. It will include the forms of housing for vulnerable people referred to in policy DM7 where such housing is being provided as affordable accommodation.

Affordable Housing - Tenancy types

- 4.12 Reading Borough Council recognises the government drive to introduce Affordable Rent as the tenancy model for Registered Providers.¹⁰ However the Council remains committed to ensuring that affordable housing remains affordable to those on the lowest incomes. Affordable Rents at the maximum rent of 80% of market rent will often be too expensive for many of those identified as in housing need in Reading. Therefore, the principles set out below provide clear direction on the Council's expectations of Registered Providers when setting rent levels.
- 4.13 The Council has identified a significant priority for larger family housing of 3 or more bedrooms let on the basis of social rented (i.e. at target rent levels) housing. Affordable Rent can only work for these properties if it is set at low percentages of market values either at or approaching target rents.
- 4.14 The largest need is for smaller accommodation (1 or 2 bedroom). For these properties, lettings at target rents would be the preference to meet the most urgent needs. However, elements of intermediate housing (such as shared ownership) products and affordable rent at up to 80% of market rents will assist in meeting needs in properties of this size.
- 4.15 New development should therefore include a range and mix of tenures of affordable housing (as appropriate depending on site size) to reflect local needs as indicated in the Berkshire Housing Market Assessment 2007 and the more recent Berkshire Housing Need Assessment (2012). The following targets for tenure types will be sought:

¹⁰ Registered Providers are classified as non-profit organisations or profit-making organisations. They are providers of social housing registered with, and regulated by, the Tenant Services Authority.

- 50% social rented housing at target rents or Affordable Rent housing of no more than 50% market rents;
- 50% made up of a mix of:
 - Intermediate housing, e.g. shared ownership; and
 - Affordable Rent Housing at rents of less than 80% market rent and, preferably significantly below the 80% market rent level.

Where 3+ bedroom accommodation is being provided, the Council's very strong preference is for this to be let at target rents.

Affordable Housing - Sizes of Provision

- 4.16 In order to meet identified priority needs for affordable housing, new developments providing affordable housing in compliance with policies CS16 and DM6 shall include a range and mix of types and sizes of affordable housing (as appropriate depending on site size). The range and mix should provide for identified local needs, meet the requirements of Policy DM5 in the Adopted Sites and Detailed Policies Document and reflect the range and mix of house types in the scheme as a whole (i.e. the mix of dwelling sizes in the provision of affordable housing should reflect the mix proposed for the private housing). There is a need for a mix of 1, 2, 3 and 4 bedrooms and some even larger accommodation in the provision of affordable housing. Within this range, larger 3 and 4 bedroom family accommodation is a significant priority along with the other forms of housing indicated below.

Priority Housing Needs

- 4.17 Housing Waiting Lists, Registers and the Council's Tenancy Strategy point to the following finer grained priority affordable housing needs:
- Disabled persons units + other specialist properties such as properties with a bedroom and bathroom downstairs for those families coping with a disabled adult in the house;
 - Large, affordable, 4 bed & above houses;
 - Disabled adapted housing especially to meet needs of disabled children;
 - 1 bed flats in blocks of not more than 6 for vulnerable singles;
 - Pepper potted small flats on section 106 sites;

- Shared ownership is an option for Learning Difficulty clients and physically disabled people;
- Bungalows with flexible use e.g. flat for carers;
- Elderly person accommodation including (extra) care homes and sheltered accommodation.

Other needs and priorities will from time to time be detailed and changed through the Council's Housing Strategy. The Council will, from time to time, publish additional information on the nature of the affordable housing being sought to meet identified needs.

Securing long term use of affordable housing

- 4.18 In accordance with the definition in the NPPF (Annex 2), any affordable housing provided should remain at an affordable price for future eligible households, or mechanisms should be provided to enable the subsidy to be recycled for alternative affordable housing provision. The Council believes that most effective way of doing this is through a Registered Provider (RP) such as a housing association (HA) or direct provision by the local authority. The Council will generally prefer to secure provision of affordable housing through a Section 106 agreement. Where a partner Housing Association is involved it will usually be party to the agreement and should be involved as early as possible in pre-application discussions. Section 106 Agreements will be formulated against the provisions and assumptions agreed at the time of determination of the application.
- 4.19 On residential-only and mixed-use sites, the Council will normally wish to see the developer transfer the freehold interest in serviced land or completed units (whether on the application site or a surrogate site) to a registered provider. In some cases, a 999-year lease may be more appropriate. Where it is proposed that the completed units are not to be transferred to a registered provider, the Council will need to be satisfied that, in accordance with the definition of affordable housing in the NPPF, provisions are in place to ensure that the affordable housing will remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision. This will usually take the form of restrictive covenants within any planning obligation agreement.
- 4.20 Reading Borough Council currently operates within the context of a "joint-commissioning agreement". This involves the Council, the Homes and Communities Agency (HCA - the Government body which registers, funds and scrutinises Housing Associations), and a number of "preferred-partner" registered providers. The Council and the HCA jointly choose the registered provider partners.

- 4.21 A central tenet of joint commissioning is that, generally, only funding bids for grants from the selected registered providers will be supported, including for those affordable housing schemes that have been secured by planning obligation. It therefore follows that developers are strongly recommended to work with the Council's joint commissioning registered providers, even where public funding is not available or not being sought. However, in providing this advice it is accepted that affordable housing provided as part of planning proposals are rarely likely to receive grant funding. Nevertheless, there are many good reasons why developers should consider using joint commissioning registered providers in the first instance when considering providers of such housing.
- 4.22 In the case of commuted sums received in place of on-site provision, the Council will choose the registered providers to which to direct the funding for the provision of affordable housing.
- 4.23 If, in any type of scheme, it is proposed that a registered provider is *not* to be involved in the management of affordable housing, the Council will usually secure the provision of affordable housing for successive occupants through the use of planning obligations, restricting occupancy to households who cannot compete in the housing market.

Conversions upon re-letting

- 4.24 Appendix 3 sets out relevant information and advice for developers/ applicants/ registered providers from the Reading Borough Council Tenancy Strategy¹¹ relating to tenancy agreements and the management of affordable housing by Registered Providers following its provision.

Design and Standards of Housing

- 4.25 The design/construction of the affordable housing should be in-keeping with the character, appearance and quality of any sale housing on the site. The Council expects new affordable housing to meet the Homes and Communities Agency (HCA) Design and Housing Quality Indicators (HQI). These standards cover areas including unit floorspace and room sizes, appropriate amenity space, car parking provision, wheelchair and disabled access, standards of finish and furniture, sustainability, and Building for Life, etc. Units to be transferred to a registered providers should, as a minimum, meet the HCA HQI standards¹², as well as the Council's planning requirements,

¹¹ RBC, Tenancy Strategy 2013 - 2018 (2013) see: <http://www.reading.gov.uk/residents/Housing/HousingStrategiesandPlans/tenancy-strategy-2013-2018/>

¹² See <http://www.homesandcommunities.co.uk/hqi> for further information including a learning module that explains the HCA's justification for their standards.

in particular Core Strategy policies CS1, CS7, DM4, 5, and 10. HQI standards will generally need to be provided for a scheme if it is ever to be considered for grant funding.

Provision of Affordable Housing on Surrogate Sites.

4.26 Where the Council has accepted an argument that there are exceptional circumstances that mean that it would be beneficial and preferable for the affordable housing required as part of the development to be provided on a surrogate site, the Council will expect that:

- The affordable housing provided on the surrogate site will normally be of similar style and quality as the housing that is being provided on the principal site;
- The mix of affordable housing types and sizes provided on the surrogate site will be similar to the affordable housing that would have been provided on the principal site;

unless there are good reasons for providing a different product on the surrogate site.

Financial Contributions/Commutated Sums in lieu of on-site provision.

4.27 For sites of 15 dwellings and above, the council accepts that there may be exceptional circumstances where on site provision is not practical. Where the opportunity to provide affordable housing on a surrogate site is not available, the council will accept a financial contribution/commuted sum in lieu of on-site provision. In the case of sites providing less than 15 units, policy DM 6 allows provision in certain circumstances to be made in the form of a financial contribution. Similarly, for provision made under policy CS13 in relation to the impacts of major employment development, the council will accept direct provision or a commuted sum.

4.28 Any financial contribution should be broadly equivalent to the contribution that would have been made to provide the housing on-site. It should be of a size that will enable a registered provider or the council to provide a dwelling of an appropriate size at an appropriate rental level to meet the identified need. The level of financial payment that the Council considers appropriate will change over time in response to a range of factors. Further information is set out in Appendix 4 to this SPD which indicates how a financial payment/ commuted sum will be calculated. This Appendix will be updated, as appropriate.

Viability of Provision

- 4.29 The Council has been, and will continue to be, willing to consider a range of matters, in particular the viability of individual schemes, in coming to a reasoned judgement on the level of affordable housing that is appropriate on individual developments. It accepts that in the current economic climate and funding regime for affordable housing, the 50% target for affordable housing under policy CS16 will be difficult to achieve.
- 4.30 Similarly the target figures for sites of 10-14 units (30%), 5-9 units (20%) and 1-5 units (10%) were based on returning to the level of viability that existed in 2007. It is accepted that the decline in economic conditions meant that in 2009, when the market was more or less at its lowest point in recent years, those targets would be less easy to achieve and that the return to 2007 levels of viability will be relatively slow.
- 4.31 The Council will assess the viability of the level of provision and the likely level of cost to developers and landowners in terms of:
- the costs of bringing sites in Reading to the market, including the implications of competing land uses;
 - realistic assumptions on the levels of public subsidy likely to be available for affordable housing (which are likely to remain very low or non-existent for Section 106 sites); and
 - the need for the proposed development to be attractive to the lenders of private finance;
 - the need to provide competitive returns to a willing land owner and willing developer, as verified by an independent valuation to enable the development to be deliverable.

In assessing viability, the Council will have regard to other guidance on viability in the NPPF at paragraph 173 so that applications are considered in the light of that guidance.

- 4.32 The Council will be sensitive to exceptional costs of bringing a site to market such as for reasons of expensive reclamation or infrastructure costs, or high existing use values such as in the case of re-using office accommodation. Where applicants can demonstrate, to the satisfaction of the Council, exceptional difficulties in bringing a site to market, it will be prepared to consider detailed information on the viability of a particular scheme and, where justified, to accept a level of affordable housing below the target requirement set out in the relevant policy. However, as development costs are usually reflected in the residual land value, the purchase price of a particular site will not, on its own, be a reason for reducing the affordable housing requirement.
- 4.33 The economics of the provision of affordable housing is complicated. Public subsidy is now very limited and the rules suggest that it will

rarely be available for sites providing affordable housing as a result of a Section 106 agreement. The Council will, where appropriate, therefore take account of the availability of public subsidy and, where it is not available, or only at low levels, will be prepared to adjust its expected provision of affordable housing accordingly.

- 4.34 Adjustments to normal requirements on the grounds of viability need to be transparent and fully justified. Such adjustments can only be considered as a result of a full open book residual valuation assessed by the Council's Valuer or his/her nominee. The open book accounting should be set out to reveal the residual valuation for the application site taking account of abnormal costs, including Section 106 requirements. The Council's Valuer will advise the Planning Applications Committee or Planning Section of the results of his or her assessment.
- 4.35 Appendix 5 to this SPD provides an information sheet indicating the information and level of detail that will be required in order to provide a proper viability appraisal of a proposal that can be readily assessed by the Council. It notes that less detailed information can be provided for smaller sites of less than 10 dwellings.
- 4.36 In exceptional cases, on larger developments (of 15 dwellings and above) and if a case can be made by the applicants, the Council may be prepared to grant planning permission for schemes where the provision of an element of the required affordable housing provision is deferred. This will be dependent upon economic conditions improving before the development is completed. Such arrangements will be considered on a case by case basis taking account of all other relevant material planning considerations.

Viability in relation to Policy DM6

- 4.37 In the current economic circumstances, it is accepted that the viability of development has reduced since 2007, although it has stabilised since the low point of the recession during 2009. It is accepted that achieving the policy targets will be very difficult in some circumstances. However, the assumption is that the economy will gradually move out of recession and into more buoyant conditions. As this happens, it is anticipated that the viability of development will support the target levels set out in the policies. In the meantime, the Council acknowledges that the viability of individual sites will need to be considered on a case by case basis, having regard to economic conditions at the time the planning application is determined.
- 4.38 The text to policy DM6 (paragraph 4.2.9) indicates that "...it is intended that some additional detail on the provision of affordable housing will be provided.....This might include details of how economic conditions and other factors are accepted as affecting the viability of development at a particular point in time." The Inspector's Report on

the examination of the Sites and Detailed Policies Document noted that the policy will be applied flexibly to take account of market conditions or difficulties on particular sites.

- 4.39 Given the current (2013) economic circumstances, the Council accepts that it is possible that the levels of affordable housing or financial contribution that can be achieved by schemes may not meet the targets indicated in policy DM6. Therefore, subject to assessments of submitted viability appraisals and arguments, the Council will be prepared to accept applications on the basis of providing a reasonable level of affordable housing in the prevailing economic circumstances, considered on a case by case basis at the time the application is assessed. Appendix 5 to this SPD provides an information sheet indicating the information and level of detail that will be required in order to provide a proper viability appraisal of a proposal that can be readily assessed by the Council. It notes where less detailed information can be provided for smaller sites of less than 10 dwellings.

5.0 Procedures

- 5.1 The provision of affordable housing will normally be secured through a Section 106 agreement. The target timescale for determining planning applications is 8 weeks for minor applications, and 13 weeks for major applications (16 weeks if the development involves an Environmental Impact Assessment). In 2012, the government introduced the “Planning Guarantee” whereby an application should not take longer than 26 weeks to be determined unless the applicant has entered into a Planning Performance Agreement (PPA) with the Council in which case a bespoke timescale is agreed. This means that it is advisable for heads of terms for Section 106 agreements to be discussed and documented prior to the submission of any planning application. The Council encourages pre-application discussions. One reason is to ensure that the process of agreeing, drawing up and completing agreements is well advanced and they can be agreed and signed within the planning application determination period. Applications may be refused where agreements are not ready to be completed within the determination period.
- 5.2 The Council will process negotiations and agreements on planning obligations in a positive and proactive manner and as quickly as is reasonable. However, it can be a complicated legal process and ample time needs to be available to complete the process. To this end, the Council has drawn up standard clauses to be used in any draft legal agreement to assist the processing of applications. Applicants will need to brief their own legal advisors early in the pre-application process.
- 5.3 Where an agreement is required, applicants will need to provide the following information, as set out in the RBC Planning Application Checklist (this document can be found on the RBC website at <http://www.reading.gov.uk/General.asp?id=SX8838-A77FA4A7&cat=932>)
- (i) proposed heads of terms of the legal agreement;
 - (ii) copies of the “title deeds”;
 - (iii) in the event that there are any charges, mortgages or other securities secured on the land, the names and addresses of the chargees/mortgagees/holders of the security (since it will be necessary for any such to be joined as parties to the agreement and/or consent to its terms or execute a Consent to Dealing as appropriate);
 - (iv) an undertaking to pay the Council’s appropriate legal costs in connection with the preparation of the legal agreement;

- (v) in the event that the applicants are represented by solicitors, the relevant contact address and name of the solicitor/person dealing with the matter.

- 5.4 Details should be included as part of the application to ensure that it is clear what is being offered by the development so that interested persons are aware of the full picture. The Council will provide applicants with a timetable for completing actions so that planning applications can be determined within the specified target period. Failure to provide this information may result in the application being refused if inadequate time is available to complete the agreement.

- 5.5 Payment of contributions will generally be sought either upon commencement of development or on occupation unless it is agreed that an alternative stage in development is appropriate and acceptable. For larger scale proposals, in order to assist the viability and delivery of the scheme, the Council may agree to staged or deferred contributions. These might be linked to different phases of the development or stages in the implementation of the scheme. Payments will (where appropriate) be index linked to the Retail Prices Index from the date of the agreement.

Extract from the National Planning Policy Framework

“Annex 2: Glossary

Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as “low cost market” housing, may not be considered as affordable housing for planning purposes.”

Appendix 2

Affordable Housing and Employment Development

Background evidence to the Reading Borough Local Development Framework and more recent evidence points to a growing gap between the numbers of economically active in the job market and the numbers of jobs in the area. Further employment development that is not already committed (i.e. has planning permission at March 2011) will add to that gap, leading to pressure on local housing from employees moving to the area to be near to their jobs and/or long distance commuting. Such development is not therefore sustainable unless it is appropriately mitigated.

Applicants should provide an employment impact statement setting out the net increase in employment numbers arising from the development, and its consequent impact on housing in the local area. Applicants will put forward how they expect labour to be sourced

In terms of housing impact, a proportion of the housing need generated by the additional employment might be taken up by:

- Slackness in the economy at the time (e.g. unemployed or underemployed persons who already have housing);
- Employees who can access housing capacity being provided as part of local plans for adjoining districts that won't be taken up by new employment growth in those districts.
- The planned loss in employment floorspace in the plan and as a result of changes of use, particularly the loss of offices under the new 2013 permitted development regime.
- Allowance for some employees gaining access from further afield via sustainable transport modes, e.g. trains and buses.

While the analysis is that all additional floorspace arising from new commitments gaining permission after March 2011 will add further to the already wide gap, this can be discounted by an amount (we are working on a generous 50%) to allow for the above flexibilities/capacities. The remaining 50% additional floorspace will be assumed to have direct impacts on housing pressure in the Borough. For Reading, the lower paid face higher prices and higher competition for housing that they can afford, and cannot afford commuting costs. Such households will not access suitable employment, adding to labour and skill shortages in the area, unless they can gain access to affordable housing.

The Council seeks to achieve a target of 40% of overall additional housing as affordable housing. However in the current market in relation to employment development, any provision would need to be negotiated taking scheme viability into account.

Therefore the calculation to mitigate the employment impacts of new additional employment floorspace will be:

1. Calculation of additional floorspace divided by the density of employment for that use and location (e.g. 21m² per employee in a town centre location);
2. Multiply by 50%, allowing for flexibilities and capacities in the local market to estimate the net increase in employment that will add to the employment gap;
3. Divide by 1.317 (factor for number of jobs/households) to determine how many households that level of employment will result in.
4. Multiply by x% to estimate the number of affordable housing units that should be provided to mitigate the impact (subject to scheme viability assessment).
5. Calculate the contribution based on the average cost for an RSL to provide a single unit of affordable housing in Reading (at 2013, this is in the region of £80,000 but an exact figure should be agreed with the Council's Valuer)

Example Calculation

The calculation for an additional 10,000m² (gross) office floorspace in the Centre of Reading would be as follows:

1. 10,000m² divide by 21 = 476 employees
2. X 50% to account for flexibilities = 238 (net addition to the employment gap)
3. Divide by 1.317 (for households) = 180
4. X x% (affordable housing target) (for example 10% taking scheme viability into account) = 18 units
5. X £80,000 = £1,440,000 (or £144 per m²).

That figure can be weighted against any housing/affordable housing being provided as part of the scheme and other factors that the applicant wishes to rely upon.

Affordable Housing SPD

Relevant Advice from the Reading Borough Council Tenancy Strategy Relating to the Management of Affordable Housing by Registered Providers.

Under its Tenancy Strategy (2013)¹³, the Council expects affordable housing providers to only let 1 and 2 bed properties as Affordable Rent, and to ensure that rents charged do not exceed the lower of the following two criteria:

- The relevant Local Housing Allowance (LHA) rate that is applicable for that property size, at the time of rent setting;
- The amount assessed by the registered provider as affordable in the local area at the time of setting the rent.

Conversions upon re-letting

Under its Tenancy Strategy, the Council expects Registered Providers to re-let properties with three bedrooms or more at target rents and not to convert them on re-let to affordable rents. Housing providers are also expected to continue to re-let properties that provide supported accommodation for older people, such as sheltered or care housing or housing that has been adapted, at target rents and not to convert them on re-lets at affordable rents.

For other properties and smaller 1 and 2 bedroom dwellings, the Council wants to avoid scenarios where particular localities experience a disproportionately high level of conversions to affordable rent, thus limiting the opportunities available for existing social rented tenants to transfer to areas of their choice and retaining a traditional rent level (target rent). Registered Providers should therefore be mindful of the impact of conversions upon the tenure profile and overall sustainability of the communities within which they operate.

The Council expects conversions from social rented properties to affordable rent properties at the point of re-let to be based on the agreed contract with the HCA and that those agreed numbers be shared with the Council in order for effective monitoring to take place.

¹³ RBC, Tenancy Strategy 2013 - 2018 (2013) see:
<http://www.reading.gov.uk/residents/Housing/HousingStrategiesandPlans/tenancy-strategy-2013-2018/>

Appendix 4

The Calculation of Financial Contributions/Commutated Sums in lieu of on-site provision.

Any financial contribution should be broadly equivalent to the contribution that would have been made to provide the housing on-site. It should be of a size that will enable a registered provider (RP) or the Council to provide a dwelling of an appropriate size and tenancy at an appropriate rental level/cost to meet the identified need. A registered provider (for example a housing association) can borrow against rental streams and use their own resources to purchase completed units. However, it can only afford a proportion of the market value of the completed unit. In order to be able to provide a dwelling, the registered provider will require a financial subsidy equal to the proportion of the market value that it cannot afford. The financial contribution being sought in lieu of on-site provision will be broadly equivalent to this amount and is based on the general ability of an RP to purchase in the current market.

In 2013, the evidence in the market place generally is that a registered provider would be able to fund approximately 50% of the market value of a unit and would generally need a financial contribution of 50% of the market value in order to provide each unit. The figure will vary to some extent depending on the size and tenure (target rent, affordable rent, intermediate housing) of the affordable unit being provided. However, the figure of 50% market value of a unit provides an indication of the general level of contribution that will be needed to provide one unit by an RSL in the current market.

The 50% figure is derived from the price that a registered provider (RP) can afford to pay expressed as a proportion of open market value, making allowance for commuting the affordable tenure off site and acknowledging design factors such as the Code for Sustainable Homes, Lifetime Homes and Housing & Communities Agency (HCA) design space standards, which may vary between private and affordable units.

Policy DM6 will be implemented as follows:

Scheme 1-4 units - Policy DM6 seeks 10% affordable housing as a financial contribution/commuted sum.

The most appropriate way to calculate the contribution is to calculate the Gross Development Value (GDV) of the entire proposed development. The financial contribution will be directly proportionate to the GDV of the scheme assuming it is 100% private sales, and will equate to a payment of 5% of that GDV.

A Worked Example:

A scheme of 3 houses:

GDV @ £200k per house = £600k

10% Affordable Housing element	= £60k
RSL purchase at 50%	= £30k
Residual commuted sum	= £30k = 5% GDV

Schemes of 5-9 and 10-14 units

Policy DM6 seeks an onsite contribution of 20% and 30% respectively for schemes of 5 units and above made up of a combination of on-site provision and commuted payments depending on the nature of the scheme.

Where a combination of provision is necessary the Applicant will identify the required proportion for on-site affordable housing and calculate the remaining commuted sum based on 50% of the GDV of the remaining percentage required to meet the policy target.

Worked Examples:

A scheme of 9 houses (20% affordable housing requirement)

20% of 9 units is equivalent to 1.8 units.

This equates to 1 unit on site and 80% of 1 unit in the form of a financial contribution.

The units are worth £200k each as private sales. 80% of a unit equates to 8.89% ($0.8/9 \times 100$) of the total GDV of the proposed development.

If the GDV of the total proposed development is £1.8m ($9 \times £200k$) then 8.89% equates to £160k, the resulting financial contribution, at 50%, would amount to £80k.

If it was accepted that exceptional circumstance exist and that the whole contribution can be taken as a financial contribution, the calculation would be as follows:

GDV for 9 houses at £200k each	=£1,800k
20% Affordable Housing element	= £360k
RSL purchase at 50%	= £180k
Residual commuted sum	= £180k = 10% GDV

If the number is increased to 14 units, all units should be provided on site but if it was accepted that exceptional circumstance exist and that a commuted sum was therefore acceptable, it would be calculated as follows:

GDV for 14 houses at £200k each	=£2,800k
30% Affordable Housing element	= £840k
RSL purchase at 50%	= £420k
Residual commuted sum	= £420k = 15% GDV

Appendix 5

Information Requirements for a Viability Assessment to Support a Planning Application.

If an application falls to provide affordable housing under policies CS16 or DM6, and the applicant proposes not to meet the target requirements or the proportion of affordable housing that should be provided, the applicant will need to make a reasoned case as to why the requirement should not apply in full to the application proposal. That case may relate to viabilityⁱ in which case the policy sets out that, "...an open book approach will be taken and the onus will be on the developer/landowner to clearly demonstrate the circumstances justifying a lower affordable housing threshold."

As part of any affordable housing viability submission the Applicant will be required to submit the supporting information set out below. Not all the information will be required for small schemes of less than 10 units. Some of the information in Tables 2 and 3 would not necessarily apply to such schemes. However, applicants will need to be clear on the form as to why that information is not relevant to considering the viability of their schemes.

TABLE 1: Supporting/contextual Information

	Item	Other Details	Details of Information Provided to the Local Authority
1.1	A site plan with building footprints	At 1:500 Scale.	
1.2	Gross and Net (where applicable) site area	In Hectares (ha).	
1.3	Schedule of existing floorspace where applicable along with details of recent use.	Areas measured and provided in accordance with the RICS Code of Measuring Practice	

1.4	Schedule of the number of units proposed along with unit sizes,	Also provide information on the no. of habitable rooms/bedrooms.	
1.5	Outline of case as to why policy target provision of affordable housing cannot be achieved.	e.g. abnormal site contamination or other adverse conditions, abnormally expensive infrastructure requirements, site not suitable (with full explanation), viability in current market conditions, etc.	

TABLE 2: Component parts of a Development Appraisal in the form of a Residual Valuation demonstrating viability and deliverability of the proposed scheme¹⁴.

	Item	Other Details	Information Provided to Local Authority
1.	Value of Private Sale Units	Scheme specific estimated “achieved” sales values - total and individual values for different dwelling types - accompanied by independent supporting evidence or benchmarked against Land Registry values;	
2.	Value of the affordable housing provision and the calculation of any commuted sum in complying with Policies CS16 and DM6	Assumptions as to the proposed unit types, tenures and values of providing the affordable housing or the contribution proposed in lieu of provision on site as allowed under Policy DM6 Include details of tenure assumptions and evidence or estimates of RSL offers where	

¹⁴ The specification is partially based on the headings contained in Annex A of DCLG, “Section 106 affordable housing requirements, Review and Appeal,” April 2013ⁱ, supplemented by regard to RICS, “Financial Viability in Planning,” 2012ⁱⁱⁱ.

		appropriate.	
3.	Details of any grants/non developer financing towards affordable housing provision	e.g. HCA or local authority grants, charitable funding, direct and indirect funding from the partner registered housing provider	
4.	Other Values generated by the scheme	e.g. the value any non-residential uses, any ground rents, car parking, temporary income, etc.	
5.	Gross Development Value	The total of Items 1-4	
6.	Marketing/Sales costs	Costs of agents, advertising, etc. Legal Fees for the sale of units.	
7.	Net Development Value	Gross Development Value less the Marketing/ Sales costs listed in 6.	
8.	Estimated Building Costs.	Building Costs should be Building Costs Information Service (BCIS) or, if in excess of these costs, supported by Tender costs or a Quantity Surveyor cost report showing how costs have been estimated and assessed against comparable market evidence. Include separate costs related to complying with BREEAM and Code for Sustainable Homes standards where these exceed the costs of complying with the	

		Building Regulations.	
9.	Itemised Preliminary Costs.	<p>Site specific preparatory costs which may include demolition and other works arising from ecological, geotechnical, archaeological and other site investigations. These would be expected in normal circumstances to be reflected within the purchase price.</p> <p>Preliminary costs/work including site clearance/preparation, infrastructure and servicing, site set up and contractor/contract preparation. These may need to be verified by independent cost consultants.</p>	
10.	Abnormal Construction Costs	<p>Abnormal costs are dependent on site specific circumstances and may include decontamination, land stabilisation and land forming or raising. Site specific evidence (cost estimates by independent cost consultants or invoices), benchmarked against comparable evidence, should be submitted where relevant and available. In some cases these will be reflected in the market value and care will need to be taken to avoid double counting.</p>	
11.	Contingency	<p>A development contingency allowance to cover unforeseen costs.</p>	

12.	Professional fees presented under each respective heading;	All related professional fees including architects, planners, engineering, QS, ecologists, arboriculturalists, project manager, CDM etc., individually listed and costed.	
13.	Planning and other Obligations	The costs of delivering planning conditions or obligations in planning and highways agreements.	
14.	Costs of Capital / Debt Finance on building works.	The cost and lending structure for borrowing money and any related arrangement fees to fund the site preparation, construction and all major capital costs and fees etc., including basis and ratios of debt and equity contributions, payback, bank terms etc.	
15.	Estimated profit/ developers' rate of return	Provide context for and basis for measuring target return. Developers return (itemised including business costs, tax etc.) and including actual profit.	
16.	Gross Land Value	Value of site prior to the deduction of land related costs (under 17 & 18 below).	
17.	Related Land Costs and Fees	Incurred relevant costs and fees, These may include agents fees, legal fees, site promotion and other costs and fees, where appropriate. ⁱ	
18.	Land Purchase Costs (including Taxes and Duties)	Including agents and legal fees on land purchase, financing costs, Stamp Duty Land Tax, VAT and other taxes together with any exemptions or tax efficient delivery vehicles	

TABLE 3: Supplementary information to support Development Appraisal.

These details may not be essential in a viability appraisal for small sites of less than 10 dwellings.

	Item	Other Details	Information Provided to Local Authority
19.	Construction timescales, programme and phasing	Proposed construction program.	
20.	Detailed cashflow for the scheme	Showing the amounts and timings of all the income and expenditure forecasts and payments	
21.	Salient terms of acquisition (e.g. subject to planning, soils, ground conditions survey, etc.);	Provide details of ownership. Include purchase process (e.g. private treaty, open market bid, auction, etc.), the basis of any purchase, e.g. outright purchase, option, contract, etc., and details of occupation and leases/ tenancies, or whether vacant possession.	

TABLE 4: Comparison information benchmarking viability and deliverability of the proposed scheme and the Affordable Housing offer

	Item	Other Details	Information Provided to Local Authority
22.	Land Value:	The land purchase price (benchmarked against both market values and sale prices of comparable sites in the locality). Any significant overbid on the site will be disregarded.	
23.	Existing Use Value:	Supported by a detailed valuation;	
24.	Summary of Calculation of Residual Valuation - with affordable housing provision in accordance with relevant policy (CS16 and/or DM6).	Based on the calculations and headings in Table 2 above and demonstrating the actual affordable housing offer with the full contribution being sought by the LPA.	
25.	Evidence of sensitivity testing and checks being undertaken to verify the soundness of the judgements being taken on viability.	e.g. Different profit assumptions, comparisons with the sale price of land for similar development, etc.	
26.	Comparison of Residual Valuation with Site Value	Site Value should equate to the market value ⁱⁱ providing that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.	
27	Affordable Housing contribution being offered	Assumptions as to the proposed unit types, tenures and values of providing the affordable housing or the contribution	

	<p>in default of full contribution under CS16 or DM6</p>	<p>proposed in lieu of provision on site as allowed under Policy DM6. Include details of tenure assumptions and evidence or estimates of RSL offers where appropriate.</p>	
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The required information will be submitted in a hard copy and digital form. It will provide a residual valuation in a format of the applicant’s choice and design showing the effect of the affordable housing requirement on the viability of the scheme. It should however relate to the headings in the above tables.

The residual valuation will be supported by a cashflow analysis. Valuations using standard viability models such as HCA, RICS, Three Dragons, etc., will be acceptable providing they provide all the above information and are supported by an appropriate cashflow analysis.

This information will be provided to the Local Planning Authority in its entirety with any planning application and preferably at the pre-app stage. It will generally be considered as confidential (i.e. it will not be displayed with the planning documents on the Council’s website and should therefore be provided as a separate document). However, applicants should note that any submitted information could be the subject to a request for information under the Freedom of Information Act and the Environmental Information Regulations. In the event of such a request, the Council will ask the applicant to be prepared to provide a clear statement as to why any information submitted to the Council should be exempt from disclosure under the Act. However, it will ultimately be for the Council to decide whether such a disclosure of information should be made in the public interest.

ⁱ Financial viability for planning purposes is defined as follows: ‘An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project.’

ⁱⁱ The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after properly marketing and where the parties had each acted knowledgeably, prudently and without compulsion ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project.’